

MARKETBEAT

Edmonton

Multifamily H2 2018



ECONOMIC INDICATORS

Alberta

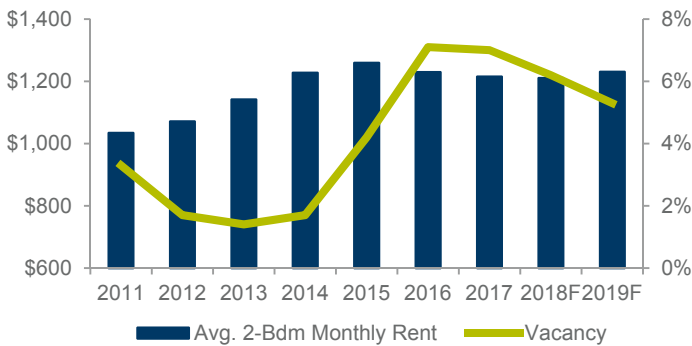
	2016	2017	2018F
CPI Growth	1.1%	1.6%	1.7%
GDP Growth	-3.8%	3.9%	2.7%
Unemployment Rate	7.9%	6.8%	6.4%
Population	4.07M	4.19M	4.32M

Source: ATB Financial

Edmonton

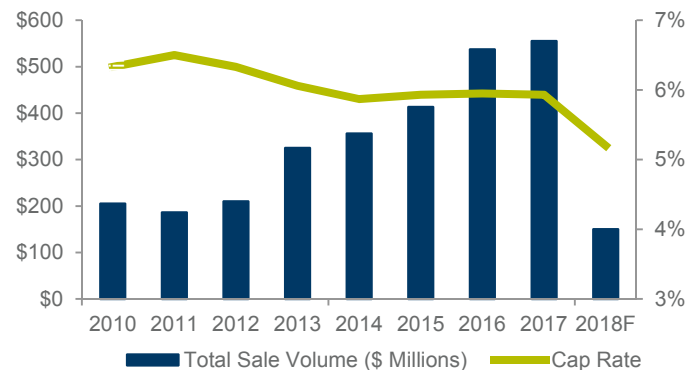
Sales Volume (\$)	▼
Non-residential Building Construction	▼
Cap Rates	▼
Commercial Lending Rates	▲

Average Monthly Rent vs. Average Vacancy



Source: CMHC Housing Market Outlook, 2017

Average Sale Price Per Unit vs. Average Cap Rate



Source: Cushman & Wakefield Edmonton, The Network

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 are now completed. 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

Market Overview

Multifamily property sales have dropped off over the last two quarters, in large part due to a lack of large transactions in the marketplace so far this year. Following 2017's record \$555 million in sales, current forecasts indicate we may see as little as \$150 million this year if the current trend continues, with heightened vacancy and a lack of larger product on the market likely influencing sale levels. Sales per suite averaged \$134,585 in the second quarter of 2018, with high rise sales per suite reaching \$212,988 on average. Capitalization rates have seen a decline over the last quarter to 5.15%; largely due to high-rises trading at 3.35% on average. Even walk-ups have seen a decline to 5.53% on average. This drop in capitalization rates is likely due to expectations of a stronger rental market in the near future which influenced sale prices for properties over the past quarter. While vacancy remains elevated, some institutional landlords are reporting vacancy in some properties as low as 2%, well below the average of 7% reported at the end of 2017. While inducements remain tenant-favoured, this is a good sign for landlords who have struggled to keep suites filled during the downturn.

Outlook

Although sales are currently depressed, it is expected this trend will change in the near future as more favourable fortunes for multifamily properties lead to improved income streams for those assets. A higher income stream may encourage some landlords to sell properties that have become more attractive for the market as a whole. Low capitalization rates indicate there is a strong interest in purchasing properties and that demand is likely to remain.

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Recent Apartment Sales

SALE DATE	PROPERTY NAME	MARKET	# OF UNITS	YEAR BUILT	PURCHASE PRICE	PRICE/UNIT	CAP RATE
Q2 2018	9740 111 Street	Oliver	21	1976	\$3,555,000	\$169,285	3.90%
Q1 2018	Windsor Arms	Oliver	92	1967	\$21,350,000	\$232,065	2.76%
Q1 2018	Capilano Tower	Southeast	97	1967	\$18,950,000	\$195,360	3.69%
Q1 2018	Garneau Manor	Southwest	52	1965	\$11,000,000	\$211,538	3.61%
Q1 2018	Bella Vista Place	Northeast	48	1968	\$4,512,000	\$94,000	6.19%

Sources: Cushman & Wakefield Edmonton Research Services, The Network

Completed and Future Construction Pipeline

PROPERTY NAME	ADDRESS	MARKET	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
Fox Towers 1 & 2*	10226 104 th Street NW	Central	Langham Developments	169	Completed	Completed
Ultima Condominiums*	10238 103 rd Street NW	Central	Westrich Pacific Corp	199	Completed	Completed
The Hendrix	9733 111 st Street	Central	Edgar Development Corp	260	Completed	Completed
Vibe Lofts	10604 116 th Street	Central	Carrington Communities	179	Completed	Completed
The MacLaren	124 th Street & 102 nd Avenue	Central	Edgar Development	240	Under Construction	Q4 2018
Symphony Tower*	9704 106 th Street	Central	Allan Wasnea Engineering	143	Under Construction	Q4 2018
Augustana	9901 107 th Street	Central	Pangman Development	216	Under Construction	Q1 2019
Century Park – Central Tower	111 th Street and 23 rd Avenue	Southwest	Procura	176	Under Construction	Q2 2019
SKY Residences*	10310 102 nd Street NW	Central	Katz Group / ONE Properties	483	Under Construction	Q4 2019
Encore Tower*	10182 103 rd Street NW	Central	Westrich Pacific Corp	179	Under Construction	2020
Harley Court	10045 111 th Street	Central	Strategic Group	177	Conversion / Proposed	-

Sources: Cushman & Wakefield Edmonton Research Services
 * Predominantly condominium developments

Significant Multifamily Land Sales

SALE DATE	ADDRESS	MARKET	AREA (ACRES)	PURCHASE PRICE	PRICE PER SQUARE FOOT	PRICE PER ACRE	POTENTIAL
Q2 2018	10039 115 th Street	Oliver	1.42	\$11,000,000	\$178	\$7,734,514	224
Q2 2018	9250 156 th Avenue	Northeast	6.55	\$4,942,786	\$17	\$754,624	134
Q1 2018	12010 Jasper Avenue	Oliver	0.66	\$8,424,840	\$293	\$12,742,606	400
Q1 2018	1705 Keene Crescent	Southwest	3.76	\$4,202,000	\$26	\$1,117,553	190
Q1 2018	11511 76 Avenue	Southwest	0.61	\$4,100,000	\$155	\$6,768,788	31
Q4 2017	10019/27 104 th Street	Central	1.03	\$18,120,400	\$403	\$17,540,740	-
Q4 2017	10130/40 122 nd Street	Central	0.67	\$4,300,000	\$145	\$6,321,427	-
Q4 2017	10215 95 th Street	Central	0.63	\$2,700,000	\$98	\$4,285,868	199
Q3 2017	1703 16 th Avenue	Southeast	3.90	\$3,900,000	\$23	\$1,000,000	197
Q3 2017	11703 105 th Avenue	Central	0.90	\$3,360,000	\$86	\$3,733,333	112

Sources: Cushman & Wakefield Edmonton Research Services, The Network

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