

## EDMONTON CAPITAL MARKETS

### Alberta

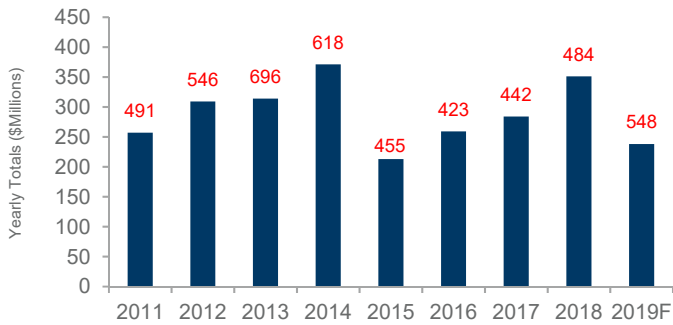
	2017	2018	2019
CPI Growth	1.6%	2.4%	1.2%
GDP Growth	3.9%	2.5%	1.7%
Unemployment Rate	7.0%	6.4%	6.8%
Population	4.2M	4.3M	4.3M

Source: Statistics Canada, Finance Ministry of Alberta

## 2019 FORECAST

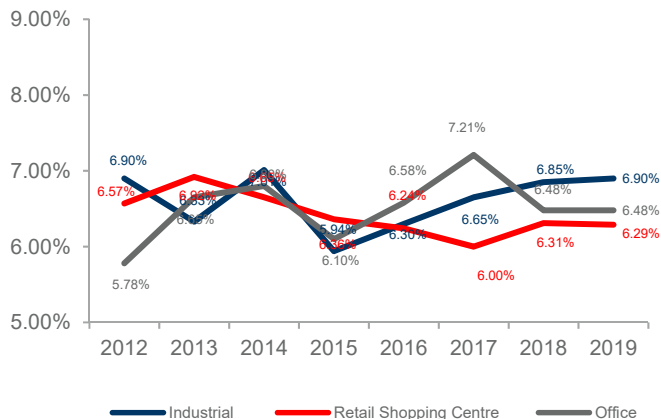
Sales Volume (\$)	▼
Non-residential Building Construction	▼
Cap Rates	▲
Commercial Lending Rates	▲

## 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

The slowing economic activity in Alberta first seen in year-end 2018 has continued into the first quarter of 2019. Falling oil prices over the first three months of the year, currently averaging around \$51 CAD a barrel, and weaker energy investment, are indications that Alberta’s economic recovery is expected to trend lower in 2019 compared to 2018, with GDP growth projected at below 2.0%. The unemployment rate has begun to reflect this softening outlook, as Edmonton’s first quarter 2019 unemployment rate increased to 7.0% after a continuous quarter-over-quarter decline in 2018. Edmonton lost 3,900 positions between January and March, with loss concentrated in part-time positions occurring in the financial services, manufacturing, logistics, construction, and professional services sectors. Alberta’s non-residential construction activity remained weak with total permits down by 0.2% year-over-year.

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

## Capital Market Overview

Unlike the impressive start seen at the beginning of 2018, this year has started slowly with 129 sales transactions only valued at close to \$560M, which is 20.4% lower year-over-year, and the lowest dollar value recorded in the first quarter during the past five years. The overall slowdown in investment sales reflects both the relatively unsteady growth for Alberta’s economy and the lack of high value transactions when compared to 2018. The market is expected to remain slow prior to the upcoming provincial and federal elections where the future of business investments will be solely determined. A significant decline was seen in commercial building sales where the majority were valued well below \$5M. Another asset type that saw a decline in both the number of transactions and value was Urban Development / Agricultural Land where the first quarter transaction value of \$16.5M was 54% lower year-over-year. Industrial buildings and industrial land also saw a decline in their total investment sales transactions by 30.5% and 28.6% respectively. One of the asset types that saw growth in the first quarter of 2019 was commercial land, as the total number of transactions increased by 29% year-over-year. Also seeing growth in the first quarter of 2019 were both multifamily buildings and multifamily land with an increase in investment sales transactions of 105% and 13% respectively compared to the first quarter of 2018.

## Outlook

With Pembina Pipeline Ltd.’s proposed petrochemical plant located northeast of Edmonton, coupled with several major infrastructure projects such as Acheson’s twinning of Highway 60 east of Edmonton, the rail line overpass, and the \$33M QEII overpass between Leduc and EIA, there are plenty of reasons to be optimistic for Greater Edmonton’s business productivity, although the impact in the economy would likely not be seen until 2020. Cap rates are expected to stabilize as future interest rate bumps have been put on hold.

### Significant Industrial Sale Transactions

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

### Significant Retail Sale Transactions

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

### 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 weakened this quarter; even though the number of sales transactions were higher compared to the first quarter of 2018, the total value was much lower year-over-year. Industrial buildings were involved in 45 sales transactions this quarter, with a total value of \$161M. The first quarter of 2018 saw 31 industrial sale transactions, but the total sale value was \$232M. Industrial investment land sales, evenly split between Edmonton and the peripheral markets, experienced a downturn with a total of \$20M. Cap rates have remained stable over the past year.

### Retail Market Overview

Commercial retail sales have been continuously moderating quarter-over-quarter, totaling \$20.8M in the first quarter of 2019 as just 4 shopping centres were sold; compared to the 8 transactions with a total value of \$94.8M seen in the first quarter of 2018. The 78% decrease year-over-year in total market value was due to the active investment and the high number of high-value transactions that occurred in 2018. The decline in cap rates seen this quarter should stabilize in the following months.

### Office Market Overview

At the time of this report's release, there have been no office building sales transactions. The lack of office sales transactions has significantly impacted the overall total sales volume for this quarter. Office investment sales contributed a total of \$22M in sales in the first quarter of 2018. With 9 office condominium sales occurring in Edmonton and 1 in Sherwood, the total value reached \$4.6 million this quarter, low compared to \$9.3 million in the first quarter of 2018.

#### About Cushman & Wakefield

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