

EDMONTON CAPITAL MARKETS

Alberta

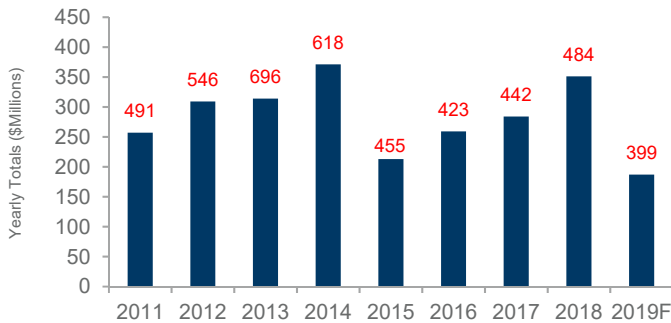
	2017	2018	2019
CPI Growth	1.6%	2.4%	2.3%
GDP Growth	3.9%	2.5%	1.7%
Unemployment Rate	7.0%	6.4%	6.6%
Population	4.2M	4.3M	4.3M

Source: Statistics Canada, Finance Ministry of Alberta

2019 FORECAST

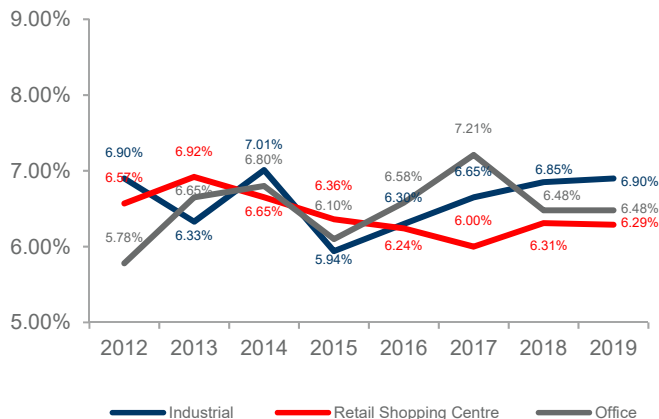
Sales Volume (\$)	▼
Non-residential Building Construction	▼
Cap Rates	▲
Commercial Lending Rates	▲

INVESTMENT SALES VOLUME



* 2018 sales volume based on January – December actual sales
 * Chart only accounts for transactions greater than \$1 million
 * Number of transactions highlighted in red

AVERAGE CAPITALIZATION RATES



Economy

Following the weakness seen at the end of 2018 and early 2019, the Alberta economy is starting to show signs of positive growth as we reached the halfway point of the year. Unemployment rate in Edmonton slightly climbed up month-over-month, rounding at 7.0% in June as 600 part-time positions were lost while full-time employment saw an increase the same month. Although non-residential permits in Alberta increased by 20% month-over-month in April 2019, mostly led by industrial, institutional, and governmental permits, overall building permits have remained low compared to 2018. Higher prices and production in the oil sector, WTI currently averaging around \$60 USD per barrel, and stronger exports of non-energy products are suggesting optimism, albeit slight, for Alberta's economy. The recent approval of the Trans Mountain pipeline expansion and the upcoming federal election in the fall of 2019 remain key concerns for industries throughout the province.

Sources: City of Edmonton, Finance Ministry of Alberta, The Conference Board of Canada

Capital Market Overview

Overall sale volume in Edmonton is anticipated to be below \$2.0 billion in 2019, as businesses have indicated they will be holding off on purchasing decisions and moving forward with significant capital investments until after the upcoming federal election. Compared to the first half of 2018, industrial land and building transaction volumes have declined significantly by over 45% and 53% respectively, due to the lack of high-value transactions on the market. Commercial buildings also saw a decline in sales by 62%, while commercial land sales declined by only 5.9%. On the other hand, the multi-family segment continues to post gains year-over-year as demand for apartments across Canada continues to grow, which is reflected in Edmonton's multi-family building sales rising by 135% and multi-family land sales marginally increasing by 0.44%. Urban development/agricultural land sales increased by 9.6% as a few tracts of land were purchased for the city's annexation plans, while several businesses tried to secure land for their long-term growth plans before the market becomes active again.

Outlook

Overall, the trend of a high number of transactions but smaller dollar value will continue as most businesses are exercising caution due to potential economic headwinds from the federal election. Therefore, this slowdown is expected to be temporary and investors are expected to regain confidence in returning to the market by the end of 2019. With Edmonton's municipal tax rate increasing by 2.97% year-over-year, Edmonton's peripheral markets will continue to be seen as a more attractive market, particularly for out-of-province investors. Cap rates are expected to stabilize, the result of interest rates steadying due to the slowdown in the economy. www.cwedm.com

Significant Industrial Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q2 2019	Warehouse	2305 84 Avenue – Sherwood Park	91,647	\$8,700,000	\$94	N/A
Q1 2019	Multi Bay	11755 108 Avenue	218,126	\$24,500,000	\$112	6.99%
Q1 2019	Multi Bay	Sherwood Park Business Centre	170,273	\$18,300,000	\$107	7.74%
Q4 2018	Warehouse	4103 84 Ave	162,975	\$16,320,000	\$100	N/A
Q4 2018	Warehouse	1306 5 Street- Nisku	23,040	\$14,000,000	\$81	N/A
Q3 2018	Multi Bay	6415 75 Street	98,000	\$7,300,000	\$74	N/A
Q2 2018	Multi Bay	Sunwapta Business Centre	415,557	\$62,954,334	\$151	6.10%
Q2 2018	Multi Bay	117 Avenue Business Centre	319,841	\$21,600,000	\$68	7.30%

Significant Retail Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q2 2019	Shopping Centre	Heritage Hills Crossing	24,198	\$11,850,000	\$489	5.31%
Q1 2019	Shopping Centre	Wye Gardens Plaza	26,213	\$8,880,000	\$338	N/A
Q1 2019	Shopping Centre	Northwest Landing	9,459	\$6,050,000	\$639	5.71%
Q4 2018	Shopping Centre	Village Landing	130,089	\$51,200,000	\$394	5.69%
Q4 2018	Shopping Centre	Revolution Square	81,204	\$13,300,000	\$178	7.07%
Q3 2018	Shopping Centre	Century Park	86,848	\$41,825,000	\$482	5.86%
Q3 2018	Shopping Centre	Hawkstone Plaza	88,955	\$29,200,000	\$328	5.68%
Q2 2018	Shopping Centre	Miller Crossing	27,336	\$13,800,000	\$505	6.02%

Significant Office Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q2 2019	Suburban Office	10580 115 Street	18,000	\$3,600,000	\$200	N/A
Q1 2019	Downtown Office	Notlem Building	24,002	\$4,000,000	\$166	N/A
Q4 2018	Suburban Office	9450 17 Ave NW	29,450	\$6,150,000	\$209	N/A
Q4 2018	Suburban Office	10570 113 St	29,000	\$4,875,000	\$168	4.94%
Q3 2018	Downtown Office	The Edmonton Tower	631,027	\$400,000,000	\$634	5.85%
Q3 2018	Downtown Office	The Edge Office Building	42,140	\$17,200,000	\$408	N/A
Q4 2017	Downtown Office	HSBC Building	118,747	\$14,400,000	\$121	N/A
Q2 2018	Downtown Office	10420 103 Ave	18,000	\$7,000,000	\$389	N/A

Industrial Market Overview

Industrial building sales in the second quarter of 2019 declined significantly by 53% from the same period a year ago. Industrial land sales followed suit, weakening by 45%. Owner-user sales continued to dominate the market and property sales were located slightly more in the city than in the peripheral markets. Only 1 multi-bay asset transacted this quarter, as opposed to 9 high-value multi-bay transactions last quarter. Cap rates are anticipated to continue to stabilize in the following months.

Retail Market Overview

Commercial retail asset sales continued to decline in the second quarter of 2019, with Heritage Hills Crossing trading hands in Sherwood Park, coupled with few small retail transactions: one in Sherwood Park and two in Edmonton proper. Retail transactions contributed \$21 million this quarter, 70% lower than last quarter and an 83% decrease from the same period last year. Cap rates will remain steady until significant retail transactions occur.

Office Market Overview

Office sales remained on the low end in both dollar value and volume. By the midway point of 2019, there has been a 66% decrease in the transaction value of office assets. So far in 2019, the market has recorded eight transactions valued at \$19 million, with the majority of these small-value assets transacting in the suburban market. Similarly, condo office sales have been slow through to the halfway point of the year, as only seven office condos have transacted. The average cap rate remains stable at 6.48%.

About Cushman & Wakefield

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