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AltusGroup

Calgary
STATE OF THE
MARKET
2018



BREAKFAST | NETWORKING | MARKET BRIEFING



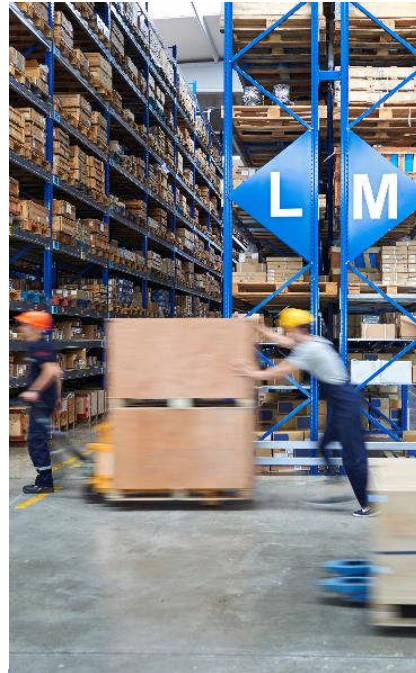
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Agenda



Office Market
and the Chase
for Talent



E-Commerce Impact
Retail and Industrial



Capital Market
Overview



New Homes Activity

Real Estate Market Trend Overview

DATA SOLUTIONS



Raymond Wong

Vice President, Data Operations,
Data Solutions, Altus Group

State of the Market

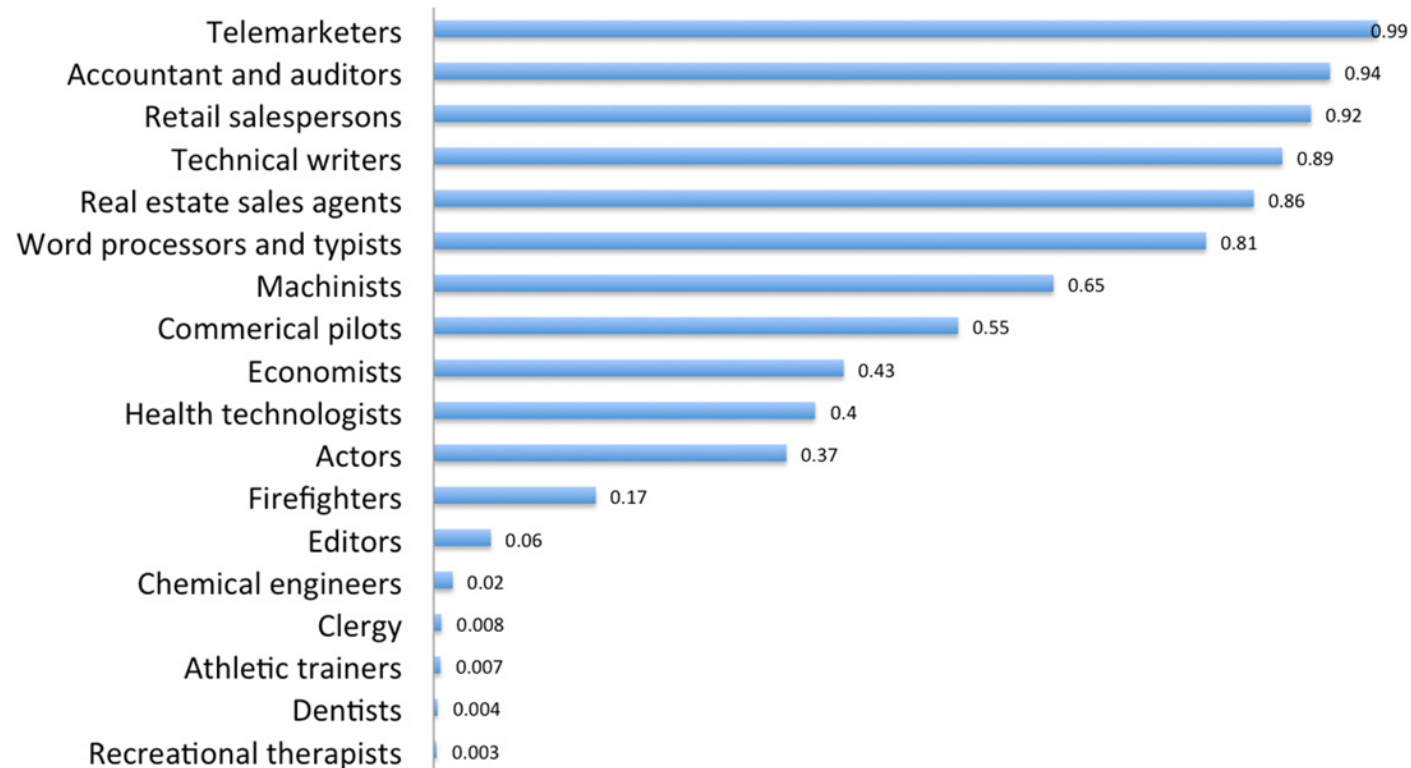
Office Market



Job Changes AI Influence

Tech  Chart of the Day

Probability Robots Will Take Your Job In Next 20 Years, 1=Certain



Source: The Economist

Why Co-Working Space is Gaining Popularity



45%

Reduce costs



42%

Need a short term
space solution



41%

Increase flexibility
in leasing terms



25%

Acquire
satellite/remote
office spaces



21%

Attract and retain
talent



15%

Promote
networking or
collaboration

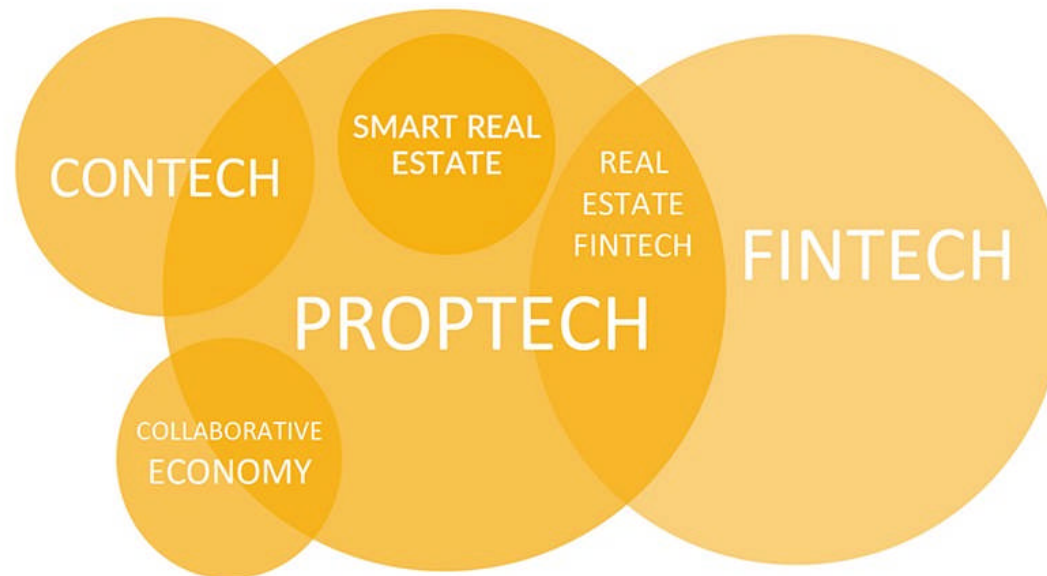


13%

Promote
innovation

Image Source: LiquidSpace

PropTech Market



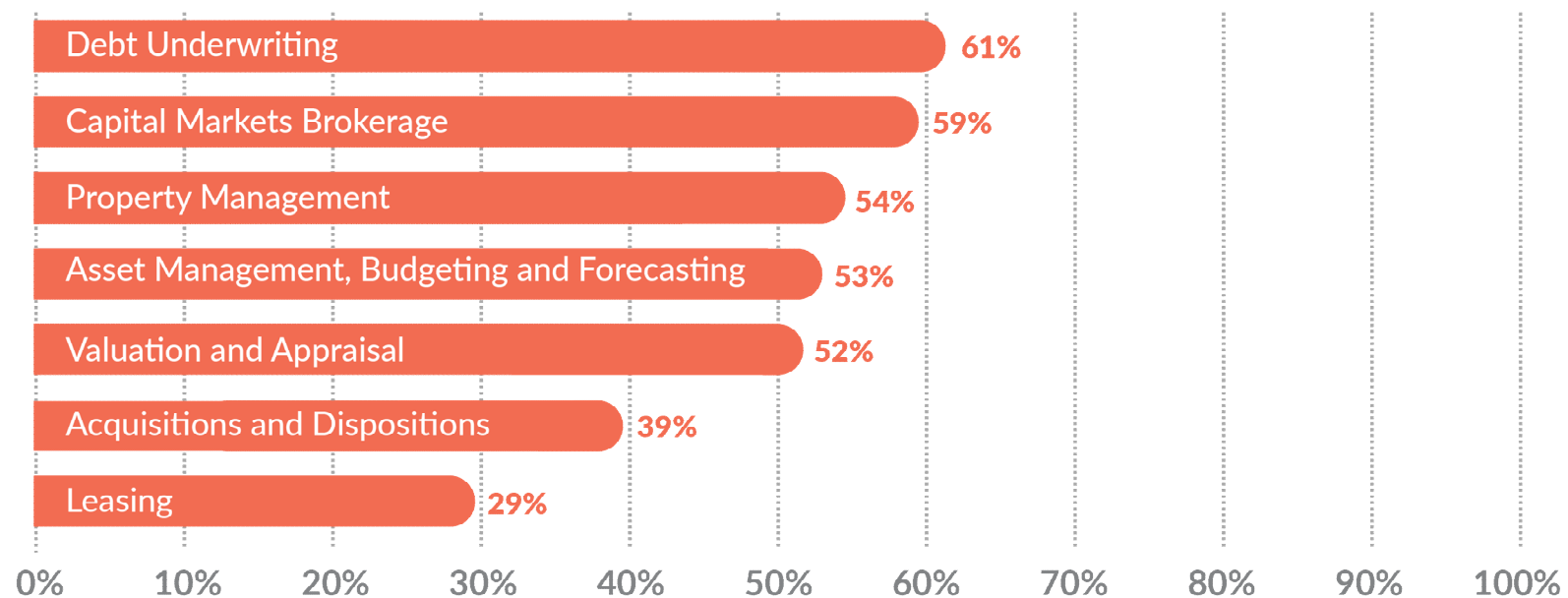
PROPTECH – REAL ESTATE STARTUPS
SMART REAL ESTATE – INTELLIGENT CITIES AND BUILDINGS
CONTECH – CONSTRUCTION STARTUPS
FINTECH – FINANCE STARTUPS



Automation Poised for Major Impact

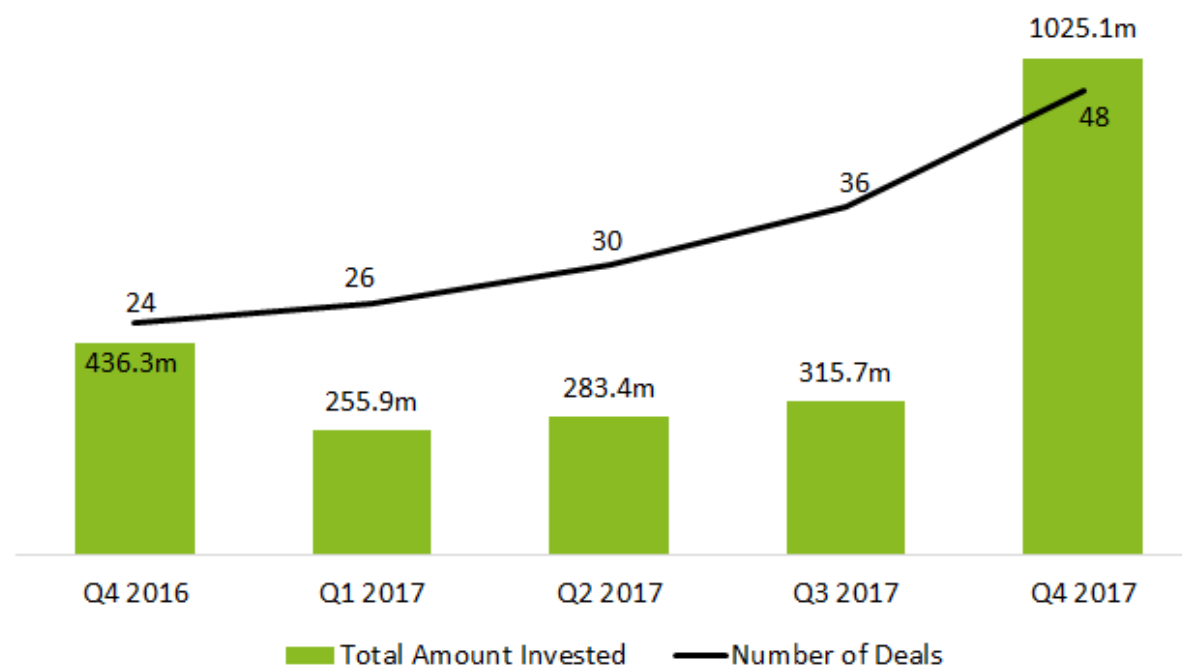
PROCESSES WITH POTENTIAL FOR AUTOMATION

Can be fully or highly automated across all processes and workflows



Steady Investment

Global PropTech investment, Q4 2016 - Q4 2017
(USD, number of deals)

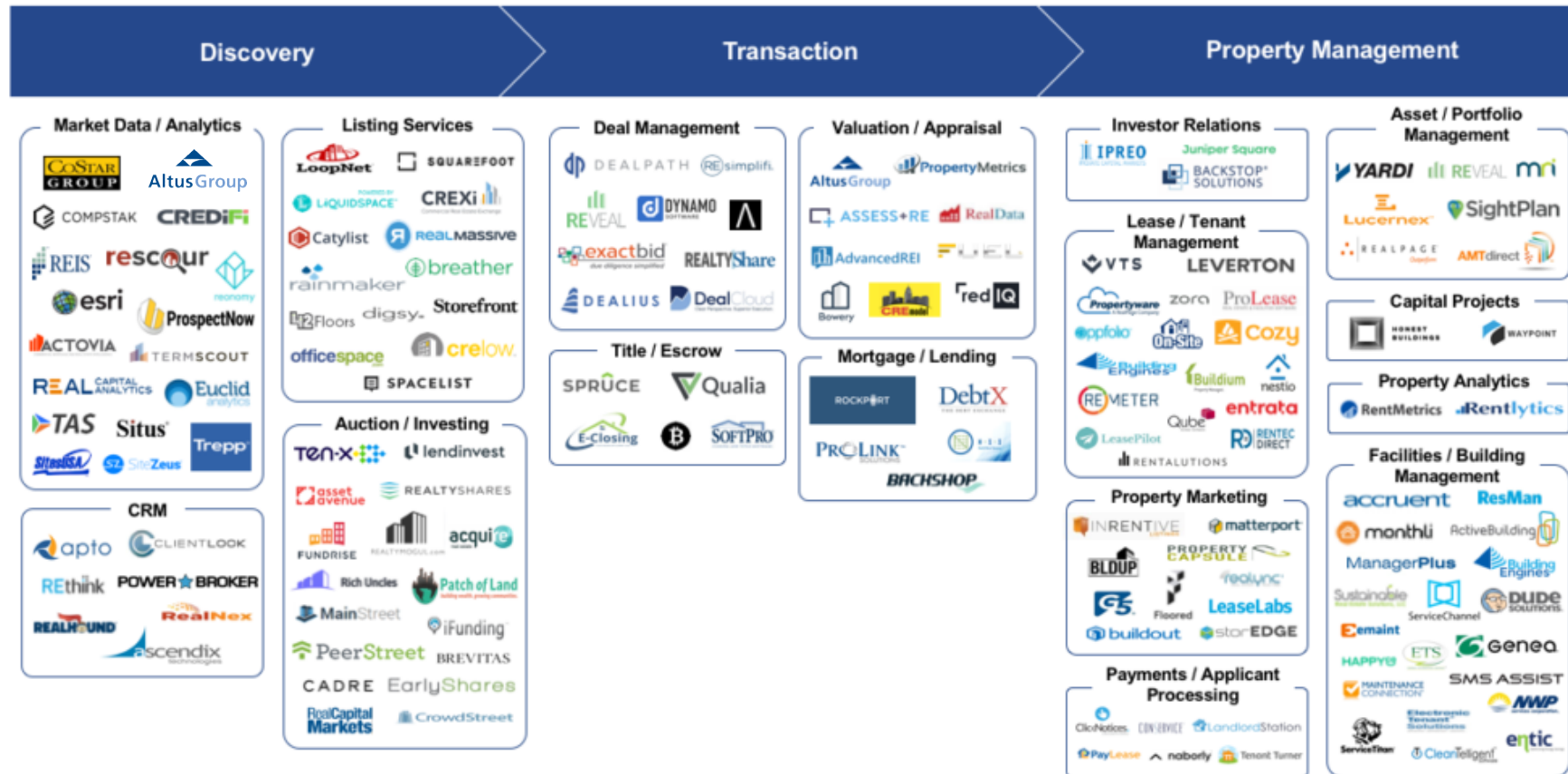


Source: FinTech Global



Getting Crowded

CRE SOFTWARE SERVICES LANDSCAPE

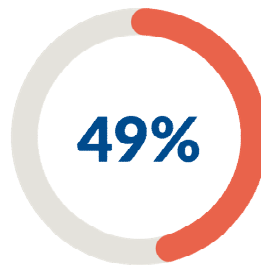


Gap and Opportunity in Performance Management

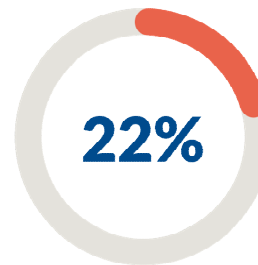
AREAS IN WHICH FIRMS ARE CURRENTLY BENCHMARKING THEIR PERFORMANCE AGAINST COMPETITORS, THE MARKET OR INDUSTRY



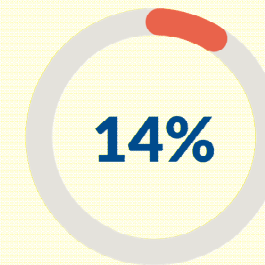
VALUATIONS



RETURNS

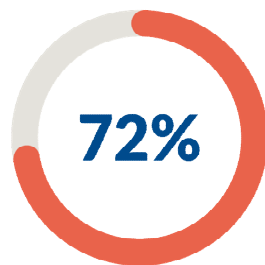


LEASING



OPERATIONAL EXPENSES

AREAS WITH SIGNIFICANT POTENTIAL TO CONDUCT EXTENSIVE/IN-DEPTH BENCHMARKING



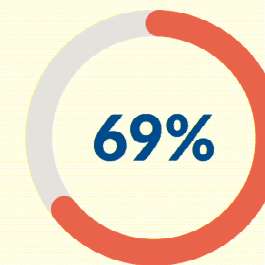
VALUATIONS



RETURNS



LEASING



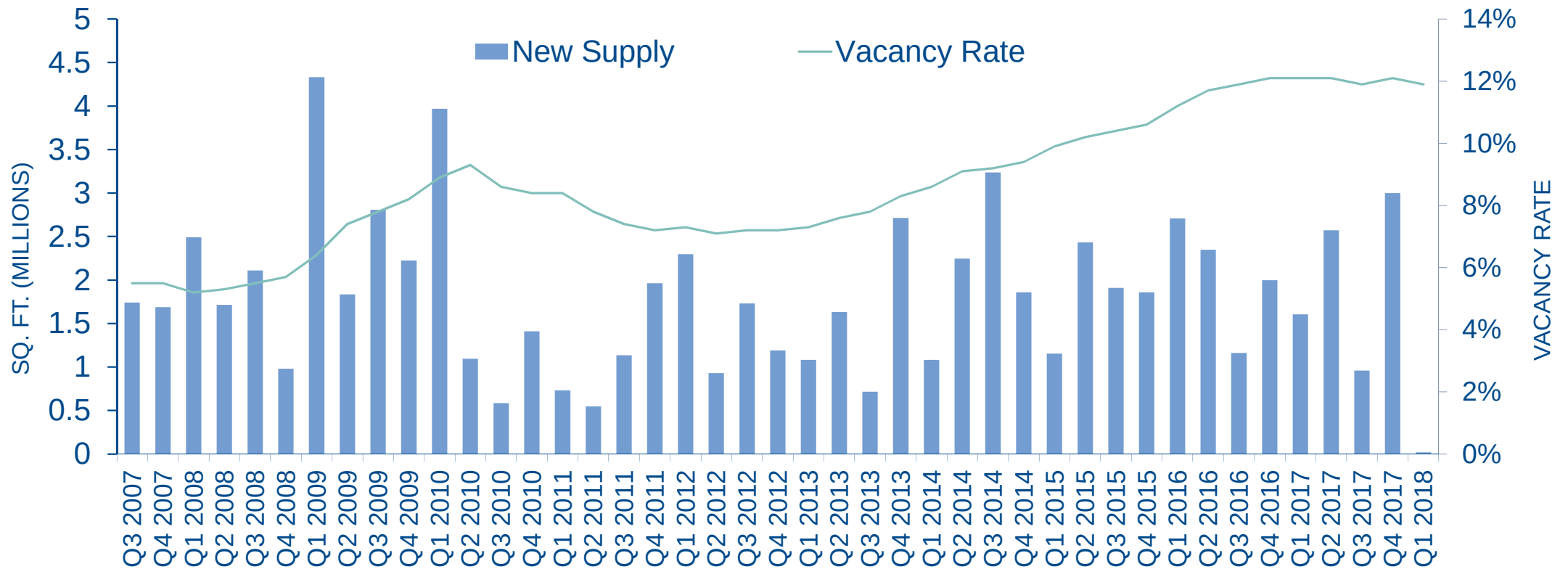
OPERATIONAL EXPENSES

Is CRE Prepared for What's Next?

POTENTIAL IMPACT OF EMERGING DISRUPTIVE TECHNOLOGIES

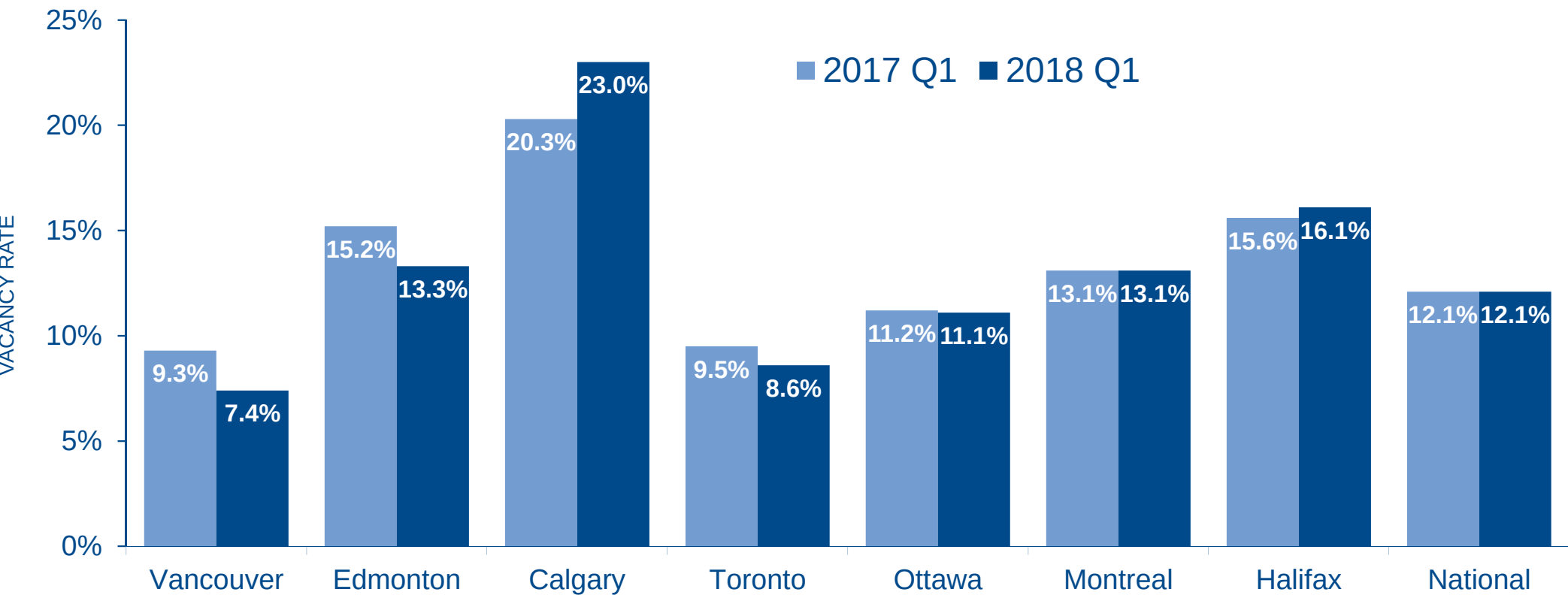
	No or only minimal impact on how business is conducted	Potential for significant cost savings but no disruptive change	Will create major disruptive changes in the CRE industry
Smart Building Technology	20%	45%	35%
Artificial or Machine Intelligence	38%	34%	28%
Big Data and Predictive Analytics	42%	34%	24%
Augmented and Virtual Reality	55%	27%	18%
Blockchain Technology	62%	23%	15%
Driverless Vehicles	73%	18%	9%

National New Office Supply in Check



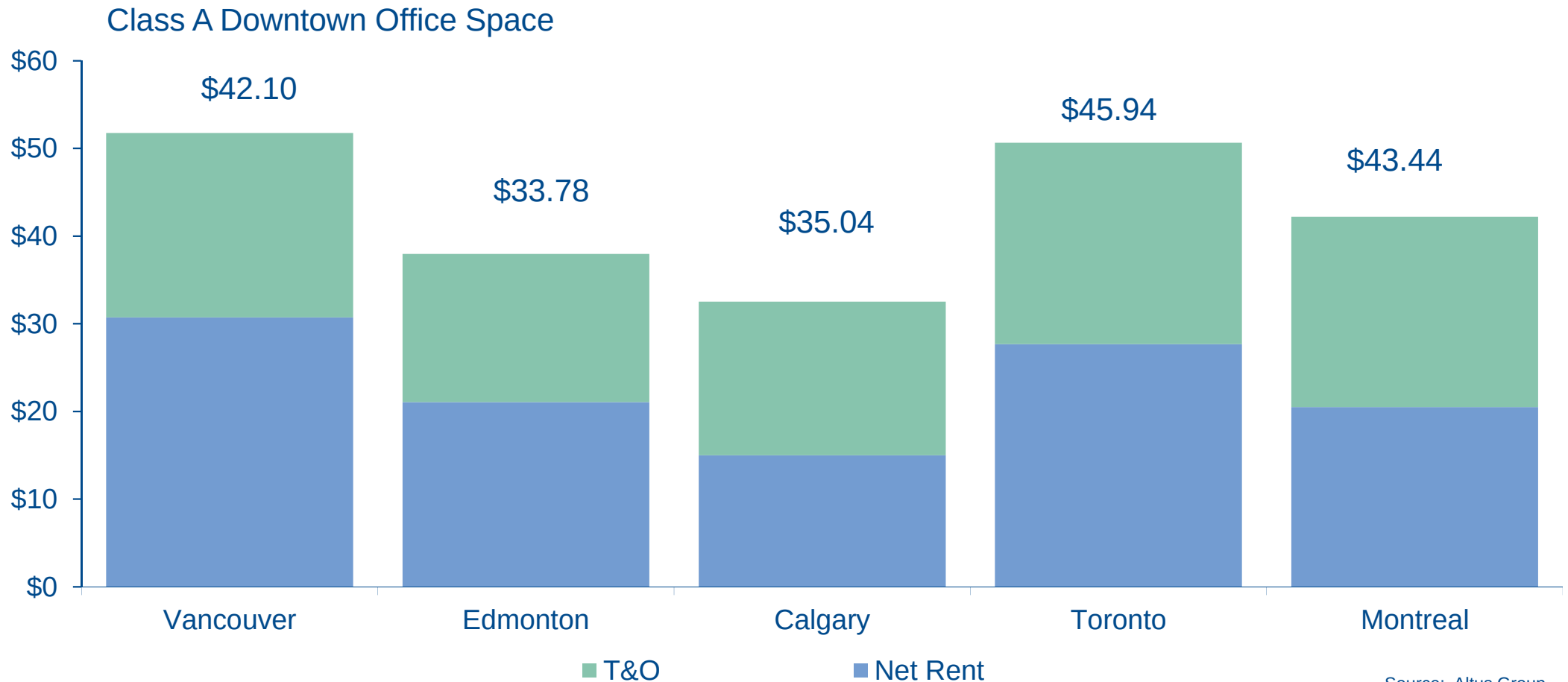
Source: Altus Group

Office Vacancy Rate in Balance With One Notable Exception



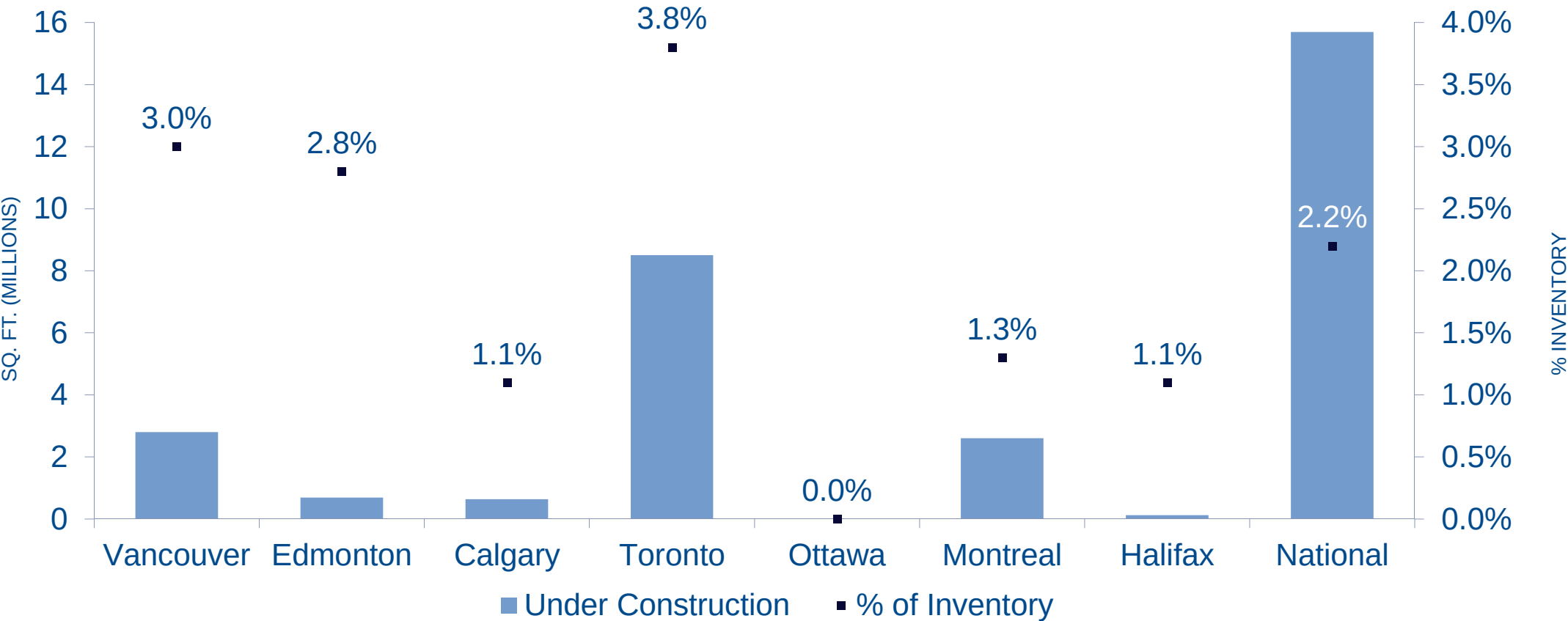
Source: Altus Group

Alberta Opportunity



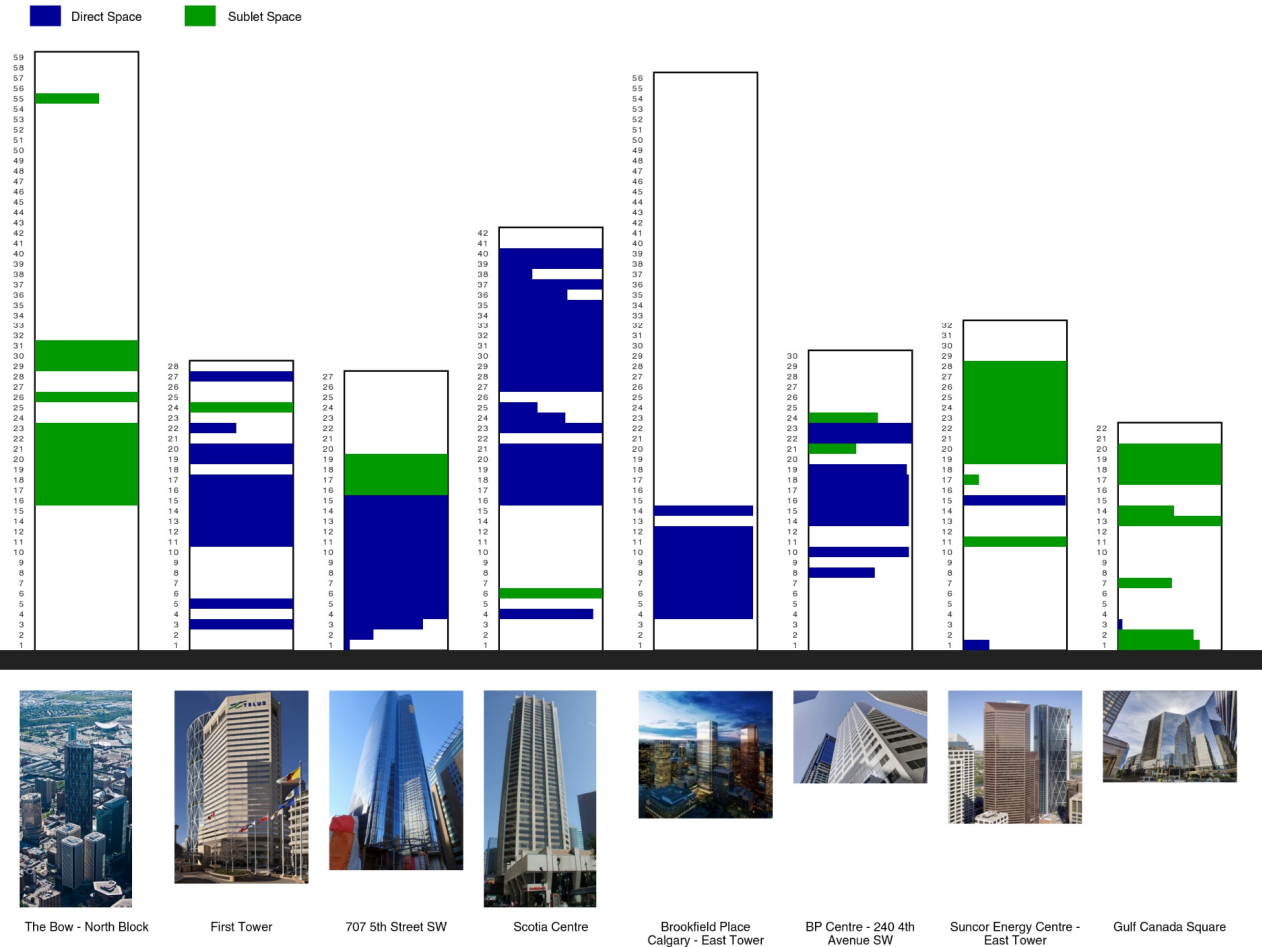
Source: Altus Group

New Office Construction, as % of Inventory



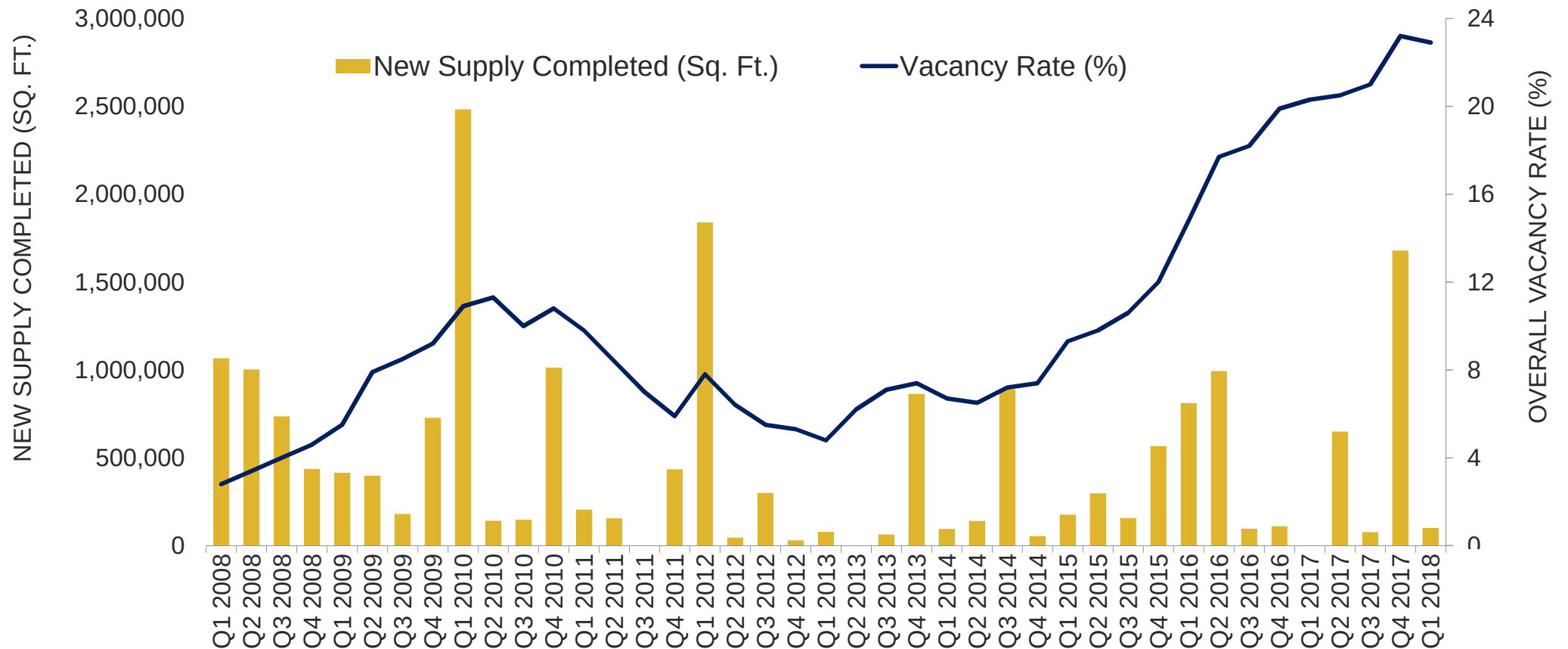
Source: Altus Group

Buildings with Largest Vacancy – Sublet Competing with New Supply



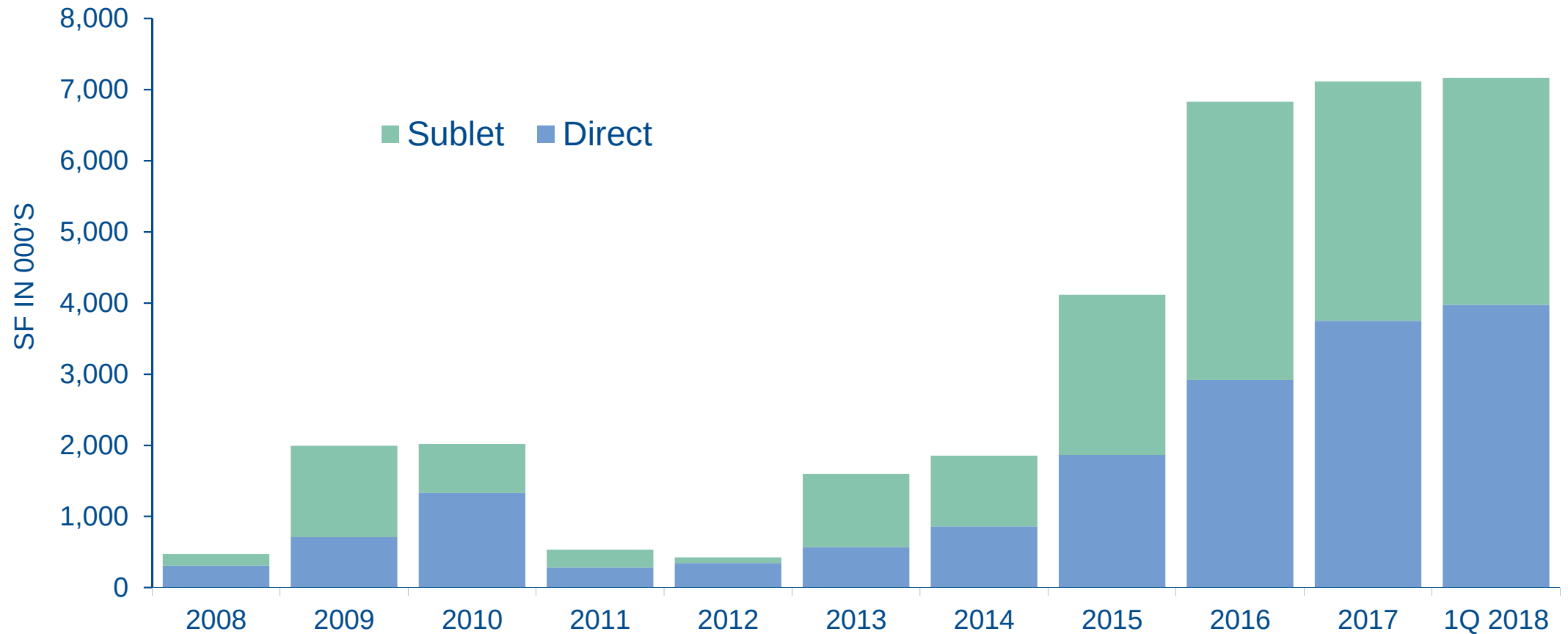
Source: Altus Group

Office Leasing Market



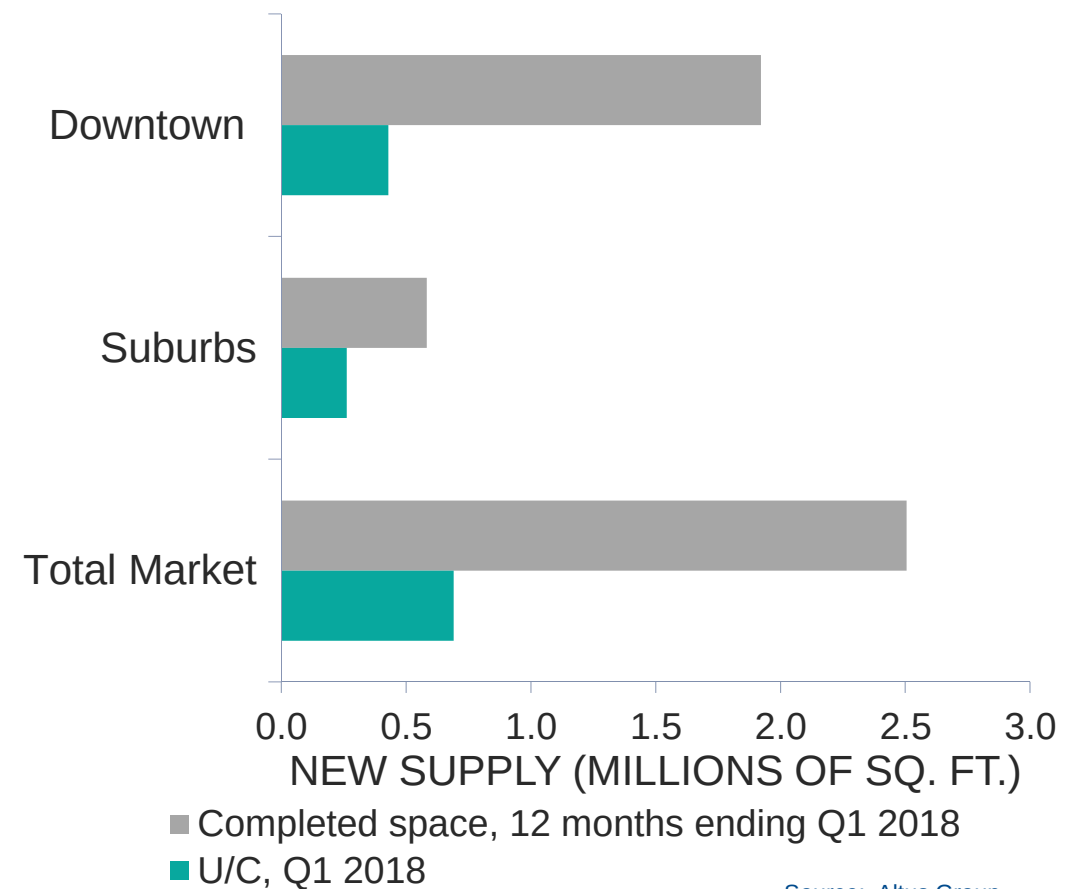
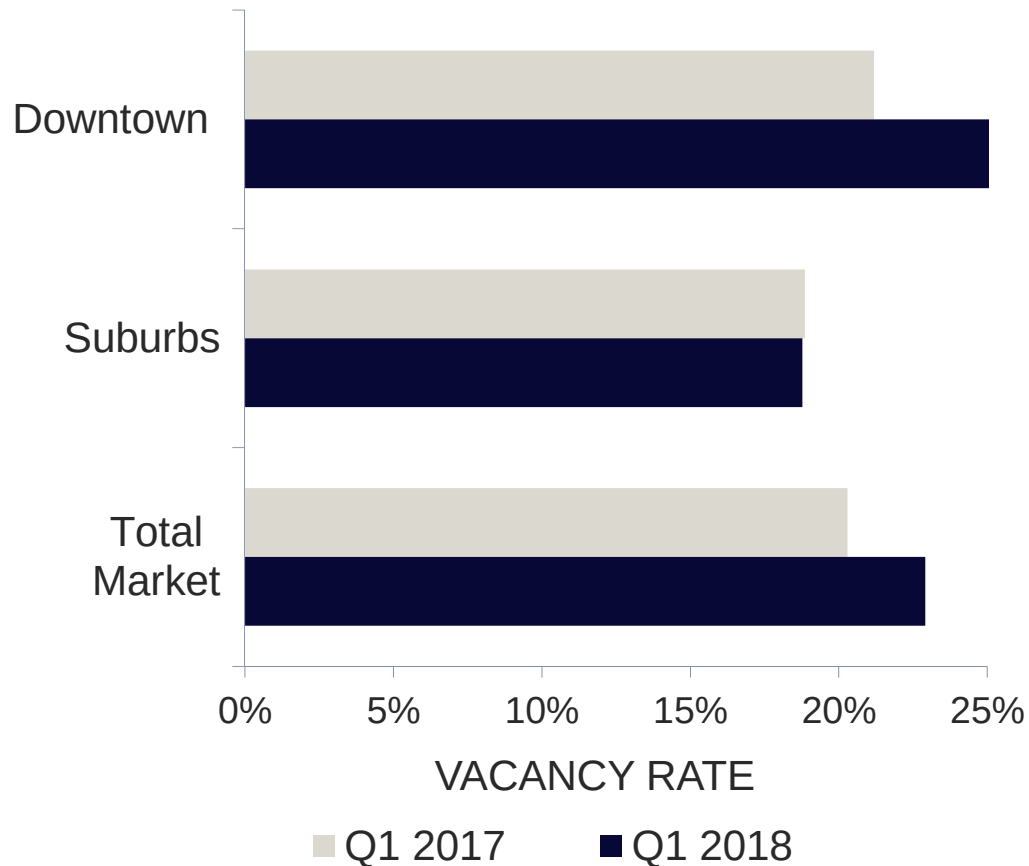
Source: Altus Group

A Problem with Sublet in Class A Downtown Space



Source: Altus Group

Office Leasing Highlights, Downtown vs. Suburbs



Source: Altus Group

State of the Market

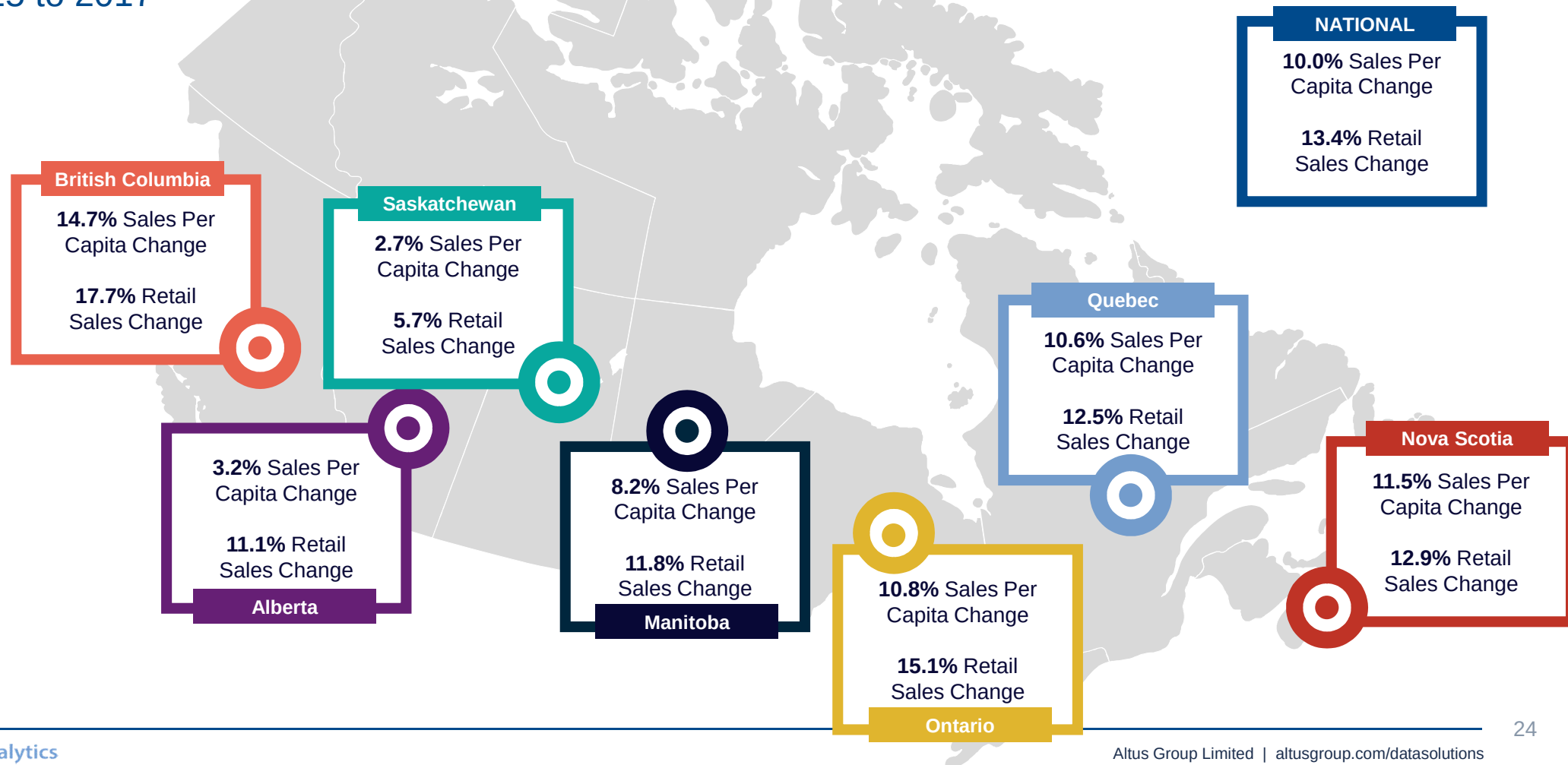
E-Commerce Revolution



Sales Per Capita and Retail Sales Change



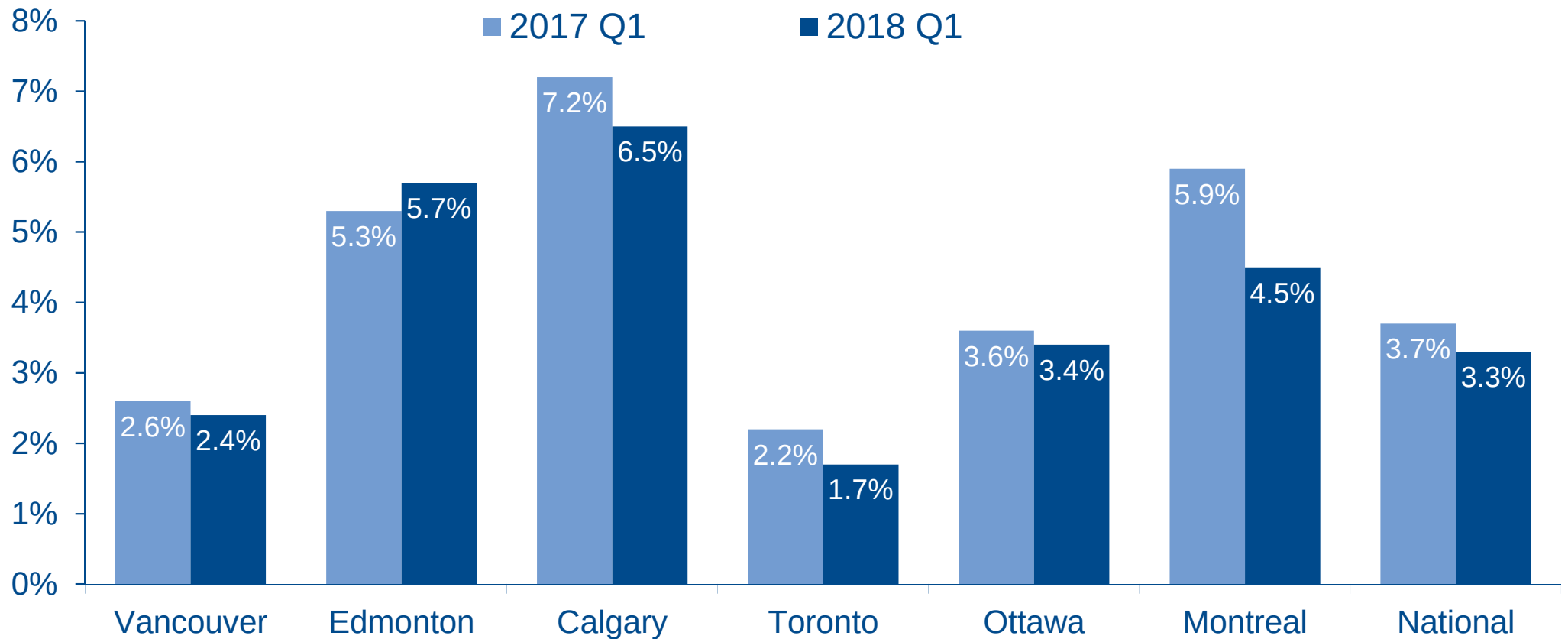
2015 to 2017



NAFTA getting closer ... wait and see!

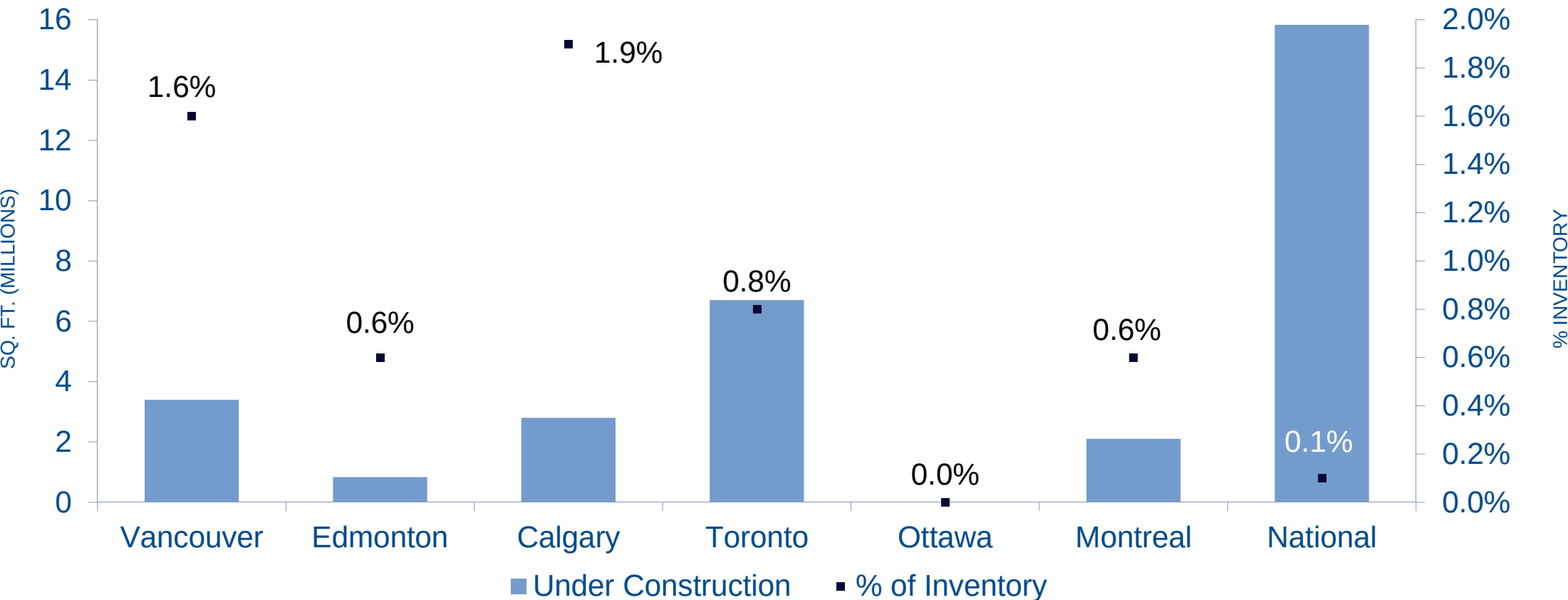


Industrial Vacancy Rates Remain Tight in Vancouver



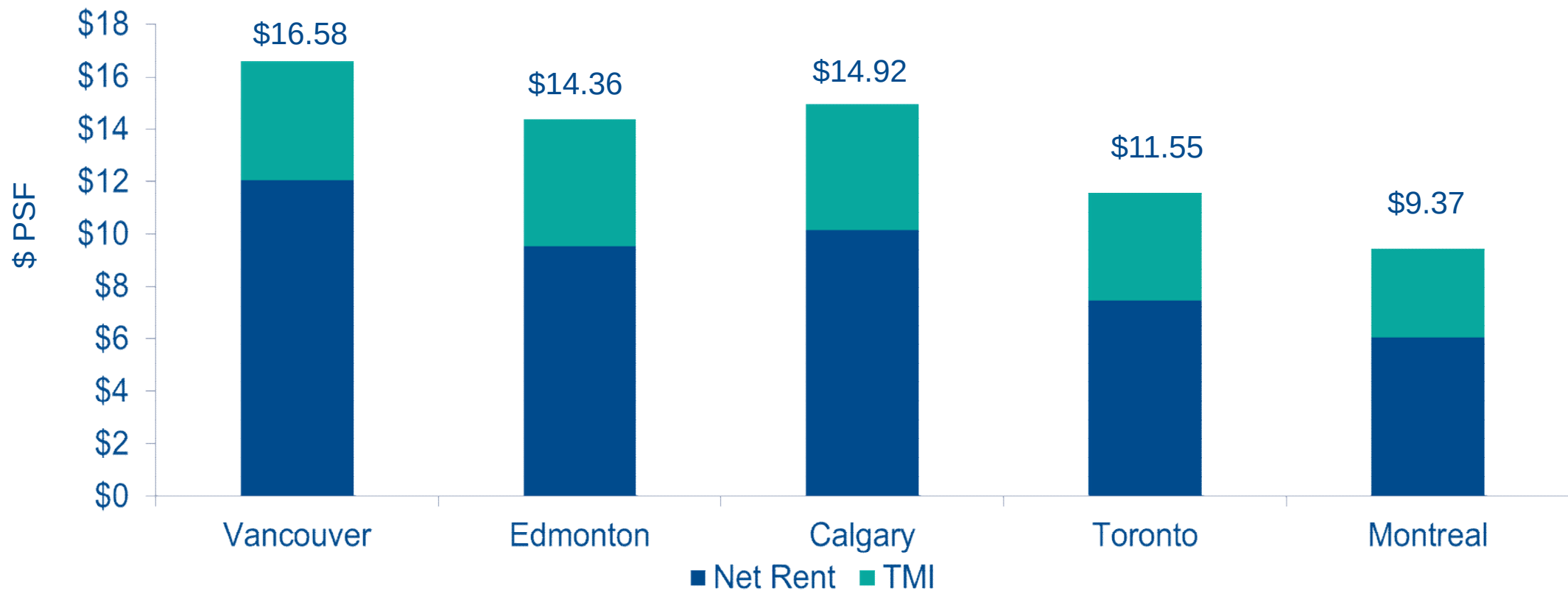
Source: Altus Group

Industrial Under Construction, as % of Inventory Remains Low (Q1 2018)



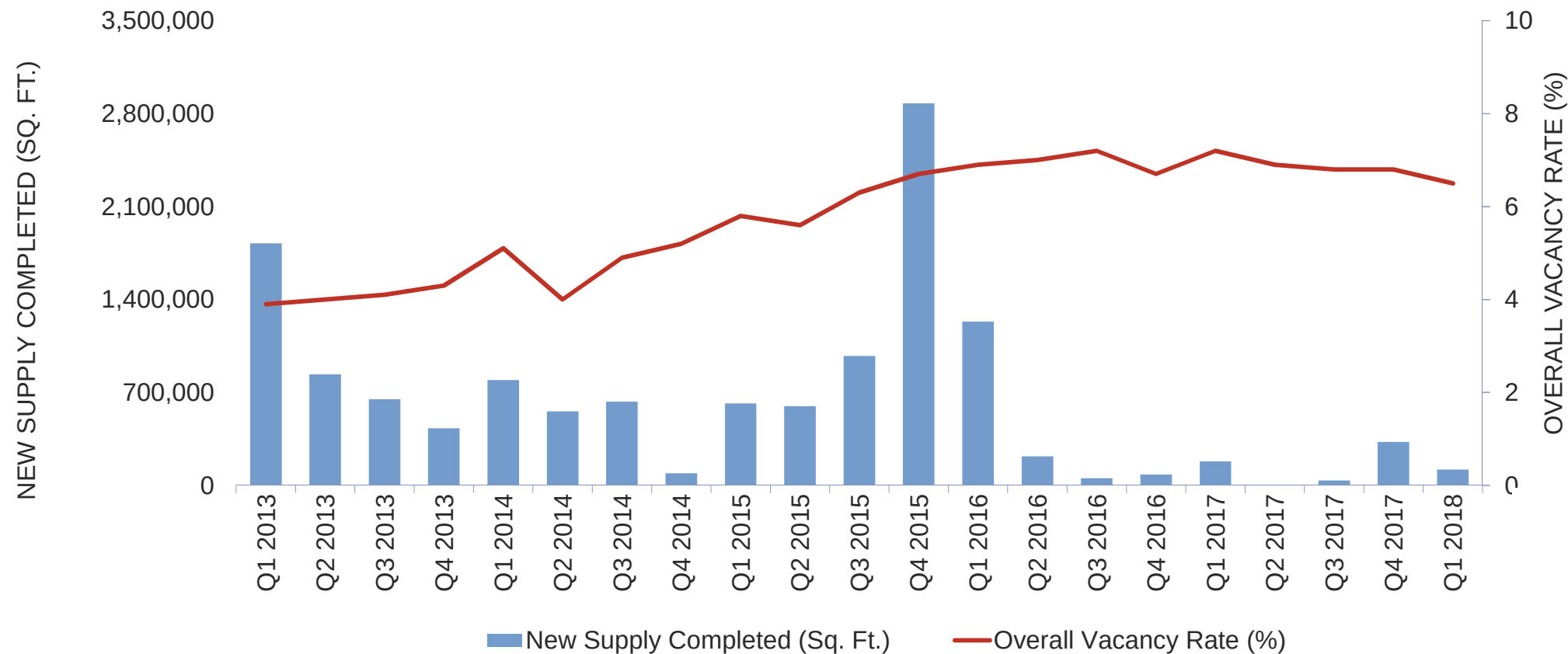
Source: Altus Group

Industrial Rental Rates Stabilize (Q1 2018)



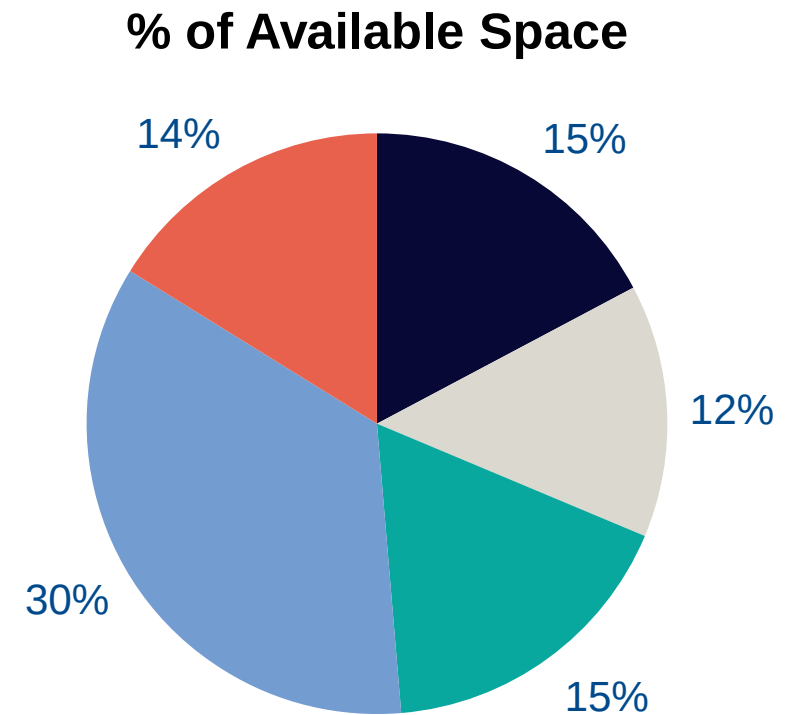
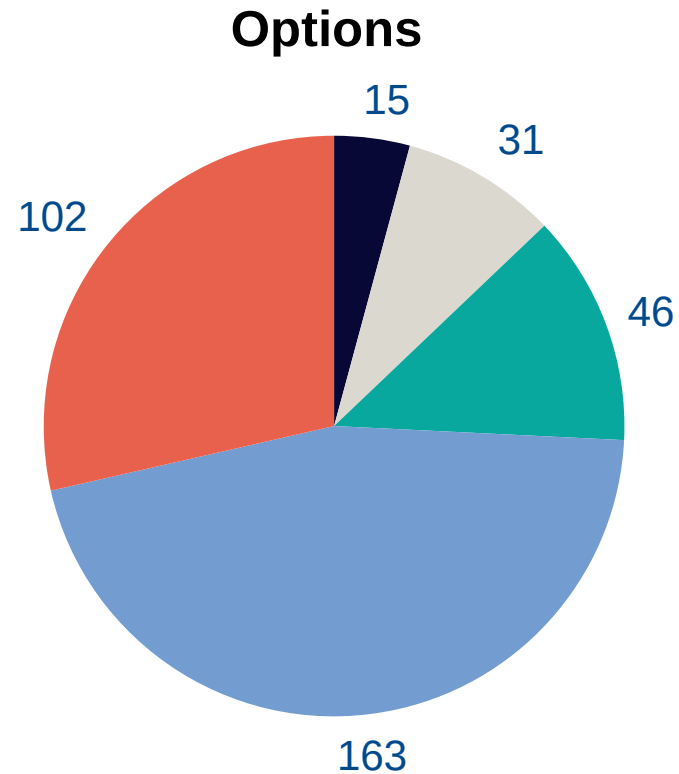
Source: Altus Group

Industrial Market



Source: Altus Group

Calgary Options by Clear Height

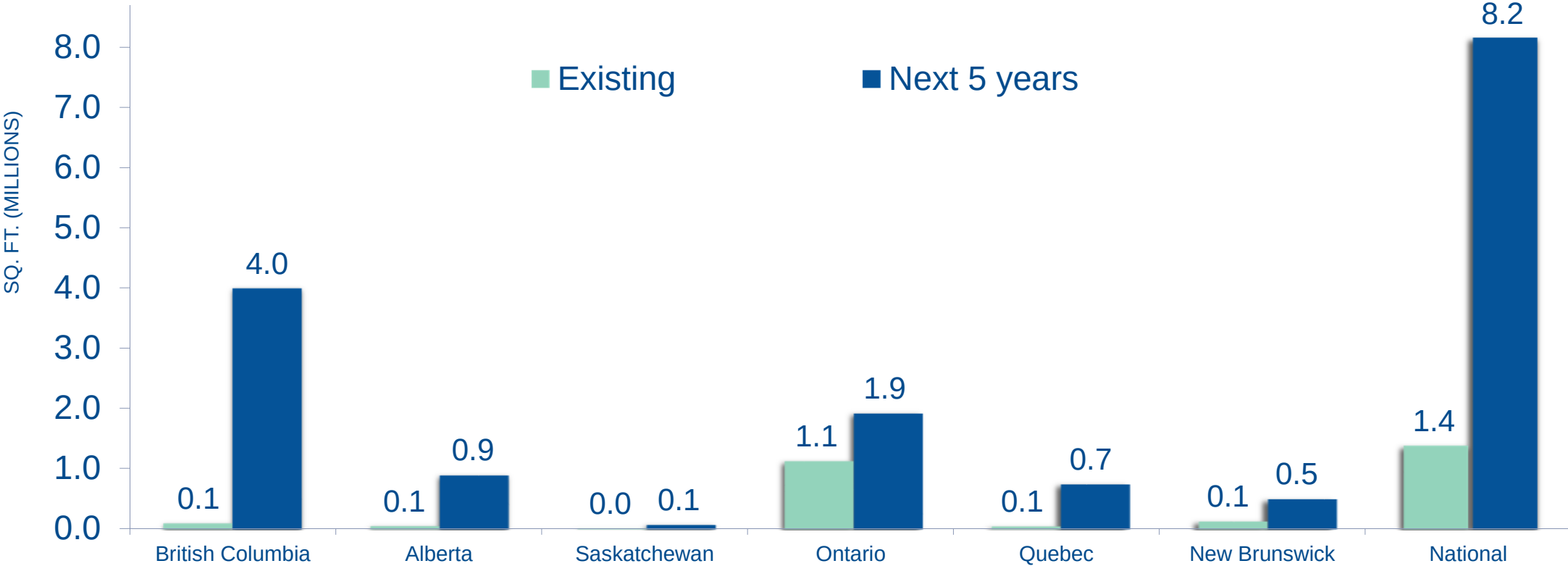


Source: Altus Group

Cannabis will be legalized October 17th, 2018



“Growing Op” Fast: Cannabis Facilities Across Canada



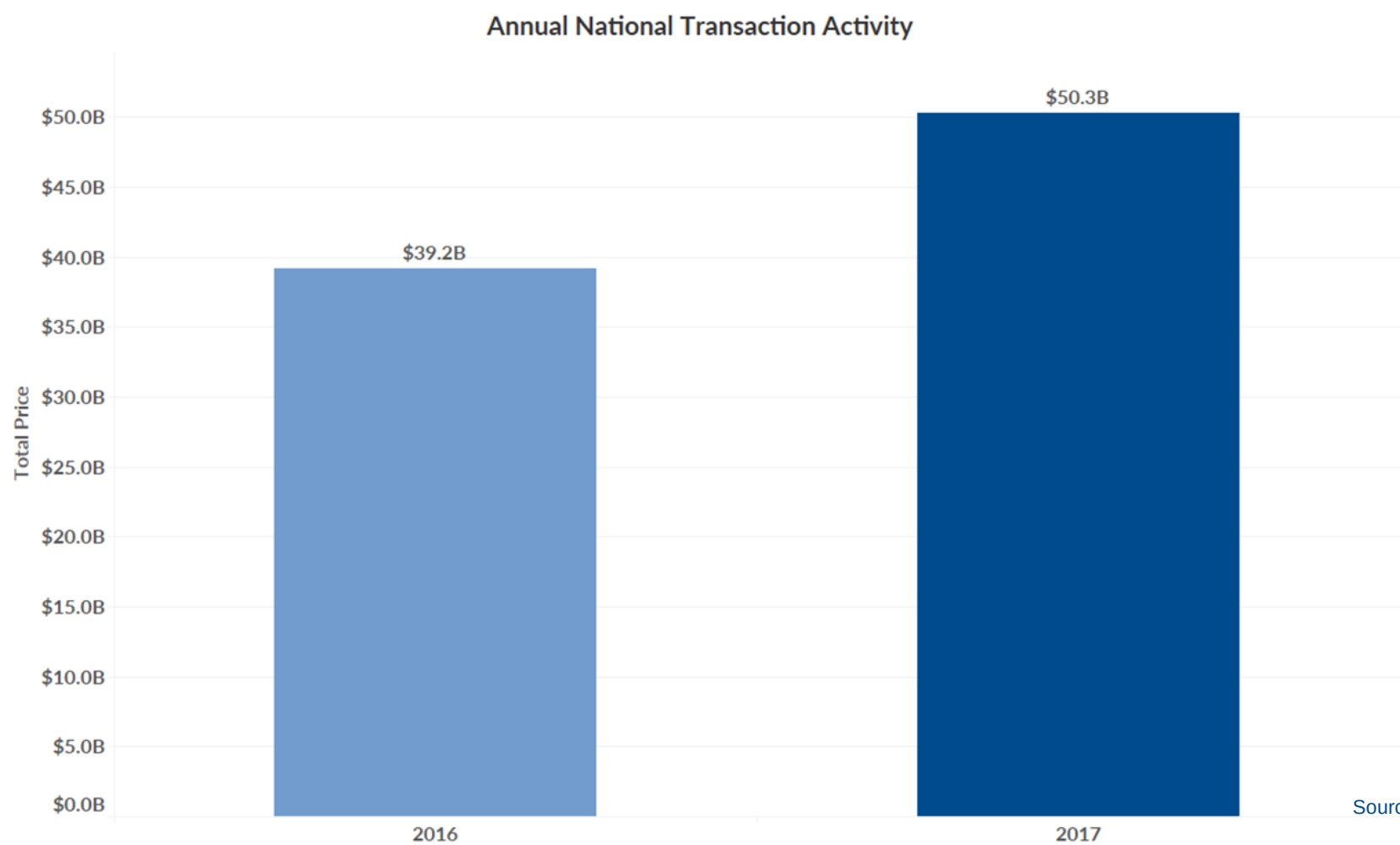
Source: Altus Group

State of the Market

Capital Markets

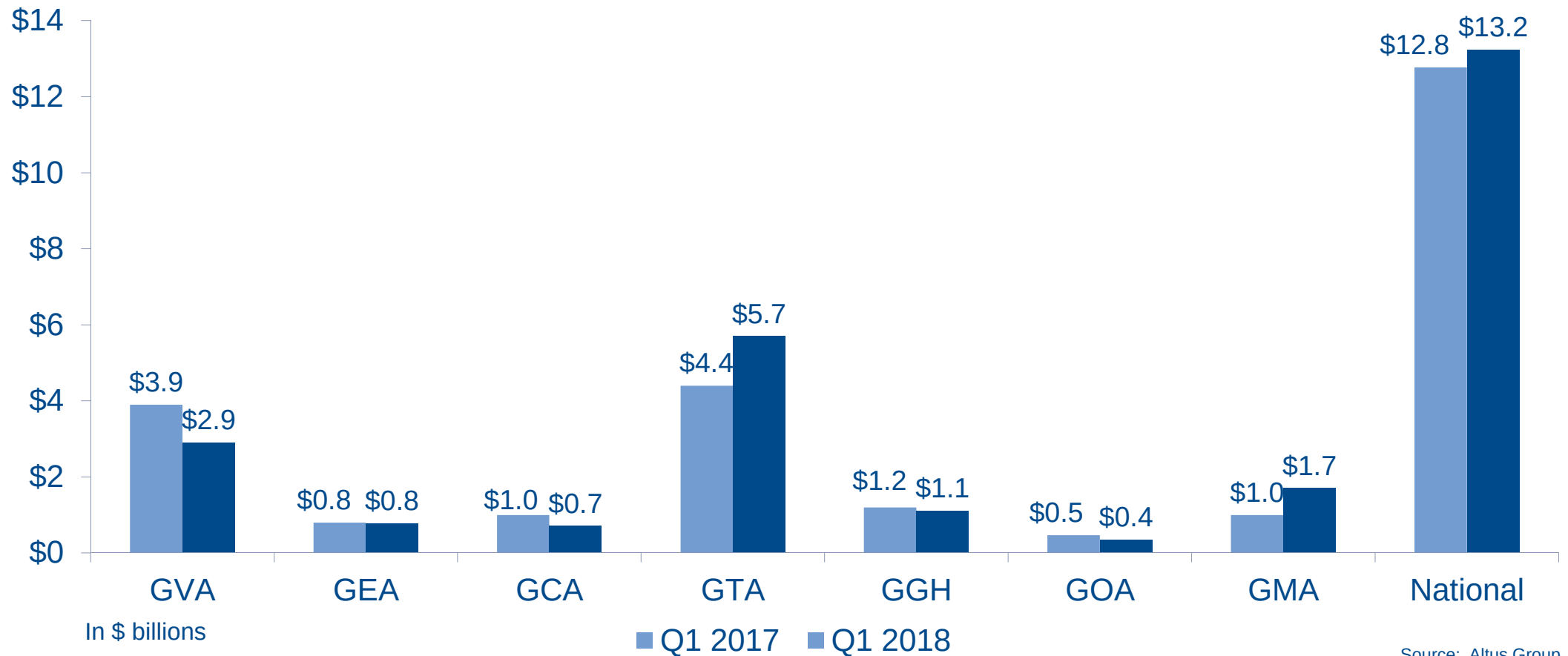


2017 A Record Year for Investment Activity in Canada



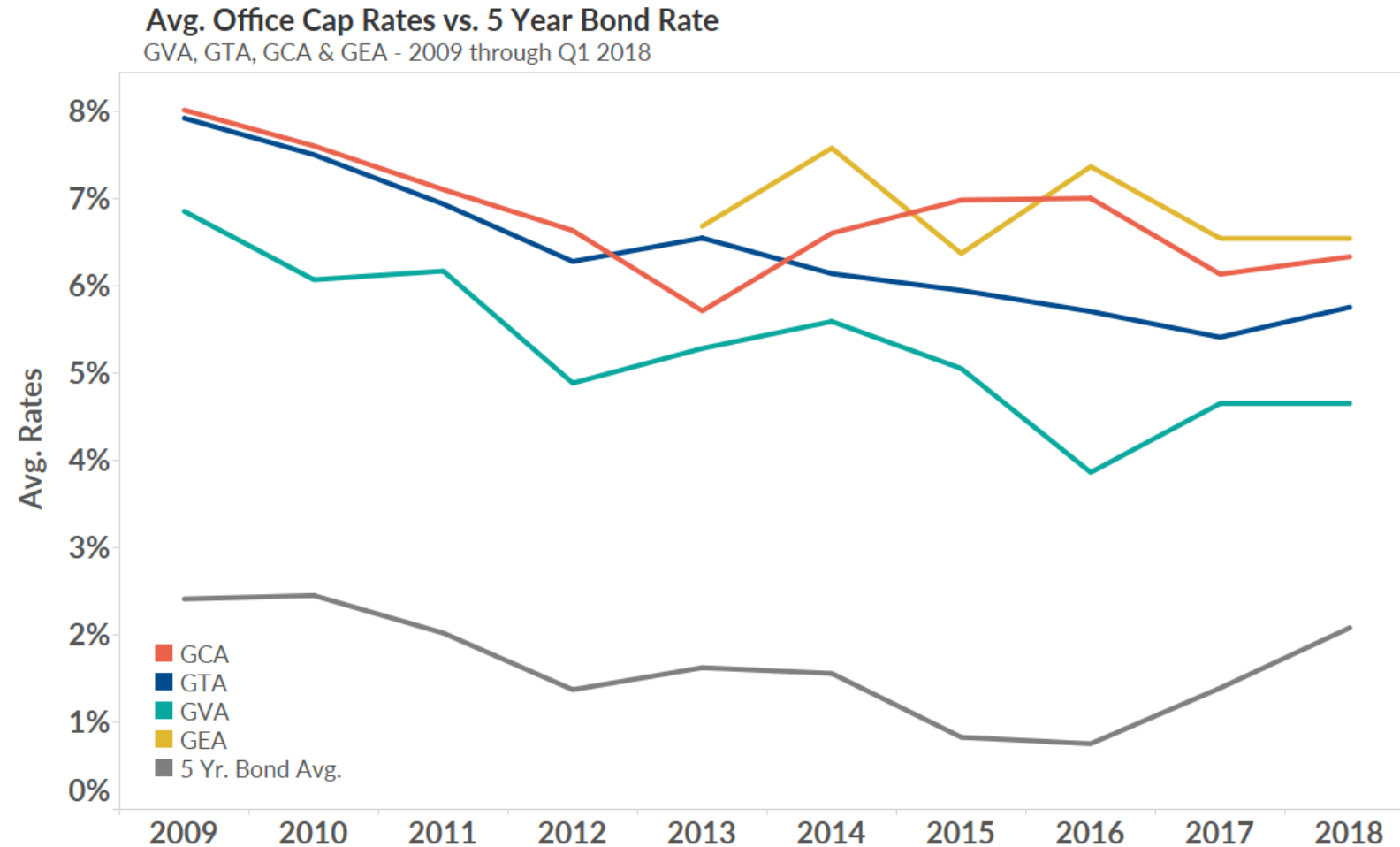
Source: Altus Group

Supply Issue, not a Demand Issue



Source: Altus Group

Office Cap Rates Flatten

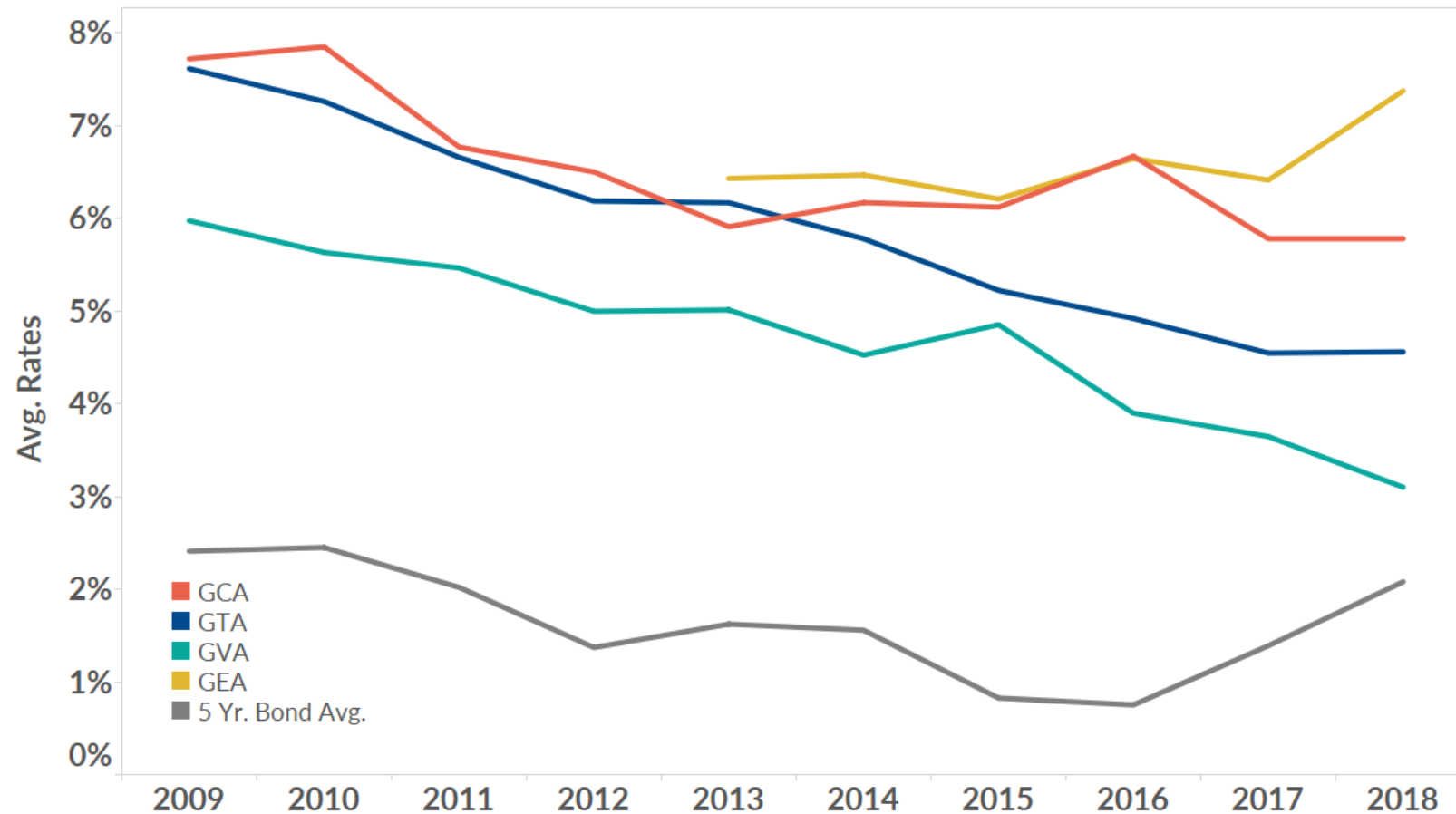


Source: Altus Group

Despite the Noise, Retail Remains in Demand

Avg. Retail Cap Rates vs. 5 Year Bond Rate

GVA, GTA, GCA & GEA - 2009 through Q1 2018

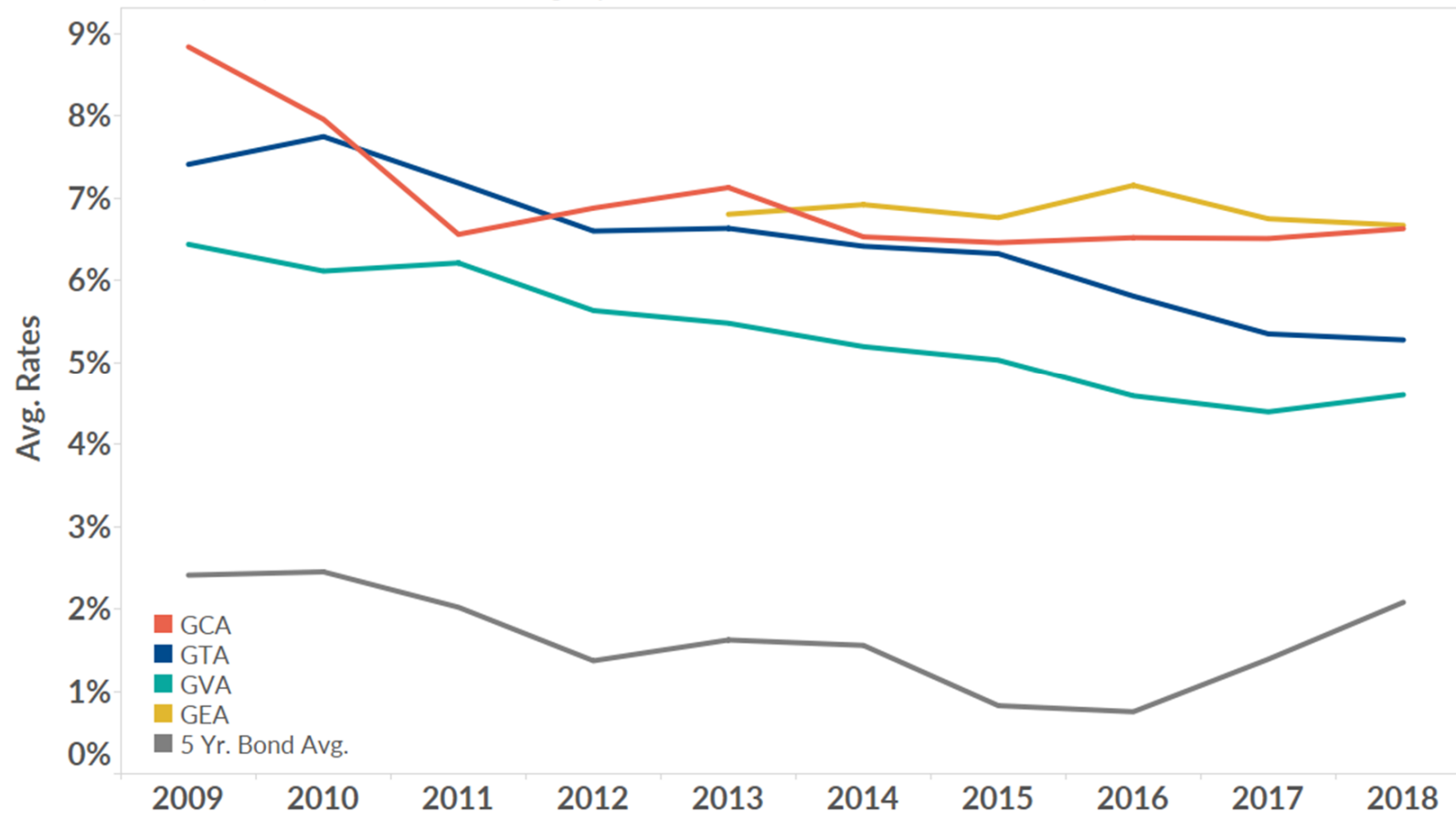


Source: Altus Group

Industrial Continues to be the Safe Choice

Avg. Industrial Cap Rates vs. 5 Year Bond Rate

GVA, GTA, GCA & GEA - 2009 through Q1 2018

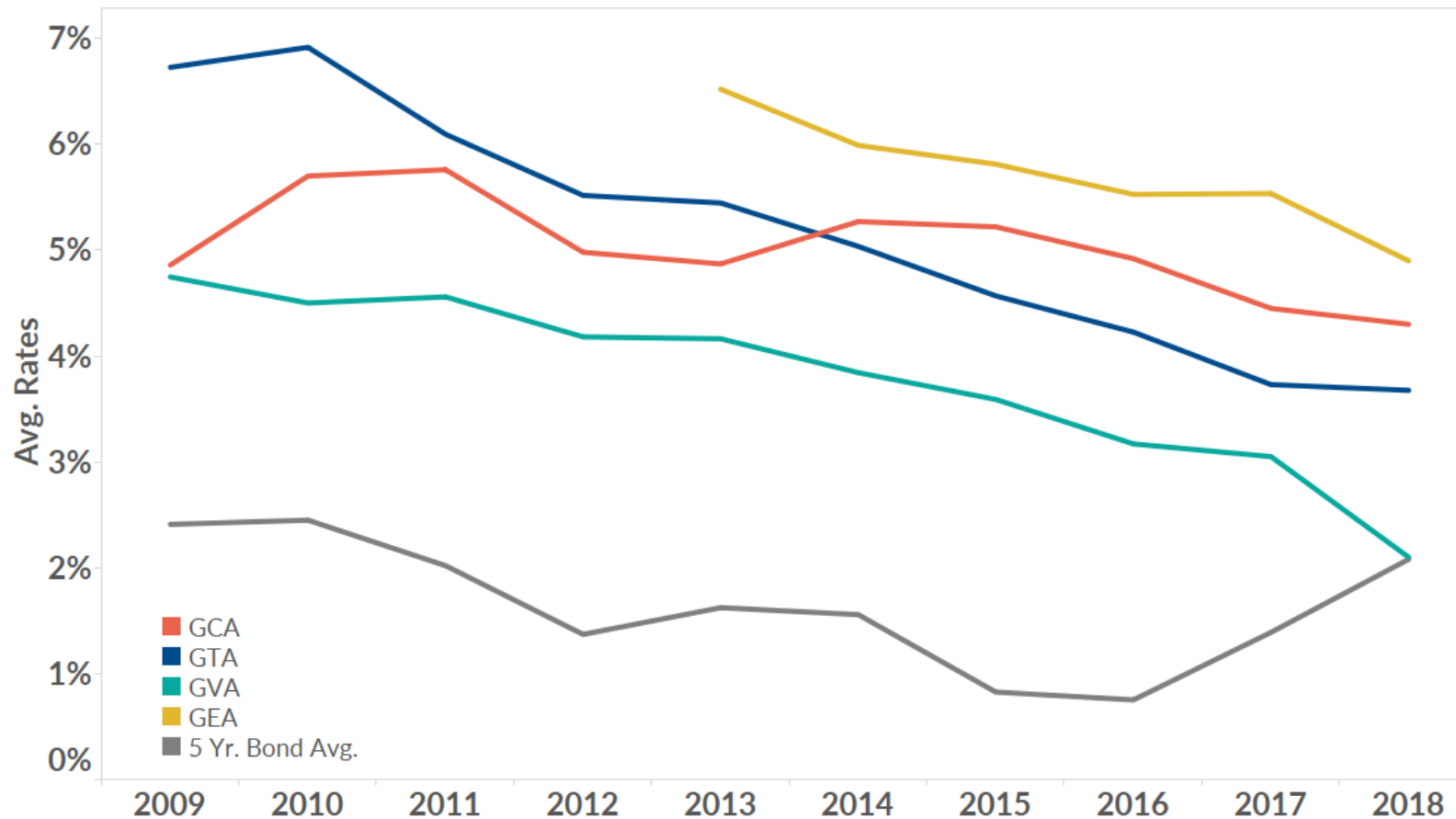


Source: Altus Group

Low Vacancy Rates Drive Cap Rates Lower

Avg. Apartment Cap Rates vs. 5 Year Bond Rate

GVA, GTA, GCA & GEA - 2009 through Q1 2018



Source: Altus Group

Calgary Top Investment Transactions



Date	Sector	Transaction Name	Purchaser(s)	Price
Feb-20-2018	Office	Wi-Lan Building	Intrinsic Investments	\$13,500,000
Feb-23-2018	Retail	731 - 739 10th Ave. S.W.	First Capital Realty	\$11,940,000
Jan-30-2018	Apartment	Hillcrest manor	Timbercreek Asset Management	\$10,000,000
Mar-12-2018	ICI Land	400 - 410 6th Street S.W., & 625 & 631 4th Avenue S.W.	AIMCo	\$14,200,000
Jan-03-2018	ICI Land	Faidon Building	Intergulf Developments	\$10,300,000
Mar-02-2018	Residential Land	Trinity Hills	Metropia	\$43,272,955

Source: Altus Group

Market Overview & Outlook



Matthew Boukall

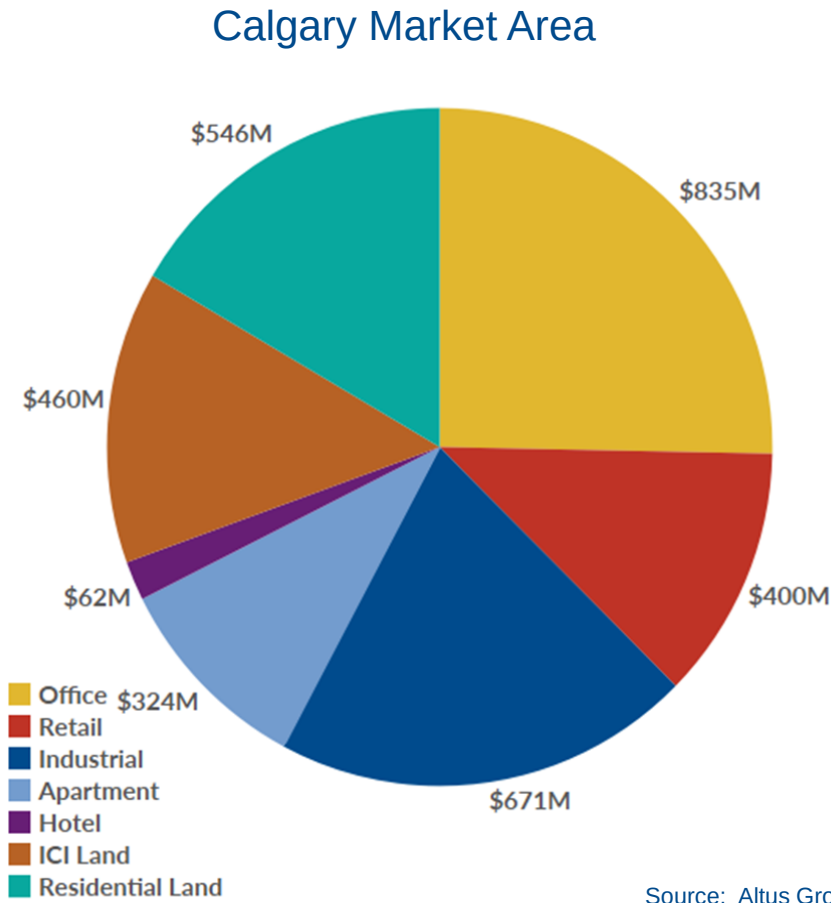
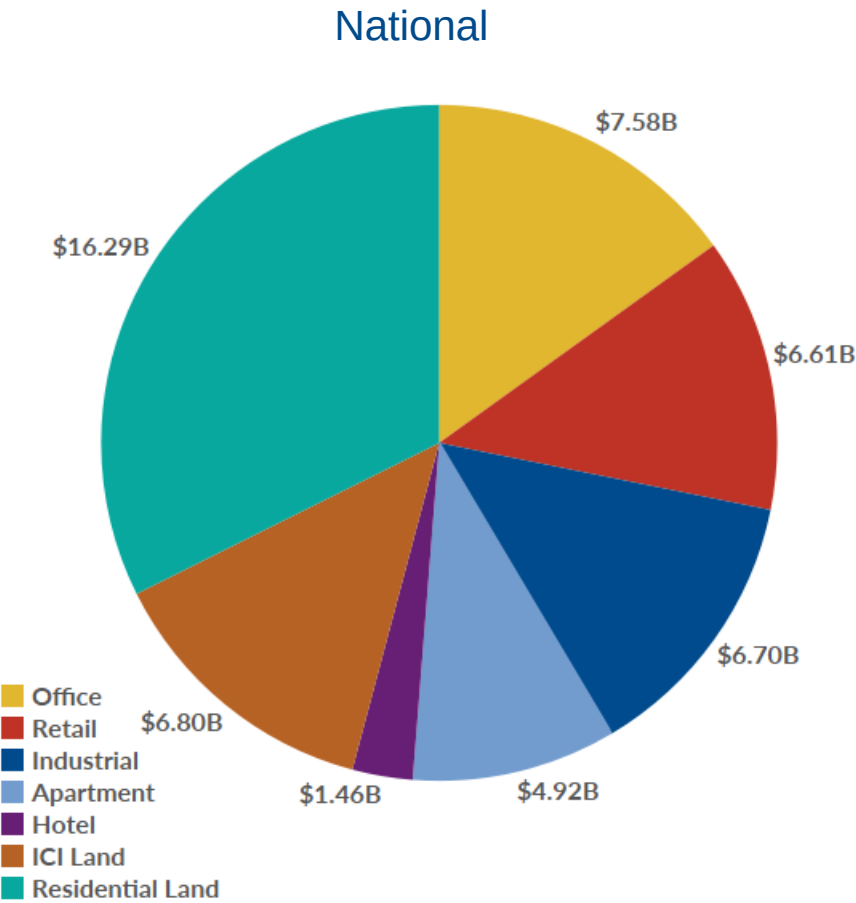
Vice President, Product Management,
Data Solutions, Altus Group

State of the Market

Calgary Commercial Transactions

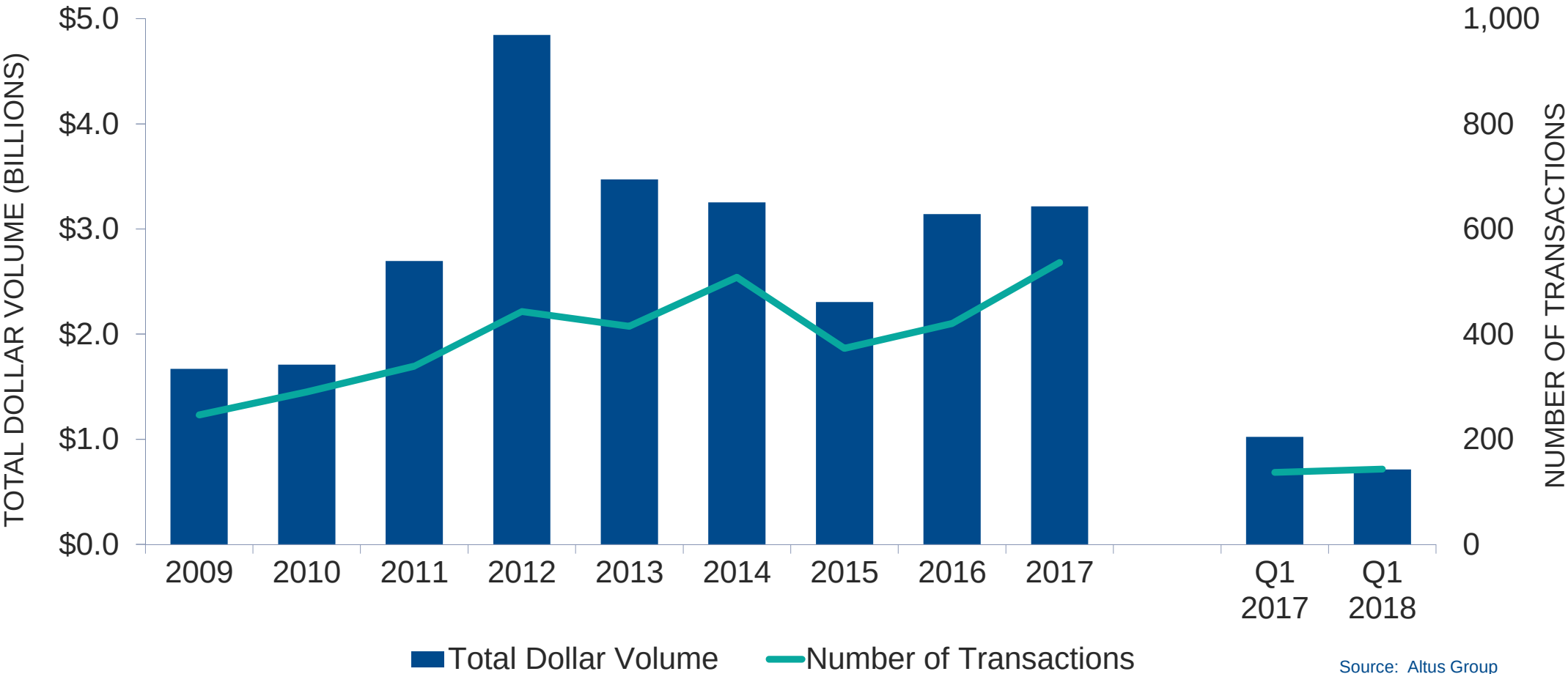


Residential Land Transaction Activity Continues to Dominate Nationally



Source: Altus Group

Calgary Annual Investment Property Sales Transactions



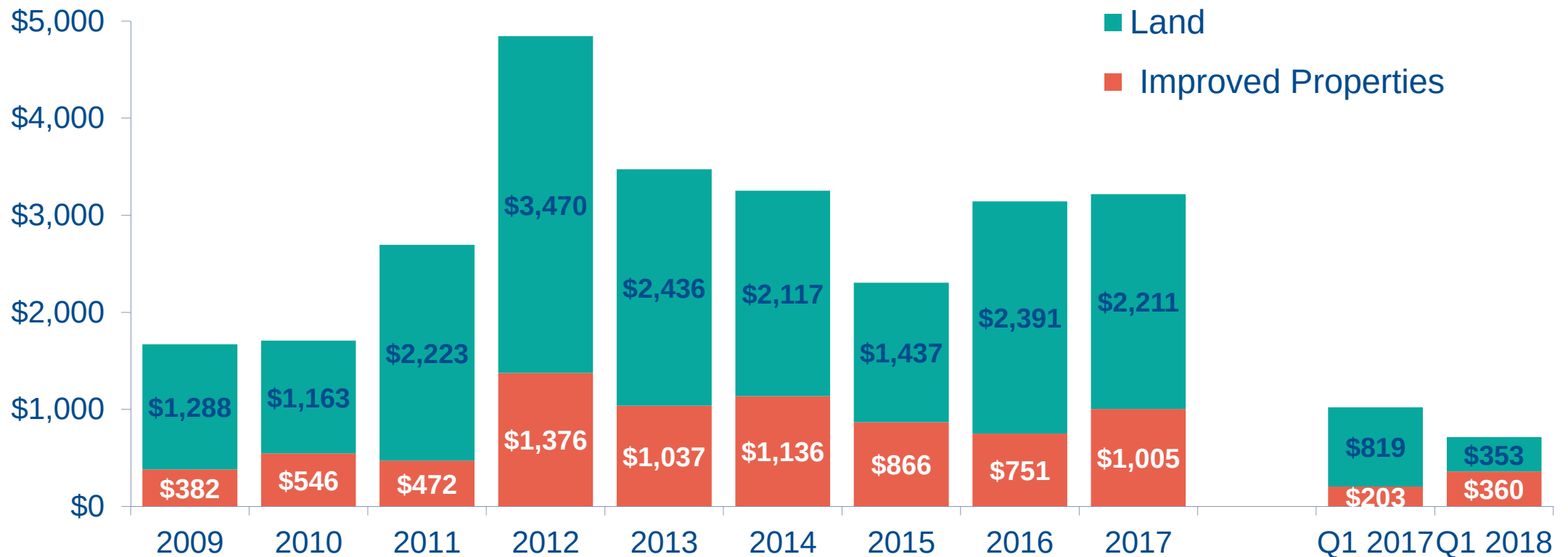
Source: Altus Group

Source: Altus Group

Land Sales Recovering; Portfolio Activity Drove 2017 Volumes

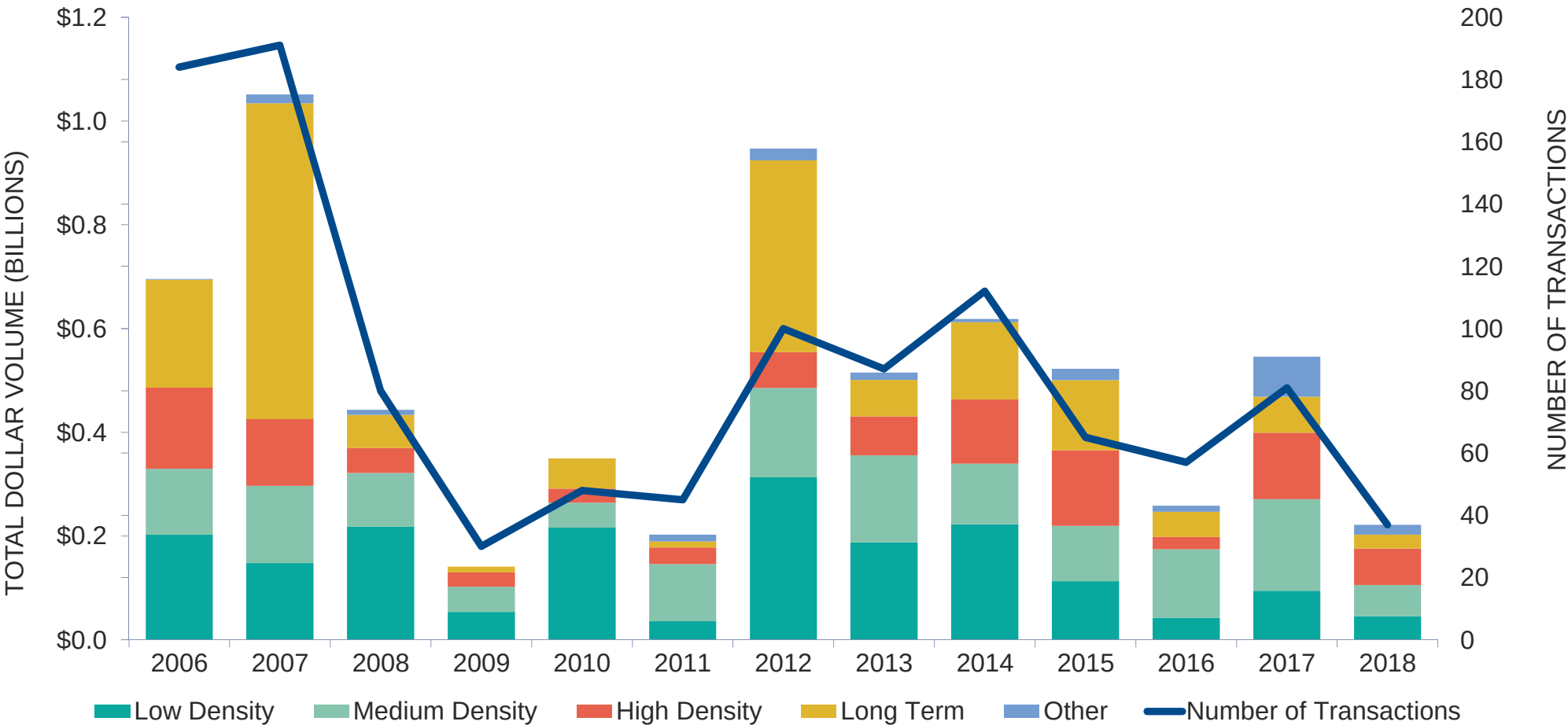


\$Millions



Source: Altus Group

Residential Land Transactions by Land Use Highlights the Predominance of Lower Density Land Sales

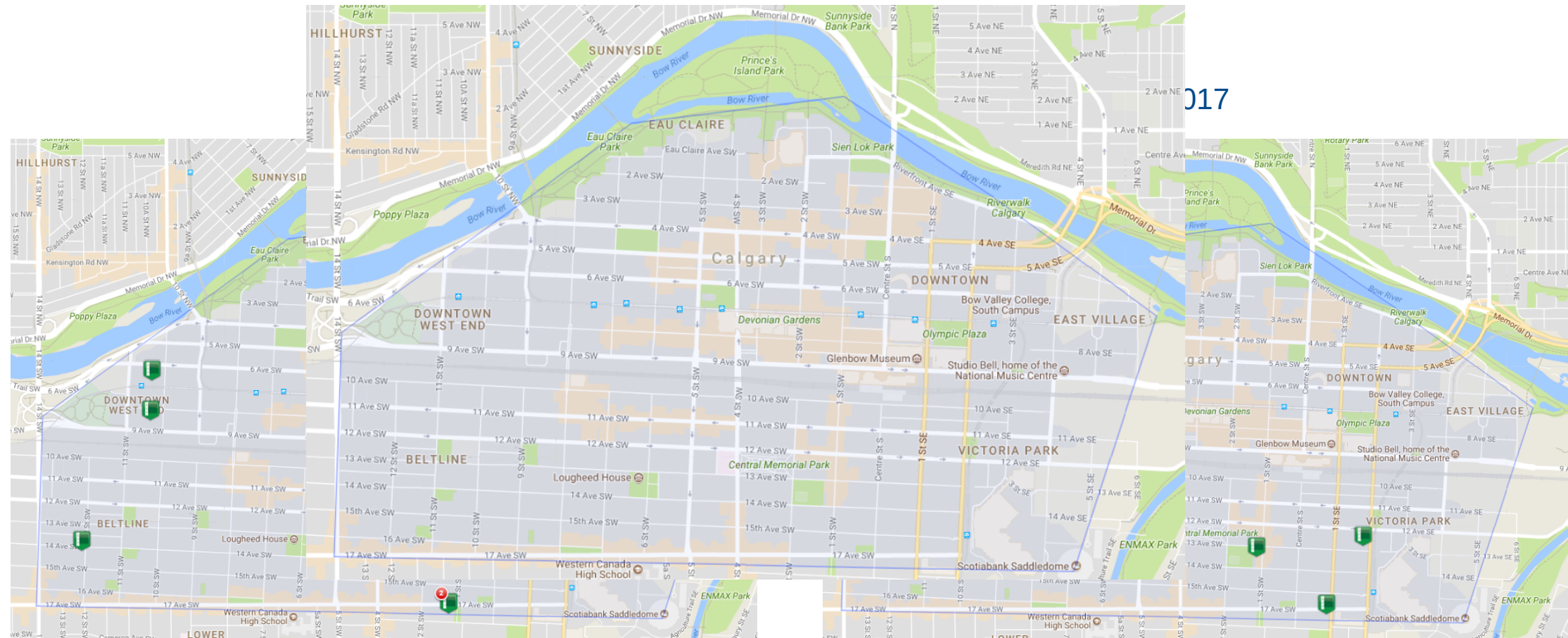


Source: Altus Group

Downtown and Inner City Land Sales Dry Up

2018

2017

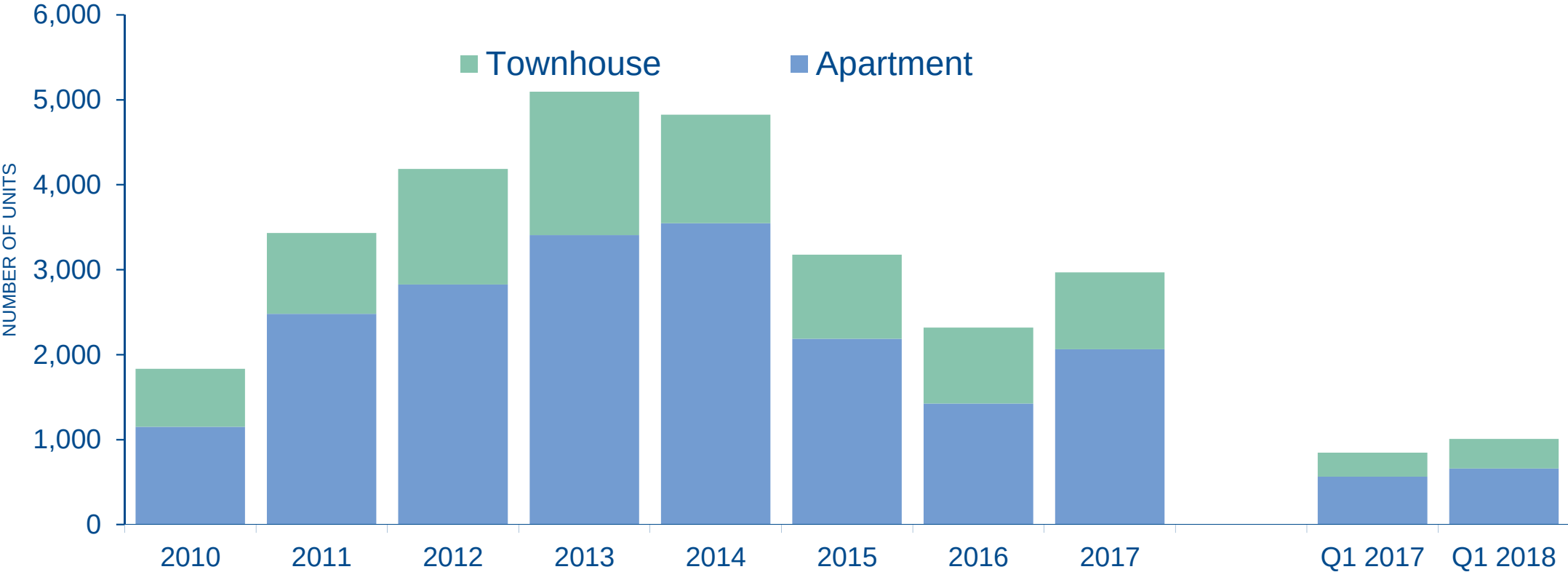


State of the Market

New Homes

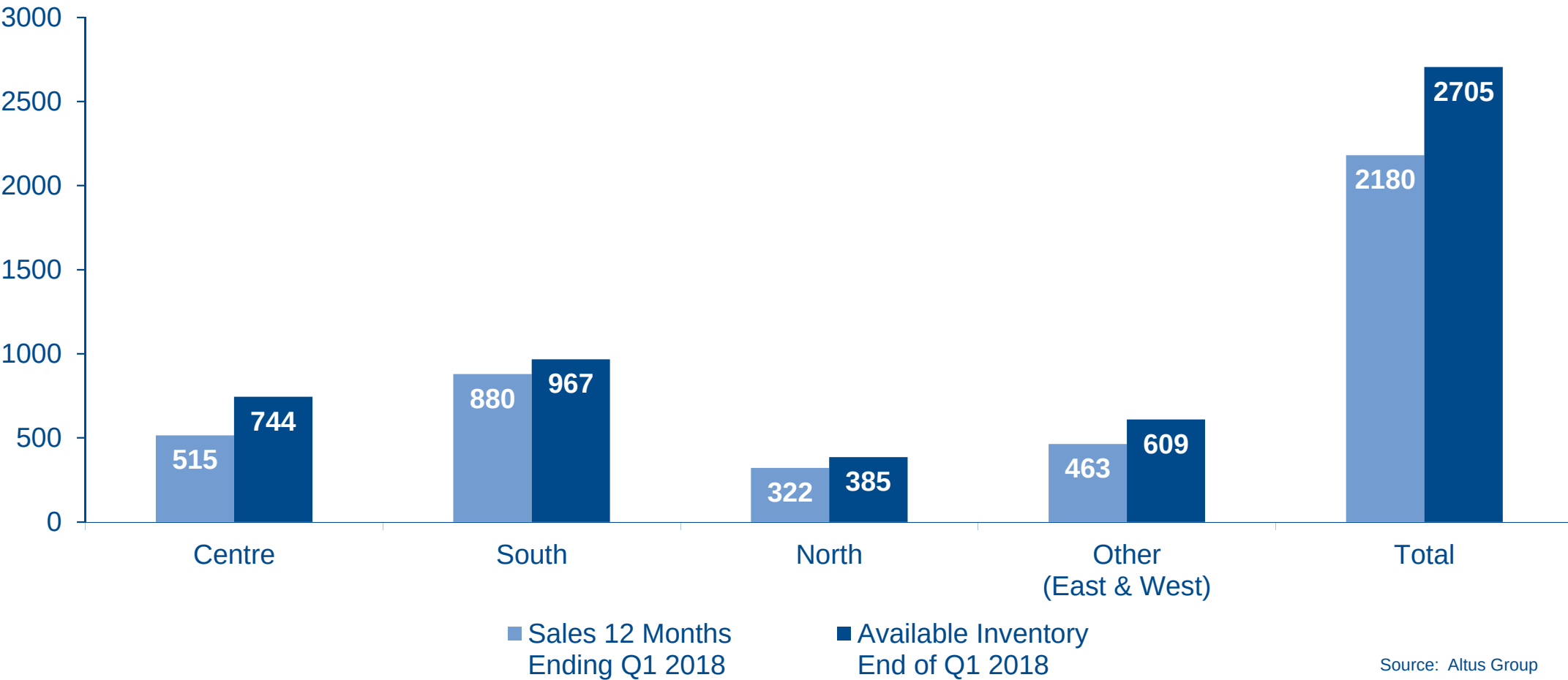


Calgary New Condominium Apartment and Townhouse Sales Started 2018 on a Slow Note



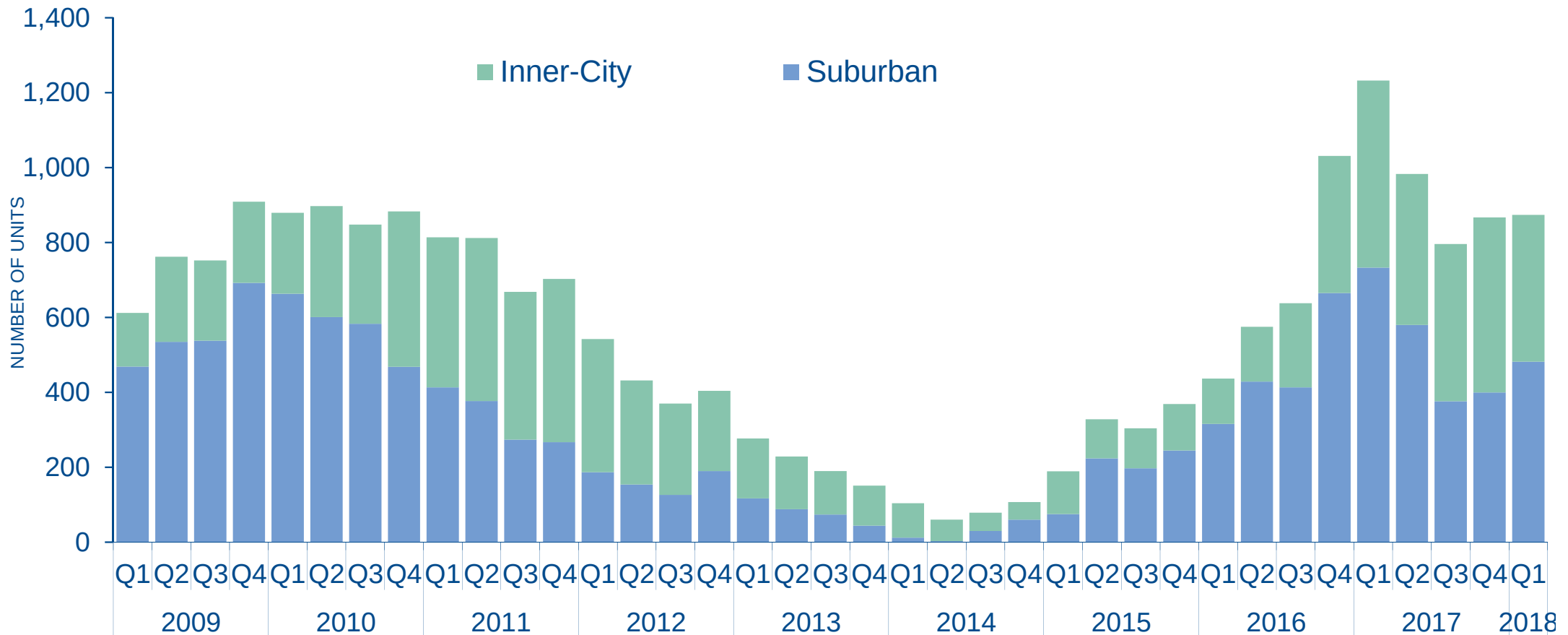
Source: Altus Group

The Inventory Situation from a Supply Perspective Remains Balanced, with the New Supply Contributing to Increased Sales



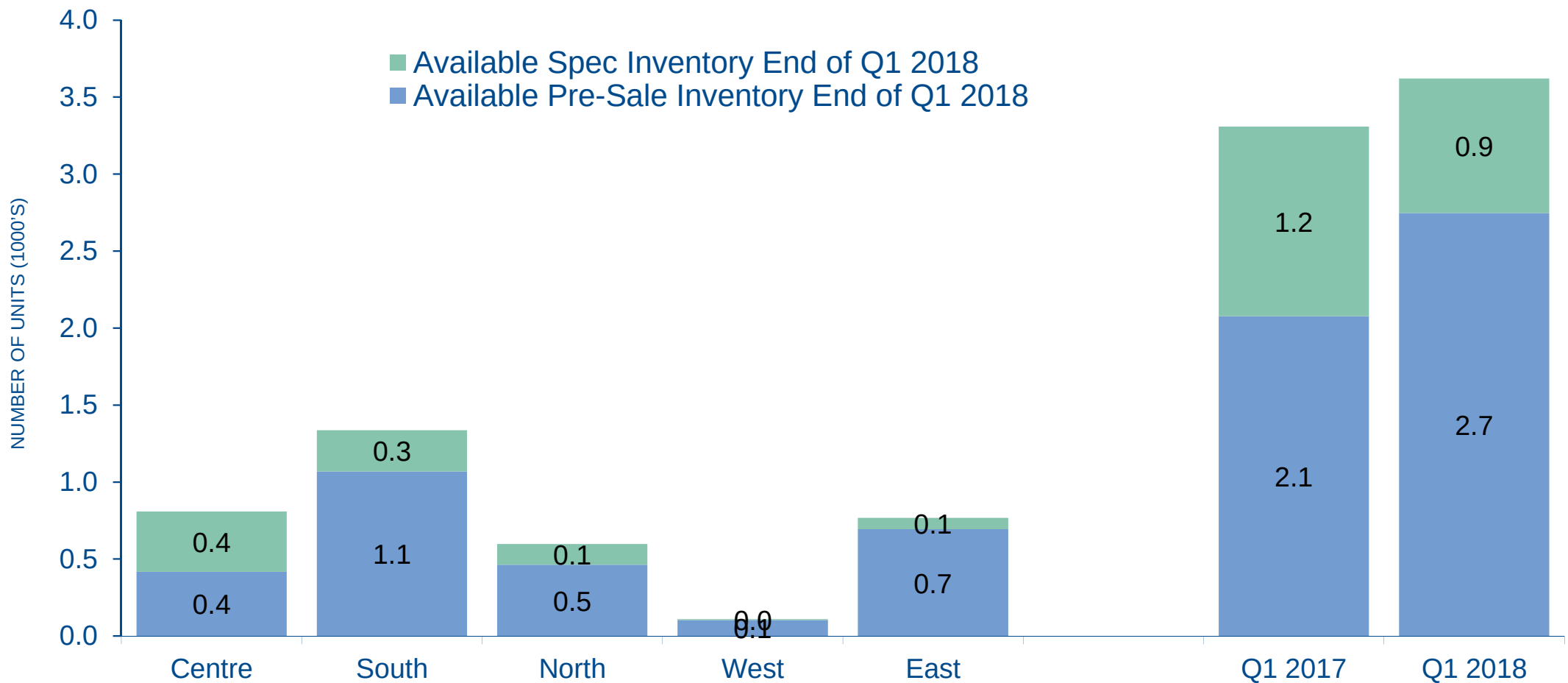
Source: Altus Group

The Suburban Market Spec Inventory has Improved, But Will Grow in the Downtown as Towers are Completed



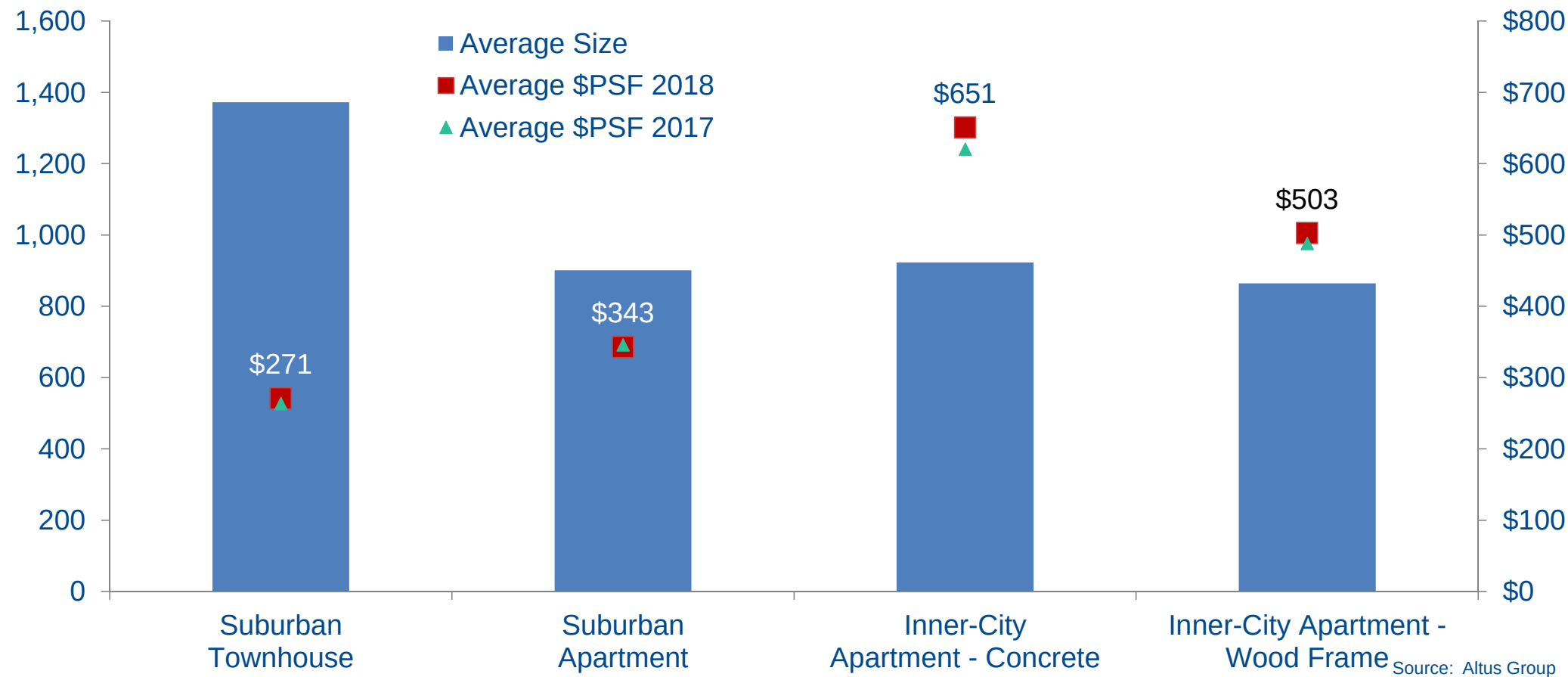
Source: Altus Group

While the Spec Inventory Remains Higher, It Has Declined as a Proportion of Total Area



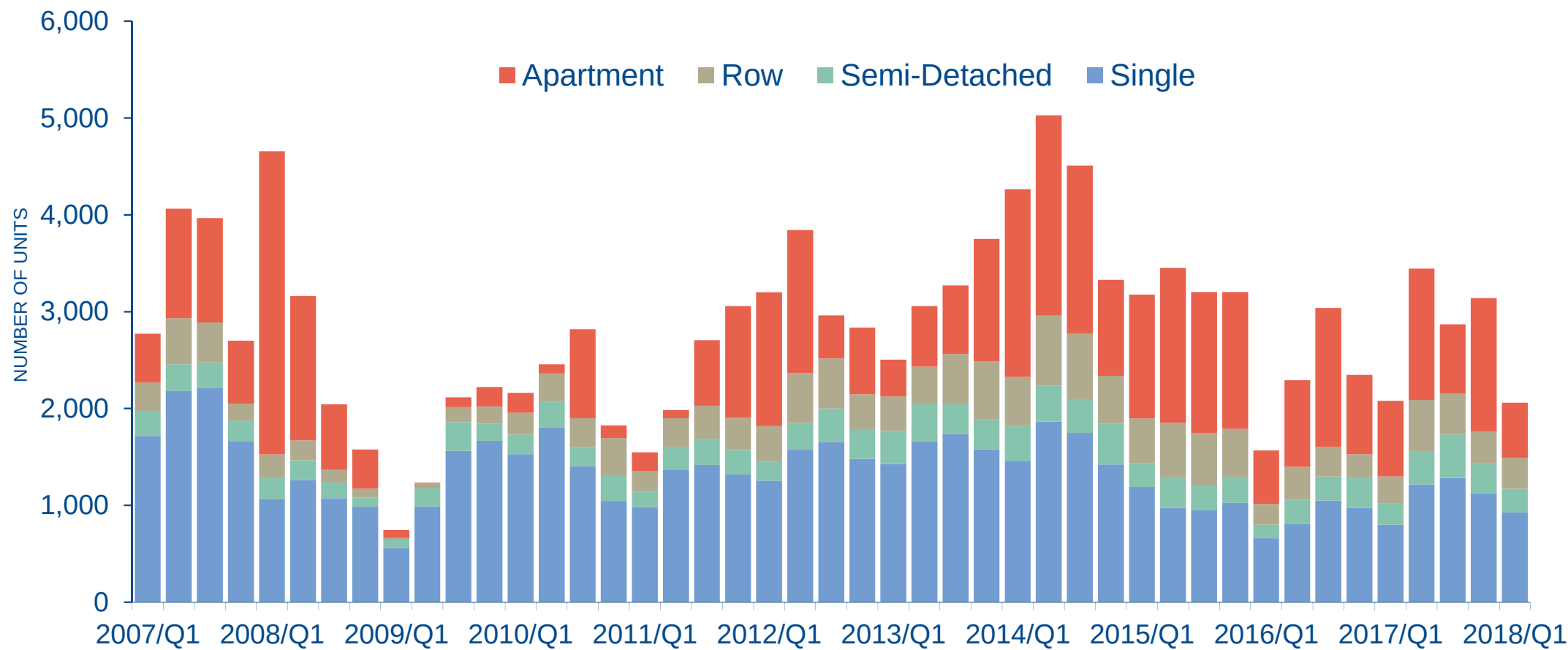
Source: Altus Group

With Prices Remaining Affordable in Both the Suburbs and Inner-City



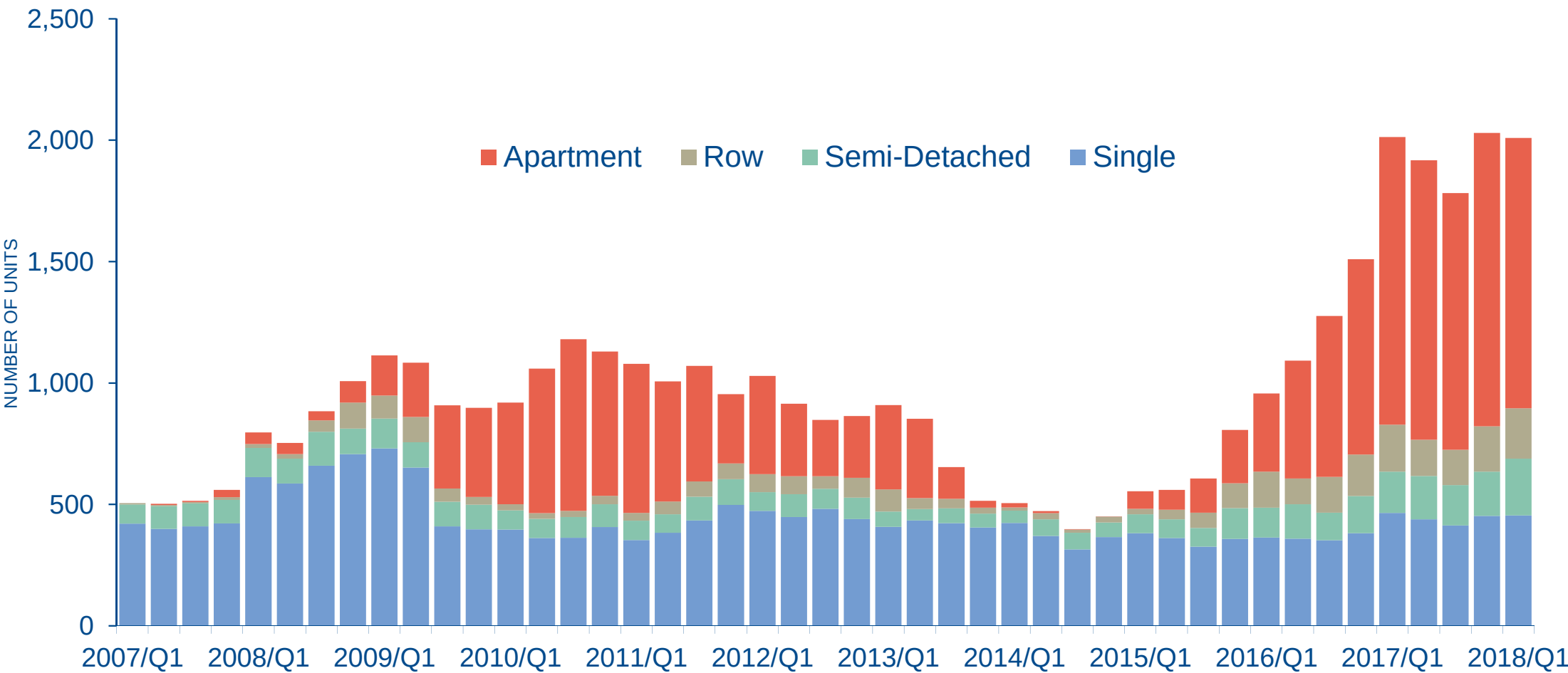
Source: Altus Group

CMHC Reports a Decline in the Number of Units Under Construction



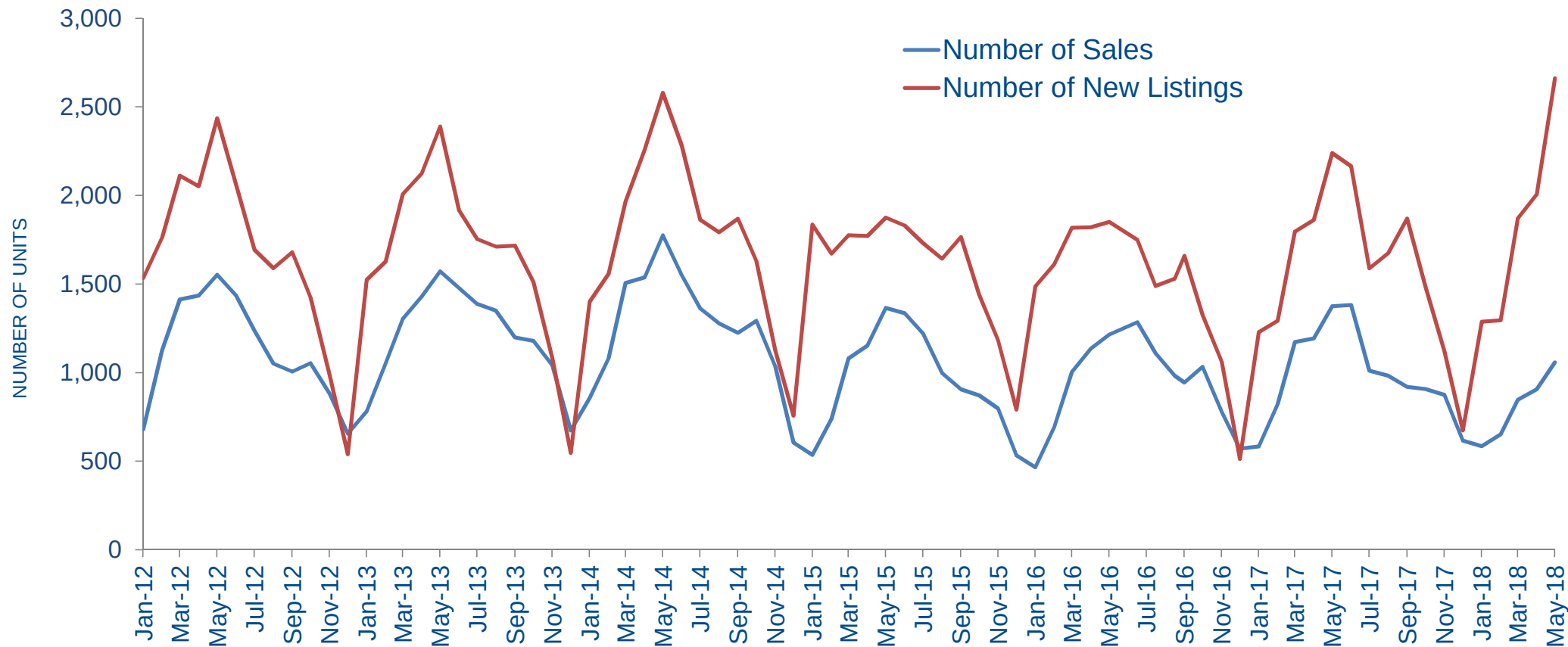
Source: CMHC, HMI Portal

But Apartment Inventories Remain Stubbornly High



Source: CMHC, HMI Portal

Calgary Single-Family Resale Inventories are also on the Rise



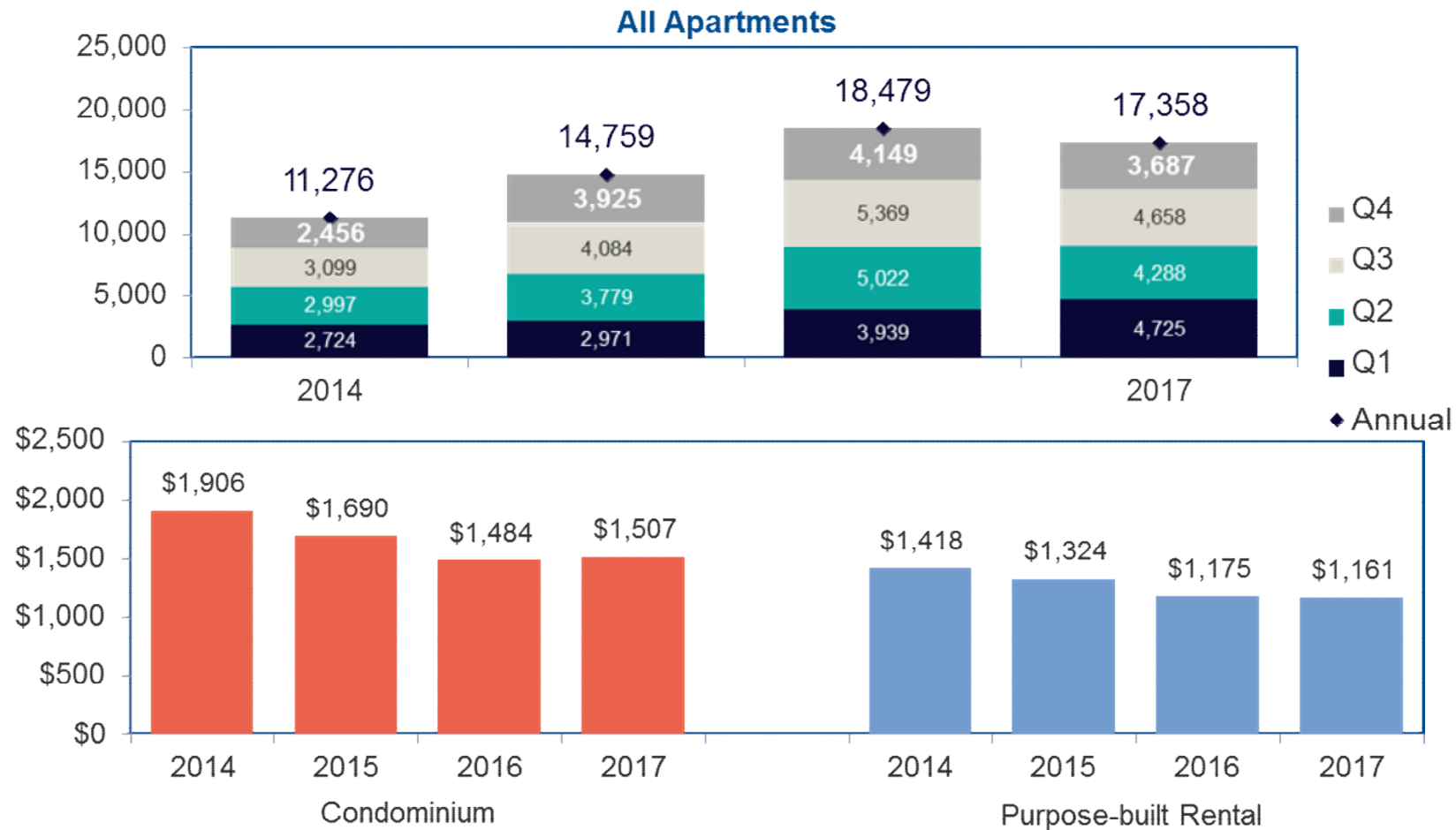
Source: Calgary Real Estate Board

While Multi-Family Inventories Have Remained Higher for the Past Three Years



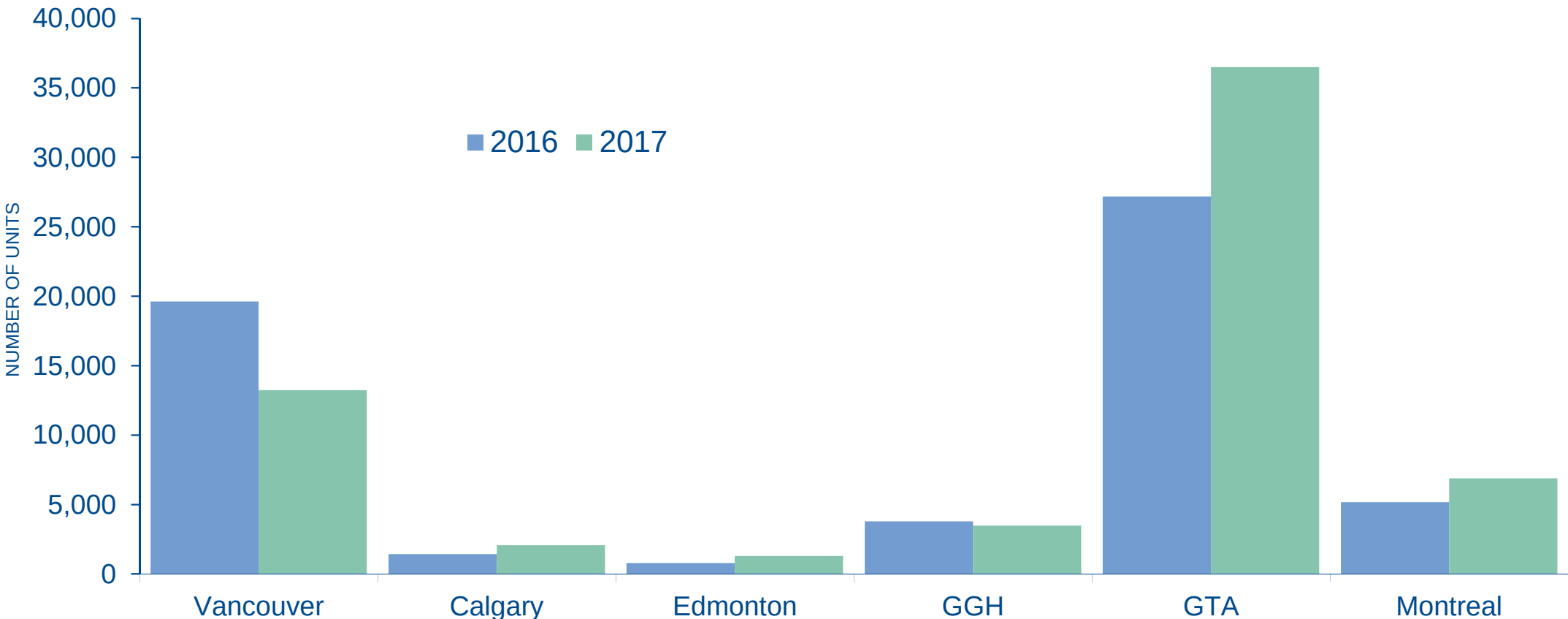
Source: Calgary Real Estate Board

The Apartment and Condominium Rental Market Has Been More Stable Towards 2018



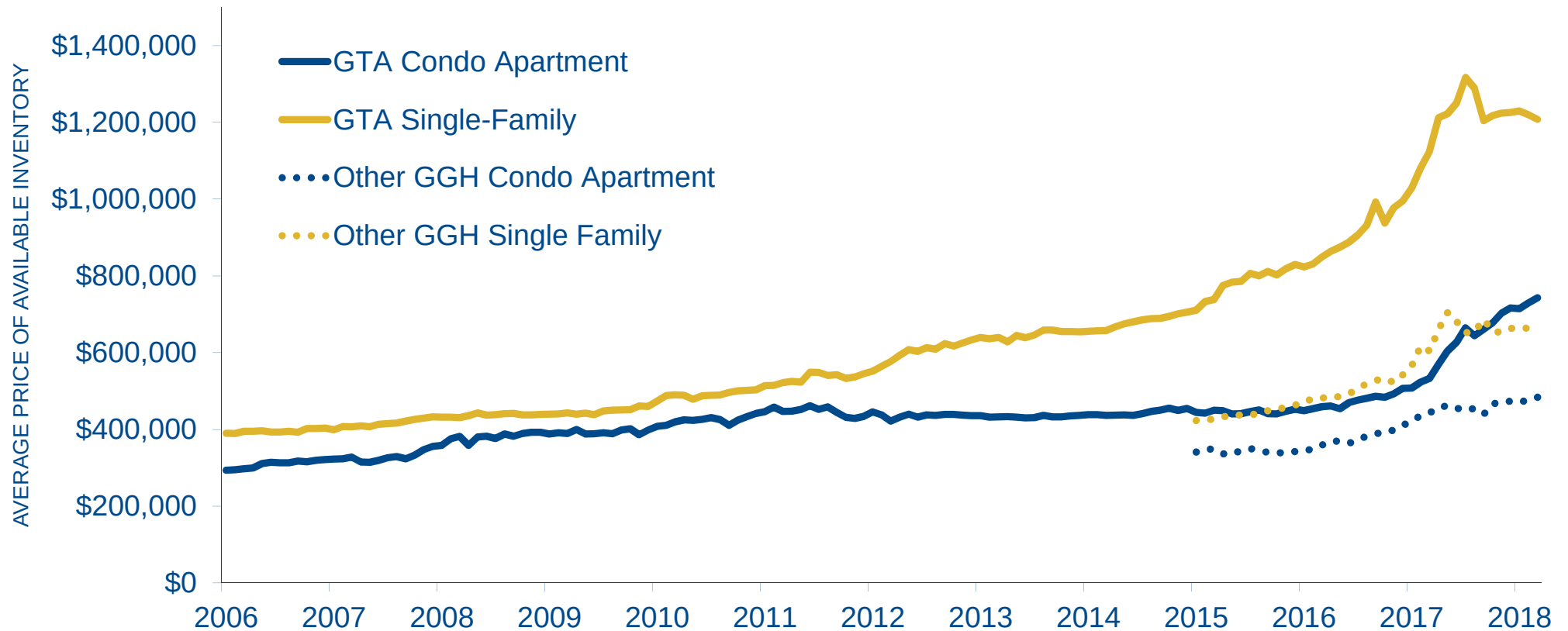
Source: Altus Group based on RentFaster.ca data

National New Homes Apartment Sales Activity Highlights



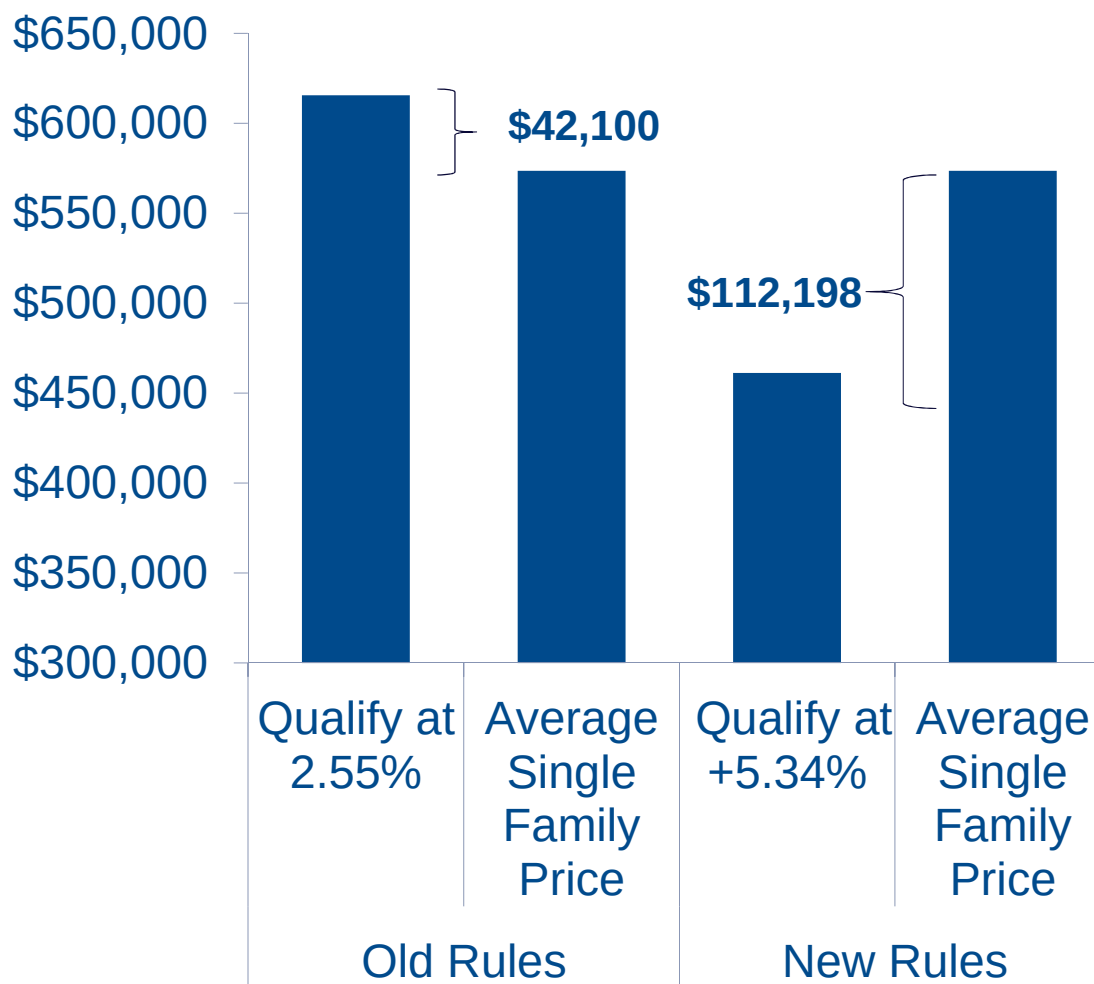
Source: Altus Group

What OFSI is Trying to Control...



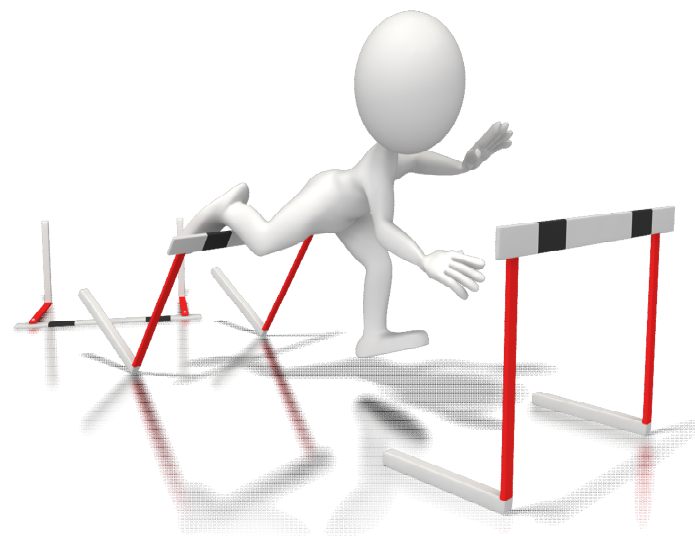
Source: Altus Group

OFSI Mortgage Approval Changes Are Impacting Buyers

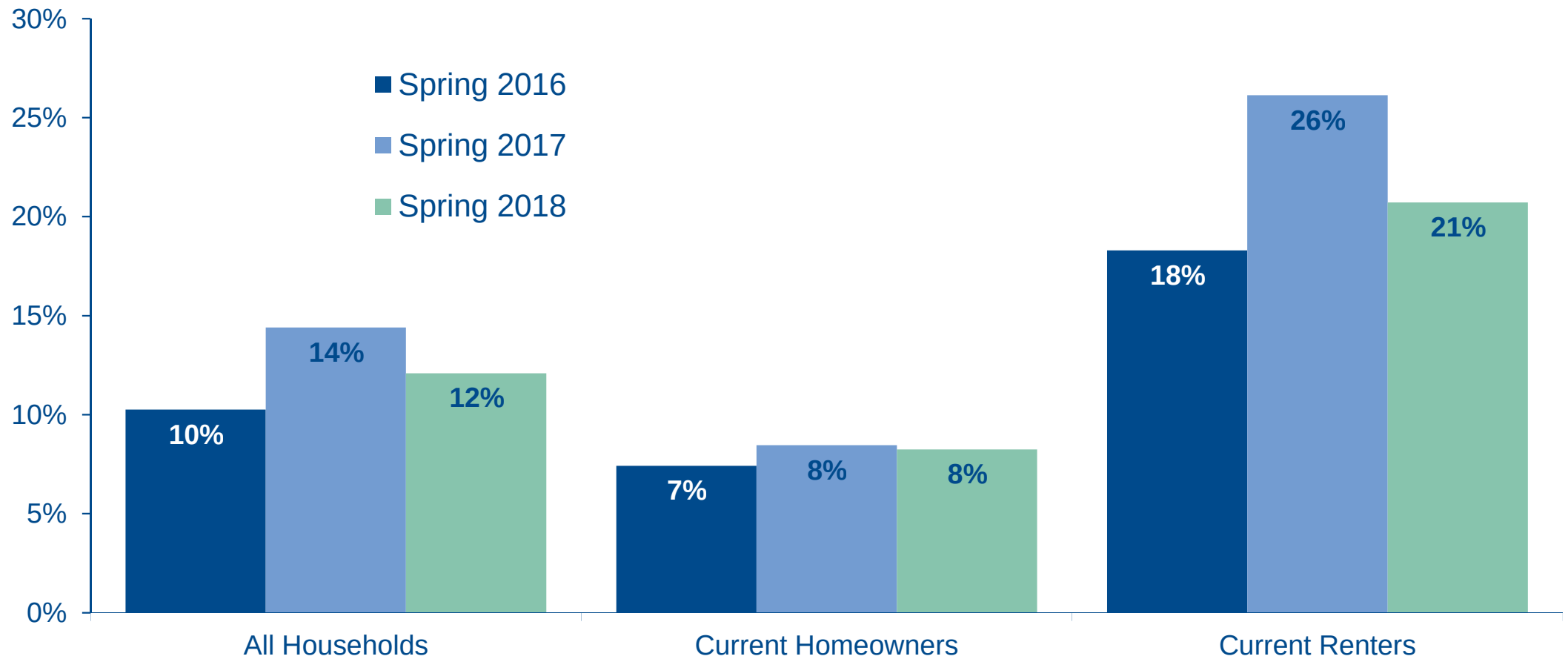


What is a Buyer to Do?

- ✓ Non Traditional Lenders
- ✓ Buy Multi-Family
- ✓ Save for a Down Payment
- ✓ **Plan the Leafs Stanley Cup Parade?**

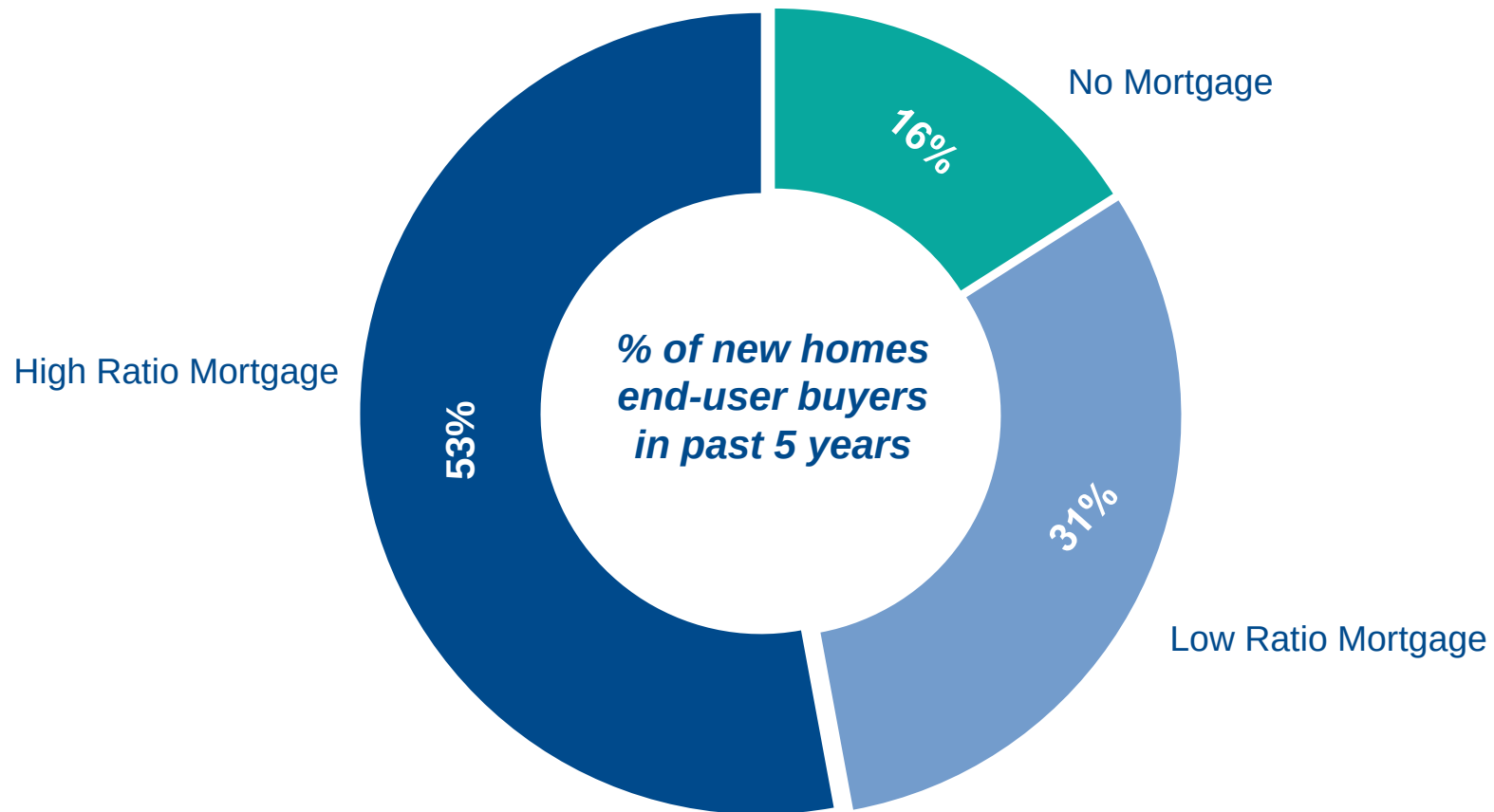


Plan to Buy a Home in the Next Year



Source: Altus Group

Despite the Fact that Most Buyers Have Been Stress Tested Since Spring 2017



Source: Altus Group

State of the Market

Market Outlook

DATA SOLUTIONS

Looking Ahead

45%

100%

100%

100%

50%

100%

50%

100%

50%

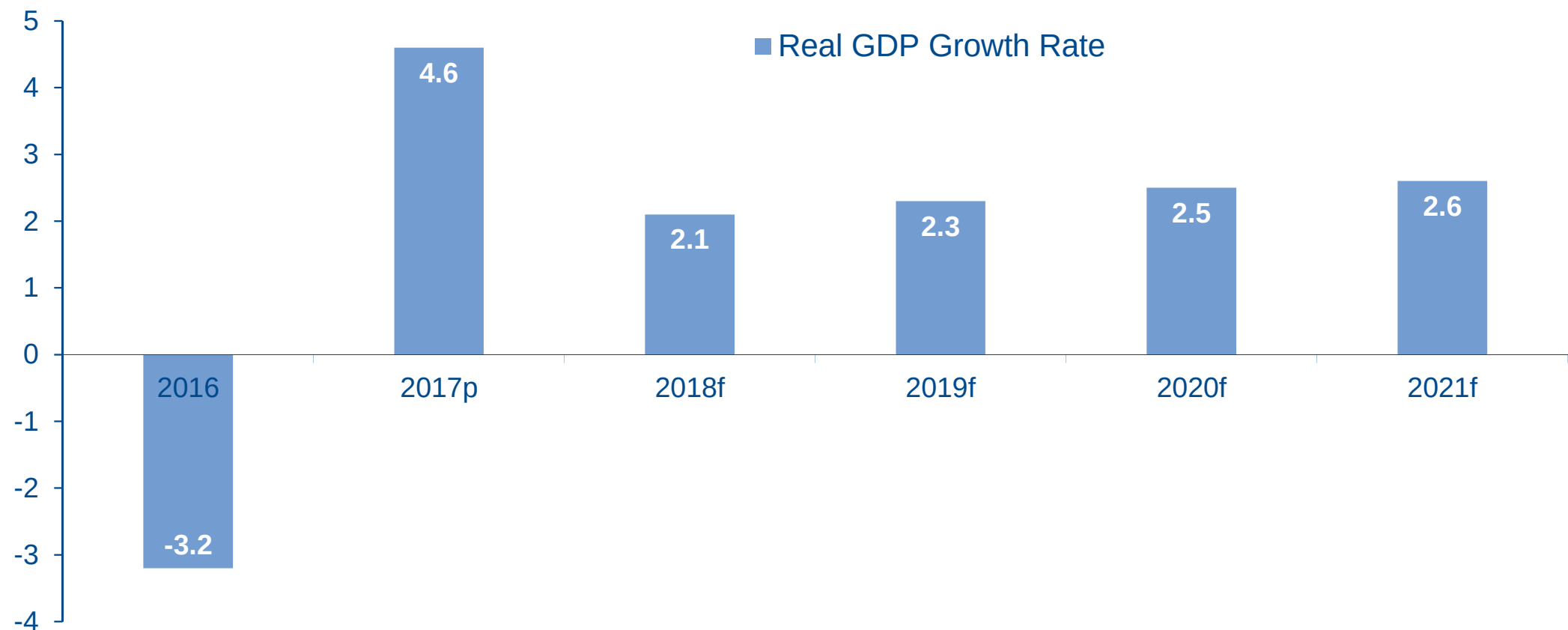
100%

50%

100%

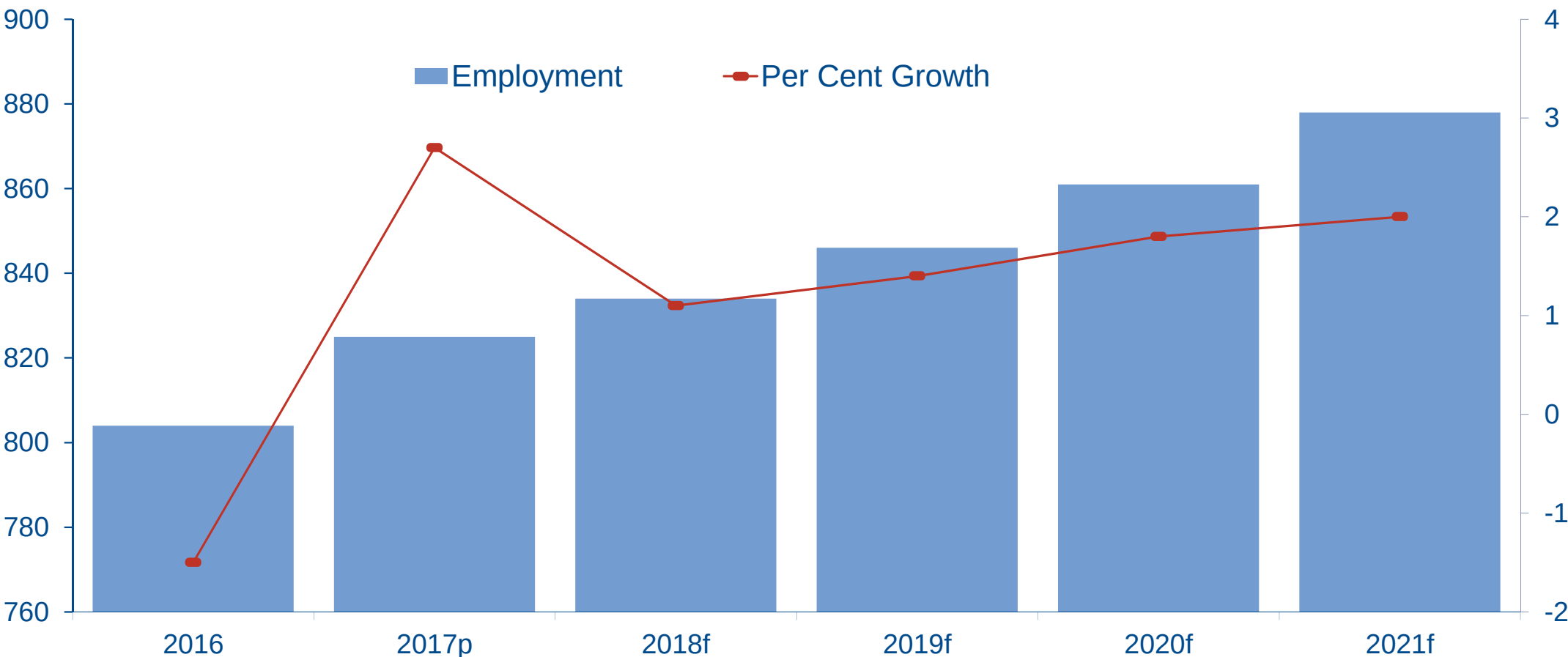
50%

The Calgary Market Had Strong Growth in 2017, But is Forecast to Grow More Slowly Through 2021



Source: Conference Board of Canada, Fall 2017 Outlook

Employment Growth Has Returned, but the Definition of “Employment” has Changed in Calgary

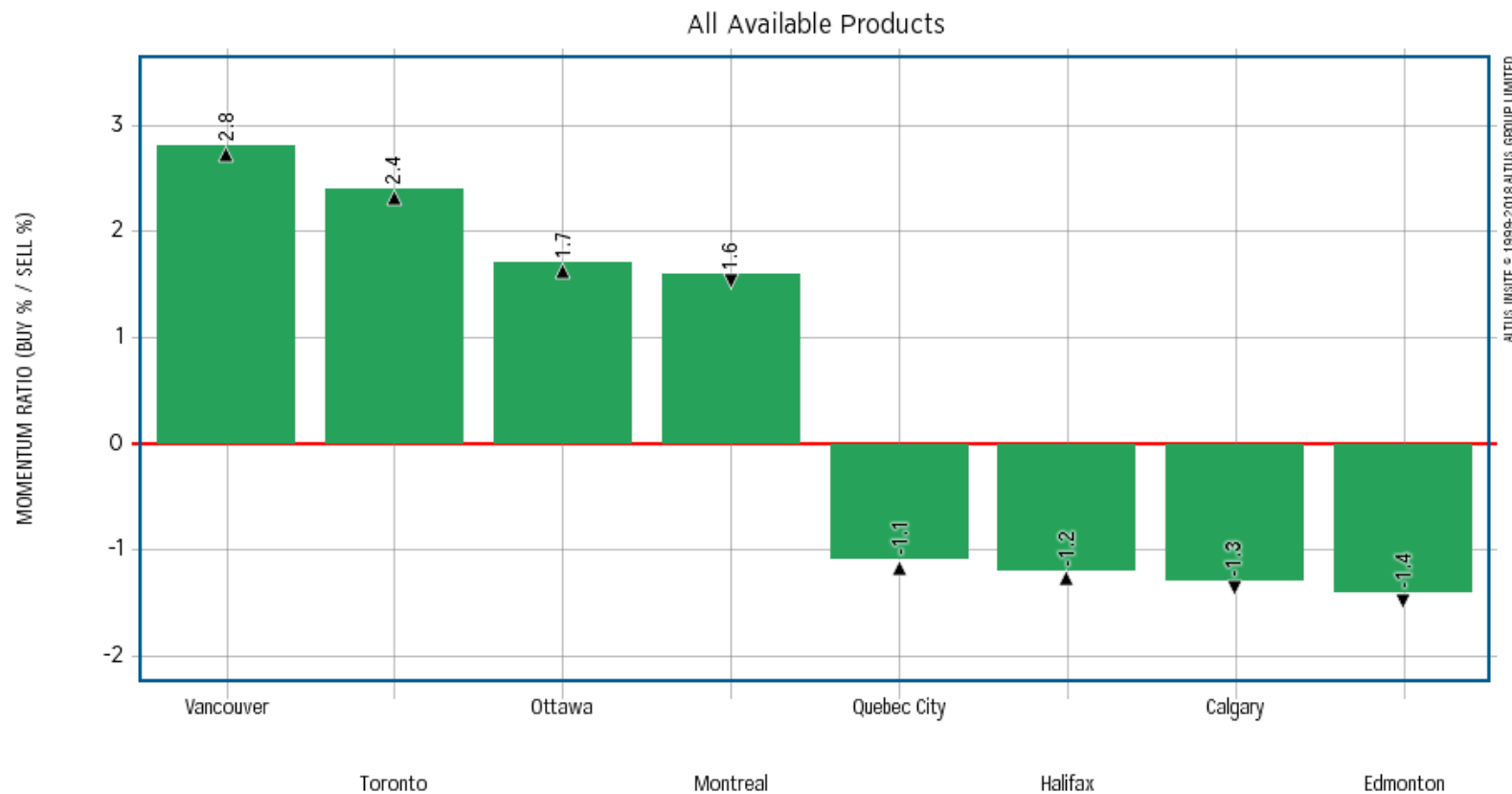


Source: Conference Board of Canada, Fall 2017 Outlook

Investor Confidence Wavering?

Location Barometer - Current Quarter

Q1 2018



Source: Altus Group

Calgary Market Outlook

New Homes Market		Commercial Transactions		Commercial Markets		
SALES	PRICING	DOLLAR VOLUMES	TRANSACTION VOLUMES	OFFICE VACANCY	INDUSTRIAL VACANCY	LEASE RATES
						

All attendees will receive an email later today with instructions on how to download the **presentation slides** and **Calgary Flash Report 2018**.

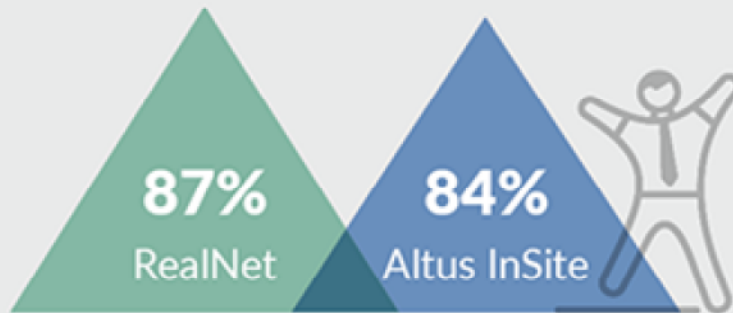


2017

Client Satisfaction Survey Results

Average overall client satisfaction in 2017

up **5.5%** from 2016.



Overall Client Satisfaction



Satisfied
with current
TRAINING AND SUPPORT

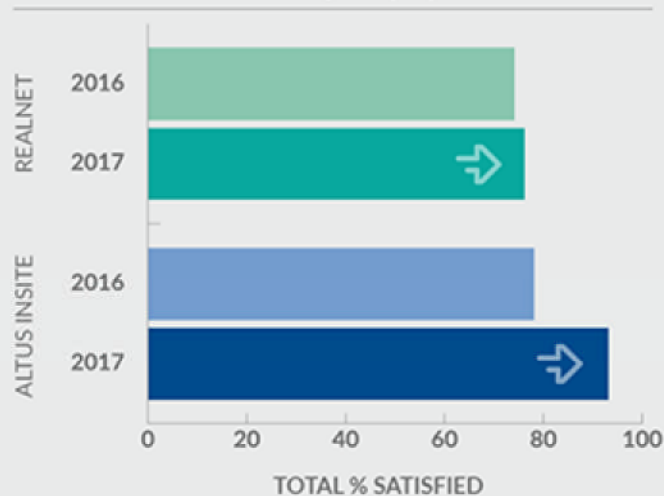
2017

Client Satisfaction Survey Results

“**DATA QUALITY** is the most important criteria regarding my subscription.”

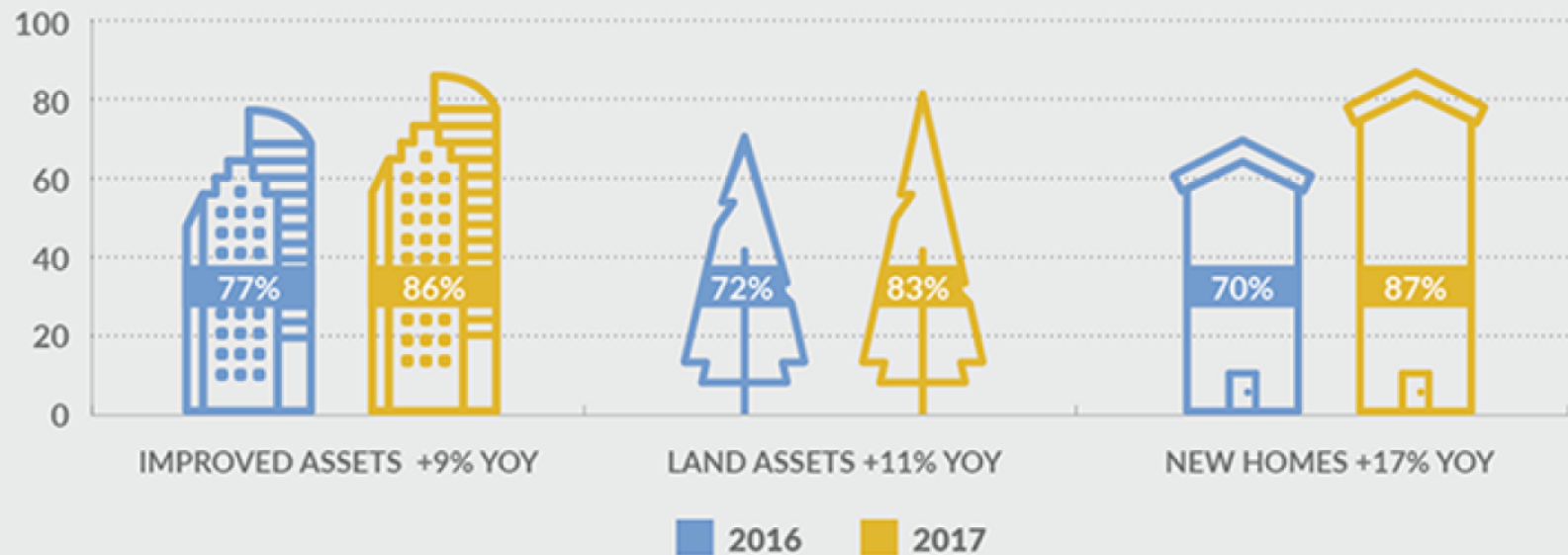


Satisfaction with Data Quality by Product



2017 Client Satisfaction Survey Results

▲ 12% from 2016
Average total satisfaction with RealNet modules





Now Available

Montreal Investment Transactions

NORTH SHORE

LAVAL

SOUTH SHORE

LONGUEUIL

ISLAND OF MONTREAL

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Your Western Canada Contact



Stephanie Gaty

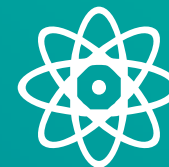
Business Development Manager,
Data Solutions

Go to: altusgroup.com/datasolutions



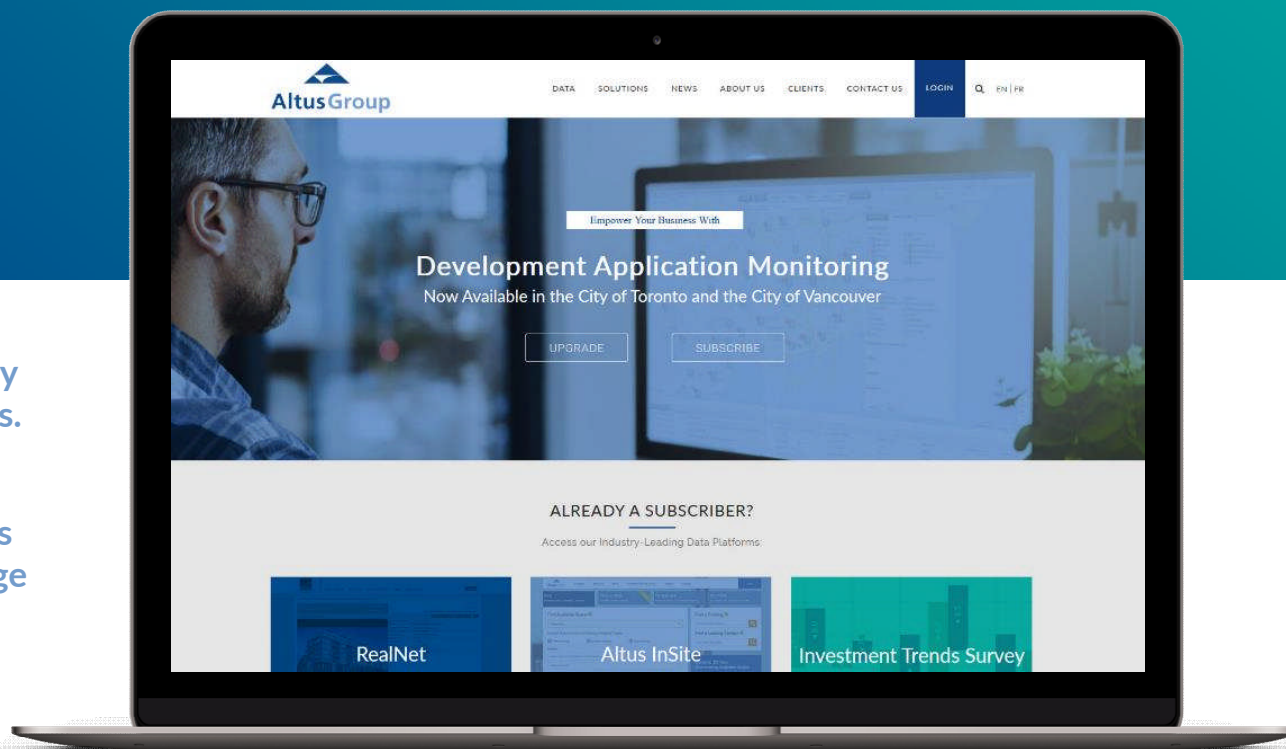
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