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Please contact **datasolutionsinfo@altusgroup.com** with any questions.

EDMONTON
STATE OF THE MARKET

2019

Altus Group

@AltusData | #AltusEdmonton

INTRODUCTION

Jonas Locke | *Vice President, Western Canada*
Valuation & Advisory

Altus Group
DATA SOLUTIONS

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AGENDA

1. Commercial Market Update
2. Residential Market Update
3. Closing Remarks
4. Focus Sessions

Raymond Wong | *Vice President, Data Operations*
Data Solutions

Matthew Boukall | *Vice President, Product Management*
Data Solutions

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Commercial Market Update

EDMONTON STATE OF THE MARKET 2019

Edmonton employment changes (2014 – 2018)

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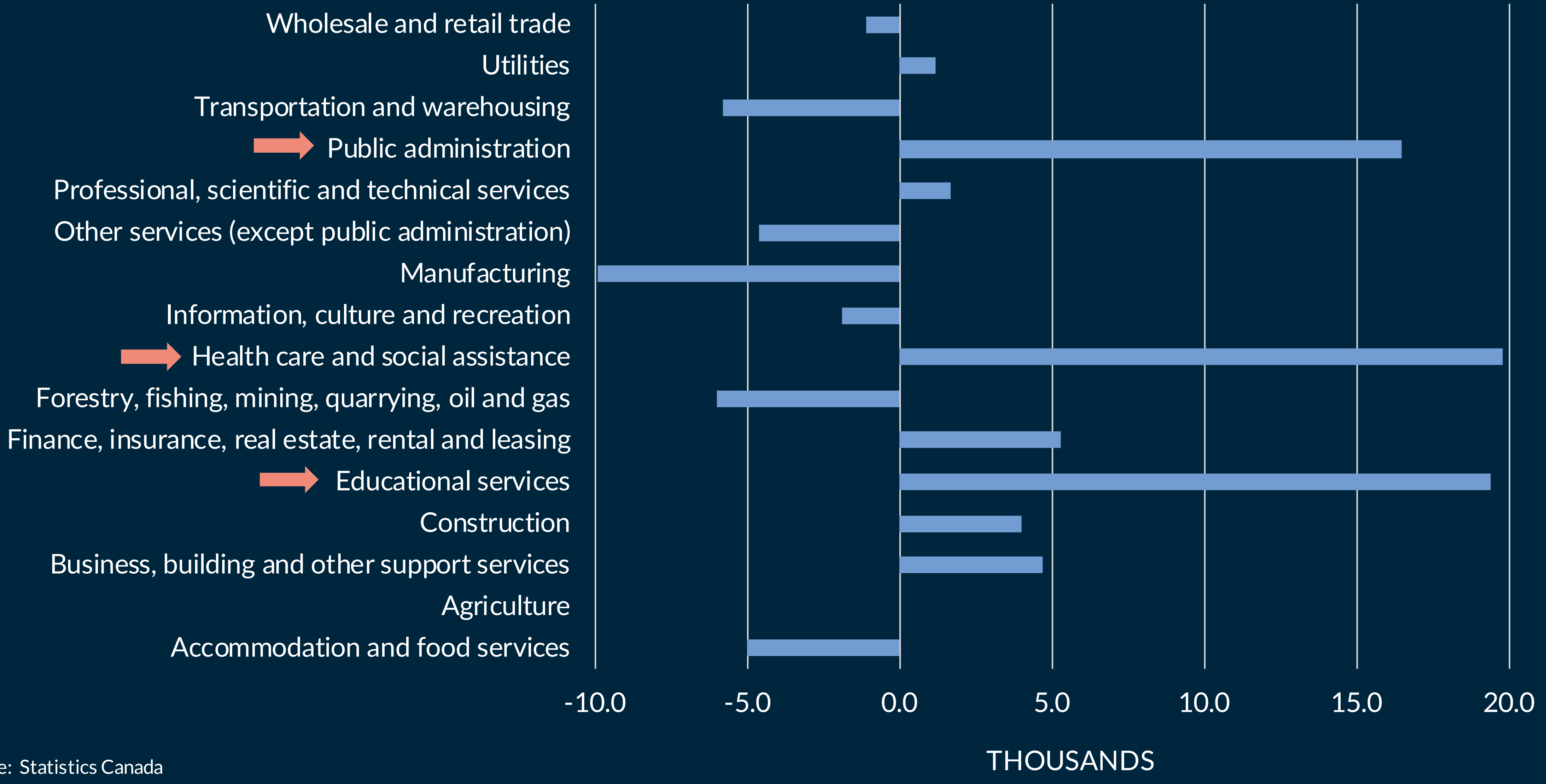

Source: Statistics Canada

The job landscape – global change by 2022 - AI

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TOP 10 EMERGING ROLES

133 MILLION

1. Data Analysts & Scientists
2. AI & Machine Learning Specialists
3. General & Operations Managers
4. Software & Applications Developers / Analysts
5. Sales & Marketing Professionals
6. Big Data Specialists
7. Digital Transformation Specialists
8. New Technology Specialists
9. Organizational Development Specialists
10. Information Technology Services

TOP 10 DECLINING ROLES

75 MILLION

1. Data Entry Clerks
2. Accounting, Bookkeeping & Payroll Clerks
3. Administrative & Executive Secretaries
4. Assembly & Factory Workers
5. Client Information & Customer Service Workers
6. Business Services & Administration Managers
7. Accountants & Auditors
8. Material-Recording & Stock-Keeping Clerks
9. General & Operations Managers
10. Postal Service Clerks

Source: Future of Jobs Report 2018, World Economic Forum

Connected and AI-driven

Events shape behaviour…

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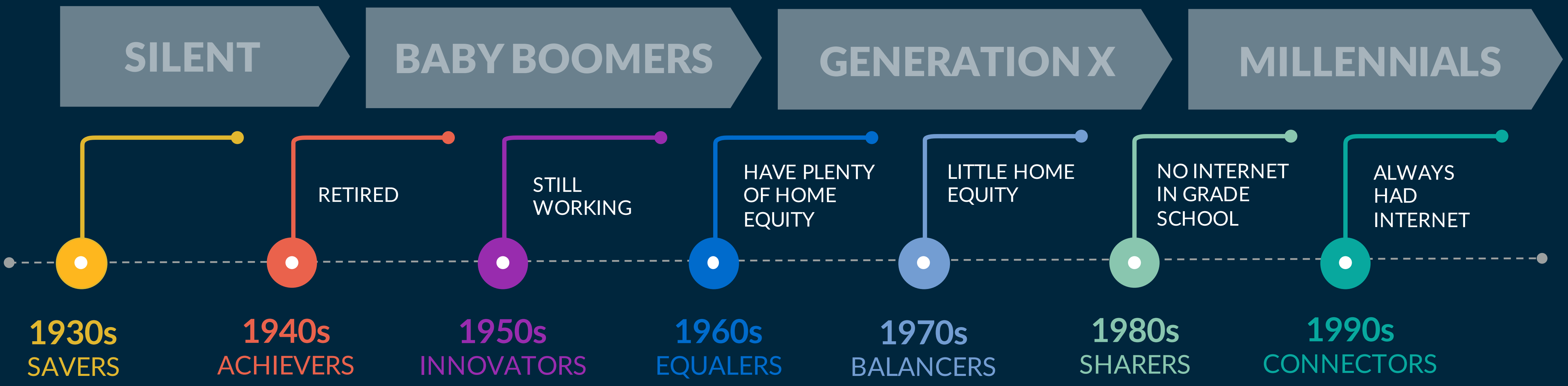

Source: ATTOM, Altus Group

...behaviour shapes our community

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Self-contained mini-cities are on trend

Office Trends

It's all about flexibility…

Office

INVESTOR / OWNER

Medium & long term value growth

Amenities that will generate higher rents

Attract tenants

SATISFY TENANT NEEDS

Cost & efficiency

Flexible space, flexible terms (shorter terms)

Amenities for all age demographics

ATTRACT & RETAIN TALENT

Work flexibility – when, where, how

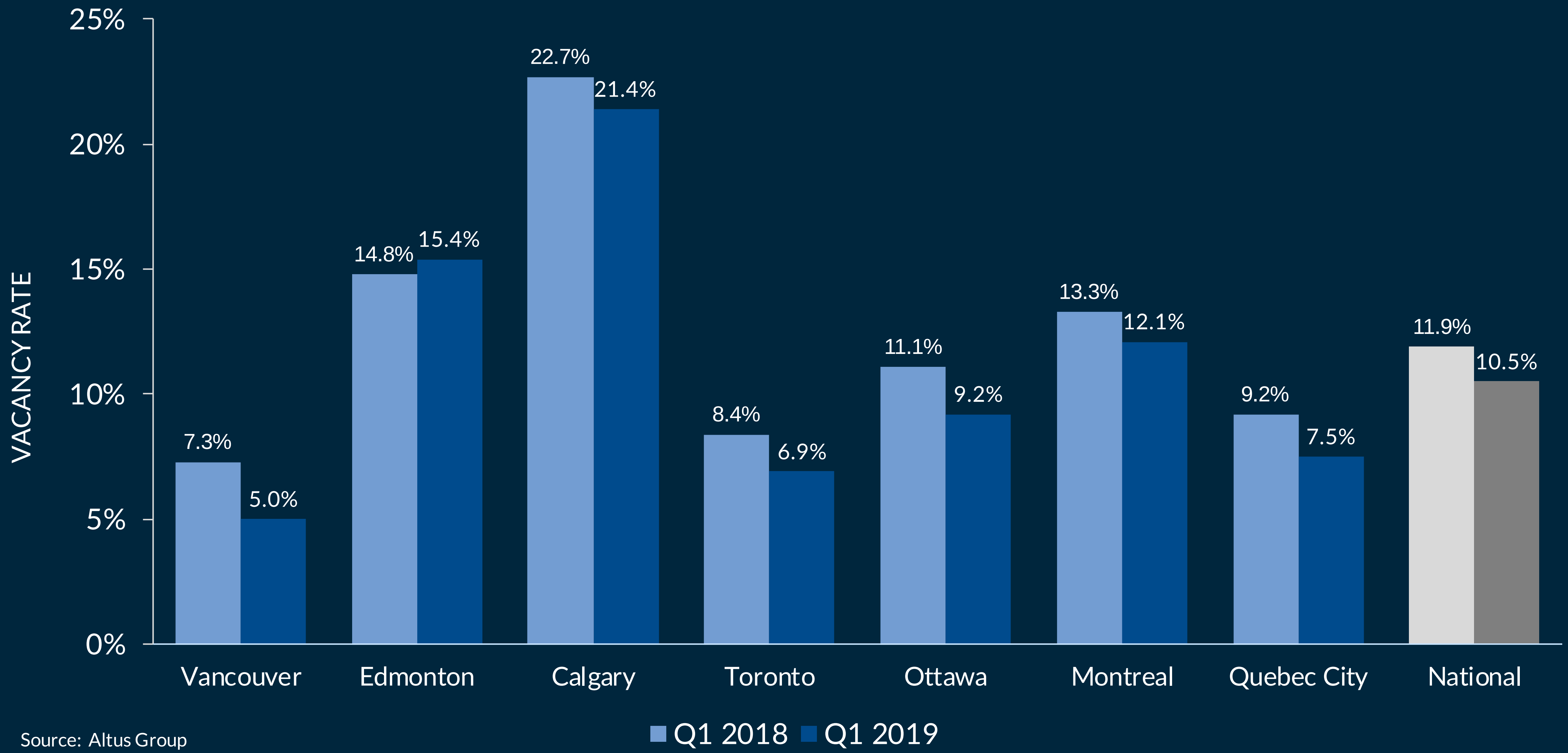
Company culture

Collaboration & privacy

Amenities, transit, restaurants

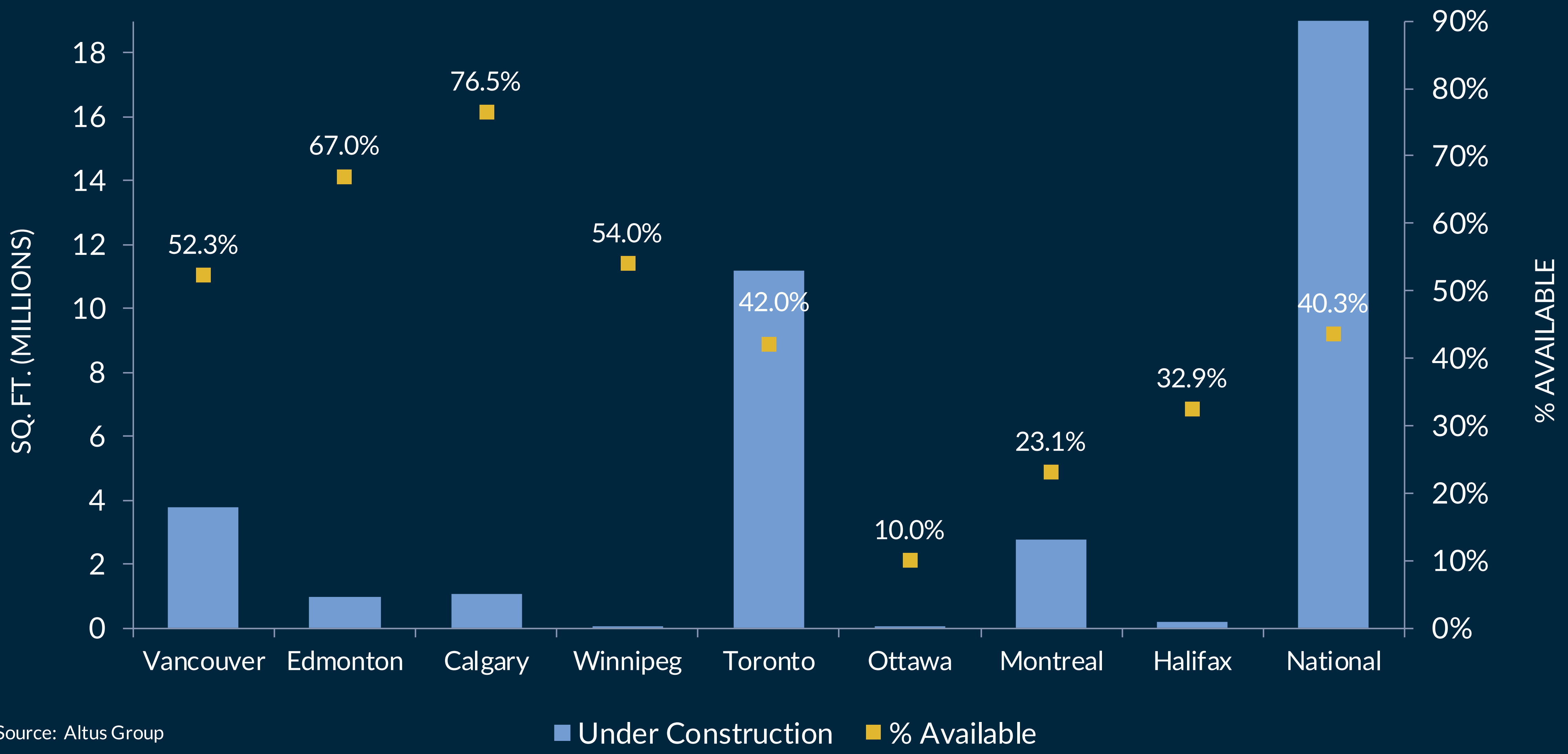
Office vacancy rate in balance – for the most part

Altus Group



Source: Altus Group

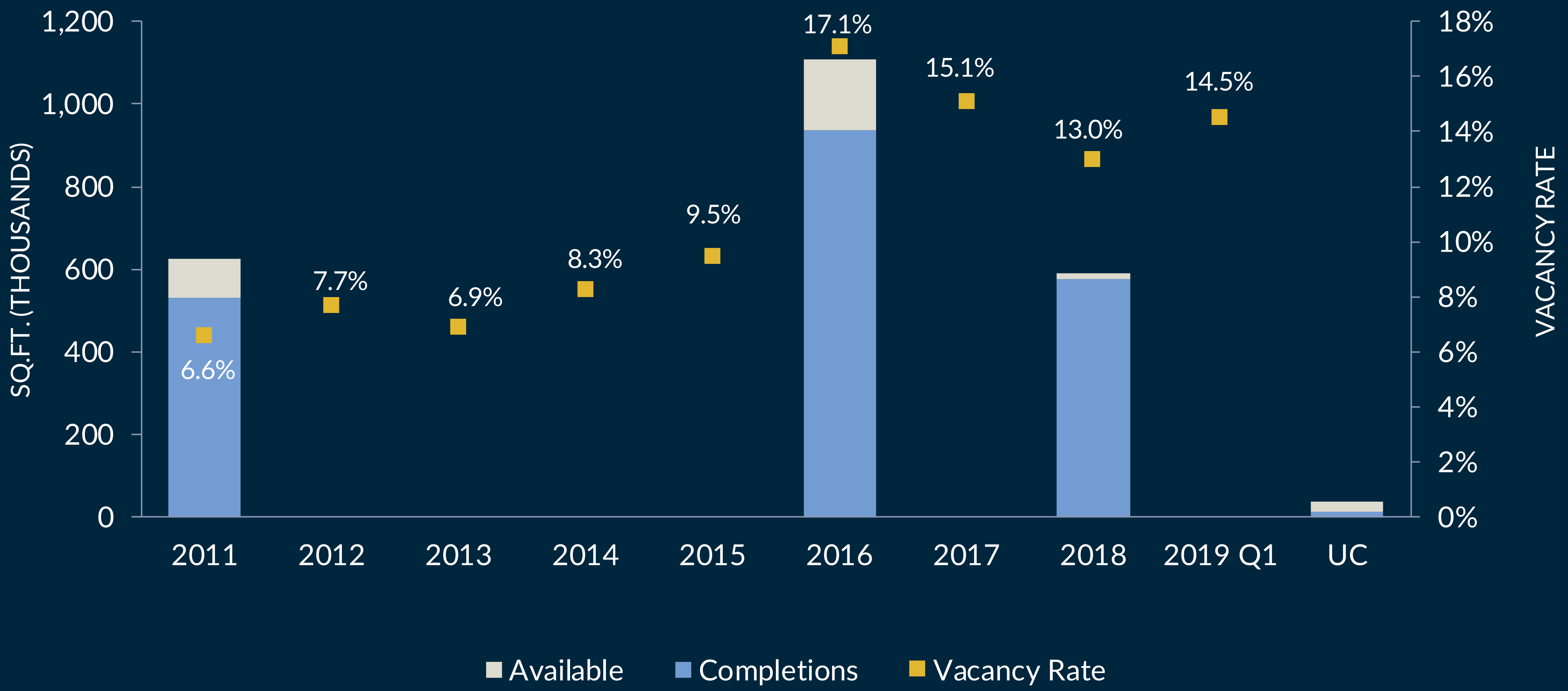
New office construction mainly in urban cores



Source: Altus Group

Edmonton downtown office: needed new supply

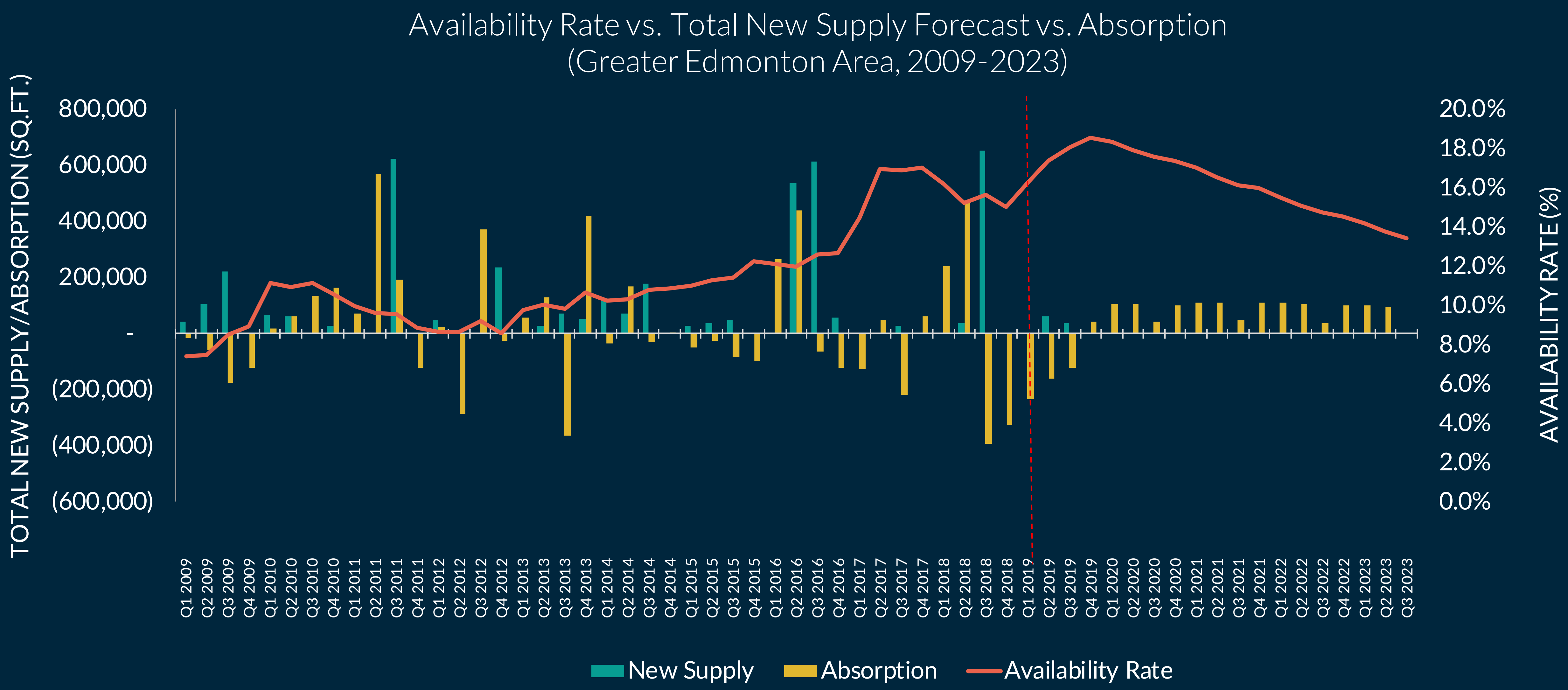
Altus Group



Source: Altus Group

Edmonton downtown office forecast

Altus Group

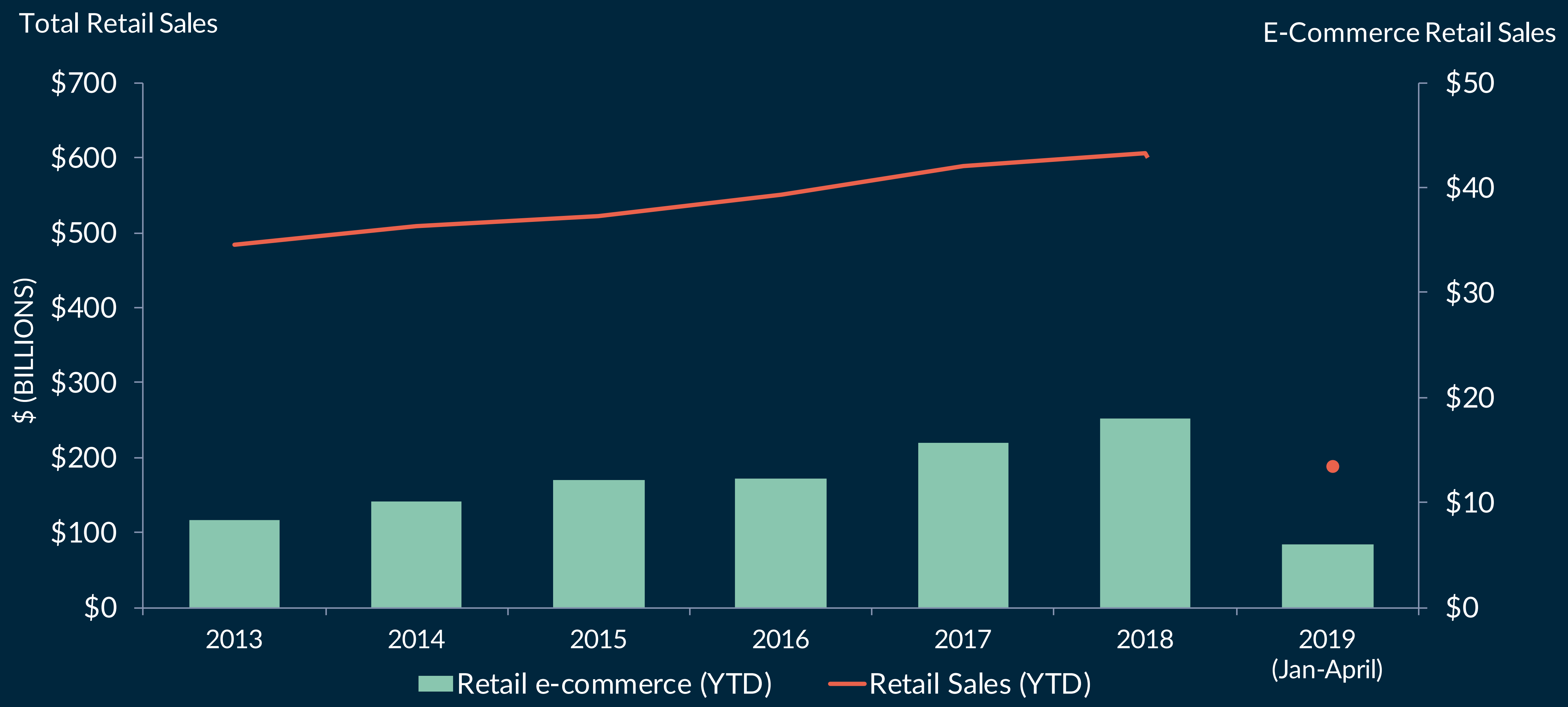


Source: Altus Group

Retail Trends

Brick & mortar is not going away…

Retail brick & mortar is not going away



Source: Statistics Canada

Digital influence is growing dramatically…

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DESIRE FOR UNIQUE EXPERIENCES OVER PRODUCTS

FOCUS ON CUSTOMER JOURNEY

NO CUSTOMER WANTS TO BE AVERAGE!

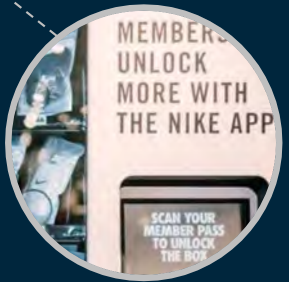
INSTAGRAM-WORTHY

PERSONALIZED MARKETING

"MOMENTS THAT MATTER" WHILE CUSTOMERS SHOP

SELF-BRANDING

FOMO



Retail

INVESTOR / OWNER

Medium & long term value growth

Amenities that will generate higher rents

Attract tenants

SATISFY TENANT NEEDS

Worker efficiency & automation

Complimentary retailers

Flexible space & lease term

All about client service

SATISFY CONSUMER NEEDS

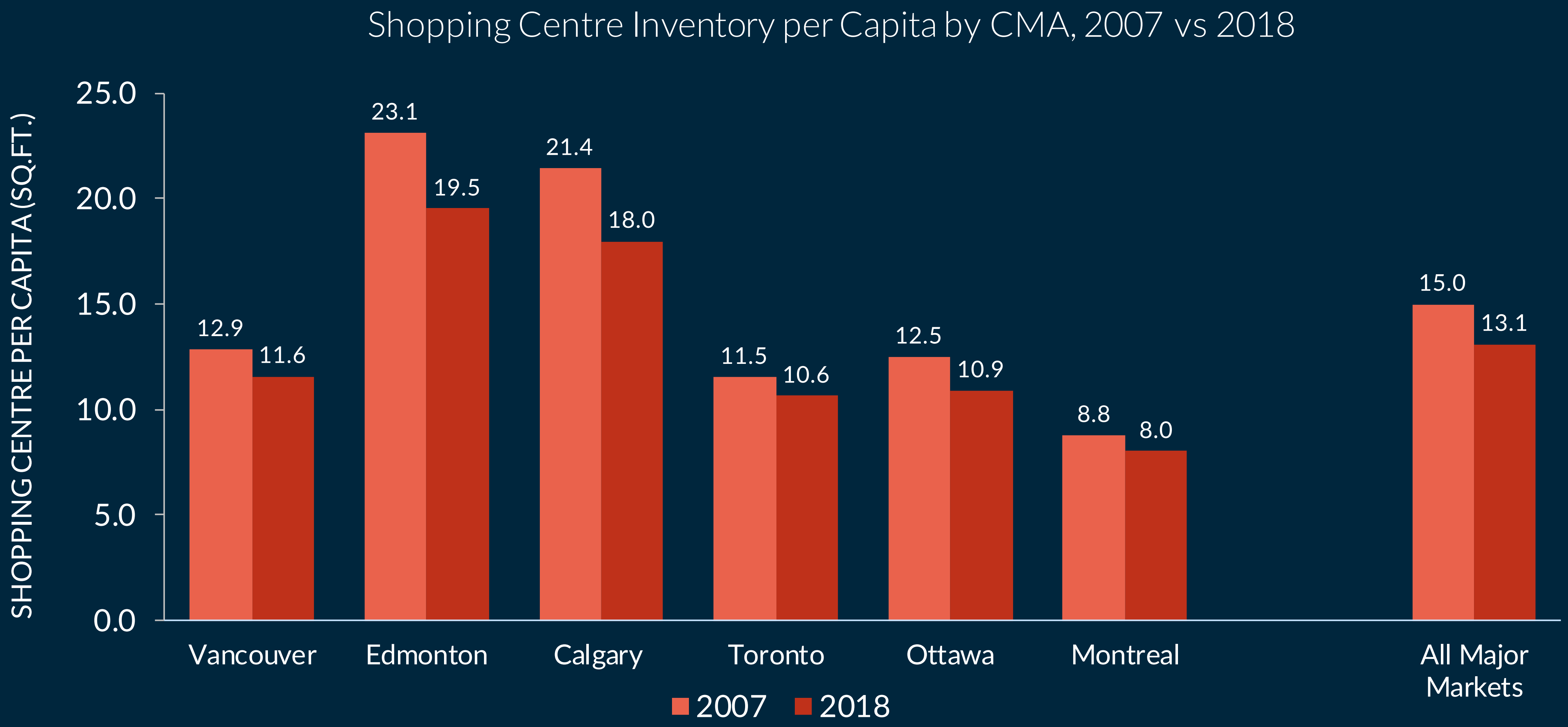
Immersive experiences - food

Convenience

Social space & meeting place

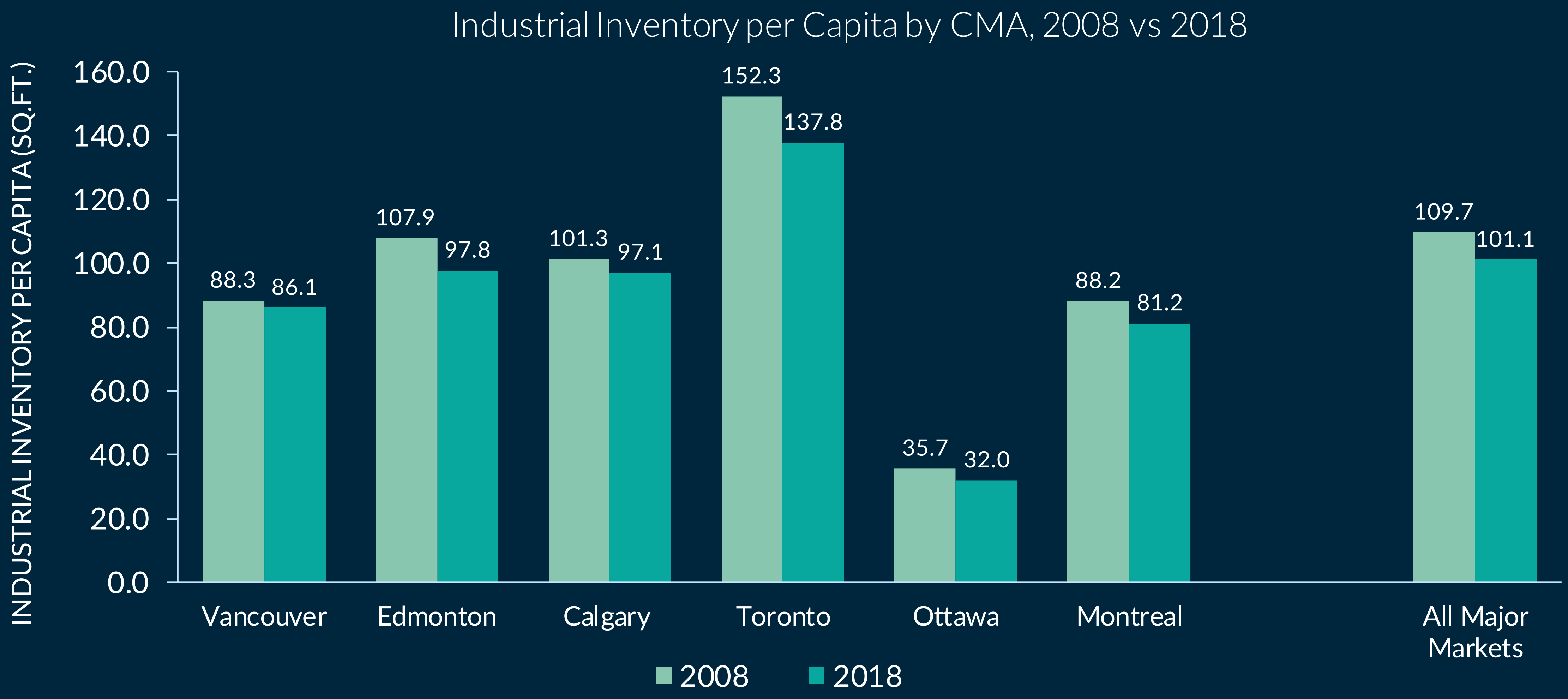
Choice - when & how

Retail per capita is steadily dropping, but not disappearing



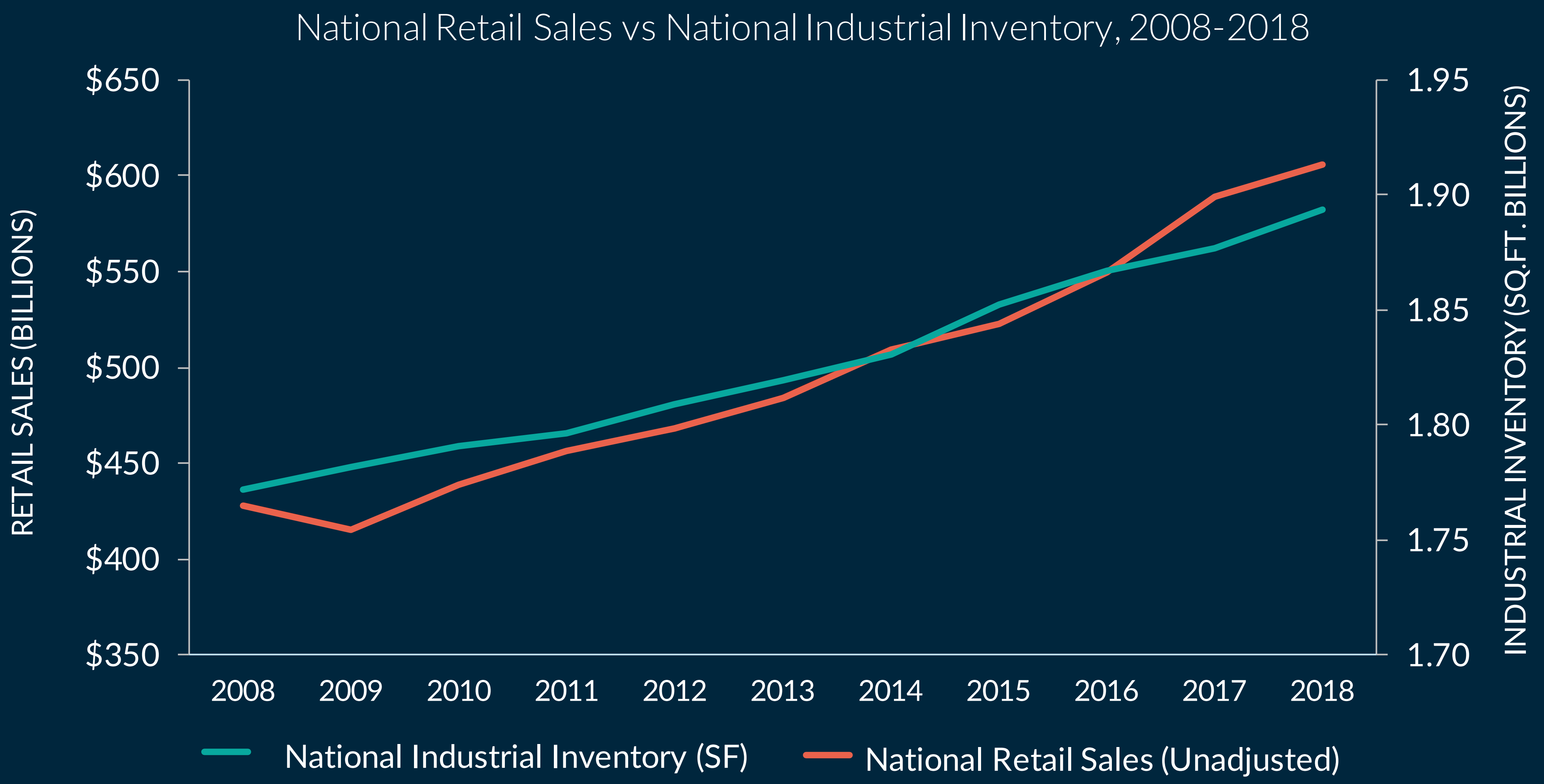
Source: Altus Group, Statistics Canada

Dropping, but not as much as retail



Source: Altus Group, Statistics Canada

Industrial demand fueled by the evolution in retail



Source: Altus Group, Statistics Canada

Last mile

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CUSTOMER EXPERIENCE

Customer experience is of utmost importance and should be backed by trained delivery professionals and customer services team.

PRICE

In-depth analysis and market research helps in evaluating cost-efficient solutions when it comes to delivery services.

SERVICE LEVEL

Service level of 3PL defines its reliability. A background check on service level will help in engaging right partners.

TRACKING

Robust IT infrastructure improves the visibility of the shipment and flow of information.

CUSTOMIZED SERVICES

Capability to manage various product and customized delivery solution based on the nature of products helps in managing the complexity of delivery efficiently.

Source: Holisol Logistics

Industrial

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INVESTOR / OWNER

Medium to long term value growth

Possible redevelopment play

Amenities that will generate higher rents

Attract tenants

TENANT NEEDS

Cost & efficiency

Location & proximity to major transit nodes

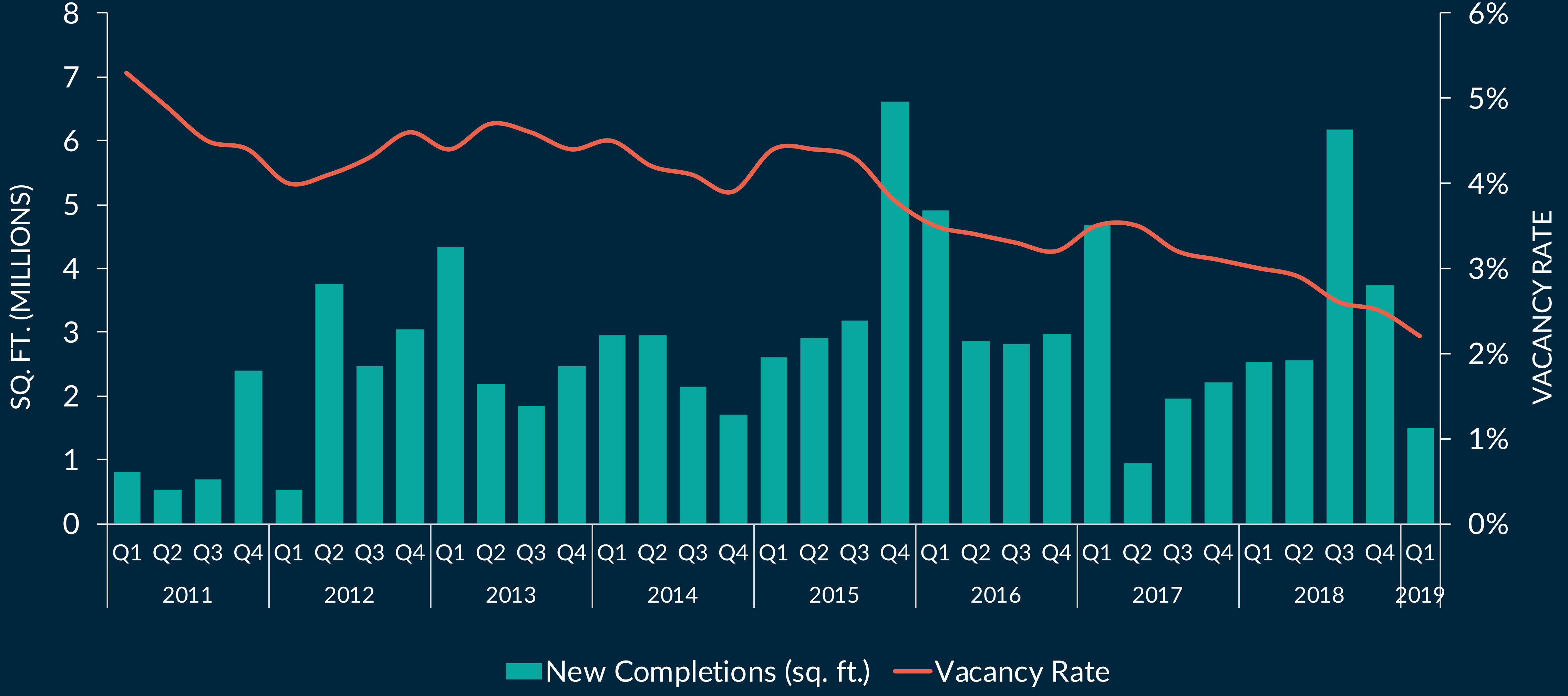
Delivery ease & timeliness

ATTRACT & RETAIN TALENT

Accessibility / proximity to public transit & major transit nodes

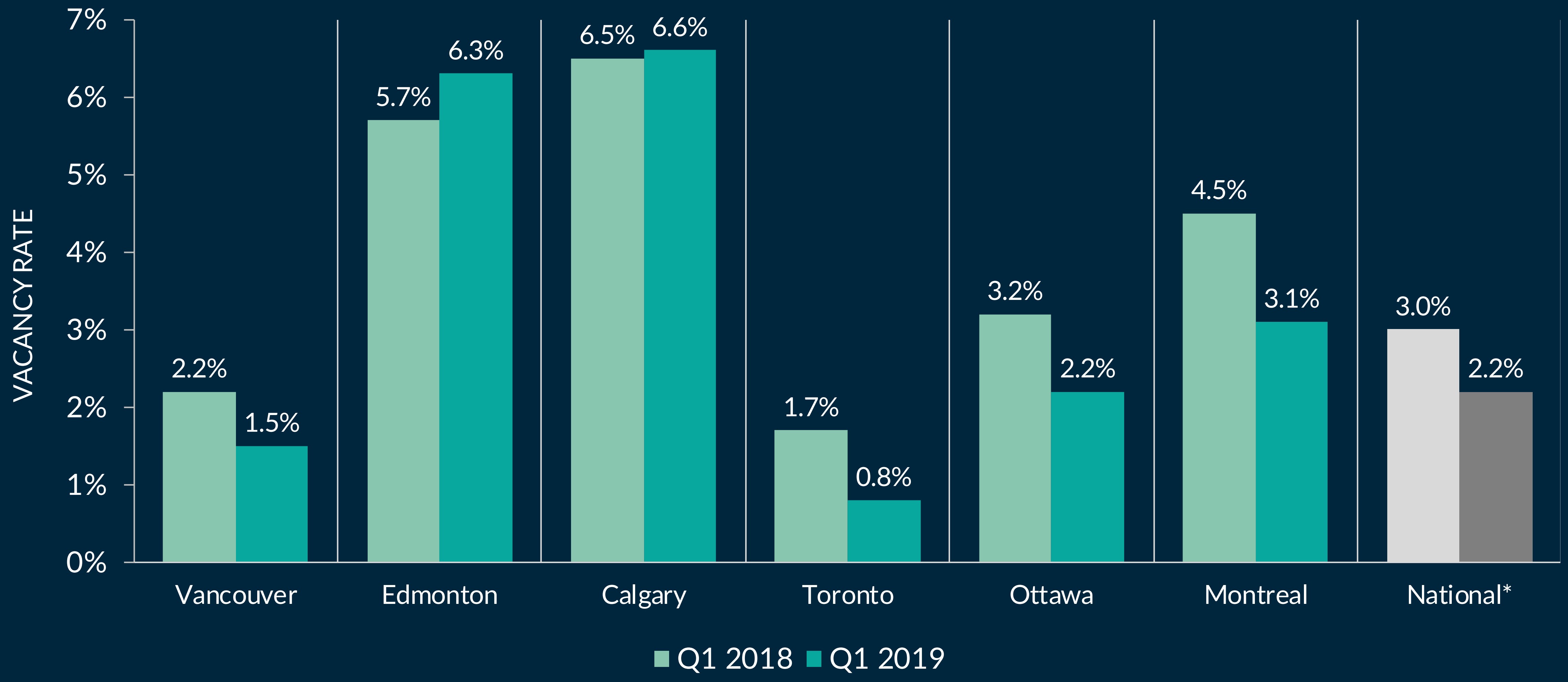
Amenities & cafeteria 24/7

National industrial vacancy rate – hit record lows!



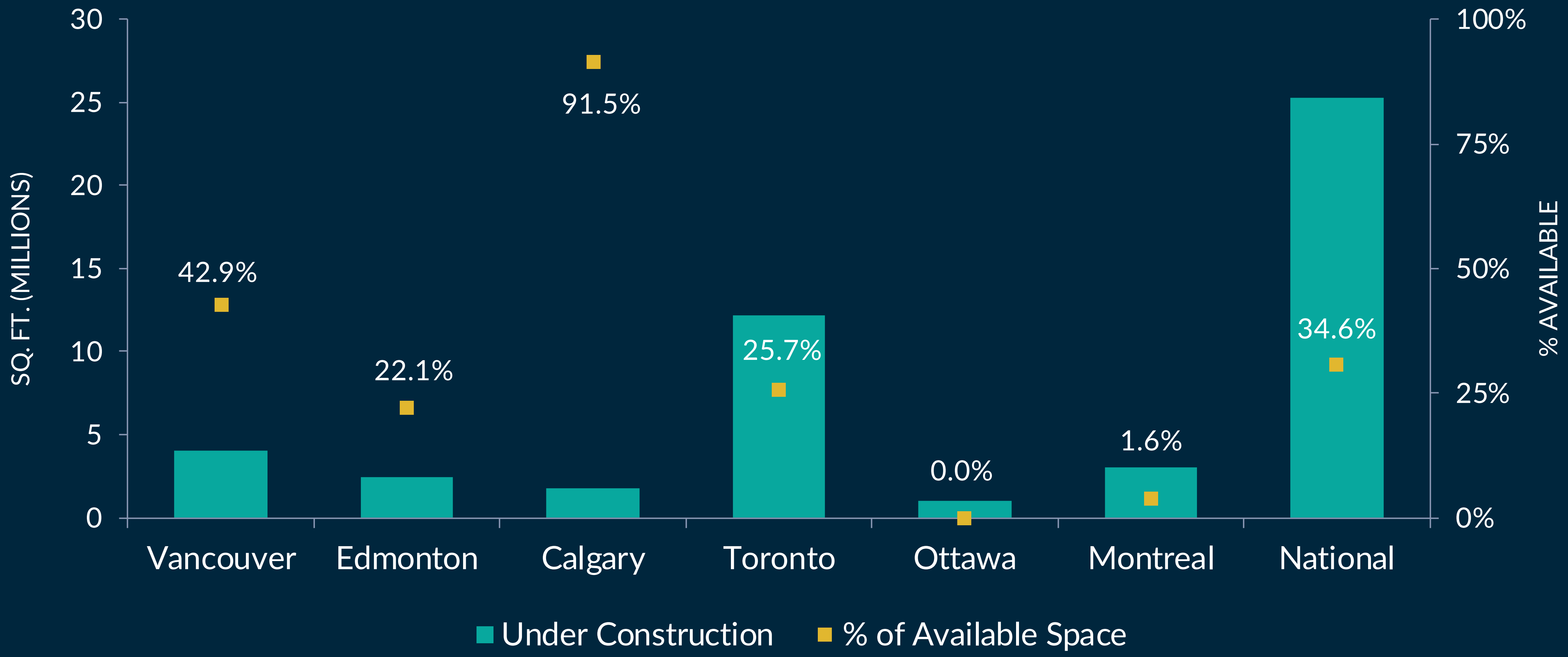
Source: Altus Group

National vacancy rates are tight



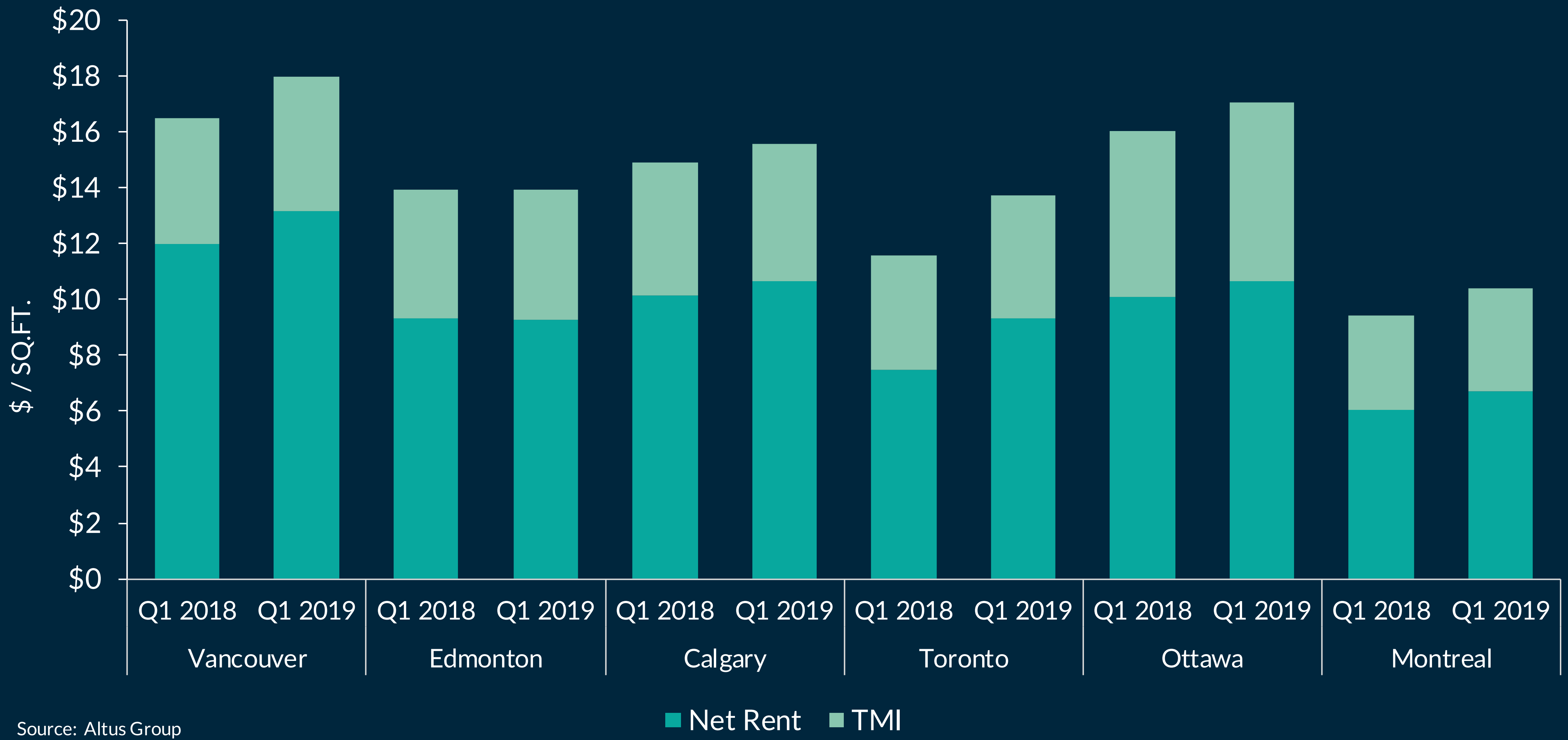
Source: Altus Group

Much needed new industrial supply



Source: Altus Group

Industrial rental rates continue to creep up

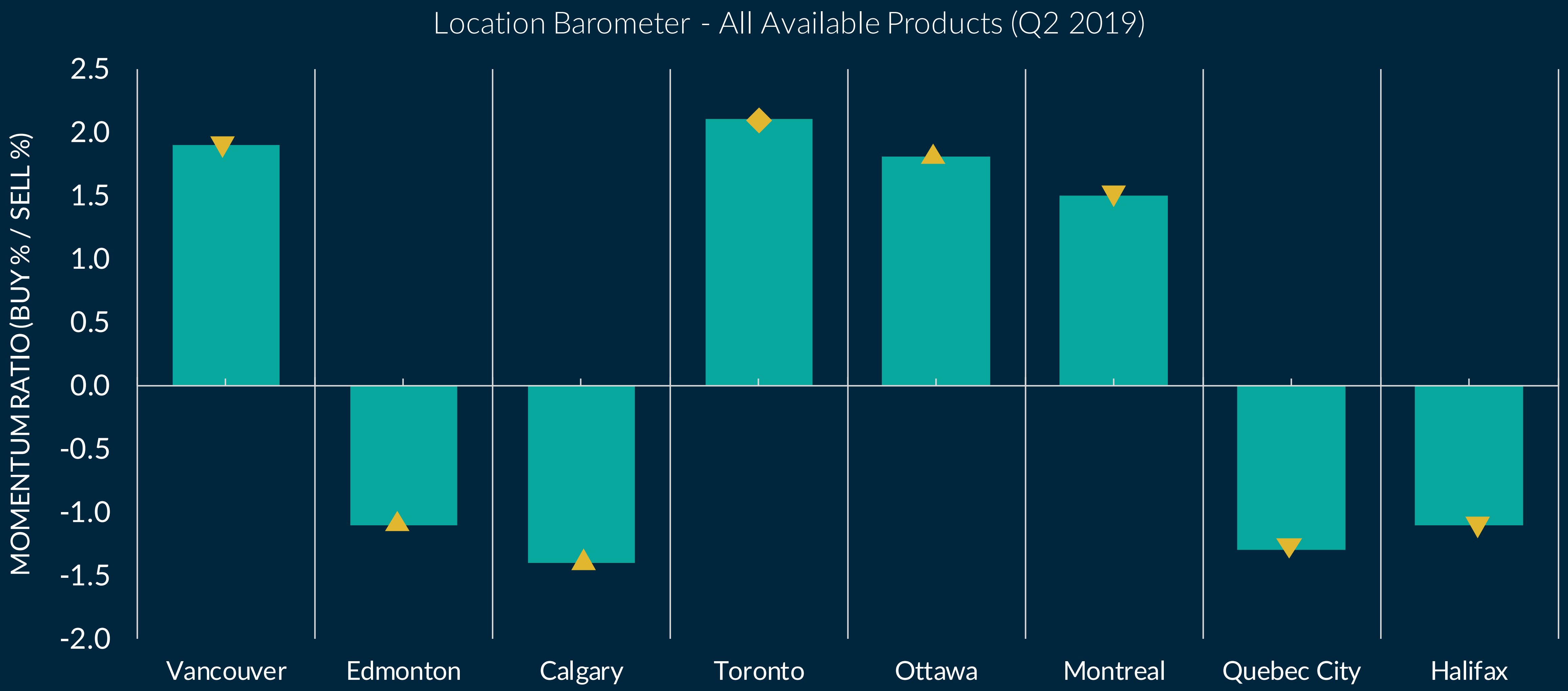


Source: Altus Group

Capital Markets

Demand still strong…but buyers are more selective

Chase for Yield…



Source: Altus Group

Opportunity…

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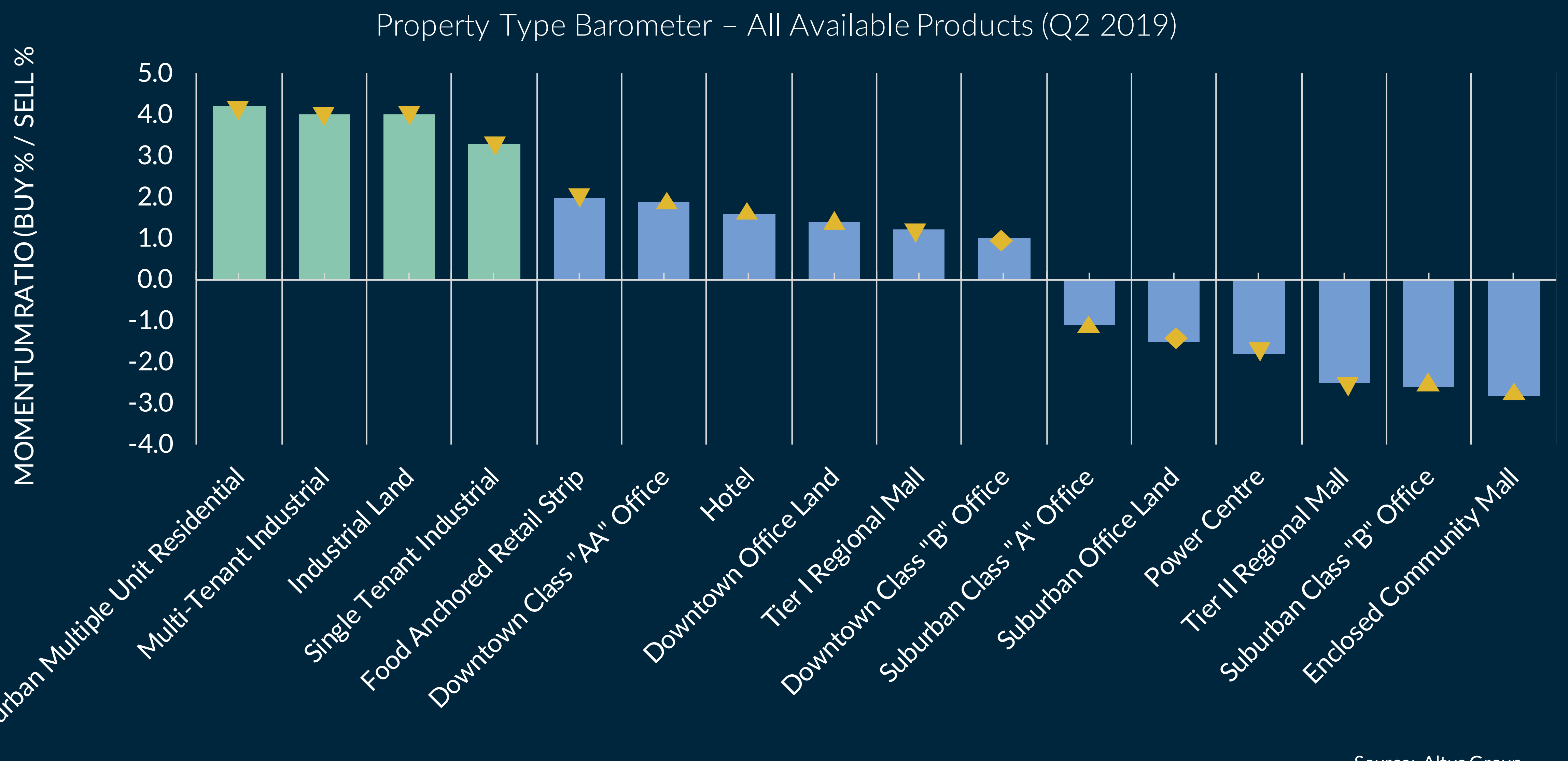
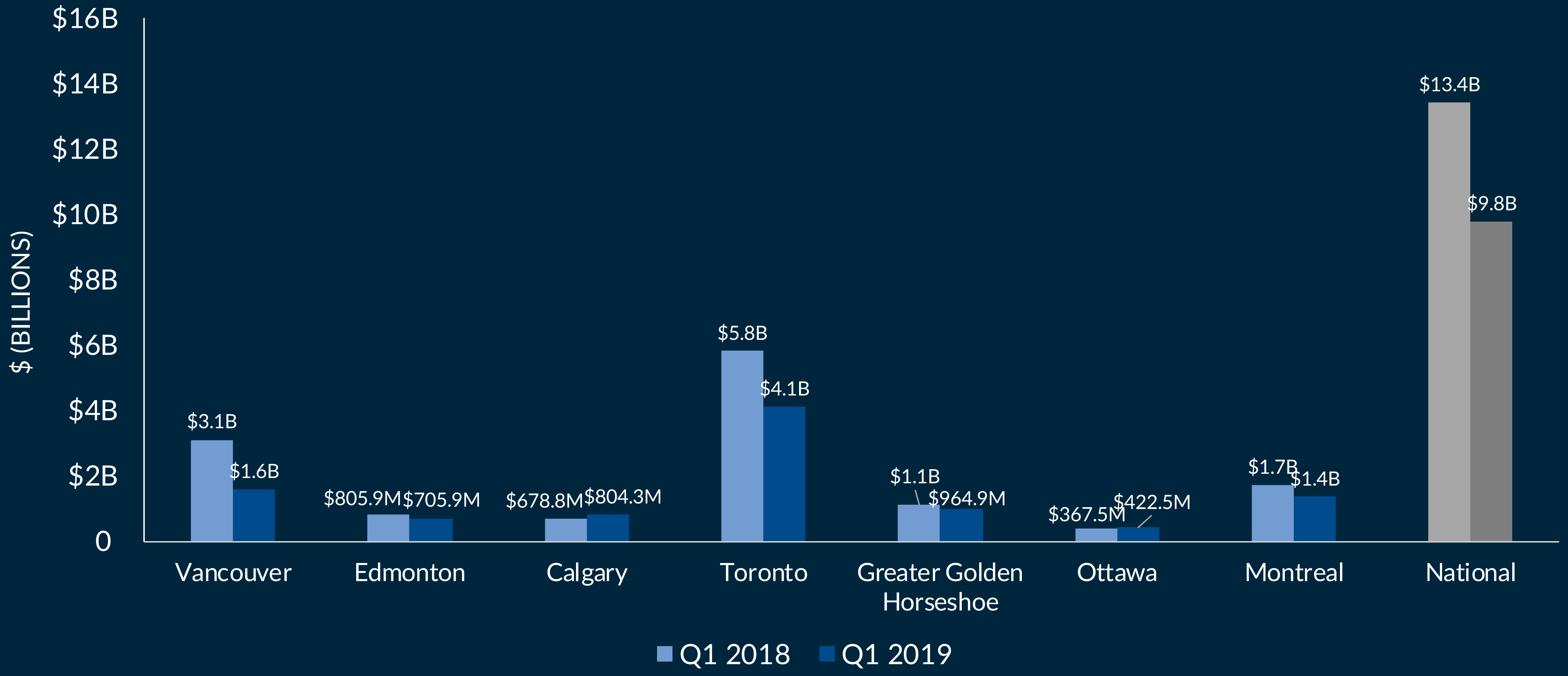


Source: Altus Group

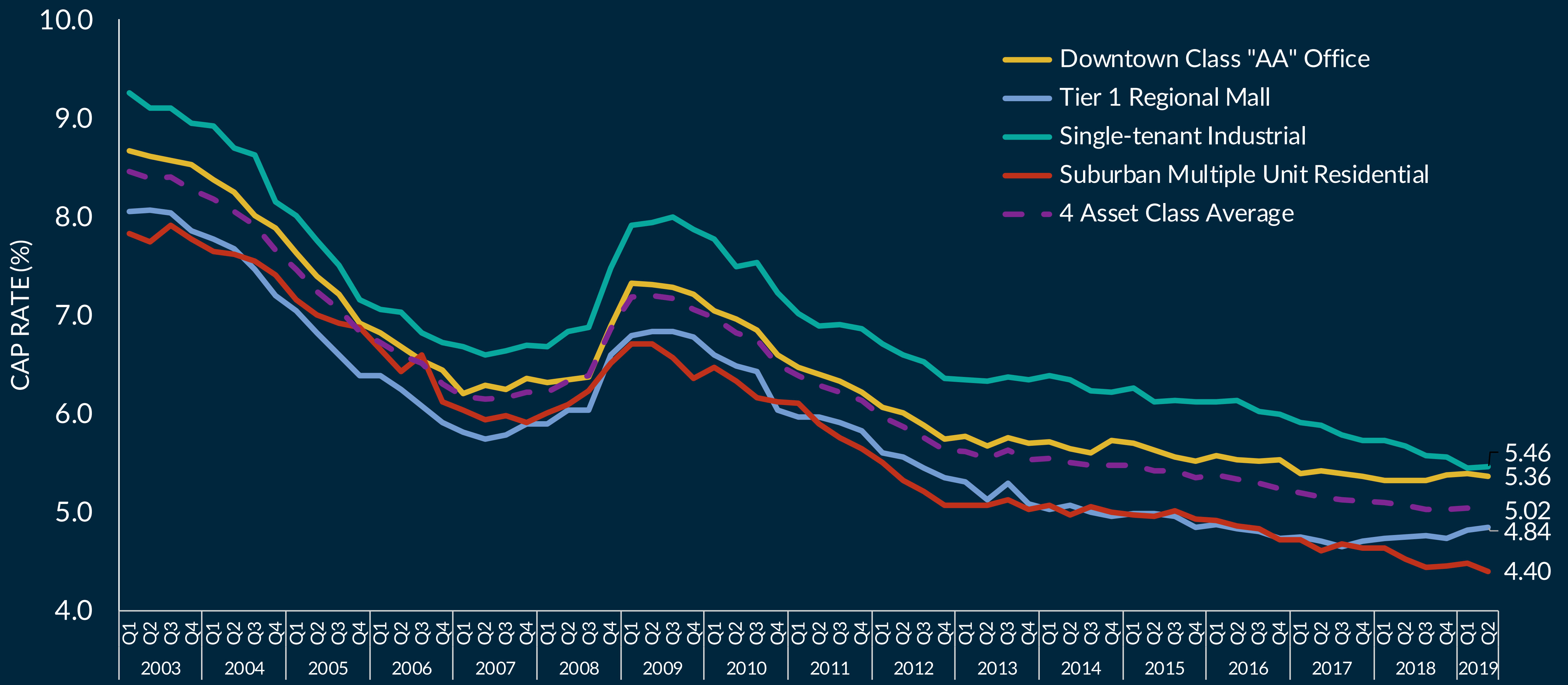
Investment product supply issue, not a demand issue



Source: Altus Group

Historical cap rate trends by asset class

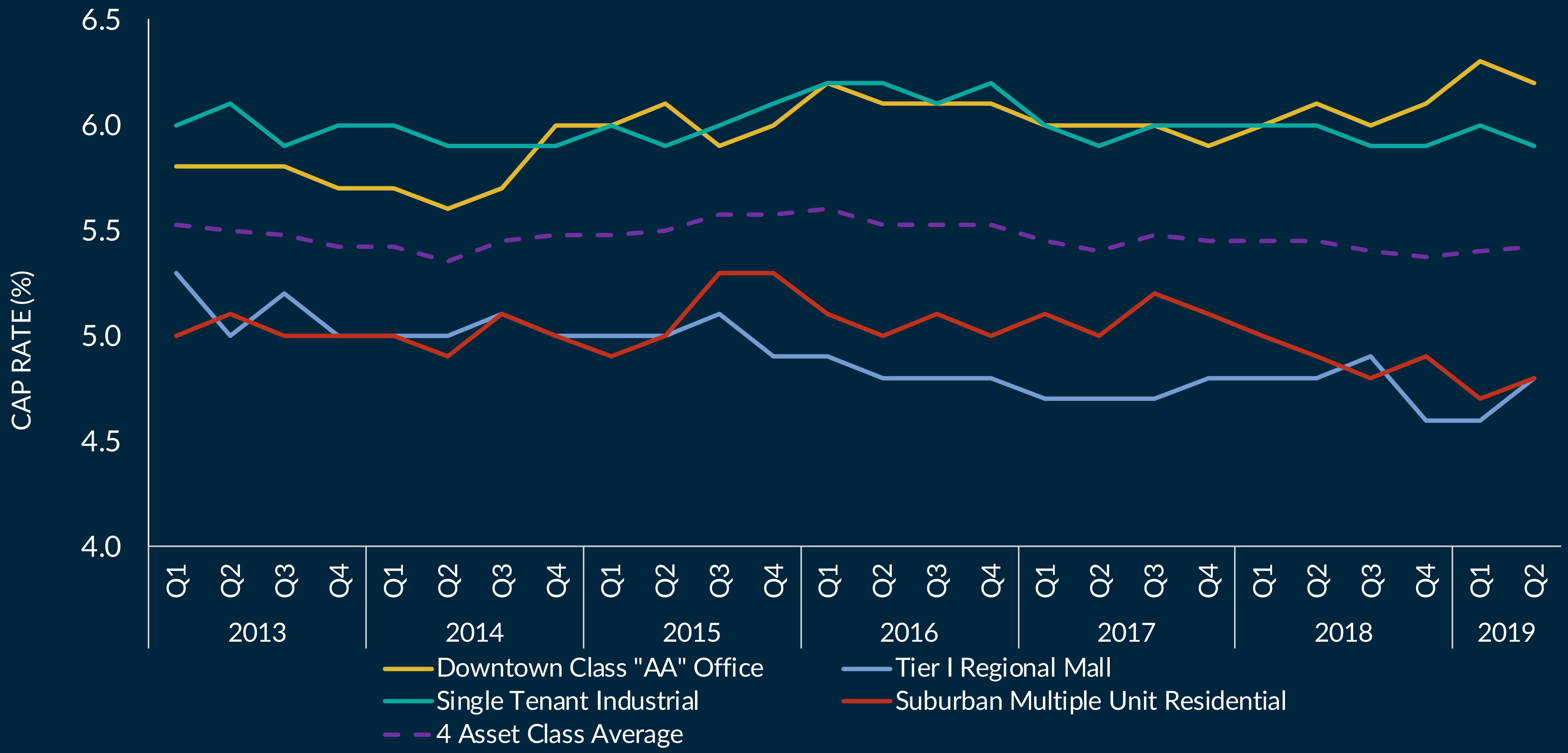
Altus Group



Source: Altus Group's Investment Trend Survey

Edmonton historical cap rate trends by asset class

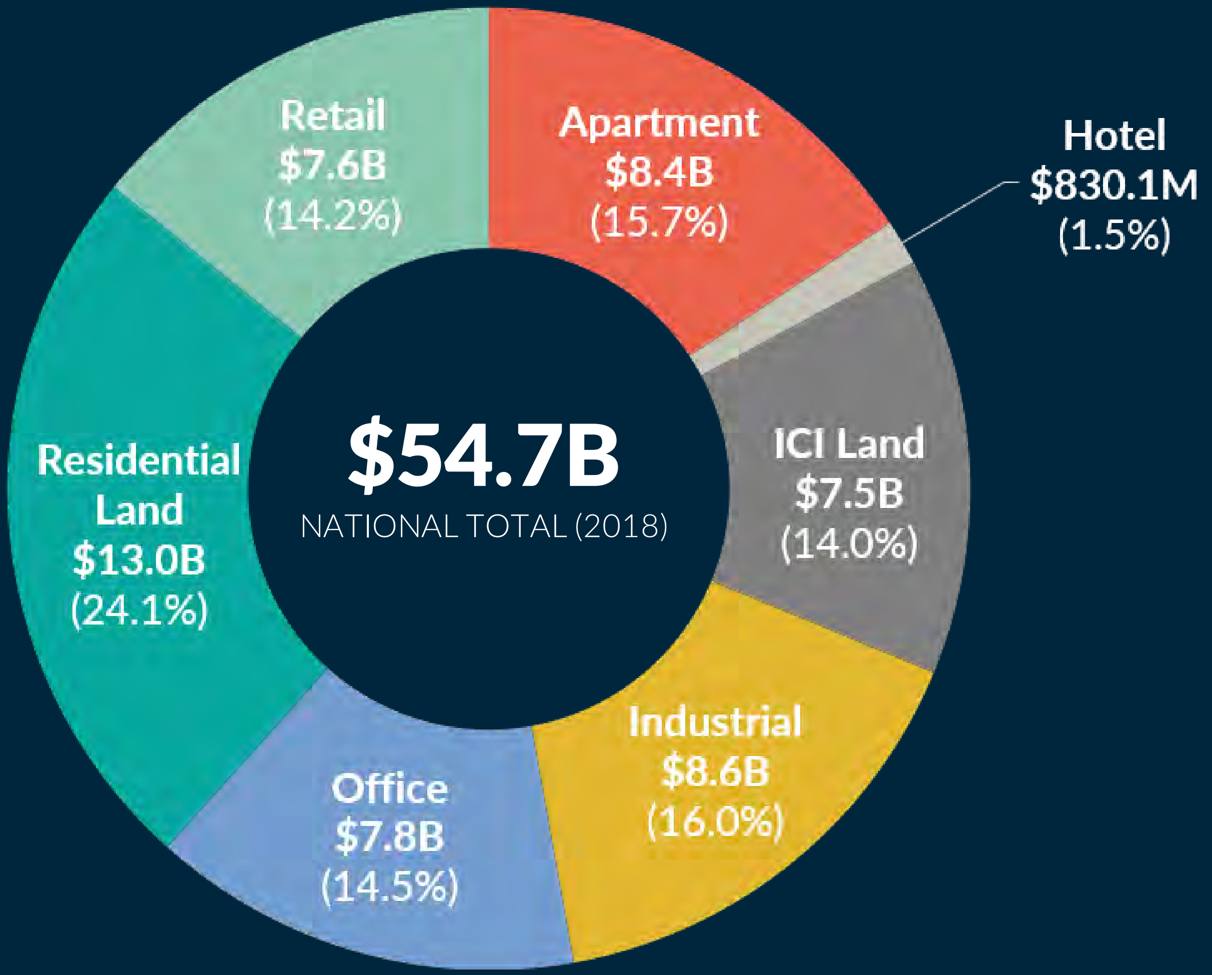
Altus Group



Source: Altus Group's Investment Trend Survey

National investment volume by asset class (2018)

Altus Group



TOP 3 ASSET CLASSES:

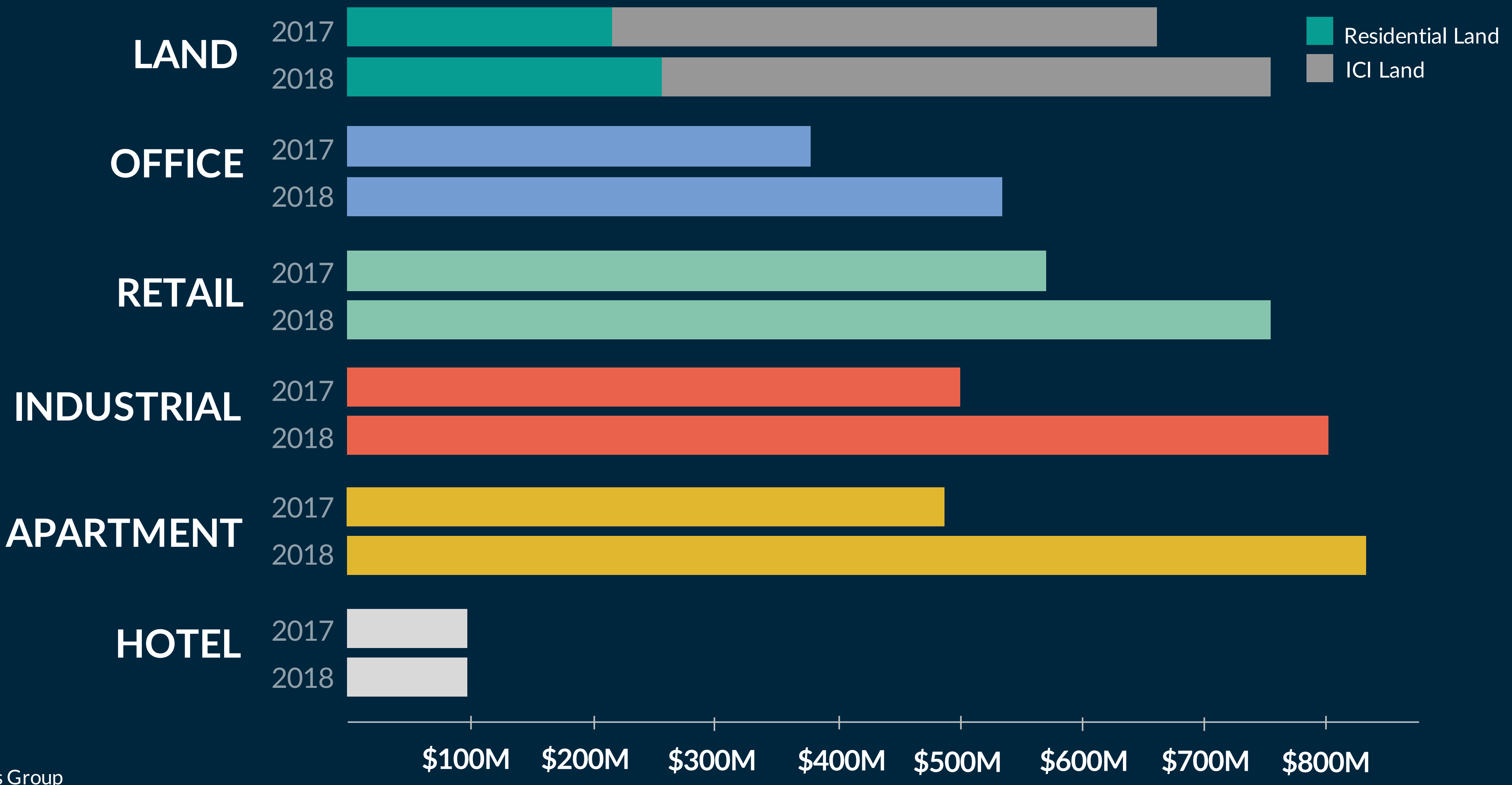
Residential Land

Industrial

Apartment

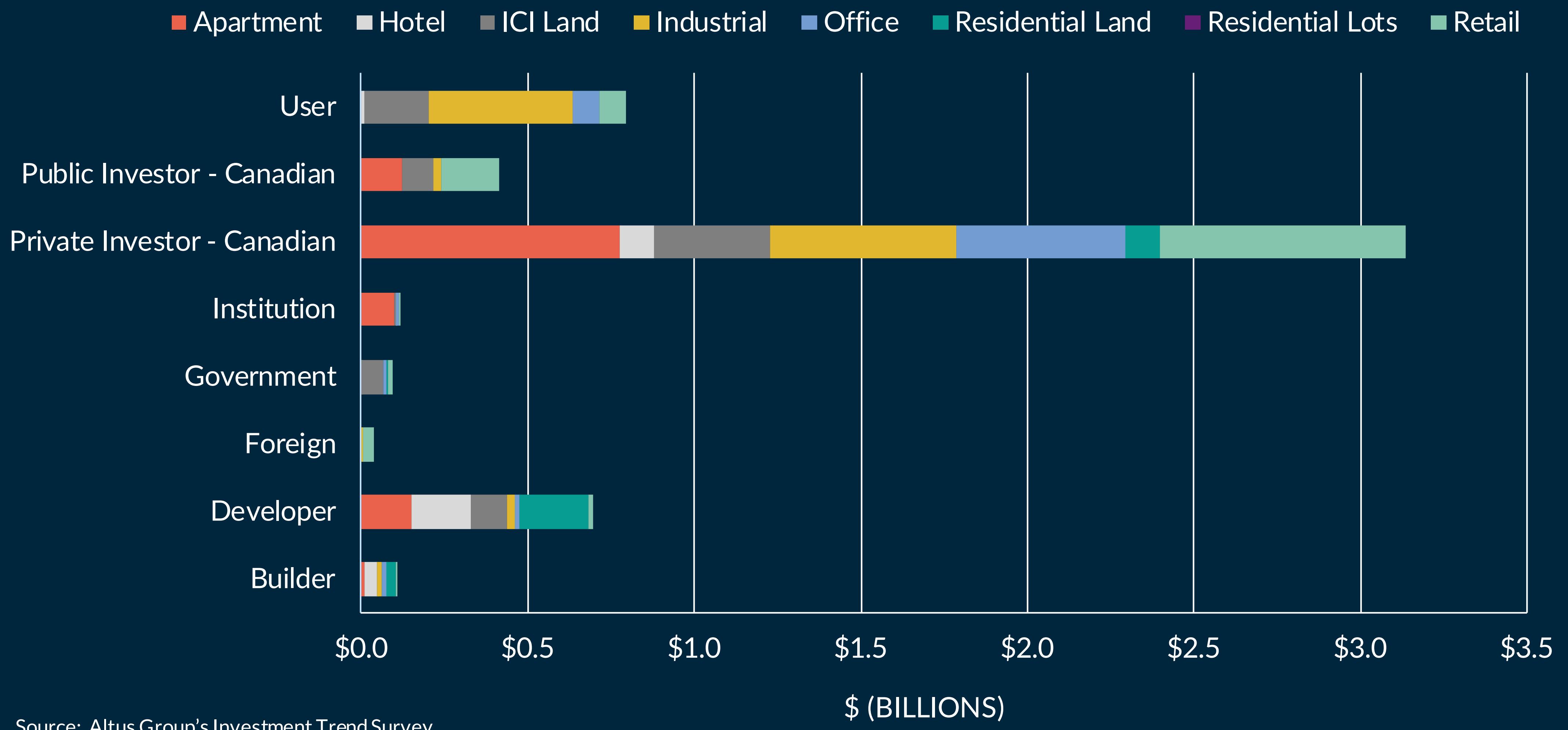
Source: Altus Group

Edmonton investment property sales transactions by asset class (2017 vs. 2018)



Source: Altus Group

What did they buy in Edmonton?



Source: Altus Group's Investment Trend Survey

Seller and Buyer

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Summary

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MARKET FUNDAMENTALS

1

For the most part, stable across all markets.

Watch for increased mixed-use developments & new concepts.

OPPORTUNITY

3

Secondary markets Ottawa, Victoria and Kelowna get more attention as Toronto & Vancouver struggle with housing affordability issues

CAPITAL MARKETS

2

Increased foreign activity

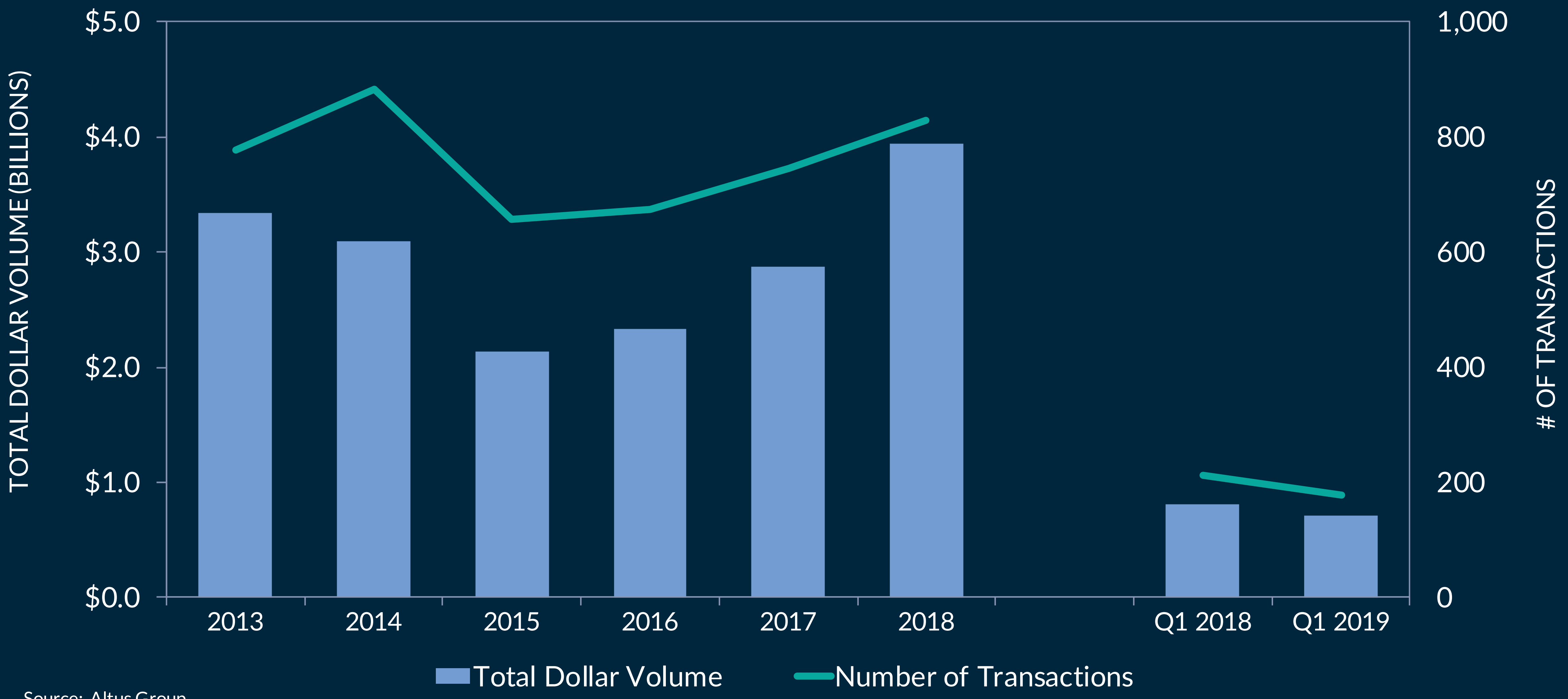
Core vs. opportunity

Chase for Yield

Residential Market Update

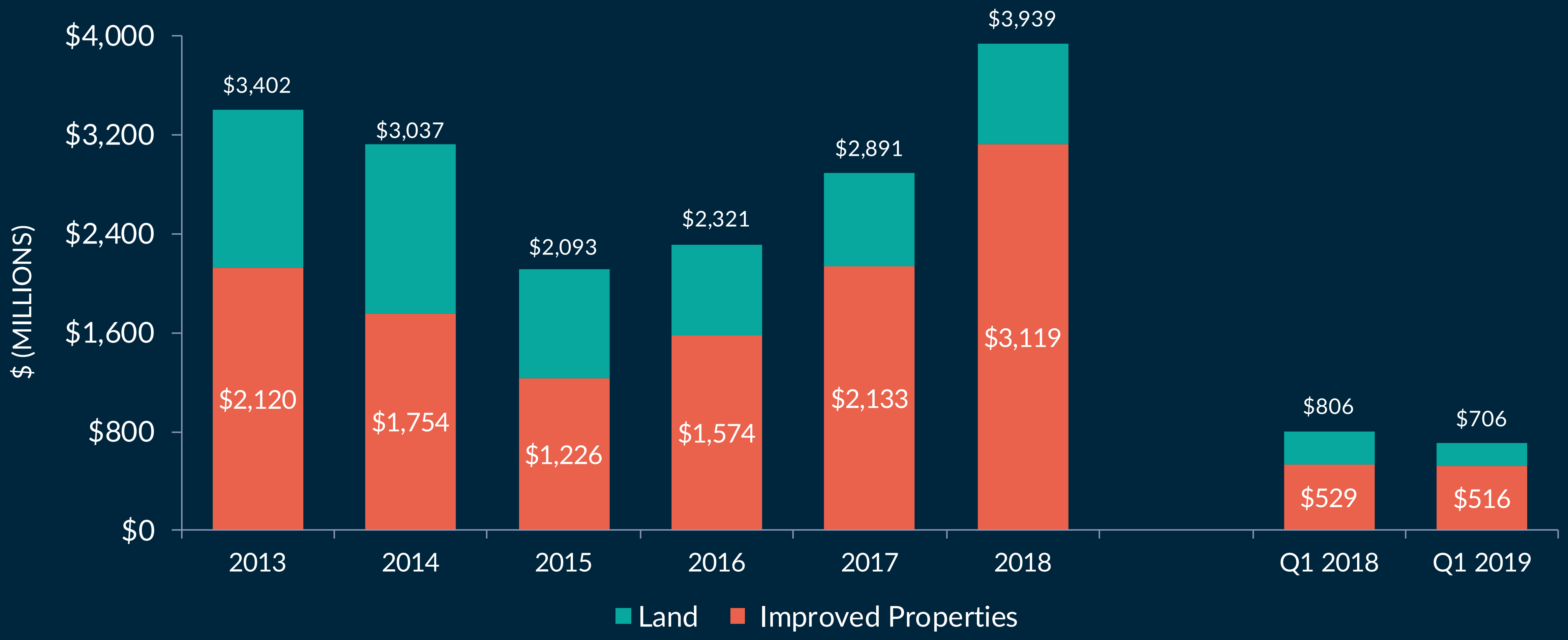
EDMONTON STATE OF THE MARKET 2019

Edmonton annual investment sales transactions up in 2018; driven by several large transactions



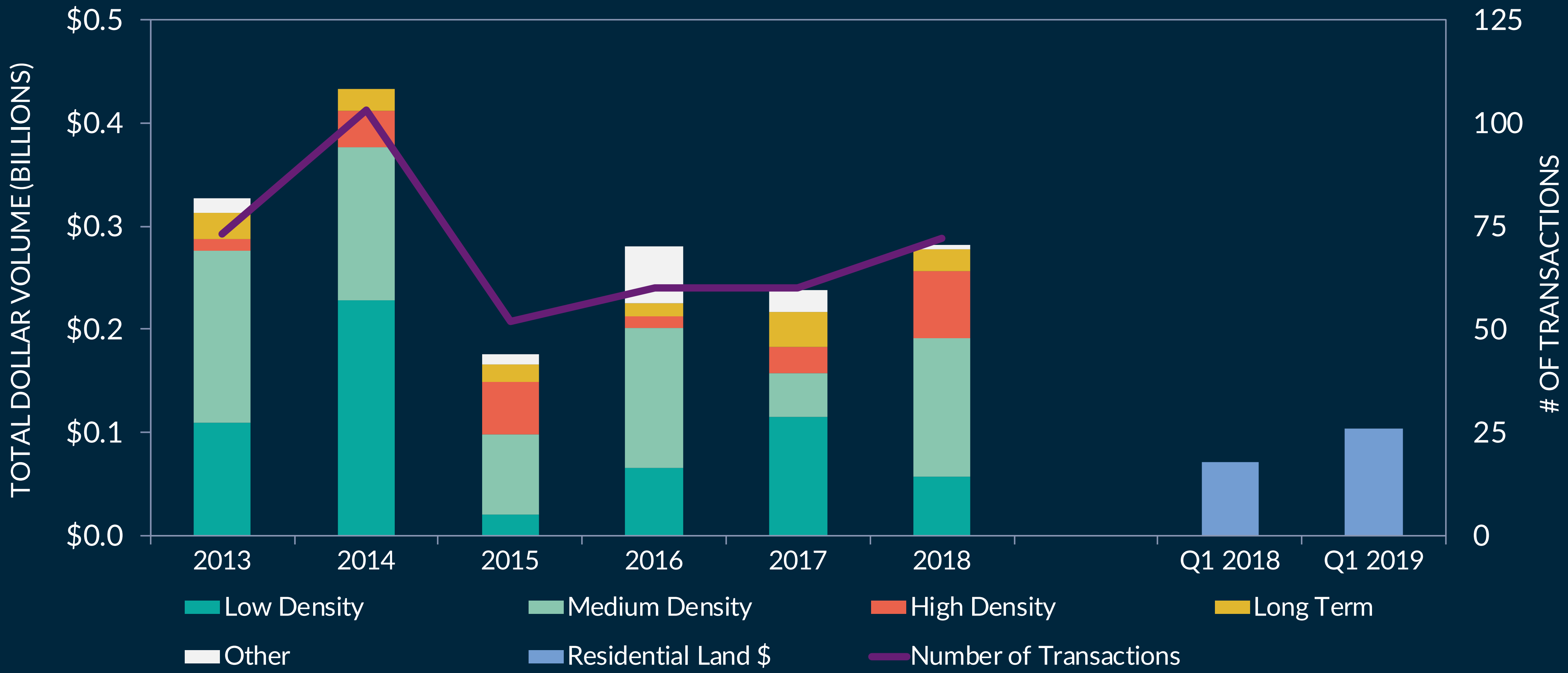
Source: Altus Group

And higher land sales as investors sought development opportunities



Source: Altus Group

Residential land volumes remained more positive…



Source: Altus Group

With medium density land sales driving volumes in 2018 & 2019

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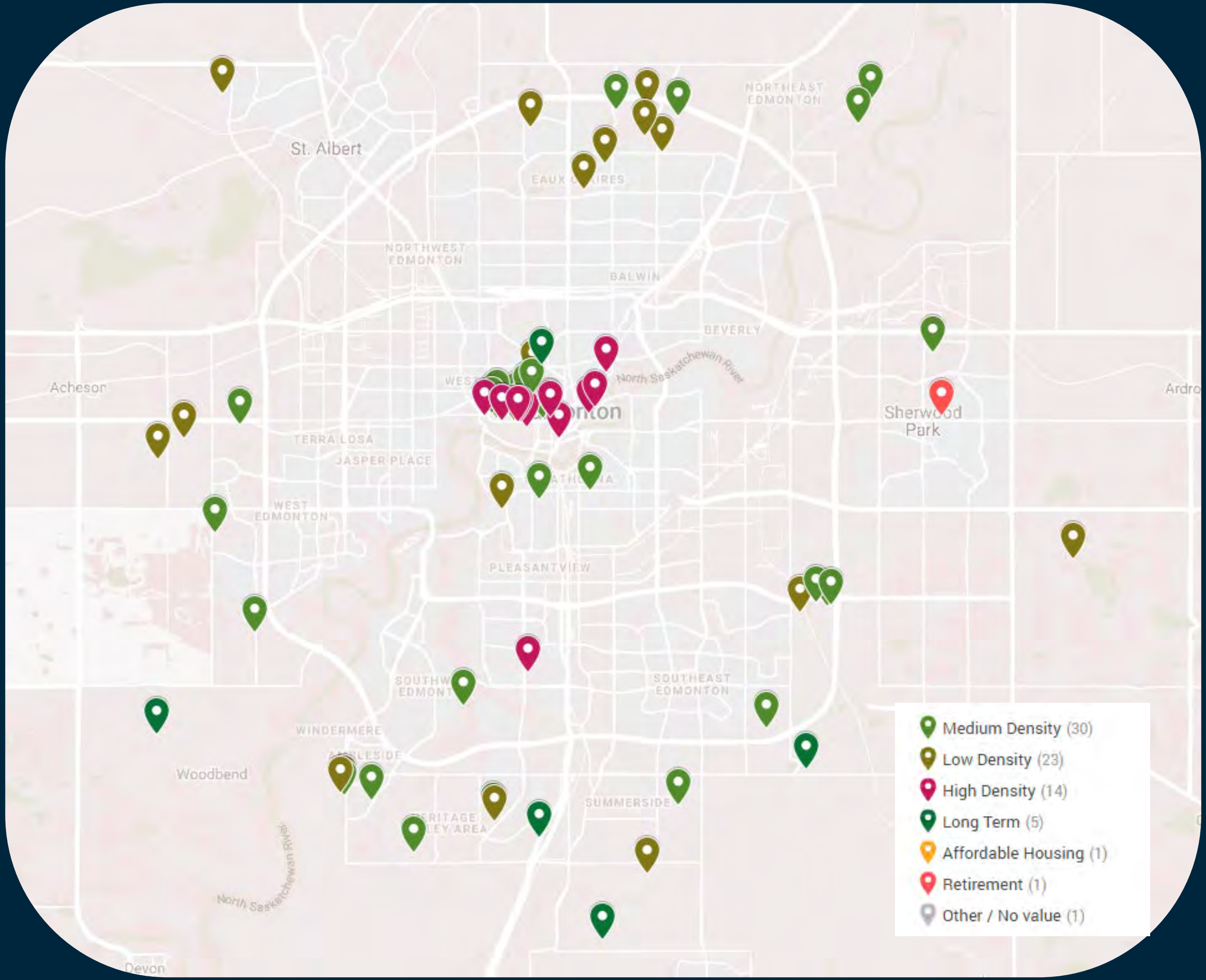

National actions being taken to solve housing affordability challenges

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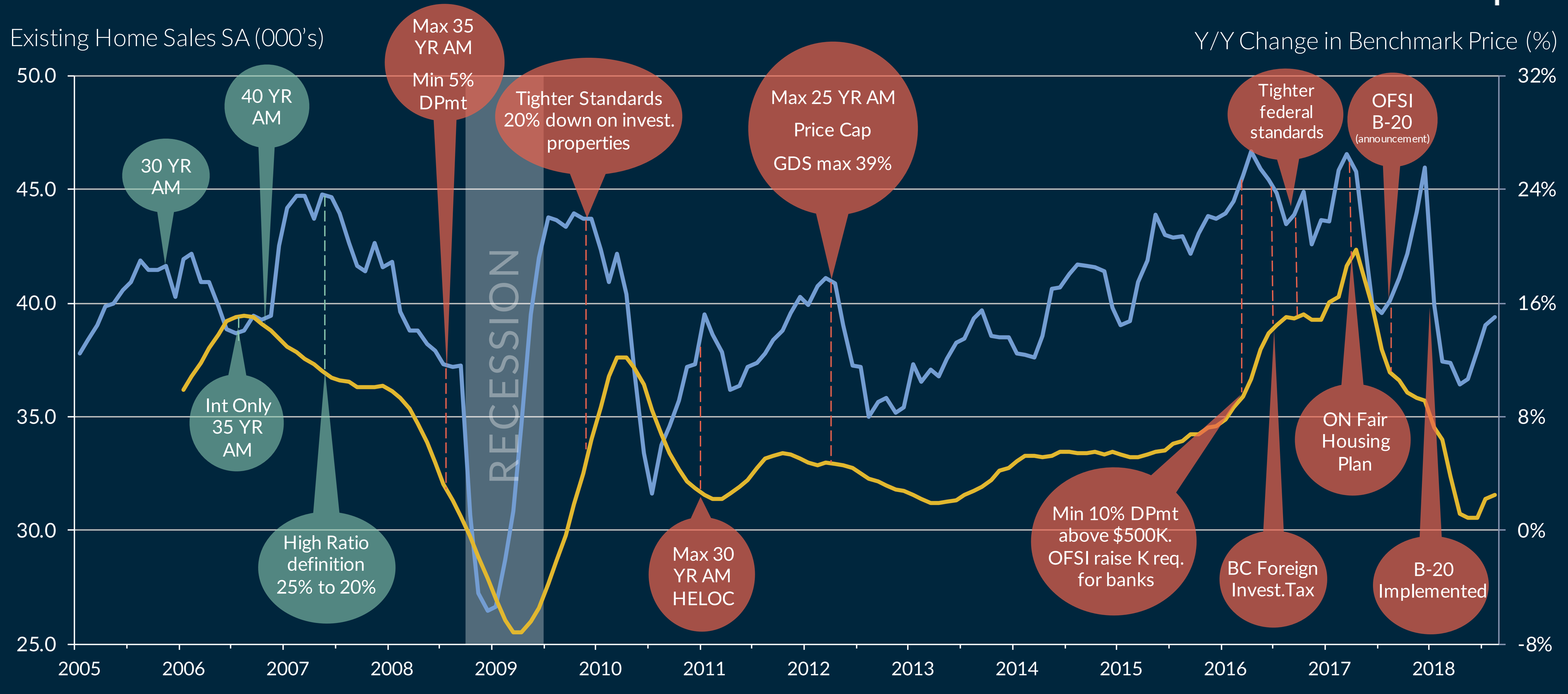
POLICIES IMPACTING HOUSING DEMAND

- OFSI B-20 Mortgage Qualification Test
- Tighter Lending Practices (HELOC/Debt Ratios)
- Foreign Buyer Tax (BC/ON)
- Empty Home Tax (BC)
- Policies Targeting Investors
  - Rent Controls
  - Speculation/Assignments Policies
  - Short Term Rental Restrictions (AirBnB)

POLICIES TARGETING HOUSING SUPPLY

- Density Bonusing
- Rental 100 Program (BC)
- Up-Zoning Along Transit Corridors

Housing policy and housing market performance



CREA HPI® 11-market aggregate composite index
Source: Altus Group, Economic Consulting and data from The Canadian Real Estate Association

New Homes

Down...but not out

New home sales stalled in 2018

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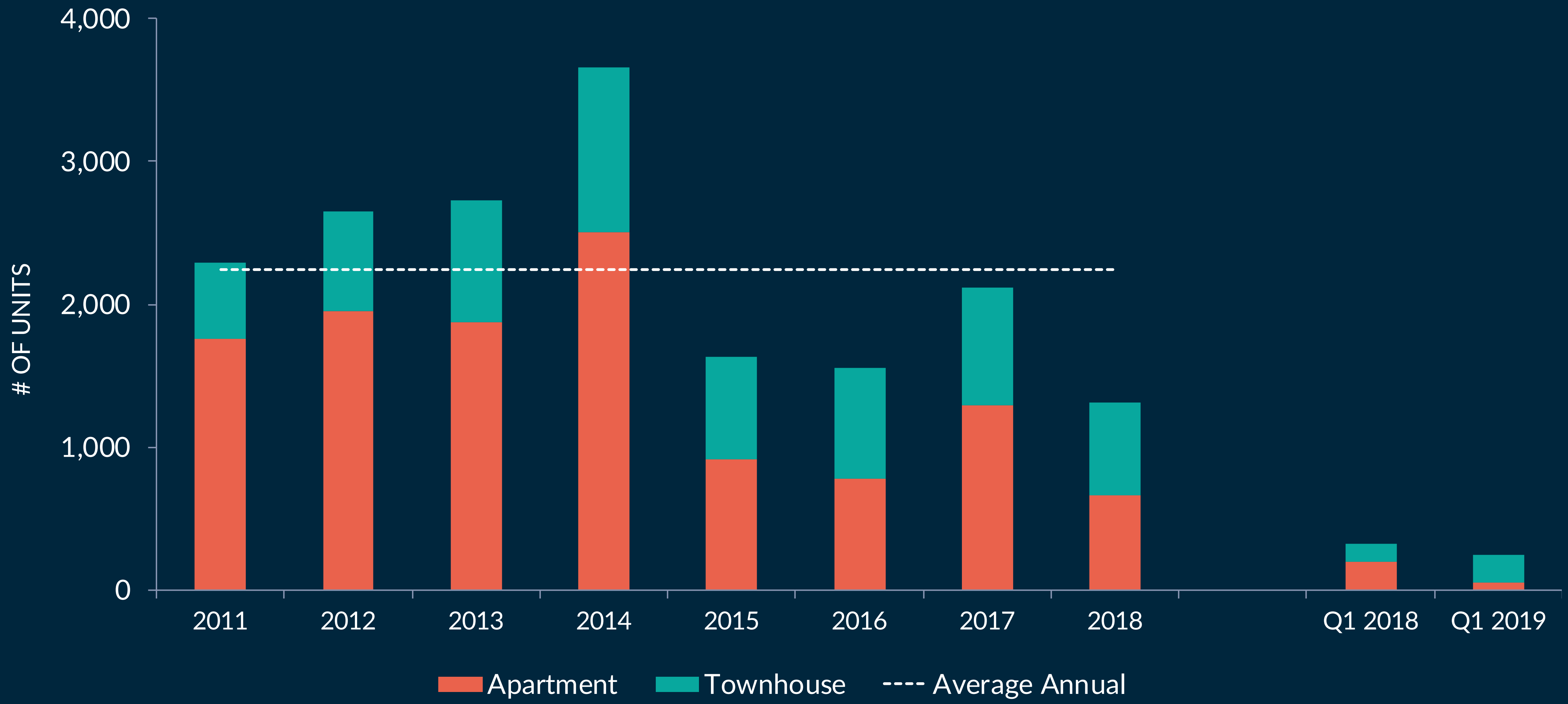
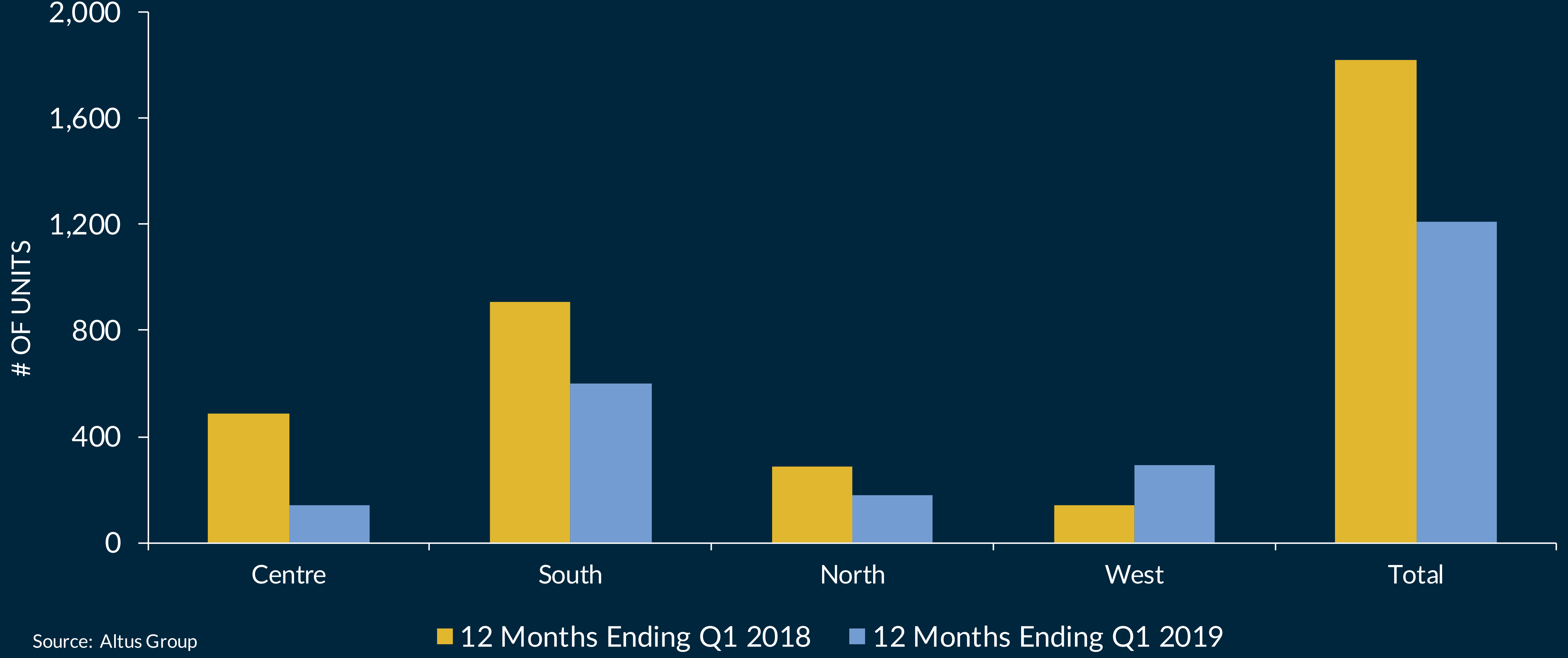


Source: Altus Group

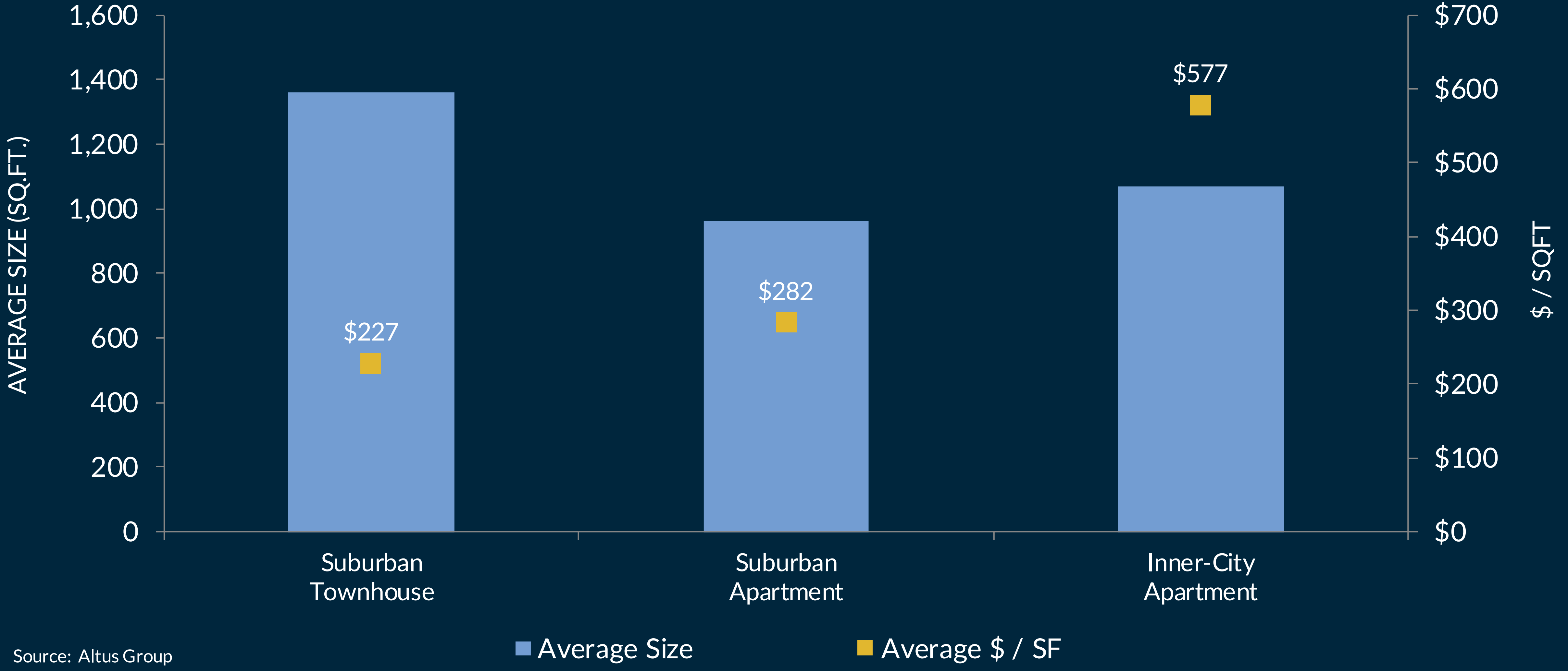
Sales by sector highlight the decline in the downtown, but…



Source: Altus Group

Prices remain affordable in both the suburbs and inner-city

AltusGroup



Source: Altus Group

Inventory has come down as projects exit the ownership market

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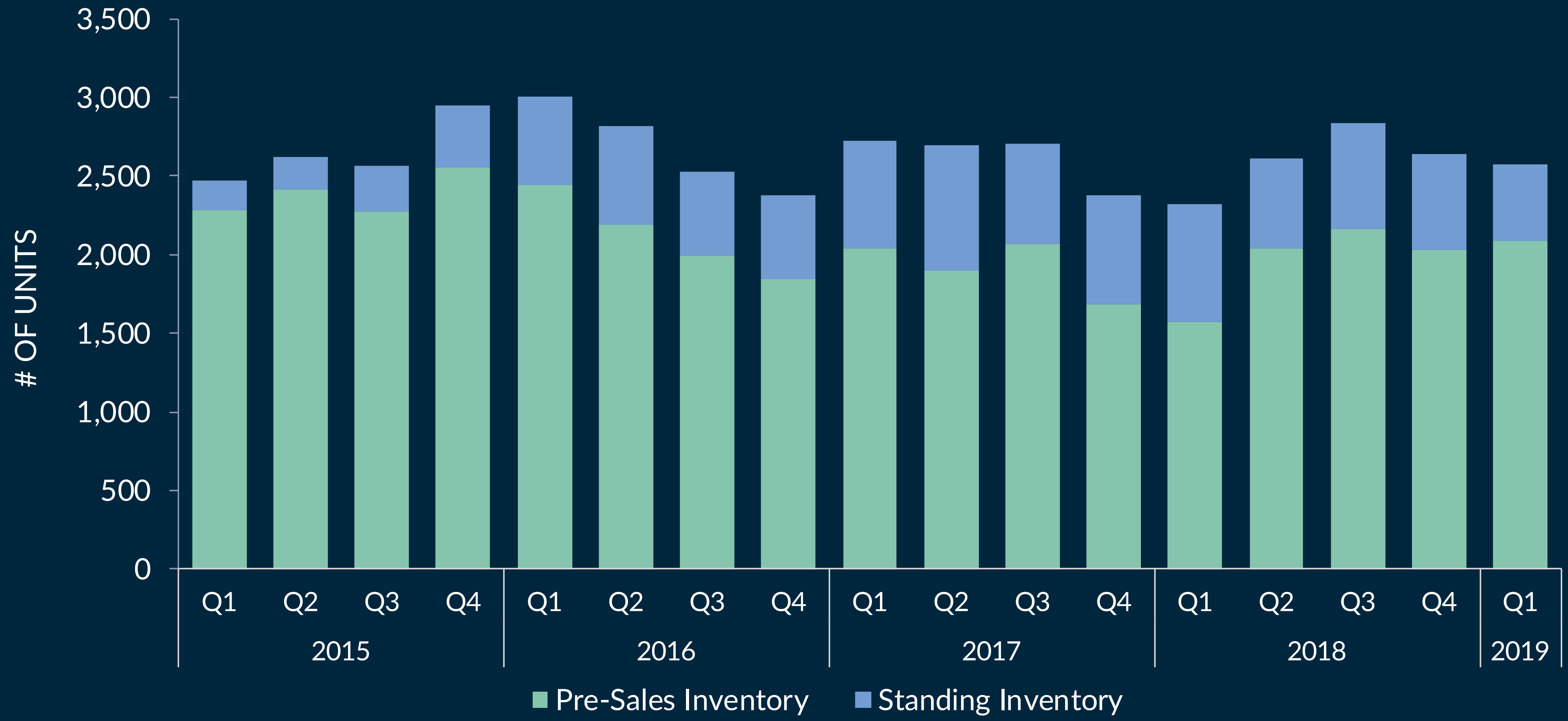
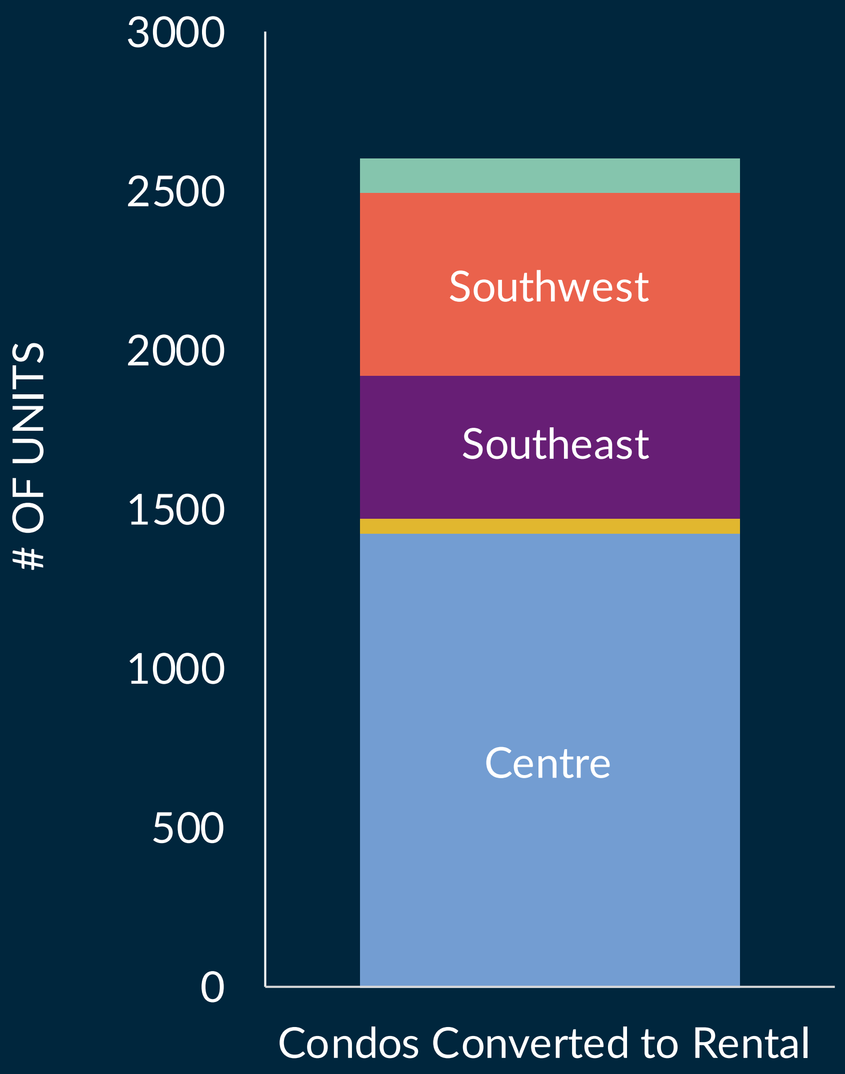
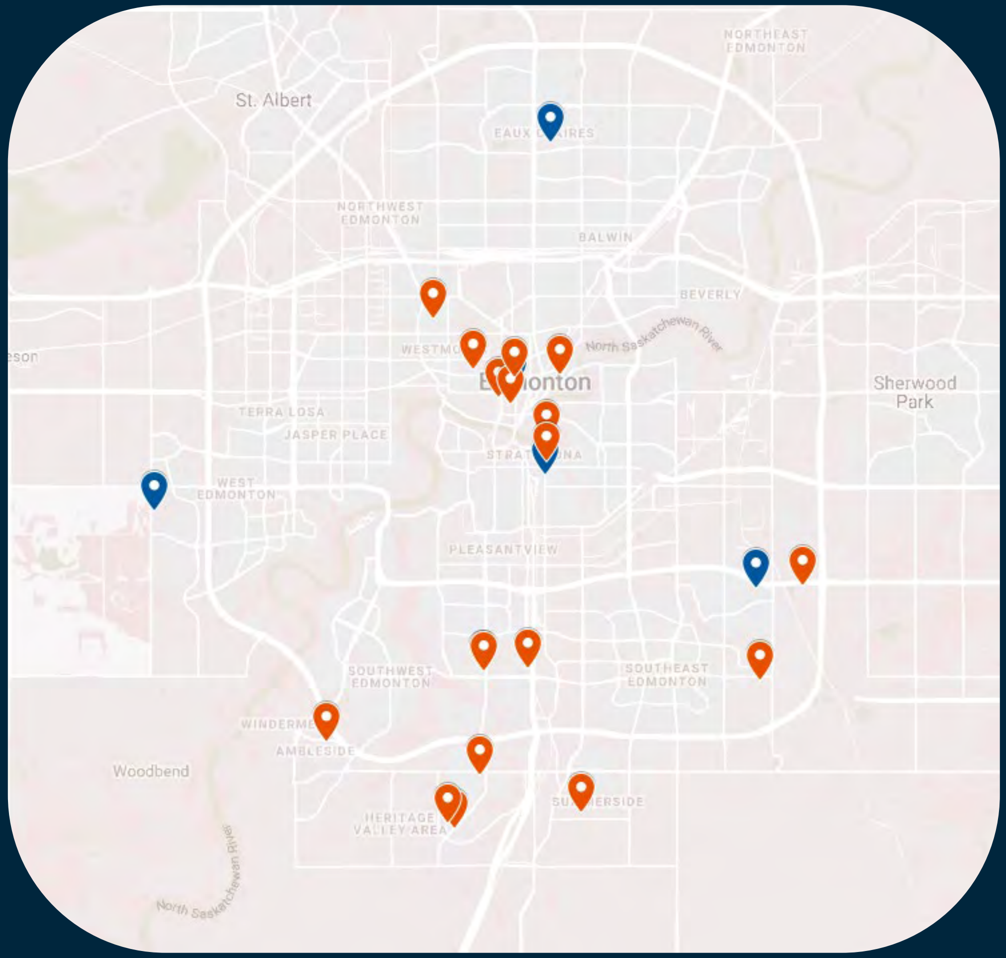


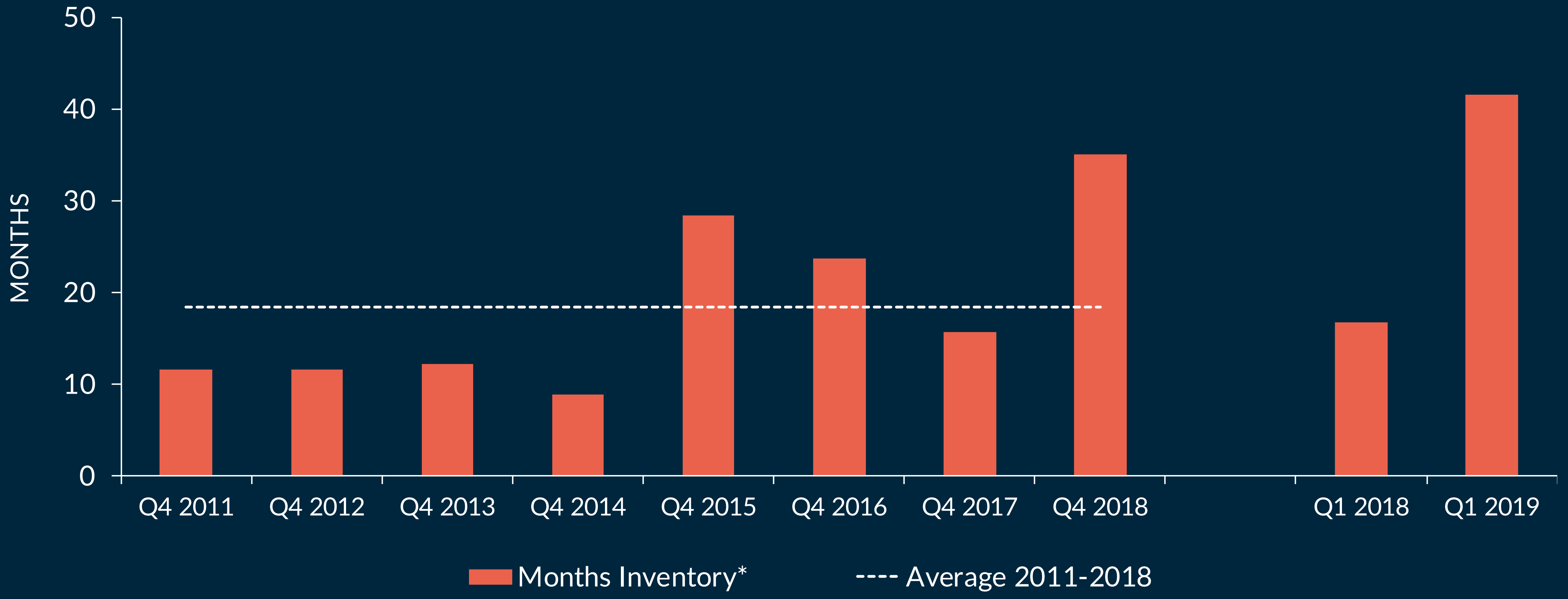
Source: Altus Group

Condominium supply exiting the market



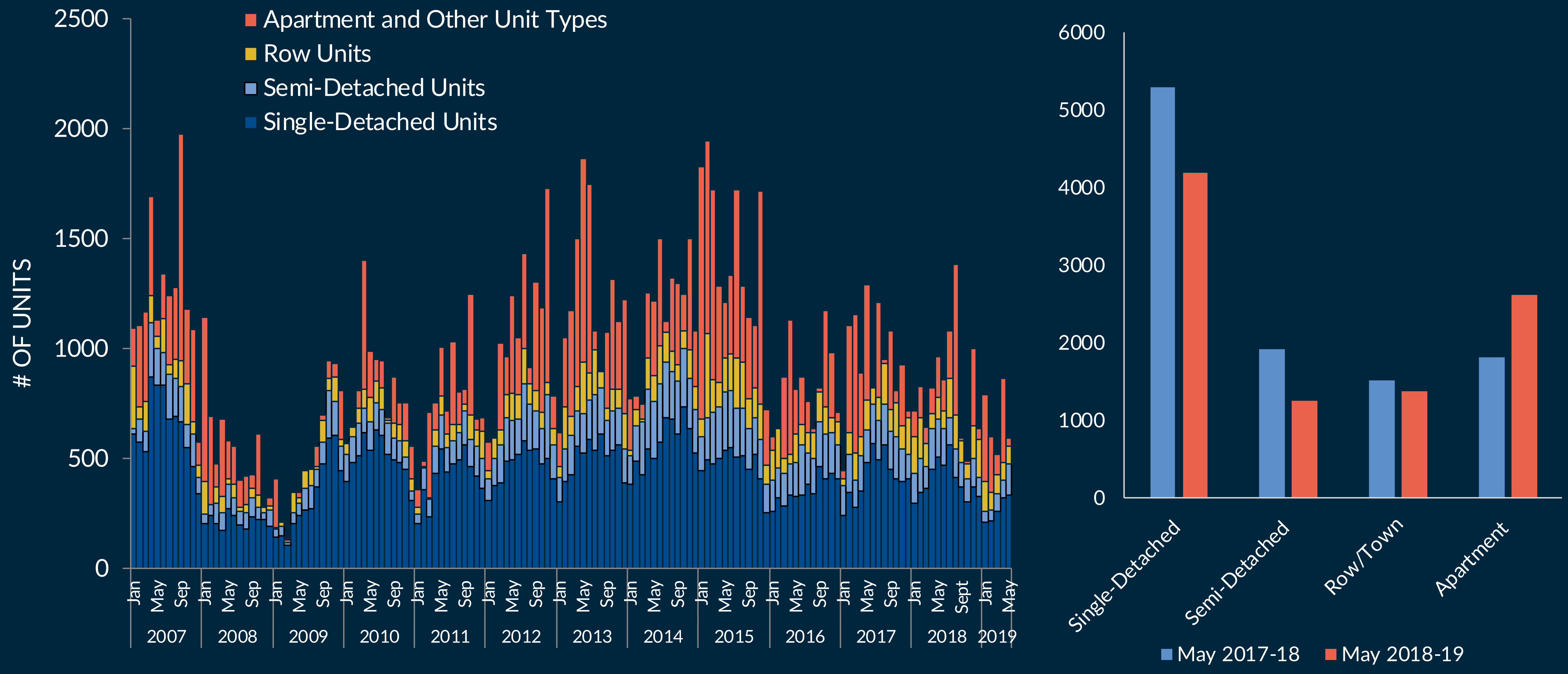


Slow sales has meant the available inventory will be available for many months to come



Source: Altus Group

Residential starts have slowly been dropping…



Source: CMHC

With fewer residential units under construction

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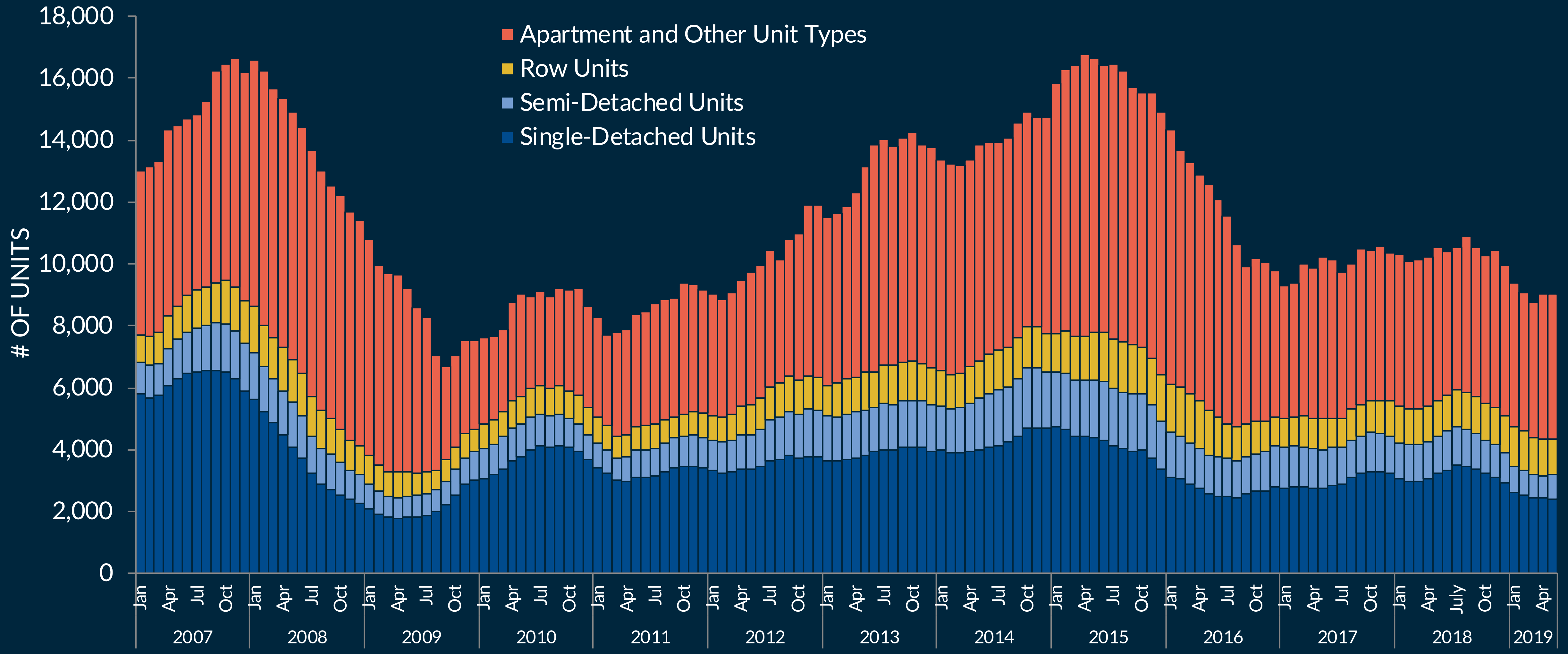

Source: CMHC

But more are ending up as unsold finished inventory

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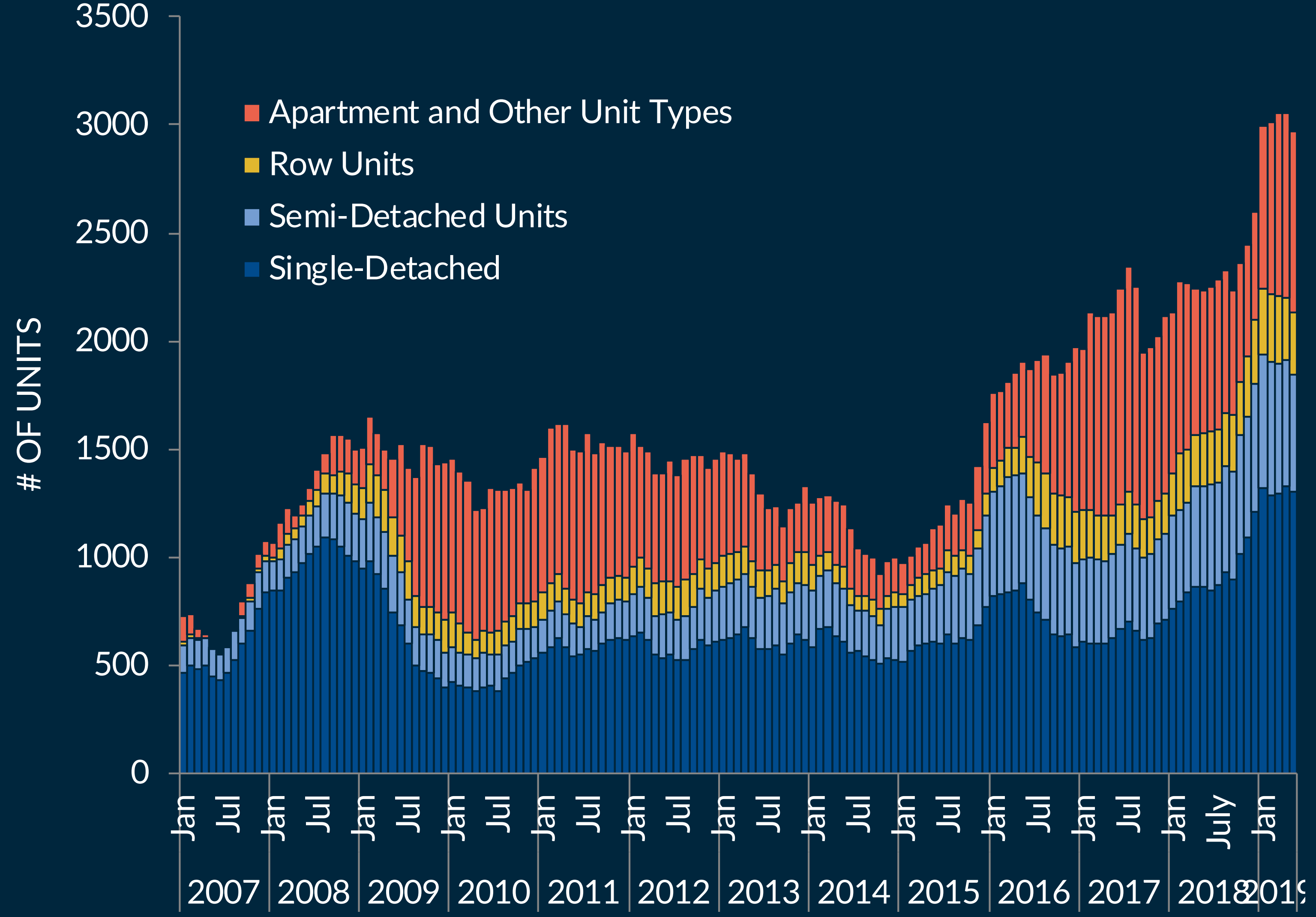

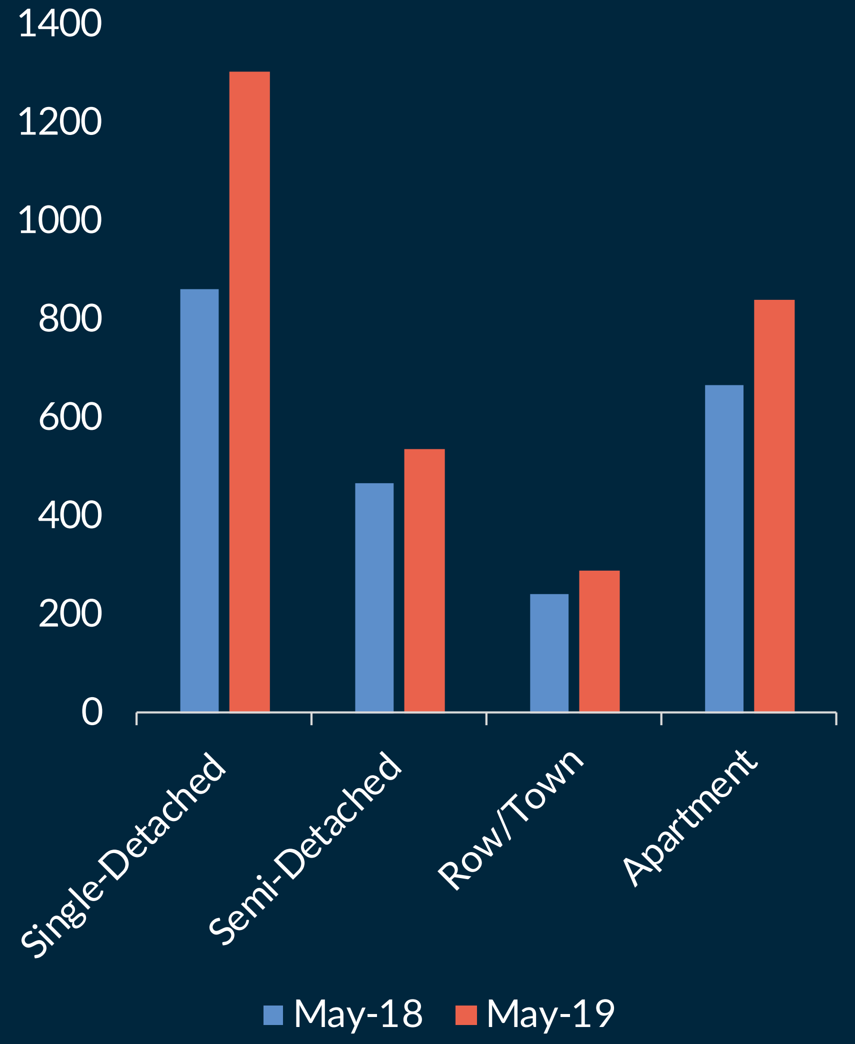

Source: CMHC

Apartment sales down in almost every market in Canada

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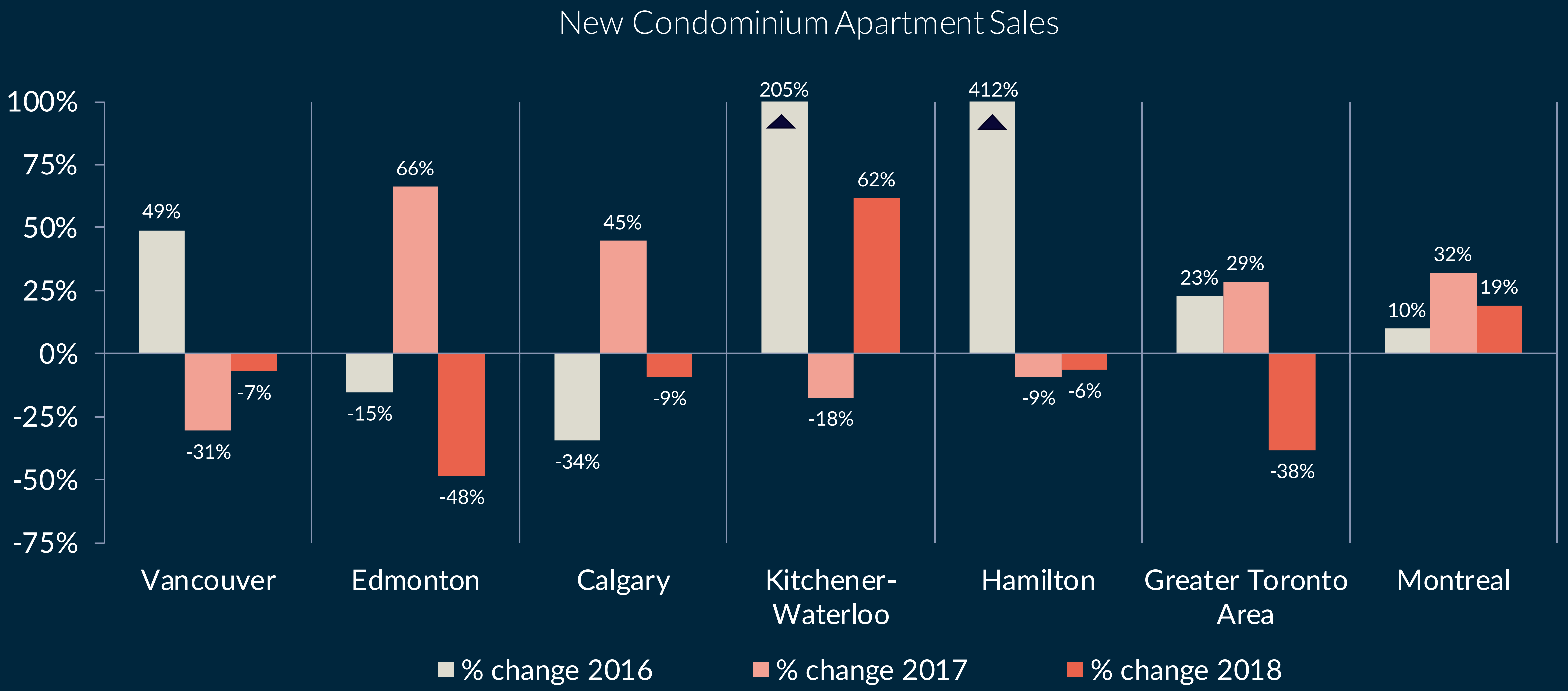
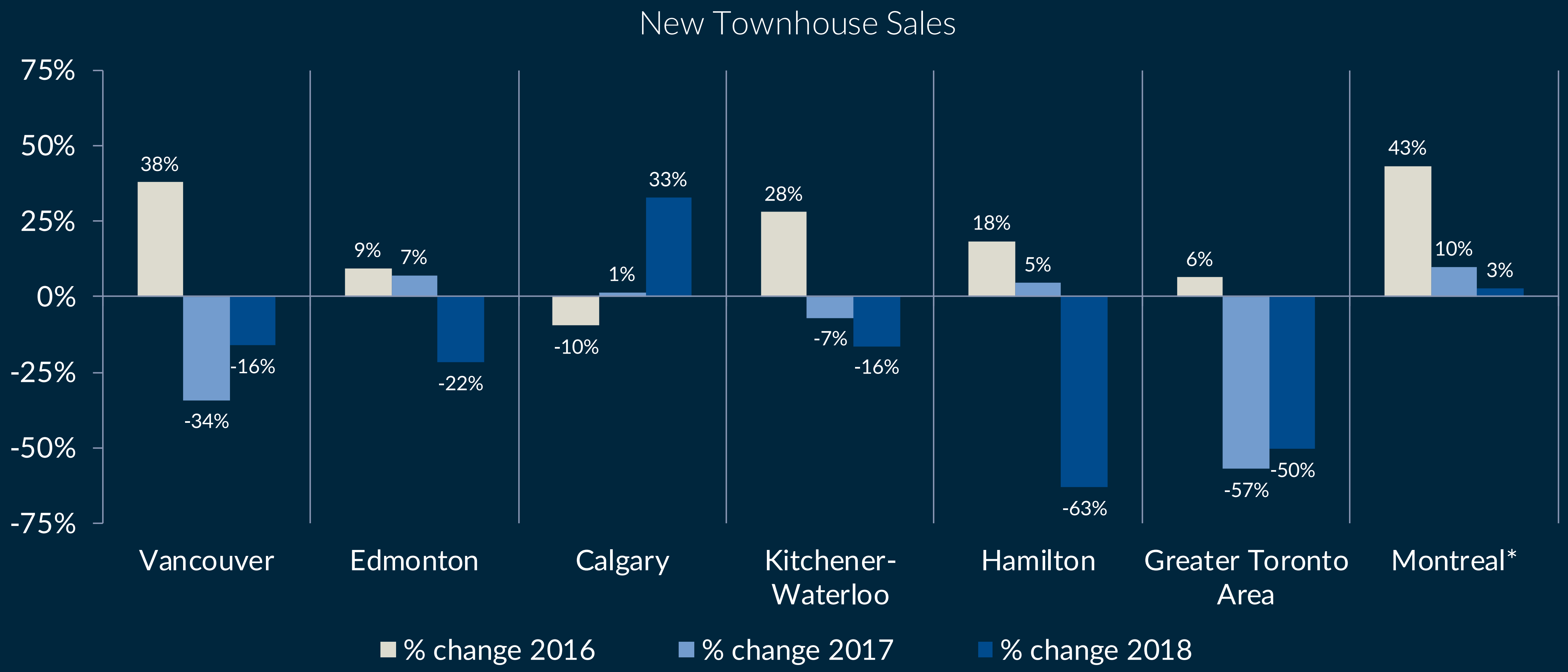


Source: Altus Group

Affordability and supply challenges impacted townhouse volumes

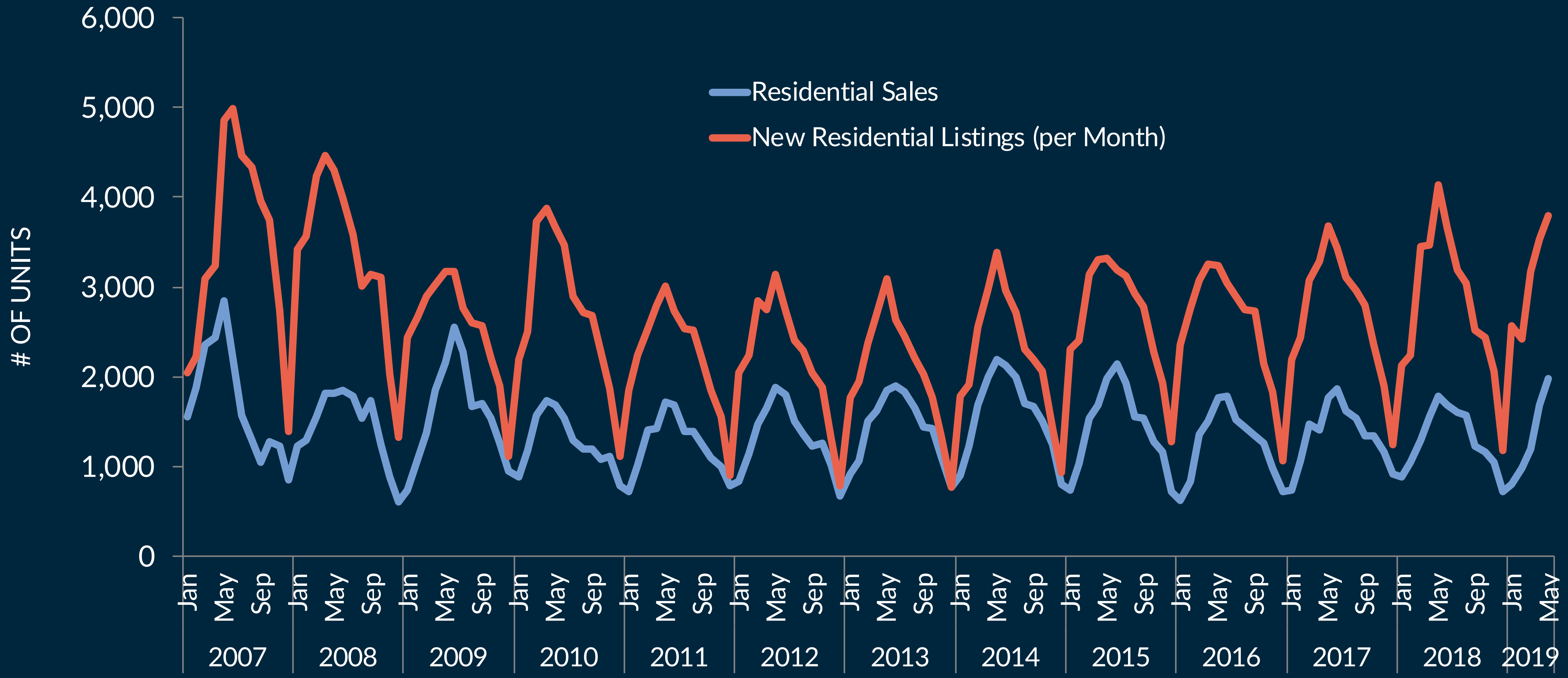
Altus Group



* Approximated by housing starts

Source: Altus Group and CMHC

Edmonton resale inventories have been on the rise, but seeing stronger YoY sales



Source: REALTORS Association of Edmonton

How and where consumers can live are changing….

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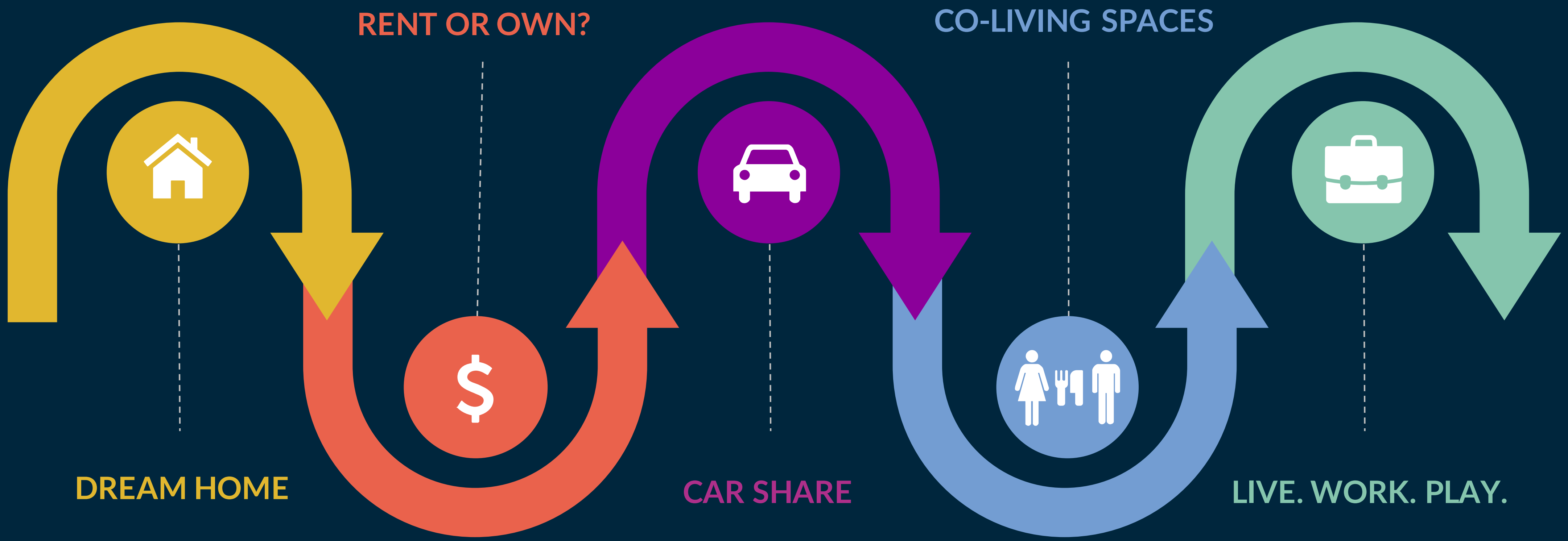

Housing starts highlight the growth in purpose built rental

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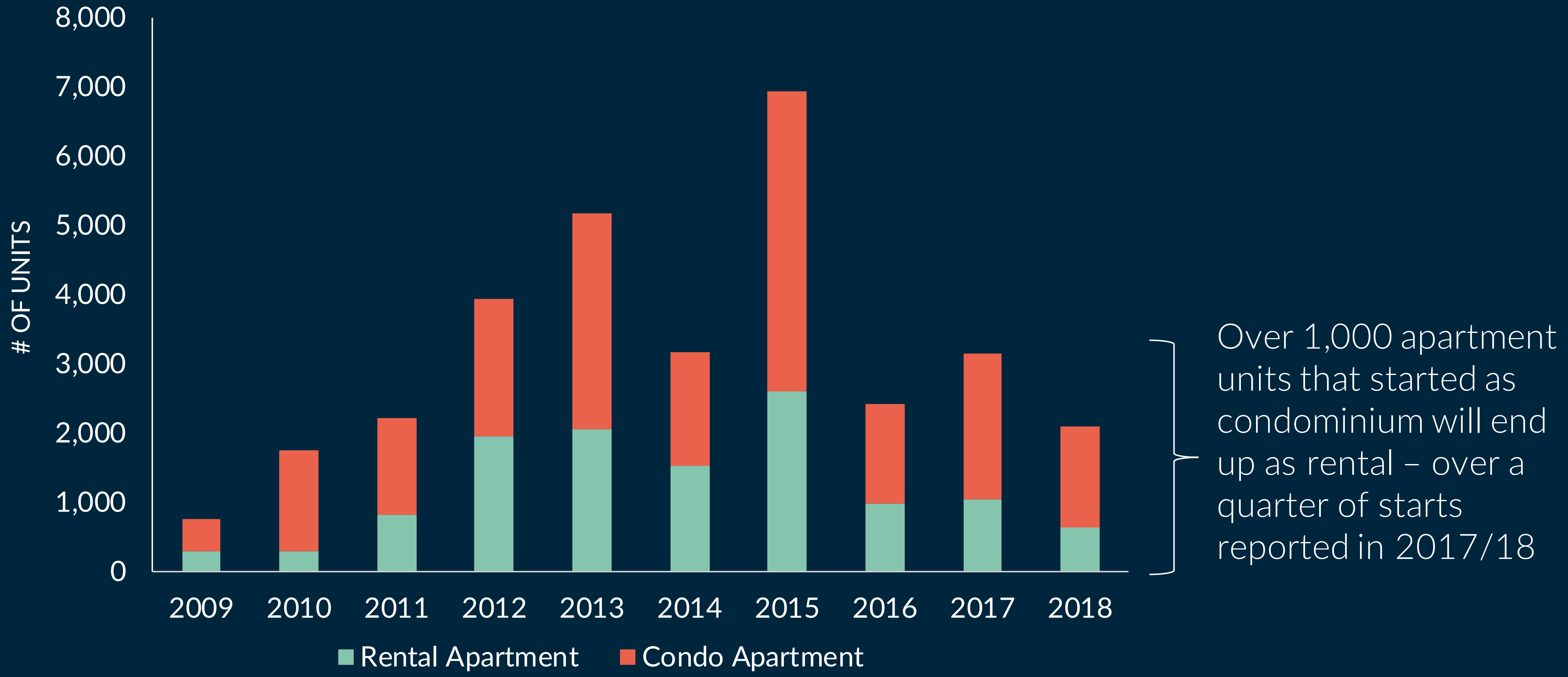
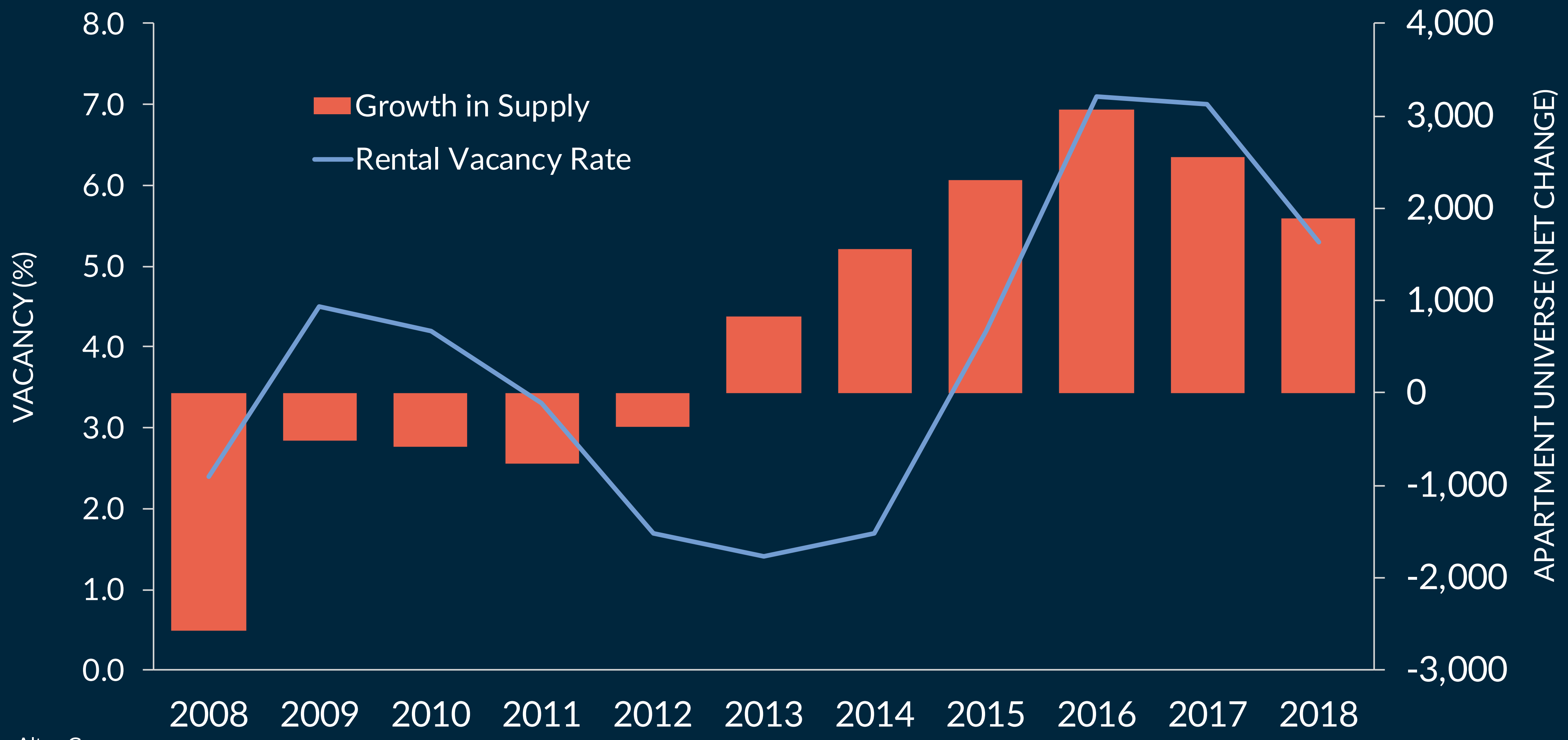


Source: Altus Group

Rental vacancy down as flight to quality absorbs new supply

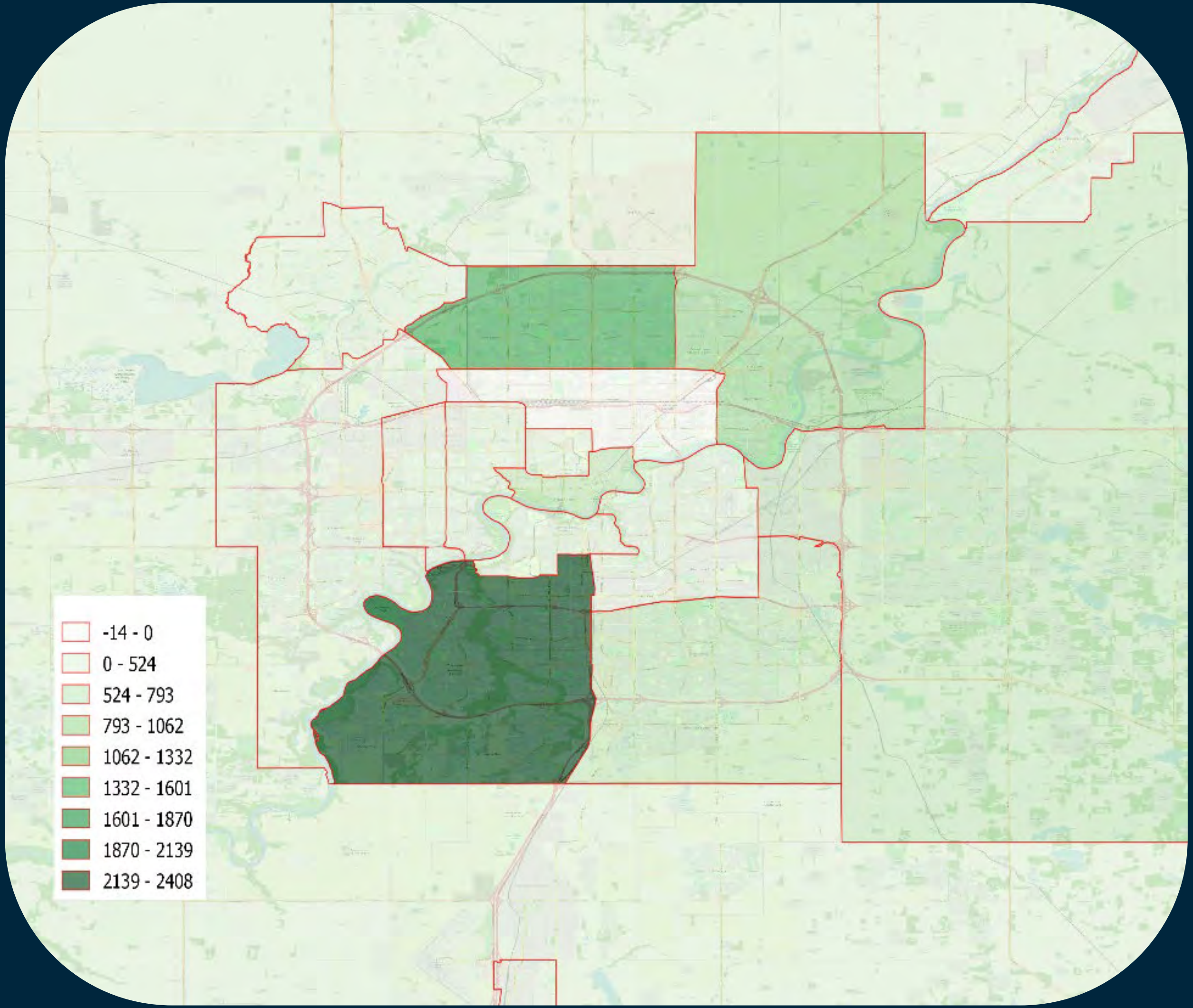
Altus Group



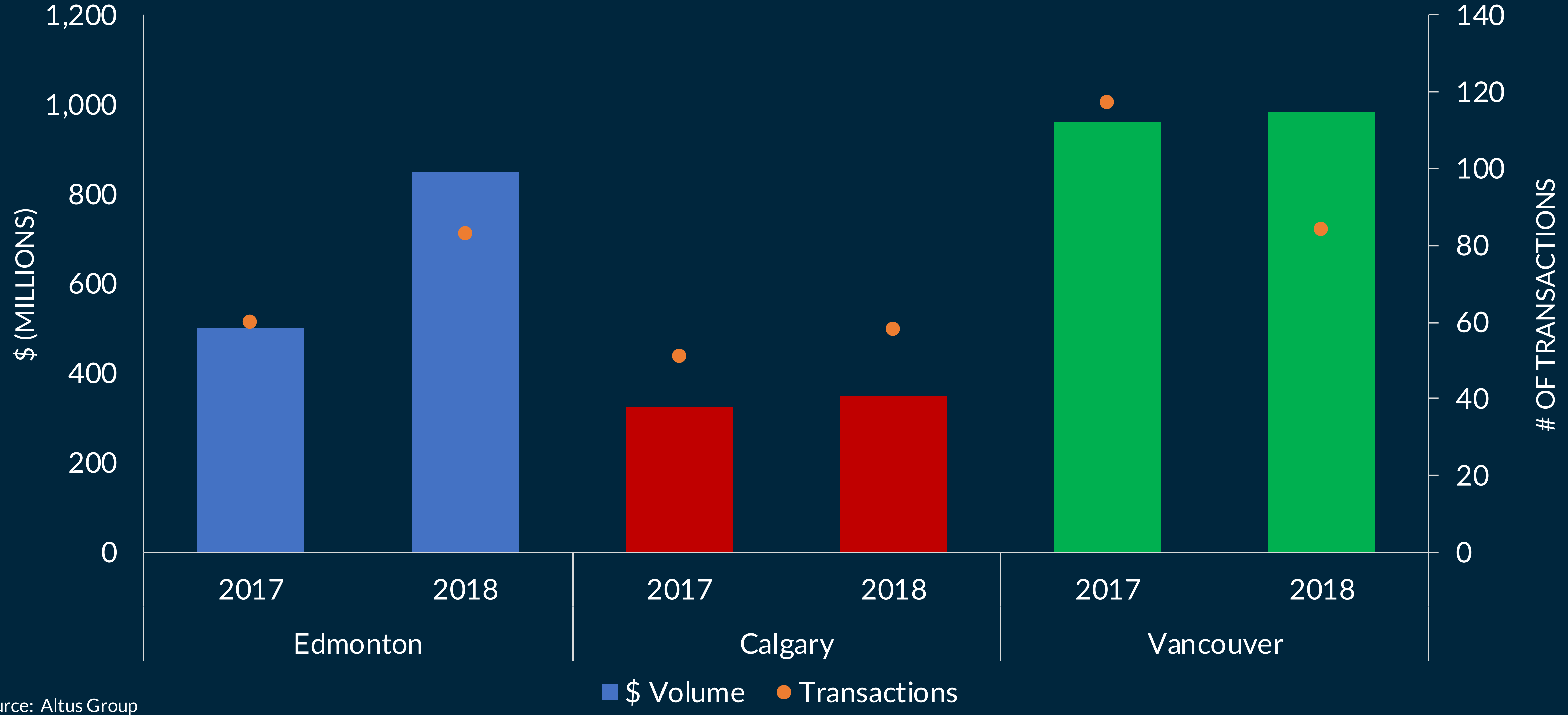
Source: Altus Group

New rental supply growth has been strongest in the suburban markets

AltusGroup



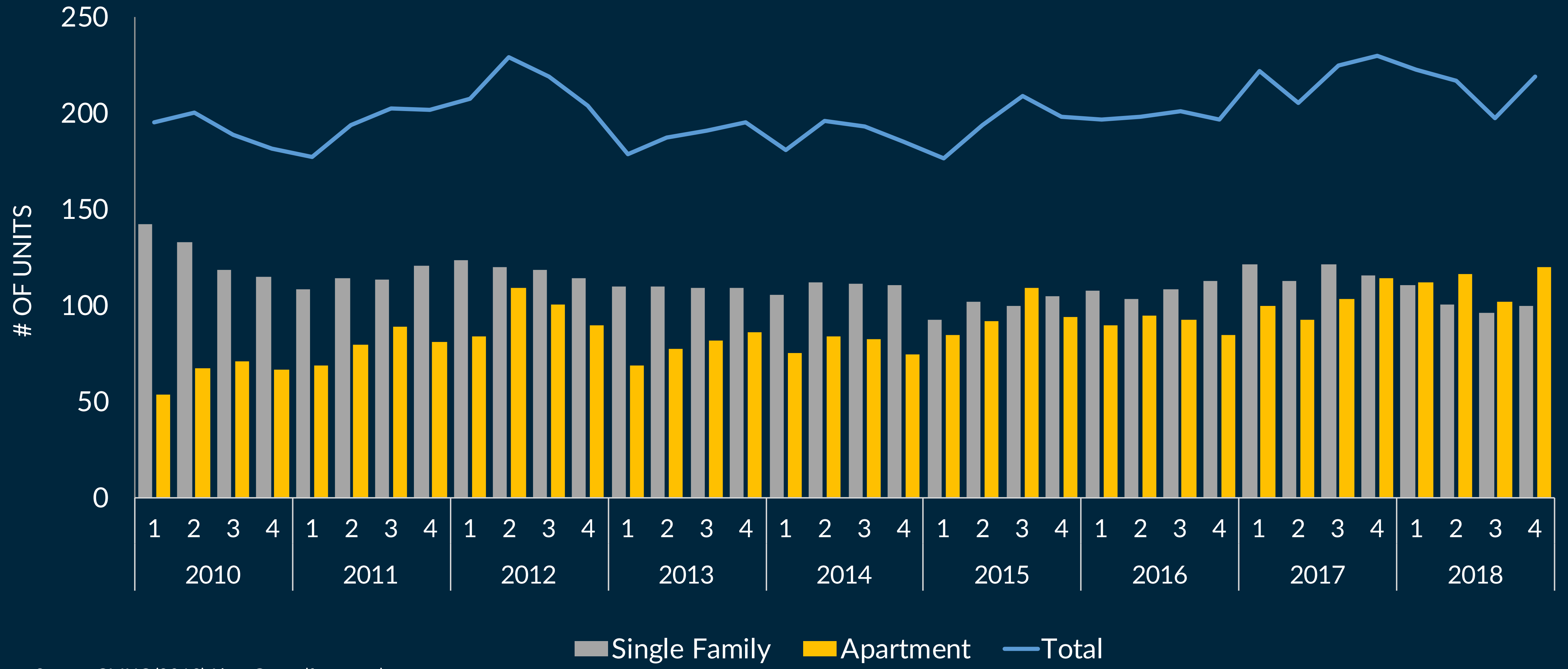
Rental apartment transaction volumes highlight the relative strength of the Edmonton market



Source: Altus Group

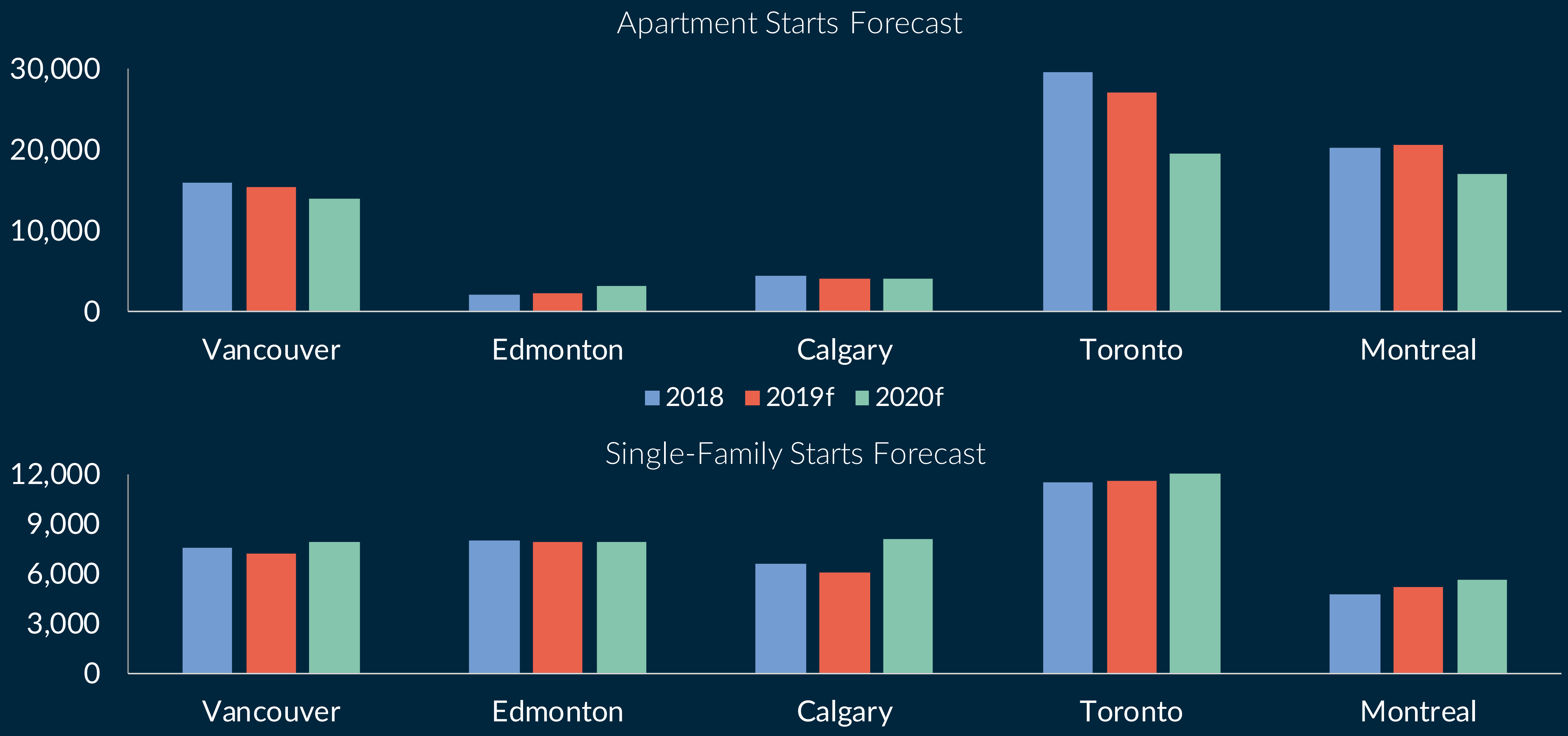
Residential Outlook

Housing starts nationally highlight shift into apartment – but stable overall unit counts



Source: CMHC (2018) Altus Group (forecasts)

Housing starts forecast remains stable; demand drivers for new housing remains positive in most markets



Source: CMHC (2018) & Altus Group (forecasts)

Employment growth has fizzled – but still benefits from prior growth

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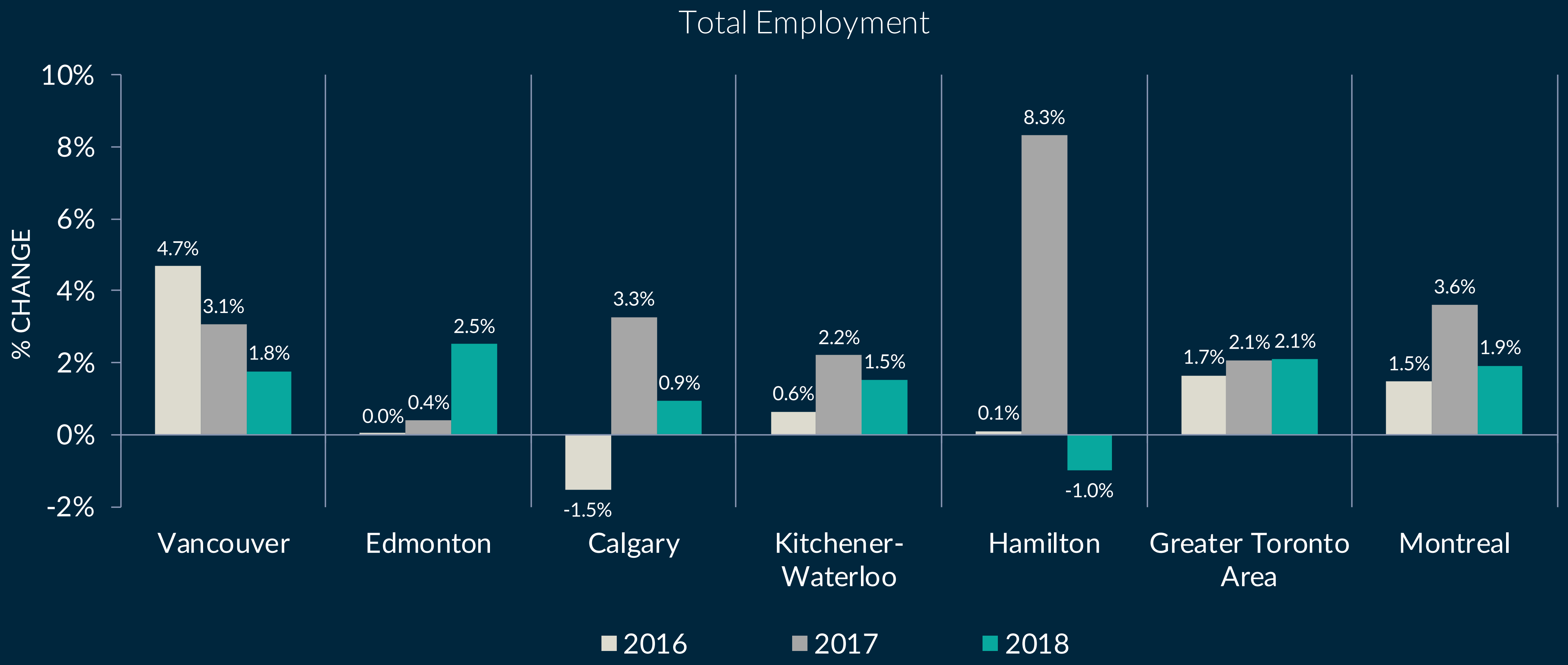
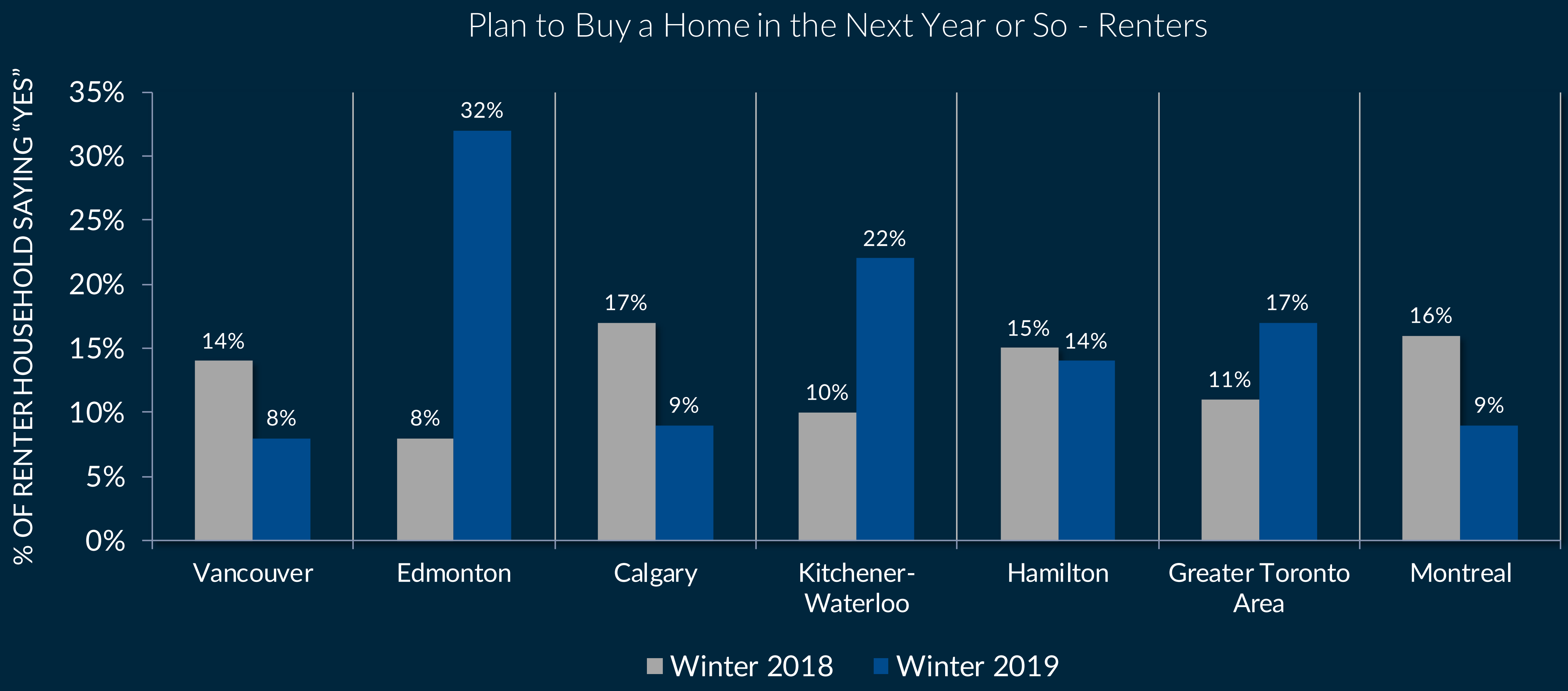


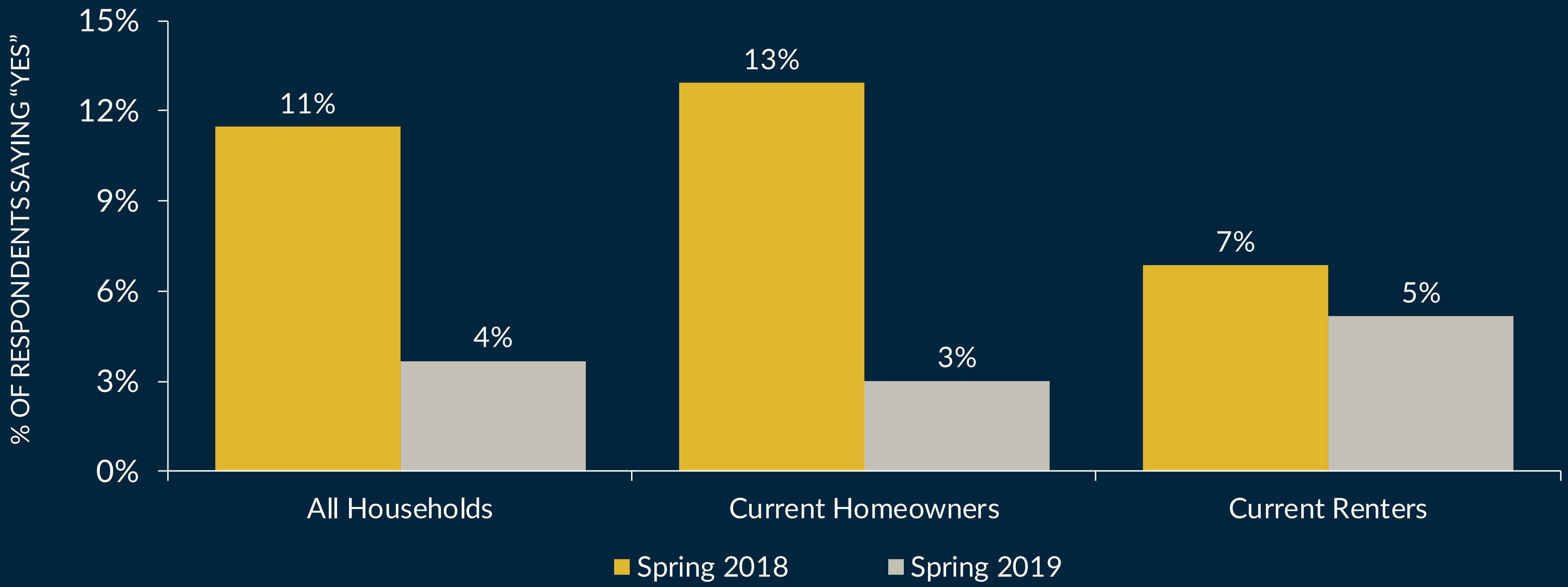
Source: Altus Group based on StatCan data

First-time buyers want back into the game, but many hesitant – FOMO turns to FOTU (fear of the unknown)



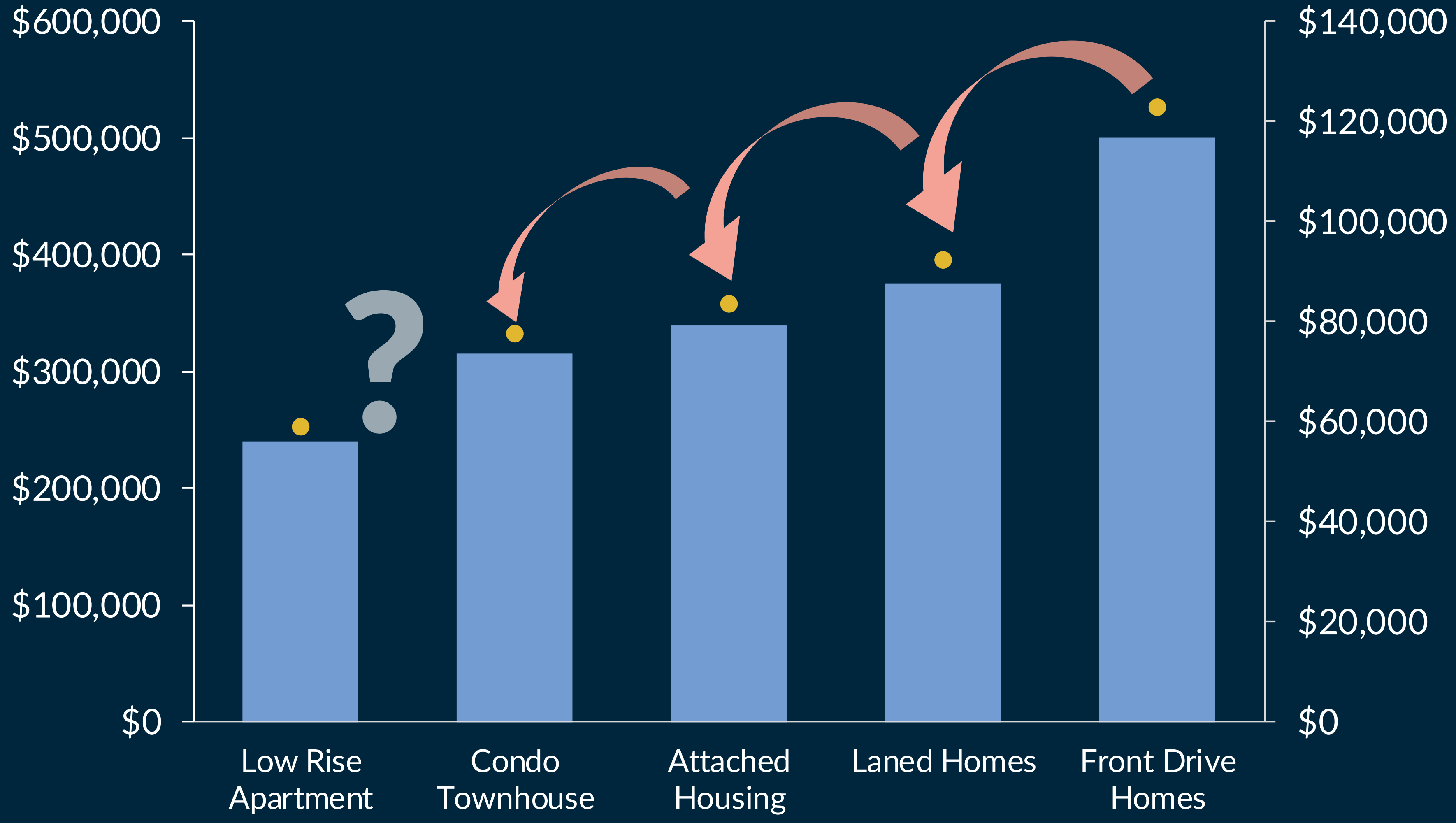
Source: Altus Group, The FIRM Survey

Home buying intentions were down this spring

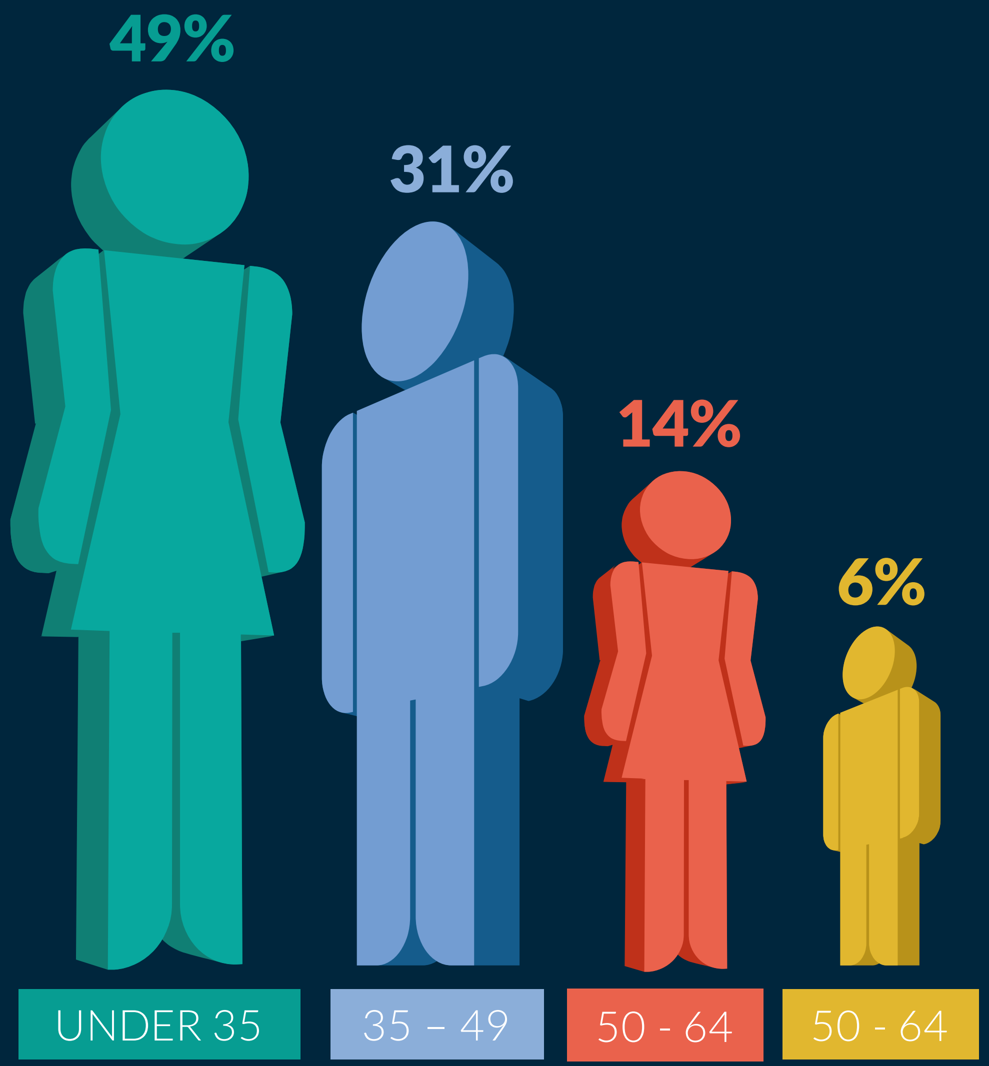


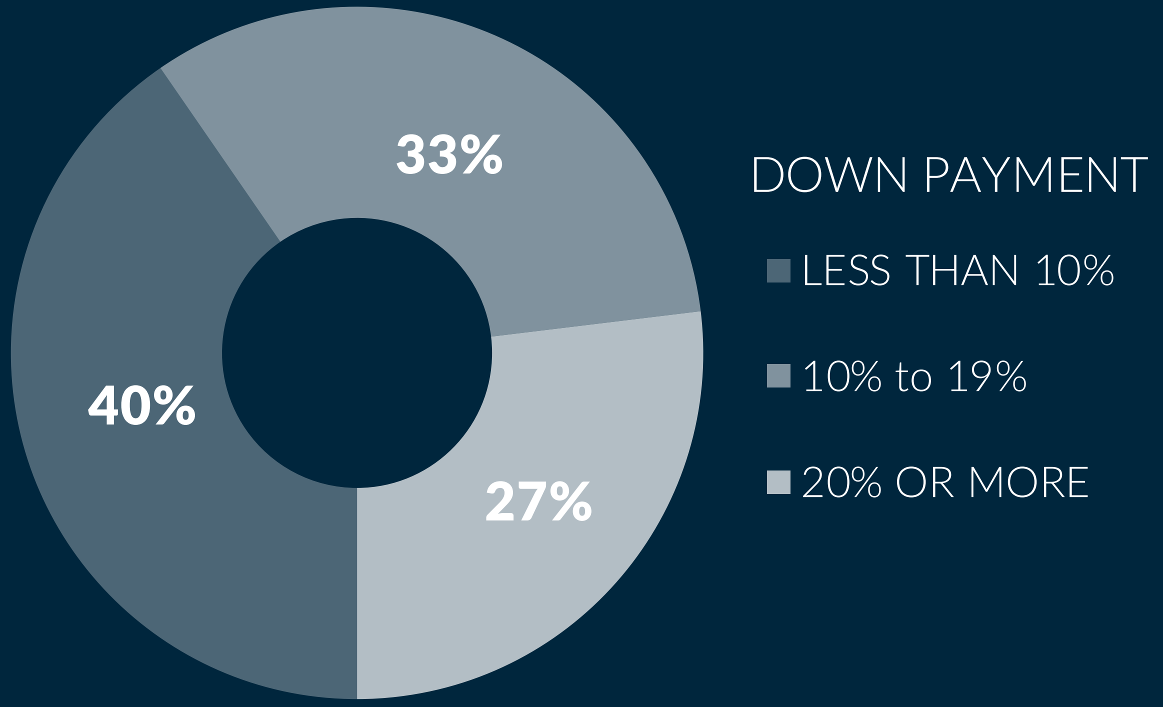
Source: Altus Group

...with consumers having to downgrade their housing expectations



… Edmonton buyers are predominantly younger and have smaller down payments





Last thoughts…

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1

LIFESTYLE VS. AFFORDABILITY

2

STABILITY > CONSTANT CHANGE

3

APARTMENT DEMAND SHIFTING TO RENTAL …BUT NOT FOREVER

4

EDMONTON MARKET “NORMAL” ≠ CANADA MARKET “NORMAL”

5

ONE MORE ELECTION…

Edmonton Market Outlook

NEW HOME MARKET

SALES

PRICING

COMMERCIAL TRANSACTIONS

DOLLAR VOLUMES

TRANSACTION VOLUMES

COMMERCIAL MARKETS

OFFICE VACANCY

INDUSTRIAL VACANCY

LEASE RATES

CLOSING REMARKS

Jason Lo | *Vice President, Go-To-Market Execution, Data Solutions*

Altus Group

Thank you for attending!

EDMONTON STATE OF THE MARKET 2019

Today's Presentation & Flash Report

All attendees will receive an email tomorrow with links to download today's **presentation slides** and a copy of the **Edmonton Flash Report 2019**

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2019 CANADIAN COST GUIDE

The trusted resource for Canadian real estate development and infrastructure construction costs.

altusgroup.com/canadian-cost-guide-2019

FOCUS SESSIONS

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1

Uncovering Investment Opportunities in a Risky Market

JASPER ROOM
(Upstairs)

2

5 Strategies for Making the Right Acquisition

DRAWING ROOM
(Upstairs)