EDMONTON FLASH REPORT 2018

Altus Group

COMMERCIAL INVESTMENT & LAND MARKET

EDMONTON MARKET AREA

Total investment volumes in the Edmonton Market Area increased to $2.89 billion in 2017, the second consecutive year-over-year increase.

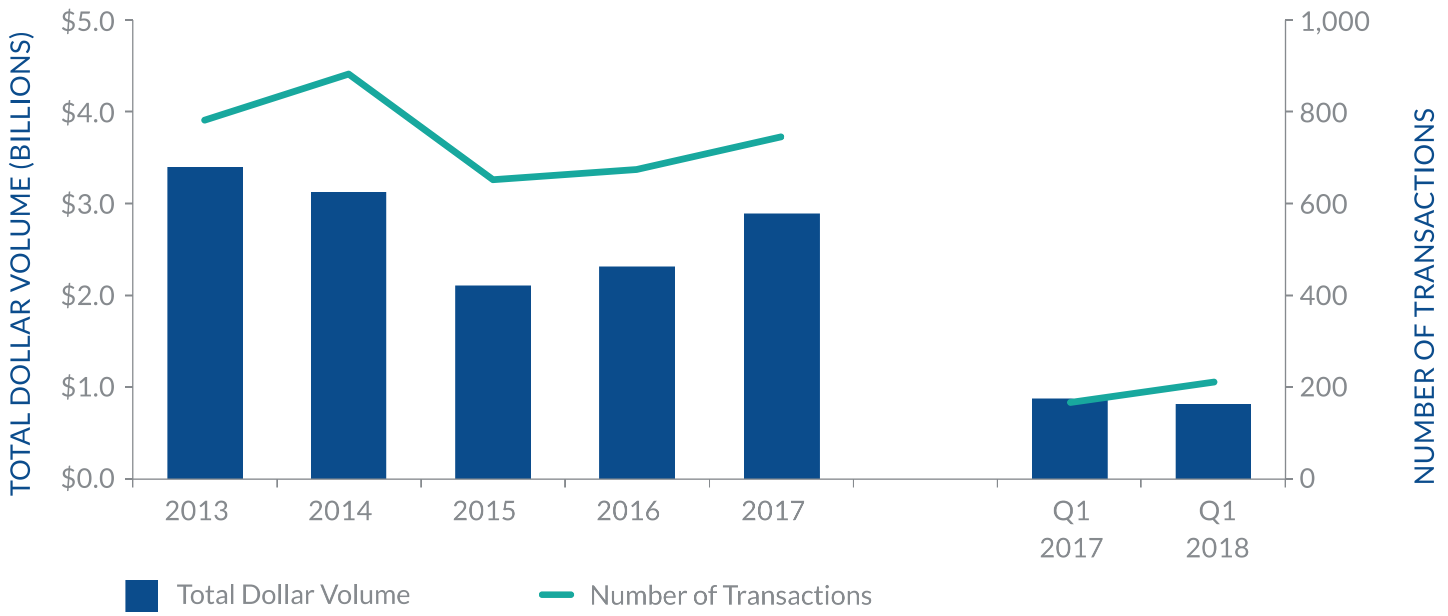
2017 Highlights

Increases across several sectors contributed to the 25% overall increase in investment property sales volumes in 2017:

- The Retail sector accounted for the largest share of investment, with 136 transactions contributing $586 million toward overall investment volumes.
- The Office sector posted the largest absolute increase in dollar volume year-over-year – almost tripling to $425 million.
- The total value of Land sales (ICI and Residential combined) was relatively flat from 2016 to 2017. An increase for the ICI Land sector (up by $55 million) was offset by lower sales of Residential Land (down by $38 million).
- The Industrial sector saw the largest decrease in 2017, falling by 14%, however it was still the second most significant contributor to overall property sales volumes (after the Retail sector).

Annual Investment Property Sales Transactions

EDMONTON MARKET AREA



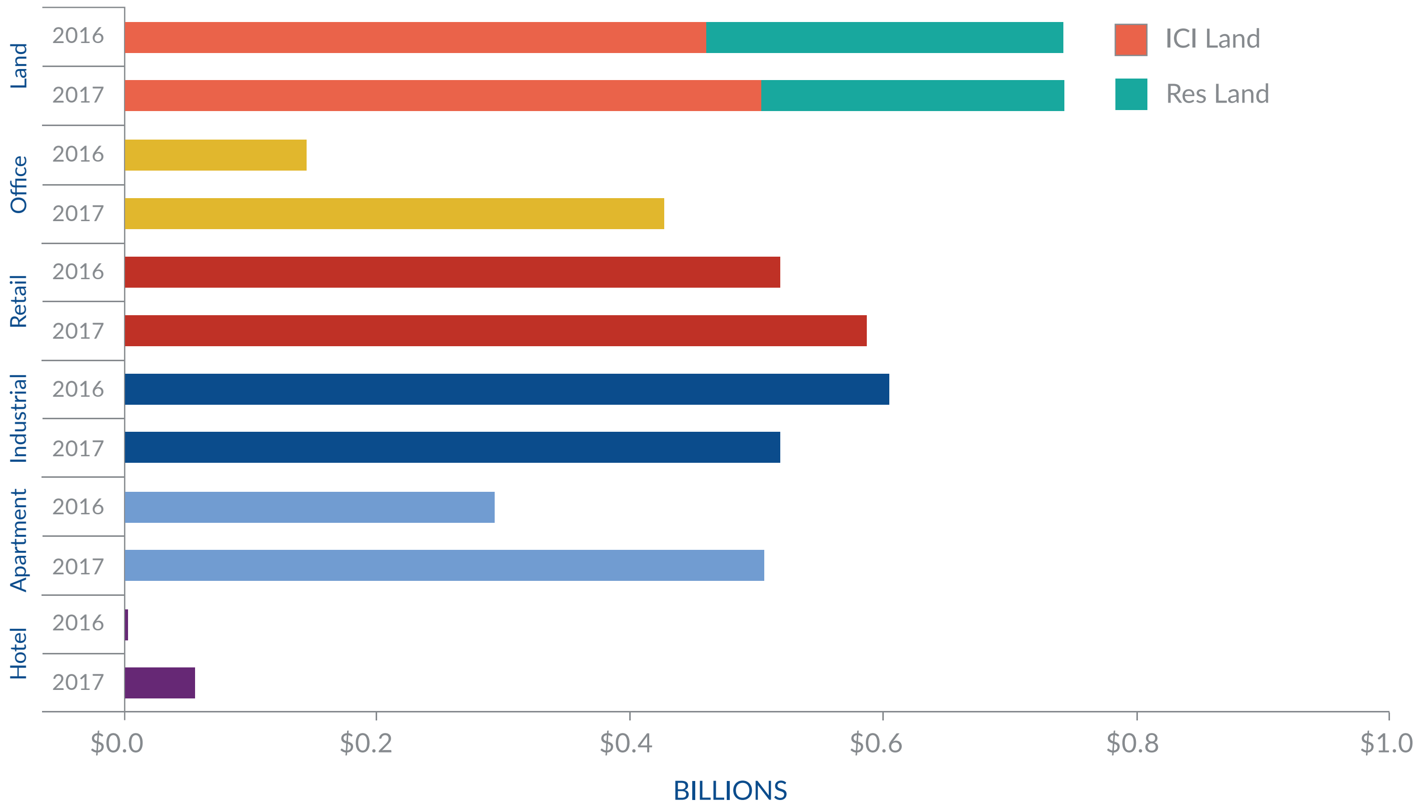
Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

EDMONTON MARKET AREA

Investment Property Sales Transactions by Asset Class

EDMONTON MARKET AREA



Source: Altus Group

Apartment sales in Q1 2018 were down 74% from the record high set in Q1 2017.

Q1 2018 Highlights

The number of transactions recorded in Q1 2018 was up over Q1 2017, however the average deal size was smaller; as a result, total investment volumes in Q1 2018 were down 6% year-over-year.

While Office investment was relatively quiet in Q1 2018, other sectors were more impressive: Retail and ICI Land posted their strongest quarters since Q1 2013 and Q1 2015, respectively, while Industrial had its best Q1 since 2013.

Apartment sales in Q1 2018 were down 74% from the record high set in Q1 2017 and represented a more typical level of first quarter investment.

Q1 2018 started the year off with Residential Land investment tracking close to a year earlier.

Notable Residential Land Themes

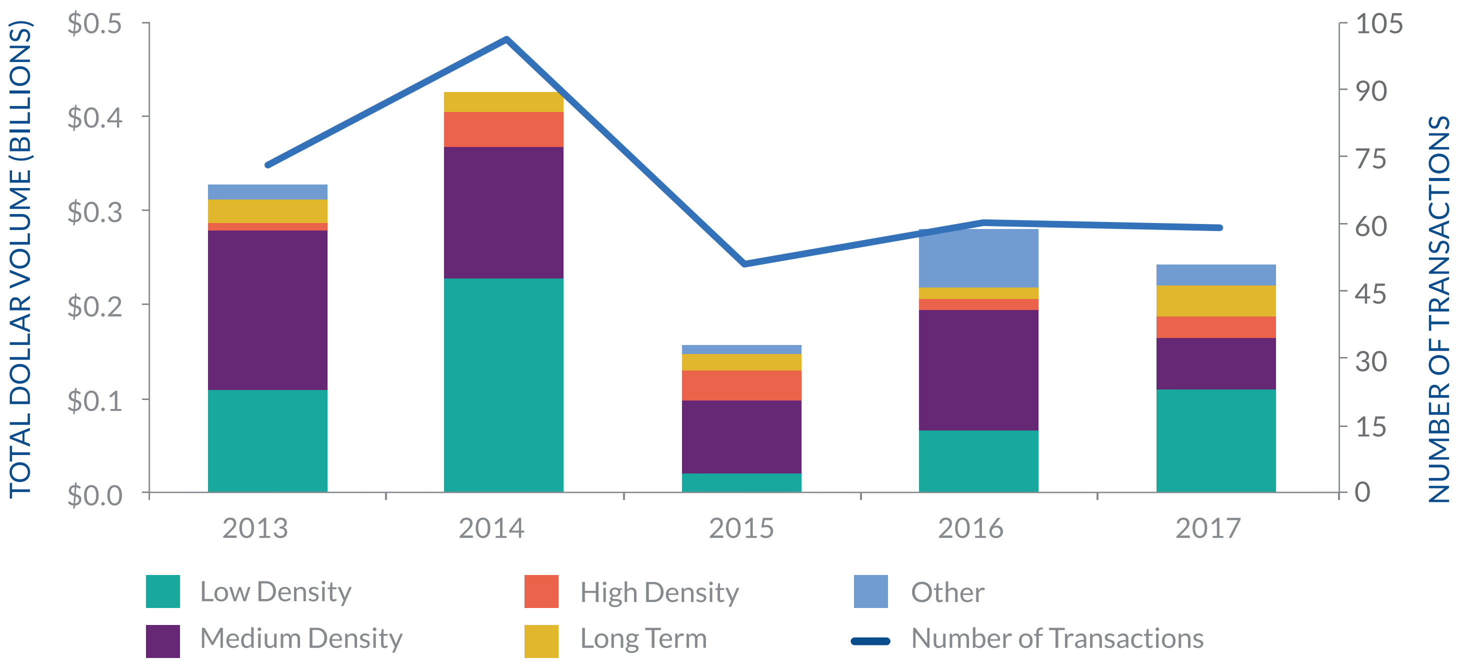
Residential Land investment slowed in 2017 - down 13% from 2016. The Residential Land market continued to be focused on Low Density and Medium Density land.

Low Density was the biggest contributor to overall Residential Land volumes with $109 million, up 68% from 2016 and accounting for almost half of overall investment.

After a strong 2016, Medium Density sales were down significantly in 2017, declining 57% to $55 million.

Q1 2018 started the year off with Residential Land investment tracking close to a year earlier.

Residential Land Transactions by Land Use
EDMONTON MARKET AREA



Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED
EDMONTON MARKET AREA

Westland Market Mall and Westgate Shopping Centre accounted for more than $60 million of the $204 million in total investment in Retail in Q1 2018.

Q1 2018 Featured Investment Transactions

The largest deal of Q1 2018 was PIRET's acquisition of a 52.5 acre industrial land site for $48 million.

York Realty's $25 million purchase of a property on 28th Avenue N.W. was the largest of three Industrial properties this investor acquired in Edmonton in Q1 2018.

Two shopping centre sales contributed to the uptick in the Retail sector: Westland Market Mall and Westgate Shopping Centre accounted for more than $60 million of the $204 million in total investment in Retail in Q1 2018.

Timbercreek and Greystone's purchase of 2 apartment buildings, Windsor Arms and Capilano Tower, for a combined total of just over $40 million accounted for almost half of apartment investment in Q1.

Date	Sector	Transaction Name	Purchaser(s)	Price
Mar-21-2018	Retail	Westland Market Mall	Cristall Group Investments	$35,493,730
Jan-10-2018	Retail	Westgate Shopping Centre	Crestpoint Real Estate Investments Ltd	$26,000,000
Feb-16-2018	Industrial	9303 & 9503 & 9703 28th Avenue N.W.	York Realty	$25,000,000
Mar-29-2018	Apartment	Windsor Arms & Capilano Tower	Timbercreek & Greystone	$40,300,000
Mar-8-2018	ICI Land	27048 & 27286 96th Avenue	PIRET	$48,000,000
Apr-4-2108	Residential Land	CNIB Tower	ONE Properties	$8,424,840

Source: Altus Group

COMMERCIAL LEASING MARKET

EDMONTON MARKET AREA

Despite the limited new supply added, the industrial vacancy rate is up over last year.

Industrial Market Highlights

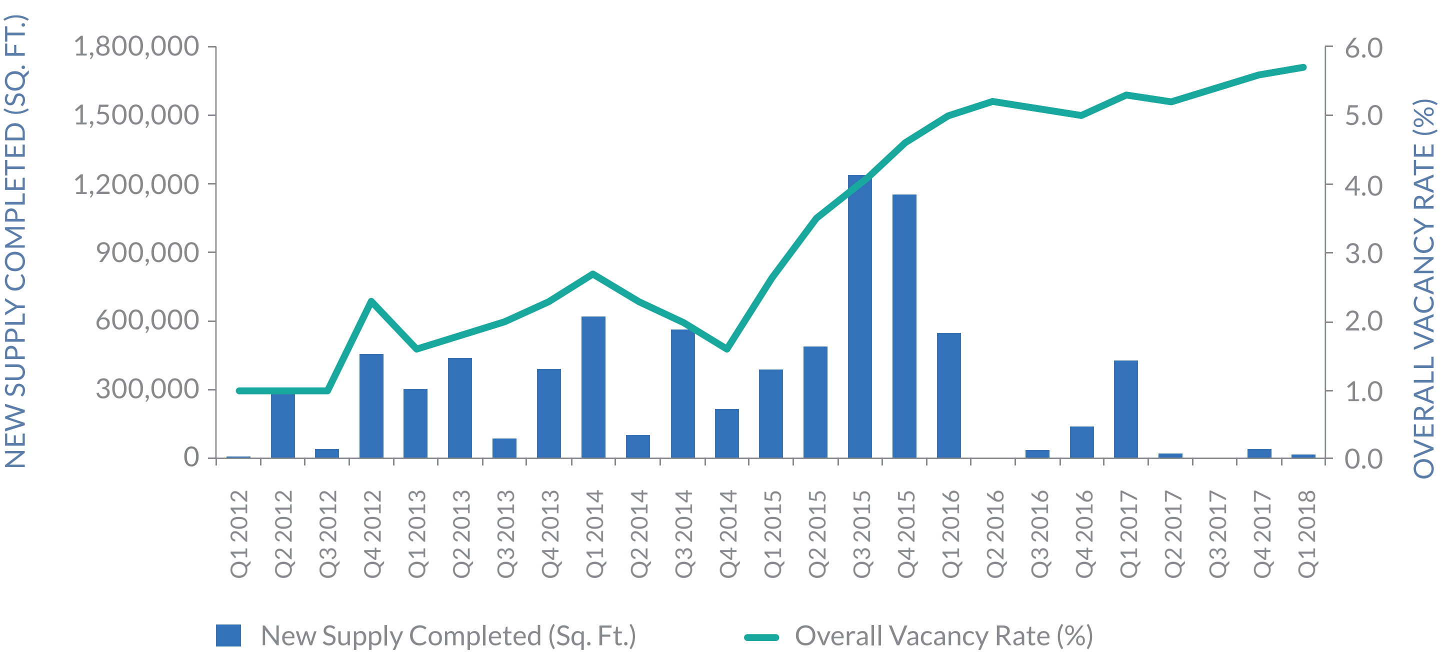
Less than 100,000 sq. ft. of new industrial space was completed in the past 12 months in the Edmonton Market Area – this follows about 2 million sq. ft. per year on average in the previous 2 years.

Despite the limited new supply added, the industrial vacancy rate is up over last year (to 5.7% at the end of Q1 2018).

Overall, net industrial rental rates are generally flat with new flex industrial spaces commanding a slight premium. Rental rates remain higher than Toronto and Calgary, but remain below Vancouver.

Industrial Leasing Market

EDMONTON MARKET AREA



Source: Altus Group

COMMERCIAL LEASING MARKET CONTINUED

EDMONTON MARKET AREA

While still oversupplied, the Edmonton office market has shown signs of improvement over the past 12 months.

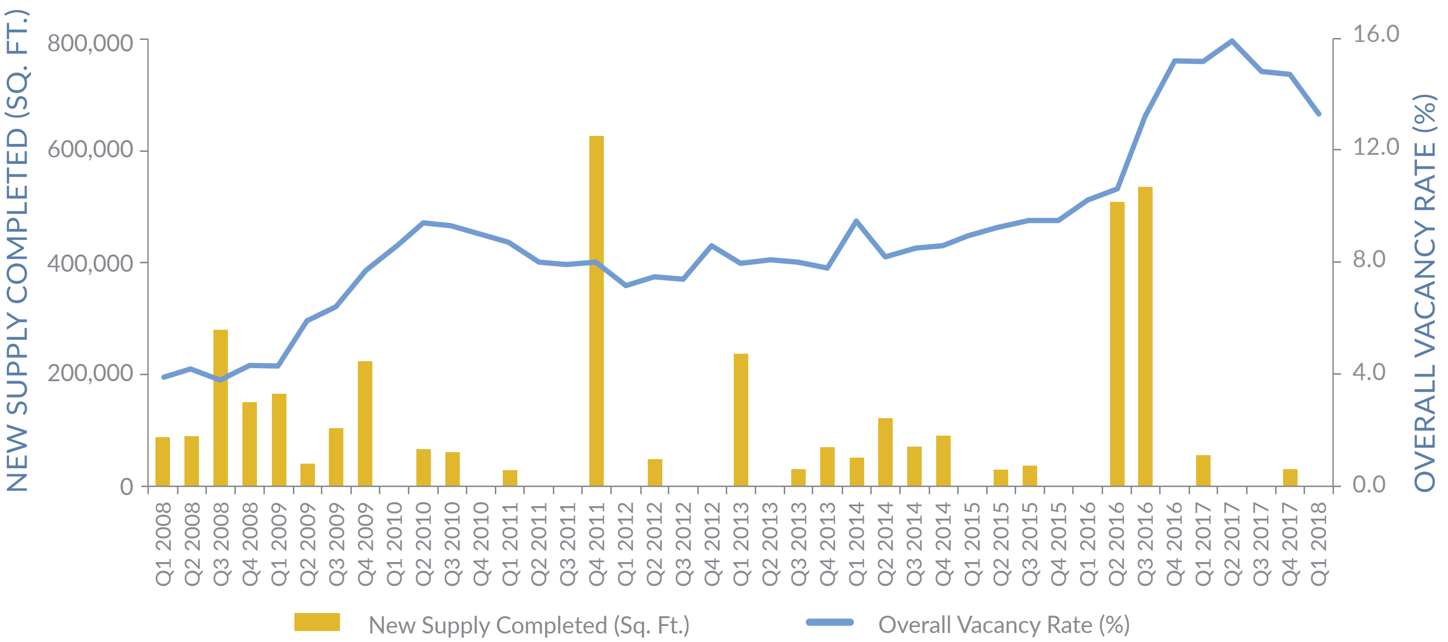
Office Leasing Market Highlights

While still oversupplied, the Edmonton office market has shown signs of improvement over the past 12 months.

Just over 300,000 sq. ft. of space was absorbed (based on change in occupied space) in the 12 months ending March 2018 – this compares to negative absorption in the 200,000 sq. ft. range per year on average in the previous 2 years.

Office Leasing Market

EDMONTON MARKET AREA



Source: Altus Group

With minimal new supply added in the past year (less than 30,000 sq. ft.), the office vacancy rate has come down to the 13% range from over 15% a year ago.

Office Leasing Market Highlights *Continued*

With minimal new supply added in the past year (less than 30,000 sq. ft.), the vacancy rate has come down to the 13% range from over 15% a year ago. The decline in the vacancy rate has been entirely in the downtown area. Absorption over the past year remained negative in the suburbs, causing the vacancy rate outside the downtown area to bump up again.

There is about 700,000 sq. ft. of new office space still under construction, but this is primarily the Stantec Tower in the ICE District, and most of the space has been pre-leased.

Office Leasing Highlights, Downtown vs. Suburbs

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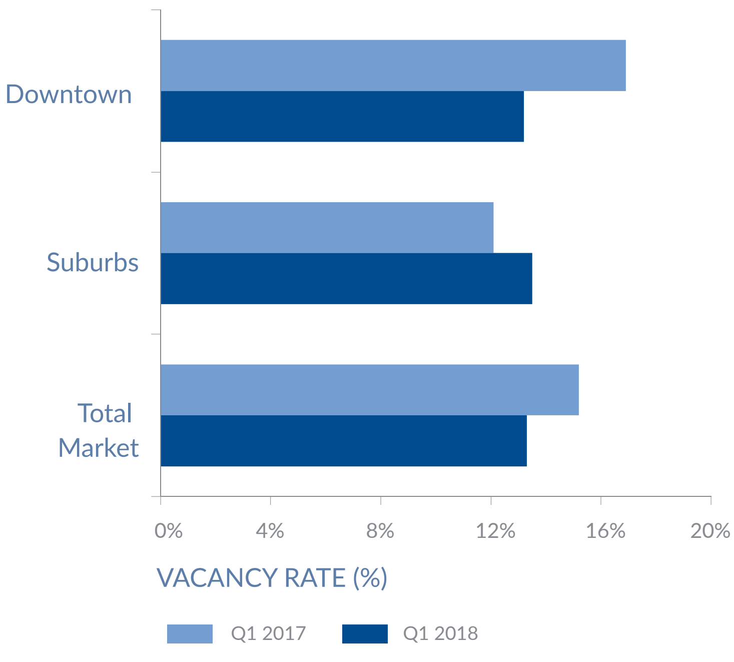

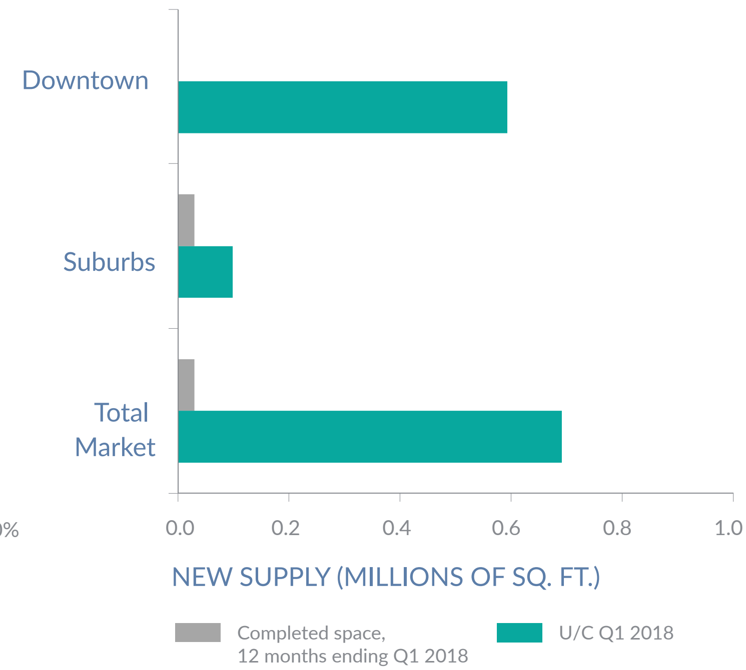

Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET

EDMONTON MARKET AREA

New multi-family home sales start the year off slow after 2017 improvement.

Sales Highlights

New multi-family (townhouse and apartment) sales totaled 2,120 units in 2017, a 35% improvement from 2016, but still well below the recent peak of almost 3,700 units in 2014, according to Altus Group data.

The improvement was primarily due to new apartment units (up by 63%), although townhouse sales also posted a modest gain (7%), at least in part attributable to builder incentives for standing inventory.

The severe winter weather and tighter lending criteria discouraged new project launches in Q1, which resulted in a sharp drop in sales in Q1 2018 compared to Q1 2017. Total multi-family sales have trended down (Q1 marked the 4th straight quarter of decline). The slow start to the year is expected to increase pressure on builders for continued incentives - particularly in the suburban apartment market which has seen the supply of vacant and unsold inventory increase.

The West submarket was the only area to not record an improvement in new multi-family sales in 2017. All submarkets were down in Q1 2018 compared to a year earlier.

New Multi-Family Home Sales

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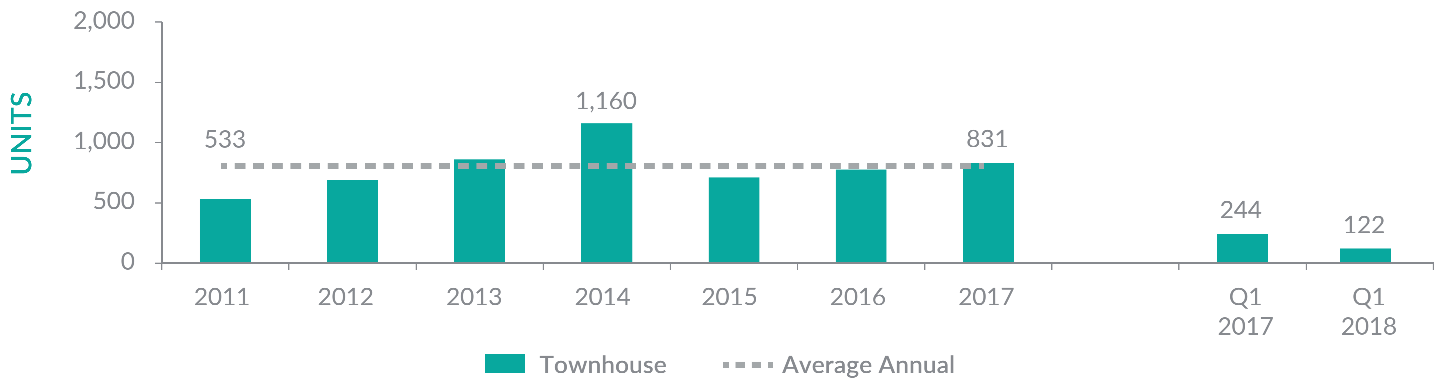

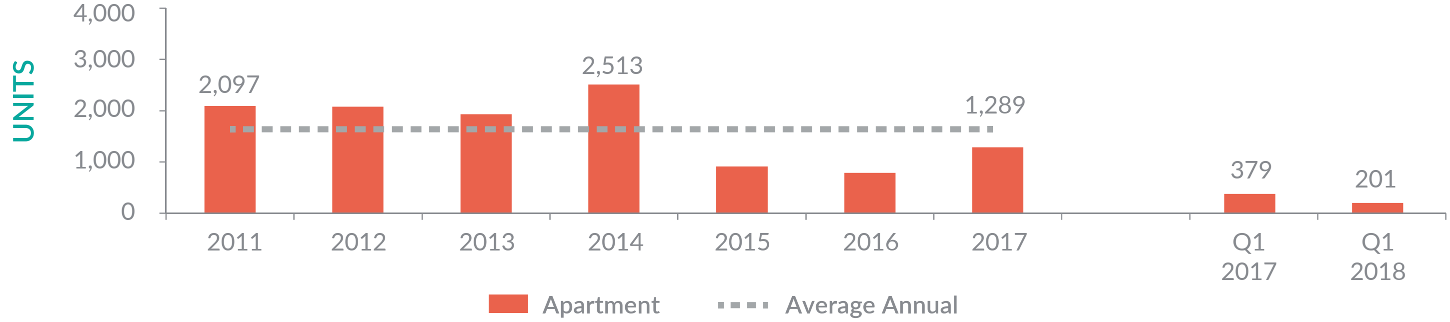

Source: Altus Group

At the end of Q1 2018, the approximately 1,600 unsold units in active new condominium apartment projects represented about 17 months of supply.

Inventory Story

At the end of Q1 2018, the approximately 1,600 unsold units in active new condominium apartment projects represented about 17 months of supply (at the pace of sales over the previous 12 months). While still excessive in historical terms, this is an improvement from 22 months a year earlier and 30 months in Q1 2016.

Inventories are relatively similar in the townhouse sector as for apartments (at about 14 months of inventory at the end of Q1 2018).

New Condominium Apartment Sales & Available Inventory

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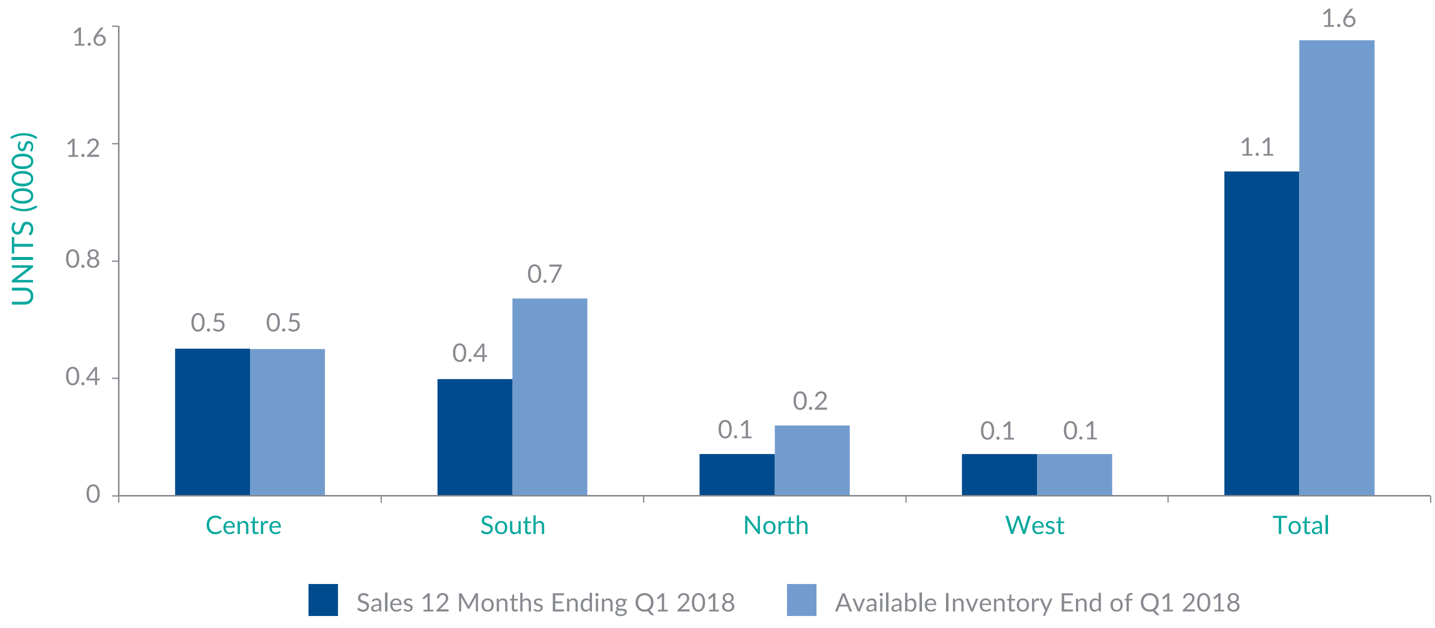

Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET CONTINUED

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There were 9 condominium apartment projects launched in 2017, with a total of just over 1,100 units.

Inventory Story *Continued*

About one-third of the available condominium apartment units are in completed projects (i.e. available for immediate possession).

There were 9 condominium apartment projects launched in 2017, with a total of just over 1,100 units. The largest new project was the 483 unit Sky Residences, which will occupy the top half of the ICE District's Stantec Tower.

New Condominium Apartment Months of Remaining Inventory*

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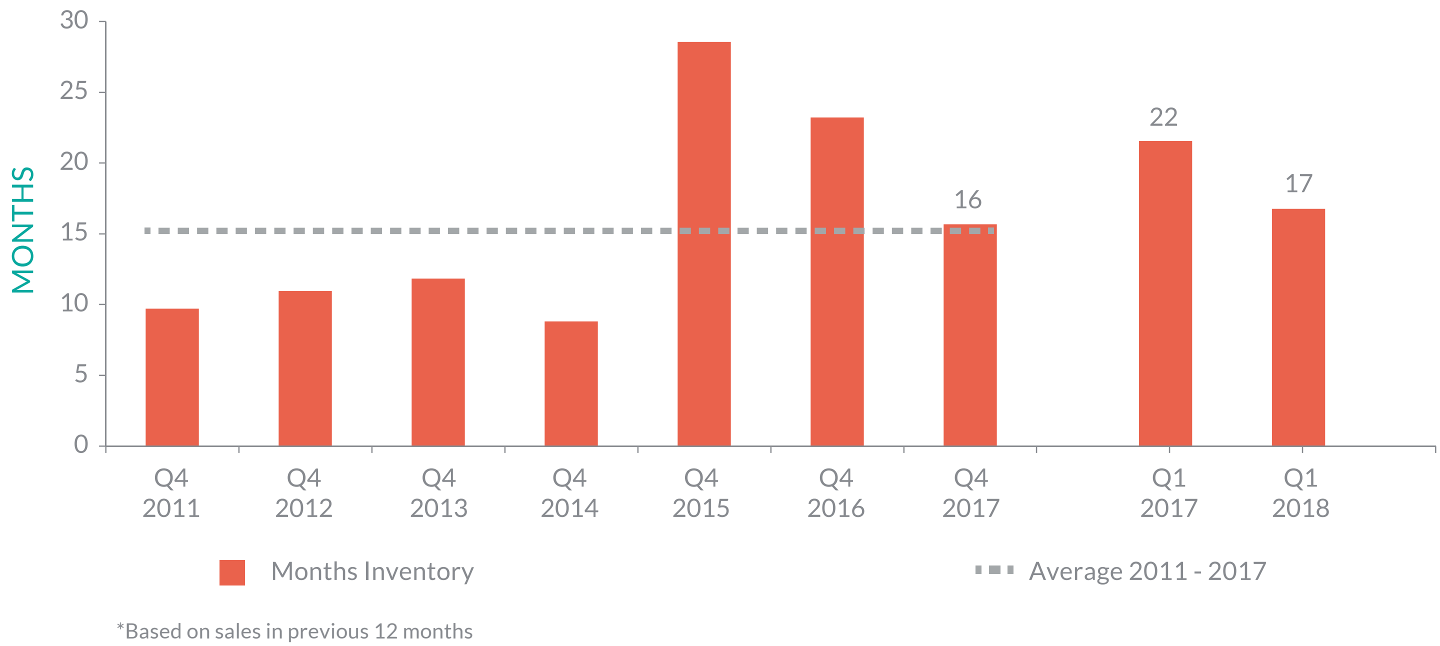


Source: Altus Group

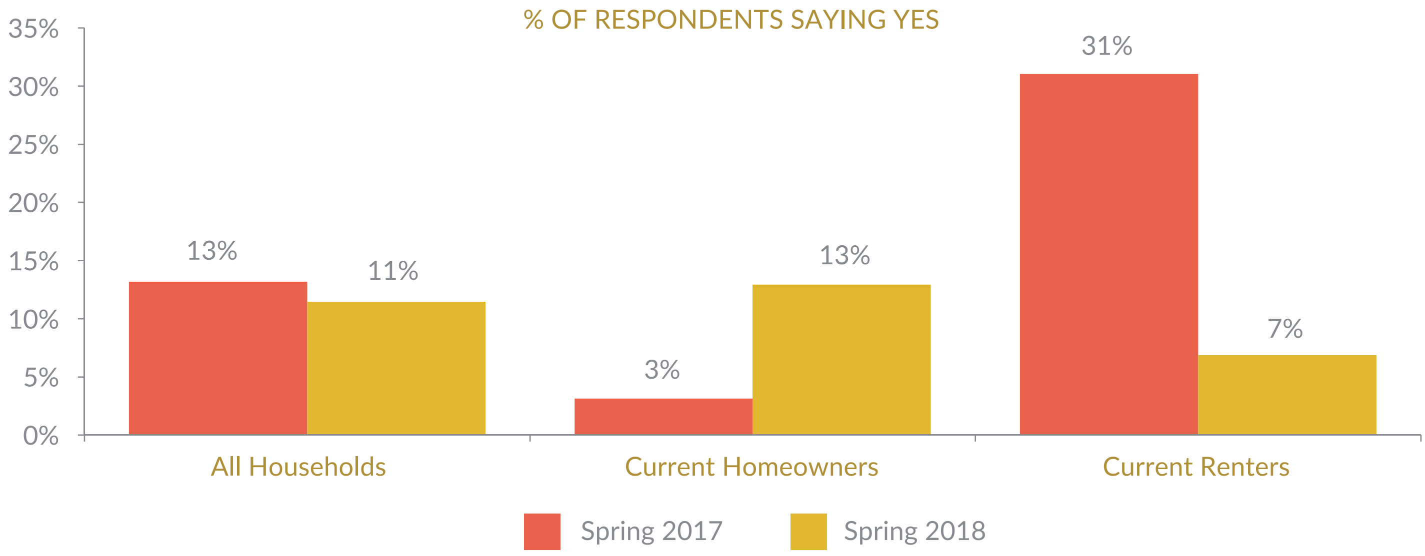
HOMEBUYERS
EDMONTON MARKET AREA

First-time homebuying intentions down this Spring.

Homebuyers Highlights

Homebuying intentions are down this Spring overall in Edmonton (according to Altus Group's FIRM Survey). While intentions have firmed up for current homeowners, renters (the pool for potential first-time buyers) are shying away from making home purchases.

Planning To Buy A Home In The Next Year
EDMONTON MARKET AREA



Source: Altus Group

HOMEBUYERS CONTINUED

EDMONTON MARKET AREA

Many younger renters want to buy a home, but are still saving for a downpayment.

Homebuyers Highlights *Continued*

Many younger renters want to buy a home, but are still saving for a downpayment. Changes in mortgage lending criteria over the past year or so have made saving longer for a larger downpayment a necessity for many renters in order to be able to qualify for a mortgage.

Only 1 in 5 renters under 45 years indicated that they simply prefer the renter lifestyle – these are less likely to become homeowners, at least in the near term.

Reasons Why Younger Renters Do Not Own a Home

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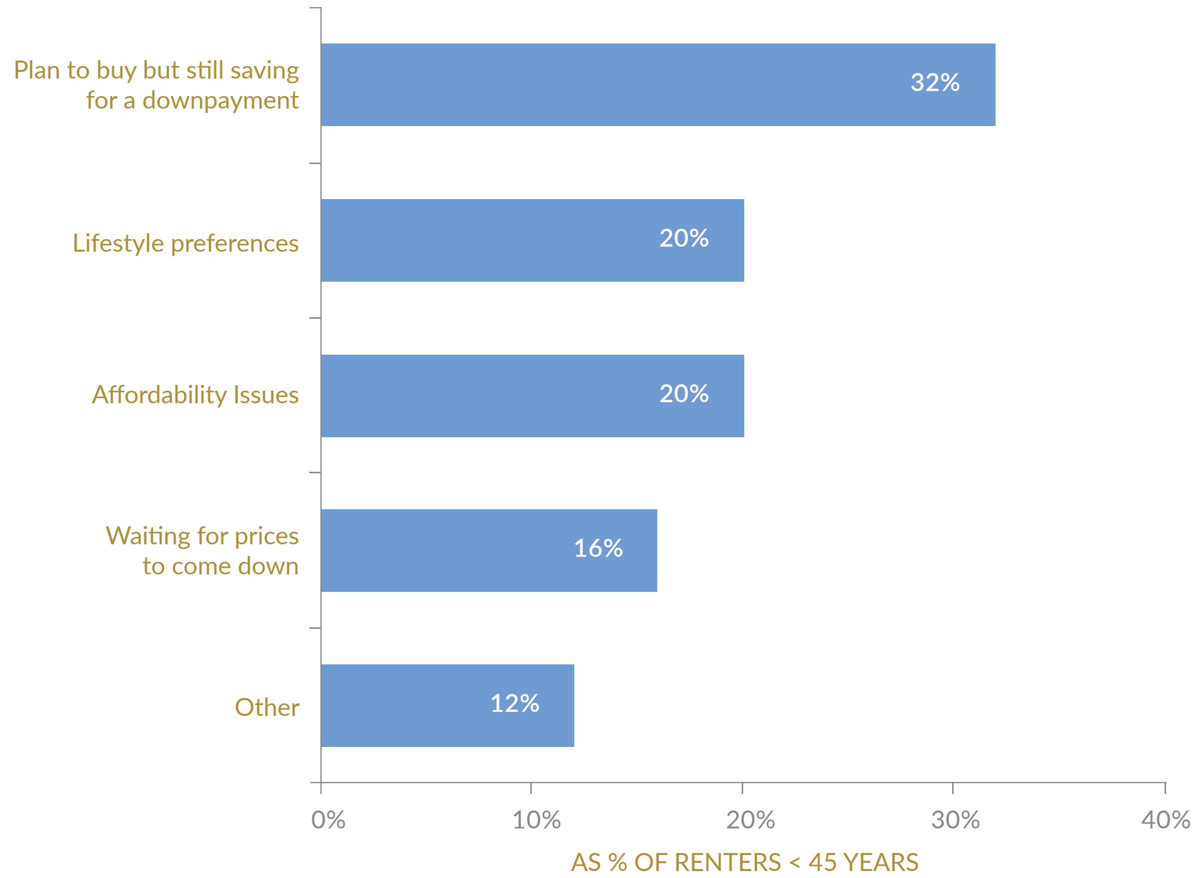

Source: Altus Group

Being deep in the downtown action has appeal for a segment of Millennials but they are in the minority.

Homebuyers Highlights *Continued*

Being deep in the downtown action has appeal for a segment of Millennials (those currently under 35 years of age) – but they are in the minority. Only about 1 in 5 respondents under 35 years agreed on Altus Group's FIRM Survey that they would prefer living in a rental or condominium apartment in Downtown Edmonton to a single-family home in the suburbs. In fact, respondents aged 35 or older were somewhat more likely to prefer the downtown location compared to Millennials.

Assuming Similar House Costs, Preference Would be to Live in a Condo or Rental Apartment in Downtown Area Rather than Single Family Home in the Suburbs

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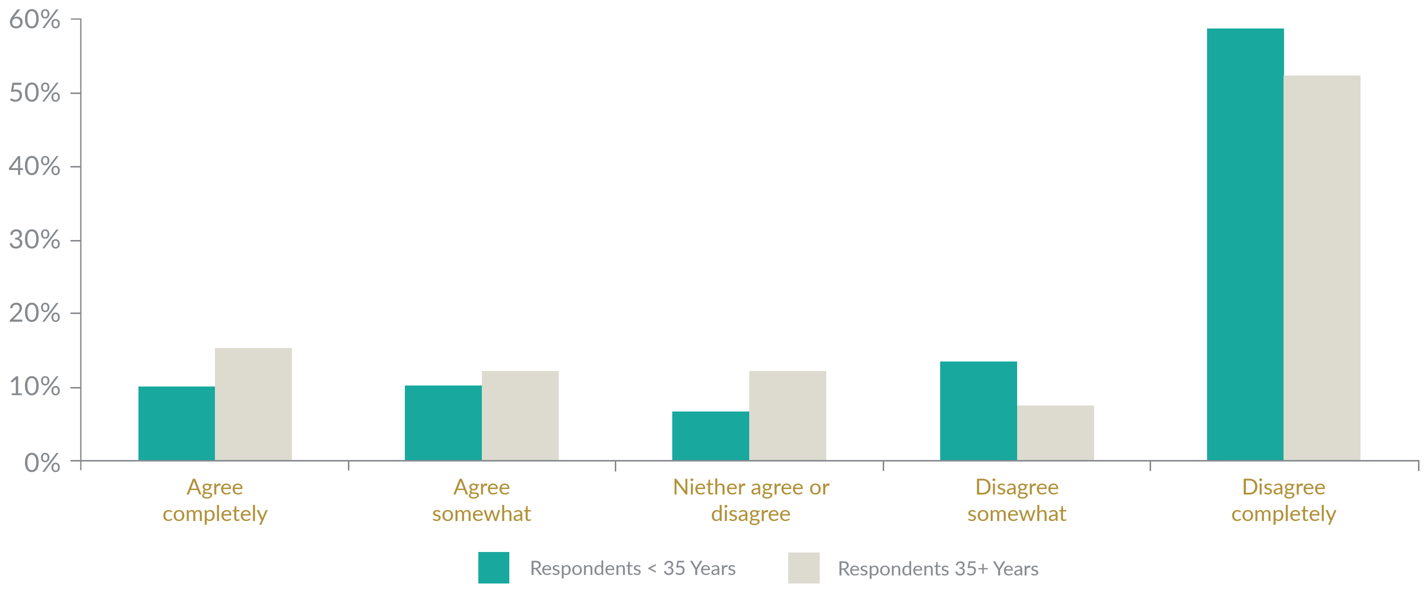

Source: Altus Group

HOMEBUYERS CONTINUED
EDMONTON MARKET AREA

About 1 in 3 homebuyers in the Edmonton Market Area in the past 5 years was a first-time buyer.

Homebuyers Highlights *Continued*

About 1 in 3 homebuyers in the Edmonton Market Area in the past 5 years was a first-time buyer. This is lower than the Canadian average of about 1 in 2. Older buyers are an important segment, accounting for 1 in 4 homebuyers overall. Buyers who were born outside Canada accounted for 1 in 5 recent home sales.

Selected Characteristics of Recent Homebuyers
EDMONTON MARKET AREA

Aged 50 or Older	1 in 4
First-Time Buyer	1 in 3
Single-Person Household	1 in 4
Immigrants to Canada	1 in 5
Annual Household Income < $100K	3 in 5

Source: Altus Group

ABOUT THE FLASH REPORT

Produced by Altus Group, through our Data Solutions team. We have put together the following Flash Report which illustrates the expanded perspective our solutions provide in the Edmonton Market Area.

In this report, insights and perspectives are provided for the following areas:

- Commercial Investment & Land Market
- Commercial Leasing Market
- Residential Development Market
- Homebuyers

Altus Group is your single source for nationally researched real estate market data, backed by local expertise.

We hope you enjoy the report. Please let us know what you think by emailing *datasolutionsinfo@altusgroup.com*

About Data Solutions

Data Solutions connects the Canadian real estate industry through the delivery of data with unparalleled breadth, integrity and relevance. We cover new homes, investment transactions and commercial market inventory in key markets; and also provide intelligence on the national housing market and consumer home buying and borrowing patterns.

Our solutions are used by real estate industry stakeholders to gain market intelligence, identify and validate opportunities, benchmark, strategically plan, manage risk and more.

Data Solutions is part of Altus Analytics, the software and data solutions business of Altus Group, where our focus is to empower real estate clients and partners to work collaboratively to enhance decision making, drive performance and optimize transactional efficiency. Our solutions enable firms to better organize and manage data and connect with the right information and analytics to help them gain a complete picture of real estate assets, portfolios and transactions.

For more information about our data solutions, please visit *altusgroup.com/datasolutions*

About Altus Group Limited

Altus Group Limited is a leading provider of independent advisory services, software and data solutions to the global commercial real estate industry. Our businesses, Altus Analytics and Altus Expert Services, reflect decades of experience, a range of expertise, and technology-enabled capabilities. Our solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, we have approximately 2,500 employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include some of the world's largest real estate industry participants. Altus Group pays a quarterly dividend of $0.15 per share and our shares are traded on the TSX under the symbol AIF.

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