

Edmonton

Investment
Winter 2018

On a national scale, the Canadian real estate market shows no signs of slowing. Heavyweight investors continue to display enthusiasm in expanding their core and core-plus exposure in major urban centres – while site intensification and repositioning opportunities continue to shape the Canadian real estate landscape.

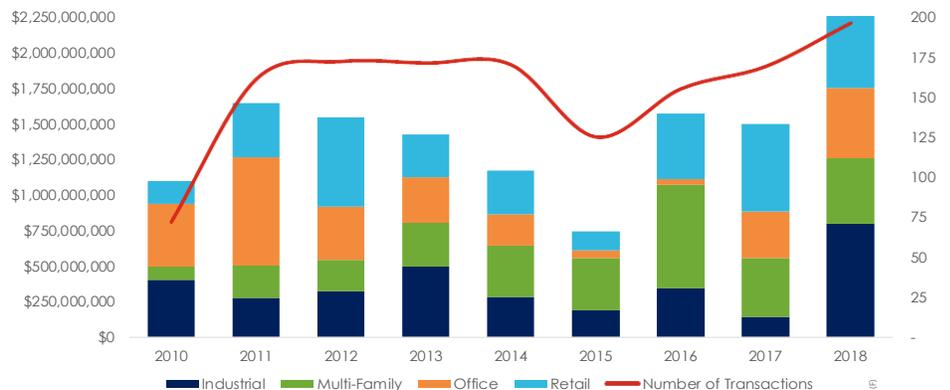


Record Year for Edmonton Commercial Real Estate Investment

The appetite for Canadian commercial real estate assets steadily increased in 2018 and it appears that this trend is not going to change in 2019. 2018 has proven to be a record year for Edmonton with investment volume up 48% over 2017. Investors placed capital into the Edmonton market with confidence in all four asset classes seeing healthy investment volume for several reasons. Namely, leasing fundamentals have strengthened, and positive demand fundamentals are on the rise due to economic uncertainty surrounding interest rates and major market indices.

Real estate is viewed as a portfolio diversifier among institutional investors and is a good inflation hedge particularly in this era of volatility. Interest rates have remained tightly monitored as the intention is to bring rates to a more neutral range leading into Spring 2019. Speculation of rate changes for 2019 are still yet to be seen. Signs of inflation slowing further confirms that interest rates will not need to rise in the near future. For these reasons, CRE remains an attractive asset class with many investors largely remaining bullish going into 2019.

Edmonton Investment Volume



Source: Avison Young Capital Markets, 2018.

(continued)

Industrial

Serving as a bellwether for the Alberta economy, industrial investment sales are up over 5x that of 2017. Albeit, industrial sales in 2017 are among the lowest ever on record. The main driver of the incredible momentum in the industrial sector was Blackstone Property Partners' acquisition of PIRET for \$3.8B. Their portfolio in Edmonton accounted for 3.8 msf of the total 22.7 msf acquired. However, even discounting the PIRET acquisition, the Edmonton industrial market had a solid year driven by strong industrial leasing fundamentals in the past 12 months. This inertia should carry on throughout 2019 as institutional and private investors alike are showing a strong appetite for the asset class, particularly small-bay multi-tenant properties as well as high ceiling distribution centres.

Retail

Investment in the retail space remained relatively stable finishing the year at about 80% of what it was in 2017. Consistent population growth and solid earnings for the Edmonton consumer translated into a moderate year for retailers and landlords alike. Strong demand for grocery and "needs based" properties will carry forward into the new year. The probability of material change in retail sector trends over the near term is quite low. Retail remains an exciting asset class going through a self-reinvention, and bricks and mortar is clearly not dead.

Office

One can't talk about the Edmonton office market without discussing the sale of the newly constructed Edmonton Tower, in the cities ICE District. Developed by ONE Properties and occupied mainly by the City of Edmonton, this 631,000 sf office tower sold to AIMCo, an Alberta based pension fund manager, for \$400M making it the largest transaction in the city's history. A show of institutional confidence like this is what downtown Edmonton needed as the city is recovering from a period of historically high office vacancy. Office investment finished the year at the highest level since 2011. However, without the Edmonton Tower deal, office investment sales volume would have been muted with only a handful of relatively small suburban office properties traded throughout 2018.

Multi-Family

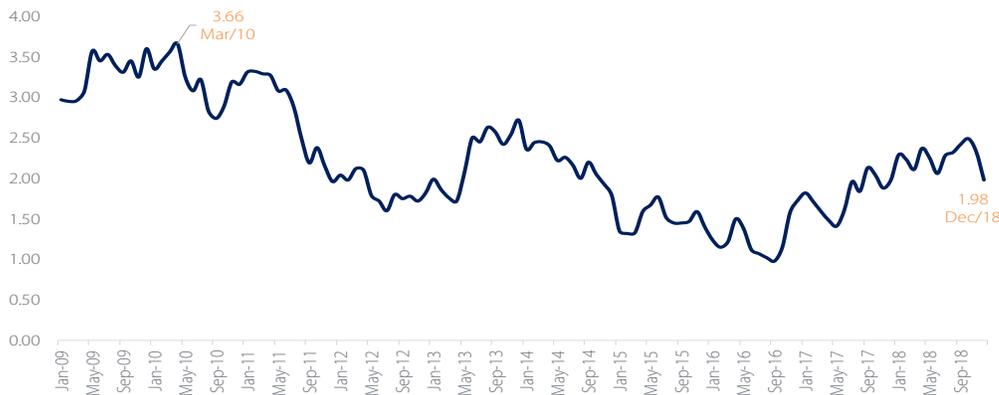
Consistent demand was present for the most stable asset class. Year-over-year, this segment saw a 10% increase in sale volume with six deals over \$20M and one, The Hendrix, fetching \$96.1M from GWL. Following the City of Edmonton's push for downtown densification, a number of projects have been proposed that would alter the city's skyline. Not to mention that a number of the city's vacant office buildings have been slated for residential conversion, further adding to the many new units that could be added to the downtown inventory in the near future.

Sale volume for 2018 calendar year.



YoY: Year-over-year.

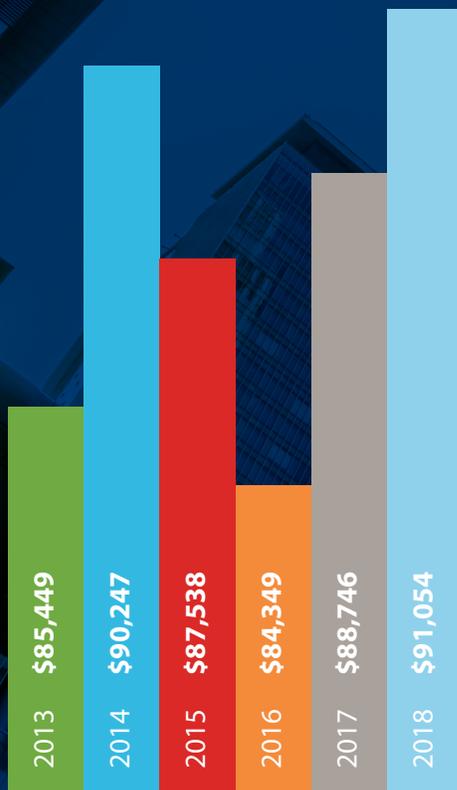
GoC 10-Year Bond Yield



Source: Bank of Canada, 2018

Investment by Industry Across Alberta

Type	Proposed	Under Construction	Grand Total
Commercial	\$781,300,000	\$1,692,000,000	\$2,473,300,000
Industrial	\$10,898,700,000	\$5,679,300,000	\$16,578,000,000
Infrastructure	\$11,885,900,000	\$8,859,100,000	\$20,745,000,000
Institutional	\$4,809,600,000	\$4,937,700,000	\$9,747,300,000
Mixed-Use	\$8,230,000,000	\$5,316,100,000	\$13,546,100,000
Oil and Gas	\$53,698,500,000	\$11,123,000,000	\$64,821,500,000
Pipelines	\$21,600,000,000	\$10,370,000,000	\$31,970,000,000
Power	\$7,776,500,000	\$3,009,000,000	\$10,785,500,000
Residential	\$3,475,200,000	\$1,868,600,000	\$5,343,800,000
Retail	\$107,000,000	\$181,400,000	\$288,400,000
Tourism / Recreation	\$4,892,000,000	\$1,211,000,000	\$6,103,000,000
Grand Total	\$128,154,700,000	\$54,247,200,000	\$182,401,900,000



Edmonton Region GDP \$ Millions, Basic Prices

Unemployment Rate - Seasonally Adjusted

Geography	Sept 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019
Canada	5.9%	5.9%	5.7%	5.7%	5.7%
Alberta	6.8%	7.0%	6.8%	6.6%	6.5%
Edmonton	6.3%	6.3%	6.2%	6.3%	6.4%



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: Conference Board of Canada; Metropolitan Outlook 1, Winter 2017 through the City of Edmonton's Chief Economist



Office

Average sale price per square foot - Office investment property



Description	Address	Site Area SF	Size (SF)	Sale Price	Sale Date	Price (PSF)
Office: Downtown High-Rise	10111 - 104 Avenue	72,745 SF	631,027	\$400,000,000	07/16/2018	\$633.89
Office: Suburban	10570 - 113 Street	42,253 SF	29,000	\$4,875,000	12/21/2018	\$168.10
Office: Suburban	10703 - 109 Street	20,462 SF	18,199	\$2,550,000	01/03/2018	\$140.12



Industrial

Average sale price per square foot - Industrial Investment properties

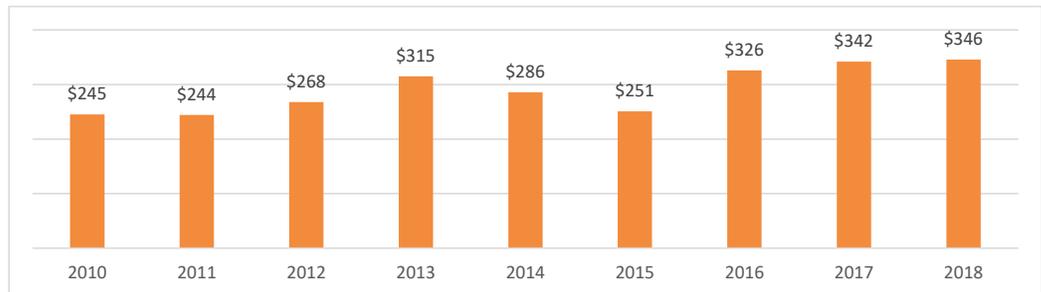


Description	Address	Site Area	Size (SF)	Sale Price	Sale Date	Price (PSF)
Warehouse: Multi-Bay	10402 - 184 Street	21.97 Acres	415,557	\$62,954,334	04/05/2018	\$151.49
Warehouse: Multi-Bay	6510 - 20 Street	32.59 Acres	461,817	\$61,421,200	01/30/2018	\$133.00
Warehouse: Multi-Bay	9303/9703 - 28 Avenue	9.45 Acres	173,456	\$25,000,000	02/16/2018	\$144.13



Retail

Average sale price per square foot - Retail investment properties



Description	Address	Site Area	Size (SF)	Sale Price	Sale Date	Price (PSF)
Retail: Shopping Centre	2303 - 111 Street	7.02 Acres	86,848	\$41,825,000	09/04/2018	\$481.59
Retail: Shopping Centre	4903 - 184 Street	7.56 Acres	88,955	\$29,200,000	07/06/2018	\$328.26
Retail: Shopping Centre	2803 Millwoods Road	2.94 Acres	46,128	\$18,850,000	01/25/2018	\$408.65



Multi-Family

Average sale price per suite - Multi-Family Investment properties



Description	Address	Site Area SF	Suites	Sale Price	Sale Date	Price (PER SUITE)
High-Rise Apartment	9733 - 111 Street	30,000	260	\$96,100,000	11/16/2018	\$369,615
High-Rise Apartment	10125 - 121 Street	54,886	249	\$67,250,000	11/01/2018	\$270,080
High-Rise Apartment	10620 - 116 Street	74,923	176	\$47,000,000	09/11/2018	\$267,045

* Sales data sourced from The Network and Altus RealNet

Top 10 Projects in Edmonton



Name	Estimated Cost	Sector	Stage	Developer
Valley Line West LRT	\$2,240,000,000	Infrastructure	Proposed	City of Edmonton
South Edmonton Hospital	\$2,000,000,000	Institutional	Proposed	Alberta Health Services
Valley Line Southeast LRT	\$1,800,000,000	Infrastructure	Under Construction	City of Edmonton
Blatchford Field Redevelopment	\$1,000,000,000	Mixed-Use	Under Construction	City of Edmonton
Fibre -Optic Internet	\$1,000,000,000	Industrial	Under Construction	City of Edmonton
Yellowhead Trail Freeway Conversion	\$1,000,000,000	Infrastructure	Proposed	City of Edmonton
Capital Line LRT Expansion South	\$627,000,000	Infrastructure	Proposed	City of Edmonton
Edmonton Medical Lab Hub	\$590,300,000	Institutional	Proposed	Alberta Infrastructure
Stantec Tower	\$500,000,000	Mixed-Use	Under Construction	ONE Properties
Healy Towers (106 Street Condos)	\$400,000,000	Residential	Proposed	Rise Real Estate

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