

EDMONTON CAPITAL MARKETS

Alberta

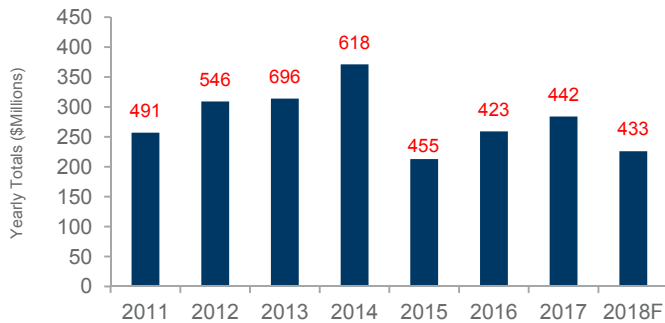
	2016	2017	2018
CPI Growth	1.1%	1.6%	1.7%
GDP Growth	-3.8%	3.9%	2.7%
Unemployment Rate	7.9%	6.8%	6.4%
Population	4.07M	4.19M	4.32M

Source: ATB Financial

2018 FORECAST

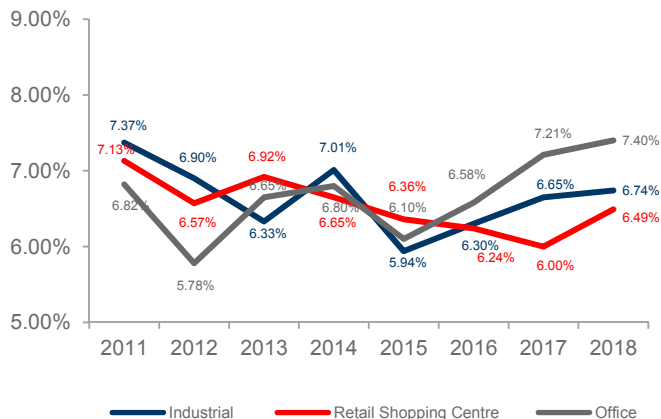
Sales Volume (\$)	▼
Non-residential Building Construction	▼
Cap Rates	▲
Commercial Lending Rates	▲

INVESTMENT SALES VOLUME



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

AVERAGE CAPITALIZATION RATES



Economy

Alberta in general and Edmonton in particular continued to show growth into the second quarter of 2018. Unemployment in Edmonton dropped another 30 basis points to 6.5%; although this rate is surprisingly high considering the rise in housing starts, accelerating wage growth, and the fact that oil prices remain well above \$60 a barrel. Non-residential construction has seen minimal growth so far this year as a variety of major projects throughout the city have come to their conclusion. Ongoing trade disputes, concerns regarding pipeline construction, and the potential for volatility in oil prices remain key concerns for industry across the province.

Source: City of Edmonton, Finance Ministry of Alberta

Capital Market Overview

Overall sales in Edmonton are anticipated to reach approximately \$2.3 billion by the end of 2018, a decrease from the \$2.8 billion investment sale total seen in 2017. This slowdown was anticipated as growth in the Albertan economy has moderated from the post-recession bounce back and was further impacted by fewer high-value transactions occurring in the market, which were more common in 2016 and 2017. The overall number of deals is expected to remain largely in line with what was expected last year, a generally brisk pace. Industrial properties continue to outperform other asset classes with building sales showing a 63% increase year-over-year and industrial land sales showing a 345% increase. Commercial land sales overall have shown a significant improvement from the lows seen in 2016 and 2017 with a 225% increase, and multifamily land sales have followed suit with a 42.5% increase. These figures indicate a resurgence of developer interest in the Edmonton marketplace. As anticipated, capitalization rates edged up slightly over the course of the second quarter of 2018.

Outlook

While investment levels have remained modest for 2018 so far, any number of larger projects trading hands, such as the ICE District properties or larger multifamily developments, could significantly change the outlook for the market. It is anticipated that investment levels will increase in the coming months, in line with the moderate growth expected of the Albertan market. Land sales are expected to remain particularly brisk. The general sentiment for the Edmonton market is strong with existing investors holding onto stronger performing assets and new investors seeking ways to enter the market. Capitalization rates overall are expected to edge up slightly further over the coming year.

Significant Industrial Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
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%
Q2 2018	Multi Bay	Sheffield II, III & IV	133,261	\$11,910,000	\$89	7.67%
Q2 2018	Multi Bay	Norali Business Park	110,250	\$10,500,000	\$95	N/A
Q1 2018	Multi Bay	Parsons Business Centre	173,456	\$25,000,000	\$144	6.57%
Q1 2018	Multi Bay	McIntyre Centre	74,561	\$10,800,000	\$145	6.69%
Q4 2017	Warehouse	5918 Roper Road	114,434	\$13,660,000	\$119	N/A
Q3 2017	Multi Bay	Sherwood Distribution Centre	162,975	\$13,500,000	\$82	N/A

Significant Retail Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q2 2018	Shopping Centre	Miller Crossing	27,336	\$13,800,000	\$505	6.02%
Q1 2018	Shopping Centre	Westland Market Mall	131,453	\$35,493,730	\$270	7.18%
Q1 2018	Shopping Centre	Kameyosek Shopping Centre	46,128	\$18,850,000	\$409	6.17%
Q4 2017	Shopping Centre	Summerside Plaza	46,571	\$24,000,000	\$515	N/A
Q4 2017	Shopping Centre	Abbotsfield Shoppers Mall	178,840	\$13,500,000	\$75	5.33%
Q3 2017	Shopping Centre	Baseline Village	229,661	\$85,000,000	\$370	6.25%
Q3 2017	Shopping Centre	Whitemud Crossing	93,339	\$26,500,000	\$284	6.55%
Q3 2017	Shopping Centre	Oxford Park Landing	27,260	\$18,500,000	\$679	N/A

Significant Office Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q2 2018	Downtown Office	10111 104 Ave	631,027	\$400,000,000	\$634	TBD
Q2 2018	Downtown Office	10420 103 Ave	18,000	\$7,000,000	\$389	N/A
Q1 2018	Suburban Office	11120 178 Street	53,000	\$8,135,000	\$153	N/A
Q4 2017	Downtown Office	HSBC Building	118,747	\$14,400,000	\$121	N/A
Q4 2017	Downtown Office	The Centre West Building	159,000	\$8,759,800	\$55	N/A
Q4 2017	Suburban Office	10310 124 Street	21,809	\$6,900,000	\$316	5.97%
Q3 2017	Downtown Office	9Triple8	171,000	\$60,630,000	\$355	5.36%

Industrial Market Overview

Industrial assets continued to be in high demand with over \$233 million in industrial buildings sold so far in 2018, a 63% increase from the same period one year ago. Land sales have likewise increased significantly to the tune of 345%. A tightening industrial leasing and sale market is expected to help drive these figures upwards in the near term. Most sales continue to be for owner-users. Capitalization rates have edged up slightly to 6.74% on average.

Retail Market Overview

Shopping centre sales remain below 2017 levels, although transactions levels have seen some increase in the second quarter of 2018. Most sales have been for retail assets in Edmonton's peripheral markets rather than Edmonton proper, including sales in St. Albert, Leduc, Sherwood Park and Spruce Grove. Capitalization rates remain the lowest of all asset classes with the average rate for transactions this year at 6.49%, rising from 6.00% last year. Retail assets remain in high demand, however, and competition for retail assets is competitive.

Office Market Overview

Office sales have largely remained on the smaller side in regards to dollar volume so far in 2018. With the recent exception of the Edmonton Tower being sold to AIMCO for \$400,000,000.00. Cap Rate details to follow in next Marketbeat. Office condo sales have also contracted so far this year, with most newly constructed buildings completed in the last two years now largely sold. Sales volume is expected to increase due to improving economic fortunes and a tightening office leasing market. Average cap rates remained largely stable at 7.40%.

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