

# Edmonton



## Inside Report

Development in Alberta's industry is expected to carry the province through the remainder of the year

### Under Construction



**141,000 SF**

Vacancy  
Greater Edmonton



**6.1%**

### Leduc & Nisku Vacancy



**8.3%**

### Real GDP Growth\*



**2.2%**

CBOC forecast Real GDP Growth for 2017

## MARKET UPDATE



According to the Conference Board of Canada, Alberta's economy is expected to improve over the next two years, as Real GDP is forecast to grow by 2.2 percent in 2017



Oil production is expected to increase in 2017, aided by cost cutting measures undertaken during 2016 and progress in pipeline approvals resulting in greater access to tidewater



Deal velocity has increased in the Greater Edmonton Area. Most notably in Nisku, Leduc and Sherwood Park, which helped compress vacancy



Despite decreases in residential housing starts, construction output is expected to grow by 1.7 percent in 2017 and 2.6 percent in 2018, due in large part to commercial development investment

## Market Overview

Vacancy rates in Greater Edmonton's industrial market have compressed slightly as deal velocity increased, falling from an all-time high of 6.4% in the second half of 2016. Vacancy in the surrounding areas decreased from 9.4% to 6.3% in the first quarter of 2017, pushing overall vacancy down to 6.1%. Nisku and Leduc experienced significant tightening as vacancy decreased by 5.1 percentage points.

New industrial building construction tapered off during the latter half of 2016, as developers wait for absorption to ramp up. The lack of new supply has helped push vacancy lower. A number of large multi-national oil field services firms have right sized their Edmonton operations, opening up sublease, purchase and head lease opportunities. These firms shrinking their footprint in the market

may enable smaller local companies to acquire greater market share by winning contracts that these larger firms have left behind.

Rental rates have compressed slightly but are expected to remain stable throughout 2017, asking rates for smaller older product have dropped by 15% – 20% since the first quarter of 2016. However, well positioned assets are expected to maintain their value. In order to preserve lease rates landlords have become more willing to provide incentives, including periods of free rent and larger tenant inducements. Some landlords have completed deals with shorter term in order to capture some revenue on their product with the expectation of renegotiating when the economy recovers completely.

## Major Projects: Investment Continues In The Edmonton Area

### North West Redwater Partnership Bitumen Upgrader: Phase I of III

150,000 barrel per day bitumen upgrader and diesel refinery once fully complete. Construction is anticipated to be complete by the end of 2017, and will capture 1.2 million tonnes of CO2 per year per phase.



Estimated Capital Cost:  
**\$8.5 BILLION FOR PHASE 1**

### Pembina Pipeline Propane Dehydrogenation (PDH) & Polypropylene Facility

Formed joint venture between Pembina Pipeline Corporation and Petrochemical Industries Company K.S.C., which will occupy land in Sturgeon County

Once fully operational, the facility will produce up to 550,000 tonnes of polypropylene per year and consume approximately 22,000 barrels of propane per day.

The project is in the development stage, and currently under review.

Estimated Capital Cost:  
**\$4.0 BILLION**



### TransCanada Grand Rapids Pipeline Project

460 kilometers of parallel pipelines carrying crude oil and diluent from the Fort McMurray area to Alberta's Industrial Heartland, including ancillary pump stations and tank facilities.

Construction will continue throughout 2017 on the pipelines and associated pump and tank infrastructure. In-service for the 36" pipeline is expected in 2017.

Estimated Capital Cost:  
**\$3.0 BILLION**



### Inter Pipeline Propane Dehydrogenation (PDH) & Polypropylene Facility

Converting propane into higher value products with an initial capacity of approximately 1.1 billion pounds of polymer grade propylene and 1 billion pounds of polypropylene. Expected to be operational by Q3 2017.

Estimated Capital Cost:  
**\$2.5 BILLION**

## Notable Building Sale Transactions (January February, March)

Location	Subdivision	Sale Date	Property	Sale Price	Unit Price (psf)	Vendor	Purchaser
15250 121A Ave	Mitchell Industrial	30-Mar-17	138,964 sf on 7.91 acres	\$16,690,000*	\$160.14	PIRET Holdings Ltd	BMO Life Assurance Co
12959 156 Street	Mistatun Industrial	05-Jan-17	99,940 sf on 5.31 acres	\$12,500,000	\$125.08	SLP Properties Inc	Pumm Developments Ltd
12004 149 Street	Mitchell Industrial	06-Feb-17	47,652 sf on 2.82 acres	\$9,800,000*	\$205.66	Chester Developments Ltd	Imperial Equities Inc
15703 114 Avenue	Sheffield Industrial	30-Mar-17	111,500 sf on 4.63 acres	\$7,530,000*	\$90.04	PIRET Holdings Inc	BMO Life Assurance Co
11415 168 Street	Norwester Industrial	30-Mar-17	99,268 sf on 5.28 acres	\$7,130,000*	\$95.77	PIRET Holdings Inc	BMO Life Assurance Co
4104 99 Street	Strathcona Industrial	08-Feb-17	51,302 sf on 3.0 acres	\$4,800,000	\$93.56	Leading Brands of Canada Inc	York Realty Inc

\*Investment Sales

## Feature Listings

	<b>For Lease</b>	
	<b>Commerce South</b> 8440/8452 Roper Road <b>Up to 49,250 SF</b>	<ul style="list-style-type: none"> <li>First class quality development with excellent exposure to Roper Road and appealing facade</li> <li>Excellent access and egress to the property</li> <li>Combination of dock and ramped grade loading</li> <li>Ability to complete larger or smaller deals</li> <li>Long term stable ownership with the ability to continue to invest in the property</li> </ul>
	<b>For Sale</b>	
	<b>Jamboree Building</b> 22603 112 Avenue <b>13,000 SF on 2.94 acres</b>	<ul style="list-style-type: none"> <li>Excellent access to Anthony Henday, Winterburn Road, Yellowhead Trail and Stony Plain Road</li> <li>Six over-sized grade doors</li> <li>Water reclamation system</li> <li>Fully improved fenced yard area that is energized</li> </ul>
	<b>For Lease</b>	
	<b>Fabrication Opportunity</b> 9525 60 Avenue <b>67,953 SF on 8.87 acres</b>	<ul style="list-style-type: none"> <li>67,953 square feet available, fully enclosed with potential for up to 95,111 sf. Includes a 27,157 sf covered crane way, and 7 interior bridge cranes from 5 - 10 tonnes</li> <li>Multiple leasing scenarios, with ability to multi-tenant the property; possible tenancy opportunities starting at 30,000 sf</li> <li>Ability to be re-purposed to suit a variety of manufacturing &amp; fabricating uses</li> <li>Ample power to accommodate a variety of users, large and well laid out yard</li> </ul>
	<b>For Lease</b>	
	<b>Freestanding Office &amp; Shop</b> 7805 34 Street <b>7,796 SF on 3.5 acres</b>	<ul style="list-style-type: none"> <li>Newer built, very functional office building</li> <li>Energized parking in yard</li> <li>Seacan containers, attached canopies, Quonset hut, and office trailer complex included</li> <li>Direct access to 34 Street, with easy access to Sherwood Park Freeway, Whitmud Drive and Anthony Henday Drive</li> </ul>
	<b>For Lease</b>	
	<b>Argyll Road Exposure</b> 7668 69 Street <b>26,535 SF on 1.24 acres</b>	<ul style="list-style-type: none"> <li>Very functional, well built out office space with HVAC</li> <li>Forced air/radiant tube heating in warehouse, fully sprinklered and heavy power</li> <li>Excellent access to 75 Street, Whitmud Drive, Sherwood Park Freeway and Anthony Henday Drive</li> <li>Exposure onto Argyll Road</li> </ul>

## Notable Lease Transactions (January, February, March)

Location	Commencement	Size (sf)	Tenant
13155 149 Street	01-Jul-17	83,750	Rexel Canada Electrical Inc <b>(Renewal)</b>
Northport Business Park Bldg A	01-Sep-17	75,468	Medline
161 Strathmoor Way	01-Mar-17	79,665	Silent-Air GP Inc*
Northwest Business Park Bldg 7B	01-Nov-17	61,772	Carlstar Group
6904 99 Street	01-Jun-17	56,720	Fresh Forward Inc*

\*Completed by Avison Young



## Market By The Numbers

	Total Inventory	Direct Vacancy	Sublease Vacancy	Vacancy Rate	Vacancy Direct	Vacancy Sublease	Serviced Land Cost
<b>CITY OF EDMONTON</b>							
Southeast	53,378,870	3,358,532	501,542	7.2% ▲ 0.4%	6.3% ▲ 0.9%	0.9% ▼ (0.6%)	\$700,000
Northwest	58,242,578	3,070,077	281,734	5.8% ▲ 0.7%	5.3% ▲ 0.7%	0.5% - -	\$650,000
Northeast	6,531,182	109,227	8,870	1.8% ▼ (1.0%)	1.7% ▼ (1.1%)	0.1% - -	\$525,000
Central	3,738,414	47,659	23,188	1.9% ▲ 0.3%	1.3% ▼ (0.3%)	0.6% ▲ 0.6%	-

<b>SURROUNDING DISTRICTS</b>							
Acheson	7,844,536	180,638	11,825	2.5% ▼ (0.3%)	2.3% ▲ 0.5%	0.2% ▼ (0.8%)	\$425,000
Sherwood Park	6,365,000	443,958	3,560	7.0% ▼ (2.9%)	7.0% ▼ (2.9%)	0.1% - -	\$600,000
Nisku/Leduc	12,464,668	964,227	92,151	8.5% ▼ (5.1%)	7.7% ▼ (4.6%)	0.7% ▼ (0.6%)	\$500,000

<b>TOTALS</b>							
City	121,891,044	6,585,495	815,334	6.1% ▲ 0.5%	5.4% ▲ 0.7%	0.7% ▼ (0.2%)	-
Surrounding	26,674,204	1,588,823	107,536	6.4% ▼ (3.0%)	6.0% ▼ (2.6%)	0.4% ▼ (0.4%)	-
Overall	148,565,248	8,174,318	922,870	6.1% ▼ (0.3%)	5.5% - -	0.6% ▼ (0.3%)	-

	Southeast		Northwest		Northeast		Leduc/Nisku		Sherwood Park		Acheson	
Net Asking Rent By Bay Size:	Multi - Tenant	Freestanding	Multi - Tenant	Freestanding	Multi - Tenant	Freestanding	Multi - Tenant	Freestanding	Multi - Tenant	Freestanding	Multi - Tenant	Freestanding
0 - 5,000 sf	\$10.00	\$15.00	\$9.50	\$14.00	\$9.50	\$12.00	\$10.00	\$14.00	\$12.00	\$15.00	\$11.00	\$14.00
5,001 sf - 10,000 sf	\$9.50	\$13.00	\$9.00	\$11.00	\$9.00	\$10.00	\$10.00	\$12.00	\$12.00	\$14.00	\$10.00	\$15.00
10,001 sf - 20,000 sf	\$9.00	\$11.00	\$9.00	\$10.00	\$8.50	\$10.00	\$9.00	\$11.00	\$10.00	\$12.00	\$9.50	\$12.50
20,001 sf - 50,000 sf	\$8.50	\$10.00	\$8.00	\$9.00	\$7.50	\$10.00	\$8.50	\$10.00	\$9.00	\$10.00	\$9.00	\$13.00
50,001 sf & Up	\$7.75	\$9.00	\$7.50	\$7.75	\$6.50	\$8.00	\$8.00	\$8.50	\$8.00	\$9.25	N/A	\$10.00



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