

## EDMONTON CAPITAL MARKETS

### Alberta

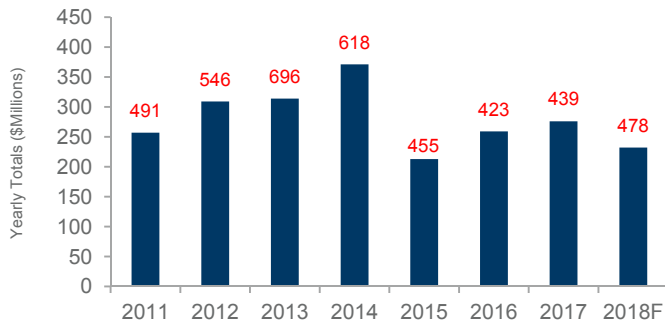
	2016	2017	2018
CPI Growth	1.1%	1.6%	1.7%
GDP Growth	-3.8%	3.9%	2.8%
Unemployment Rate	7.9%	6.8%	6.4%
Population	4.07M	4.19M	4.32M

Source: ATB Financial

### 2018 FORECAST

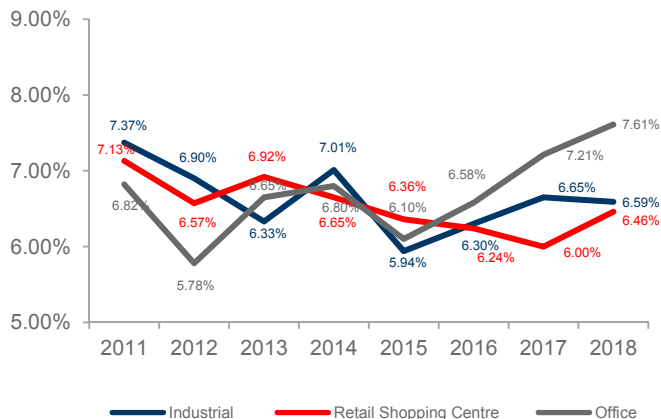
Sales Volume (\$)	▼
Non-residential Building Construction	▼
Cap Rates	▲
Commercial Lending Rates	▲

## INVESTMENT SALES VOLUME



\* 2018 sales volume based on January – March actual sales  
 \* Chart only accounts for transactions greater than \$1 million  
 \* Number of transactions highlighted in red

## AVERAGE CAPITALIZATION RATES



## Economy

Alberta's economic recovery was strong in 2017 but growth is expected to moderate through 2018 with the economy projected to expand by 2.7% - the high end of forecasted growth for Canada's provinces. Oil prices have remained turbulent but seem to have settled above \$60 per barrel, which has improved both investor sentiment and business optimism in the Albertan markets. Unemployment has continued to fall in Edmonton, with the unemployment rate recently dipping to 6.8%, and wages have seen increases year-over-year. The ongoing trade disputes will be a key concern for Alberta's economy in the coming year, as is the drop in non-residential construction taking place in the province.

Source: City of Edmonton, Finance Ministry of Alberta

## Capital Market Overview

Sales are forecasted to reach \$2.3 billion by year-end 2018, a decrease from the \$2.8 billion in investment sales seen in 2017. The overall slowdown in investment reflects both the moderation of growth in Alberta's economy and the comparative lack of large transactions when compared to 2017. The market is expected to remain active as the number of transactions of lower priced product continues to be brisk. Industrial properties have performed particularly well over the first quarter with more than three times the value in land sales and a 48% increase in building sales from the same period last year. Sales of commercial properties have generally remained consistent with only a 3.3% decrease quarter-over-quarter. Multifamily land and building sales are down with \$50.8 million in sales recorded so far this year. Office and retail capitalization rates have trended upwards through the first quarter of 2018, while industrial rates have remained largely stable.

## Outlook

Investment will likely increase in the coming months as business sentiment continues to improve and larger investments are made in the market. Transaction volume will remain brisk as well. Land sales will continue to see growth from their lows in 2016 and 2017, especially in Edmonton's peripheral markets. Large downtown projects that have spurred on investment downtown will be completed in 2018, including the ICE District, attracting more interest in Edmonton's downtown core. Capitalization rates are expected to edge up slightly over the coming year as future interest rate hikes are anticipated during the remainder of the 2018.

### Significant Industrial Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q1 2018	Multi Bay	Parsons Business Centre	173,456	\$25,000,000	\$144	6.57%
Q1 2018	Multi Bay	McIntyre Centre	74,561	\$10,800,000	\$145	6.69%
Q4 2017	Warehouse	5918 Roper Road	114,434	\$13,660,000	\$119	N/A
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%

### Significant Retail Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
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
Q4 2017	Shopping Centre	Abbottfield 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	Oxford Park Landing	27,260	\$18,500,000	\$679	N/A

### Significant Office Sale Transactions

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	\$/SF	CAP RATE
Q1 2018	Suburban Office	11120 178 Street	53,000	\$8,135,000	\$153	N/A
Q4 2017	Downtown Office	HSBC Building	118,747	\$14,400,000	\$121	N/A
Q4 2017	Downtown Office	The Centre West Building	159,000	\$8,759,800	\$55	N/A
Q4 2017	Suburban Office	10310 124 Street	21,809	\$6,900,000	\$316	5.97%
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%

### Industrial Market Overview

Industrial assets were in strong demand in the beginning of 2018 with almost \$80 million in buildings sold so far this year. Industrial land has also seen demand growth with over 3 times the value of land transacting this year to date when compared to the same period in 2017. Owner-user sales continue to dominate the market although several multi-bay industrial properties have transacted this quarter. Cap rates fell slightly to 6.59%.

### Retail Market Overview

Retail property sales were flat from the final quarter of 2017. Several shopping centre transactions of note occurred in the first quarter of 2018, including the sale of Westland Market Mall. The majority of sales were for smaller retail properties, many of which were owner/user purchases. The burgeoning marijuana industry has driven interest for smaller properties and leasable space across the city as companies vie for the best entrance into the local market. Average retail cap rates have increased from their record lows in 2017 to 6.46% this year.

### Office Market Overview

Edmonton's suburban markets saw the majority of the office building sale volume this quarter with 91% of sales representing 4.7% of the sale volume of office sales so far this quarter. Office condo sales have also seen a decline from a very brisk 2017 with only four transactions recorded so far this year. Sales volume for office properties is expected to increase as the year progresses. Office cap rates increased over the first quarter of the year to 7.61%.

#### About Cushman & Wakefield

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