

## EDMONTON CAPITAL MARKETS

## Alberta

	2017	2018	2019F
CPI Growth	1.6%	2.4%	1.3%
GDP Growth	3.9%	2.5%	0.7%
Unemployment Rate	7.0%	6.4%	6.6%
Population	4.2M	4.3M	4.3M

Source: Statistics Canada, TD Economics

## 2019 FORECAST

Sales Volume (\$)

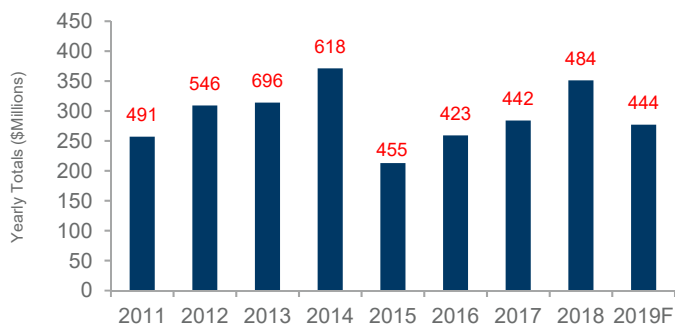
Non-residential Building Construction

Cap Rates

Commercial Lending Rates



## INVESTMENT SALES VOLUME

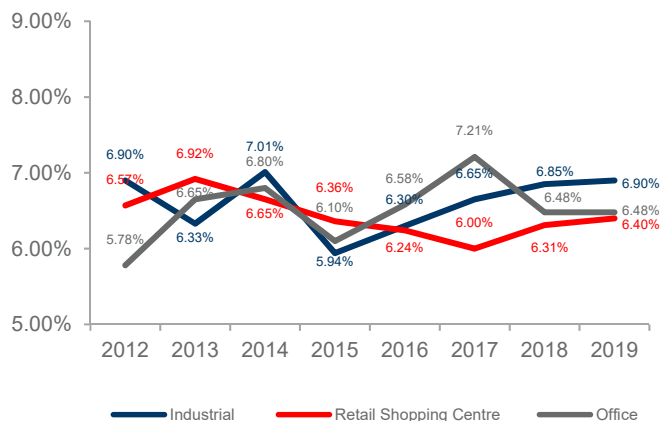


\* 2018 sales volume based on January – December actual sales

\* Chart only accounts for transactions greater than \$1 million

\* Number of transactions highlighted in red

## AVERAGE CAPITALIZATION RATES



## Economy

The federal election coupled with trade tensions observed across the global economy, had the country seeing slower growth during the second half of 2019. Uncertainty continues to drive concerns over investment and stall prospects for economic growth. Edmonton's unemployment rate remains in the 7.0% to 7.5% range as more people join the working-age population. Gains in trade and manufacturing were observed across the city, but significant reductions in the accommodation and food services, educational services, and energy sectors have led to the city's unemployment rate of 7.4 % in August 2019. Overall, non-residential building permits in Edmonton declined in August by 17% year-over-year and by 8% month-over-month. With the anticipated announcement of the oil-by-rail deal, Western Canadian Select (WCS) weakened for November delivery, trading at \$16.00 per barrel below WTI. Rail shipments are expected to drive up the price of Alberta oil by reducing the looming supply glut.

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

## Capital Market Overview

After a slowdown last quarter, sales in the third quarter of 2019 started to gain momentum, as an increase of over \$180 million in sales volume, coupled with the purchase of the lower 29 floors of Stantec Tower estimated at around \$500 million, drove overall sales upwards, signaling an increased interest in the Edmonton marketplace. Commercial land sales continue to strengthen as the year has progressed with a 13.4% increase from current year-to-date (YTD) transactions compared to transactions from the same period in 2018. Multi-family building sales continue to outperform other assets with a 49.7% increase compared to the same period last year. Commercial and industrial property sales remain slow with only a few high-value assets transacting this quarter. Urban development and agricultural land sales stabilized this quarter as the city secures land for its annexation plans, future LRT line, and to develop a downtown park. Several businesses also expressed confidence returning to the market as they secured land for their respective plans such as developing an industrial park, a grocery chain, a community recreation service, and a retail/office complex. Capitalization rates are expected to stabilize as the economy shows signs of potential growth.

## Outlook

The Edmonton market has slightly improved as the end of the year approaches; however, the challenged oil and gas sector is expected to continue to limit the growth of the province. The forecast for overall sales volume is anticipated to edge up to reach \$2.7 billion for 2019; however, with the recent plans by Summit Industrial Income REIT to purchase a \$588 million Alberta industrial portfolio, and if the anticipated sale of the Edmonton City Centre and 2 office buildings for \$300 million transacts by the end of the year, it is expected that 2019 total sales volume will be over \$3 billion; significantly higher than the time period from 2015 to 2017.

## Significant Industrial Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q3 2019	Multi Bay	16404/16504 117 Avenue	179,639	\$14,100,000	\$78	N/A
Q3 2019	Warehouse	275 Portage Close-Sherwood Park	40,049	\$11,250,000	\$280	N/A
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 Avenue	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

## Significant Retail Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q3 2019	Shopping Centre	Market at Magrath	77,967	\$36,250,000	\$465	6.47%
Q3 2019	Shopping Centre	Gateway Village Centre	105,358	\$23,200,000	\$440	N/A
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
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%

## Significant Office Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q3 2019	Downtown Office	Stantec Tower (lower 29 floors)	674,176*	\$503,000,000*	\$746*	N/A
Q3 2019	Suburban Office	11713 82 Street	22,741	\$5,500,000	\$241	N/A
Q3 2019	Suburban Office	11230 110 Street	24,150	\$5,300,000	\$219	N/A
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
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

\*to be confirmed

## Industrial Market Overview

Owner-user sales continue to dominate the market. This quarter's property sales, totaling over \$130 million, were located slightly more in the city than in the peripheral markets. Industrial building sales values increased by 20% from the same period last year, with sales primarily consisting of warehouses and a few multi-bay buildings. Summit Industrial Income REIT is anticipated to purchase a \$588 million industrial portfolio with 22 out of 37 properties located in Edmonton. Capitalization rates remain steady at 6.90%.

## Retail Market Overview

Retail property sales showed growth in the third quarter of 2019 as several large transactions took place and 13 retail shopping centres traded hands. Seven sales occurred in Edmonton proper, with the remainder located in the city's peripheral markets such as St. Albert, Sherwood Park, Spruce Grove, and Leduc. Although average cap rates rose slightly to 6.40% over the last quarter, retail remains the lowest of all asset classes. A large amount of retail space is anticipated to come on the market due to downsizing and some retailers exiting the Edmonton market.

## Office Market Overview

Disregarding the high-value transaction of the Stantec Tower, the trend of small-value transactions continues as only 4 office properties transacted in the third quarter of 2019 valued at \$13.6 million. There has only been 15 properties that have sold so far this year compared to 21 assets that transacted during the same period in 2018. Office property sales are expected to remain slow; however, there have been plans to repurpose office buildings that might result in a slight decline in office vacancy and therefore making the leasing market more competitive. Capitalization rates remain at 6.48%.

## About Cushman &amp; Wakefield

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