

COMMERCIAL REAL ESTATE INVESTMENT ANALYSIS

“Investors came back to Edmonton’s commercial real estate (CRE) investment market and liked what they saw in 2018. Total dollar volume invested exceeded \$2.65 billion, driven by renewed interest in ICI Land, plus strong demand for Multi-Residential properties.”



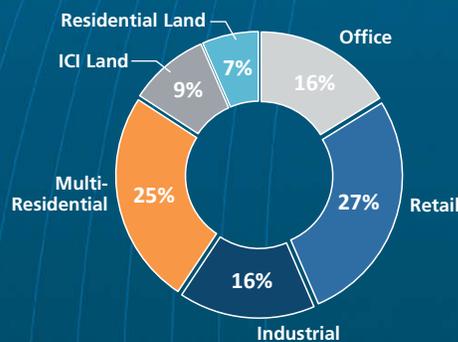
George Larson,
Vice President
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Real Estate

EDMONTON’S COMMERCIAL REAL ESTATE (CRE) MARKET WAS AWASH WITH INVESTOR ACTIVITY DURING 2018. Tracking sales greater than or equal to \$1 million, the number of sales across the office, retail, industrial, multi-residential and ICI/Residential Land asset classes rose by 36% year-over-year and total dollar volume increased to more than \$2.65 Billion. This represents a nearly 50% increase in dollar volume as compared to that invested during 2017.

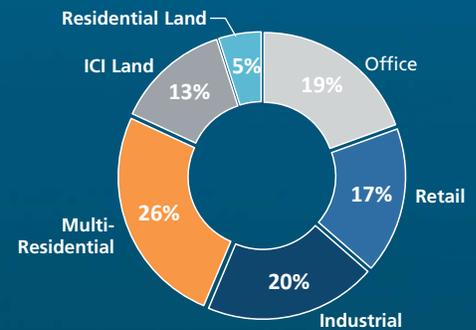
	Year-End 2017	Year-End 2018	Year-Over-Year Change
Total Dollar Volume	\$1,786,266,065	\$2,655,500,494	\$869,234,429
Volume Excluding Residential Land	\$1,669,473,532	\$2,524,997,281	\$855,523,749
Residential Land Only	\$116,792,533	\$130,503,213	\$13,710,680

Of primary interest was the ICI Land asset class, which saw dollar volume invested more than double from year-end 2017 levels. Industrial and office properties were also in very high demand, posting significantly increased investment of 87% and 79%, respectively. At this juncture, it’s worth noting that nearly half of this increase was due to the sale of 10111 – 104th Avenue NW by Ice District Corp. This single event injected \$400 million dollars into office asset class investment. Also making a strong comeback was the Multi-Residential asset class, in which four transactions closed well-above \$50 million. Three of those were in the final quarter of the year.

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



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



PREPARED BY
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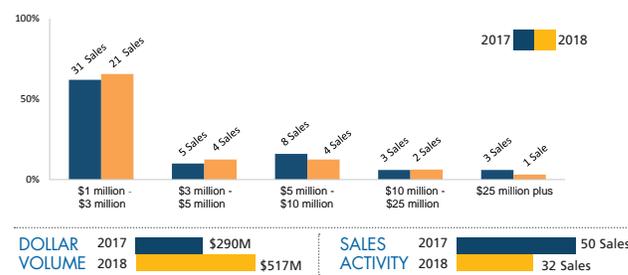


Office Investment

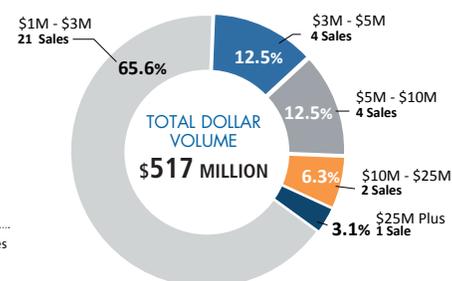
Investor appetite for office buildings decreased markedly year-over-year but overall investment rose substantially due to one sale: 10111 – 104th Avenue NW by Ice District Corp. This \$400 million transaction boosted 2018 dollar volume by nearly 80% over 2017. This asset class saw 32 office transactions during this reporting period, totalling just over \$517 million, up from \$290 million during 2017. Sales activity during 2018 was largely confined to smaller properties, generally measuring less than 10,000 square feet.

Similar to 2016 and 2017, office condominium transactions were a significant contributor to overall investment. During 2018, office condos comprised more than one-quarter of sales

2018 vs. 2017 OFFICE TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



2018 OFFICE INVESTMENT ACTIVITY DISTRIBUTION



2013-2018 OFFICE TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

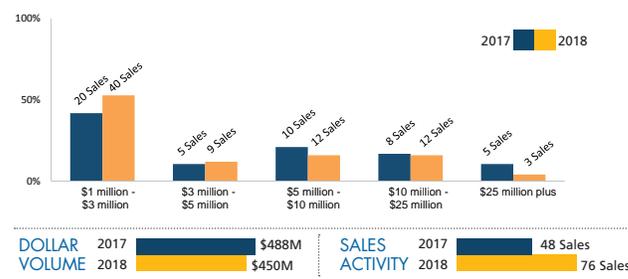
	2013	2014	2015	2016	2017	2018
Total \$ Volume	\$331,146,760	\$241,427,055	\$89,703,950	\$85,510,735	\$289,580,302	\$517,384,025
# of Transactions	18	20	27	31	50	32
Avg. Bldg. Price per Square Foot	\$290	\$245	\$330	\$272	\$230	\$296
Average Price Per Transaction	\$18,397,042	\$12,071,353	\$3,322,369	\$2,758,411	\$5,791,606	\$16,168,251
Average Building Size (sf)	63,466	52,235	12,473	13,308	43,715	41,291

in this asset class. We continue to see small to mid-sized professional services firms being drawn to the ownership model, as it offers the opportunity to build equity over time. During 2018, office condominiums sold for an average of \$380 per square foot (psf), up from the \$330 psf average during 2017. This represents a significant premium over that of office buildings, which sold for an average of \$273 psf.

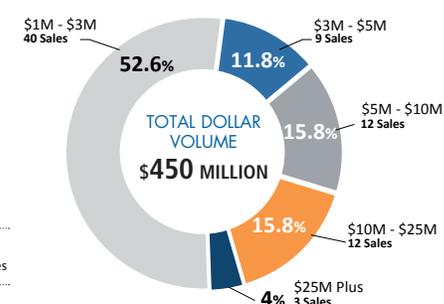
Retail Investment

The retail asset class saw robust investment dollar volume totalling more than \$450 million through 2018. This, however, represents a year-over-year decrease of approximately 8% in year-over-year total dollar volume. Investment in retail properties started off slowly in 2018, reaching \$210 million at mid-year but picked-up significantly in the third quarter. The fourth quarter however, was quiet. Just three sales greater than \$20 million closed through 2018; the largest of which was the purchase of 2303 – 111th Street NW by Supreme Capital Inc for \$41.8 million. The next-largest property sold was Century Park at 4903 – 184th Street NW by Reid-Built Homes Ltd. to Voiture Capital 2011 Inc. for \$29.2 million

2018 vs. 2017 RETAIL TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



2018 RETAIL INVESTMENT ACTIVITY DISTRIBUTION



2013-2018 RETAIL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2013	2014	2015	2016	2017	2018
Total \$ Volume	\$240,003,499	\$356,600,076	\$138,038,238	\$482,888,288	\$487,656,213	\$450,113,484
# of Transactions	43	50	33	54	48	76
Avg. Bldg. Price per Square Foot	\$320	\$305	\$239	\$375	\$405	\$364
Average Price Per Transaction	\$5,581,477	\$7,132,002	\$4,182,977	\$8,942,376	\$10,159,504	\$5,922,546
Average Building Size (sf)	18,125	34,046	18,794	29,628	23,192	17,255

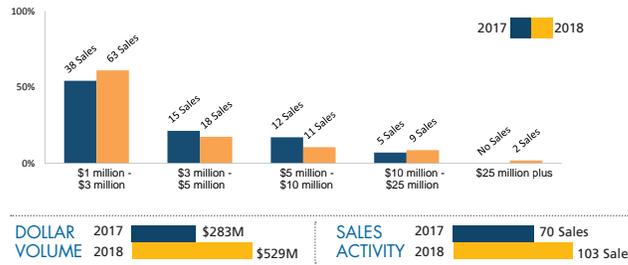
Investor activity however, was robust with 76 transactions closing at the end of 2018 versus 48 through 2017. Barclay Street's analysis shows the year-over-year dispersion of transactions among the various price ranges - which only emerged in a meaningful way in mid-2017 - remained.

Industrial Investment

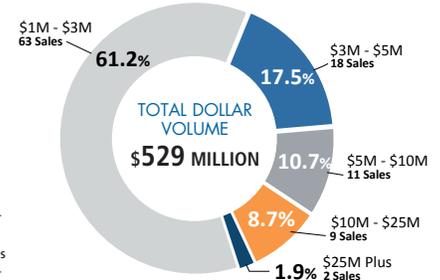
Investment in the Greater Edmonton Area industrial real estate market demonstrated substantial strength through 2018. Investor activity in Edmonton's industrial sector increased substantially year-over-year, with more than 100 properties changing hands. The increased sales translated into correspondingly high total dollar value of \$529 million. Average price per square foot decreased however, to \$165 psf from \$204 in 2017.

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. Demand for IM (industrial manufacturing)-zoned properties was substantial, with 48 properties changing hands.

2018 vs. 2017 INDUSTRIAL TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



2018 INDUSTRIAL INVESTMENT ACTIVITY DISTRIBUTION



2013-2018 INDUSTRIAL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

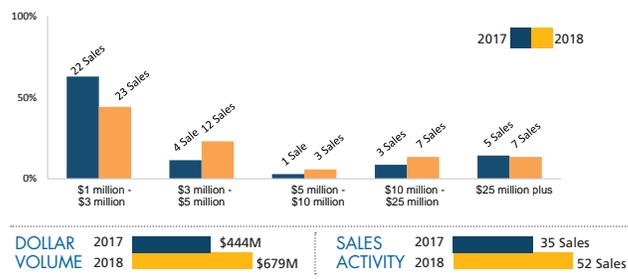
	2013	2014	2015	2016	2017	2018
Total \$ Volume	\$621,302,291	\$423,331,760	\$315,031,543	\$445,979,265	\$282,694,810	\$528,723,214
# of Transactions	132	97	85	80	70	103
Average Price per Square Foot	\$158	\$184	\$199	\$177	\$204	\$165
Average Price	\$4,706,836	\$4,364,245	\$3,706,253	\$5,574,741	\$4,038,497	\$5,133,235
Average Building Size (sf)	39,753	31,965	24,504	41,596	27,781	40,144

A close second, IB (industrial business) -zoned properties were also in demand, with 39 sales completed. The former achieved an average of \$156 per square foot (psf) while the latter achieved \$172 psf. Both are down notably from 2017 levels when average prices per square foot exceeded \$200.

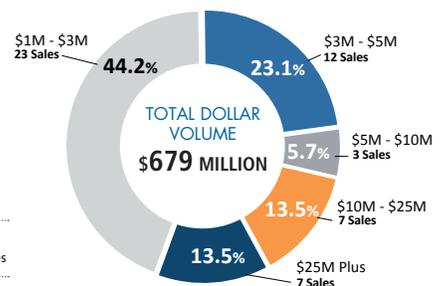
Multi-Residential Investment

Edmonton's Multi-Residential market experienced a significant 53% year-over-year increase in dollar volume, with approximately \$679 million invested through 2018. The year-over-year increase corresponded with a substantial increase in transactions, which rose to 52 from 35 in 2017. Investors displayed an appetite for large, higher-priced assets such as *Chartwell Griesbach Retirement Residence* and *Chartwell Heritage Valley Retirement Residence* (purchased by CSH Griesback Inc. for \$102.5 million and \$87.8 million, respectively), *The Hendrix* (purchased by 2148902 Alberta Ltd. for \$96.1 million) and *The Pinnacle* (purchased by Timbercreek for \$67.25 million).

2018 vs. 2017 MULTI-RESIDENTIAL TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



2018 MULTI-RESIDENTIAL INVESTMENT ACTIVITY DISTRIBUTION



2013-2018 MULTI-RESIDENTIAL TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2013	2014	2015	2016	2017	2018
Total \$ Volume	\$297,041,684	\$325,246,716	\$289,110,217	\$463,718,535	\$443,741,401	\$678,758,071
# of Transactions	59	64	45	53	35	52
Average Price per Unit	\$118,542	\$133,198	\$141,482	\$134,309	\$128,287	\$169,193
Average Price	\$5,034,605	\$5,081,980	\$6,424,671	\$8,749,406	\$12,678,326	\$13,053,040
Average Building Size (Units)	39	32	41	53	74	52

These four transactions alone accounted for more than half of the year's dollar volume. Further, these large assets are noteworthy as three of them commanded premium per-unit prices. For example, *Chartwell Heritage Valley Retirement Residence* sold for more than \$428,000 per door while *Chartwell Griesbach* went for more than \$382,000 per door. Overall, prices per unit continued the upswing noted in our earlier reports and established a new high-water mark.

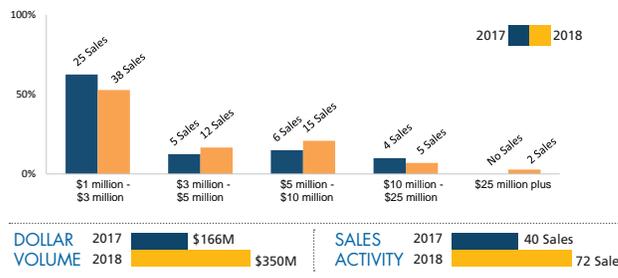
ICI & Residential Land Investment

The ICI (Industrial, Commercial and Investment) Land sector contributed approximately \$350 million of the \$481 million in total land sales generated during 2018. This represents a greater than two-fold year-over-year increase in dollar volume. The average ICI transaction sat at \$4.1 million, with two transactions greater than \$25 million closing; the purchase of 354 acres of commercial land at 17871 Meridian Street NE by Horse Hill Land Company Ltd. for \$41.1 million and 61.5 acres of industrial land at 14010 – 164th Street NW by 140 Avenue Business Park Inc. for \$28 million.

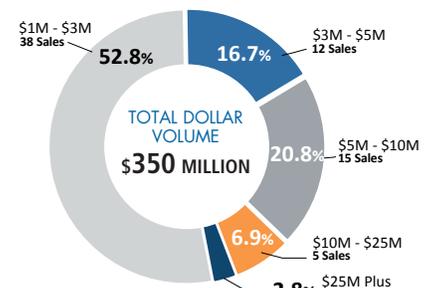
Residential Land sales, when compared to 2017, also saw a healthy increase in both investor activity and dollar volume. At year-end, 33 transactions had closed at an average of \$3.95 million, boosted by three purchases of greater than \$10 million. Most notable are the purchase by Jasper & 115 ST Residential Gp. Ltd. of 1.4 acres at 10039 – 115th Street NW for \$11 million and the purchase of 12010 Jasper Avenue by I.G. Investment Management Ltd. While this is currently an older, partial two-storey office complex, it is DC2-zoned which allows for high density use and a maximum of 400 units.

ICI Land

2018 vs. 2017 ICI LAND TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES

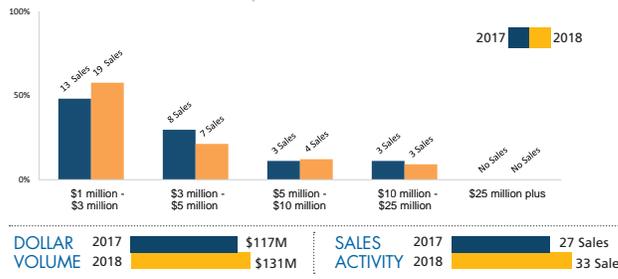


2018 ICI LAND INVESTMENT ACTIVITY DISTRIBUTION

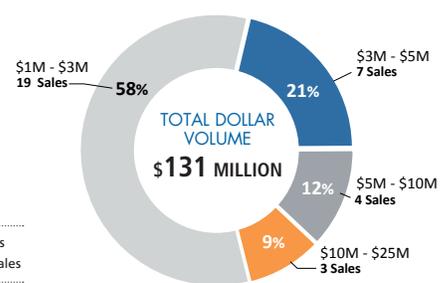


Residential Land

2018 vs. 2017 RESIDENTIAL LAND TRANSACTION ACTIVITY DISTRIBUTION, PERCENTAGE OF TOTAL SALES



2018 RESIDENTIAL LAND INVESTMENT ACTIVITY DISTRIBUTION



2013-2018 ICI + RESIDENTIAL LAND TRANSACTIONS OVER \$1 MILLION (TOTAL ANNUAL)

	2013	2014	2015	2016	2017	2018
Total \$ Volume	\$840,219,090	\$766,549,218	\$493,437,396	\$361,125,565	\$282,593,339	\$480,521,700
# of Transactions	141	156	104	87	67	105
Average Price per Acre	\$203,562	\$317,257	\$318,817	\$472,677	\$355,463	\$377,769
Average Price	\$5,959,000	\$4,913,777	\$4,512,179	\$4,222,246	\$4,235,335	\$4,408,005
Average Land Area (Acres)	21	12	21	5	10	10

Source: The Network

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