

EDMONTON CAPITAL MARKETS

Alberta

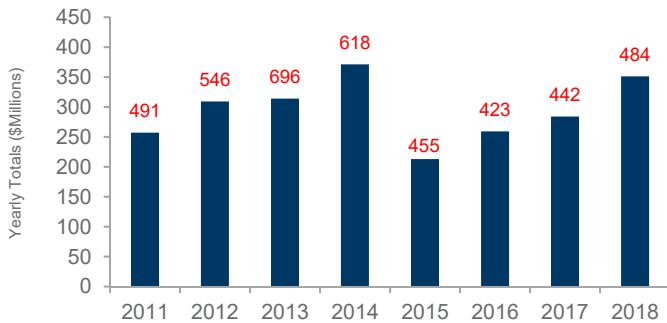
	2016	2017	2018
CPI Growth	1.1%	1.6%	2.4%
GDP Growth	-3.8%	3.9%	2.5%
Unemployment Rate	7.9%	7.0%	6.4%
Population	4.1M	4.2M	4.3M

Source: ATB Financial

2019 FORECAST

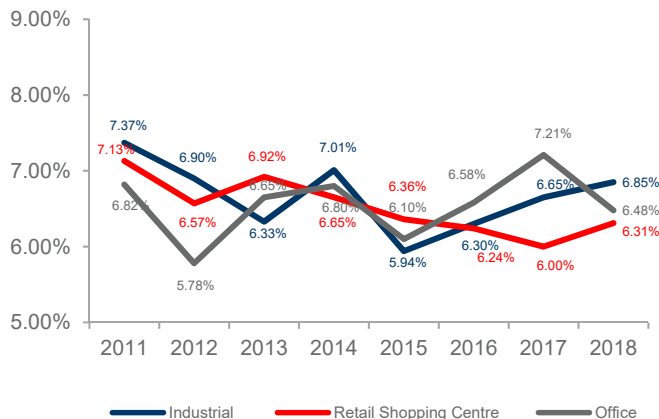
Sales Volume (\$)	▲▲
Non-residential Building Construction	▼▼
Cap Rates	▲▲
Commercial Lending Rates	▲▲

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

GDP growth in Alberta had moderated by the end of 2018 towards 2.5%, with 2019 growth anticipated to be 1.4% as cuts in oil production continue. This will have a negative impact on the level of investment in the energy sector. Edmonton unemployment has dropped quarter-to-quarter to round out 2018 at 6.3%. This drop reflects a 1.2% decrease in unemployment year-over-year due to growth in the manufacturing and service sectors. Oil prices reached \$75 in the beginning of the fourth quarter but drastically declined by the end of the year to \$45 a barrel, threatening the local industry in the coming months and limiting overall economic growth. Alberta's construction activity remained weak as of November 2018 with total value of permits down to 17.1% year-over-year.

Source: City of Edmonton, Finance Ministry of Alberta

Capital Market Overview

2018 finished with an impressive total of 484 sales transactions in Edmonton valued at \$3.5 billion, one of the highest transaction volume totals seen in the past decade. Overall total value of investment sales increased 21% from 2017, a strong indication of the dramatic increase in activity in the Edmonton marketplace. Commercial building sales in 2018 totaled \$1.3 billion; remaining the largest component of total investment sales. Industrial building sales totaled \$785 million while multifamily building sales totaled \$491 million. Industrial land and multifamily land both saw a significant improvement of investment sales in 2018 with total of \$261 million; demonstrating an interest by buyers in developing new assets in the marketplace. However, commercial land and urban development / agricultural land both saw a decline in investment sales from 2017 with a 2018 total of \$327 million. Key economic drivers to 2018's improved investment performance include Edmonton's ICE District, the development of new residential communities and the Valley LRT line, the sale of several large office properties, and the \$3.5 billion Inter Pipeline Ltd. petrochemical project in the Alberta Industrial Heartland. Capitalization rates for industrial product have trended upwards through 2018, while retail and office rates have fluctuated throughout the year but remained low at the end of 2018.

Outlook

Although 2018 investment sales ended on a strong note, increased interest rates and prices could constrain investment in the near future. That being said, large developments like the ICE District and Amazon's 1,000,000-square foot (sf) distribution centre in Leduc are more likely to significantly impact their respective markets. Land sales will remain active in 2019 to accommodate future plans. Multifamily building sales could see a downturn if interest rates bumps persist. Overall, capitalization rates are expected to slightly increase in 2019 as potential interest hikes continue to influence the market.

Significant Industrial Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
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
Q4 2018	Warehouse	13072 Yellowhead Trail NW	39,536	\$13,750,000	\$348	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%
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

Significant Retail Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
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%
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

Significant Office Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
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%
Q4 2018	Suburban Office	3604 76 Ave	14,478	\$3,300,000	\$228	N/A
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 asset sales remained fairly strong with over \$785 million in industrial buildings sold in 2018, a 58% increase year-over-year. Similarly, industrial investment land sales increased to \$141 million which is a 67% increase from 2017, demonstrating an interest by buyers in developing new assets in the marketplace. Overall industrial capitalization rates continued to improve to 6.85% in 2018.

Retail Market Overview

Commercial retail sales slowed by the end of 2018 after a significant rise in retail property sales occurred in the third quarter of 2018, driven by transactions of several high-value retail assets. The sale of Village Landing in St. Albert, anchored by Save-On-Foods, was the largest retail transaction in 2018 in terms of sale price. Thirty-one shopping centres in the Greater Edmonton Region traded hands in 2018 for a total market value of close to \$382 million. Overall capitalization rates for retail remain low at 6.31%.

Office Market Overview

Office sales weakened by the end of 2018 with the majority of office properties selling for less than \$5 million. Although the number of office investment sales slowed by the end of 2018, the dollar value of the transactions increased by 72% year-over-year, largely due to the sale of Edmonton Tower at \$400 million. Sales volume is expected to stabilize in 2019 as occupancy in newly built or renovated office spaces in the downtown area remain in demand. Suburban office sales continue to dominate overall office transactions. Average cap rates decreased to average 6.48% in 2018.

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