

# MARKETBEAT

## EDMONTON INVESTMENT REPORT



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2010 Q1 Review

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

### OVERVIEW

The Alberta and Greater Edmonton economy has improved in recent months as the global economy has stabilized. Major indexes across North America are up more than 45% from the lows of Spring, 2009. The Bank of Canada seems confident that the recovery is here as reports speculate that interest rates could rise as early as the beginning of June. This speculation boosted the strength of the Canadian dollar to near parity with the US dollar. This slight increase in interest rates will provide a significant signal that the economy is moving in the right direction. Additionally, crude oil prices for the first quarter of 2010 has been consistently trading upwards of \$80 per barrel, which fares well for Alberta's heavily weighted energy sector. However, with recent discoveries in the US, natural gas prices have remained relatively low to start the year. These factors have continued to keep downward pressure on the Alberta gas markets with prices hovering around the \$4 per gigajoule on June contracts.

As a result of the improving economy, which we see continuing through 2010, an increase in activity is expected across all sectors of the real estate market.

### OUTLOOK

The investment market in 2010 should continue to rebound from recent volume and sales lows of 2008 and 2009. We expect capitalization rates to remain relatively constant throughout the year but anticipate upward pressure on interest rates in the second half of the year.

### INDUSTRIAL ACTIVITY

The industrial investment market continued to be one of Edmonton's strongest sectors. The bulk of transactions (10) have been in owner/user warehouse properties. However, on average this activity has consisted mostly of smaller deals with an average sale price of \$1,500,000. Conversely, only five multi-bay properties have sold, but the average sale price has been an impressive \$21,370,000. This sector of the industrial market has accounted for the majority of total dollar value in the industrial investment market.

#### SELECT 2010 INDUSTRIAL INVESTMENT SALES TRANSACTIONS

SALE DATE	TYPE	PROPERTY	SITE AREA	PRICE	CAP RATE	PRICE PER SQ. FT.
January	Multi-bay	Roper Ridge Business Park	7.88 acres	\$23,598,582	7.30%	\$219
February	Multi-bay	Sherwood Distribution Centre	6.97 acres	\$13,300,000	7.13%	\$82
April	Multi-bay	Pinnacle Business Park	19.82 acres	\$40,650,000	7.27%	\$140
April	Multi-bay	The Fourell Facility	23.36 acres	\$28,000,000	7.37%	\$70

### BEAT ON THE STREET

"The Edmonton investment real estate market is gaining momentum particularly in the industrial and retail sectors."

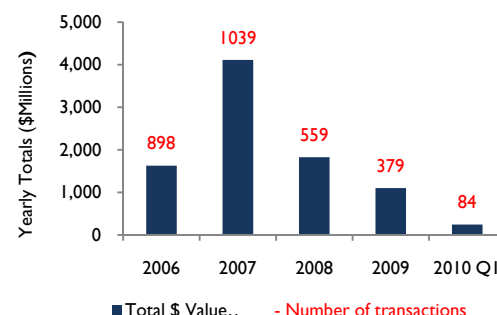
-Ian Newman, Associate

### ECONOMIC INDICATORS

	2008	2009	2010
GDP Growth	-0.2%	-2.3%	1.9%
CPI Growth	3.2%	-0.2%	0.9%
Unemployment	3.6%	7.7%	7.5%
Employment Growth	2.8%	-1.3%	

Source: Conference Board of Canada, TD Economics

### INVESTMENT SALES VOLUME



Source: The Network

### MARKET FORECAST

Sales Volume	↑
Non residential Building Construction	↔
Cap Rates	↔
Interest Rates	↑

### OFFICE ACTIVITY

The office investment market saw low sales volume in Q1 with few transactions occurring as vendors and purchasers struggled with market fundamentals.

Office activity for the quarter has been minimal with five transactions. Three of these transactions were suburban office buildings located out of the City's core. The major downtown transaction was the sale of the ING Building located at 10130 – 103 Street. This 22 storey, Class A high-rise consists of 263,660 square feet of net leasable area with an additional 3 level, 188 stall underground parkade. The ING Building was 95% leased at the sale date and sold for \$90,850,000 (7.65% cap). Due to a high vacancy rate of 9.7% in all sectors of office market, we have seen minimal office investment transactions. Once vacancy rates stabilize we expect a significant boost in office investment market.

#### SELECT 2010 OFFICE INVESTMENT SALES TRANSACTIONS

SALE DATE	TYPE	PROPERTY	SITE AREA	BUILDING AREA	PRICE	PRICE PER SQ. FT.
January	Suburban	10504 – 103 Street	16,000 sf	5,284 sf	\$1,962,945	\$375
January	Downtown	10040 – 101A Avenue (Vacant)	14,100 sf	50,814 sf	\$4,037,500	\$79
March	Suburban	1281 – 91 Street	46,609 sf	13,000 sf	\$2,950,000	\$227
April	Downtown	10130 – 103 Street	29,976 sf	263,660 sf	\$90,850,000	\$345

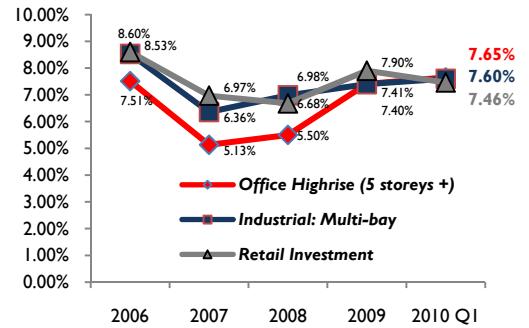
### RETAIL ACTIVITY

The fourth quarter of 2009 and the first quarter of 2010 have shown renewed interest in retail investment with the stabilizing of capitalization rates. Since the beginning of the year there have been ten major retail investment sales (over \$1 million) in the greater Edmonton area with capitalization rates ranging from 7.00% to 7.50% for all retail product types. These ten sales consist of a total square footage of building area sold at 473,070 sf. The total square footage in the same category for all of 2009 was 674,682 sf, consequently indicating investors are becoming more active in the market and are again willing to purchasing larger properties.

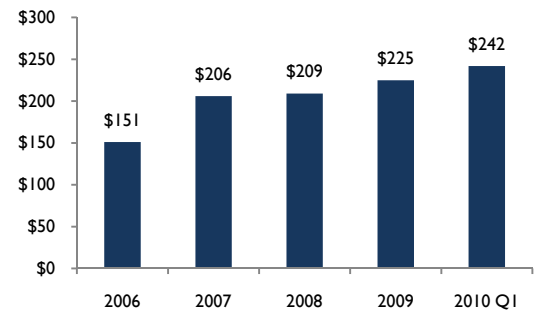
#### SELECT 2010 RETAIL INVESTMENT SALES TRANSACTIONS

SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	CAP RATE	PRICE PER SQ. FT.
January	Retail	Summerwood Centre	84,279 sf	\$29,490,000	7.50%	\$350
January	Retail	Citadel Village	51,028 sf	\$17,626,666	7.44%	\$345
March	Shopping Centre	Ellerslie Landing	25,371 sf	\$11,000,000	7.45%	\$434
March	Retail	Jasper Gates	39,610 sf	\$ 8,400,000	7.25%	\$212
April	Shopping Centre	Sunrise Town Square	111,978 sf	\$22,725,000	7.39%	\$203

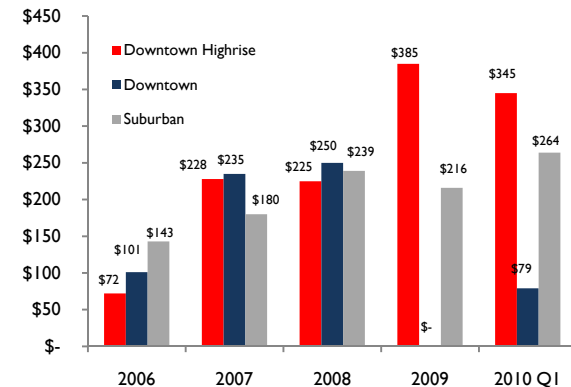
#### AVERAGE CAPITALIZATION RATES



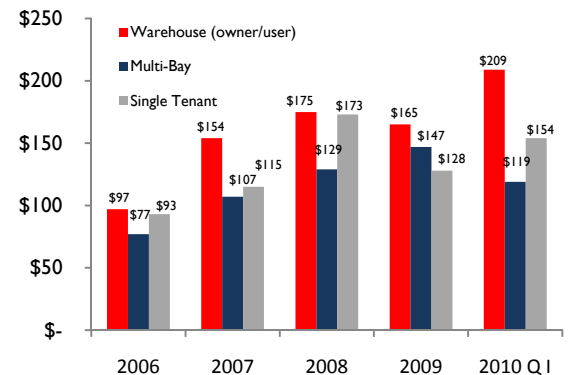
#### AVERAGE \$/SF – RETAIL SALES



#### AVERAGE \$/SF – OFFICE SALES



#### AVERAGE \$/SF – INDUSTRIAL SALES



Source: The Network



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