

## EDMONTON CAPITAL MARKETS

### Alberta

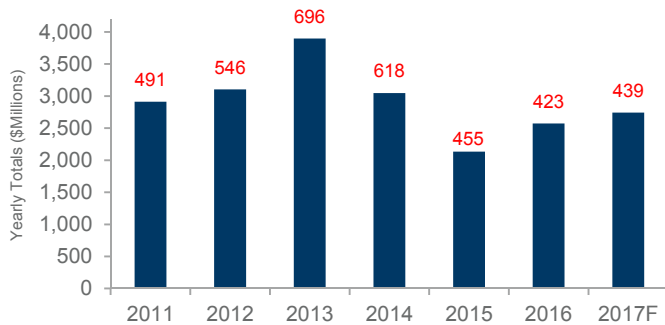
	2015	2016	2017
CPI Growth	1.2%	1.1%	0.9%
GDP Growth	-1.8%	-3.8%	3.9%
Unemployment Rate	6.0%	8.1%	6.9%
Population	4.2M	4.25M	4.3M

Source: ATB Financial

### 2017 FORECAST

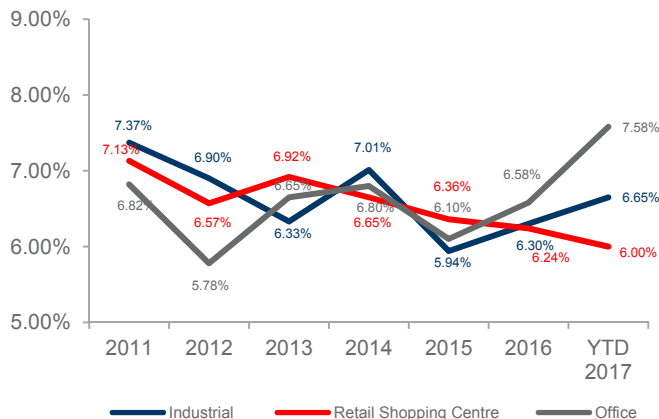
Sales Volume (\$)	▲
Non-residential Building Construction	▲
Cap Rates	▲
Commercial Lending Rates	▲

## INVESTMENT SALES VOLUME



\* 2017 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 City of Edmonton experienced a stronger than anticipated recovery over the past year. Growth is expected to moderate towards 2.4% in 2018, lower than 2017 but higher than most other provinces. However, sensitivity to oil prices will continue to weigh on Albertan industry and limit overall growth. The unemployment rate in the Edmonton region has dropped quarter-over-quarter to 6.6%, investment in local industry has increased and oil recently surpassed the \$60 mark for the first time since 2014, likely remaining at least in the mid-\$50 range on average through 2018. Non-residential construction spending, muted in 2017, is expected to remain weak.

Source: City of Edmonton, Finance Ministry of Alberta

## Capital Market Overview

2017 ended on a positive note as overall sales volume surpassed \$2.7 billion dollars across 439 transactions, signaling an increase in activity in the Edmonton marketplace. A strong third quarter was followed by a weaker fourth quarter as sales in commercial buildings, the cornerstone of growth in Edmonton's capital markets, slowed significantly. Commercial building sales overall came in 38% higher than 2016 levels as a series of high-value, high-profile office and retail buildings transacted in 2017. Land sales picked up as the year progressed with a 60% increase in commercial land sale volume and a 136% increase in industrial land sale volume, both signaling interest in developing new assets in the marketplace. Major land sales downtown and the purchase of Walton's assets have contributed to these figures in the past quarter. Overall capitalization rates saw a decline on average in the fourth quarter, largely led by a drop in retail cap rates.

## Outlook

Transaction volume is expected to increase in 2018 in line with improving market conditions and oil stabilizing towards a higher price than initially anticipated at the beginning of 2017. Land sales in particular are expected to grow in the coming year with additional Walton land sales and increased interest in developing new properties. Industrial sales are most likely to pick up in Edmonton's peripheral markets, as improving market conditions in Leduc/Nisku and other submarkets attract capital to a more affordable market. South Edmonton will be a region to watch as investors take advantage of capital and infrastructural projects designed to encourage development in the area. Capitalization rates could edge up slightly in 2018 as future interest hikes are expected.

### Significant Industrial Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q3 2017	Multi Bay	Sherwood Distribution Centre	162,975	\$13,500,000	\$82	N/A
Q2 2017	Warehouse	Modular & Fabrication Facility	113,895	\$17,215,360	\$151	N/A
Q2 2017	Single Tenant	WBM Building	138,964	\$16,690,000	\$160	6.18%
Q2 2017	Single Tenant	50, 53016 AB-60 - Acheson	37,265	\$10,725,000	\$288	5.81%
Q1 2017	Warehouse	Brock/White Building	99,940	\$12,500,000	\$125	N/A
Q1 2017	Multi Bay	12004 149 St Building	47,652	\$9,800,000	\$206	6.34%

### Significant Retail Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q4 2017	Shopping Centre	Abbottsfield 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	Daly Grove Shopping Centre	33,311	\$13,800,000	\$414	5.58%
Q2 2017	Shopping Centre	Lakeside Landing	103,460	\$33,000,000	\$337	5.74%
Q2 2017	Shopping Centre	Mill Creek Centre	38,704	\$19,900,000	\$514	6.62%
Q1 2017	Shopping Centre	Callingwood Square	55,782	\$24,000,000	\$430	5.74%

### Significant Office Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q4 2017	Downtown Office	The Centre West Building	37,500	\$8,759,800	\$234	N/A
Q3 2017	Downtown Office	9Triple8	171,000	\$60,630,000	\$355	5.36%
Q3 2017	Suburban Office	Mosaic Centre	23,402	\$10,750,000	\$459	4.54%
Q2 2017	Downtown Office	Bank of Montreal Building	123,000	\$13,500,000	\$110	2.62%
Q2 2017	Downtown Office	Highfield Place	104,120	\$5,150,000	\$49	N/A
Q1 2017	Downtown Office	HSBC Bank Place	324,767	\$35,000,000	\$108	N/A
Q1 2017	Downtown Office	Enbridge Place	263,660	\$25,000,000	\$95	N/A

### Industrial Market Overview

Although industrial sales in 2017 were down 35% year-over-year, much of that difference can be attributed to the Artis-PIRET portfolio transaction in 2016. Industrial sales have seen an uptick this year as owner/user sales have remained consistent throughout 2017. Interest in purchasing industrial land for development has increased. Cap rates for industrial properties dropped slightly in the fourth quarter to rest at 6.65%.

### Retail Market Overview

Retail property sales slowed in the fourth quarter, acting as an overall drag on sales volume. A lack of high value transactions stood in contrast to the last five quarters where several large and prominent shopping centres changed hands. Average cap rates dropped to 6.00% over the last quarter, a record low for the asset class since tracking began in the 1990's. We forecast that retail cap rates will edge upward in 2018. Sales of commercially zoned land remain brisk and an active construction pipeline ensures more retail space will be coming on the market.

### Office Market Overview

Office property sales volume declined in the fourth quarter following an unusually active year for office tower transactions. Condominium sales remain brisk with several recently completed buildings across Edmonton, including a cluster in south Edmonton, providing ample supply for interested parties. Office cap rates edged up to 7.58% in the final quarter of 2017, in contrast to several sales in Q3 with cap rates below 6.0%.

#### About Cushman & Wakefield

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