

OFFICE
\$324M

▲ \$279M YoY

INDUSTRIAL
\$139M

▼ \$204M YoY

MULTI-
FAMILY
\$420M

▼ \$315M YoY

RETAIL
\$630M

▲ \$149M YoY

* Sale volume for 2017 calendar year.

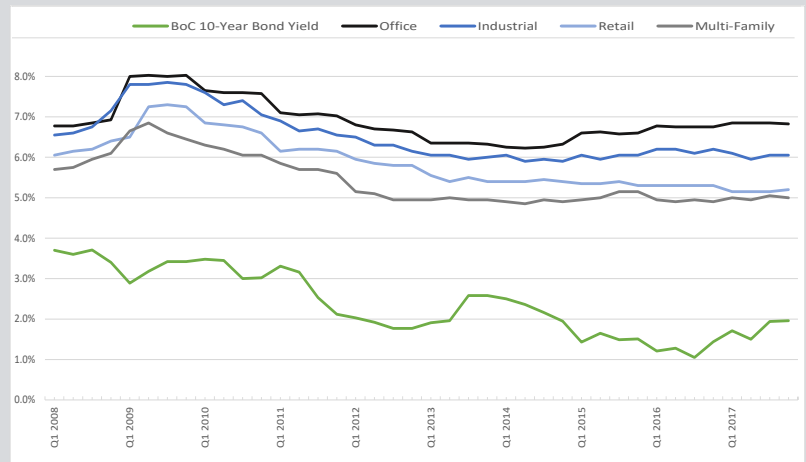
▲ YoY: Year-over-year.

Edmonton

Summer 2018 Investment Report

Cap Rates & Bank of Canada Bond Yields

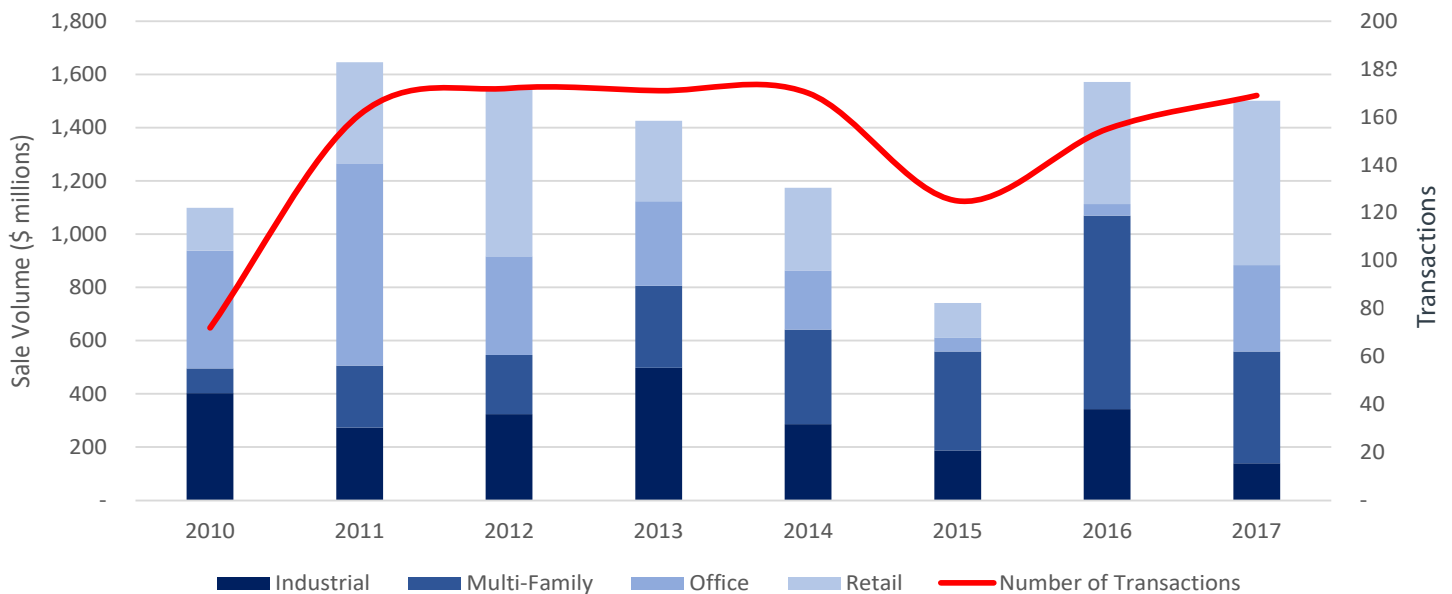
An examination of cap rates in the Edmonton market across all asset classes illustrate stability in the recent past relative to the early part of the decade. Following the financial crisis of 2008 that prompted the Bank of Canada to decrease the overnight rate by 400 basis points, cap rates underwent a five-year period of steady decline before generally stabilizing. Despite economists forecasting further Bank of Canada rate hikes in the first quarter of 2018, the outlook has changed in the months of May and June. Uncertainty generated by NAFTA negotiations and the future of the Trans Mountain Pipeline have dampened expectations for more 2018 rate hikes. Since May 17, 2018, 10-Year Bank of Canada Bond Yields have cratered from a high of 2.52% down to 2.09% as of June 25, 2018. Until the uncertainty is resolved on some of Canada's macroeconomic issues in the headlines, cap rates in Edmonton are expected to remain relatively stable due to a continued low cost of borrowing.



Non-Residential Capital Expenditure & WTI Price

As is the case with many provincial macroeconomic variables, Alberta's non-residential capital expenditure is highly correlated with oil prices. During the early half of the decade, the province's investment levels experienced near-linear growth as rising oil prices fueled gains in the energy sector. Since 2015, the trend has reversed with most of the contraction accounted for in the resource extraction and manufacturing industries, while real estate and construction investment remained relatively flat. Improved oil price outlook cited in the Government of Alberta Budget 2018 provides a basis for optimism in investment growth in the medium term.





Investment Market is Gaining Momentum

Cautious optimism surrounds the investment landscape in Edmonton. Investor confidence is elevated after a strong finish to 2017 with investment volume surpassing \$1.4B across the four main asset classes. Retail and multi-family continue to be the main drivers with the majority of deals being done with private buyers. However, institutional activity is increasing in 2018.

Since the lows of 2015, there has been a resurgence in investment market activity. 2017 was the 4th highest year in the past decade in terms of dollar volume. It would have surpassed 2016 if it was not for the sale of Edgewater, the \$191 million multi-family property that was sold at the end of 2016. A deal of that size is a strong sign of institutional confidence.

While there was a decline in the number of industrial and multi-family deals year-over-year, there was a significant uptick in the number of office and retail sales. Overall, deal volume was up 9% from 2016 and 35% from 2015. It is expected that this momentum will continue into 2018 as leasing fundamentals in the office and industrial markets strengthen.

Notable office sales in 2017 and 2018 include three downtown buildings expected to undergo redevelopment to multi-family residential or hotel. Enbridge Tower, Bank of Montreal Building, and Centre West sold for a combined \$44.3 million and join Harley Court and the Financial Building as downtown office buildings undergoing redevelopment.

While cap rates are generally expected to remain stable until the cost of

borrowing increases, various asset classes in Edmonton will be affected differently when interest rates do rise. Older office investment properties will see the highest increase in cap rates relative to interest rates, fueled by a 15% office vacancy rate in Edmonton, as well as less lender appetite to use office properties as collateral relative to retail and industrial properties. Retail properties are anticipated to see the lowest increase in cap rates once borrowing costs go up. There is a deeper pool of local Edmonton investors for this asset class, providing higher liquidity to vendors, even for older product without traditional anchor tenants. Industrial cap rates will fare somewhere in between office & retail, with more significant cap rate increases incurred on older properties with less versatility for tenants' usage.

DOWNTOWN OFFICE BUILDINGS UNDERGOING REDEVELOPMENT



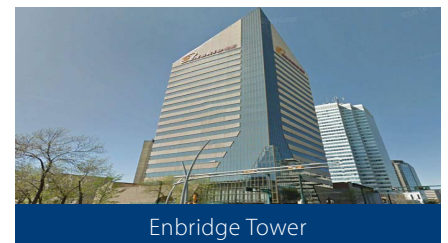
Bank of Montreal Building

Sale Date: April 13, 2017
Sale Price: \$13,500,000
Building Area: 123,000 sf
Sale Price PSF: \$109.76



Centre West

Sale Date: October, 18, 2017
Sale Price: \$8,759,800
Building Area: 159,000 sf
Sale Price PSF: \$55.09



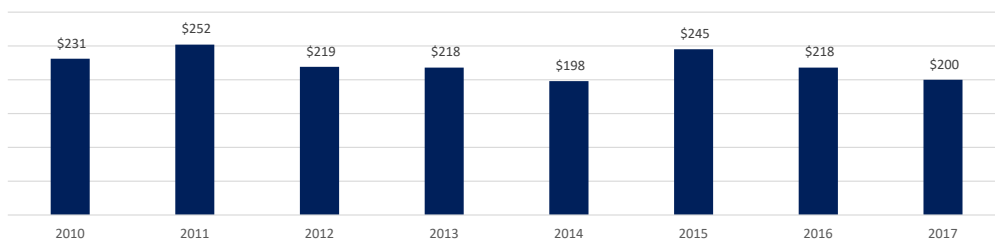
Enbridge Tower

Sale Date: May 1, 2018
Sale Price: \$22,000,000
Building Area: 184,057 sf
Sale Price PSF: \$119.53



OFFICE

Average Sale Price Per Square Foot - Office Investment Properties

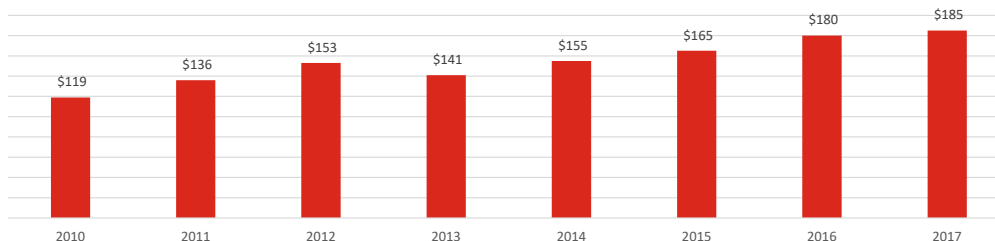


Description	Address	Site Area	Size (SF)	Sale Price	Sale Date	Price (PSF)
Office: Downtown High-Rise	9888 Jasper Avenue	20,910 SF	177,369	\$60,630,000	08/15/2017	\$341.82
Office: Downtown High-Rise	10055 - 106 Street	15,983 SF	118,747	\$14,400,000	12/01/2017	\$121.27
Office: Downtown High-Rise	10035 - 108 Street	37,500 SF	159,000	\$8,759,800	10/18/2017	\$55.09



INDUSTRIAL

Average Sale Price Per Square Foot - Industrial Investment Properties

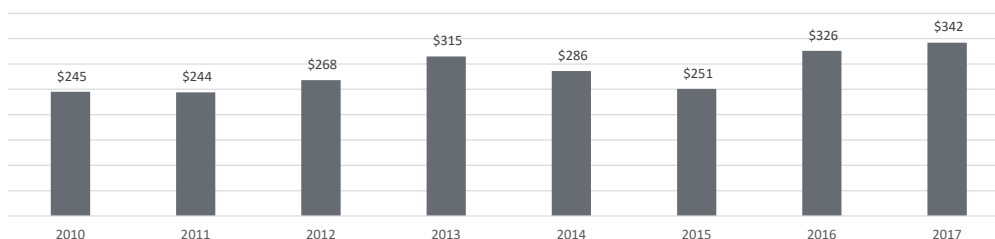


Description	Address	Site Area	Size (SF)	Sale Price	Sale Date	Price (PSF)
Warehouse: Multi-Bay	10402 - 184 Street	21.97 Acres	415,557	\$62,954,334	04/05/2018	\$151.49
Warehouse: Multi-Bay	9303/9703 - 28 Avenue	9.45 Acres	173,456	\$25,000,000	02/16/2018	\$144.13
Warehouse: Multi-Bay	16311/16403 - 117 Avenue	15.32 Acres	319,841	\$21,600,000	04/16/2018	\$67.53



RETAIL

Average Sale Price Per Square Foot - Retail Investment Properties

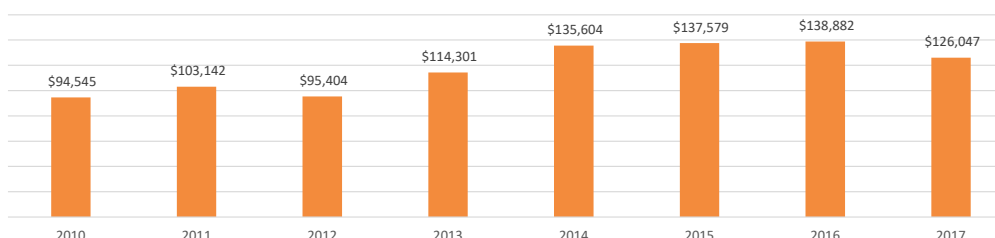


Description	Address	Site Area	Size (SF)	Sale Price	Sale Date	Price (PSF)
Retail: Shopping Centre	70 McLeod Ave - Spruce Grove	11.49 Acres	131,453	\$35,493,730	03/21/2018	\$270.01
Retail: Shopping Centre	2803 Millwoods Road	2.94 Acres	46,128	\$18,850,000	01/25/2018	\$408.65
Retail: Shopping Centre	14403 Miller Crossing	3.31 Acres	27,336	\$13,800,000	05/01/2018	\$504.83



MULTI-FAMILY

Average Sale Price Per Suite - Multi-Family Investment Properties



Description	Address	Site Area	Suites	Sale Price	Sale Date	Price (PER SUITE)
Walk-up	112/114 Tisbury St - Sherwood Park	2.52 Acres	124	\$28,277,027	09/01/2017	\$228,040
Walk-up	1071 Chappelle Boulevard	3.24 Acres	160	\$27,350,000	06/09/2017	\$170,935
High-Rise Apartment	11610 - 100 Avenue	0.78 Acres	92	\$21,350,000	03/29/2018	\$232,065

* Sales data sourced from The Network and Altus RealNet

Notable Investment Sales, 2018 YTD

1 Sunwapta Business Centre

Sale Date: April 5, 2018
Asset Class: Multi-Bay Industrial
Sale Price: \$62,954,334
Building Area: 415,557 sf
Capitalization Rate: 6.10%

2 Parsons Business Centre

Sale Date: February 16, 2018
Asset Class: Multi-Bay Industrial
Sale Price: \$25,000,000
Building Area: 173,456 sf
Capitalization Rate: 6.57%

3 Enbridge Tower

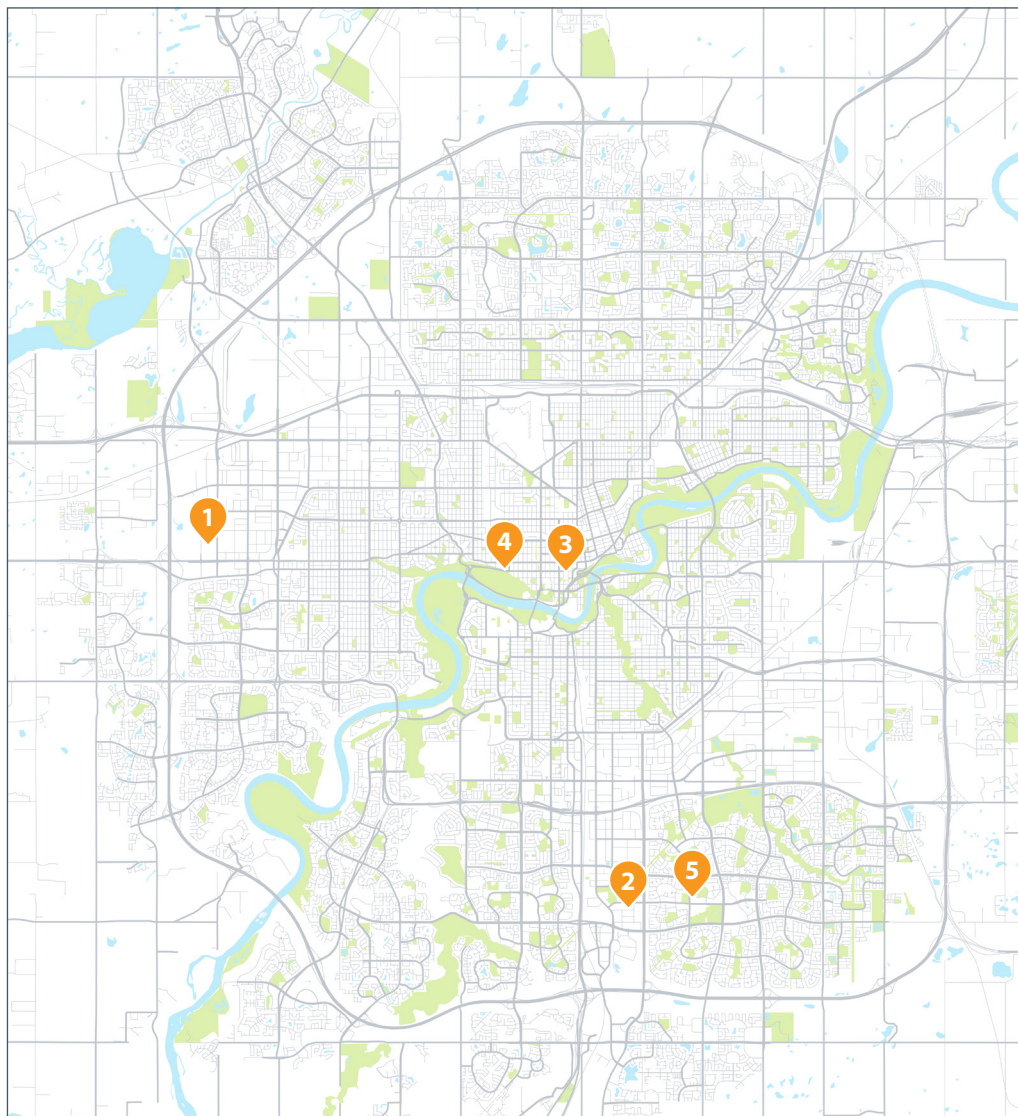
Sale Date: May 1, 2018
Asset Class: High-Rise Office
Sale Price: \$22,000,000
Building Area: 184,057 sf
Sale Price PSF: \$119.53

4 Windsor Arms

Sale Date: March 29, 2018
Asset Class: High-Rise Apartment
Sale Price: \$21,350,000
Suites: 92
Capitalization Rate: 2.76%*
*Reflects below-market rental rates.

5 Kameyosek Shopping Centre

Sale Date: January 25, 2018
Asset Class: Retail Shopping Centre
Sale Price: \$18,850,000
Building Area: 46,128
Capitalization Rate: 6.17%



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