

# COMMERCIAL REAL ESTATE INVESTMENT ANALYSIS

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“Investors are back and active in Edmonton’s commercial real estate (CRE) investment market in a meaningful way. Led by a resurgence of interest in ICI Land and an uptick in demand for Multi-Residential properties and Industrial assets, total dollar volume invested rose by 8% year-over-year.”



Doug Grinde, Vice President  
Barclay Street Real Estate

*AT THE MID-POINT OF 2018, THE EDMONTON COMMERCIAL REAL ESTATE (CRE) MARKET DEMONSTRATED ONGOING APPEAL TO INVESTORS. THIS WAS DEMONSTRATED IN THE NOTABLE YEAR-OVER-YEAR DOLLAR VOLUME INCREASE.*

Driven by renewed interest in ICI Land, Residential Land and Industrial assets, the renewed appeal of commercial real estate that took hold in mid-2016 continued. This is demonstrated by the 31% year-over-year increase in the number of transactions at June 30th. With that said, the transactions completed during the first half of 2018 were generally smaller in nature than during the first half of 2017.

Tracking sales greater than or equal to \$1 million, approximately \$1.17 billion was invested across the Office, Retail, Industrial, Multi-Residential and ICI/Residential land asset classes between January 1st and June 30th, 2018. This represents an 8% increase in

dollar volume invested compared to the same period last year. There were significant shifts noted in investor focus; investor activity among ICI Land assets more than doubled while Multi-Residential and Residential Land properties each saw sales growth of 56% and 36%, respectively. Also of note, Office property sales represented about three-quarters of first-half 2017 activity. This resulted in year-over-year dollar volume being roughly halved. Barclay Street tracks activity level (the number of transactions) by property price range, which yields data showing an ongoing trend of broadened demand for properties across the five price categories we’ve set out.

A healthy appetite remained evident for Multi-Residential properties, Industrial assets and Residential land. Demand for Investment (ICI) land saw a substantial uptick during the first half of 2018. As mentioned earlier, dollar volume invested

	Mid-Year 2017	Mid-Year 2018	Year-Over-Year Change
<b>Total Dollar Volume</b>	\$1,081,185,654	\$1,167,726,485	\$86,540,831
<b>Volume Excluding Residential Land</b>	\$1,038,125,354	\$1,112,271,252	\$74,145,898
<b>Residential Land Only</b>	\$43,060,300	\$55,455,233	\$12,394,933



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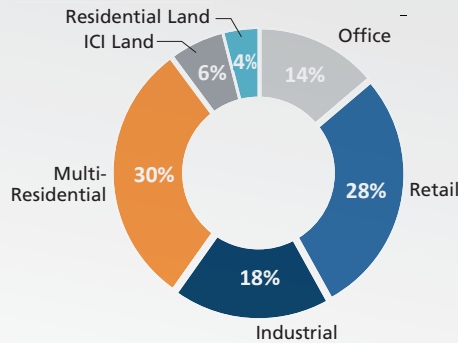
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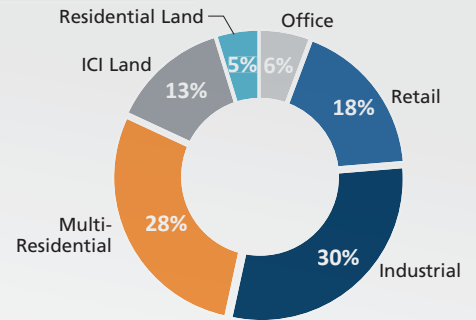
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in office properties decreased markedly and this was due primarily to reduced investment in office buildings. Demand for office condos however, remained generally steady with transactions totalling \$15.7 million to June 30th, 2018 versus \$17.1 during the first half of 2017. These sales closed with at an average of \$400 per square foot (psf), which served to increase the overall average to \$341 psf.

MID-YEAR 2017 COMMERCIAL REAL ESTATE INVESTMENT SALES OF \$1M AND GREATER



MID-YEAR 2018 COMMERCIAL REAL ESTATE INVESTMENT SALES OF \$1M AND GREATER



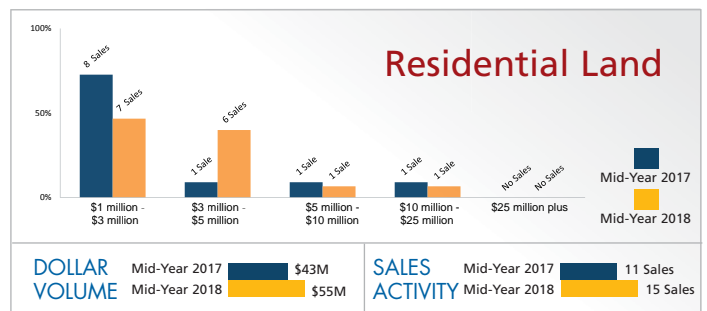
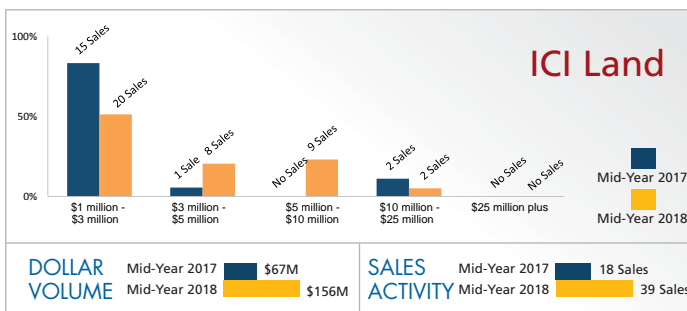
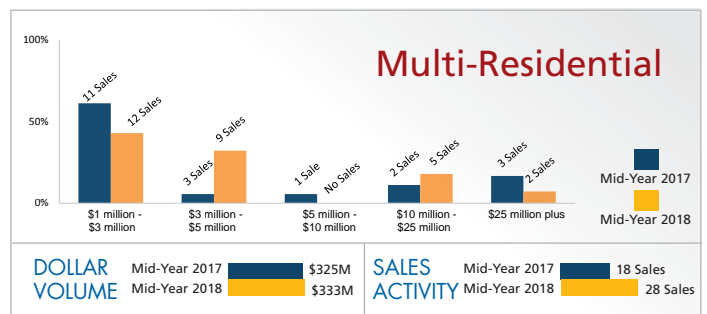
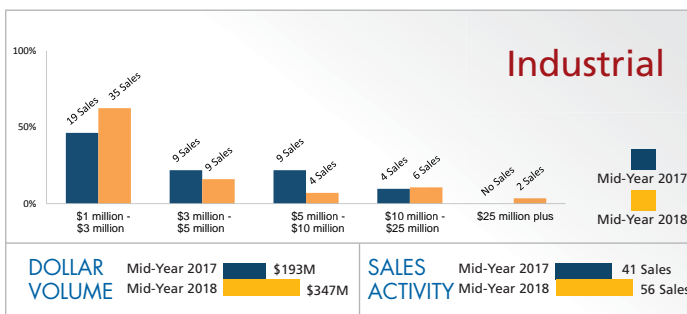
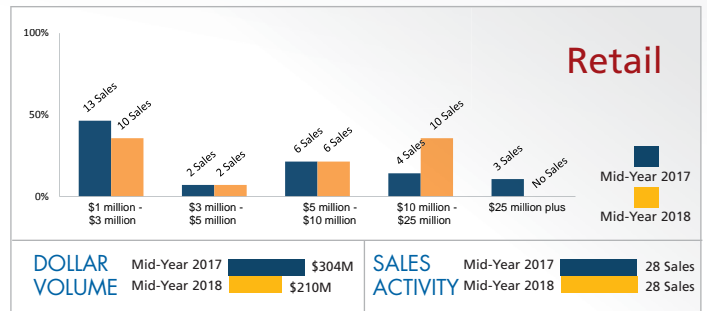
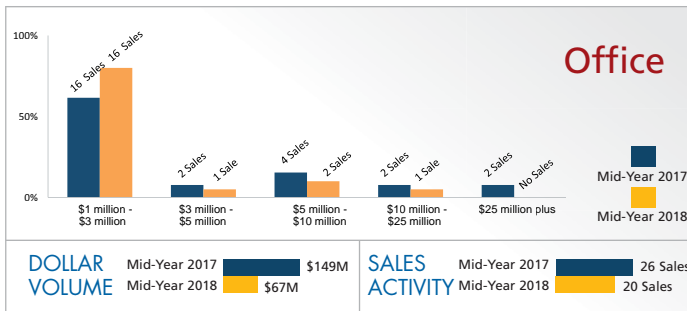
TOTAL DOLLAR VOLUME



TOTAL SALES ACTIVITY



MID-YEAR 2018 VS. MID-YEAR 2017 TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



# Office Investment

*INVESTMENT VOLUME DURING THE FIRST SIX MONTHS OF 2018 WAS LESS THAN HALF THAT SEEN ONE YEAR PRIOR, DUE LARGELY TO A SUBSTANTIAL DECREASED IN OFFICE BUILDING TRANSACTIONS.*

The office investment market in Edmonton saw 20 office transactions during this reporting period, totalling approximately \$67 million, down from \$149 million during the first half of 2017. Representing approximately one-third of office investment to June 30th was the purchase of Enbridge Tower for \$22 million.

Excluding the above-noted property, investors demonstrated an appetite for small, inexpensive office buildings. All but three office buildings changing hands were bought for less than \$3 million and averaged a little more than 7,000 square feet (sf). One of the more interesting properties was 10432 Jasper Avenue, which sits on a narrow, rectangular site between Cecil Place

**OFFICE TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)**

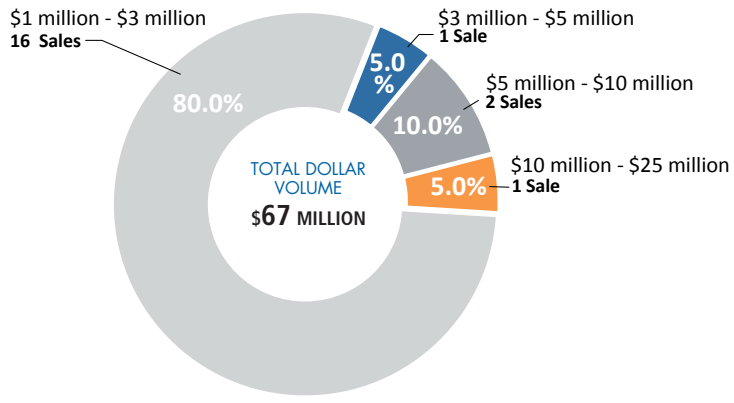
	2013	2014	2015	2016	2017	YTD 2018
Total \$ Volume	\$331,146,760	\$241,427,055	\$89,703,950	\$85,510,735	\$289,580,302	\$66,678,498
# of Transactions	18	20	27	31	50	20
Avg. Bldg. Price per Square Foot	\$290	\$245	\$330	\$272	\$230	\$341
Average Price Per Transaction	\$18,397,042	\$12,071,353	\$3,322,369	\$2,758,411	\$5,791,606	\$3,333,925
Average Building Size (sf)	63,466	52,235	12,473	13,308	43,715	17,901

Source: The Network

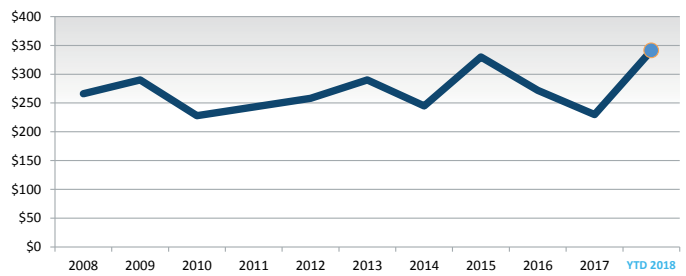
and Beaver Hills House park. Purchased by Limak Investments Inc., this narrow, 13-foot property wide is one of the city's skinniest commercial buildings. This property generated notable coverage in recent years when it was the subject of a repurposing proposal involving its conversion to a restaurant.

Similar to 2016 and 2017, office condominium transactions were a significant contributor to overall investment. During the first half of 2018, office condos comprised 24% of sales in this asset class. This sustained interest is worth noting, as Barclay Street has noted a growing interest in ownership versus leasing in this market during the previous three years. Given the brighter, yet still uncertain macroeconomic environment, we see small to mid-sized professional services firms being drawn to the model as it offers the opportunity to build equity as the economy recovers. To June 30th, office condominiums sold for an average of \$400 psf which is slightly higher than the average of \$393 psf at the same point last year.

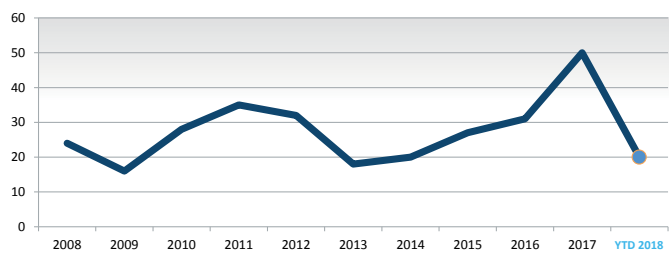
**MID-YEAR 2018 OFFICE INVESTMENT ACTIVITY DISTRIBUTION**



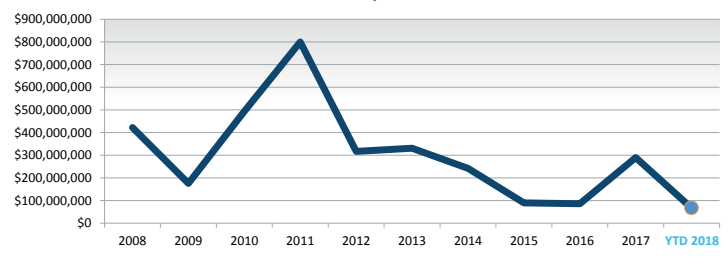
**AVERAGE PRICE PER SQUARE FOOT**



**NUMBER OF TRANSACTIONS**



**TOTAL \$ VOLUME**



# Retail Investment

*IN A DEPARTURE FROM A TREND THAT BEGAN IN THE SECOND HALF OF 2016, THE RETAIL ASSET CLASS SAW A YEAR-OVER-YEAR REDUCTION IN INVESTMENT DOLLAR VOLUME DURING THE FIRST SIX MONTHS OF 2018.*

With approximately \$210 million invested at June 30th, total dollar volume was 65% of that seen at the same point of 2017. One sale greater than \$20 million closed; the purchase of 906 111th Street by 3315305 Nova Scotia Company for \$22.8 million. It is notable that this transaction was a divestiture made by C Store USA, which was an active purchaser during 2017.

In addition to the above-noted property, C Store USA also sold 11220 171st Avenue and 3341 34th Street. These properties sold for \$652 psf and \$1,212 psf, respectively and as such continued to support average per square foot prices at multi-year highs. This has been supported by increased retailer demand for newer and/or better-located spaces, which has itself been spurred by increased consumer spending.

This has driven strong retail demand in new developments on the city's periphery and in new mixed-use developments such as Raymond Block on Whyte Avenue for example. At the time of writing, five of the building's seven retail units had been leased. The city has approved other high-profile urban densification projects such as this on Jasper Avenues and 124th Street.

As mentioned earlier, investment in Edmonton's retail asset class was off to a slow start with dollar volume decreasing year-over-year. Investor activity however, was consistent with 28 transactions

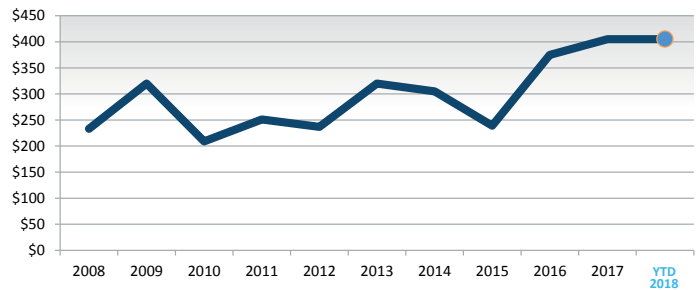
RETAIL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2013	2014	2015	2016	2017	YTD 2018
Total \$ Volume	\$240,003,499	\$356,600,076	\$138,038,238	\$482,888,288	\$487,656,213	\$209,974,969
# of Transactions	43	50	33	54	48	28
Avg. Bldg. Price per Square Foot	\$320	\$305	\$239	\$375	\$405	\$405
Average Price Per Transaction	\$5,581,477	\$7,132,002	\$4,182,977	\$8,942,376	\$10,159,504	\$7,499,106
Average Building Size (sf)	18,125	34,046	18,794	29,628	23,192	18,114

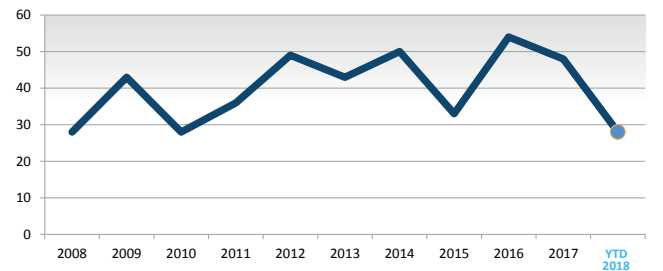
Source: The Network

closed at the mid-points of both 2017 and 2018. Barclay Street's analysis shows the year-over-year dispersion of transactions among the various price ranges - which only emerged in a meaningful way in mid-2017 – remained. With that said, no big-ticket properties of \$25 million and greater transacted by June 30th, whereas three sales had closed above \$25 million by mid-2017.

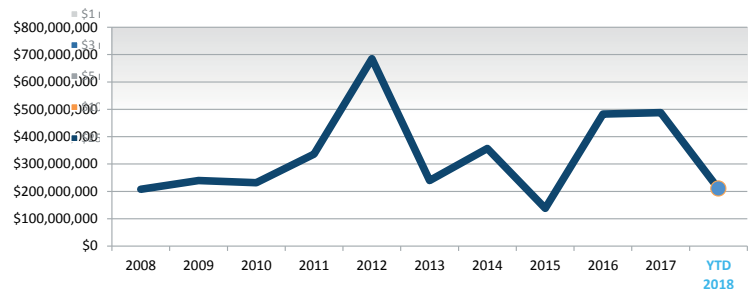
AVERAGE PRICE PER SQUARE FOOT



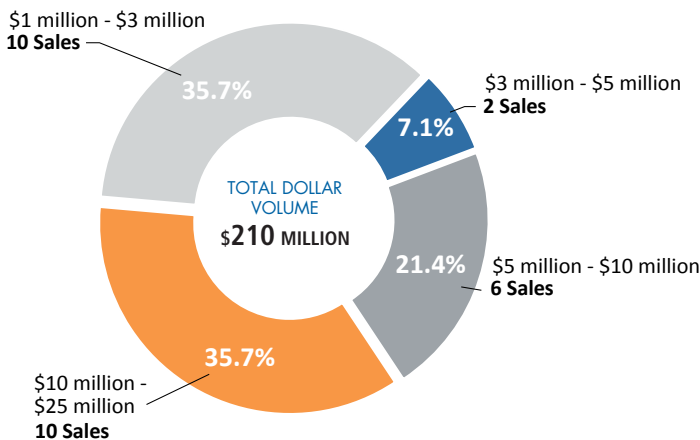
NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



MID-YEAR 2018 RETAIL INVESTMENT ACTIVITY DISTRIBUTION



# Industrial Investment

**THE GREATER EDMONTON AREA INDUSTRIAL REAL ESTATE MARKET DEMONSTRATED ONGOING STRENGTH AS 2018 PROGRESSED.**

Owner/users, as a group, continued to be a major player and accounted for most of the year-to-date acquisitions. The majority of purchases were buildings ranging in size between 10,000 square feet (sf) and 30,000 sf, keeping values for these properties stable. Of the 56 transactions closed to June 30th, demand for IM (industrial manufacturing)-zoned properties was substantial, with 27 properties changing hands. A close second, IB (industrial business)-zoned properties were also in demand, with 21 sales completed. The

**INDUSTRIAL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)**

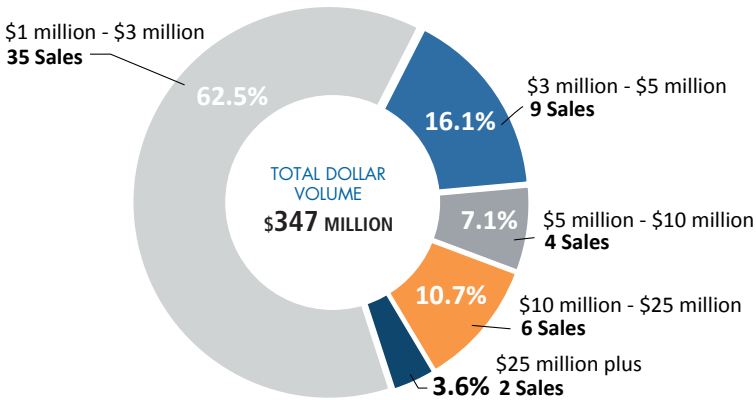
	2013	2014	2015	2016	2017	YTD 2018
Total \$ Volume	\$621,302,291	\$423,331,760	\$315,031,543	\$445,979,265	\$282,694,810	\$346,964,357
# of Transactions	132	97	85	80	70	56
Average Price per Square Foot	\$158	\$184	\$199	\$177	\$204	\$160
Average Price	\$4,706,836	\$4,364,245	\$3,706,253	\$5,574,741	\$4,038,497	\$6,195,792
Average Building Size (sf)	39,753	31,965	24,504	41,596	27,781	48,997

Source: The Network

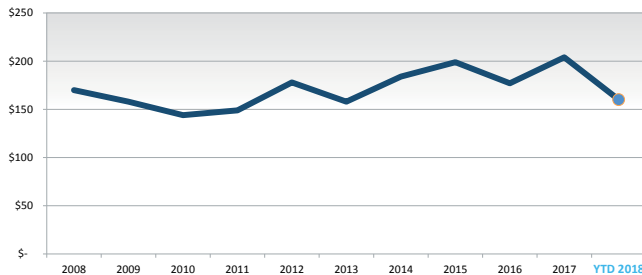
former achieved an average of \$160 per square foot (psf) while the latter achieved \$162 psf. Both are down notably from mid-2017 when average per square foot prices exceeded \$200.

Investor activity in Edmonton’s industrial sector increased by 37% year-over-year. While average price per square foot decreased, total dollar volume was up markedly year-over-year. This is largely due to the presence of two transactions greater than \$25 million and more sales priced between \$10 million and \$25 million compared to mid-2017. Referring to the Activity Distribution chart on the inside cover of this report, Barclay Street’s analysis demonstrates the broadened year-over-year dispersion of transactions among the various price ranges in this asset class. During the first half of the year, the largest transactions by price were Fiera Properties’ purchases of was the purchase of 6510 20th Street and 10402 184th Street for \$61.4 million (\$133 psf) and \$62.9 million (\$151 psf), respectively.

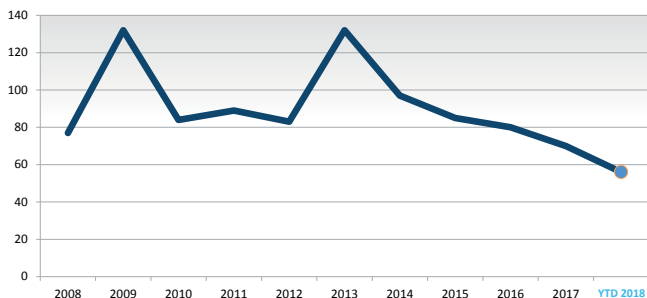
**MID-YEAR 2018 INDUSTRIAL INVESTMENT ACTIVITY DISTRIBUTION**



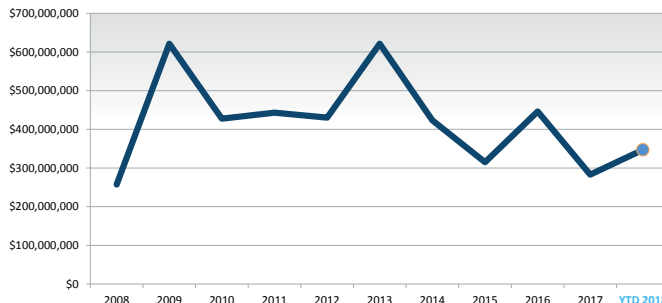
**AVERAGE PRICE PER SQUARE FOOT**



**NUMBER OF TRANSACTIONS**



**TOTAL \$ VOLUME**



# Multi-Residential Investment

**EDMONTON'S MULTI-RESIDENTIAL MARKET EXPERIENCED A MARGINAL 3% YEAR-OVER-YEAR INCREASE IN DOLLAR VOLUME, WITH APPROXIMATELY \$333 MILLION INVESTED DURING THE FIRST HALF OF 2018.**

The year-over-year increase was due primarily to a substantial increase in transactions which rose to 28 from 18 at mid-2017. While investors retained an overall appetite for institutional grade assets such as Chartwell Heritage Valley Retirement Residence (purchased by Baybridge Inc.) and Chartwell Griesbach Retirement Residence (purchased by Rosedale Griesbach Holdings Corporation), a greater number of smaller properties sold.

The aforementioned activity pertaining to large assets is noteworthy as the three transactions to take place at this level made a substantial impact on the year-to-date investment numbers. These assets averaged \$95 million and comprised an average of 473 units. During the first half of 2017, the larger properties averaged \$88 million and 401 units. Average price per unit increased markedly to \$158,000 compared to \$132,000 at mid-year 2017.

MULTI-RESIDENTIAL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

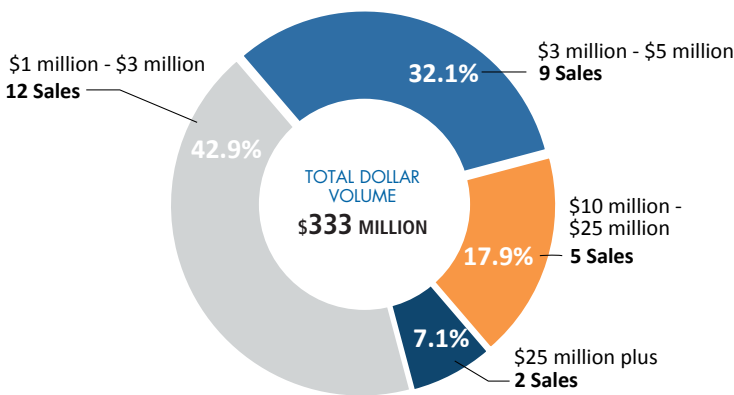
	2013	2014	2015	2016	2017	YTD 2018
Total \$ Volume	\$297,041,684	\$325,246,716	\$289,110,217	\$463,718,535	\$443,741,401	\$333,064,321
# of Transactions	59	64	45	53	35	28
Average Price per Unit	\$118,542	\$133,198	\$141,482	\$134,309	\$128,287	\$158,370
Average Price	\$5,034,605	\$5,081,980	\$6,424,671	\$8,749,406	\$12,678,326	\$11,895,154
Average Building Size (Units)	39	32	41	53	74	46

Source: The Network

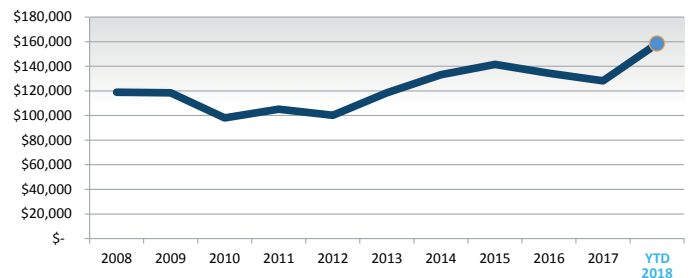
For purchasers seeking a stable cash flow, the Canada Mortgage and Housing Corporation has forecast rental apartment vacancy to decline in 2018. It is estimated that the 2018 October vacancy rate will be 6.2%<sup>1</sup>. Vacancy in this asset class sat just below 7% at the end of 2017. Even though additional new supply totalling approximately 2,000 new units is in the pipeline for 2018/early 2019, demand for this product in Edmonton's market is regarded as being sufficient to absorb the new developments without substantially increasing vacancy rates.

<sup>1</sup> Braden Equities Inc. (March, 2018). Alberta's vacancy rates outlook for 2018. <http://blog.bradenequitiesinc.com/albertas-vacancy-rates-outlook-for-2018>

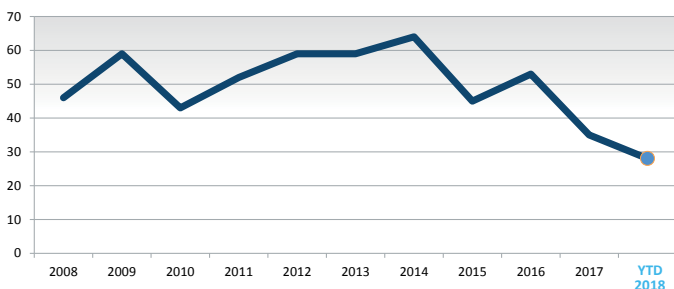
MID-YEAR 2018 MULTI-RESIDENTIAL INVESTMENT ACTIVITY DISTRIBUTION



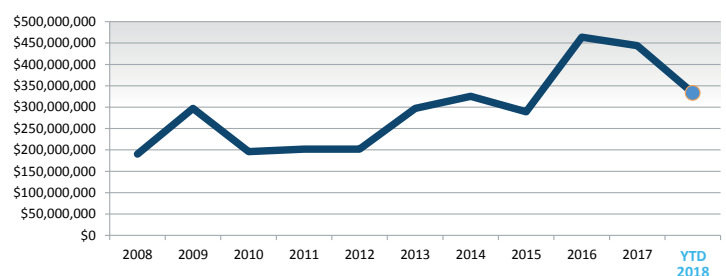
AVERAGE PRICE PER UNIT



NUMBER OF TRANSACTIONS



TOTAL \$ VOLUME



# ICI & Residential Land Investment

THE ICI (INDUSTRIAL, COMMERCIAL AND INVESTMENT) LAND SECTOR CONTRIBUTED APPROXIMATELY \$156 MILLION OF THE \$211 MILLION IN TOTAL LAND SALES GENERATED DURING THE FIRST HALF OF 2018.

This represents a greater than two-fold year-over-year increase in dollar volume. The average ICI transaction sat at \$4 million, with two transactions greater than \$10 million; the purchase of 0.95 acres of commercial land at 10085 100th Street by Luxor Land Ltd. for \$12 million and 13.8 acres of land at 3920 Heritage Valley Trail SW by Delcon Creekwood VII Ltd. for \$15.2 million.

In terms investment activity, the ICI Land asset class saw more than double the number of transactions year-over-year, with 39 transactions completed versus 18 at June 30th, 2017. Referring to the Transactions Activity chart on the inside cover of this report, Barclay Street's analysis shows a substantial increase in the number of mid-priced transactions this period while investors again

ICI & RESIDENTIAL LAND TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2013	2014	2015	2016	2017	YTD 2018
Total \$ Volume	\$840,219,090	\$766,549,218	\$493,437,396	\$361,125,565	\$282,593,339	\$211,044,340
# of Transactions	141	156	104	87	67	54
Average Price per Acre	\$203,562	\$317,257	\$318,817	\$472,677	\$355,463	\$14,742.29
Average Price	\$5,959,000	\$4,913,777	\$4,512,179	\$4,222,246	\$4,235,335	\$3,843,240
Average Land Area (Acres)	21	12	21	5	10	6

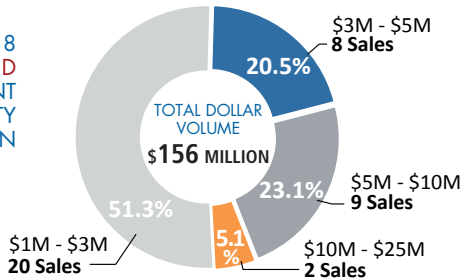
Source: The Network

demonstrated an increased appetite for properties priced in the \$1 million to \$3 million dollar range.

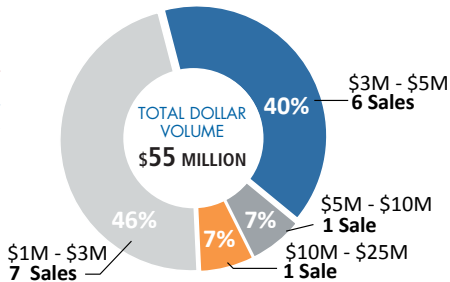
Residential Land sales, when compared to mid-year 2017, also saw a substantial increase in both investor activity and dollar volume. At June 30th, this asset class was the third-best year-over-year performer of the six asset classes Barclay Street tracks. During this reporting period, 15 transactions took place at an average of \$3.7 million, boosted by one purchases of greater than \$10 million. Jasper & 115 ST Residential Gp. Ltd. purchased 1.4 acres at 10039 115th Street - a lot behind Edmonton Motors in the trendy neighbourhood of Oliver- for \$11 million.

Combined, the land sector saw the average price per acre decrease to \$515,000 per acre at mid-year 2018 versus \$291,000 per acre at mid-year 2017. Land sales of less than one acre comprised about half of Residential Land transactions while there were ten ICI Land of less than a full acre. From mid- year 2015 through 2016, Barclay Street noted a substantial number of partial-acre sales and identified the trend as a significant contributor to price-per-acre inflation over that period. This can be seen in the Transactions Table above.

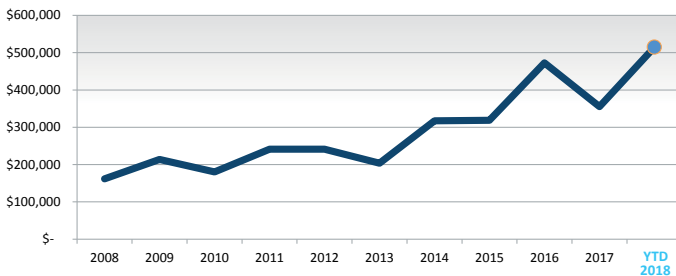
MID-YEAR 2018 ICI LAND INVESTMENT ACTIVITY DISTRIBUTION



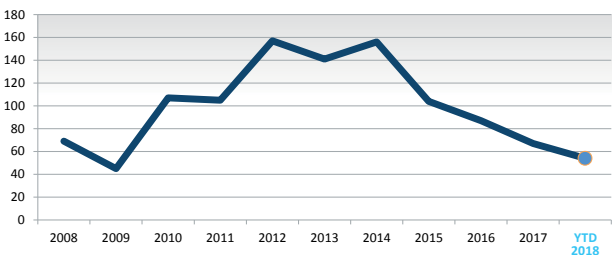
MID-YEAR 2018 RESIDENTIAL LAND INVESTMENT ACTIVITY DISTRIBUTION



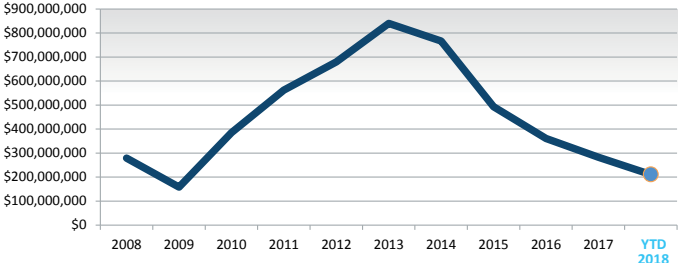
ICI+RESIDENTIAL AVERAGE PRICE PER ACRE



ICI+RESIDENTIAL NUMBER OF TRANSACTIONS



ICI+RESIDENTIAL TOTAL \$ VOLUME



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