

Industrial Q4 2023

ECONOMY

Throughout 2023, the economic landscape in Alberta has been marked by the challenges of high-interest rates and persistent inflation. The market has felt the ripple effects of elevated construction and operational costs, creating a notable reluctance for economic activities. Despite these headwinds, Alberta has demonstrated resilience with investors and companies being creative in how they support their operations. End-of-year projections see Alberta's GDP grow by 2.2% in 2023 - the second highest in Canada, with the province experiencing a historic influx of population. As of October 1st, 2023, 61,118 new residents contributed to a provincial total of 4,756,408 - a remarkable 4.3% year-over-year (YoY) increase, the highest since 1980. The region's attractiveness for industrial investment has been notably high, fueled by its lower relative costs compared to other provinces in Canada. As of December 2023, barrel prices were traded at around \$80 USD with the price spread between WTI and Alberta's benchmark WCS widening by \$5 USD to -18 \$/bbl from Q3. Oil market volatility is anticipated to persist in 2024.

Source: TD Provincial Economic Outlook, Statistics Canada, Government of Alberta, Oilprice.com

DEMAND

Activity in the capital region saw 473,877 SF in net absorption, marking a YoY decrease of 61%. The overall vacancy rate as a result has risen to 3.9%, up 30 basis points from 3.6% in the third quarter. Despite the decline in activity and increase in vacancy, overall leasing activity remained robust, resulting in a year-to-date (YTD) net absorption of 2.09M, a small 2.38% increase from 2022. Newer distribution facilities remain highly sought after, with incoming supply seeing leasing parallel in movement. A trend seen throughout all of 2023 is tenants occupying more space with leasing activity in Q4 predominantly occurring inside 15,000 – 30,000 sqft (SF). Average lease sizes were around 15,000 SF, a 4,000 SF increase from the beginning of the year. The Northwest and Southeast submarkets of the capital experienced high deal velocity/volume compared to other regions this quarter and this trend is expected to continue into 2024. Additionally, rental rates decreased by \$0.42 PSF compared to Q3 reflecting landlords' efforts to fill vacant spaces. Amidst the ongoing economic challenges in the Canadian market, these figures underscore the resilience of Edmonton's industrial sector.

Edmonton continues to witness dynamic growth characterized by substantial investment deals and ongoing developments. In Q4 2023, Dow Chemical unveiled plans for its \$11.5 billion world-first ethylene cracker facility in Fort Saskatchewan. The project aims to convert emissions into hydrogen and clean fuel for future use supporting an estimated 8,000 jobs during project construction. Furthermore, CanFirst Capital Management acquired a 364,000 SF facility from Loblaw, promptly securing a 10-year lease with the grocer - both investments signaling investor confidence in the Edmonton Region. Q4 witnessed the key construction completions of buildings one and two at Fulton Creek Business Park spanning 150,000 SF and 266,000 SF respectively along with Building M at Border Business Park spanning over 481,450 SF.

OUTLOOK

The first half of 2024 is poised to witness a substantial influx in industrial inventory accompanied by sustained leasing activity. Interest rates are anticipated to drop sometime in mid-2024 fostering opportunities within this robust sector.

	YoY Chg	12-Mo. Forecast
3.9% Overall Vacancy Rate	▲	▼
473,877 Net Absorption, SF	▼	▲
\$10.90 Asking Rent, PSF	▼	▲

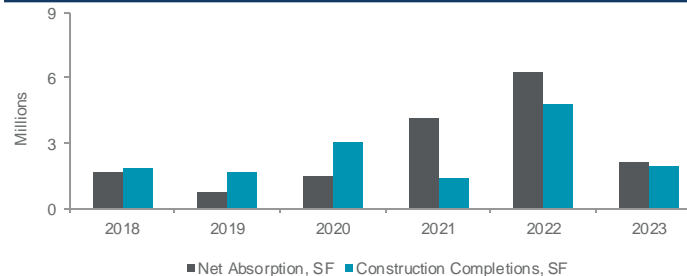
Overall, Net Asking Rent
Source: CoStar

ECONOMIC INDICATORS Q4 2023

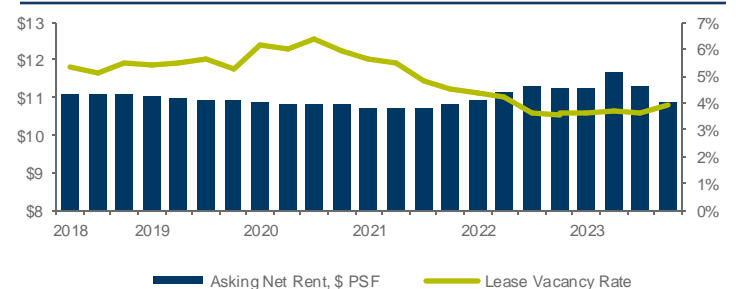
	YoY Chg	12-Mo. Forecast
852.1K Edmonton Employment	▲	▲
6.6% Edmonton Unemployment Rate	▲	▲
5.8% Canada Unemployment Rate	▲	▲

Source: Statistics Canada

SPACE DEMAND / DELIVERIES



OVERALL LEASE VACANCY & NET ASKING RENT



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MARKET STATISTICS

KEY SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	AVG NET RENTAL RATE	AVG NET ADDITIONAL RATE	AVG GROSS RATE
Southeast	47,468,222	4.1%	-20,247	113,341	763,200	166,971	\$9.23	\$4.68	\$13.91
Northeast	6,253,154	3.6%	25,440	-35,817	9,283	0	\$10.34	\$4.15	\$14.49
Northwest/Central*	58,616,706	3.0%	230,515	1,076,426	1,146,624	1,166,187	\$9.31	\$4.52	\$13.83
Sherwood Park/Strathcona County	9,150,935	5.4%	-49,044	-34,864	146,966	0	\$12.48	\$4.09	\$16.57
Acheson**	14,594,466	0.9%	16,011	26,684	762,600	115,000	\$13.46	\$4.17	\$17.63
Leduc/Nisku	25,512,401	7.6%	271,202	954,140	48,611	481,450	\$10.59	\$3.40	\$13.99
EDMONTON MARKET TOTALS	161,595,884	3.9%	473,877	2,099,730	2,877,284	1,929,608	\$10.90	\$4.30	\$15.20

Source: CoStar, *Sturgeon County and **Parkland County included in total.

KEY LEASE TRANSACTIONS Q4 2023

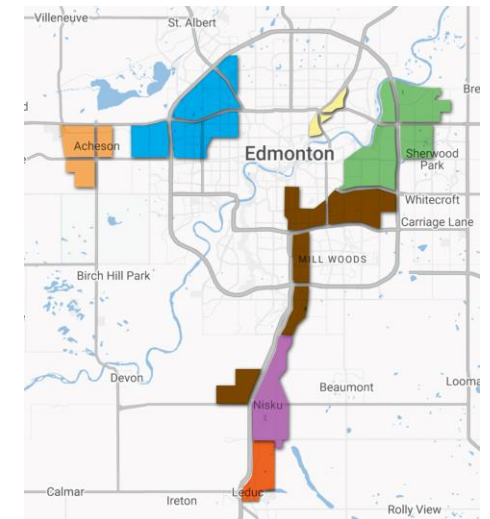
PROPERTY	SUBMARKET	TENANT	SF	TYPE
16104 121A Ave NW	Northwest	Loblaws	364,912	Lease
2308 8 St	Leduc/Nisku	Brock Canada	130,000	Lease
Northport Business Park Building E	Northwest	Confidential	112,000	Lease
Southport Crossing Building 3	Southeast	Warren Valve	77,000	Lease

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SIZE (SF)	PRICE / \$ PSF
Crossroads Business Park (Portfolio)	Northwest	West Thorn Realty Inc. / Anthem Properties	282,000	\$24,800,000 / \$87.94
34 th Street Business Centre	Southeast	The Canada Life Assurance Company / Narland Properties 34 Street Ltd.	143,853	\$20,000,000 / \$139.03
15607 128 Ave	Northwest	Northern Timber Co. Ltd. / Round Table Management Ltd.	15.41 (Acres)	\$15,450,000 / \$1,002,595/AC
99 th Street Crossing	Southeast	9318470 Canada Inc. / LS Properties BT Ltd.	80,271	\$12,800,000 / \$159.45

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SF	OWNER / DEVELOPER	COMPLETION DATE
The Brick/Leon's Distribution Centre	Northwest	500,000	Qualico	Q1 2024
Anthony Henday Business Park – Building 2B	St. Albert	253,973	Quadreal	Q1 2024
Home Depot Distribution Centre	Acheson	206,600	Qualico	Q2 2024
Park Central Square – Building 1	Southeast	204,230	Beedie	TBD
Buckingham Drive Multi-Tenant Building	Sherwood Park	121,181	Chohan Group of Companies	Q2 2024
Convoy Supply Distribution Centre	Acheson	100,000	Convoy Supply Ltd.	Q3 2024



For more information, contact:

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