

Edmonton Market



Investor confidence is improving alongside economic fundamentals. Alberta is forecasted to be second only to BC in GDP growth country wide next year. This will translate into businesses expanding their footprint. Additionally, the spread between Western Canadian Select (WCS) and West Texas Intermediate (WTI) is the tightest it has been since mid-2017 at approximately \$10/bbl.

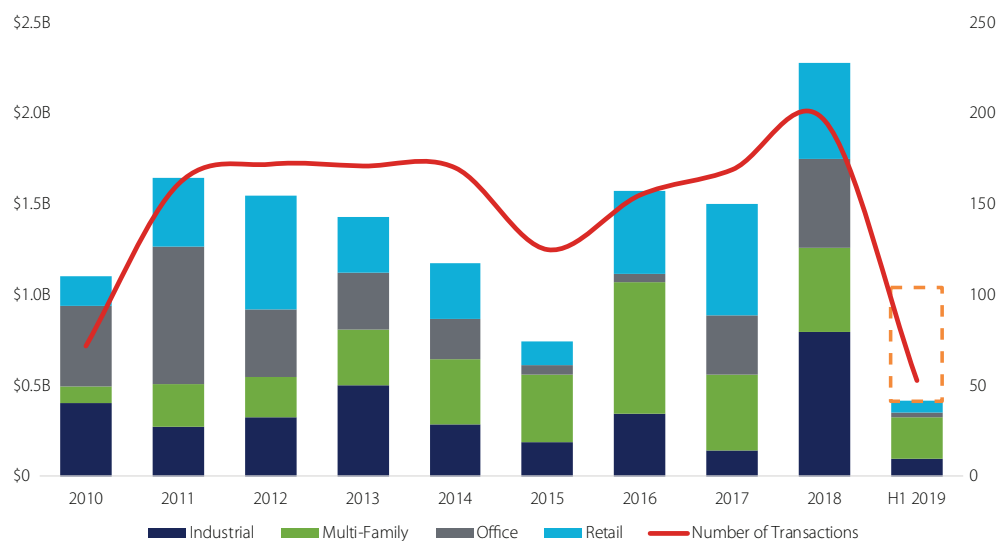
In April, the United Conservative Party won the Alberta provincial election which has given way for renewed optimism and positive market sentiment. However, material change will be felt a few years out as it will take time for any new policy to have a measurable impact. Muted investment volume in the first half of the year was likely due to political uncertainty surrounding the provincial and federal elections.

With private buyers being highly interest rate sensitive, the current 10 year bond lows are providing opportunity for this group to put together deals with attractive return metrics. This is a contributing factor as to why we believe that the private buyer will remain dominant for the balance of 2019.

On the institutional front, many are being very selective with new acquisitions. There are currently a small handful of large scale properties on the market but overall, institutional investors seem to be waiting on the sidelines before committing to large capital allocations in the Edmonton market. However, for modern new industrial buildings and high-rise residential towers the demand is unquenchable. One institution has labelled their Alberta strategy as the "beds and sheds program". As far as

retail is concerned there is high demand and activity from the private groups for smaller strip centres but institutions are being selective and holding core A quality grocery anchored product tight. In terms of Office, many institutional buyers are holding off as Edmonton Office across the board is still recovering from the Alberta Office stigma. Despite leasing fundamentals improving, it will take time for buyers to get more comfortable with this asset class.

Edmonton Investment Volume



Source: Avison Young Capital Markets, 2019



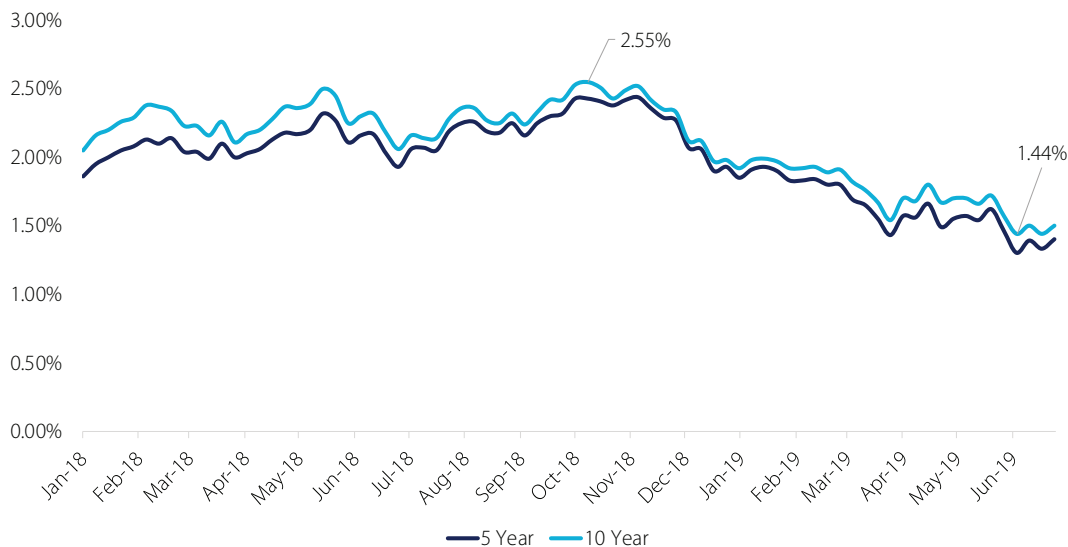
Mortgage Financing

In Alberta, there has been an increase in out of province private lenders that are willing to invest capital in this market. Bond rates have continued their decline throughout the first half of 2019. The US Federal Reserve cut interest rates for the first time since the financial crisis of 2008. The general sentiment in Canada is dovish as many believe the Bank of Canada will follow suit in early 2020. While debt availability

remains relatively strong, underwriting parameters continue to be tightened with major banks being more conservative in their underwriting. Some lenders are incorporating "floor rates" into offers to finance. As an illustrative example, where a spread of 200bps over the applicable bond might result in an interest rate of 3.50%, the minimum acceptable rate is being noted at 3.80% on the low end and up to 4.0%

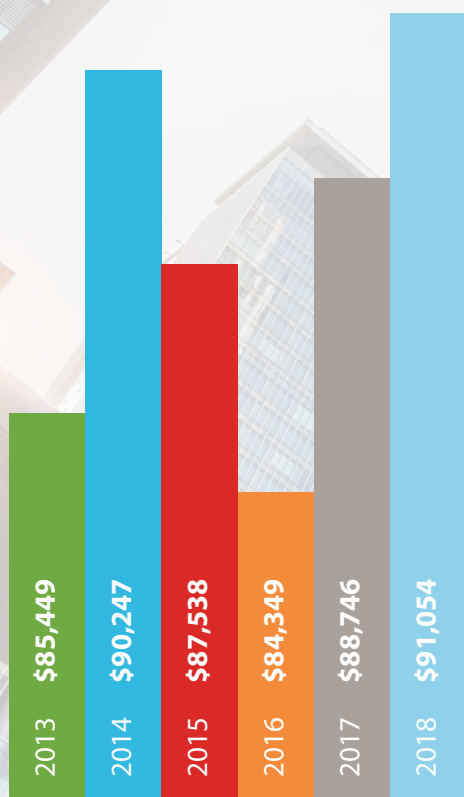
on the high end. Spreads quoted over GOC rates have not seen vast fluctuations, but with the incorporation of floor rates the actual spreads realized for borrowers has increased. Debt is still very accessible to borrowers. In saying that, the underwriting by primary lenders in the Alberta market continues to use a conservative approach in terms of debt coverage ratios and loan to value ratios.

GoC 5 & 10-Year Bond Yields



Investment by Industry Across Alberta

Type	Proposed	Under Construction	Grand Total
Commercial	\$0.64 B	\$1.78 B	\$2.42 B
Industrial	\$12.07 B	\$5.63 B	\$17.70 B
Infrastructure	\$10.95 B	\$9.55 B	\$20.49 B
Institutional	\$4.19 B	\$5.16 B	\$9.35 B
Mixed-Use	\$7.80 B	\$5.79 B	\$13.58 B
Oil and Gas	\$54.95 B	\$11.65 B	\$66.60 B
Pipelines	\$10.50 B	\$22.77 B	\$33.27 B
Power	\$7.62 B	\$1.61 B	\$9.23 B
Residential	\$3.15 B	\$2.61 B	\$5.75 B
Retail	\$0.01 B	\$0.18 B	\$0.20 B
Tourism / Recreation	\$5.44 B	\$1.08 B	\$6.52 B
Grand Total	\$117.31 B	\$67.81 B	\$185.12 B



Edmonton Region GDP \$ Millions, Basic Prices

Unemployment Rate - Seasonally Adjusted

Geography	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019
Canada	5.8%	5.8%	5.6%	5.5%	5.5%
Alberta	7.0%	6.9%	6.7%	6.6%	6.8%
Edmonton	7.1%	6.9%	6.8%	7.0%	7.5%



Edmonton Population

2016 Census	1,030,785
2018 Estimate	1,091,976
2020 Projection	1,190,532

% POPULATION CHANGE

5.9%	9.0%
(2016-18)	(2018-21)



Household Income

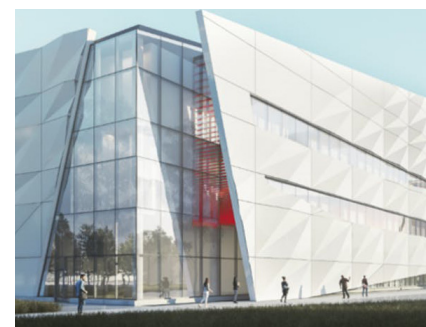
2018 Estimated	\$115,749
2021 Projected	\$124,796
2023 Projected	\$130,828

CHANGE IN AVG. HOUSEHOLD INCOME

\$9,047	\$6,031
(2018-21)	(2021-23)

Data source: Stats Canada Labour Force Characteristics table 14-10-0294-02

Top 10 Projects in Edmonton



Name	Estimated Cost	Sector	Schedule	Developer
Inter Pipeline Integrated Propane Dehydrogenation and Polypropylene Facility	\$3.50 B	Industrial	2018-2021	Inter Pipeline Ltd.
Valley Line Southeast LRT	\$1.80 B	Infrastructure	2016-2020	City of Edmonton
Blatchford Field Redevelopment	\$1.00 B	Mixed-Use	2015-2019	City of Edmonton
Fibre -Optic Internet	\$1.00 B	Industrial	2012-2021	City of Edmonton
Central Utility Block for Heartland Petrochemical Complex	\$0.60 B	Power	2018-2021	Fengate Capital Management
Stantec Tower	\$0.50 B	Mixed-Use	2015-2019	ONE Properties
Healy Towers (106 Street Condos)	\$0.40 B	Residential	Commencing 2019	Rise Real Estate
Dentistry and Pharmacy Building Modernization	\$0.25 B	Institutional	2017-2022	University of Alberta
Kathleen Andrews Transit Garage	\$0.20 B	Institutional	2016-2019	City of Edmonton
Ice District Condo Tower B	\$0.20 B	Residential	2017-2019	Katz Group

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