EDMONTON FLASH REPORT **2019**

Altus Group

COMMERCIAL INVESTMENT & LAND MARKET

EDMONTON MARKET AREA

Total investment volumes in the Edmonton Market Area increased to $3.94 billion in 2018, the third consecutive year-over-year increase.

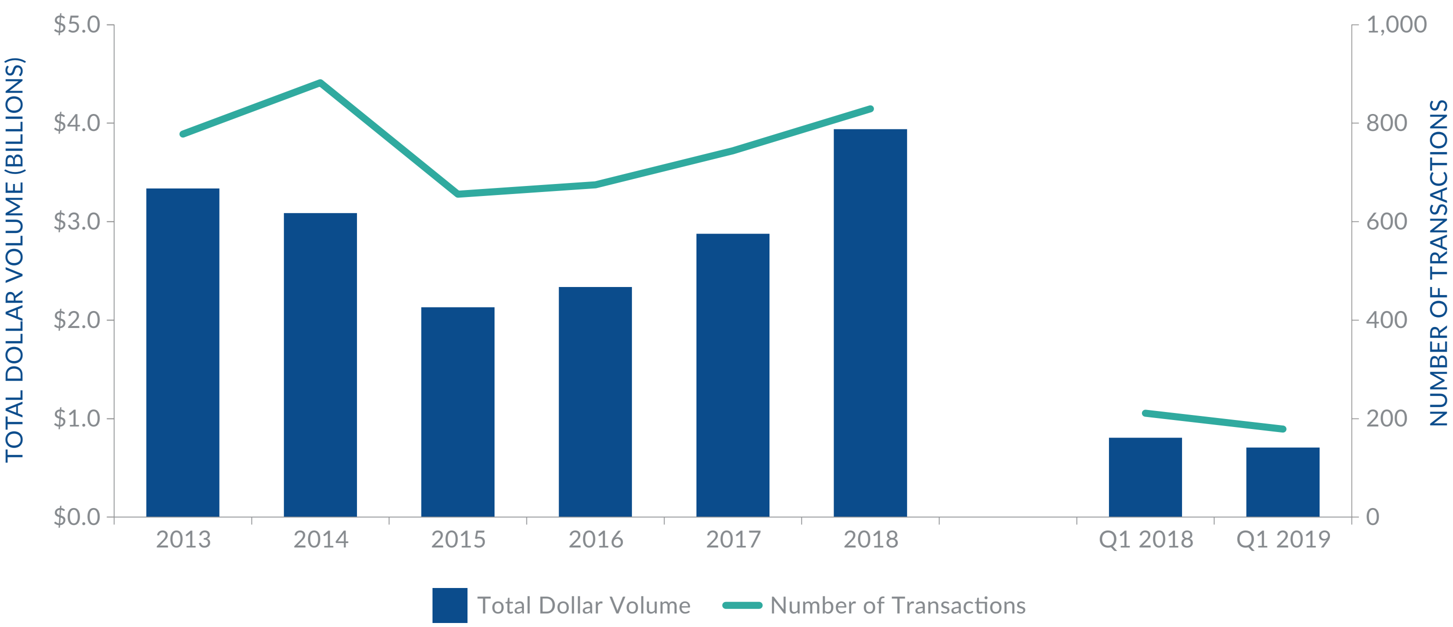
2018 Highlights

Increases across every sector contributed to the 37% overall increase in investment property sales volumes in 2018:

- The Industrial sector accounted for the largest share of investment, with 220 transactions contributing $878 million toward overall investment volumes.
- The Apartment sector posted the largest relative increase in dollar volume year-over-year – increasing 69% to $849 million.
- The total value of Land sales (ICI and Residential combined) was up 8% from 2017 to 2018. An increase in both the ICI Land sector (up by $26 million) and Residential Land (up by $44 million) contributed to this.
- The Office and Retail sectors both saw significant gains in 2018 with Office increasing by $149 million and Retail increasing by $141 million.

Annual Investment Property Sales Transactions

EDMONTON MARKET AREA



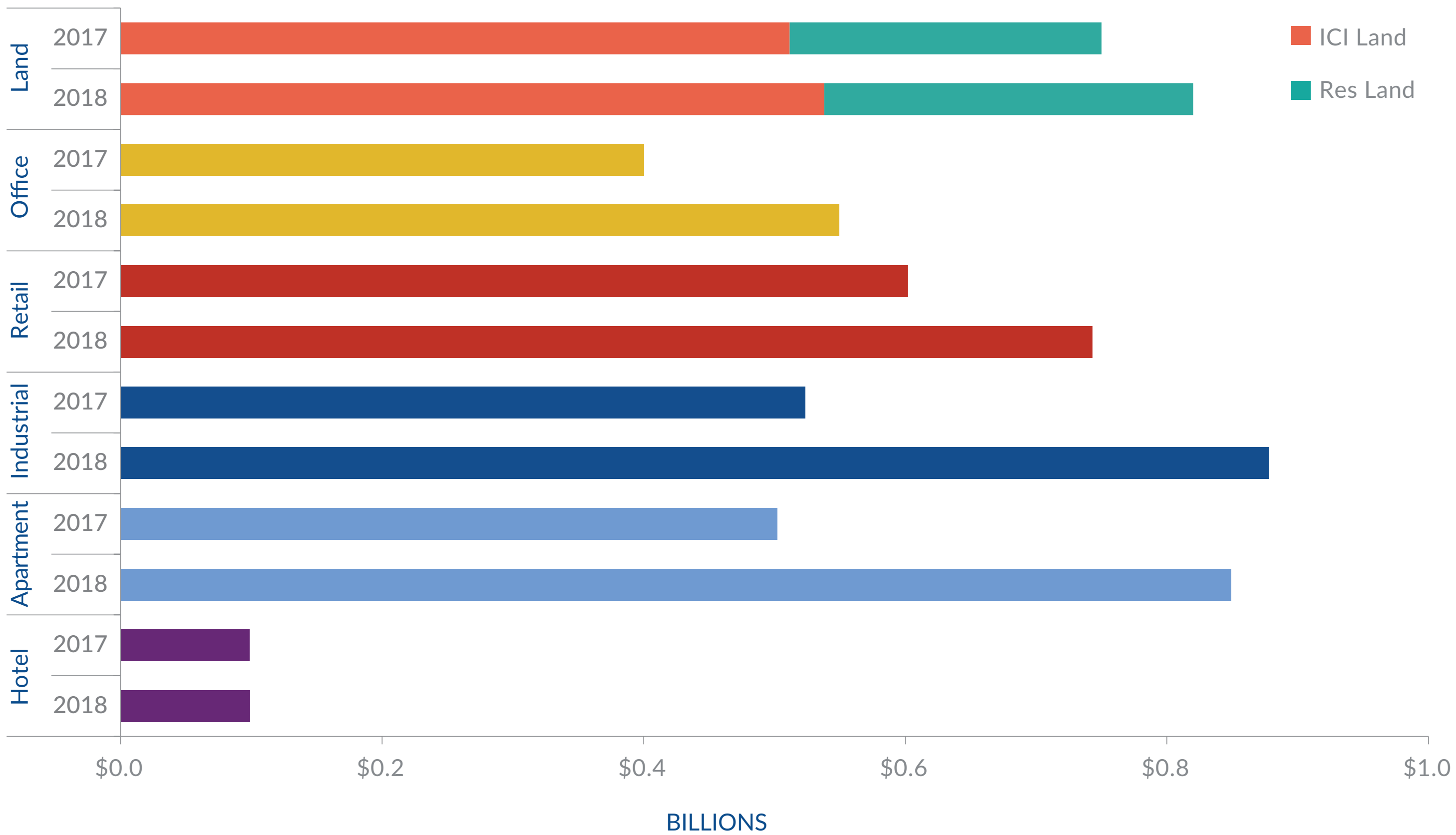
Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

EDMONTON MARKET AREA

Investment Property Sales Transactions by Asset Class

EDMONTON MARKET AREA, 2017 VS. 2018



Source: Altus Group

Sales of Retail properties in Q1 2019 reached their lowest level in almost 3 years.

Q1 2019 Highlights

2019 got off to a slower start, with total investment volumes down 12% from Q1 2018 and down 22% from Q4 2018. It was a mixed story, however, by sector.

The Office and Apartment sectors posted strong volumes in Q1 2019, with both more than doubling the level of investment in Q1 2018.

But this was not enough to offset significantly lower transaction volumes for Retail and ICI Land – each was down more than $115 million from their very strong performances in Q1 2018, with Retail at its lowest level since Q2 2016.

Medium Density land accounted for almost half of total Residential Land sales in 2018.

Notable Residential Land Themes

Residential Land investment picked up in 2018, increasing 18% from 2017. The Residential Land market shifted back, however, towards Medium Density land, after the surge for low density in 2017.

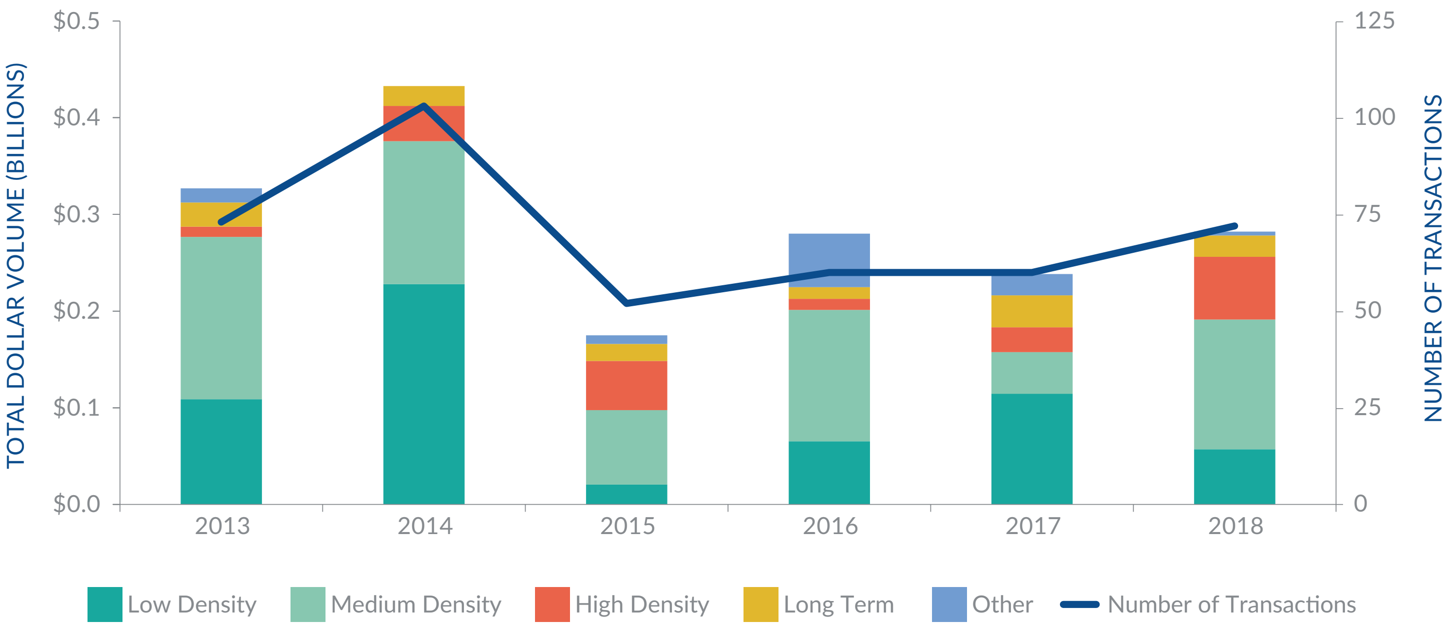
Medium Density Residential Land volumes in 2018 reached $134 million, up 212% from 2017 and accounting for almost half of overall investment.

After the strong showing in 2017, Low Density Residential Land sales were down significantly in 2018, declining 50% to $57 million.

Residential Land had a strong start to 2019, with Q1 investment totals up 43% from Q1 2018.

Residential Land Transactions by Land Use

EDMONTON MARKET AREA



Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

EDMONTON MARKET AREA

Skyline Apartment REIT's acquisition of the Portofino Suites accounted for almost one-third of Q1 2019 investment in Apartments.

Featured Investment Transactions

The largest deal of Q1 2019 was Skyline Apartment REIT's acquisition of a 240 unit, low rise apartment building for about $56 million.

Integrated Asset Management's purchase of seven industrial buildings for $24.5 million led the way for the Industrial sector in Q1.

The top Retail transaction in all of 2018 was the sale of Village Landing to The Jim Pattison Group for $51.2 million.

AIMCo & Cidex Group's purchase on Jasper Ave demonstrates continued interest in redevelopment sites within Downtown Edmonton.

Featured Investment Transactions

EDMONTON MARKET AREA

Date	Sector	Transaction Name	Purchaser(s)	Price
Oct-2-2018	Retail	Village Landing	The Jim Pattison Group	$51,200,000
Oct-11-2018	Industrial	3300 70th Avenue	H & R REIT	$39,861,329
Jan-9-2019	Industrial	IAM Edmonton Industrial Portfolio 2019	Integrated Asset Management Group	$24,500,000
Jan-7-2019	Apartment	Portofino Suites	Skyline Apartment REIT	$55,856,213
Apr-1-2019	Apartment	Insignia Tower	Boardwalk REIT	$35,610,000
Jan-11-2019	Residential Land	10045 & 10047 116th Street N.W., 11503-11525 Jasper Avenue N.W. & 10060 115th Street N.W.	AIMCo & Cidex Group	$14,138,580

Source: Altus Group

INDUSTRIAL MARKET
EDMONTON MARKET AREA

Industrial vacancy rate climbs higher on the back of additional new supply.

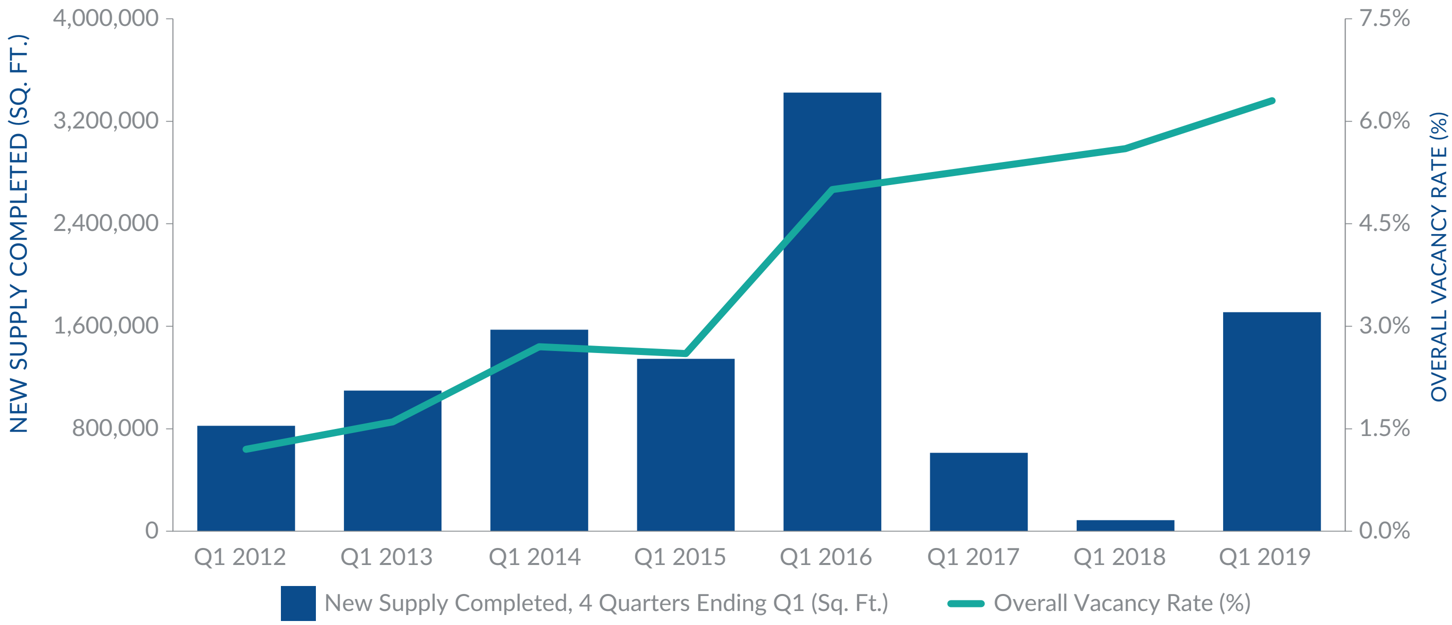
Industrial Market Highlights

About 1.7 million sq. ft. of new industrial space was completed in the 12 months ending March 2019 in the Edmonton Market Area – this follows on less than 100,000 sq. ft. completed in the previous year.

The increased new supply was a factor in the rise in the vacancy rate to 6.3% at the end of Q1 2019.

At the end of Q1 2019, there was another 2.4 million sq. ft. of space under construction, of which about three-quarters has been leased.

Industrial Market
EDMONTON MARKET AREA



Source: Altus Group

OFFICE MARKET
EDMONTON MARKET AREA

With little additional new supply in the pipeline, the vacancy rate should start to move down again.

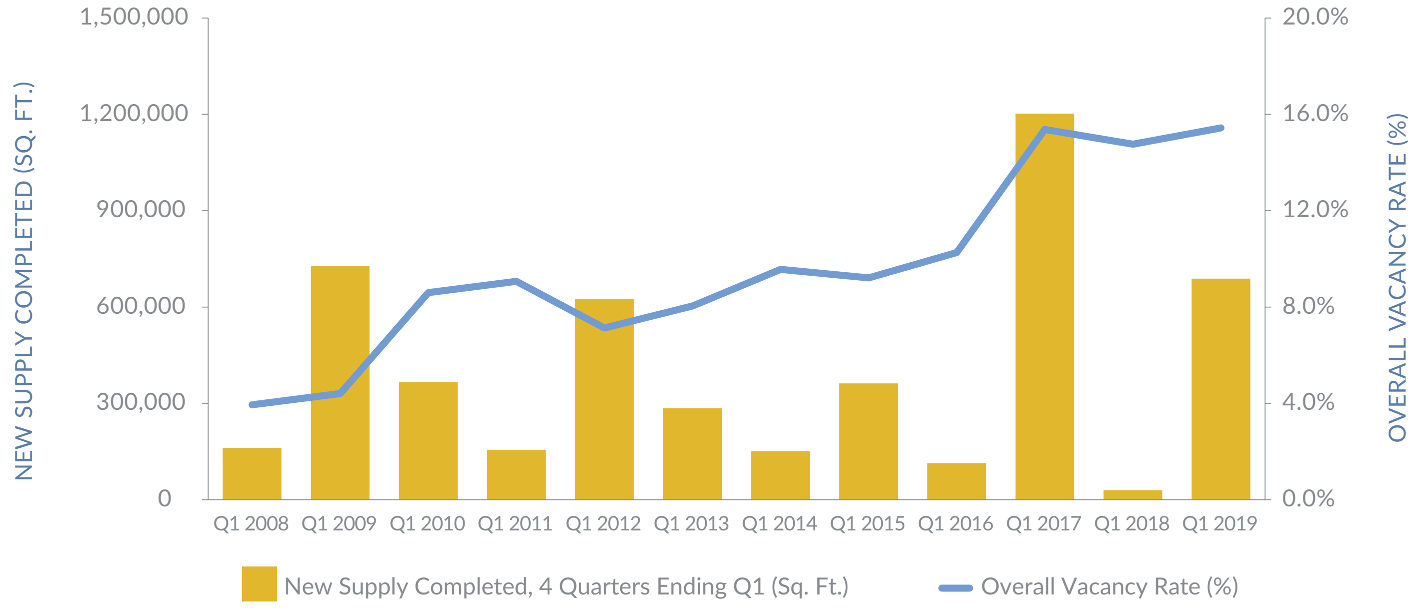
Office Market Highlights

The Edmonton office market continues to be oversupplied.

While the vacancy rate had come down somewhat in early 2018, the addition of almost 700,000 sq. ft. of new space over the past 12 months (primarily the Stantec Tower in the ICE District) has brought the vacancy rate back up above 15%.

There is currently very little office space under construction in the Edmonton Market Area (about 60,000 sq. ft.), which should help the vacancy rate to start to move down again, provided absorption of space remains positive.

Office Market
EDMONTON MARKET AREA



Source: Altus Group

There is no space currently under construction in the downtown area – and little in the suburbs.

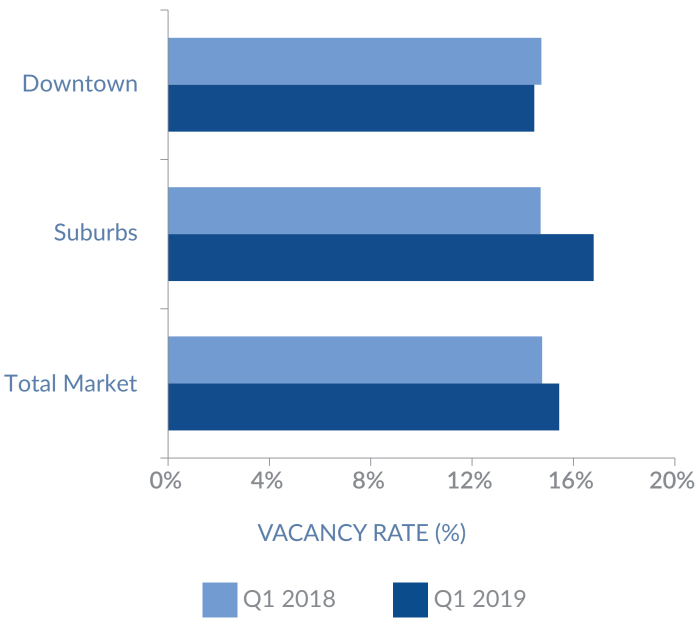
Office Market Highlights *Continued*

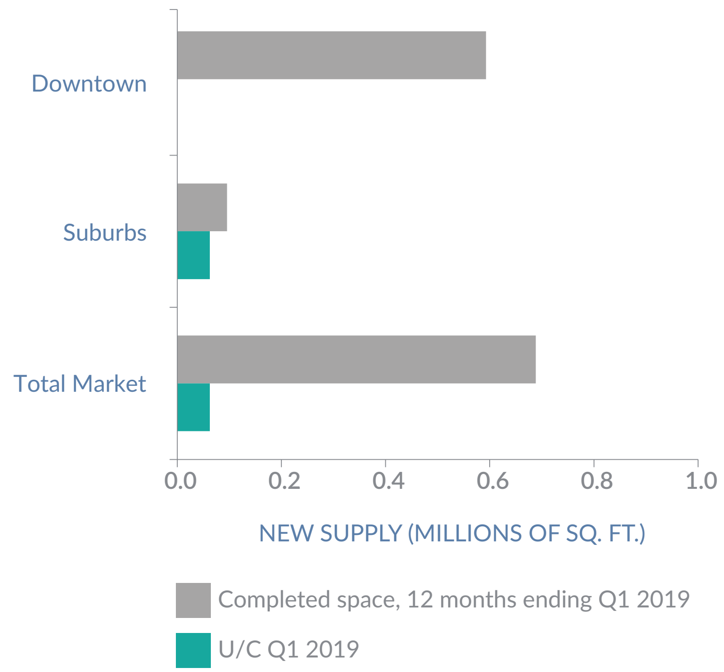
While most of the new office space added in the past 12 months was in the downtown area, this space was largely leased, and did not prevent the vacancy rate from moving down slightly over the past year. However, some of the gain of the downtown was at the expense of tenants moving from the suburbs, which caused a bump up in the office vacancy rate outside the downtown.

There is no space currently under construction in the downtown area – and little in the suburbs.

Office Market Highlights, Downtown vs. Suburbs

EDMONTON MARKET AREA





Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET

EDMONTON MARKET AREA

New multi-family home sales reversed down again in 2018, with a further dip in early 2019.

New Multi-Family Home Sales Highlights

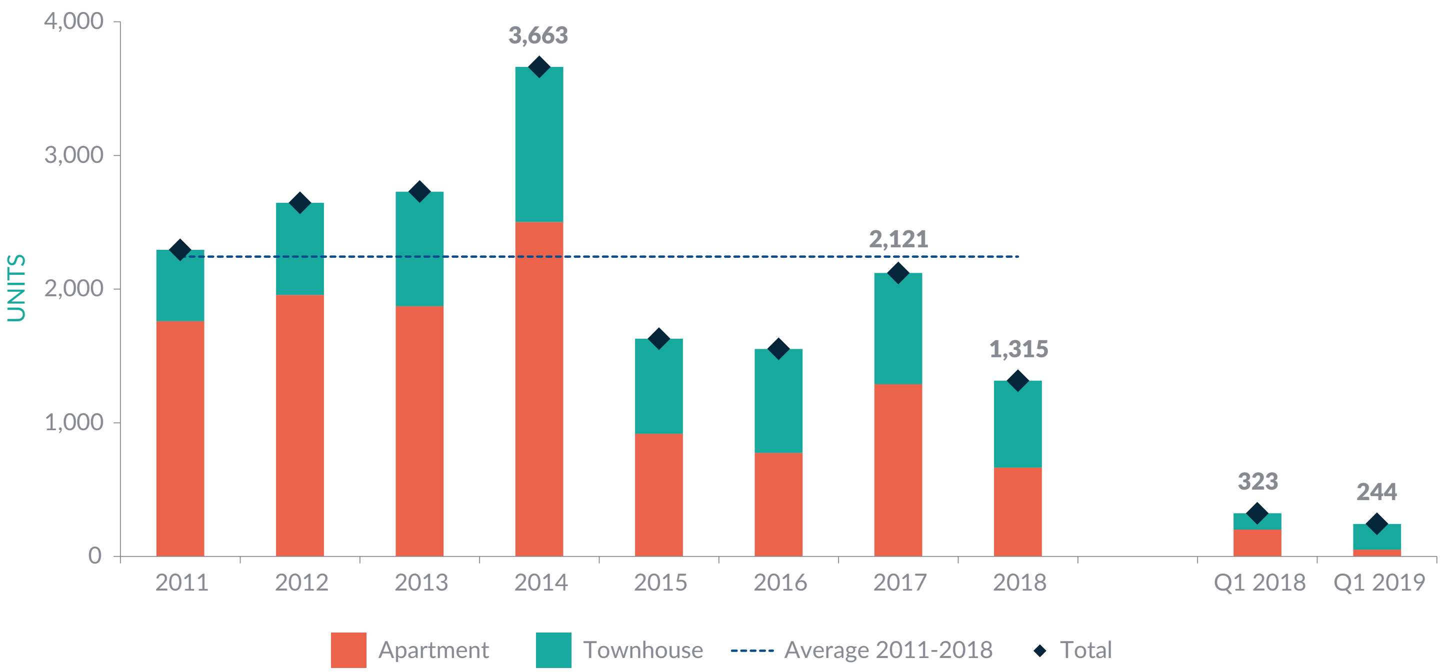
After improving in 2017, total new multi-family sales (townhouse and apartment combined) reversed down again. Total sales for the year reached only about 1,300 units in 2018, down by about one-third from 2017.

The decline was due primarily to new condominium apartment sales (which were only about half the level reached in 2017), but townhouse sales were also down.

The first quarter of 2019 saw some improvement for new townhouse sales, but not enough to offset the plunge for condominium apartments, with the result that total new multi-family sales were below Q1 2018.

New Multi-Family Home Sales

EDMONTON MARKET AREA



Source: Altus Group

The excess inventory situation in the new condominium apartment sector has deteriorated again in the past year.

New Condominium Apartment Inventory

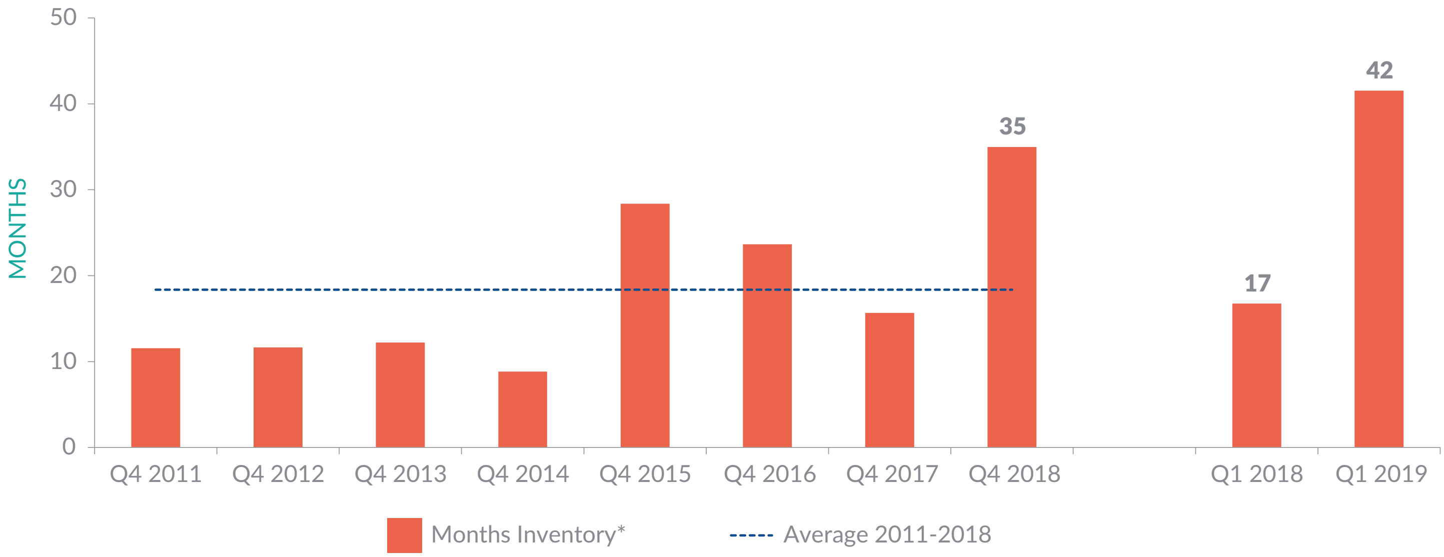
While the excess inventory situation in the new condominium apartment sector showed some initial signs of improving in early 2018, the situation deteriorated again over the past year.

At the end of Q1 2019, the approximately 1,700 unsold units in active new condominium apartment projects represented 3½ years of supply, based on the monthly pace of sales over the past year. About 1 in 3 of the available units was in standing inventory (i.e. completed projects).

A total of 10 condominium apartment projects were launched in 2018, for a total of just over 900 units (one of these projects was subsequently cancelled and changed to a rental project). No new condominium apartment projects were launched in Q1 2019, which was a factor in the low sales in Q1.

New Condominium Apartment Months of Remaining Inventory

EDMONTON MARKET AREA



** Based on sales in previous 12 months*

Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET CONTINUED

EDMONTON MARKET AREA

New multi-family sales down in all submarkets except the West.

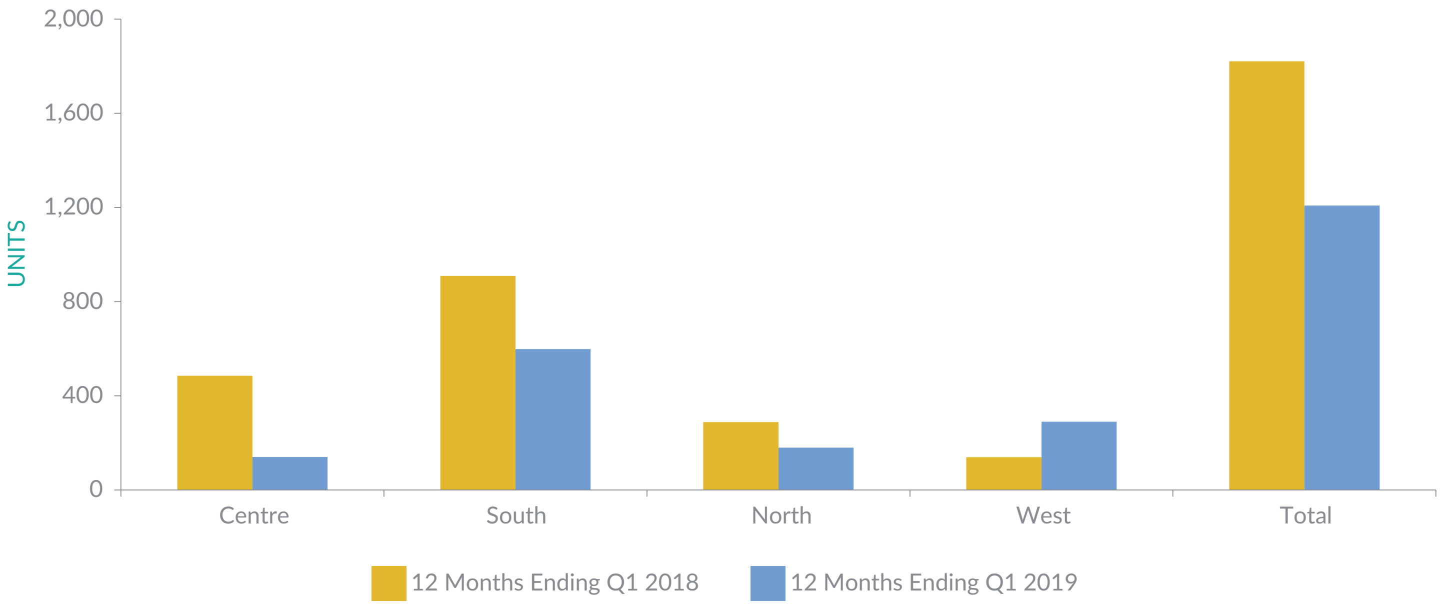
New Multi-family Highlights by Subarea

Total new multi-family homes sales (combined townhouse and apartment) in the Edmonton Market Area were down in each of the major submarkets for the 12 months ending Q1 2019 compared to the previous year, with the exception of the West submarket.

The South submarket continued to have the largest share of sales, for both townhouse and apartment units. The excess inventory relative to recent sales is more pronounced in the Centre and North submarkets.

Total New Multi-Family Sales by Submarket

EDMONTON MARKET AREA



Source: Altus Group

HOMEBUYERS
EDMONTON MARKET AREA

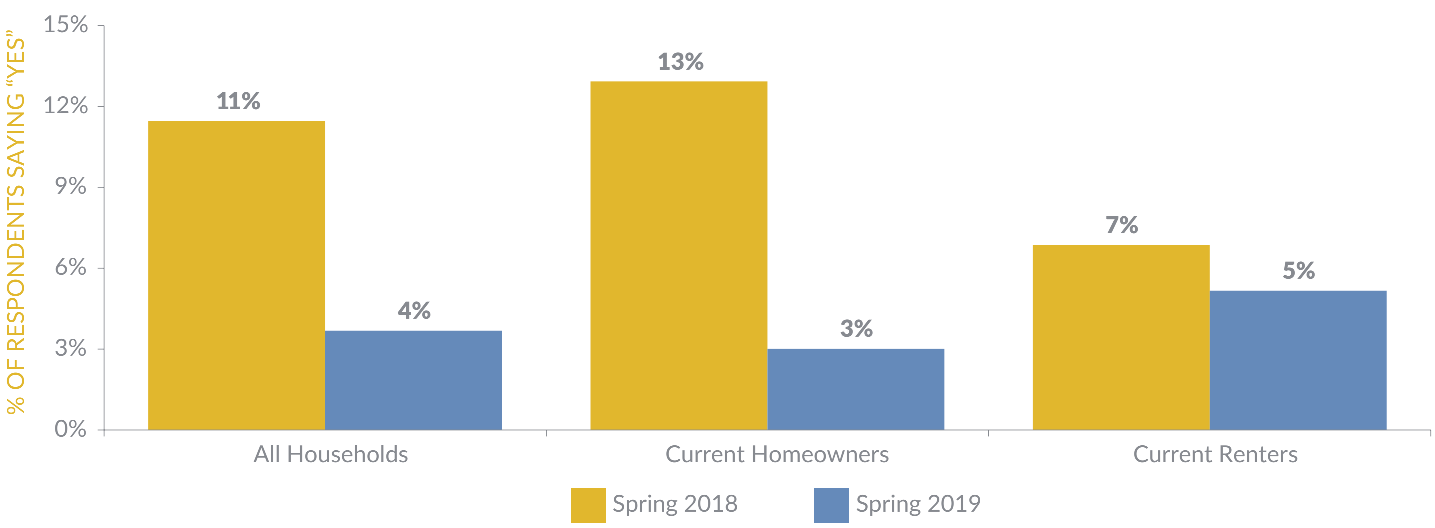
Homebuying intentions down sharply this Spring.

Homebuyer Highlights

Homebuying intentions were down markedly in Spring 2019 from a year earlier (according to Altus Group's FIRM Survey). The drop was most pronounced among current homeowners, but also softened slightly among current renters (the primary pool for potential first-time buyers).

The good news is that Edmonton households are less concerned this year about potential job losses than was the case in the Spring of 2018, which may start to soon help revive homebuying intentions – and actual activity.

Planning to Buy a Home in the Next Year
EDMONTON MARKET AREA



Source: Altus Group

Buyers under 35 years – who are mostly first-time buyers - account for about half of Edmonton home sales.

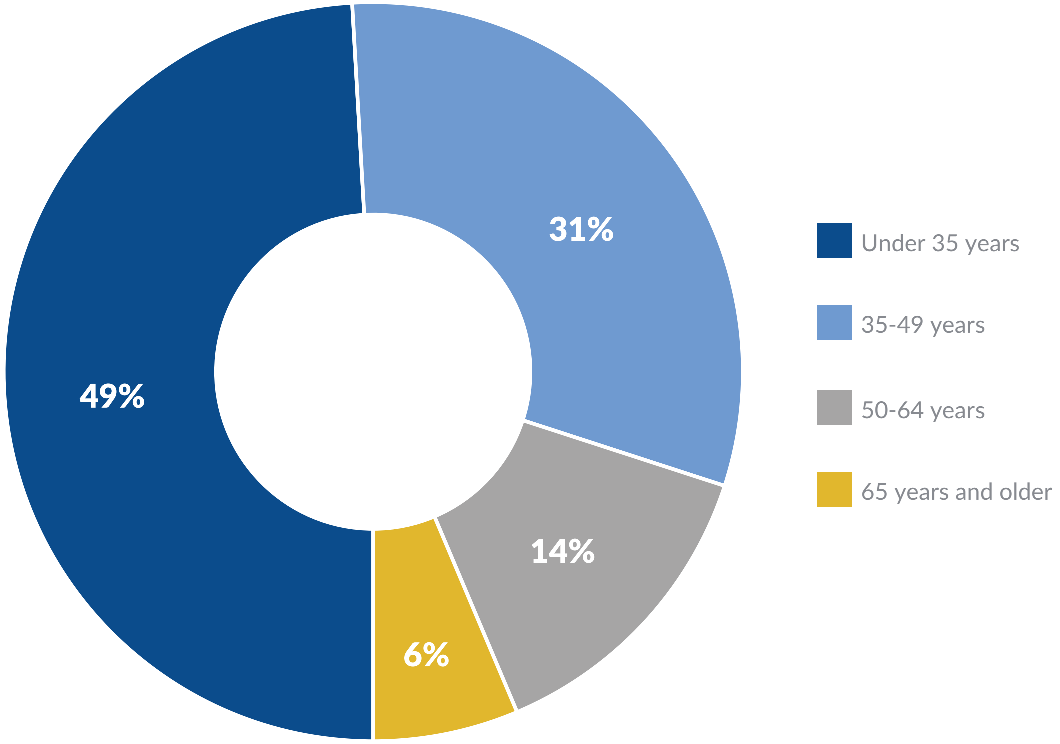
Homebuyer Highlights *Continued*

About half of recent end-user homebuyers in Edmonton were under 35 years of age, according to data from Altus Group's FIRM Survey.

Most buyers aged under 35 years were first-time buyers. First-time buyers in Edmonton on average purchased homes that were 10% below the overall average purchase price, and that were on average priced at 3.5 times their annual incomes.

While homebuying intentions are down among Edmonton renters (the primary pool for future first-time buyers), the new First-Time Home Buyer Incentive that comes into effect later this year may provide some moderate stimulus to first-time buyer activity later this year.

Recent Homebuyers by Age Group
EDMONTON MARKET AREA



**End-users buyers in past 5 years*

Source: Altus Group

About one-fifth of recent first-time buyers used RRSP funds as the primary source of their downpayment.

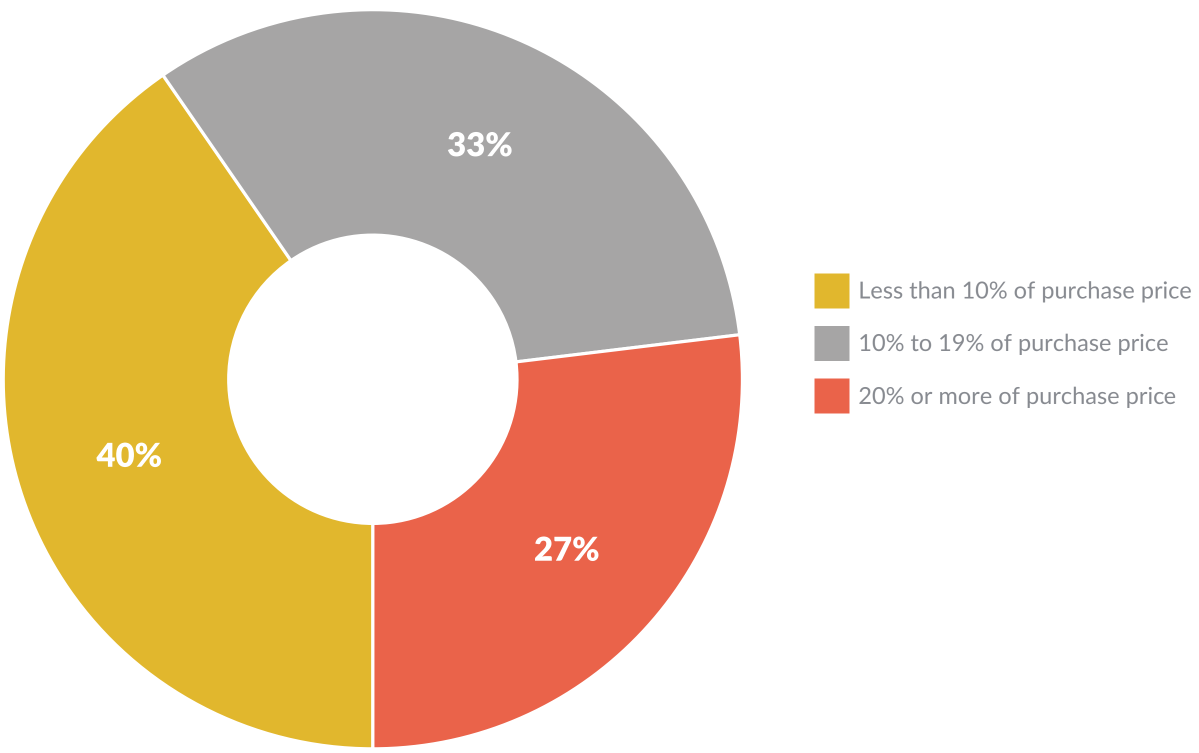
Homebuyer Highlights *Continued*

About 4 out of every 10 recent first-time buyers in Edmonton had a downpayment of less than 10% of the purchase price.

More than half of recent first-time buyers in Edmonton used non-RRSP savings and investments as the primary source for their downpayment. The remainder were split roughly equally between those who used RRSP funds and those who used assistance from family (gifts, loans, inheritances) as their primary source of downpayment.

Recent First-time Buyers by Size of Downpayment*

EDMONTON MARKET AREA



**End-users buyers in past 5 years*

Source: Altus Group

SUMMING UP AND LOOKING AHEAD

EDMONTON MARKET AREA

Real estate activity in the Edmonton Market Area was relatively robust in 2018 despite the economic headwinds.

Looking Ahead

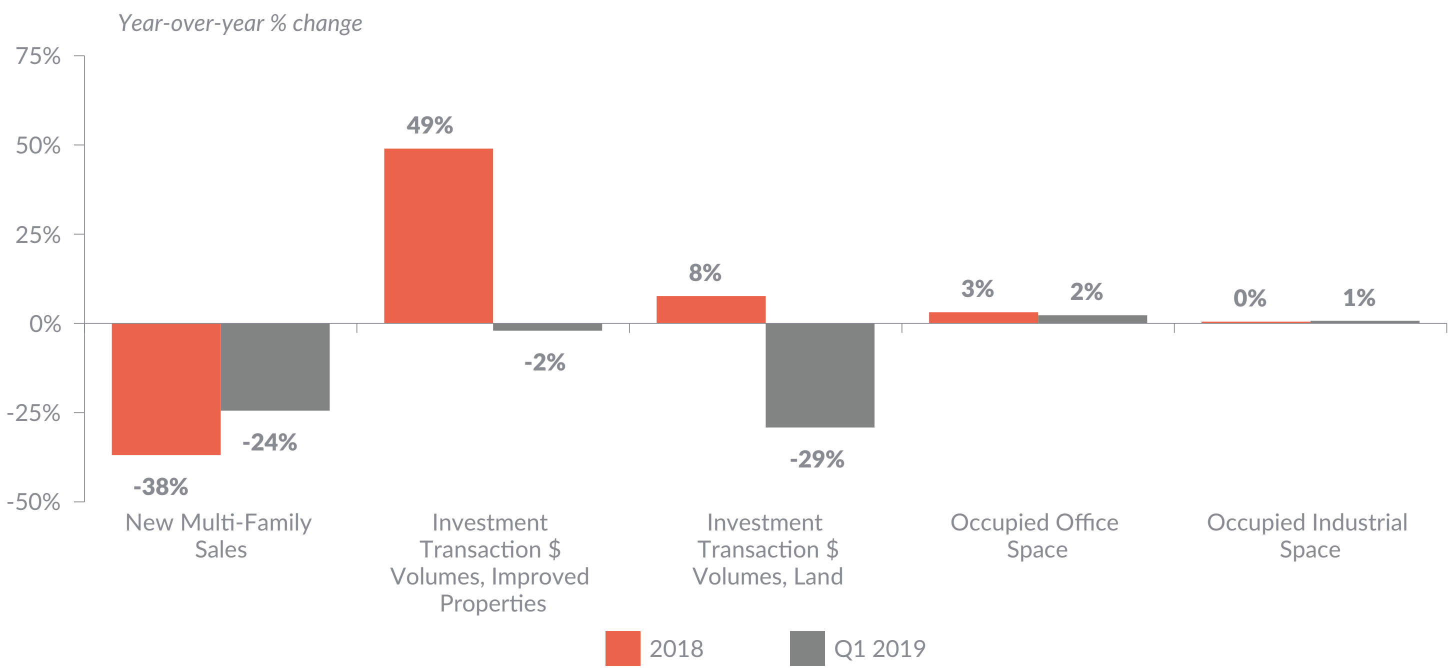
Real estate activity in the Edmonton Market Area was relatively robust in 2018 despite the economic headwinds. Investment property sales volumes finished the year with $3.94 billion in transactions, an increase of 37% over 2017. However, 2019 has started on a slower basis with 2019 Q1 investment sales having decreased by 12% from Q1 2018, largely due to the limited product availability.

The industrial leasing and sales market continues to be active, but with a shortage of suitable available space, new construction was up to 1.7 million sq. ft. for the 12 months ending March 2019 compared to only 100,000 sq. ft. of completions in the previous 12 months. Currently, there is approximately 2.4 million sq. ft. under construction. Demand for new office and industrial space is expected to stay strong over the next year. The office vacancy rate increased slightly to above 15% in 2019 based on the completion of Stantec Tower in the ICE District, and there continues to be demand for new modern spaces in the downtown region.

The new home market has had a slow start in 2019, extending the weaker sales conditions prevalent in 2018. While condominium apartment sales are down, townhouse sales remain comparably robust. Additionally, the decline in the condominium market has resulted in stronger demand for rental apartment options.

Performance by Market Activity

EDMONTON MARKET AREA



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
- Industrial Market
- Office 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 Altus Group Limited

Altus Group Limited is a leading provider of software, data solutions and independent advisory services 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.

For more information, please visit *altusgroup.com/datasolutions*