CALGARY FLASH REPORT **2018**

Altus Group

COMMERCIAL INVESTMENT & LAND MARKET

CALGARY MARKET AREA

Total investment property sales volumes in the Calgary Market Area increased to $3.4 billion in 2017, the highest annual volume since 2013.

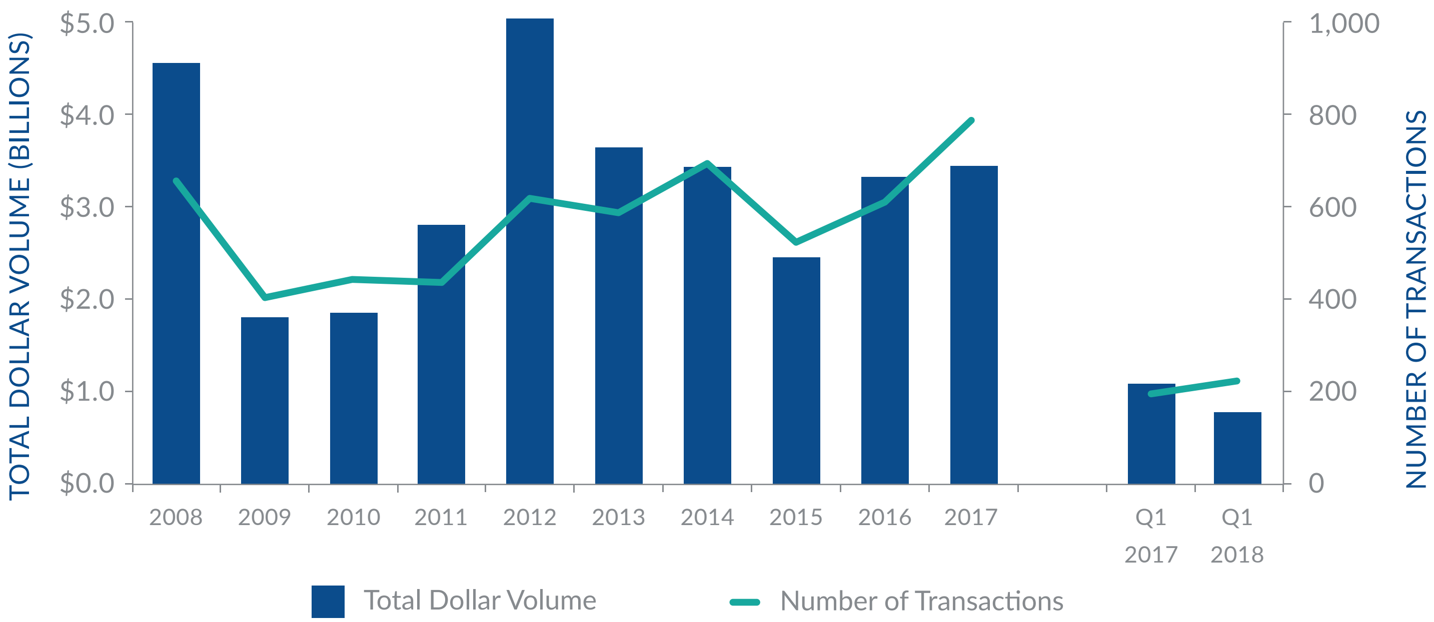
2017 Highlights

Property sales investment performance in Calgary in 2017 was mixed by sector:

- Declines in the investment sales volumes (based on sales valued at $500,000 or more) in the Office, Retail and ICI Land sectors in 2017 were more than offset by stronger sales activity in the remaining sectors.
- The Residential Land market posted the largest absolute volume year-over-year increase – more than doubling to $561 million. This pushed the total value of land sales (ICI and Residential combined) over the $1 billion threshold for the first time since 2014.
- The Apartment sector saw a notable improvement in 2017, increasing by 17% on the back of a particularly strong fourth quarter.
- The Office sector suffered the largest dollar drop 2017, falling by $230 million. However, Office still accounted for the largest share of property sales investment volumes among the improved (i.e. non-land) segments.

Annual Investment Property Sales Transactions

CALGARY MARKET AREA



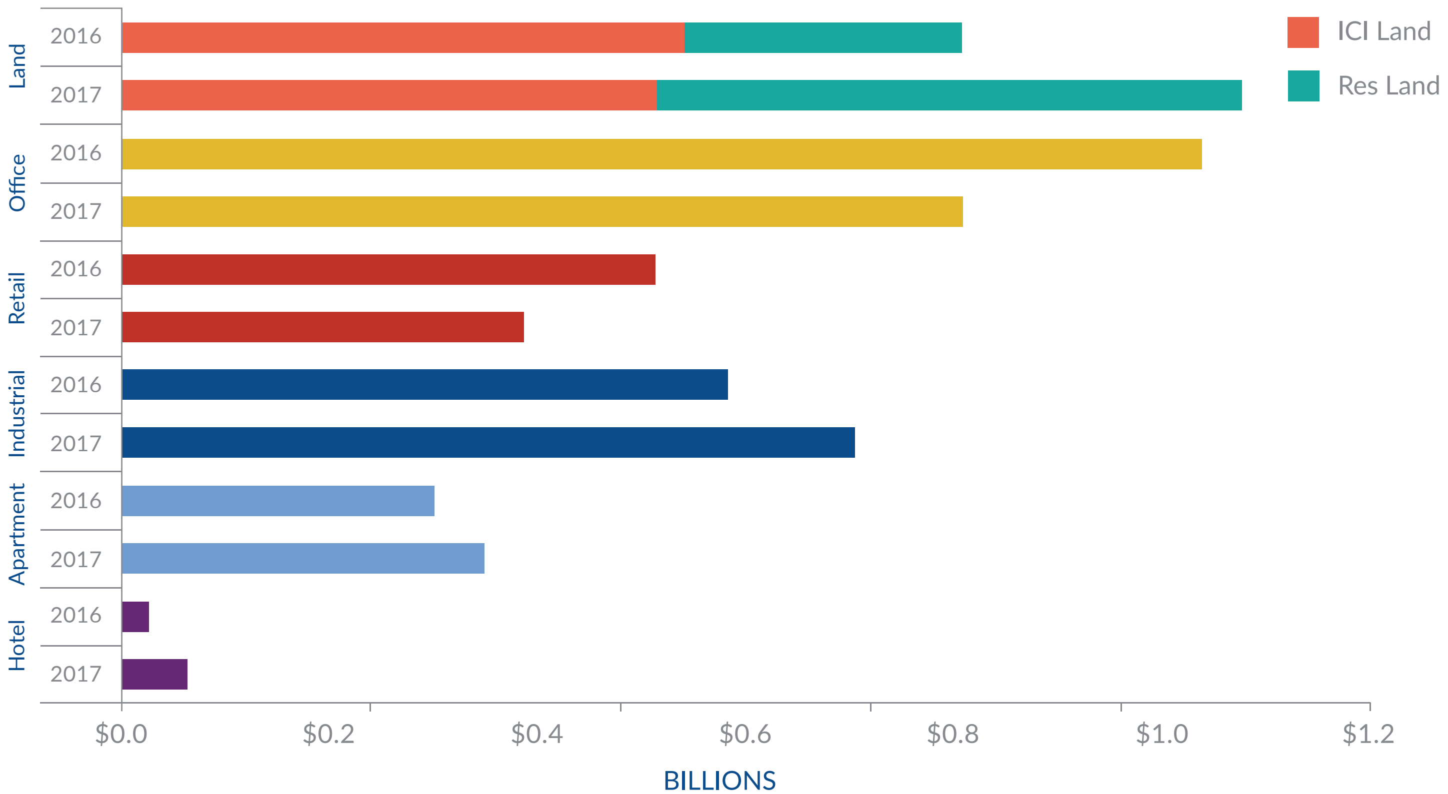
Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

CALGARY MARKET AREA

Investment Property Sales Transactions by Asset Class

CALGARY MARKET AREA



Source: Altus Group

Total investment property sales transactions in Calgary slowed in Q1 2018 – down 28% from Q1 2017.

Q1 2018 Highlights

Total investment property sales transactions in Calgary slowed in Q1 2018 – down 28% from Q1 2017.

Much of the decrease was due to the Office sector, which was down 83% from a year earlier and represented its lowest quarter since Q4 2016.

Total land sales in Q1 2018 were up 76% from Q1 2017. Both ICI Land (up 40%) and Residential Land (up 116%) saw impressive gains to start the year.

The Retail sector continued to improve, posting its third consecutive quarter-over-quarter increase in property sales volumes.

COMMERCIAL INVESTMENT & LAND MARKET

CALGARY MARKET AREA

High Density land posted the largest year-over-year increase in 2017 – more than quintupling to $128 million.

Notable Residential Land Themes

Residential Land investment rebounded in 2017 - up 111% from 2016 with each type of land use recording a year-over-year increase.

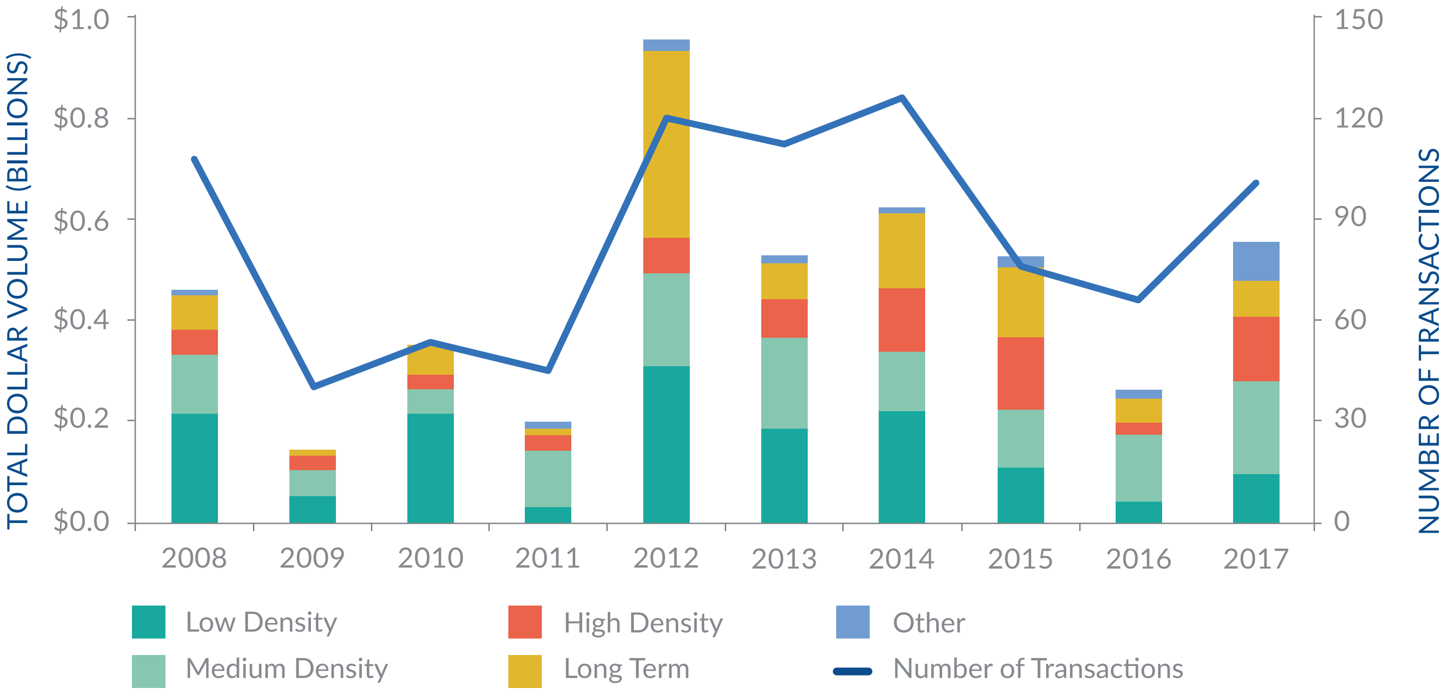
Medium Density land was the biggest contributor to Residential Land volumes with $183 million, accounting for almost one-third of overall Residential Land investment.

High Density land posted the largest year-over-year increase – more than quintupling to $128 million.

Residential Land started this year off strong, with Q1 2018 up 116% from a year earlier, supported by growth in each of the various Residential Land segments.

Residential Land Transactions by Land Use

CALGARY MARKET AREA



Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

CALGARY MARKET AREA

Timbercreek's purchase of a 44 unit condominium titled apartment building for $10 million accounted for about one-third of the total apartment investment in the quarter.

Q1 2018 Featured Investment Transactions

The largest deal of Q1 2018 was Metropia's acquisition of Trinity Hills, a 24 acre High Density Residential development site.

Timbercreek's purchase of a 44 unit condominium titled apartment building for $10 million accounted for about one-third of the total apartment investment in the quarter.

The increase in ICI Land sales in Q1 2018 was aided by redevelopment sites in Downtown Calgary and the Beltline, purchased by AIMCo and Intergulf respectively.

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	Phillips Building & Plaza Building	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

COMMERCIAL LEASING MARKET

CALGARY MARKET AREA

The industrial vacancy rate continues to ease down.

Industrial Market Highlights

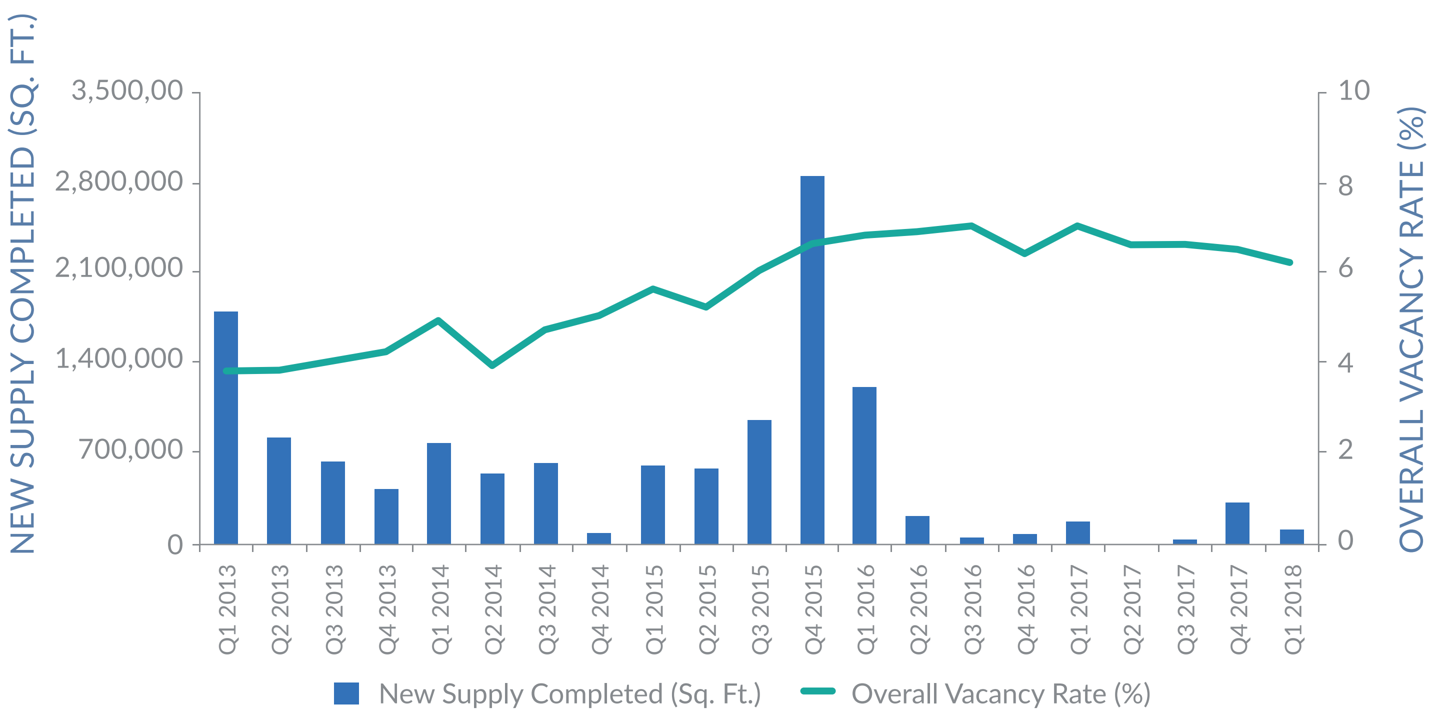
About 500,000 sq. ft. of new industrial space was completed in the past 12 months in the Calgary Market Area – this is off slightly from the previous 12 months, but down significantly from the 12 months ending Q1 2016 (when about 5.7 million sq. ft. were completed).

Given the limited new supply added, and steady absorptions, the industrial vacancy rate continues to ease down (to 6.5% at the end of Q1 2018).

Calgary net rental rates for new tenants leasing industrial space are starting to stabilize after declines in recent years and now are similar to Toronto and Edmonton, but well below Vancouver.

Industrial Leasing Market

CALGARY MARKET AREA



Source: Altus Group

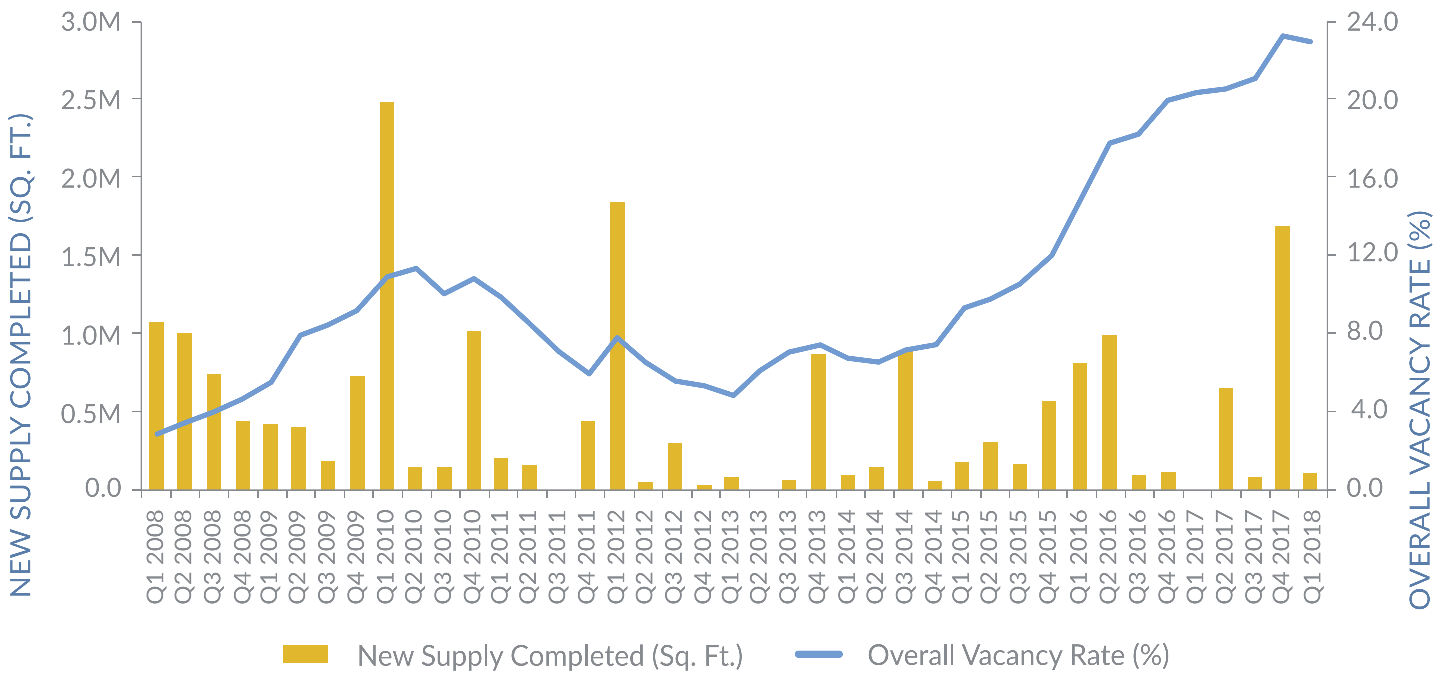
The Calgary office market continued to see significant new supply in the past year, despite high vacancy rates.

Office Leasing Market Highlights

The long lead times for new larger office space projects to get to the occupancy stage means that the Calgary office market continued to see significant new supply in the past year, despite high vacancy rates.

About 2.5 million sq. ft. of office space was completed in the 12 months ending March 2018. While absorptions turned modestly positive on an annual basis for the first time in 5 years, it was not enough to counter the new supply added – resulting in a higher vacancy rate than a year ago (to just under 23%).

Office Leasing Market
CALGARY MARKET AREA



Source: Altus Group

COMMERCIAL LEASING MARKET CONTINUED

CALGARY MARKET AREA

About three-quarters of the new supply completed in the past 12 months was in the Downtown area.

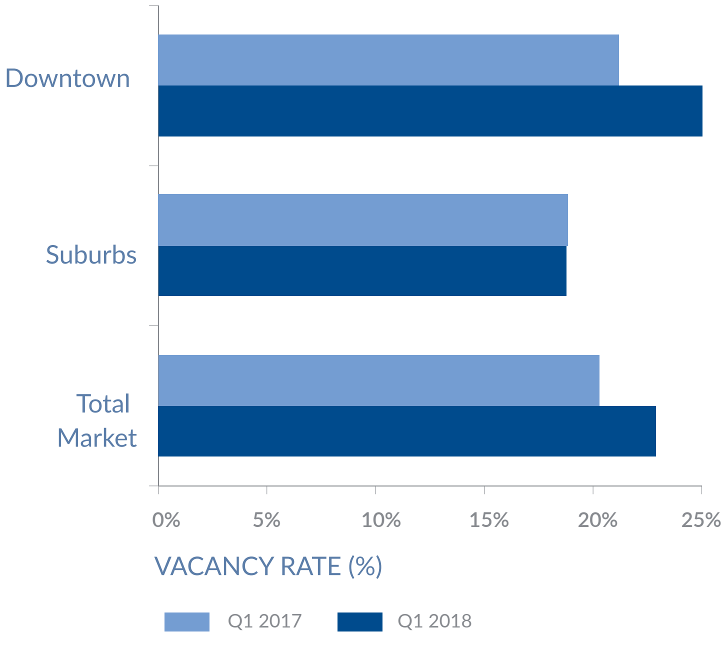
Office Leasing Market Highlights *Continued*

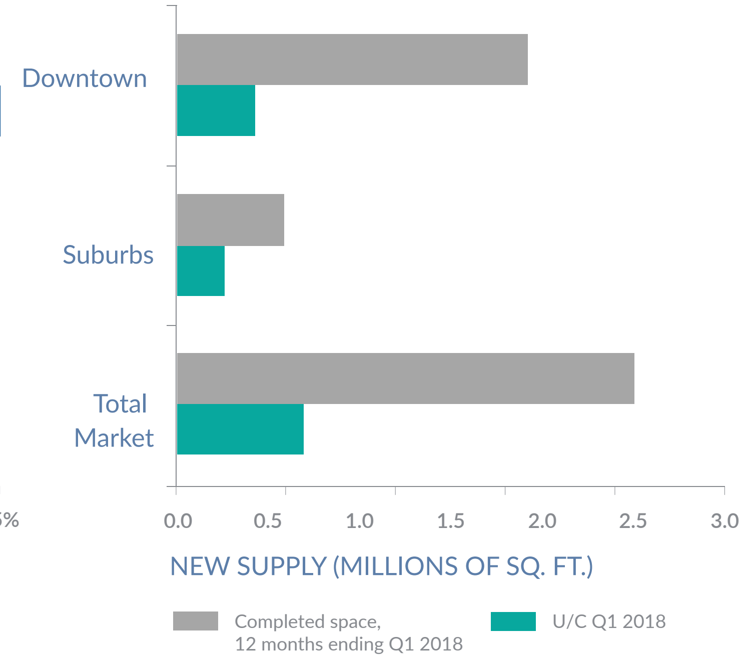
About three-quarters of the new supply completed in the past 12 months was in the Downtown area, pushing up the vacancy rate in the Downtown area to the 25% range.

The good news is that there is currently less than 700,000 sq. ft. of new office space under construction. About two-thirds of this space is in Telus Sky, the only major tower still under construction in the Downtown market.

Office Leasing Highlights, Downtown vs. Suburbs

CALGARY MARKET AREA





Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET

CALGARY MARKET AREA

New multi-family home sales finally turn up.

Sales Highlights

New multi-family (townhouse and apartment) sales ended their slide in 2017. Multi-family sales totaled 2,970 units in 2017, a 28% improvement from 2016, but still well below the recent peak of just over 5,400 units in 2013, according to Altus Group data.

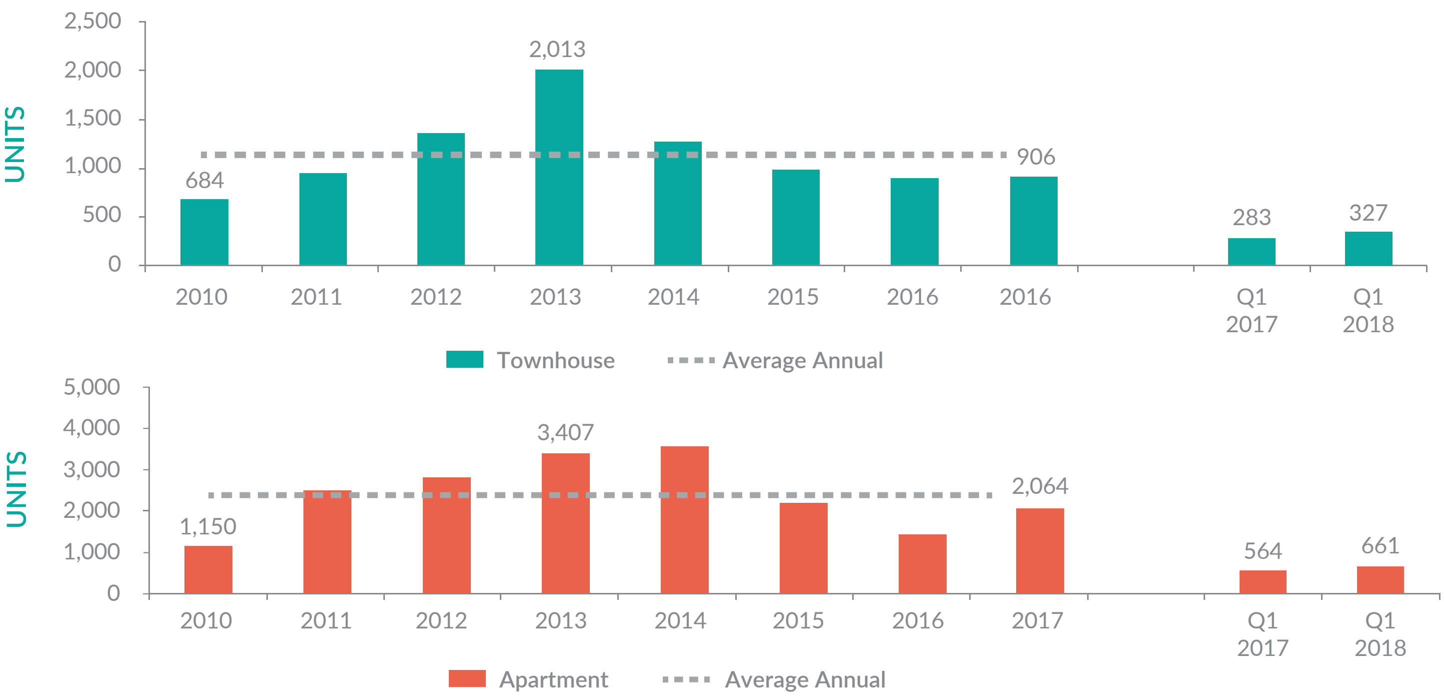
The improvement was virtually all due to new apartment sales (up by 45%) in the suburban markets, with townhouse sales staying relatively flat.

The improvement in total multi-family new home sales continued into the early part of 2018, with Q1 sales up 19% from a year earlier – aided by stronger sales in both apartment and townhouse product.

All submarkets within Calgary shared in the increase in new home sales in 2017. The year-over-year increase in Q1 2018 was primarily driven by the East submarket.

New Multi-Family Home Sales

CALGARY MARKET AREA



Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET CONTINUED

CALGARY MARKET AREA

At the end of Q1 2018, the approximately 2,700 unsold units in active new condominium apartment projects in the Calgary market area represented about 15 months of supply.

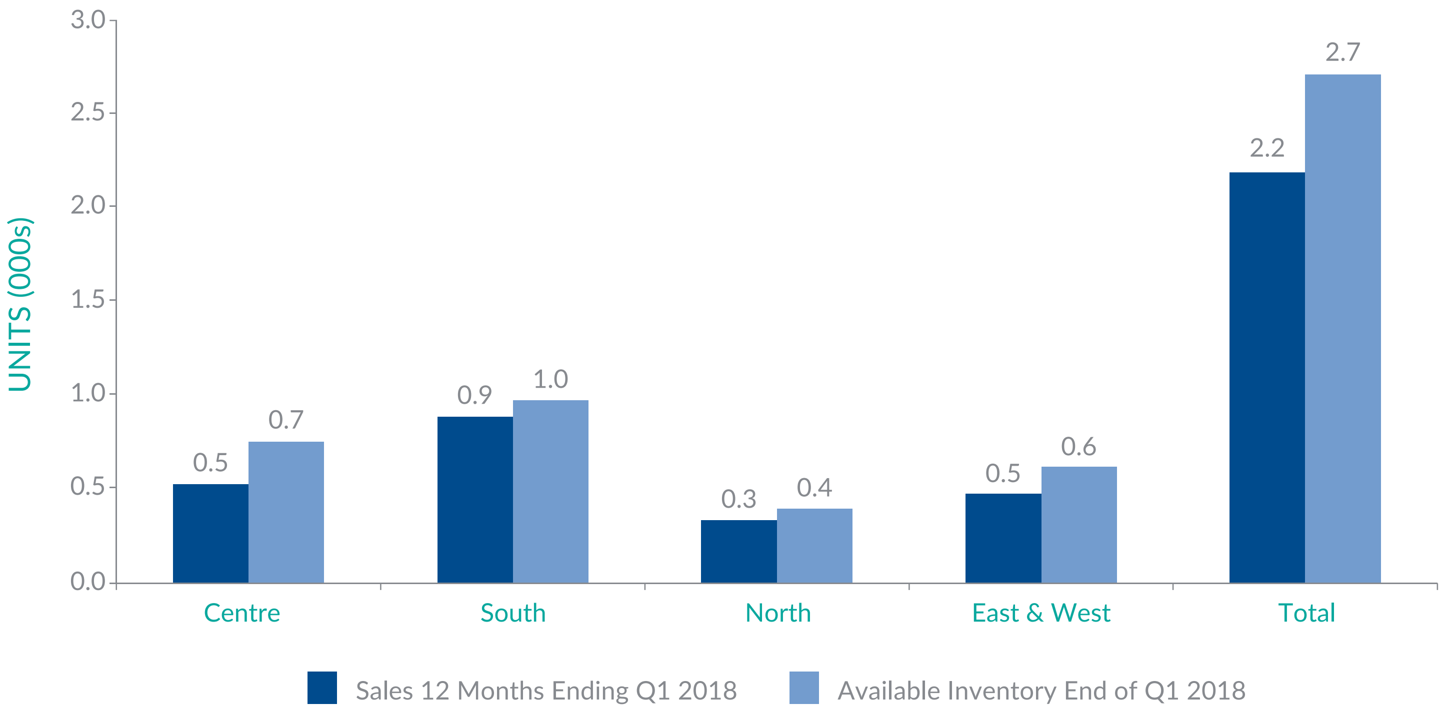
Inventory Story

At the end of Q1 2018, the approximately 2,700 unsold units in active new condominium apartment projects in the Calgary market area represented about 15 months of supply (at the pace of sales over the previous 12 months). While still excessive in historical terms, this is an improvement from 18 months a year earlier and the peak of 22 months in Q4 2016.

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

New Condominium Apartment Sales & Available Inventory

CALGARY MARKET AREA



Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET CONTINUED

CALGARY MARKET AREA

There were 23 condominium apartment projects launched in 2017, with a total of just over 1,600 units.

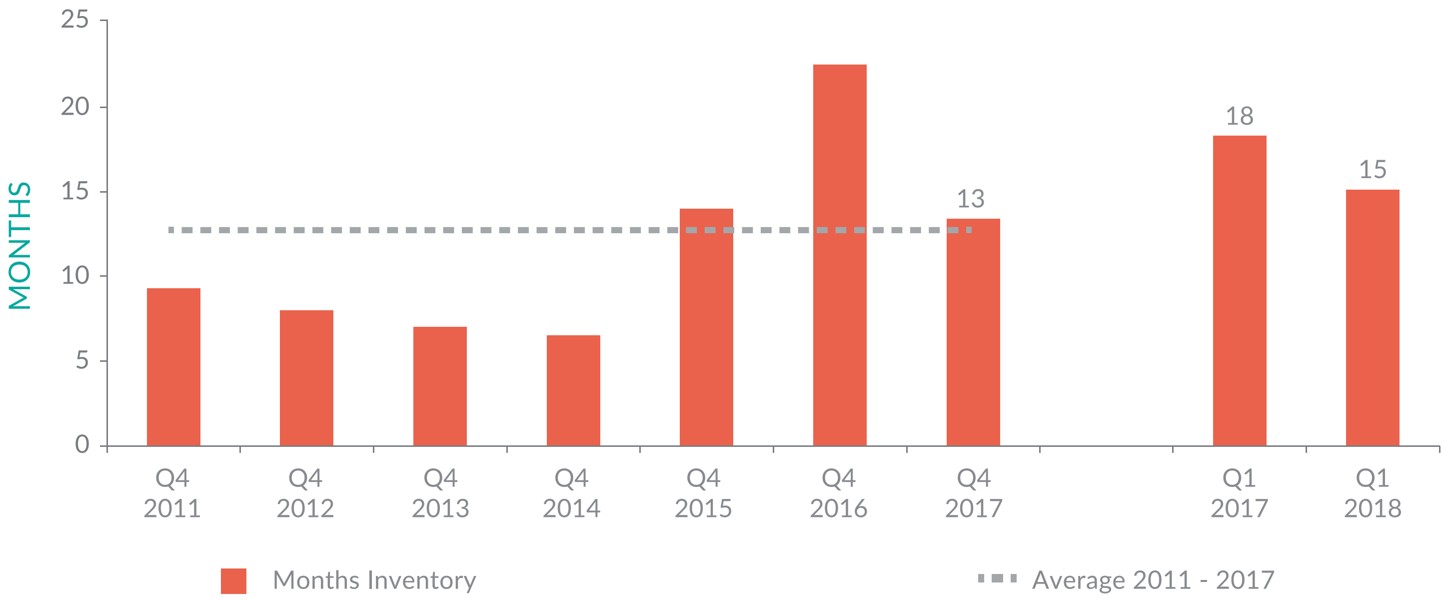
Inventory Story *Continued*

While inventories were relatively lower in early 2018 for townhouse product (about 11 months of supply versus 15 months for apartments), this was up from 9 months a year earlier.

There were 23 condominium apartment projects launched in 2017, with a total of just over 1,600 units. The majority of the new supply has been in suburban locations and has seen fairly strong demand from consumers.

New Condominium Apartment Months of Remaining Inventory*

CALGARY MARKET AREA



*Based on sales in previous 12 months

Source: Altus Group

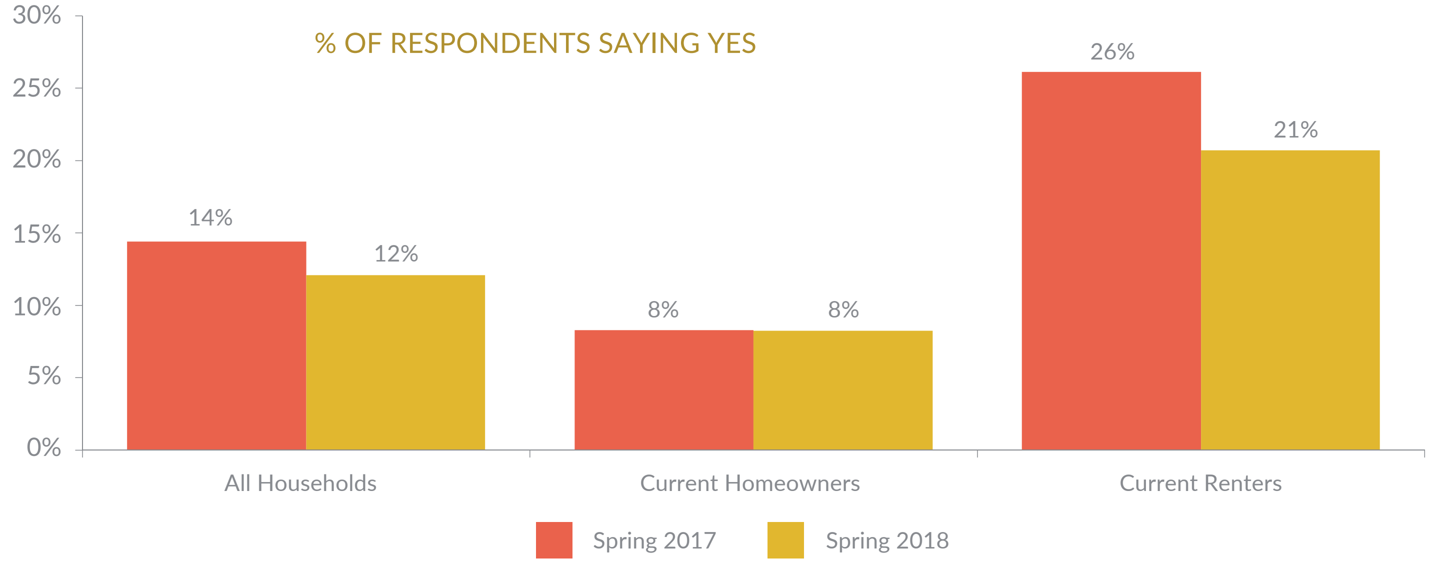
HOMEBUYERS
CALGARY MARKET AREA

Renter homebuying intentions down from last year.

Homebuyers Highlights

Homebuying intentions are down slightly overall this Spring in Calgary (according to Altus Group's FIRM Survey). The dip was due entirely to more renters (the pool for potential first-time buyers) shying away from making home purchases, which may be related to a drop in rents making renting more affordable than ownership. Homebuying intentions are similar to a year ago among current homeowners.

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



Source: Altus Group

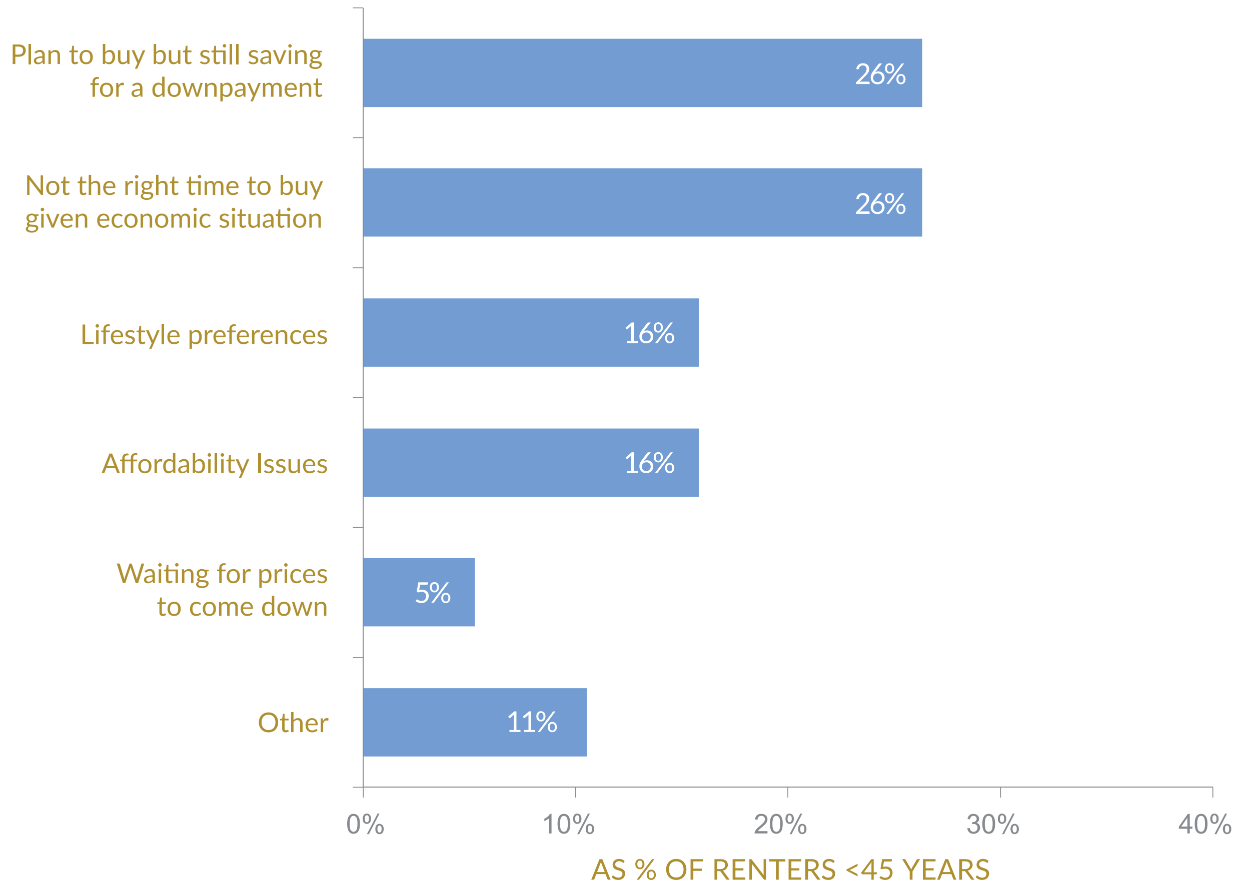
Many younger renters want to buy a home, but are still saving for a downpayment.

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. The current economic situation is also a deterrent for many potential first-time buyers. Only 1 in 6 renters under 45 years indicates that they simply prefer the renter lifestyle.

Reasons Why Younger Renters Do Not Own a Home

CALGARY MARKET AREA



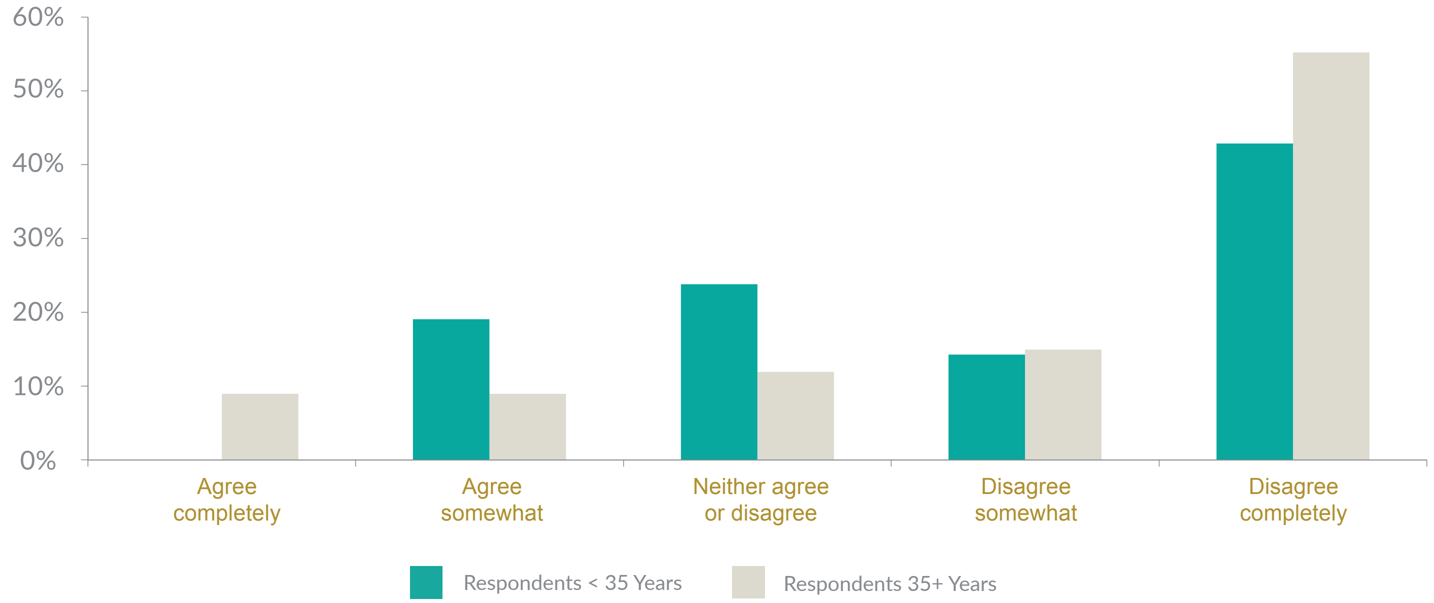
Source: Altus Group

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 Calgary to a single-family home in the suburbs.

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
CALGARY MARKET AREA



Source: Altus Group

About 1 in 2 end user homebuyers in the Calgary Market Area in the past 5 years was a first-time buyer.

Homebuyers Highlights *Continued*

About 1 in 2 end user homebuyers in the Calgary Market Area in the past 5 years was a first-time buyer, similar to the overall average for Canada. Immigrants to Canada are an important segment, with 1 in 3 end user homebuyers in recent years having been born outside Canada. About 1 in 4 homebuyers was a single-person household.

Selected Characteristics of Recent Homebuyers

CALGARY MARKET AREA

Aged 50 or Older	1 in 5
First-Time Buyer	1 in 2
Single-Person Household	1 in 4
Immigrants to Canada	1 in 3
Annual Household Income < $100K	1 in 2

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 Calgary 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*

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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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