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Please contact datasolutionsinfo@altusgroup.com with any questions.

VANCOUVER
STATE OF THE MARKET 2018

BREAKFAST | NETWORKING | MARKET BRIEFING

Altus Group
DATA SOLUTIONS

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Today’s Agenda

Commercial Market Overview

Residential Development & New Homes Overview

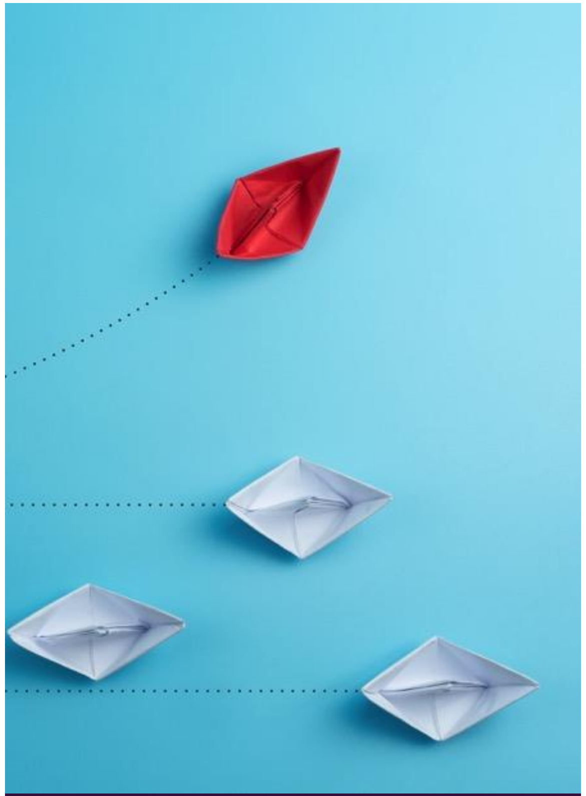
Wrap-up

Focus Sessions (Optional)

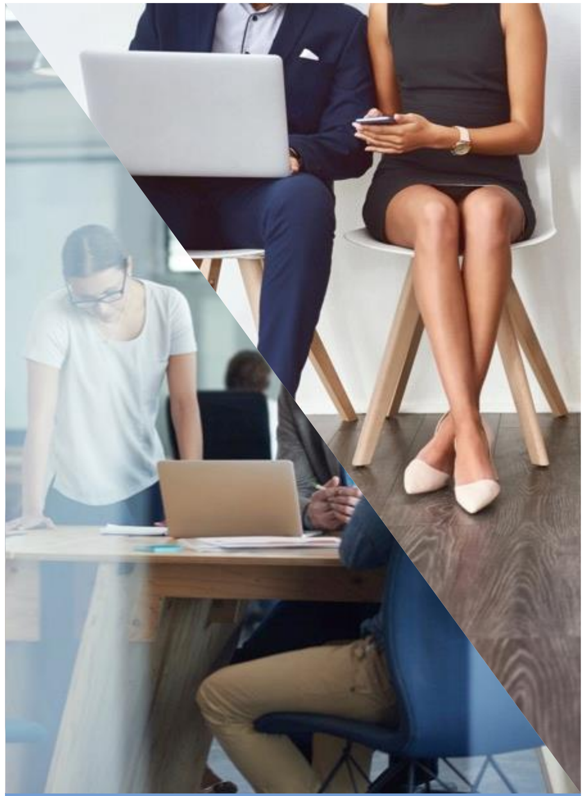
Real Estate Market Trend Overview

Raymond Wong
Vice President, Data Operations,
Data Solutions, Altus Group

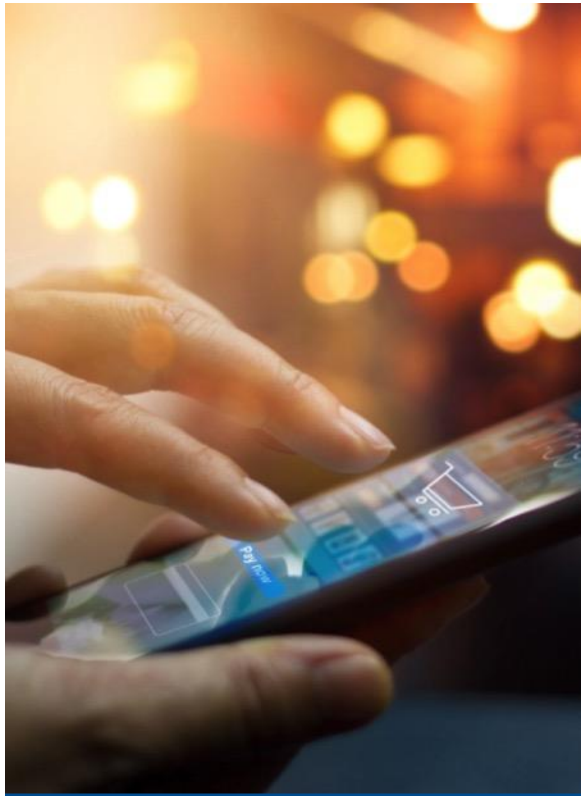
Commercial Overview Agenda



Changes



Office Market and the Chase for Talent



E-Commerce Impact Retail and Industrial

Capital Market Overview

Things Change

What keeps us up at night

Everyone's challenge!

Everyone wants … not just the Millennials

AltusGroup

live. work. eat. play.

All about community…

Transit

Compact

Walkability

Connectivity

Urban Feel

Densification

LIVE: Self-contained mini-cities are on trend

Smart cities are also on the rise…

Alphabet’s Sidewalk Labs + Waterfront Toronto smart city concept in the Port lands

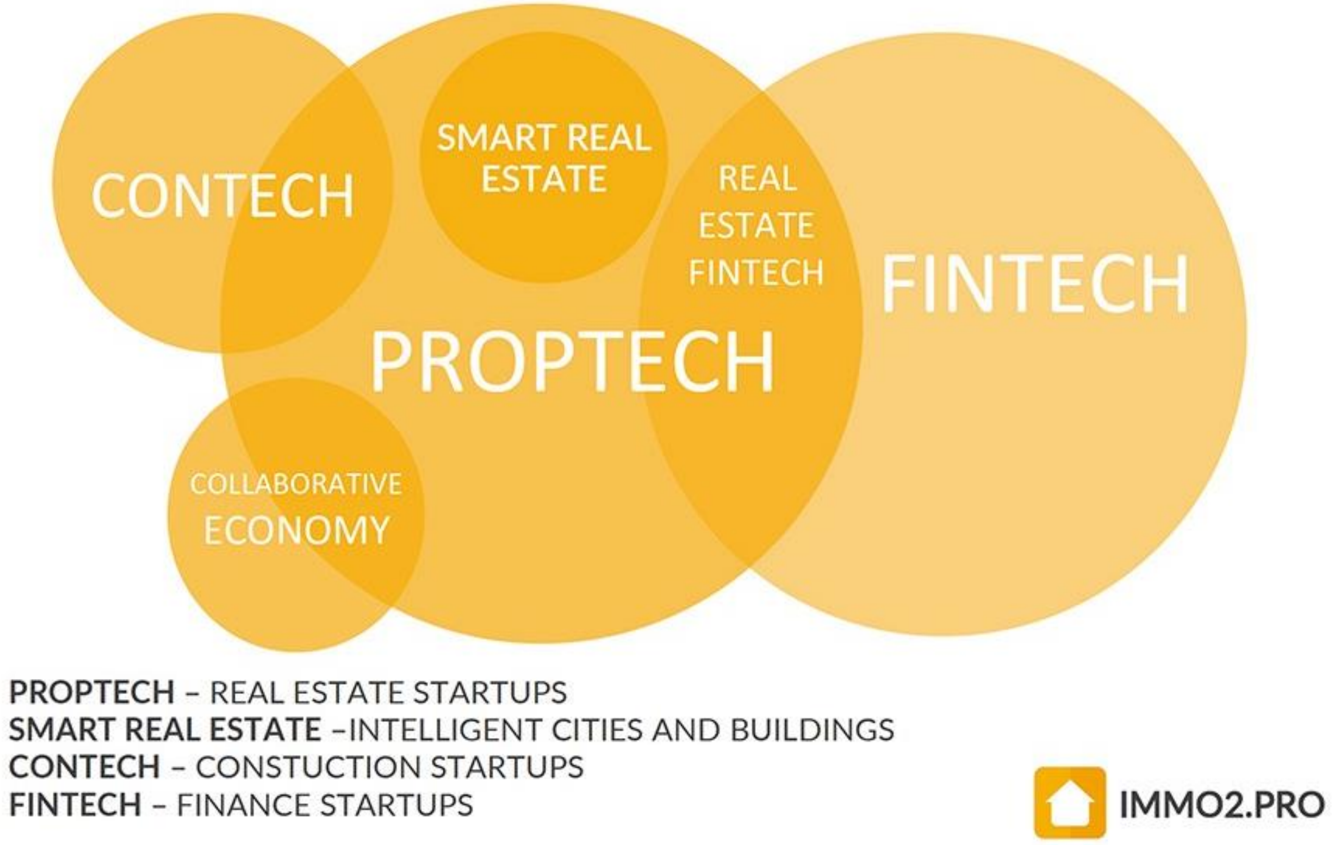
Plans for mid-rise apartments, offices, shops and a school on a 12-acre (4.9-hectare) site, which hopes to become a 800-acre (325-hectare) development.

PLAY: North America is beginning to see a resurgence in retail and entertainment complexes

1. Know your market and deliver or change the market!
2. Broaden the demographic appeal!
3. Re-route circulation to benefit park visitors and adjacent retail tenants
4. Become the new visual and physical hub for the mall

Source: Plumpton, J. (2018). "Energizing your retail environment with compelling entertainment experiences." Toronto, ON. ICSC Canadian Convention.

PropTech Market



Getting crowded

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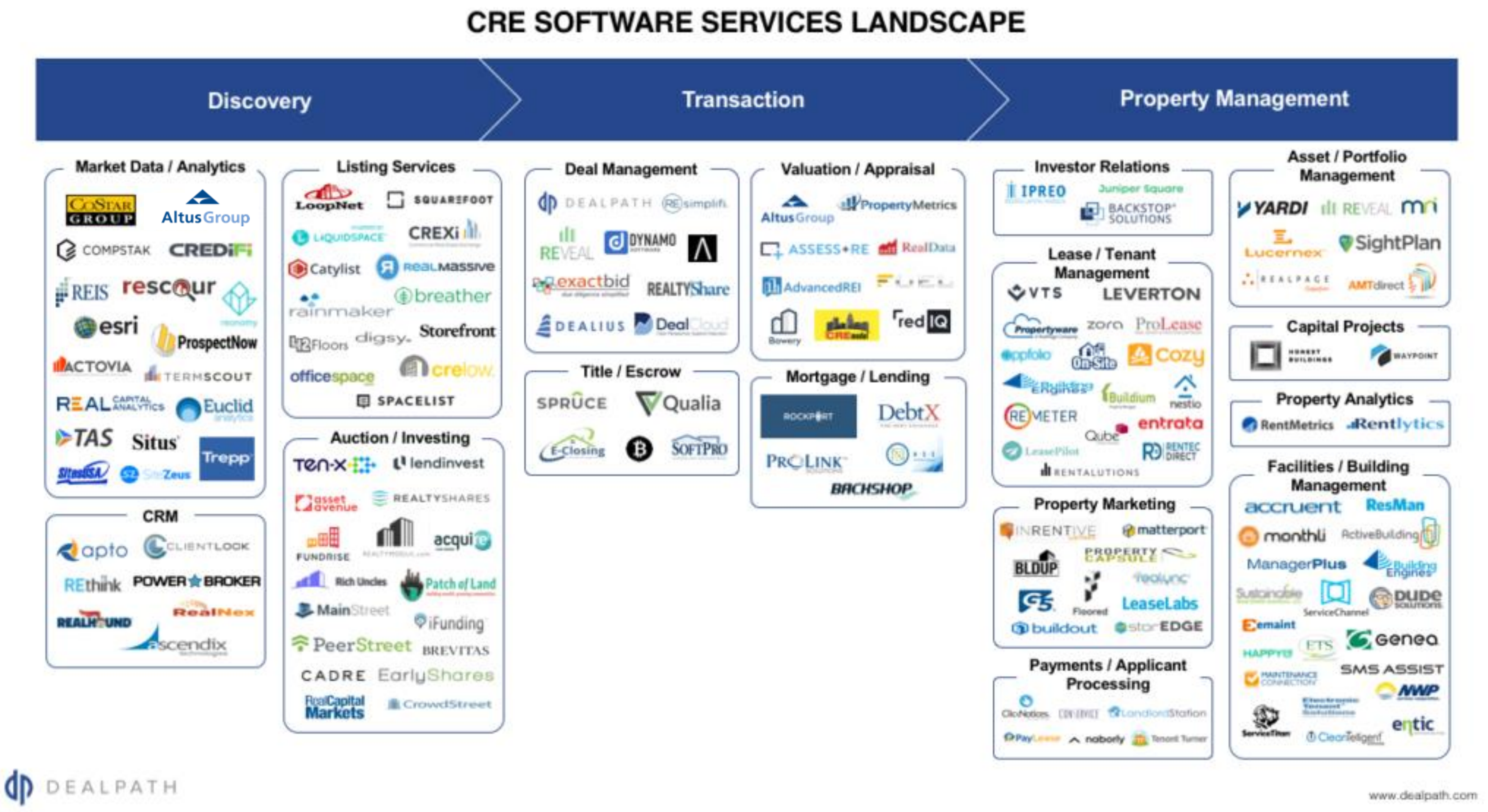


Is CRE prepared for what's next?

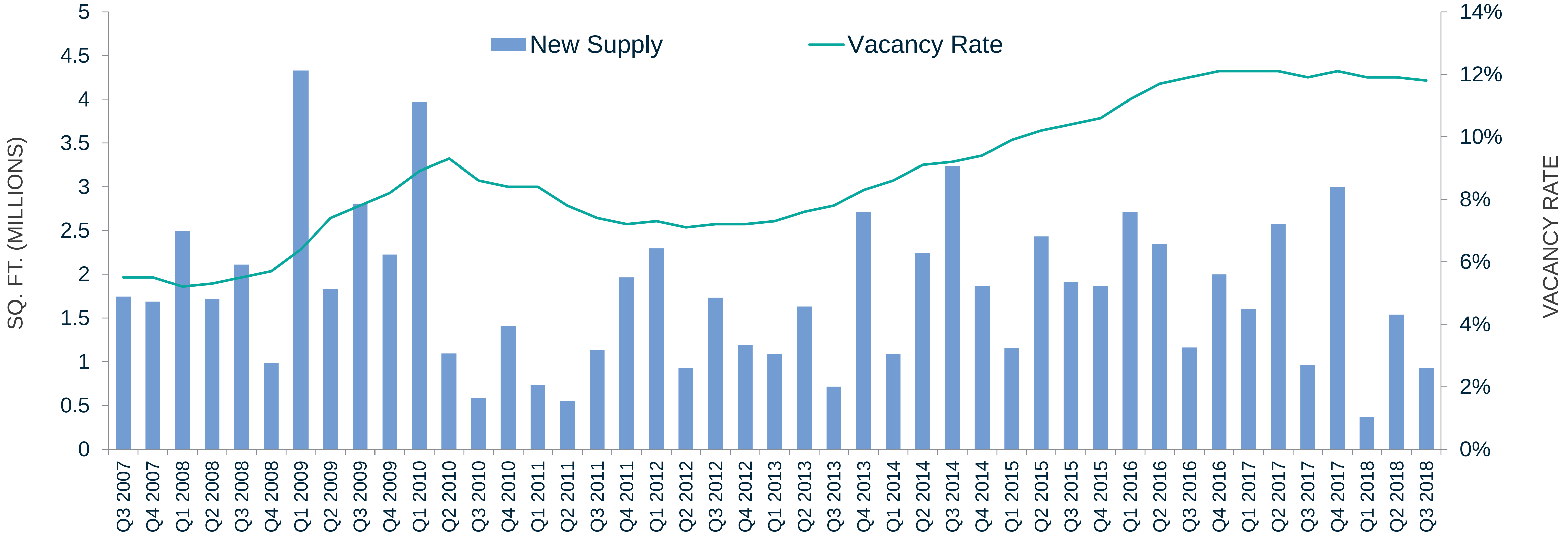
POTENTIAL IMPACT OF EMERGING DISRUPTIVE TECHNOLOGIES

	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%

Commercial Overview

Office Market

National new office supply in check



Source: Altus Group

Office vacancy rate in balance, with one exception…

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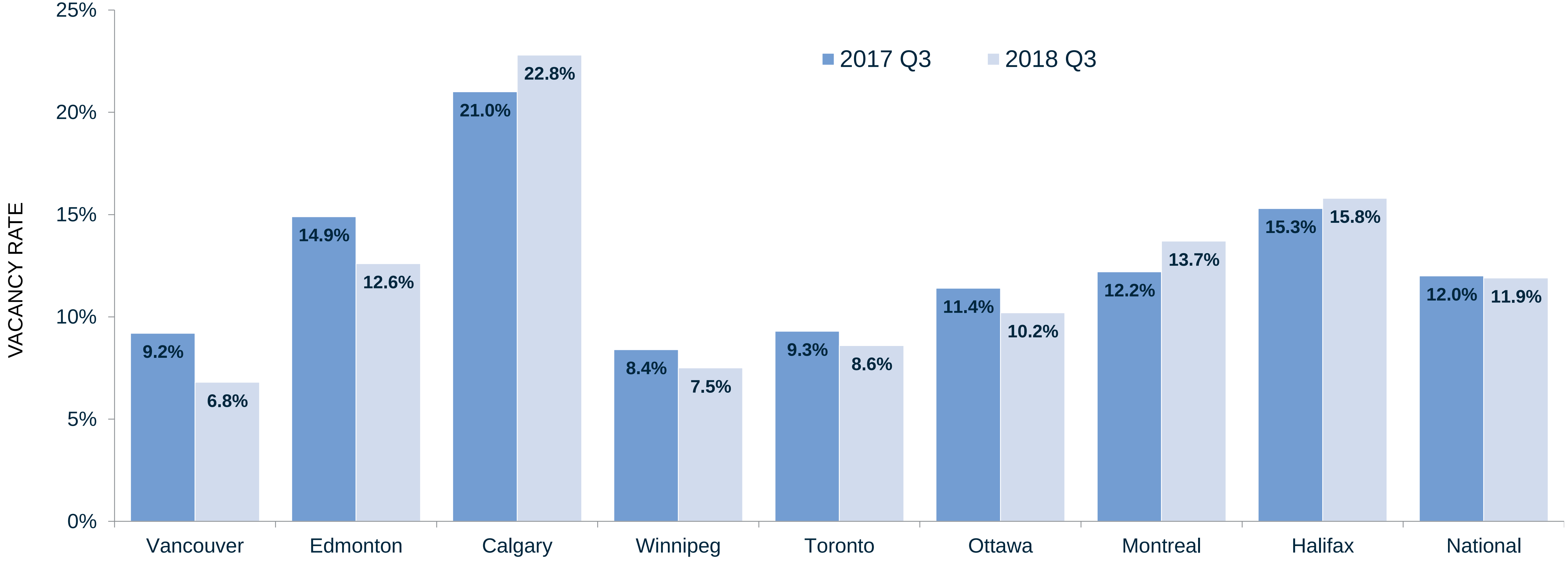
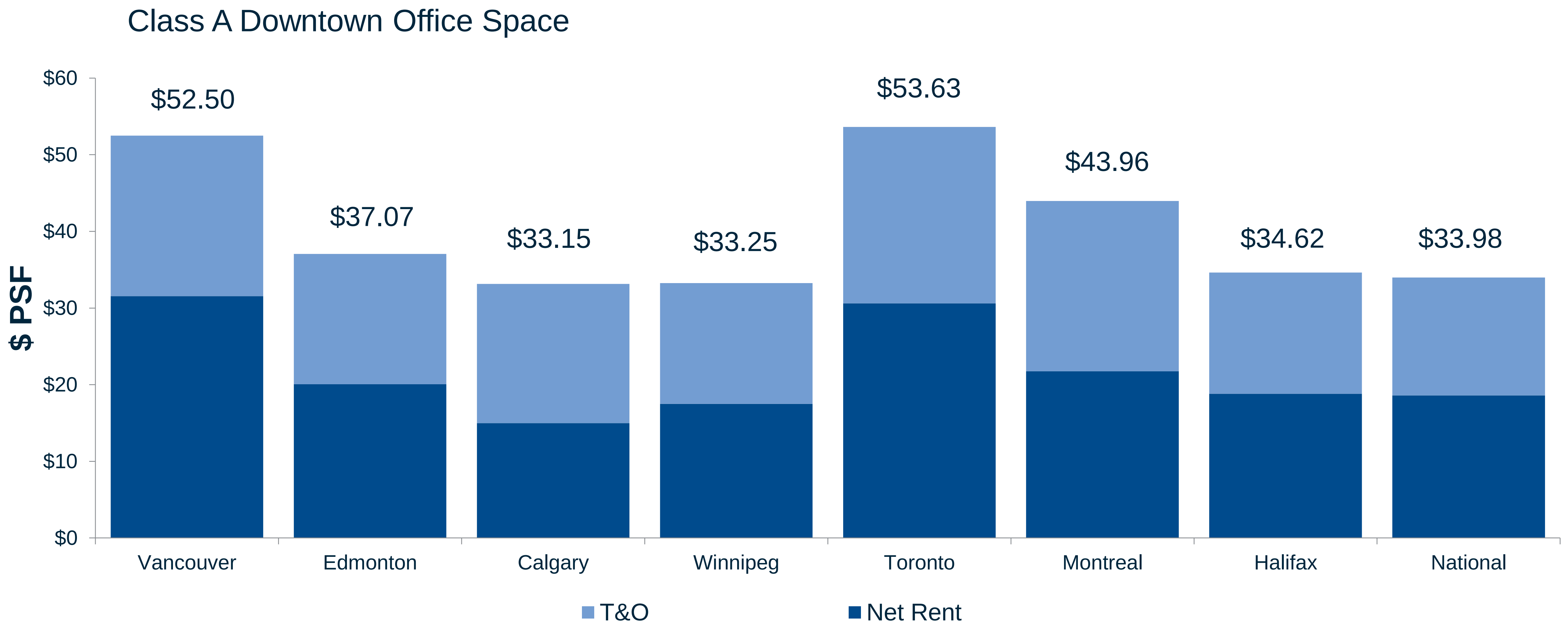


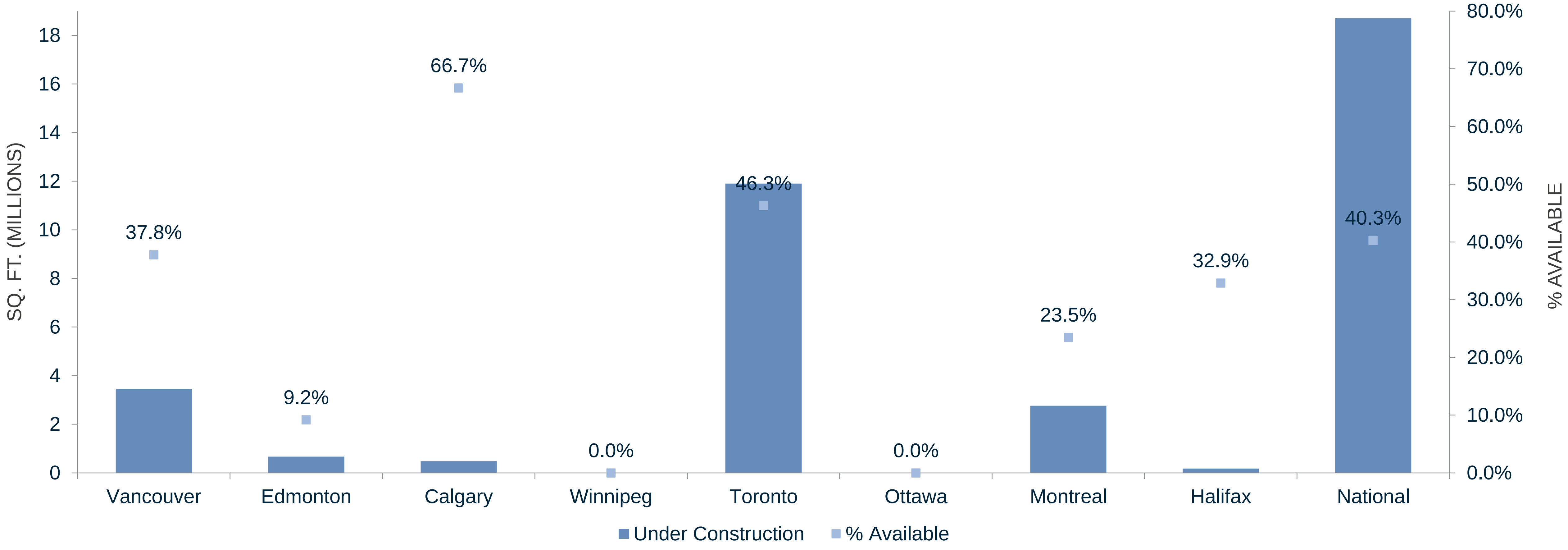
Source: Altus Group

Occupancy costs remain competitive and increasing



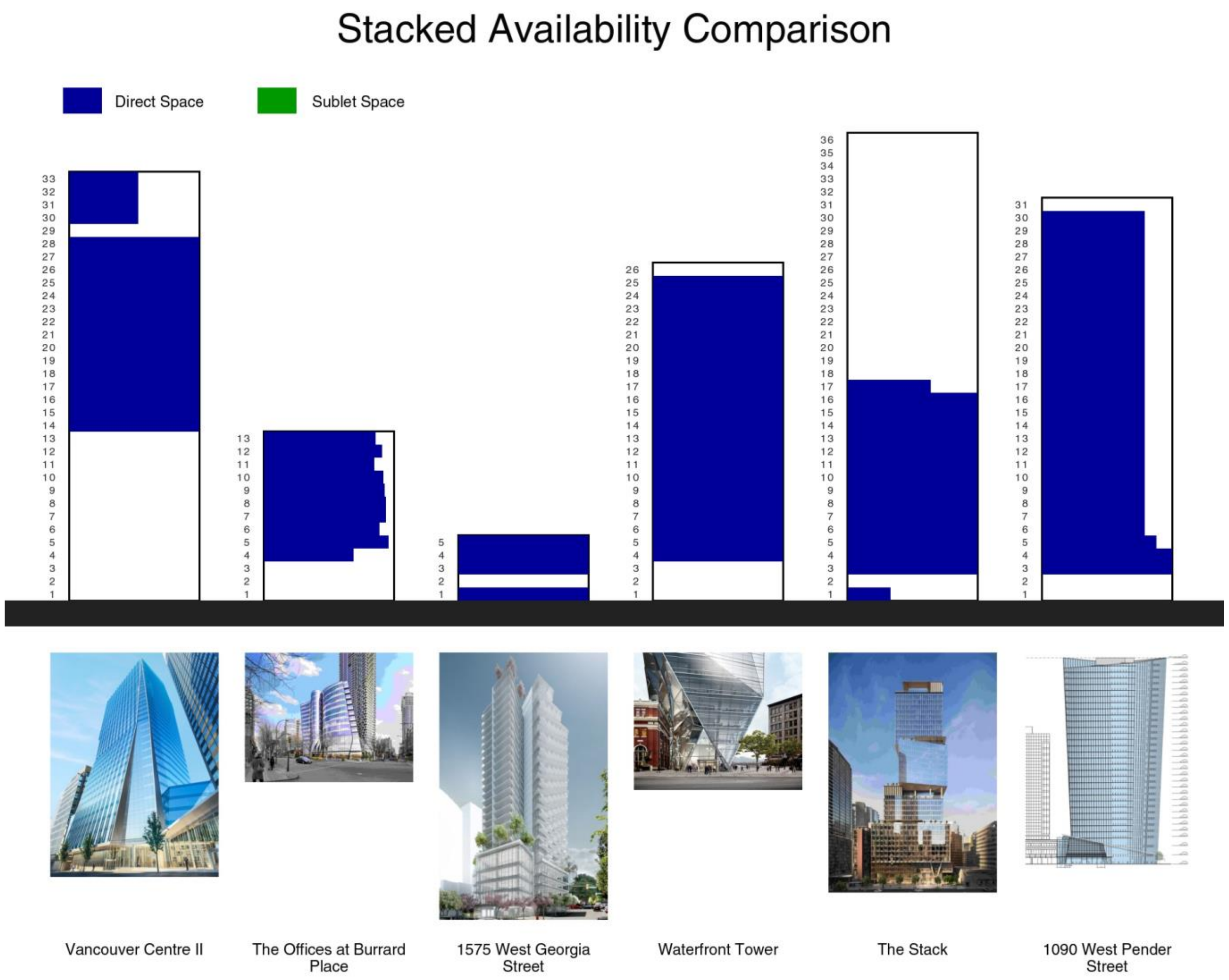
Source: Altus Group

New office construction mainly in much needed urban centres



Source: Altus Group

Class A office available space remains tight

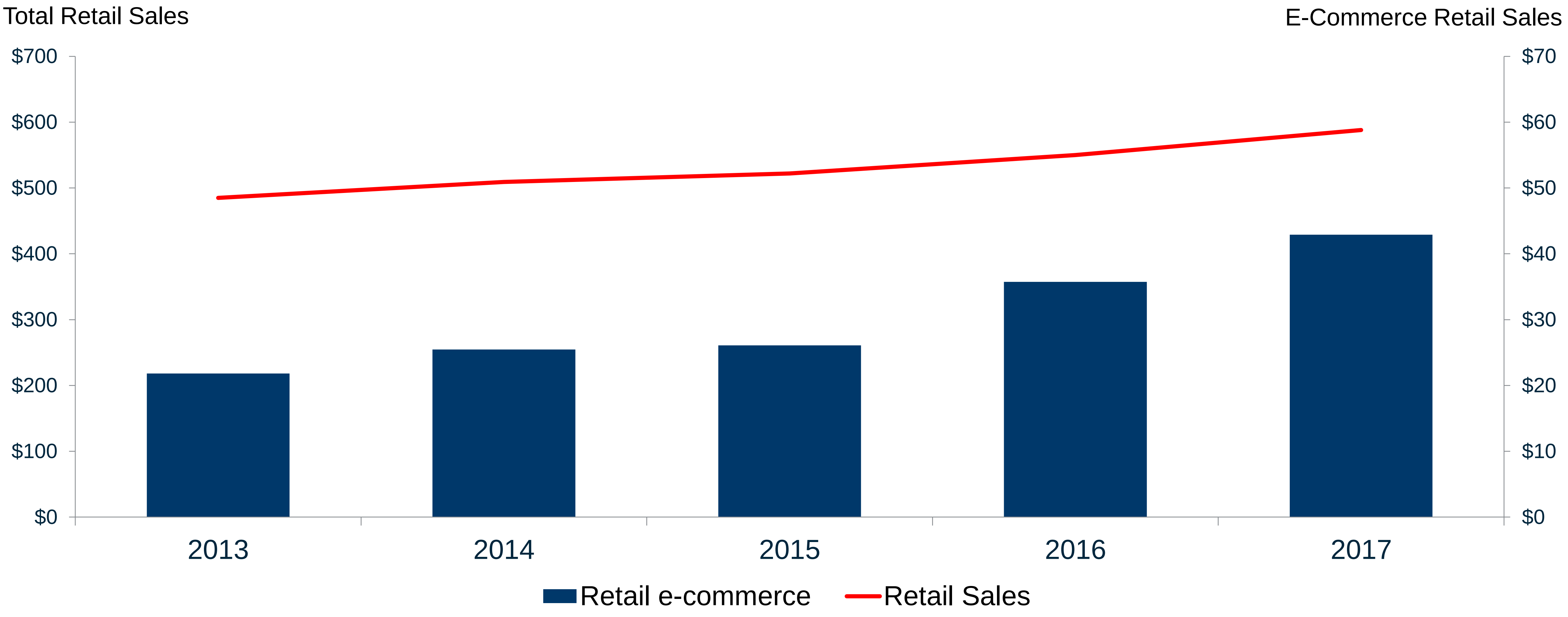


Source: Altus Group

Commercial Overview

E-Commerce Impact
Retail and Industrial

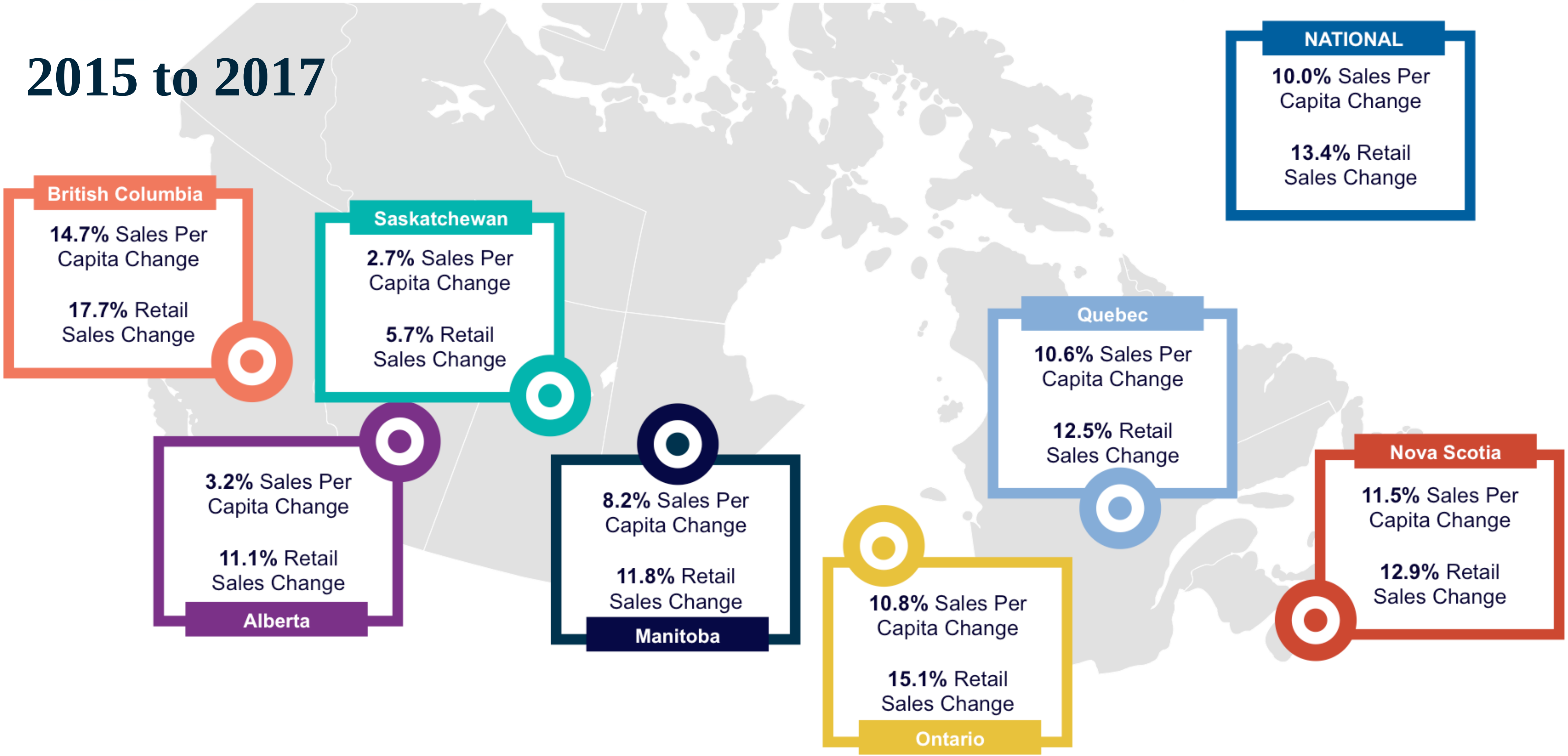
Percentage of e-commerce sales increasing



Source: Statistics Canada, in $billions

Sales per capita and retail sales change

2015 to 2017



New and expanding retailers

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MINISO

SEE

sugarfina
A LUXURY CANDY BOUTIQUE

B N

NORDSTROM rack

THE REC ROOM

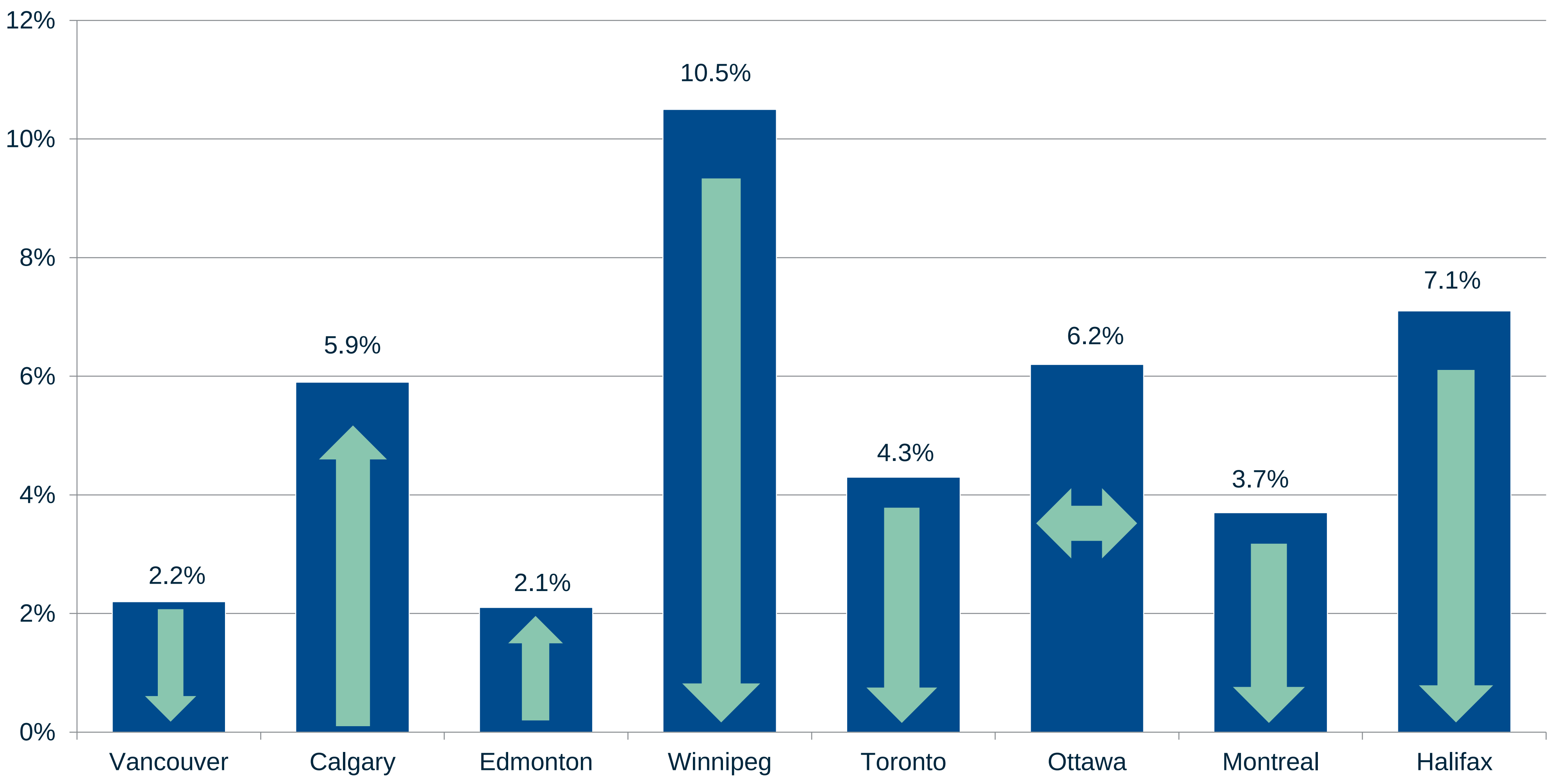
Saks Fifth Avenue OFF 5TH

WINNERS

Marshalls

HOMESENSE

Retail vacancy by major city (mid-year 2018)



Source: Altus Group, CBRE, Colliers International, Cushman & Wakefield

Mixed use developments

Oakridge Centre – Vancouver, BC

- Retail space will grow from 574,000 sf to about 1,000,000 sf.
- There will be a new indoor mall area and a pedestrian-only high-street with retail.
- 2,600 residential units within ten towers and four mid-rise buildings.
- New office space will be located in the lower towers near the SkyTrain station.
- A 100,000 sf community centre will be built at the northwest corner.

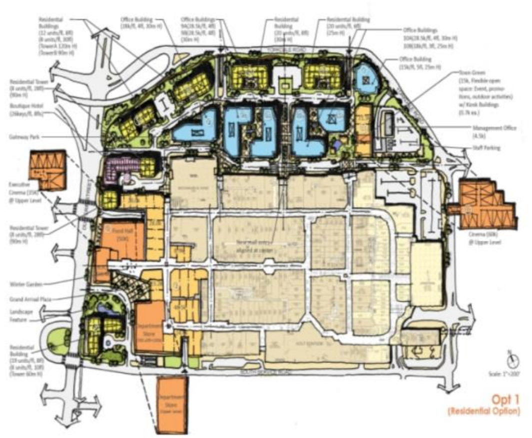
Bayview Village – Toronto, ON

- The southwest corner of the site would see a pair of 28 and 33-storey towers constructed atop a 8-storey podium, comprising 760 residential units and an additional 52,500 sf of retail on the ground and second floors.
- On the north side of the site two 6-storey mid-rises and a 19-storey tower on a 6-storey podium are proposed along Bayview Mews. The three buildings would add 372 residential units and 94,700 sf of ground level retail.

Richmond Centre – Richmond, BC

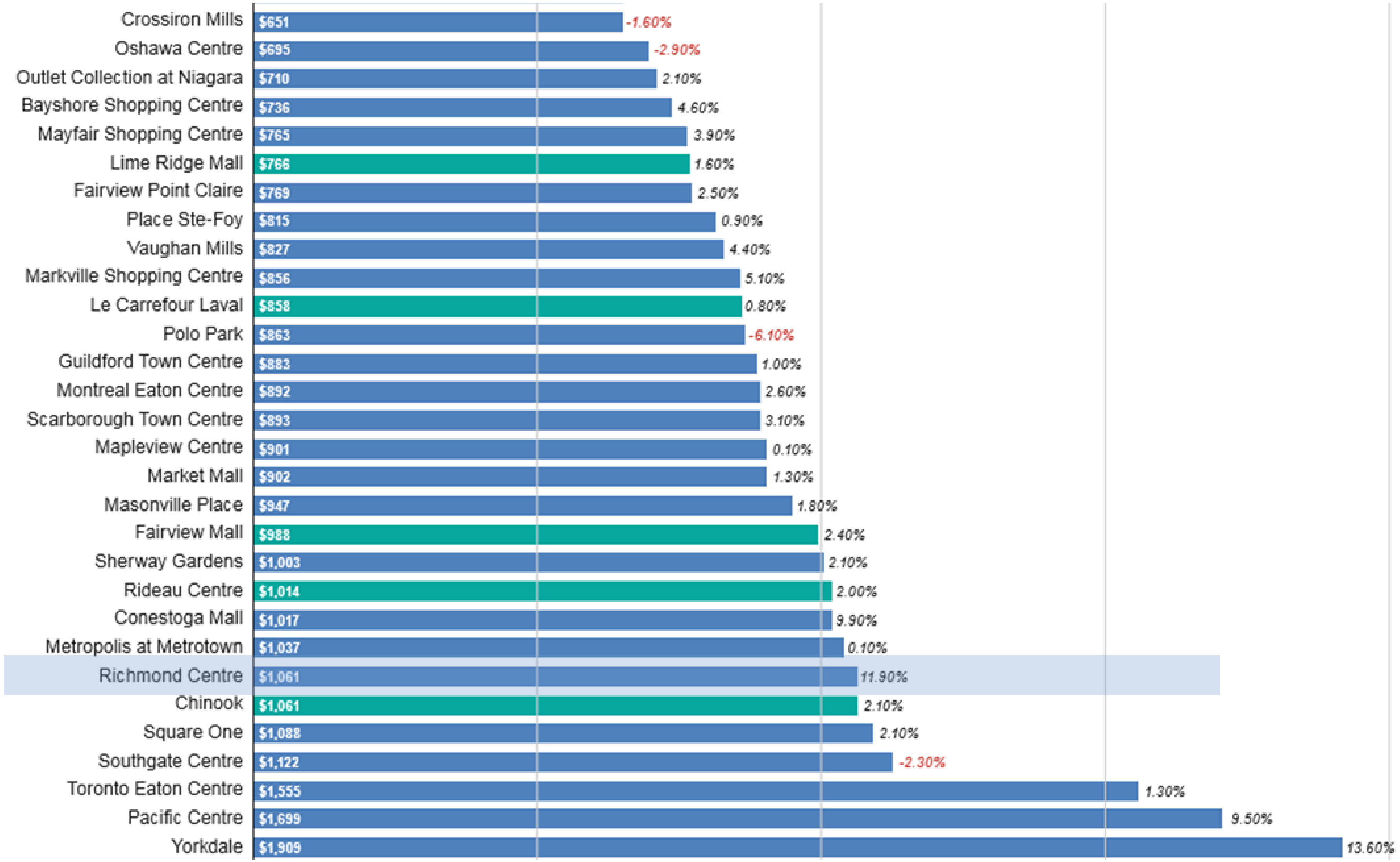
- 12 new buildings up to 14 storeys in height will replace the ground parking space surrounding the mall and both the multi-storey parkade and former Sears building on the south end.
- Townhomes are planned along the Minoru Boulevard frontage and other nearby areas.
- New retail space will be created by an expansion of the existing mall and the creation of new storefront retail space in the lower floors of the new residential building.

Yorkdale – Toronto, ON



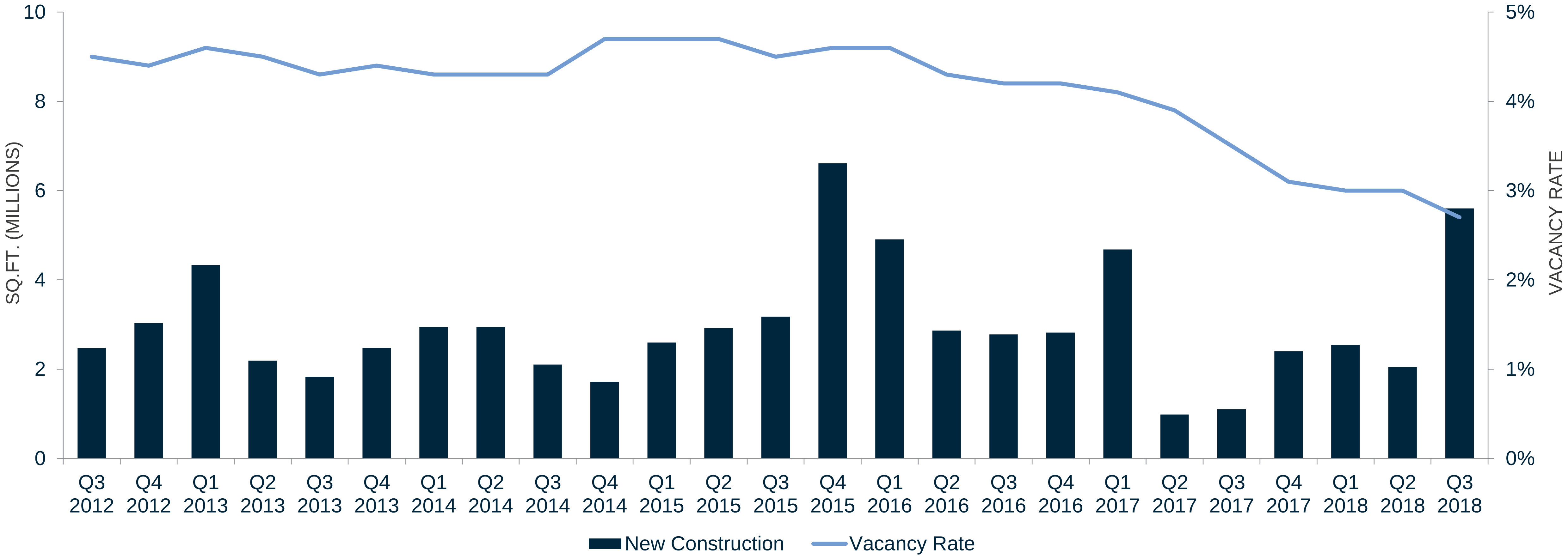
- Mixed use development to be developed over two decades.
- Three development options, which include a mix of retail, residential, and hotel usage. Each option includes an 8-storey hotel, six office buildings, and seven residential buildings ranging from 2 to 28-storeys.
- All surface parking would be moved underground.

Sample of enclosed mall CRU sales per square foot, July 2018



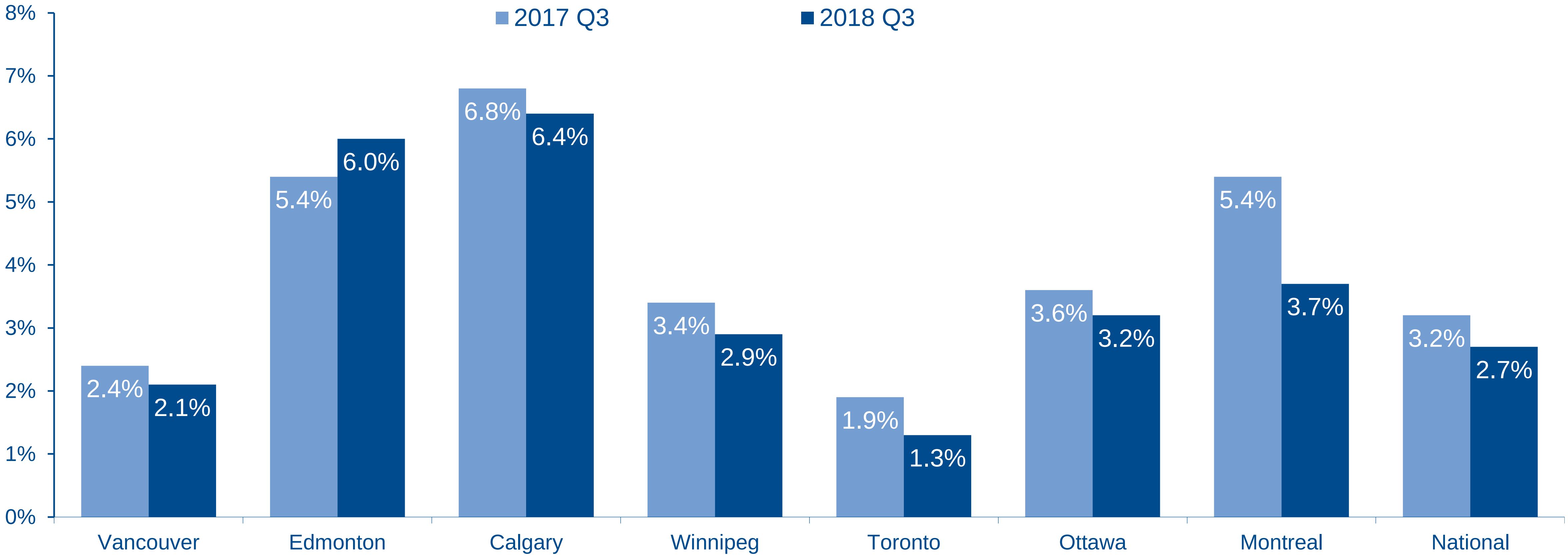
Source: ICSC. Canadian Shopping Centre Study

National industrial demand driven by growth in e-commerce



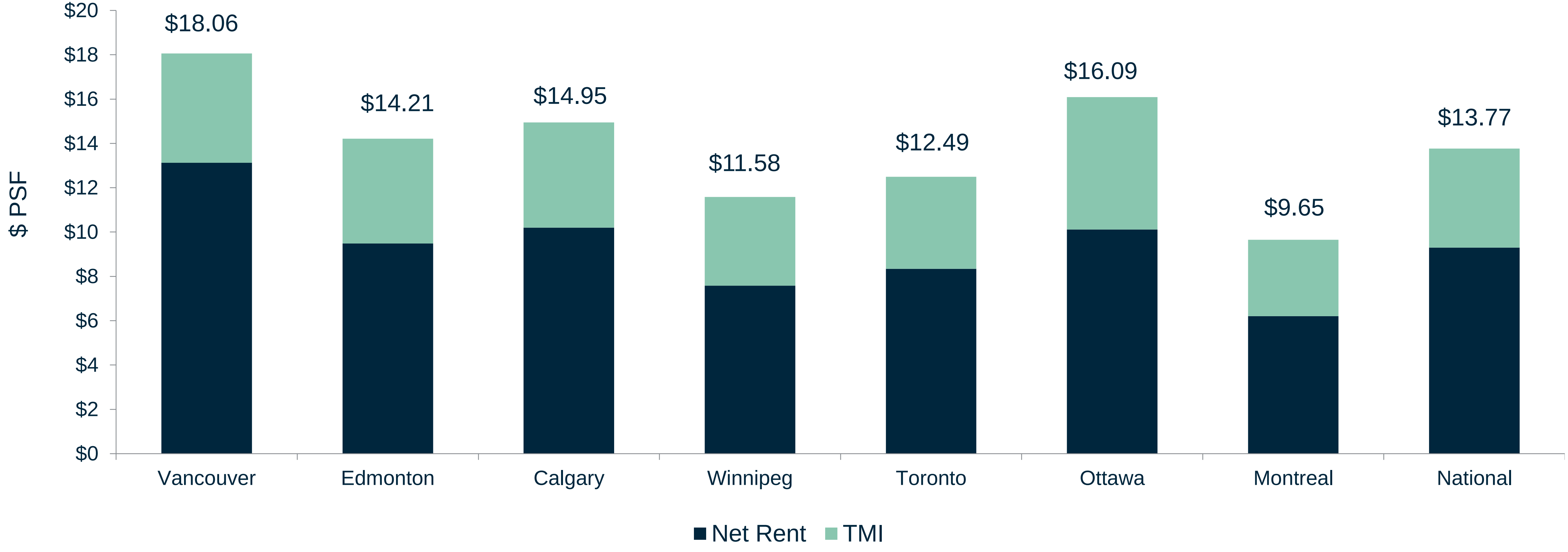
Source: Altus Group

Industrial vacancy rates remain tight in Vancouver



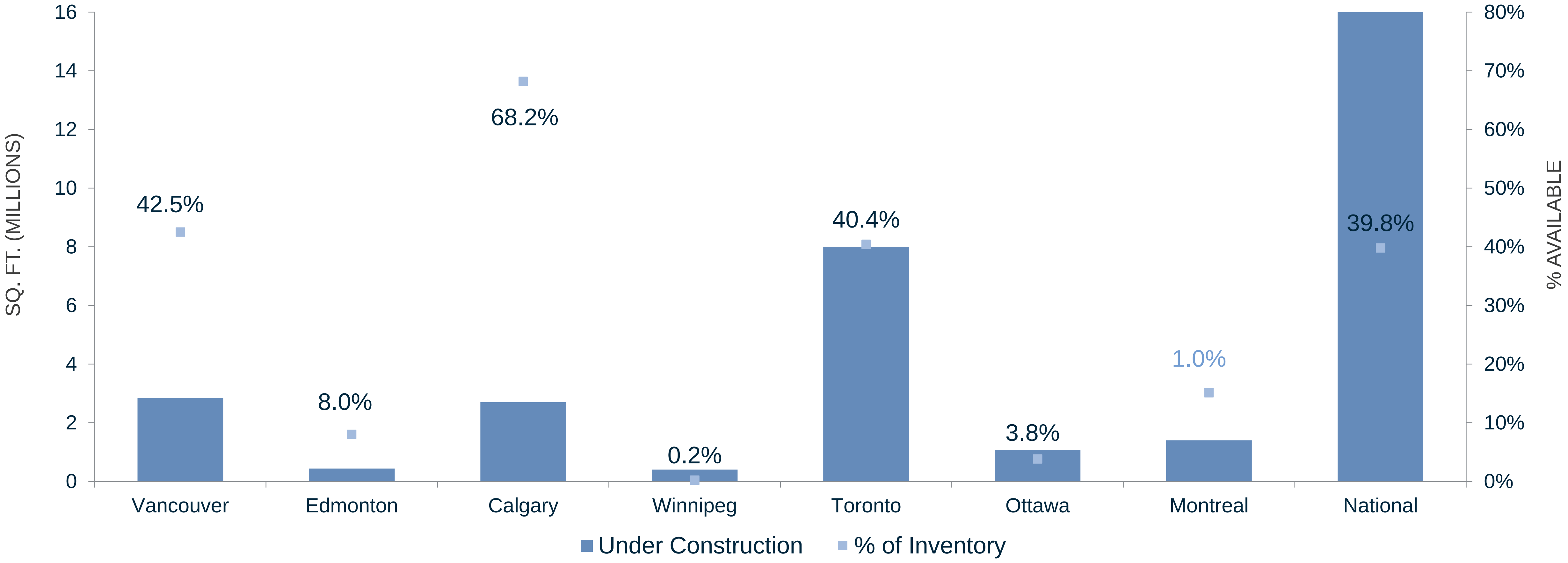
Source: Altus Group / Johnson Report

Industrial rental rates continue to creep up



Source: Altus Group / Johnson Report

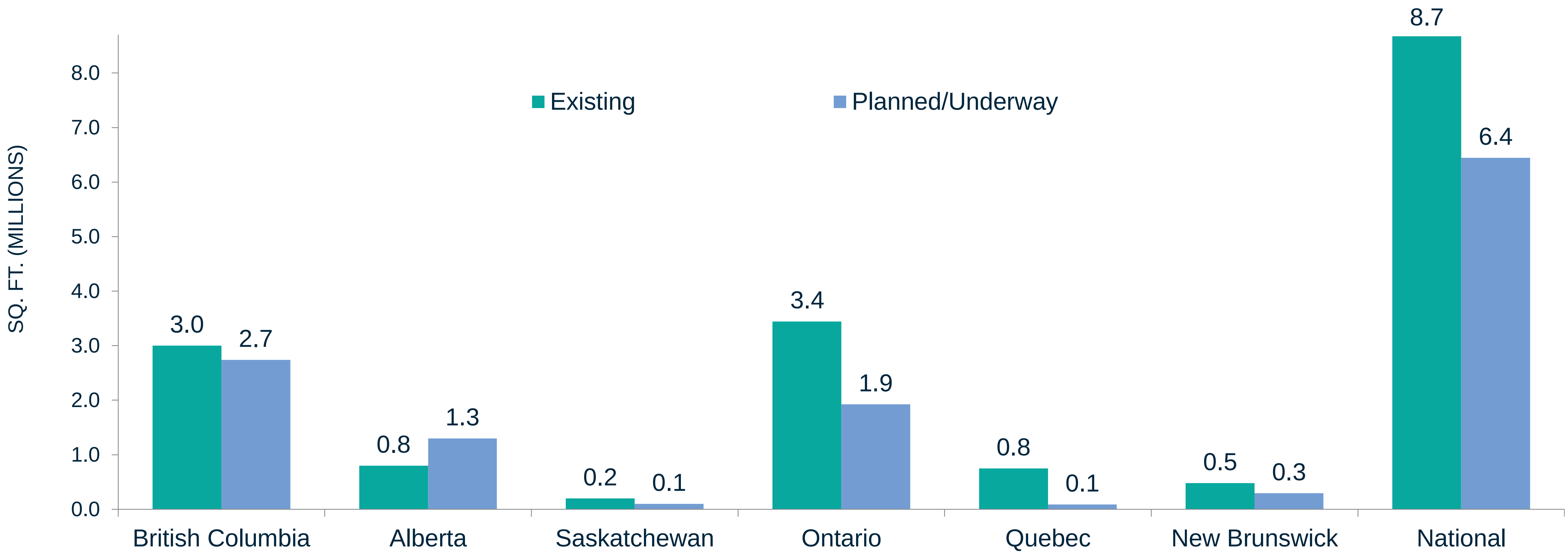
Much needed new industrial supply on the horizon



Source: Altus Group / Johnson Report

And then we have cannabis

“Growing op” fast: cannabis facilities across Canada



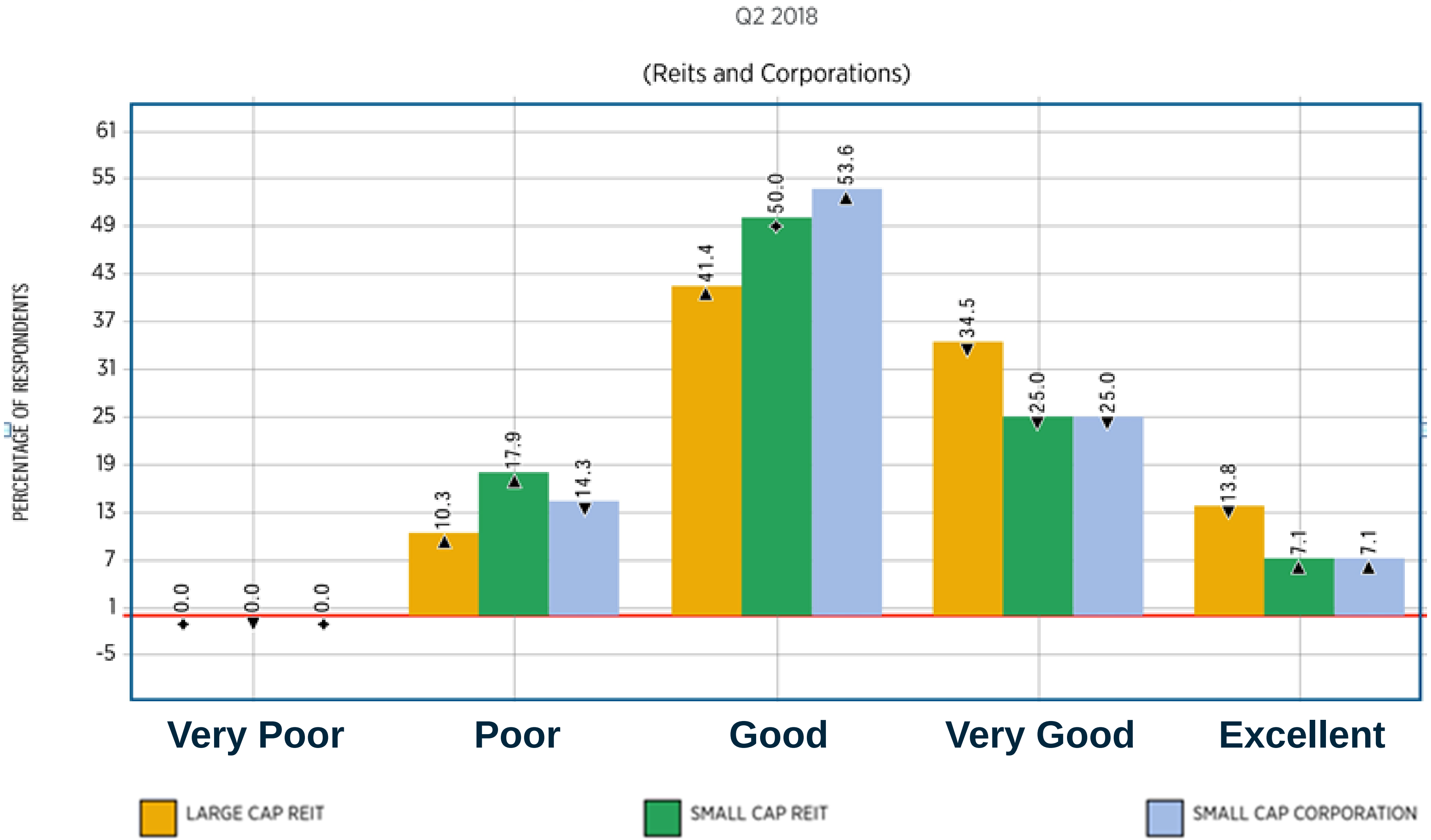
Includes: green houses, grow rooms, related vegetation, nutrient delivery and post production infrastructure.

Source: Select large Public Company's, Management's discussion and analysis reports, Altus Group

Commercial Overview

Capital Market Overview

Availability of new real estate equity



Source: Altus Group's Investment Trends Survey

Investment product supply issue, not a demand issue

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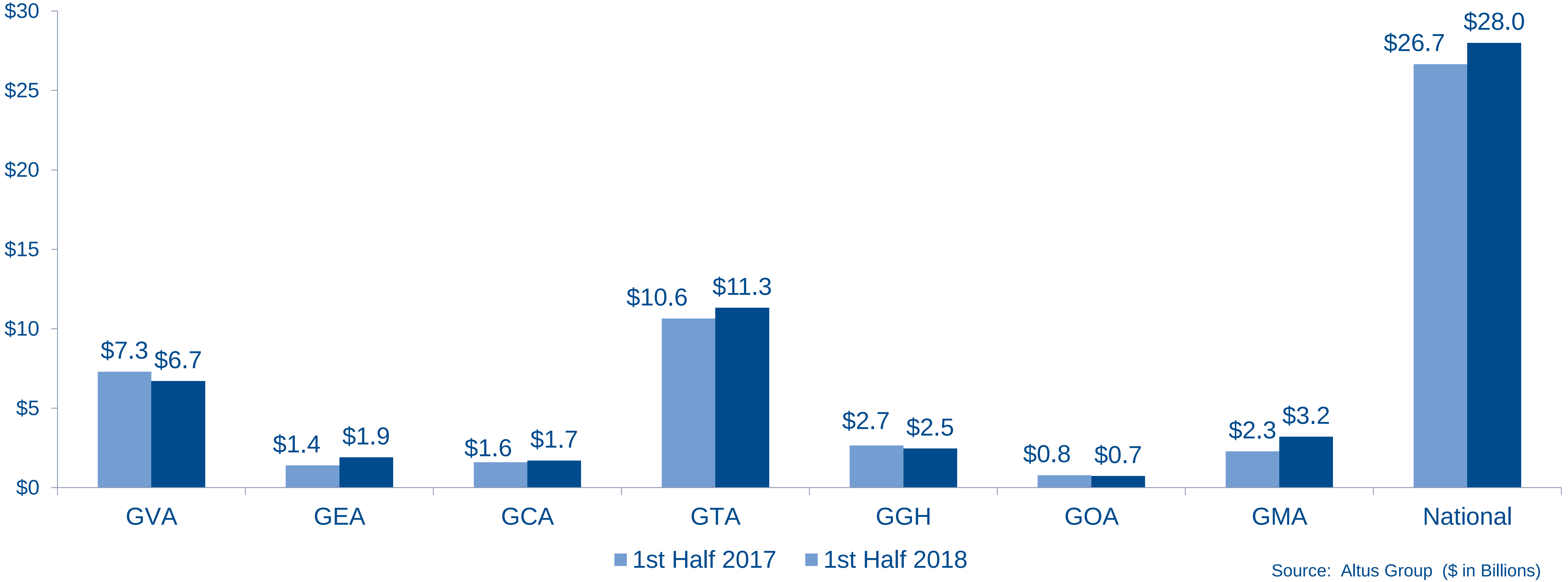


Source: Altus Group ($ in Billions)

Focus on core allows for opportunities

274 Millennium Parkway

City:	Belleville, ON
Building Type:	Anchored by Walmart, Giant Tiger, Jysk, Petsmart, and Dollarama
GLA:	275,410 SF 100% occupied

5915-5975 Martineau W, St.

City:	Hyacinthe, QC
Building Type:	Anchored by Walmart, Staples, Laurentian Bank
GLA:	166,892 SF 96.5% occupied

288-304 Erie St S

City:	Leamington, ON
Building Type:	Anchored by Walmart, Food Basics, Mark's, Dollar Tree
GLA:	192,889 SF 97.9% occupied

Fiera also buys several RioCan assets

Fairgrounds I & II 95 First St., 55 & 65 Fourth Ave

City:	Orangeville, ON
Building Type:	Power Centre
Date:	Sale closed April 2018
Sale Price:	$92.1M

52-90 Dundas St. E

City:	Hamilton, ON
Building Type:	Power Centre
Date:	Sale closed April 2018
Sale Price:	$53.9M

35 Harvard Rd

City:	Guelph, ON
Building Type:	Food Anchored Retail Strip
Date:	Sale closed April 2018
Sale Price:	$24.6M

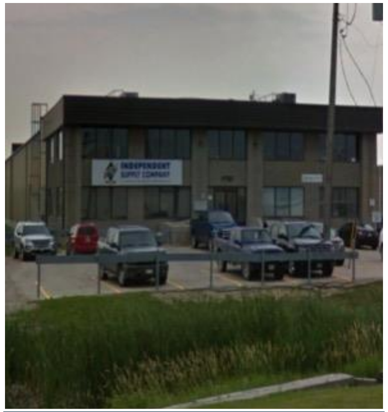
Industrial continues to be the asset of choice

QuadReal Portfolio - Six fully occupied industrial buildings plus a 2.1 ac vacant land parcel - $27.3 M

20 Bentall Street

1410 Mountain Avenue

1455 Mountain Avenue



1791 Dublin Avenue

1305 King Edward Street

1313 King Edward Street

Source: Altus Group

Continued demand drives lower cap rates

800 Burrard St, Downtown	468 Terminal Avenue, False Creek	20020 Willowbrook Drive, Langley
Office	Office	Retail
August 2018	September 2018	August 2018
$227,000,000	$92,000,000	$36,365,000
$1,022 / sq. ft.	$715 / sq. ft.	$473 / sq. ft.
Estimated 4.1% Cap	4.5% Cap	5.0% Cap

Source: Altus Group

Record low cap rates

Altus Group

19577 94th Avenue, Port Kells	1433 Burnaby Street, Vancouver	1035 Howie Avenue, Coquitlam
Industrial	Apartment	Apartment
July 2018	August 2018	August 2018
$9,580,000	$15,050,000	$10,100,000
$322 / sq. ft.	$502,000 / unit	$241,000 / unit
Not Available	2.2% Cap	4.0% Cap

Source: Altus Group

Market Overview & Outlook

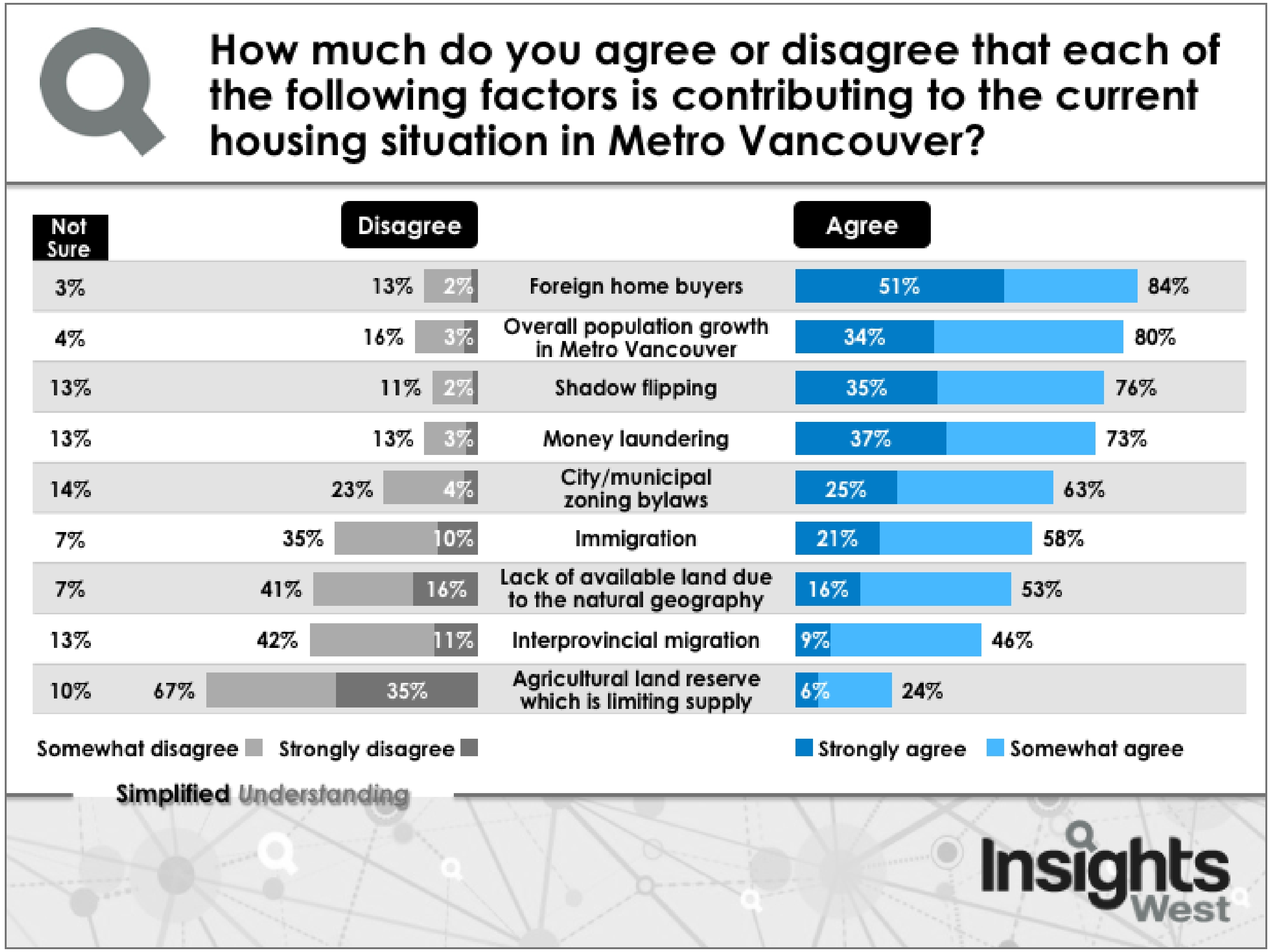
Matthew Boukall

Vice President, Product Management,
Data Solutions, Altus Group

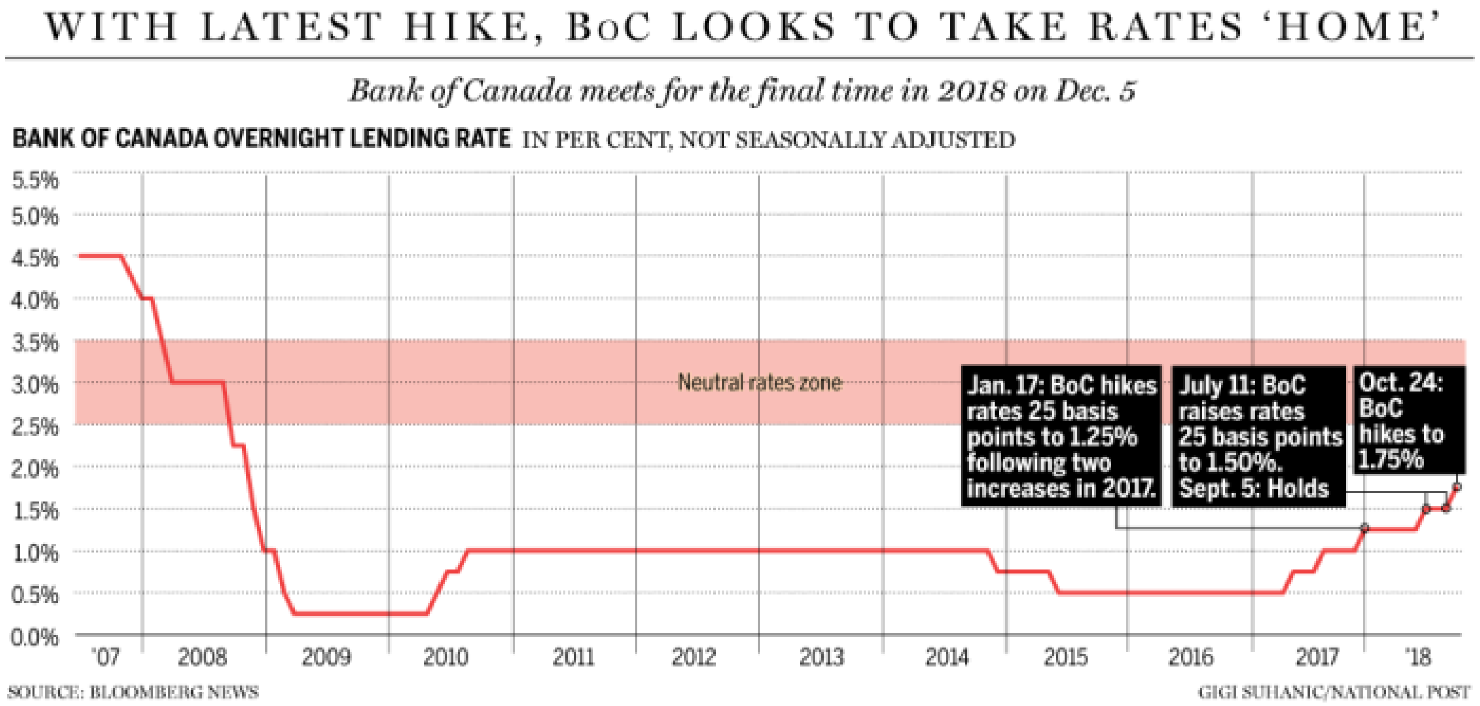
Residential Overview

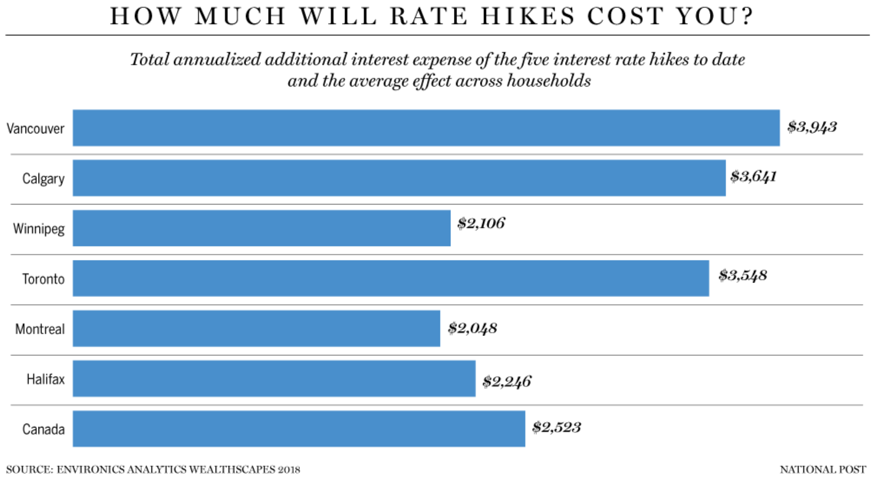
Residential Development

Consumers are saying….

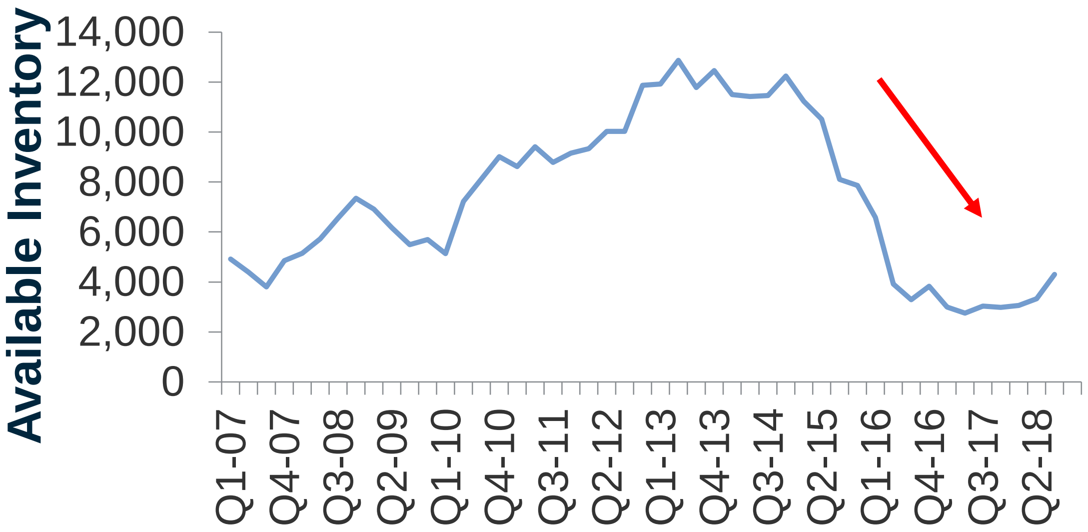


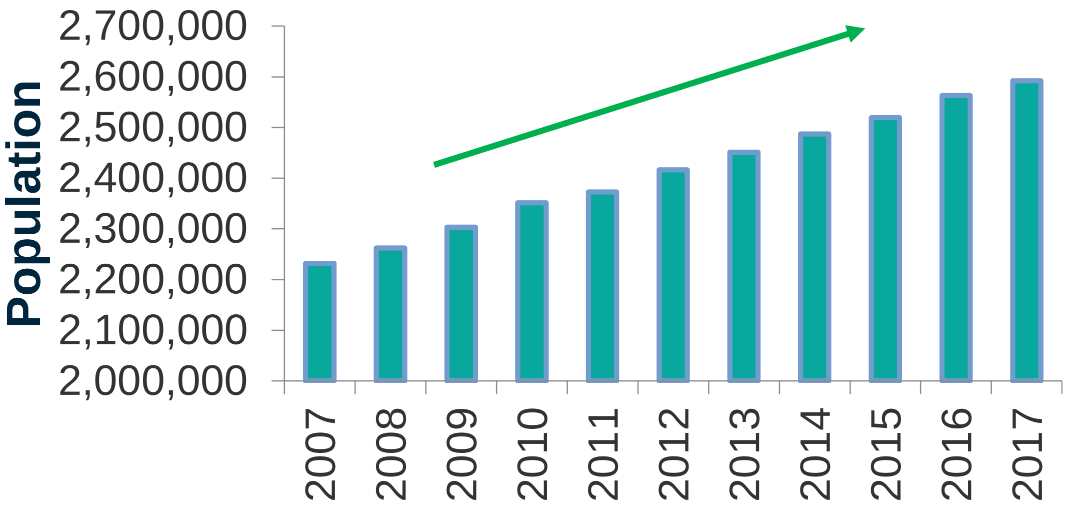
Meanwhile Bank of Canada is raising rates…

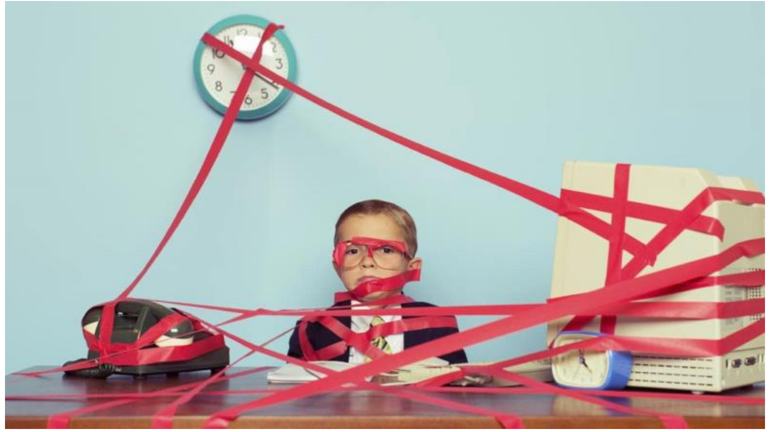




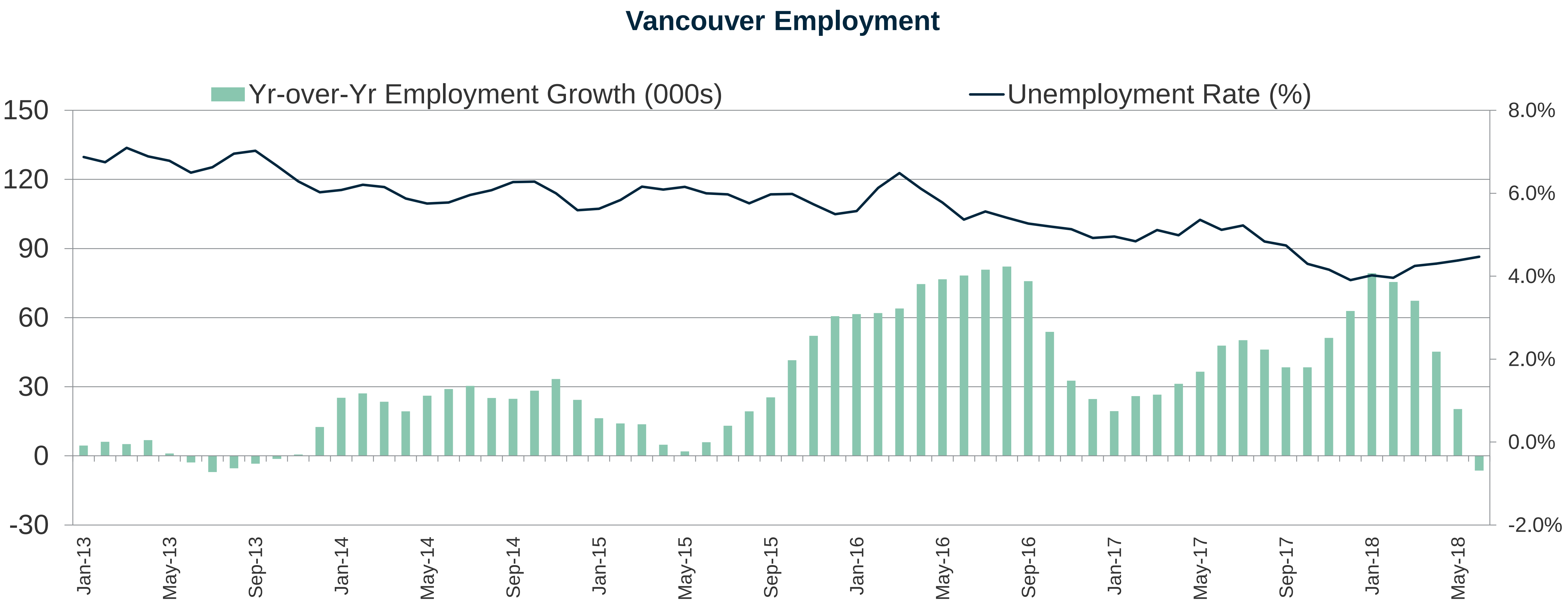
Whereas the problem has been….





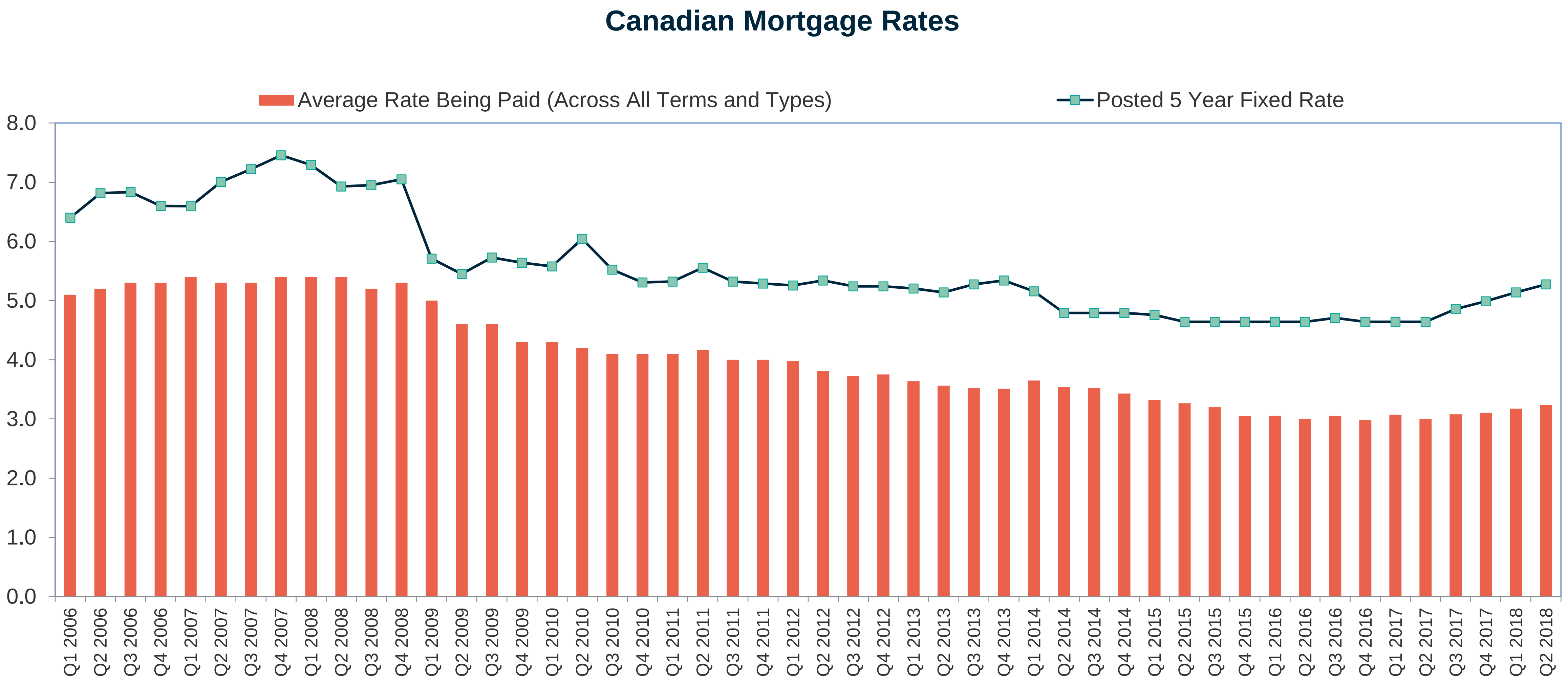


Employment growth has stalled



Source: Altus Group

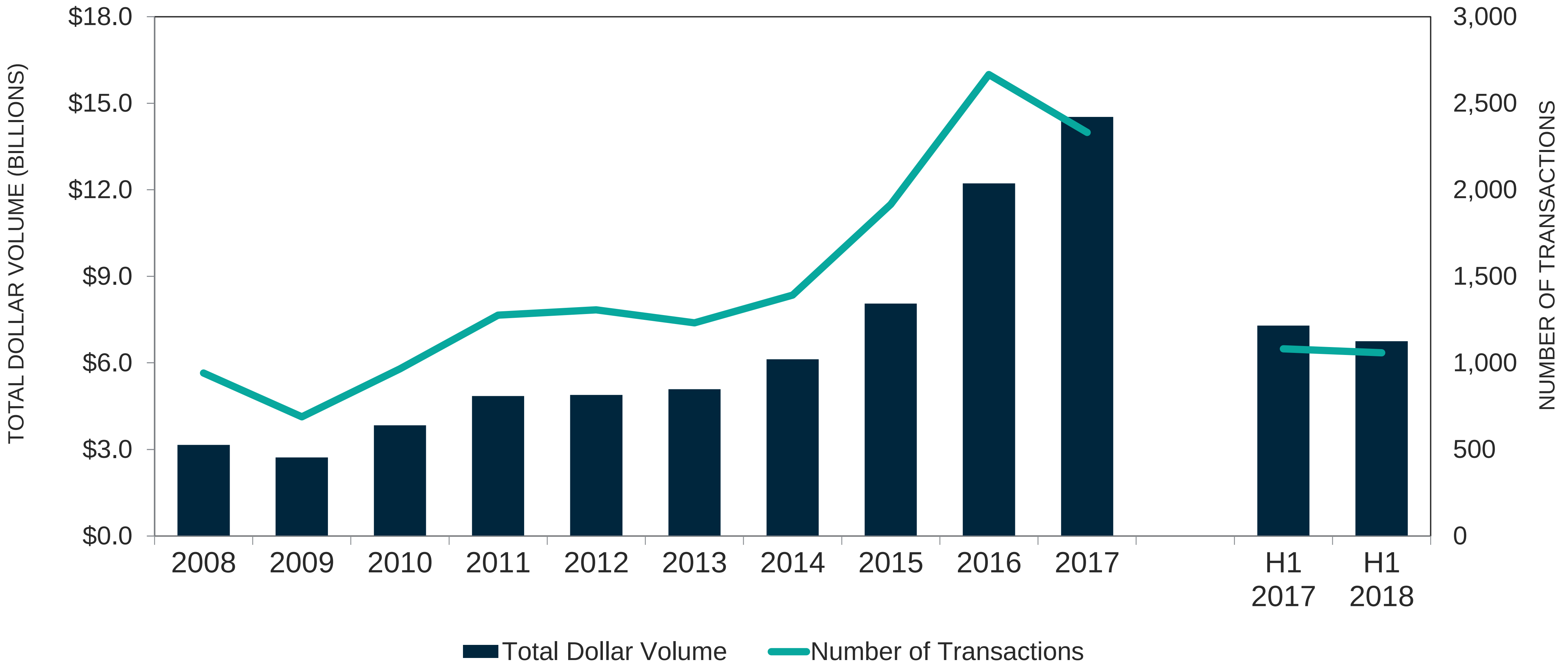
And interest are rising…



Source: Altus Group

Residential Land

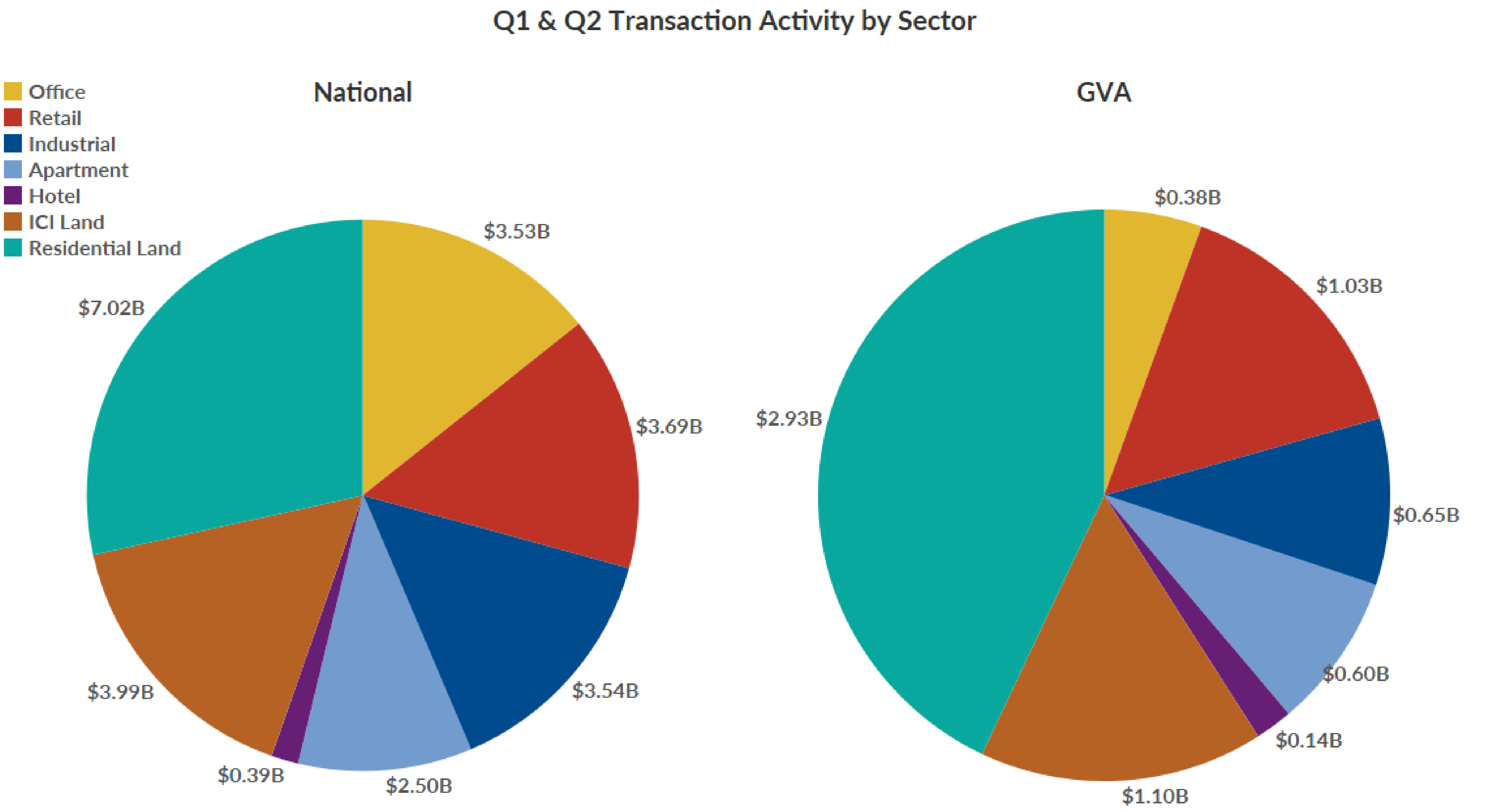
Residential land investment activity stable – although below the pace of 2017



Source: Altus Group

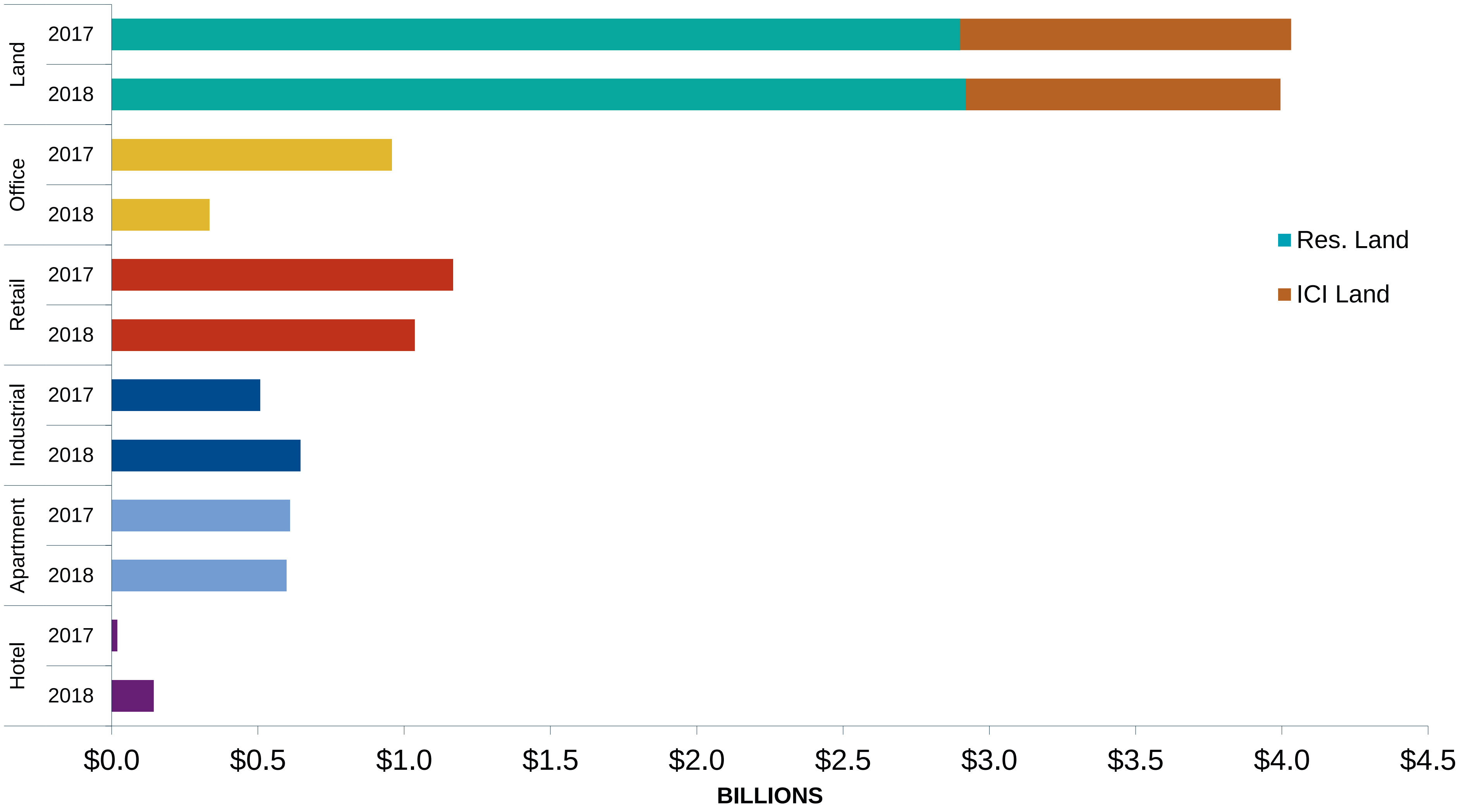
Residential land transaction activity continues to dominate nationally

Altus Group



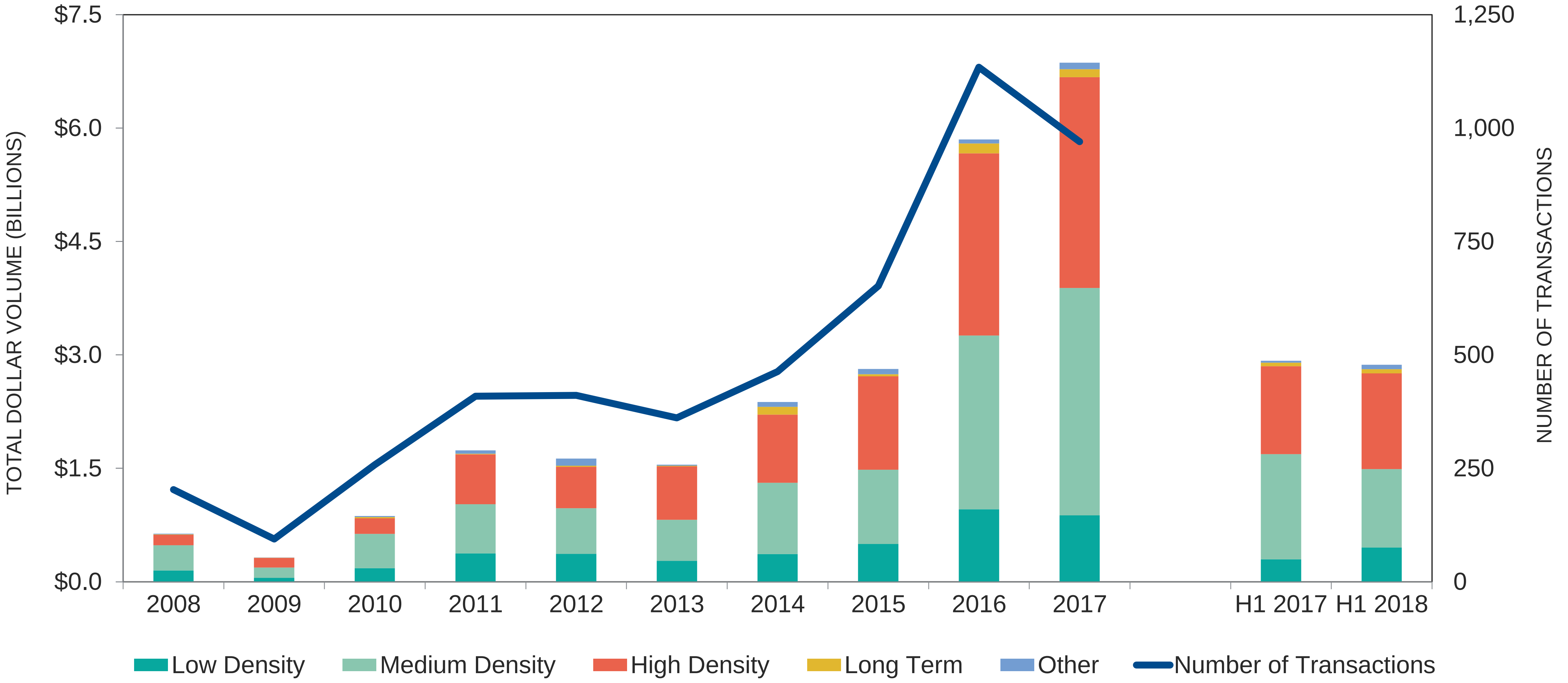
Source: Altus Group

Investment activity slipped, but largely due to declines in office



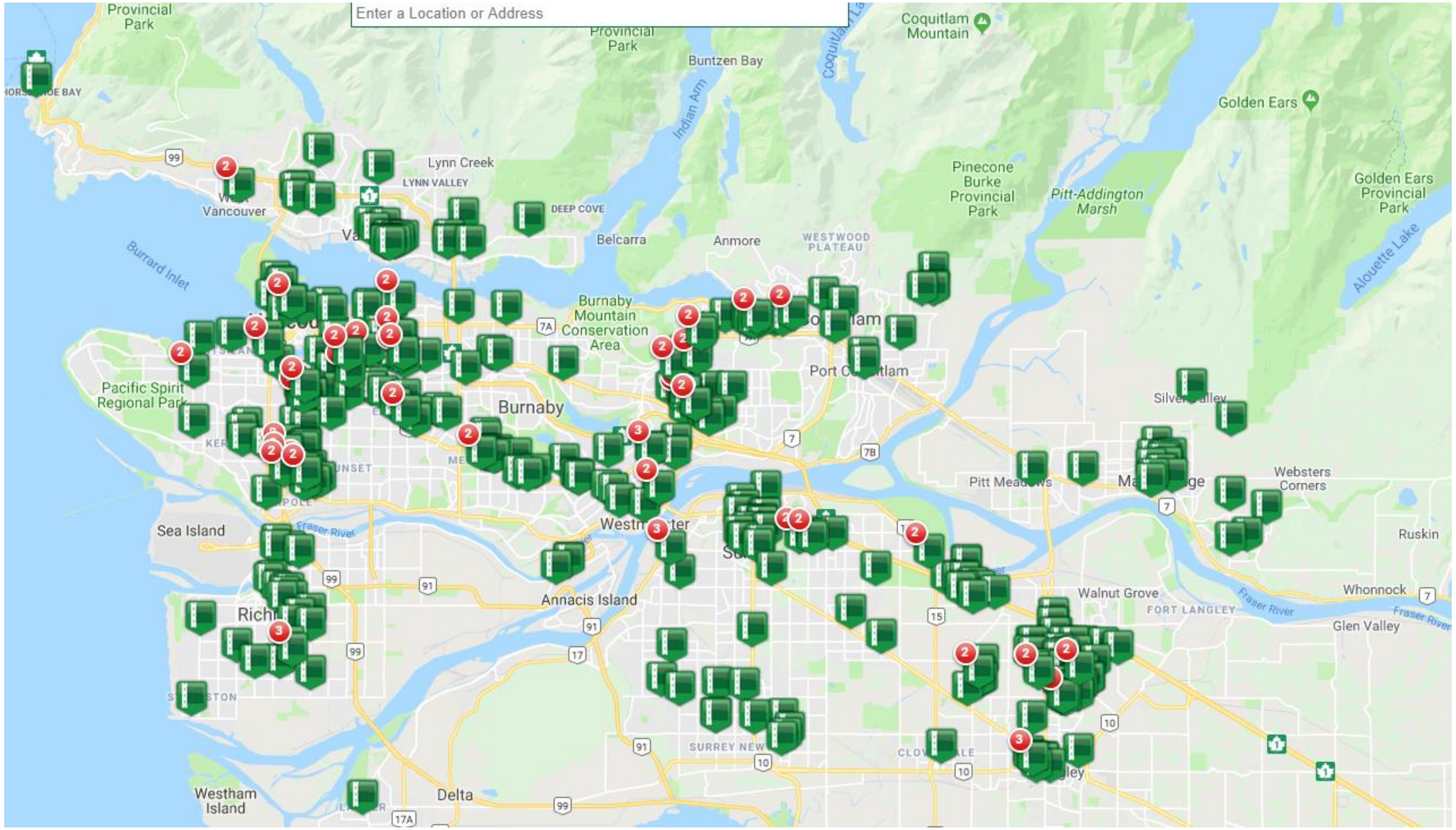
Source: Altus Group

Residential land transactions by land use



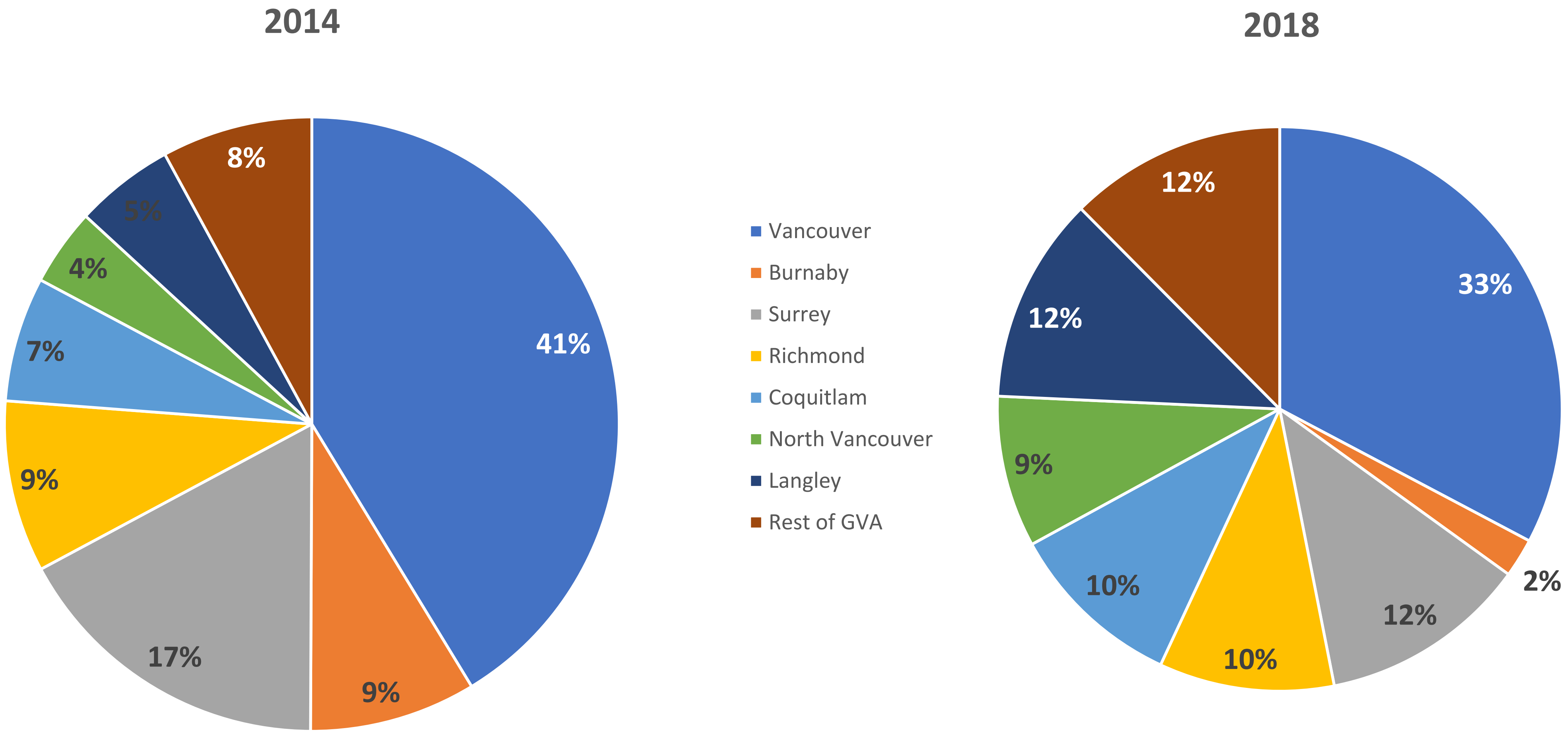
Source: Altus Group

2018 sales highlight the value of transit



Source: Altus Group

Growing residential land sales volume outside Vancouver

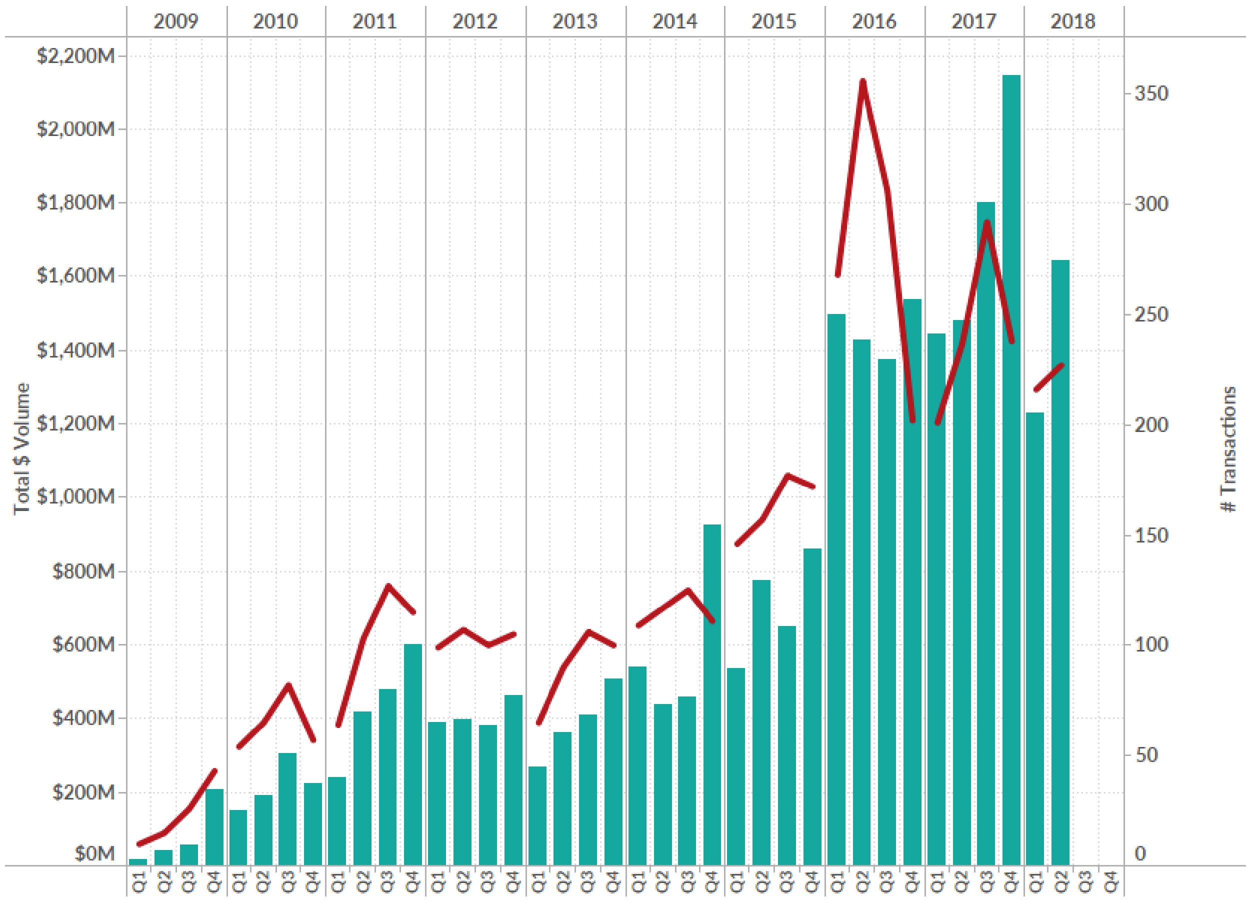


Source: Altus Group

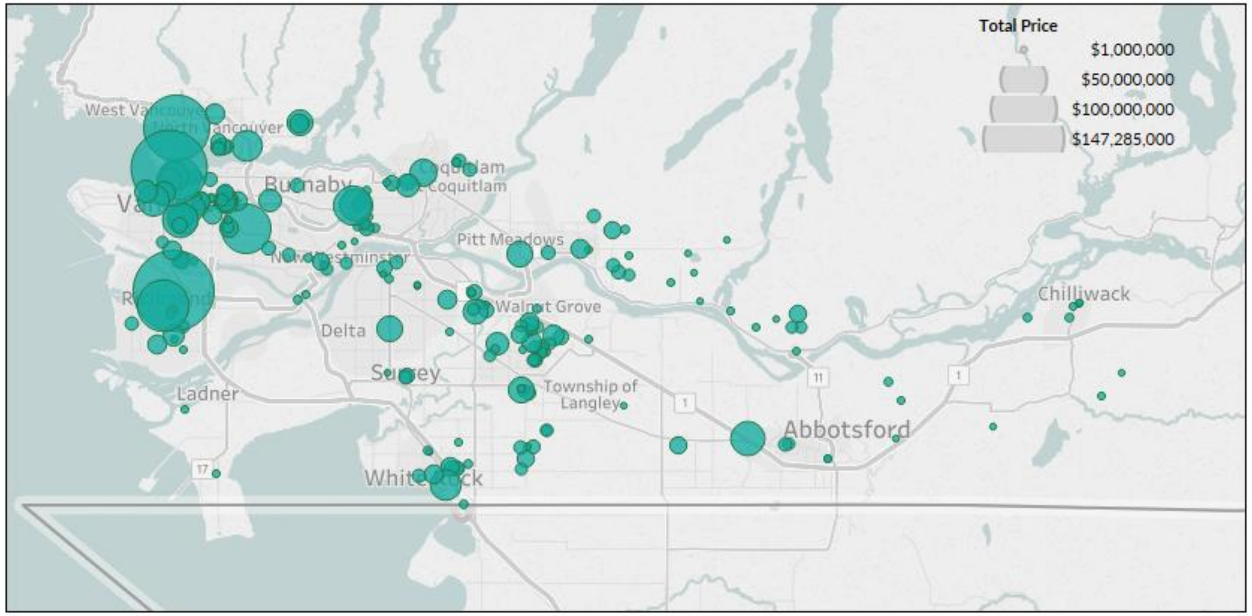
Although the big deals in Vancouver are keeping transaction volumes elevated

AltusGroup

Residential Land Property Transactions - Q1 2009 to Q2 2018



Residential Land Property Transactions - Q2 2018



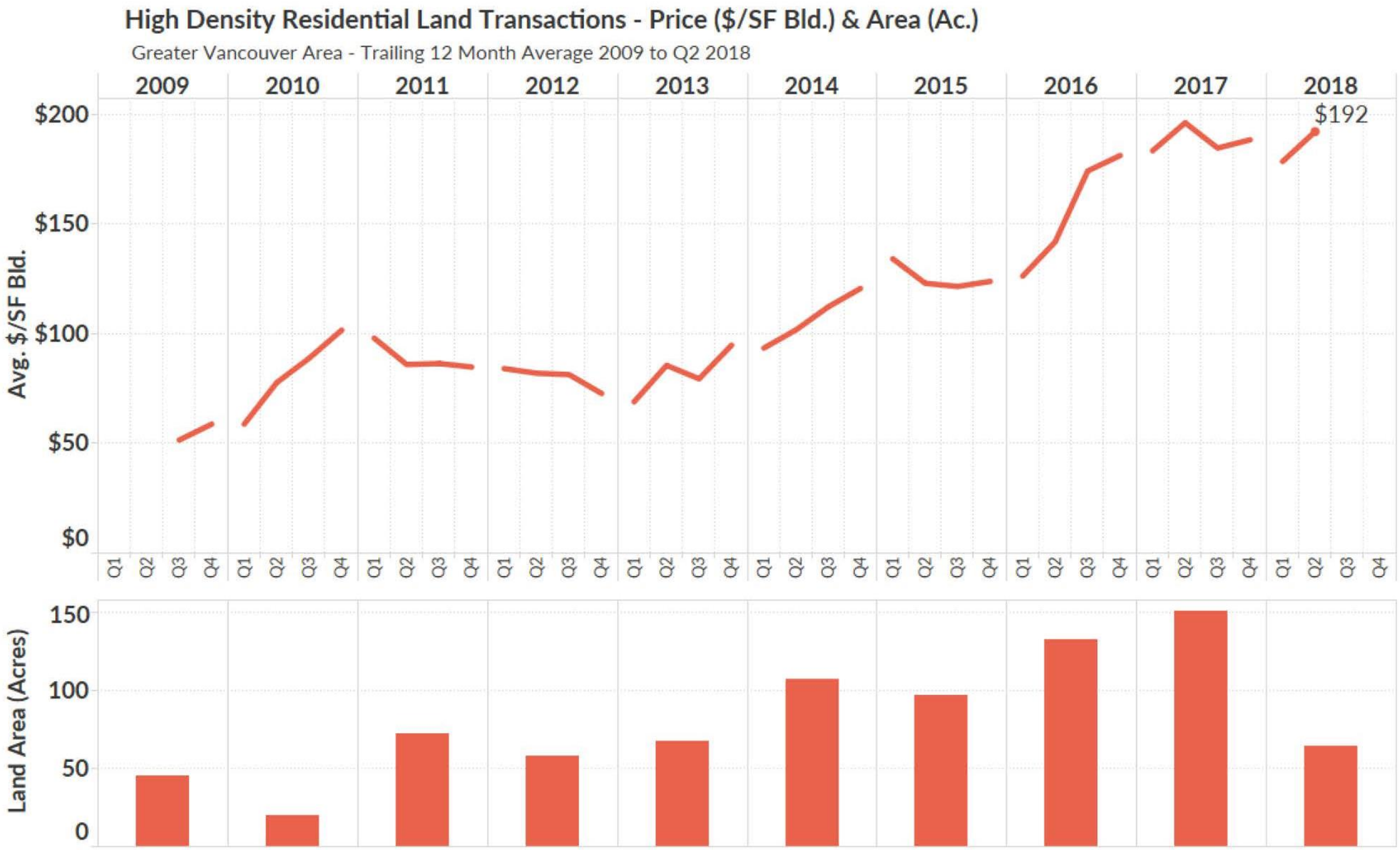
Source: Altus Group

What does $100M in land buy in Vancouver today?

1045 Haro – 830 Thurlow - Vancouver	6800 Lougheed Highway- Burnaby	9850 Austin Road - Burnaby	1640 Alberni Street - Vancouver
$164,750,000	$209,000,000	$220,000,000	$130,000,000
0.993 ac	18.74 ac	4.074 ac	0.397 ac
$485/SQFT	TBD	TBD	$550/SQFT

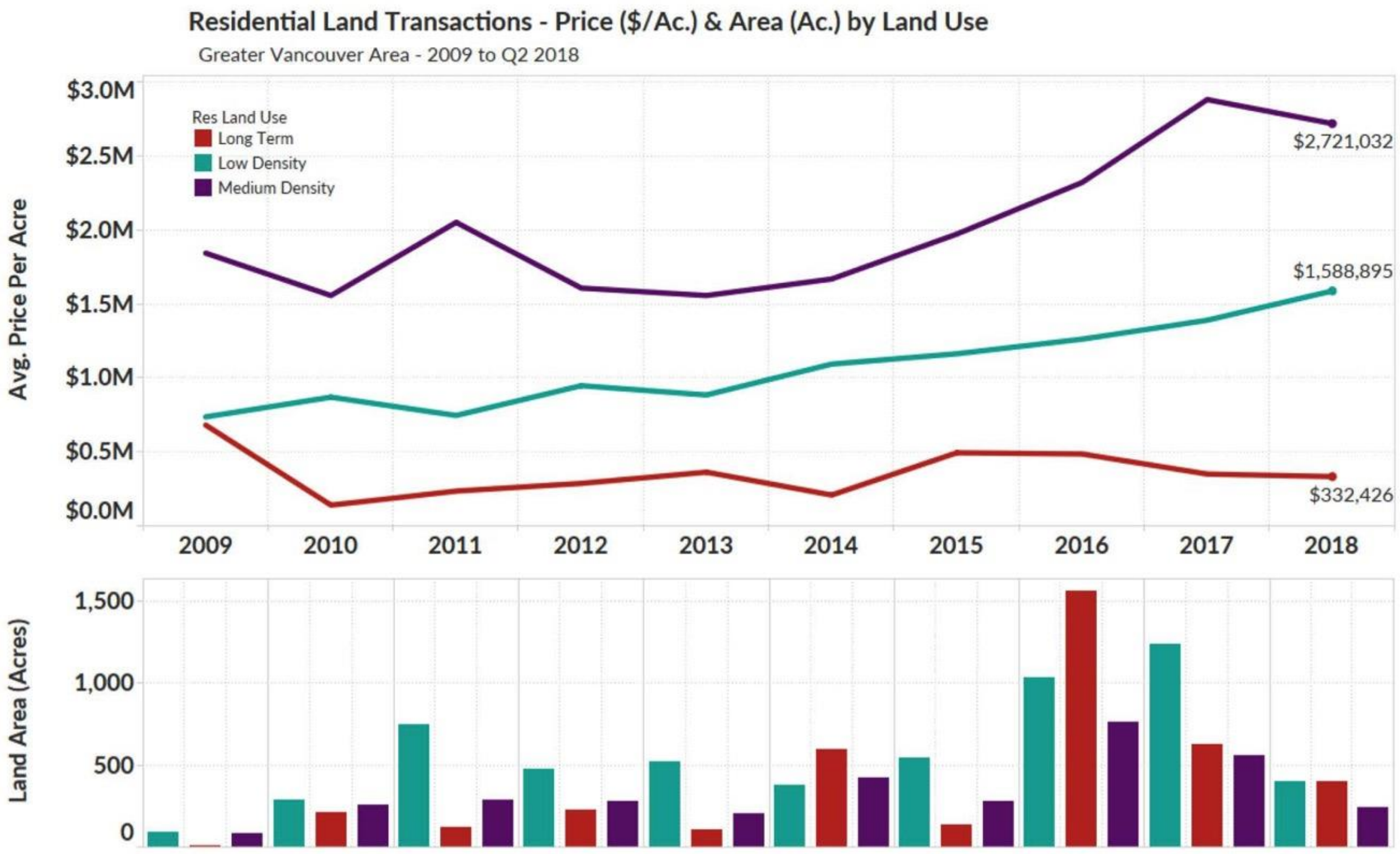
Source: Altus Group

High density land prices have stabilized following the rapid rise in 2016, while total acres sold have declined



Source: Altus Group

…With a similar trend in low and medium density land, which is also seeing less volume

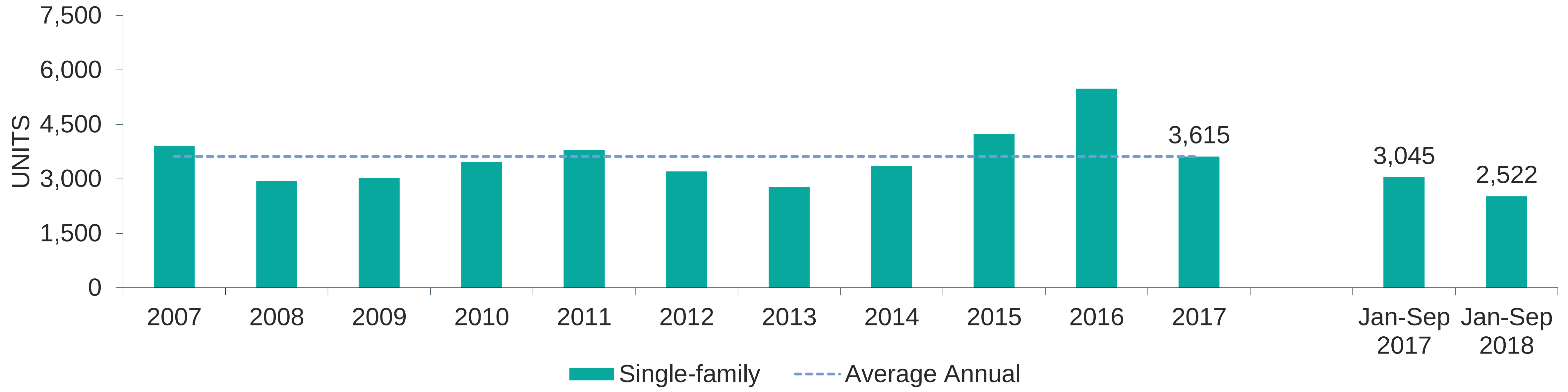


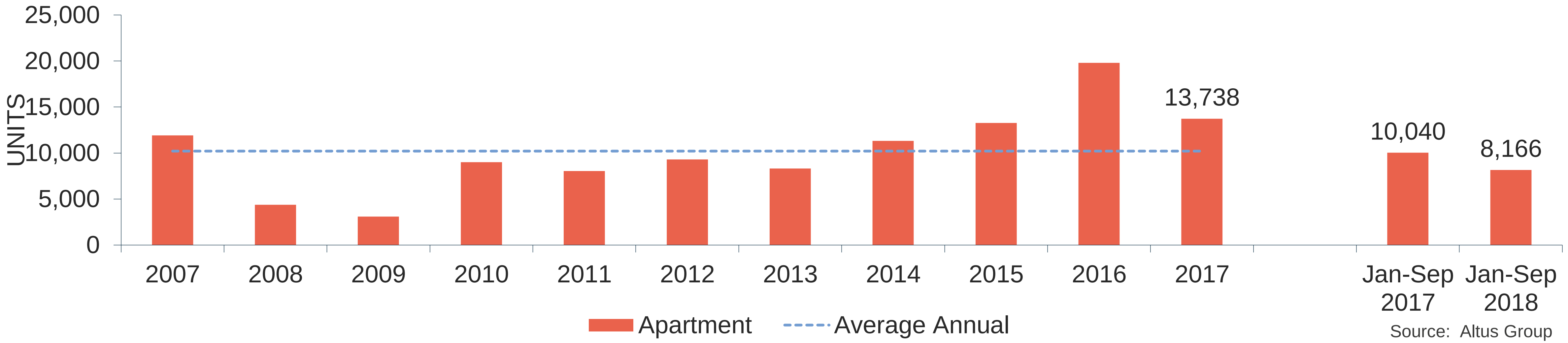
Source: Altus Group

Residential Overview

New Homes

New home sales slow in 2018 – but, still above historical norms

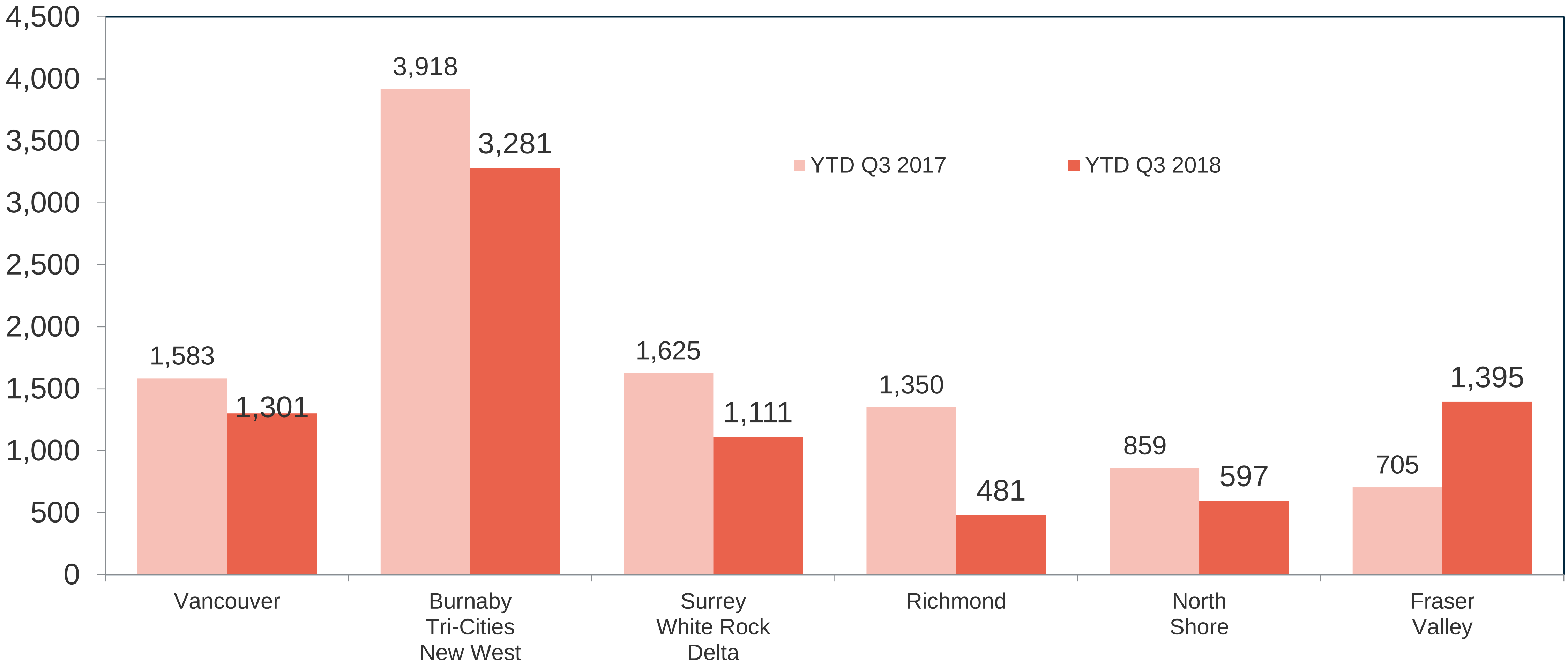




Source: Altus Group

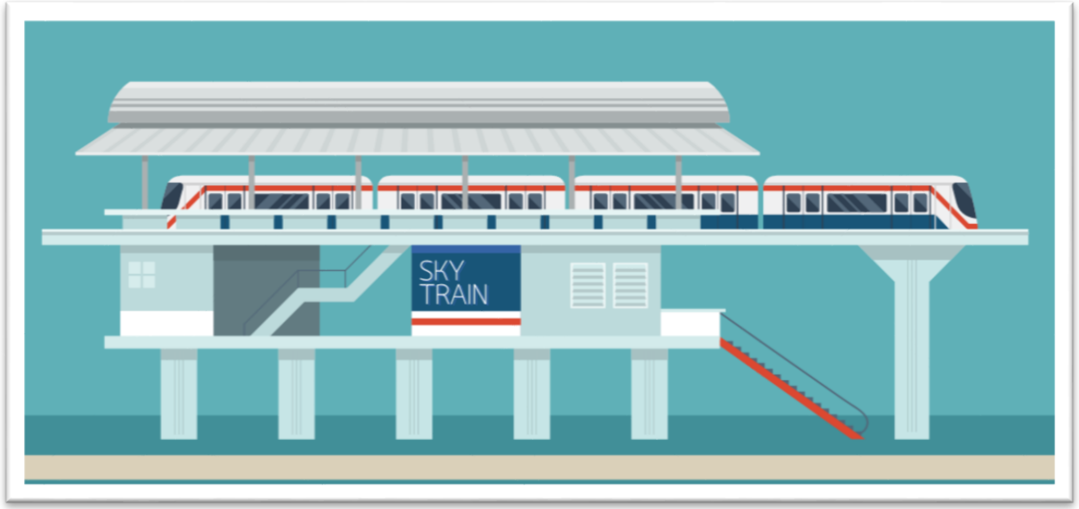
Condominium apartment demand has remained strong along SkyTrain

Altus Group

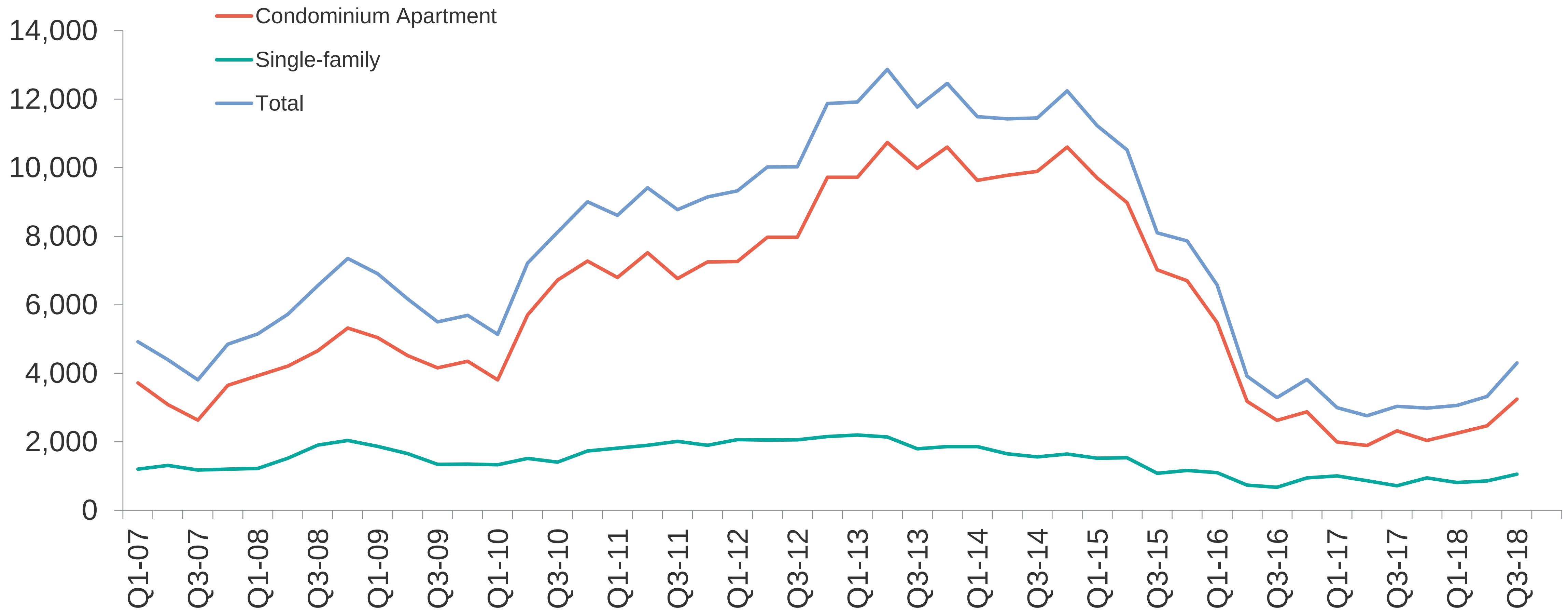


Source: Altus Group

Recipe for success?

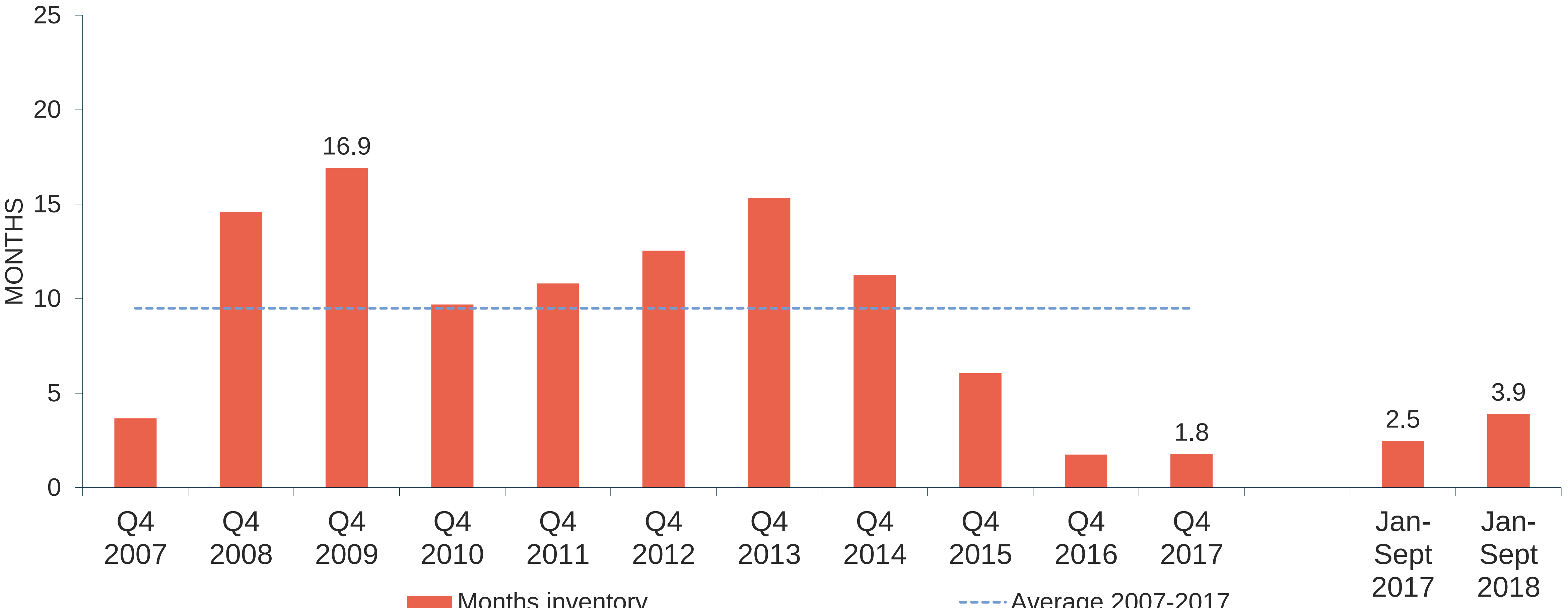


Inventory has improved, but remains very tight by historical norms



Source: Altus Group

New condominium apartment inventory is improving after an increase in launches



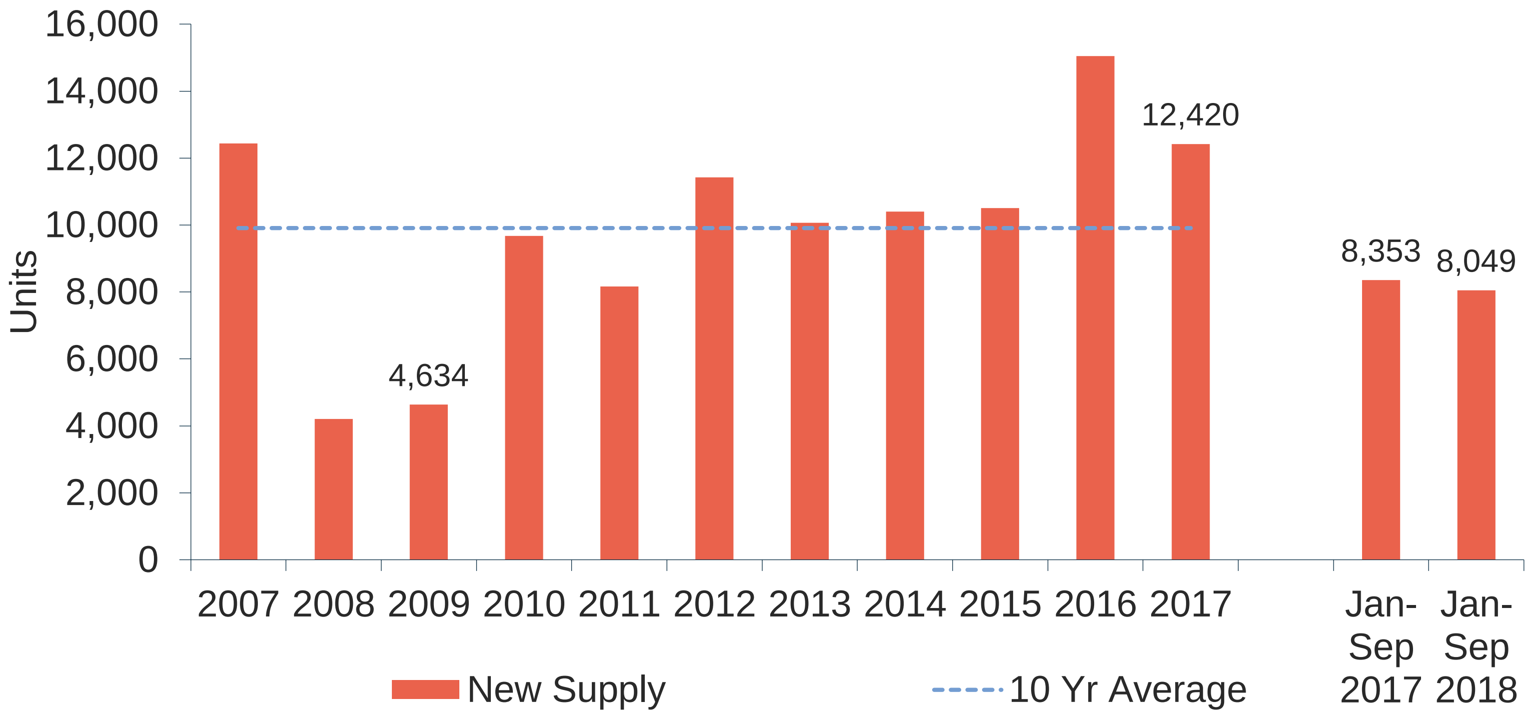
* Based on sales in previous 12 months

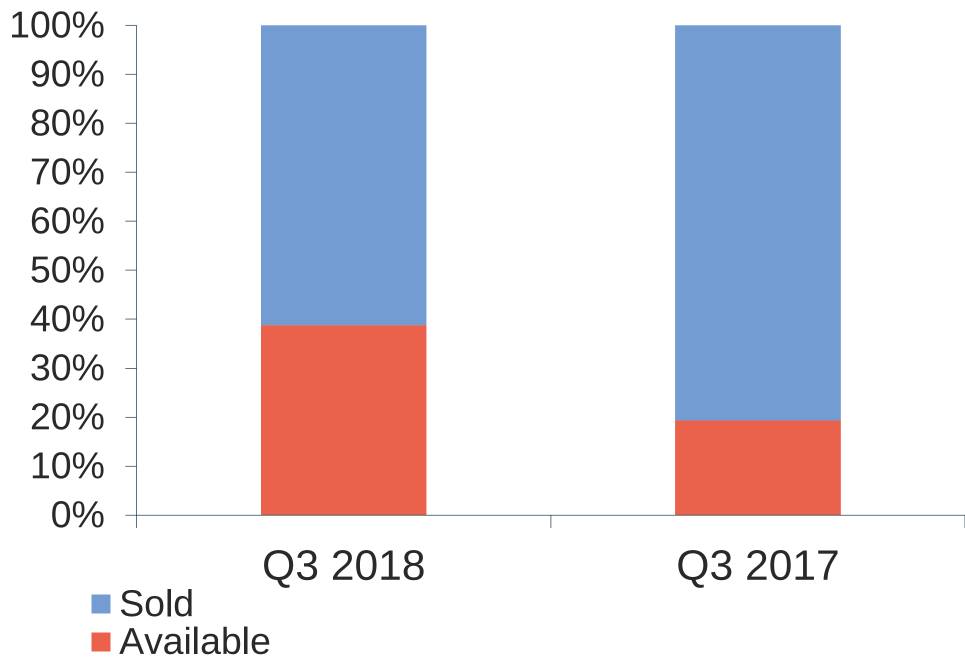
Source: Altus Group

Price growth at project launches has stalled

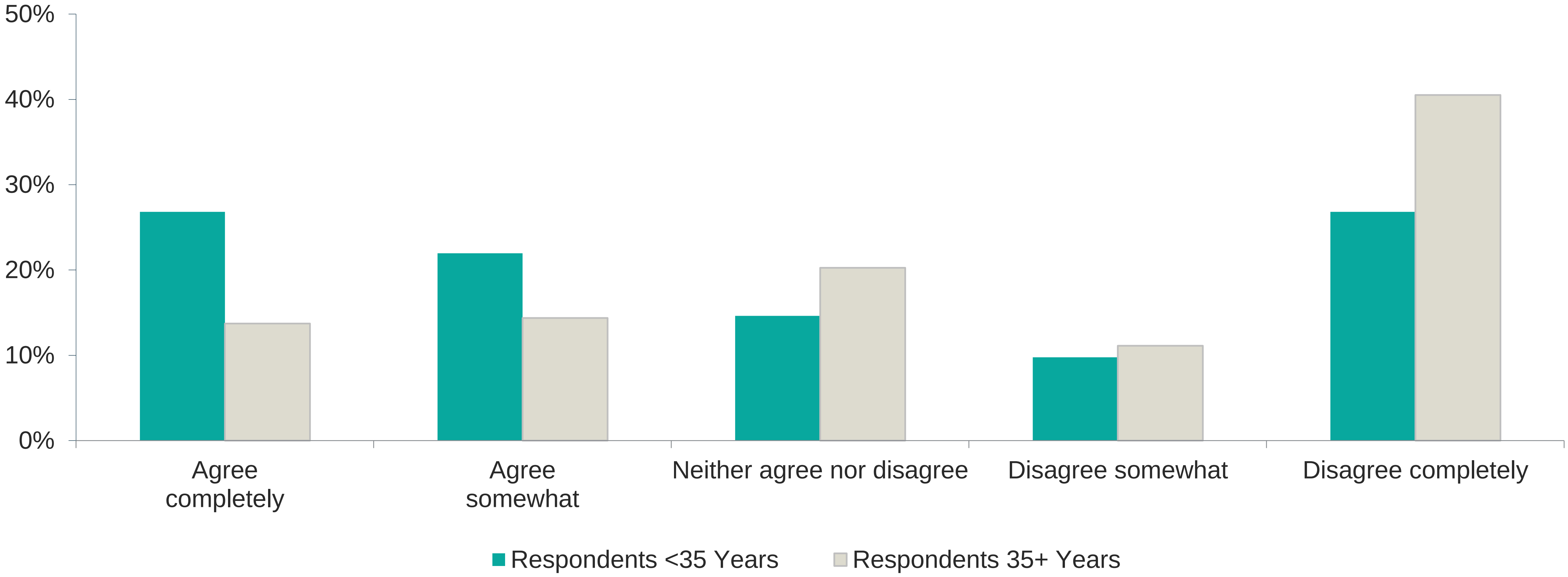
Source: Altus Group

New supply YTD has kept pace with 2017 although sales at launch have declined



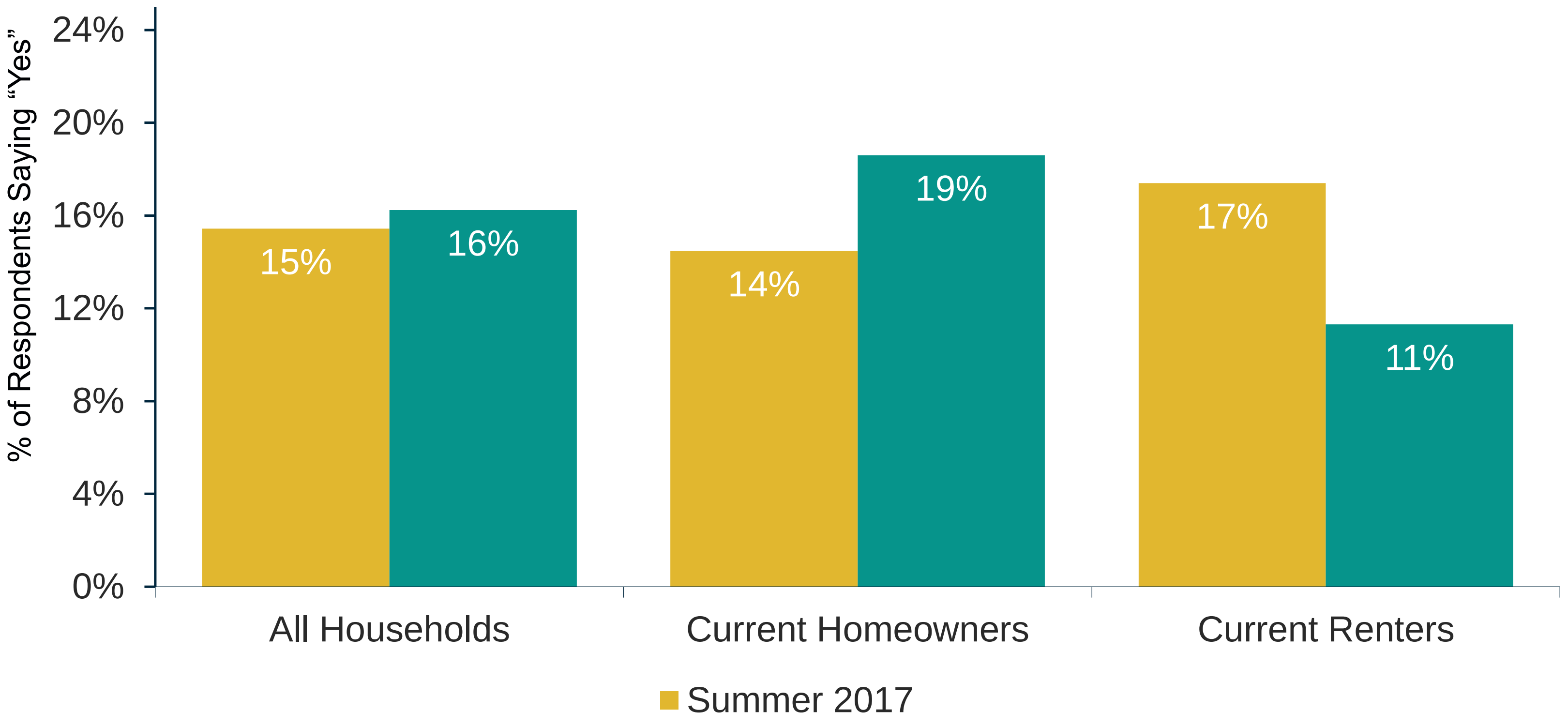


Millennials still indicate they would prefer an apartment in the downtown rather than a suburban house



Source: Altus Group

Although renters have indicated less interest in ownership in 2018



Aged 50 or older	1 in 2
First-time buyer	4 in 10
Single-person household	1 in 3
Immigrants to Canada	4 in 10
Annual household income >$100k	3 in 10

Source: Altus Group

Rates will continue to rise – putting pressure on home owners

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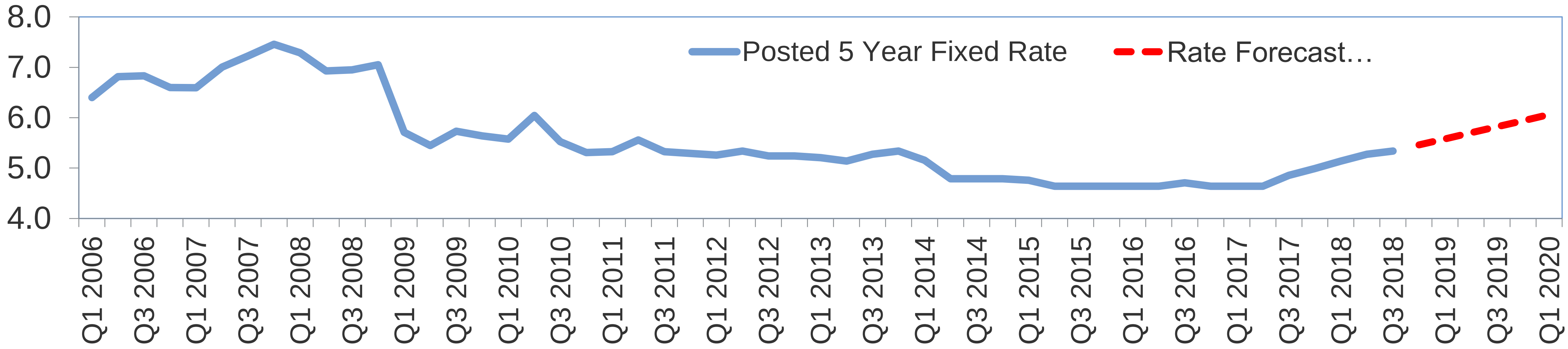

Vancouver State of the Market Event

Wrap Up

Today's Presentation & Flash Report

All attendees will receive an email later today with instructions on how to download today's **presentation slides** and a copy of the **Vancouver Flash Report 2018**

Now Available for Vancouver

The Altus Group Condominium Apartment Monitor

This multi-page digest features key market tracking material, including:

- Details on new condominium apartment sector *(condominium apartment, loft, stacked townhouse)*
- Broader resale and new home market context
- Dashboard with key performance metrics *(KPIs)*
- New condominium apartment project openings
- Periodic custom analytics and new market insights
- Insights on consumer housing-related behavior and homebuying intentions

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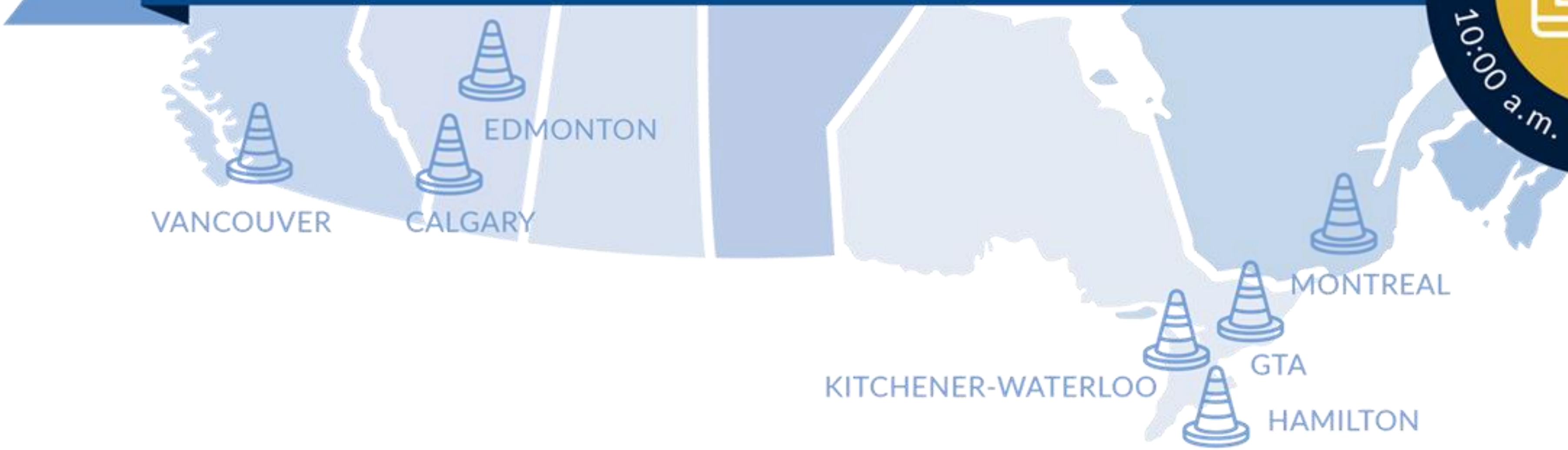
WEBINAR

Residential Development in Canada:
WHAT CAN WE LEARN FROM 2018?

THURS, NOV 22 2018
10:00 a.m. – 10:45 a.m. PST

MARKETS COVERED



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