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

VANCOUVER
STATE OF THE MARKET

2019

Altus Group

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We have been an active property investor and developer in Vancouver since the 1950s, with a continued focus on quality, integrity and social responsibility.

Our aim is to make a lasting positive impact on neighbourhoods and communities.

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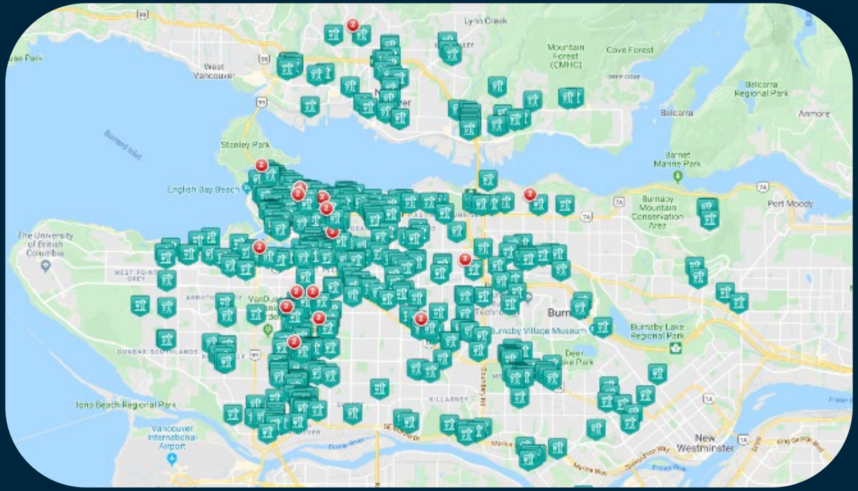
AGENDA

1. Data Solutions update
2. Key macroeconomic & demographic drivers
3. Commercial market update
4. Residential market update
5. Closing remarks

Features released in 2019

Altus Group

- Development Application expansion
- More frequent and structured process for record updates
- APIs and export functionality
- Better quality photos and documents



Coming in 2020

AltusGroup

Faster record processing

More new home data

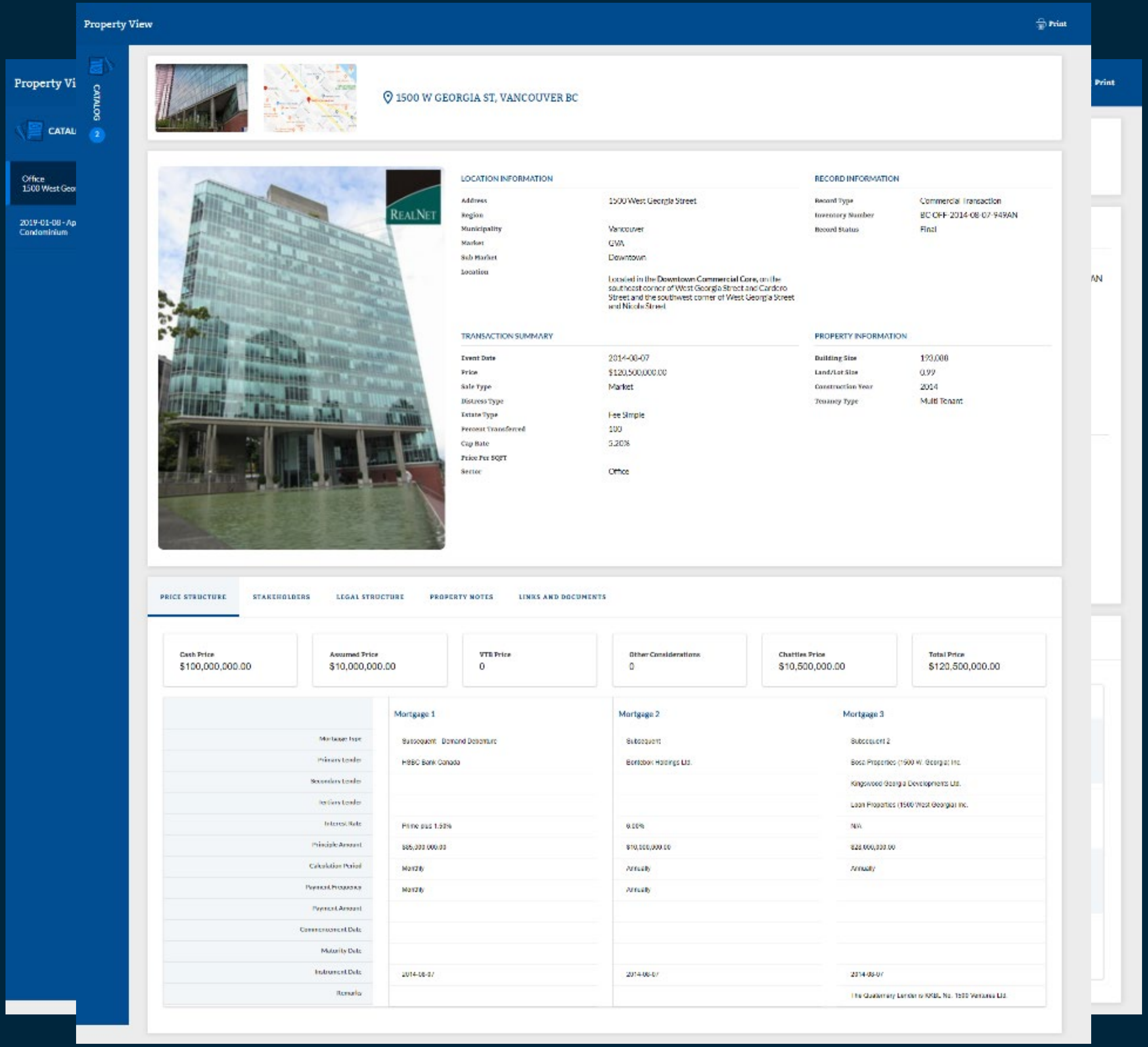
Better data integration

Data Studio

The new platform

Consolidated data platform combining all of our data in a consistent and intuitive interface

- Simplified search tools with flexible options
- Interactive search results allowing more analysis
- Improved record design providing better access to key data fields
- Flexible architecture to support faster data expansion and analysis



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

Patricia Arsenault | *Executive Vice President, Research Consulting*
Data Solutions

MACROECONOMIC & DEMOGRAPHIC DRIVERS

Key factors shaping the outlook for the next year

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1 GLOBAL ECONOMIC & GEOPOLITICAL OUTLOOK

2 INTEREST RATES

3 POLICY

4 EMPLOYMENT

5 POPULATION

Softer, but still substantial, growth ahead for Vancouver

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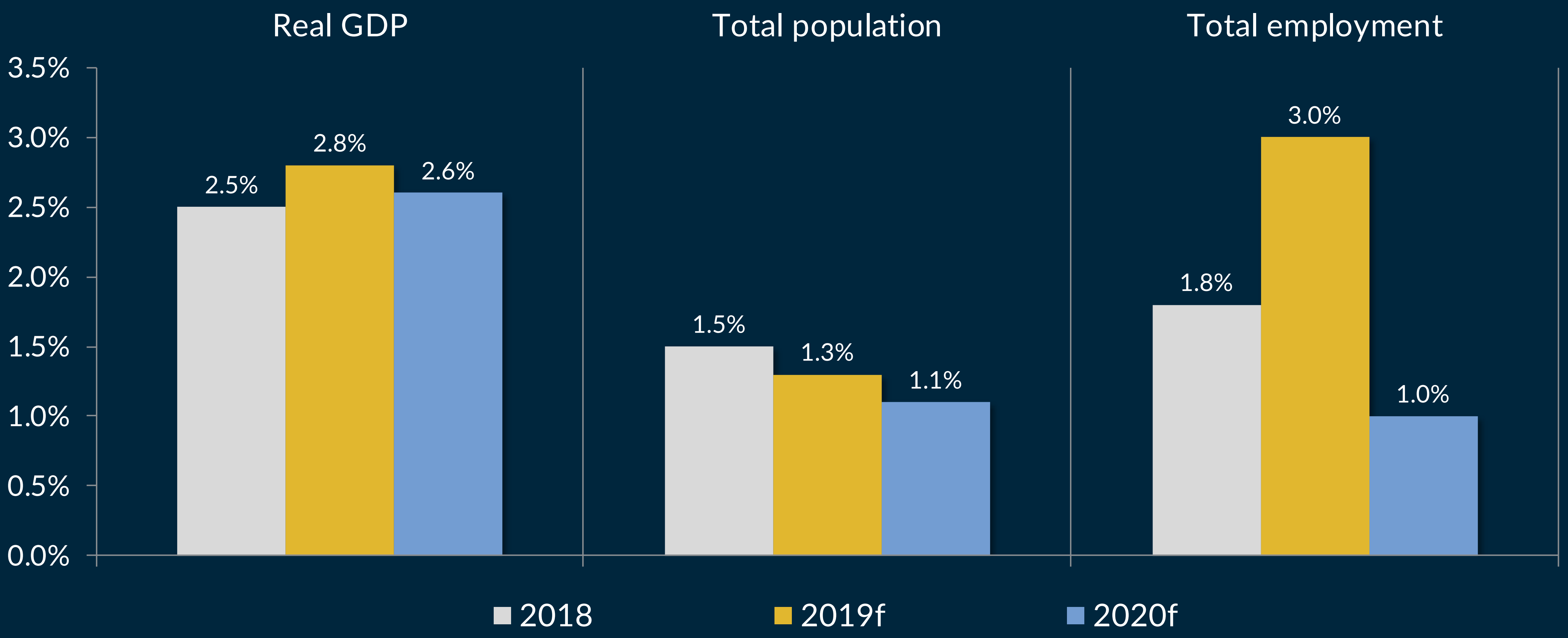
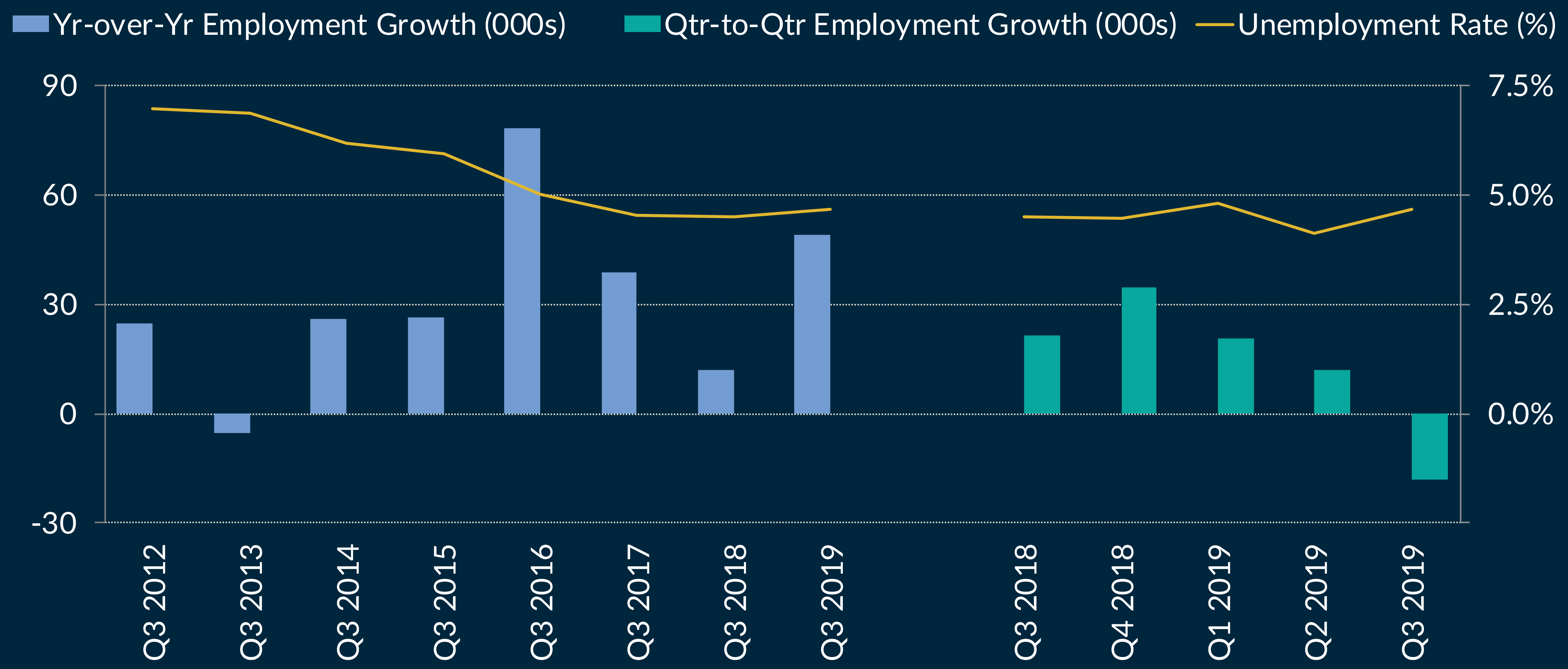


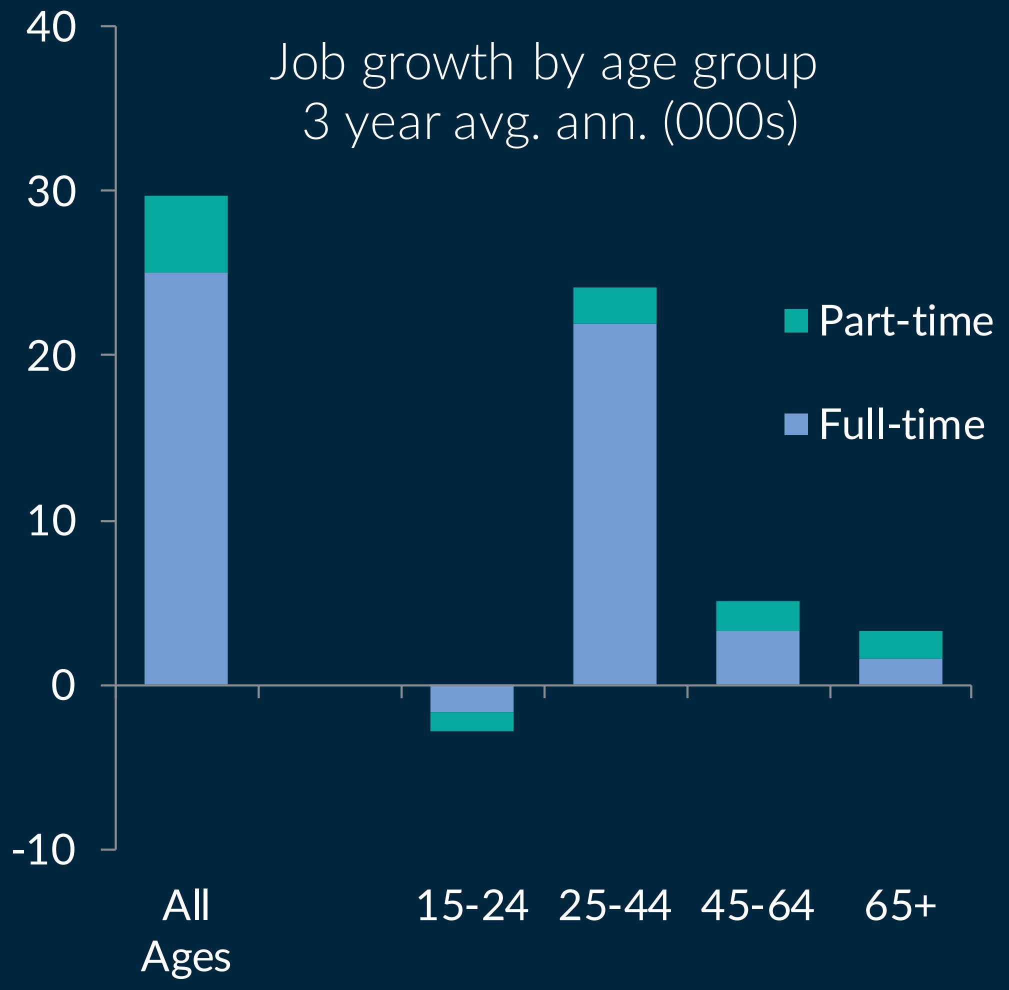
Source: Altus Group, based on Conference Board of Canada and StatCan data

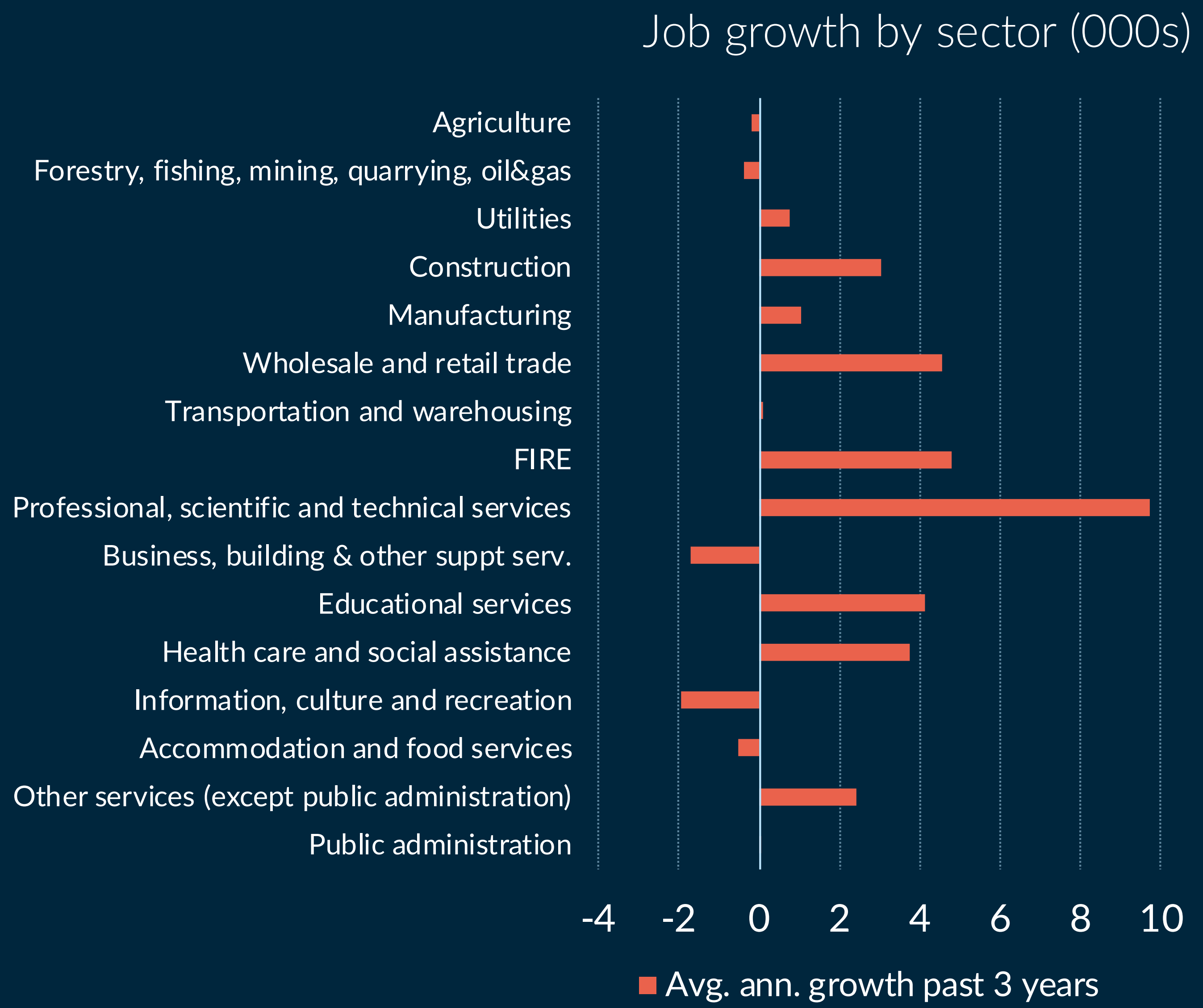
Plus still halo effect from employment gains in recent years



Source: Altus Group, based on StatCan data

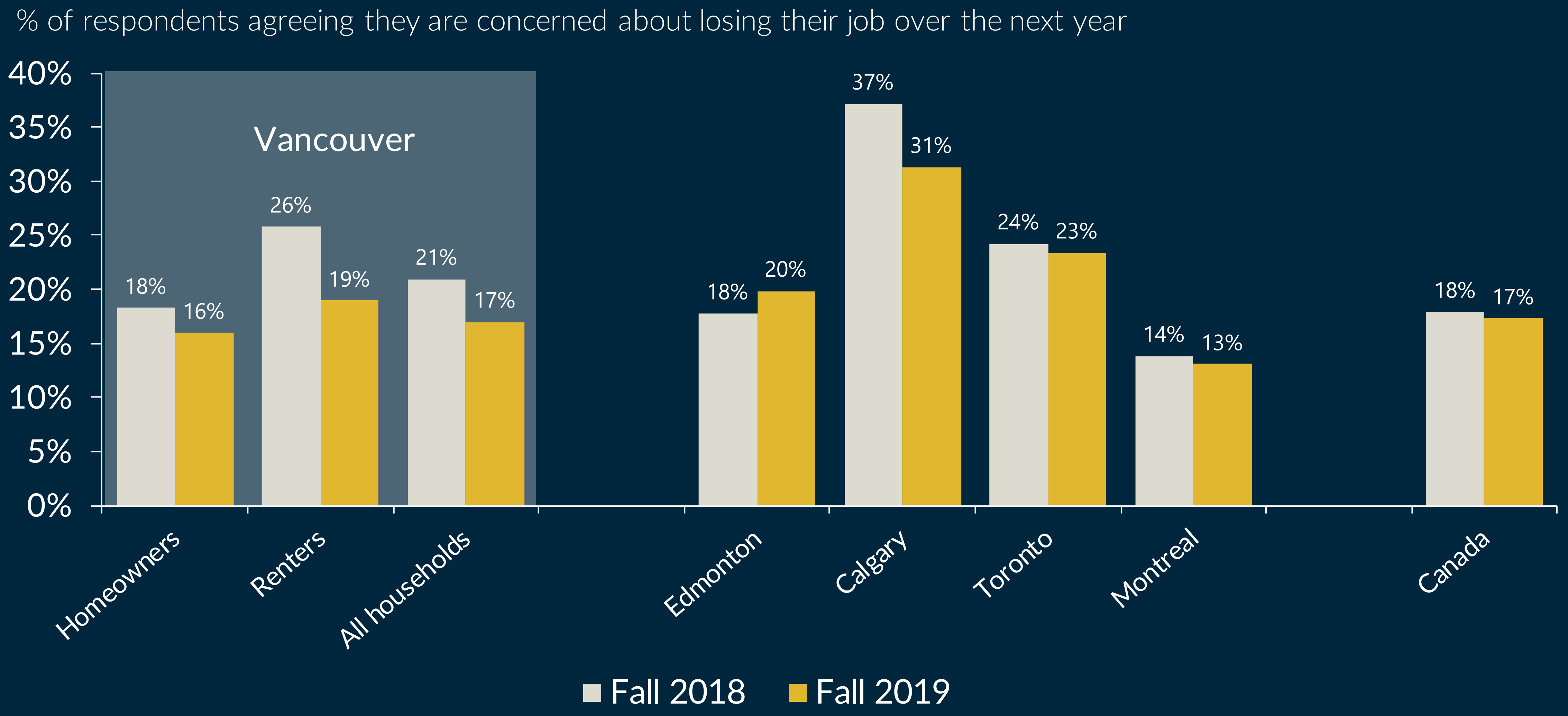
Job growth has been centered in full-time jobs for younger population





Source: Altus Group, based on StatCan data

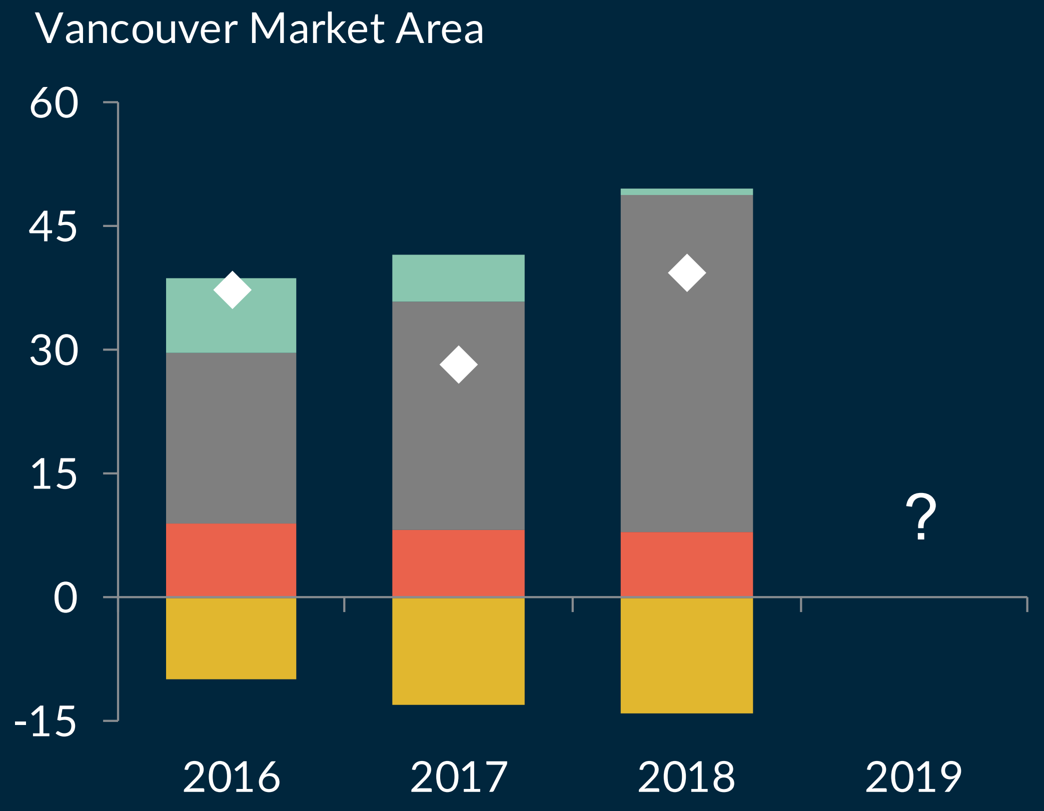
Vancouver households now less concerned about potential job loss

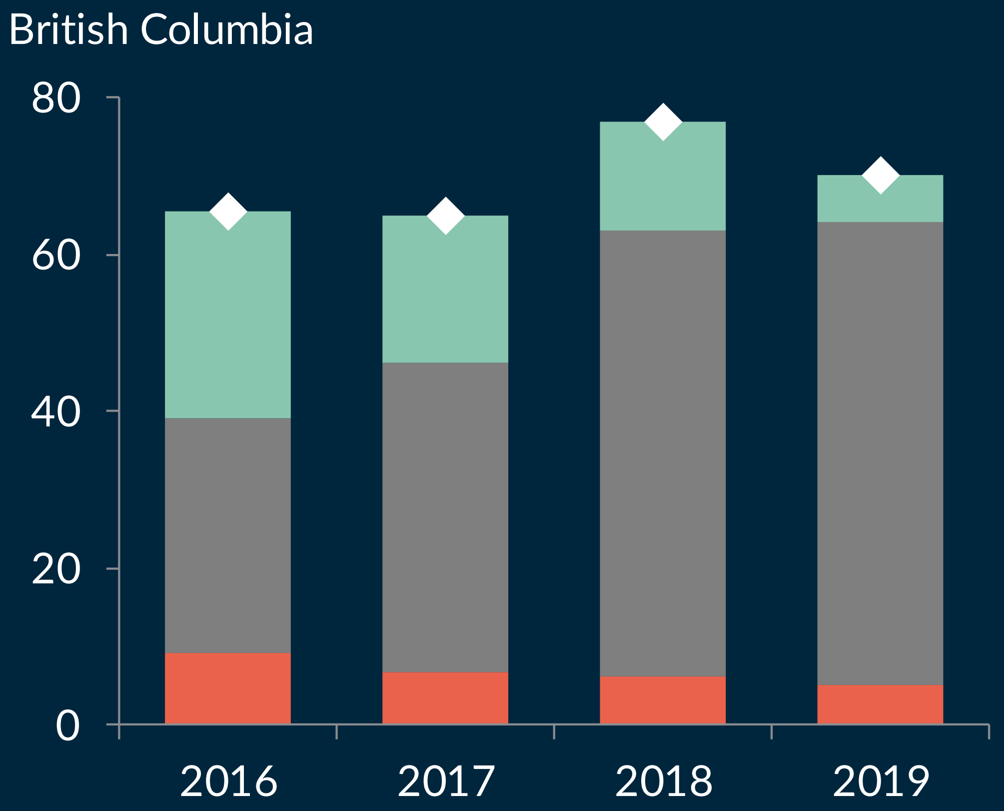


Source: Altus Group

International migration key to Vancouver growth…

Population growth by component, 000s





Net Intraprovincial Migration
Net Interprovincial Migration
Net International Migration
Natural Increase
Total Population Growth

Source: Altus Group, based on StatCan data

…with population 20-44 the key segment

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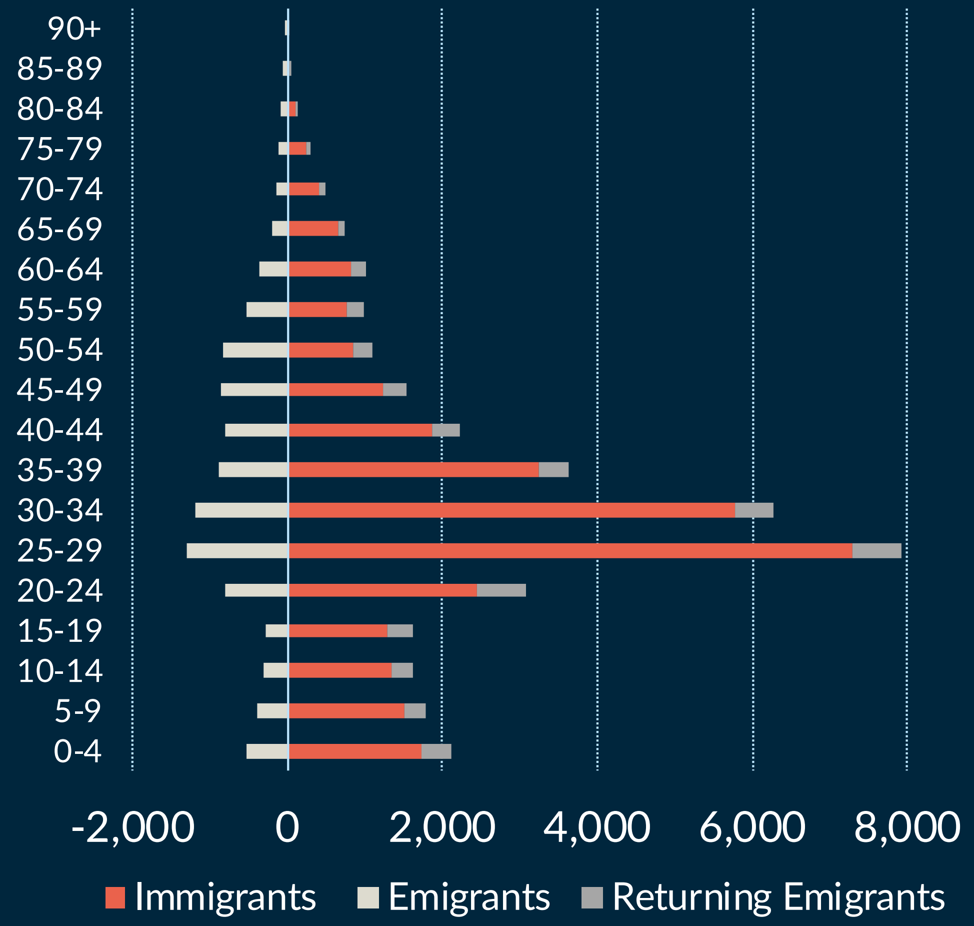
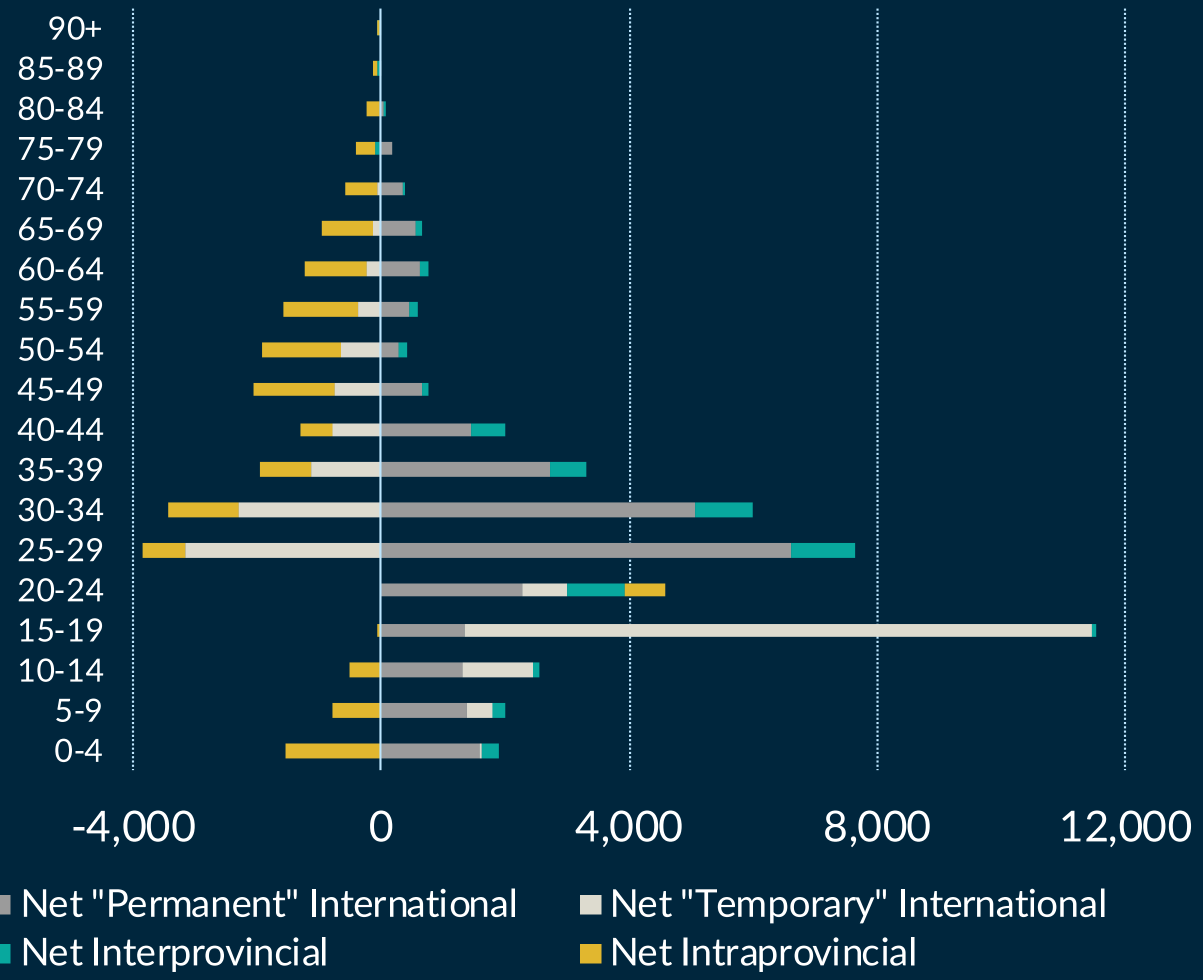
Age structure, immigrants/emigrants
Vancouver market area



Age structure of net migrants by type,
Vancouver market area



Source: Altus Group, based on StatCan data

More immigrants?

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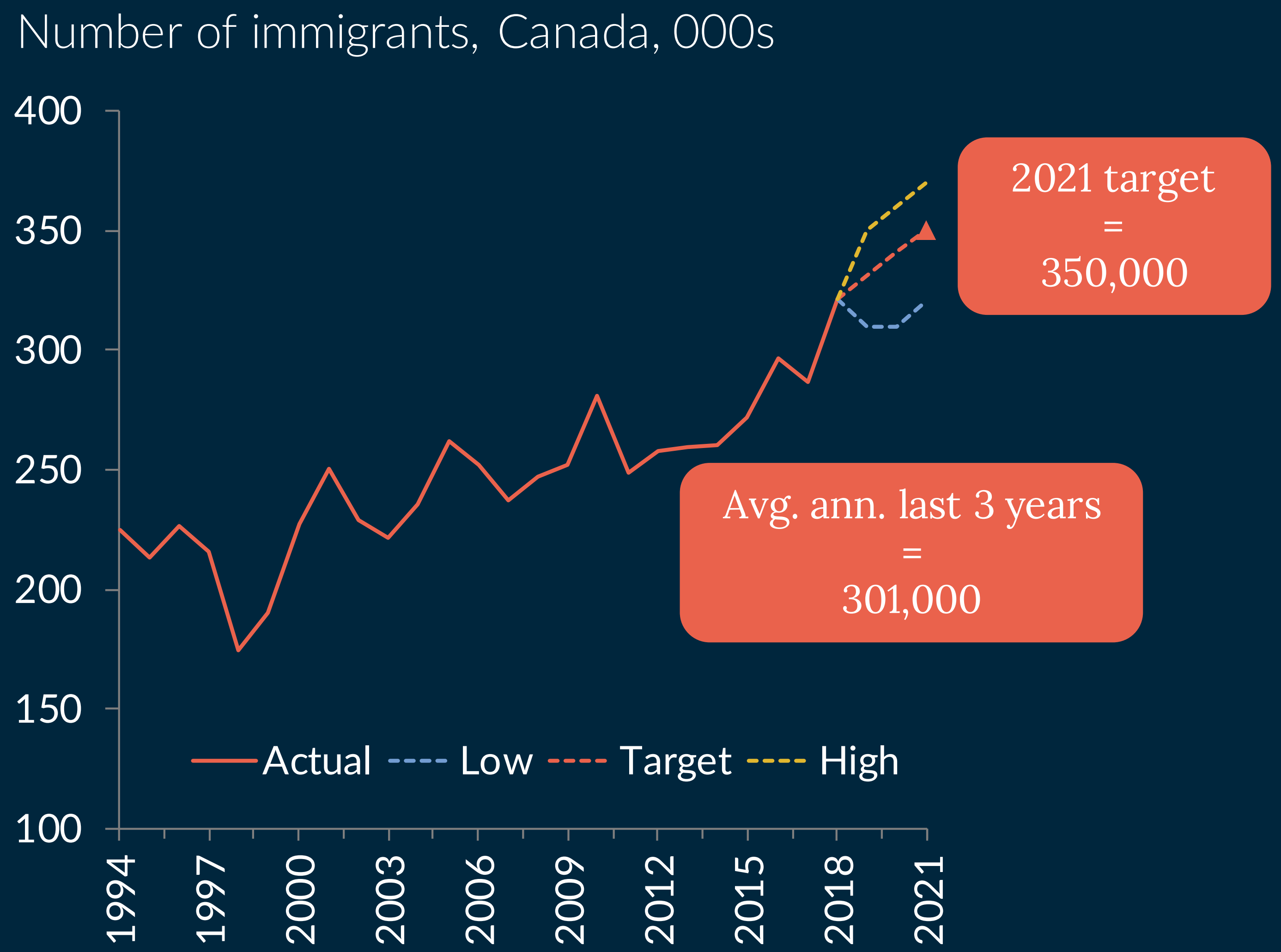

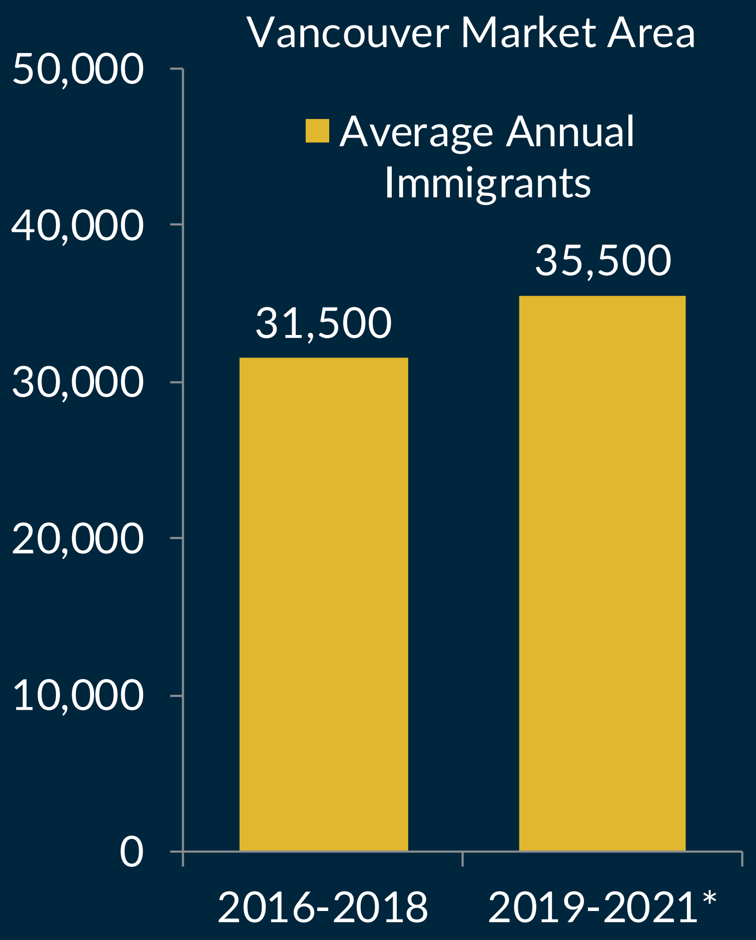

** Assuming same share of Canada as in 2016-2018*

Source: Altus Group based on StatCan data

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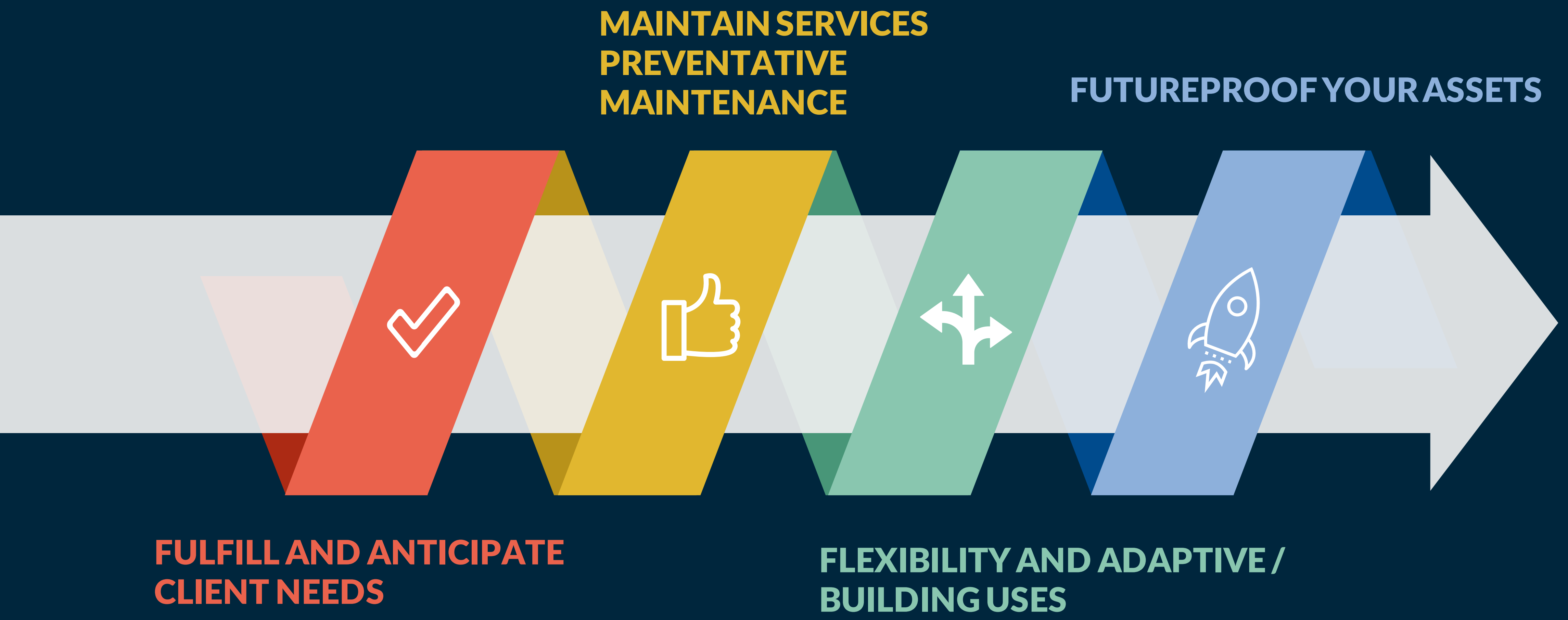
What’s ahead for commercial real estate?

VANCOUVER STATE OF THE MARKET 2019

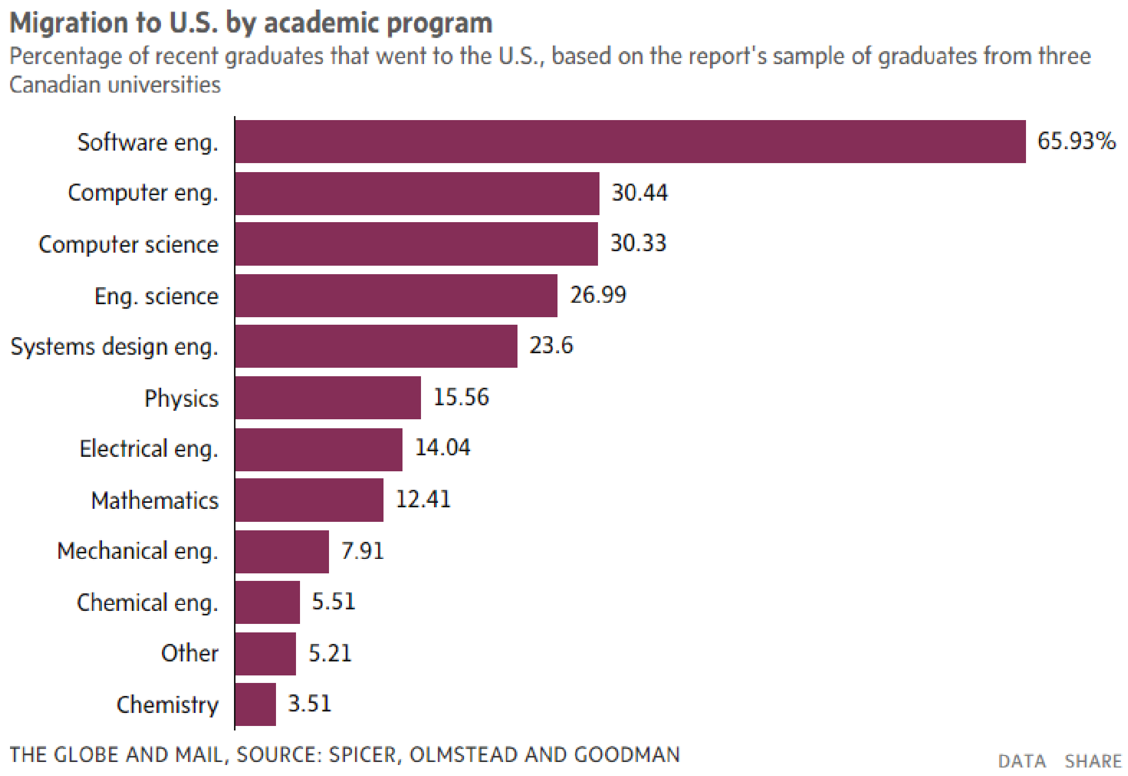
The more things change, the more they stay the same…just need to move faster!



It’s still about community

OFFICE

Brain drain



The study, spearheaded and partly funded by Toronto-based tech firm Delvinia Interactive Inc., surveyed 3,162 graduates from 2015 and 2016 in 22 STEM programs at the three universities based on their LinkedIn profiles and select follow-up

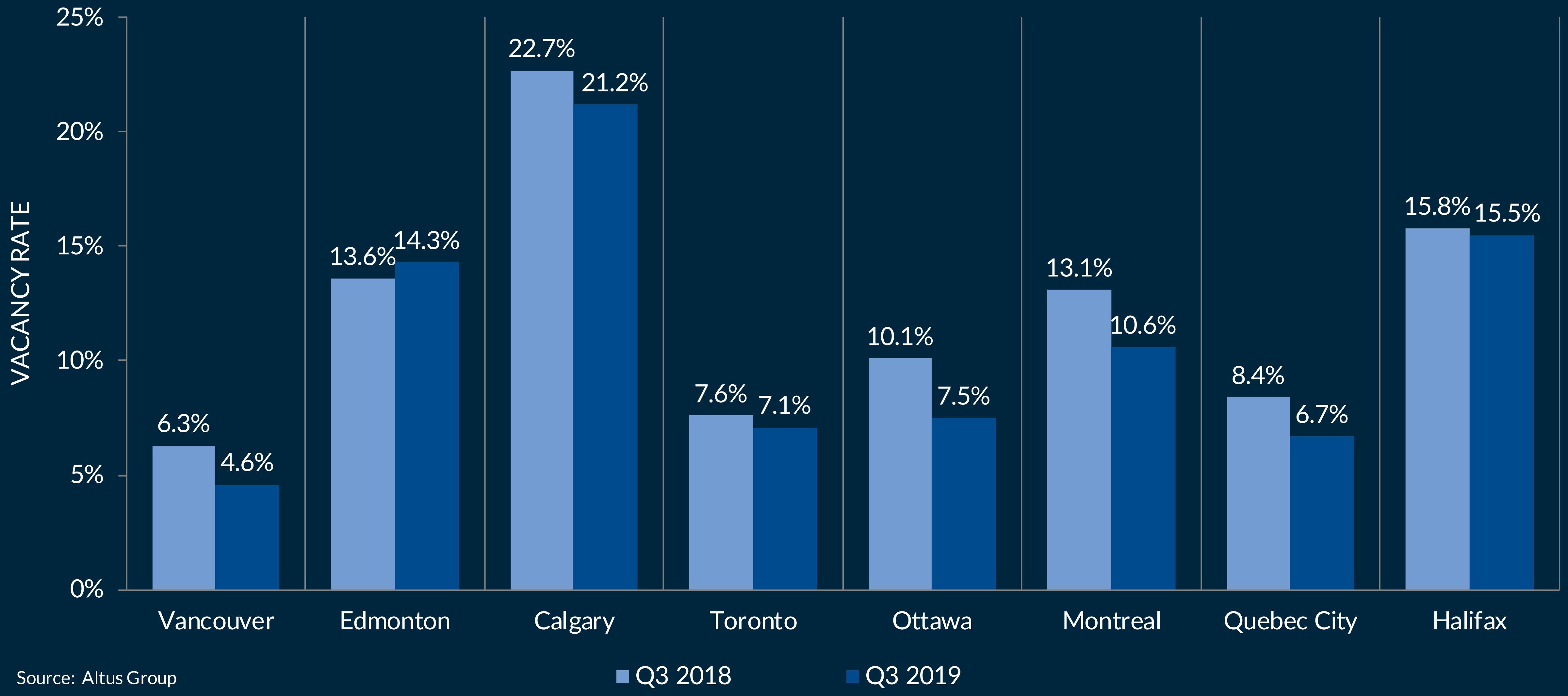
Source: The Globe and Mail

7 of North America's top 40 startup incubators and accelerators are in Canada

AltusGroup

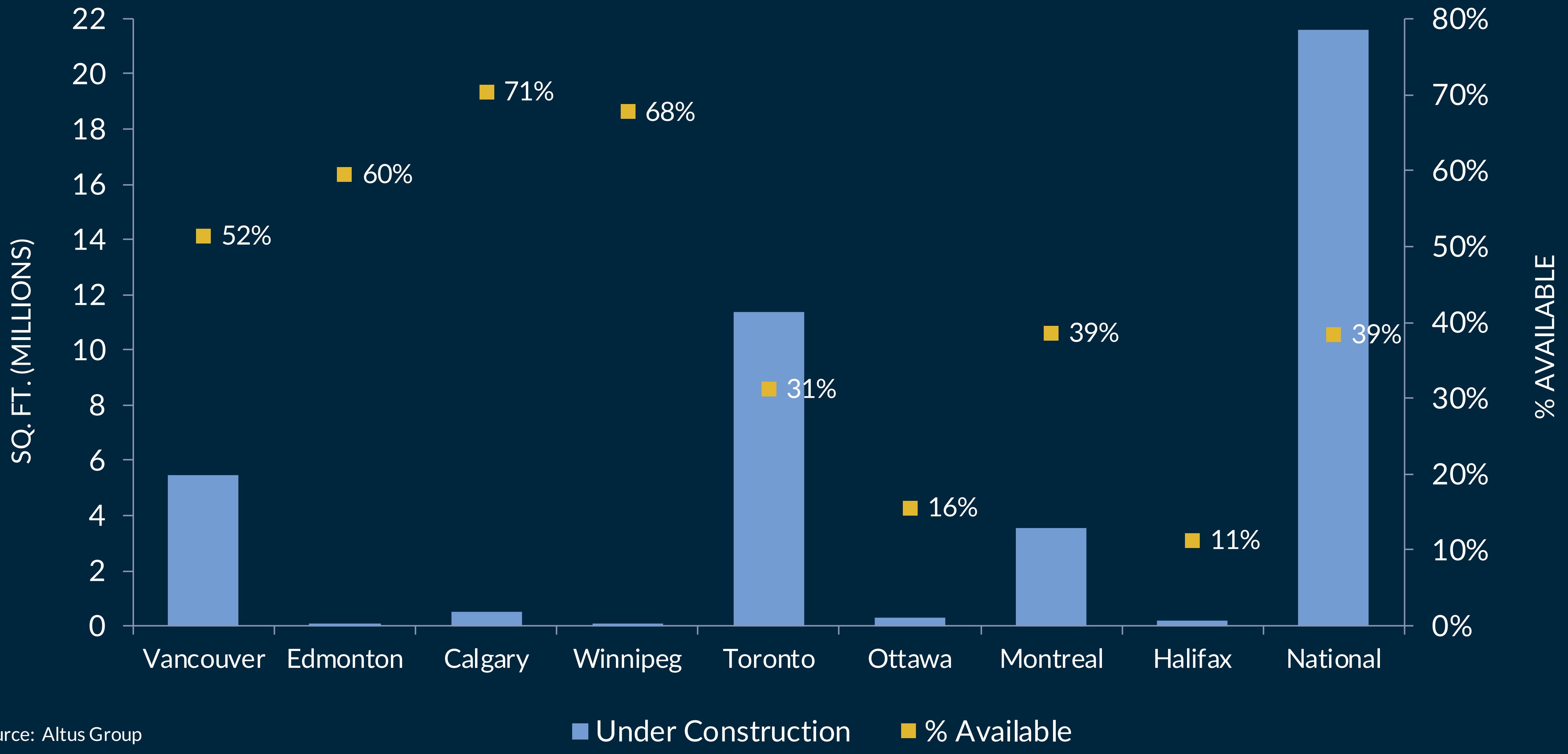
Source: Top 40 list by Salesflare

Office vacancy rate in balance – for the most part



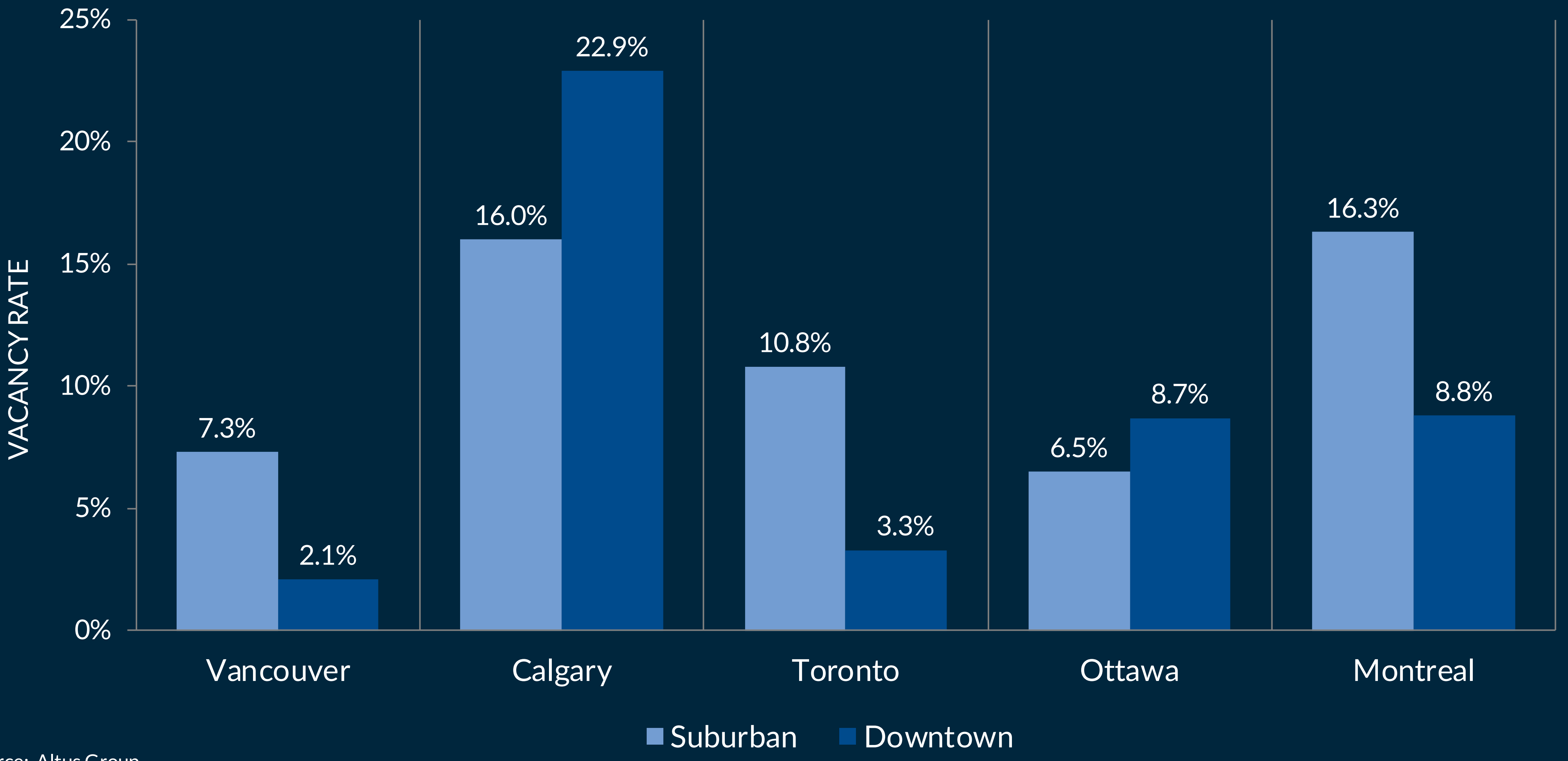
Source: Altus Group

Strong pre-leasing activity



Source: Altus Group

Office vacancy - suburban vs downtown



Source: Altus Group

Co-working space is not going away

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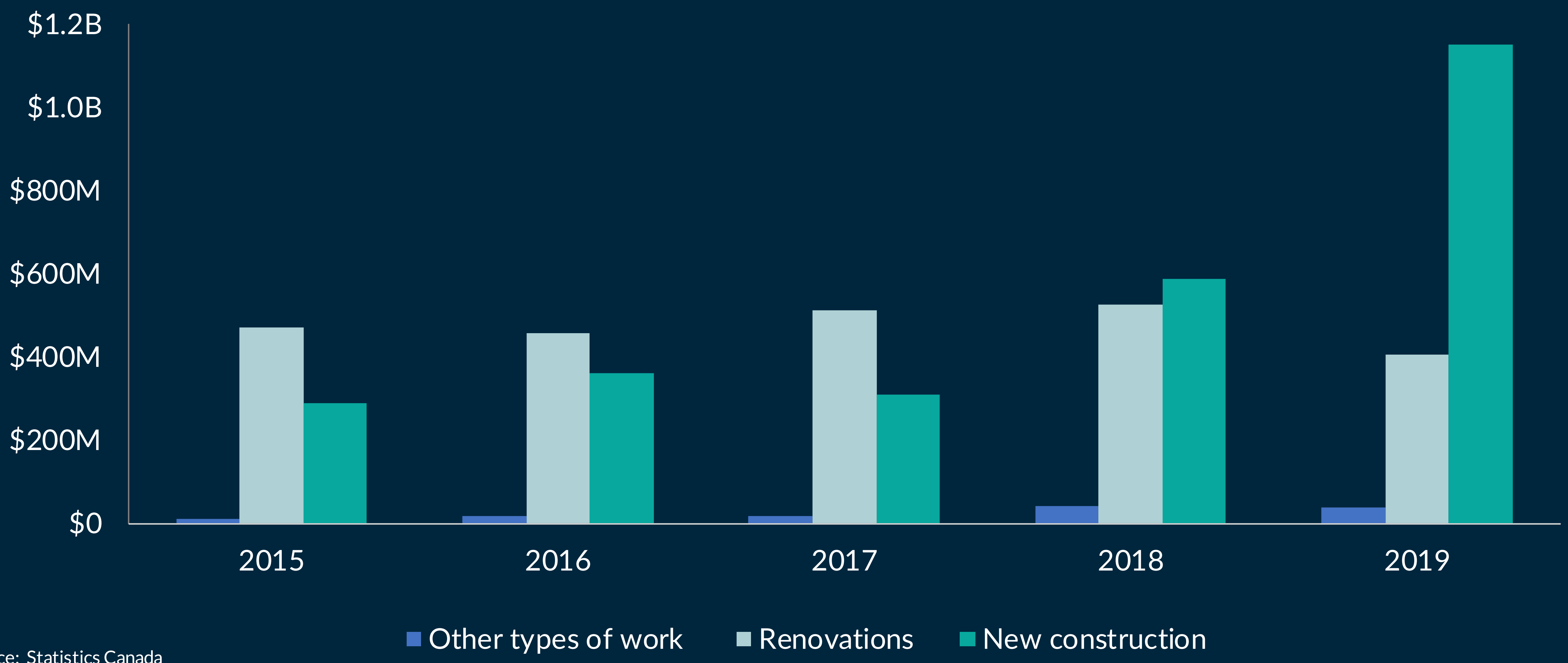
Source: Bisnow, coworkingmag.com, Tysons Reporter

Open workspaces

Source: CBC / Onetwosix Design / The Japan Times

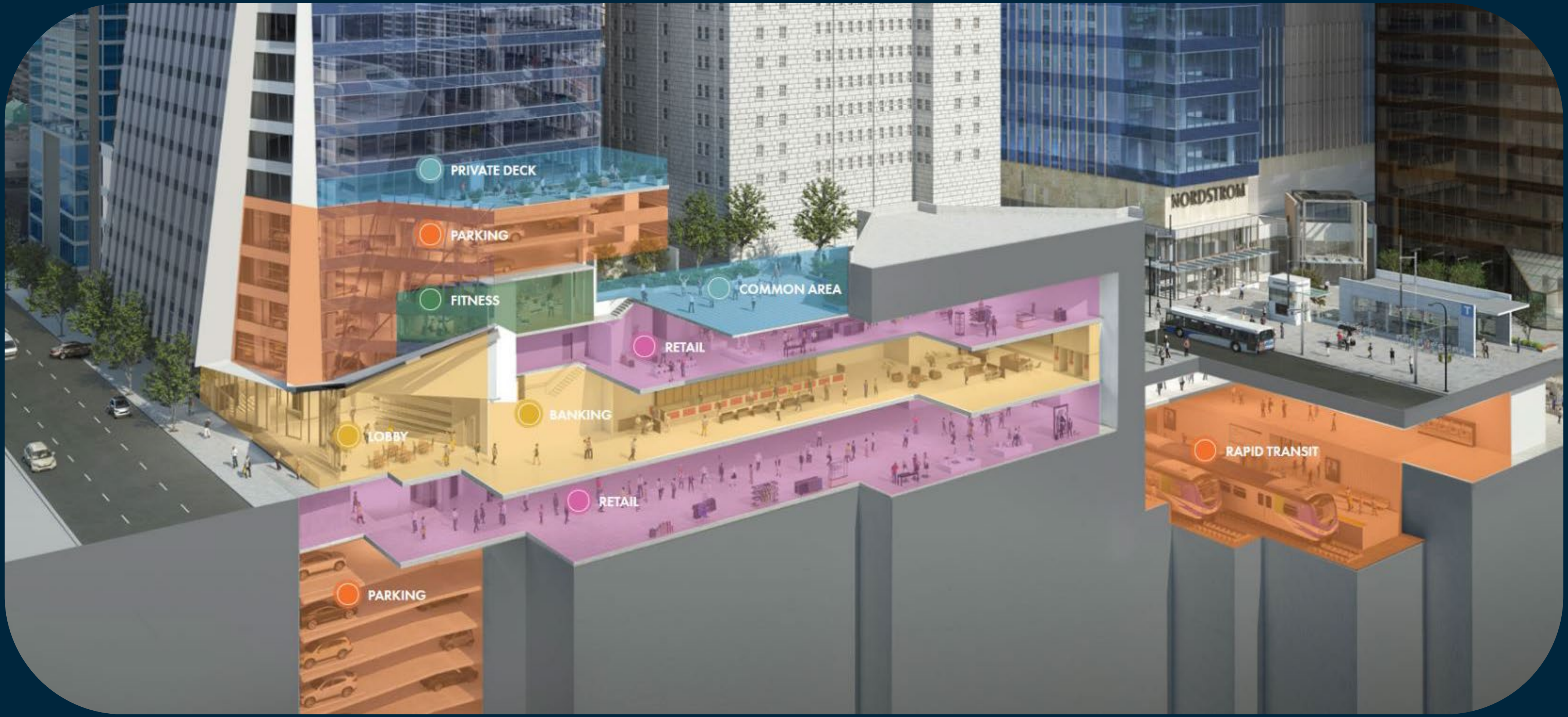
Getting expensive for owners…

Total investment in office building construction by type of work
(Vancouver, 2015-2019)



Source: Statistics Canada

GWL is working for the future…VCII



Source: GWL/Vancouver Centre II (VCII)

RETAIL

Retail experiences rule!

Shipyards Market
Vancouver Northshore

The Kitchen at Oakridge Centre (Vancouver, BC)

The Dr. Seuss Experience
at Square One (Mississauga, ON)

Turn-key solutions and analytics: customer acquisition and leasing strategies

Altus Group

"Consulting giant McKinsey opens tech-savvy retail store to capture data

Source: McKinsey and Co., ZenGenius Inc.

Organic and specialty food wars intensify

The Acorn (Vancouver)

Source: dailyhive/@glenny.gs/instagram

August Market (Vancouver)

Source: The August Market

Larry's Market, North Vancouver's Shipyards

Source: styledemocracy/instagram/@jessyka.the.great

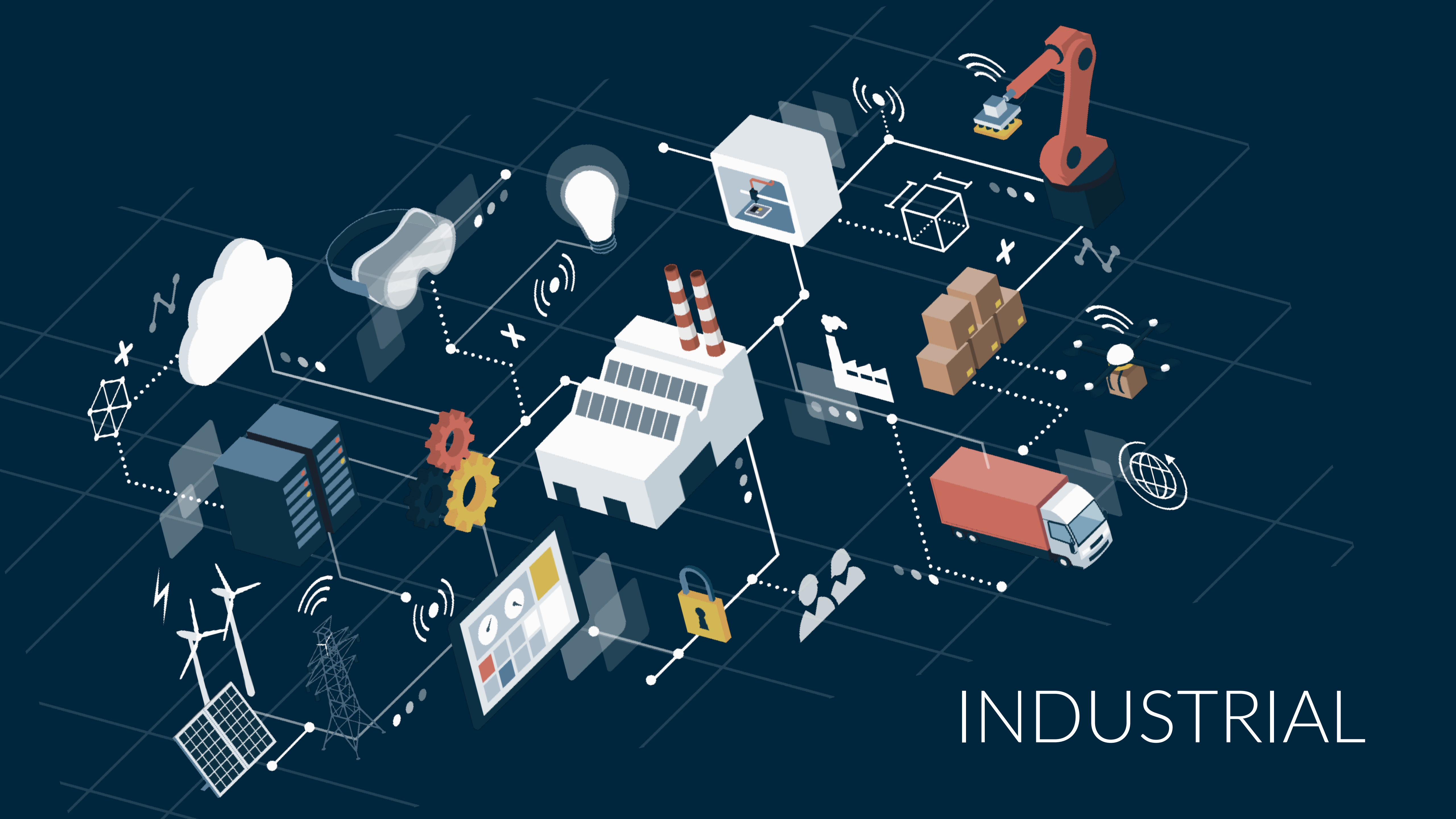
The returns and the environment: good, bad and ugly

In the US alone, returned online purchases generate annually…

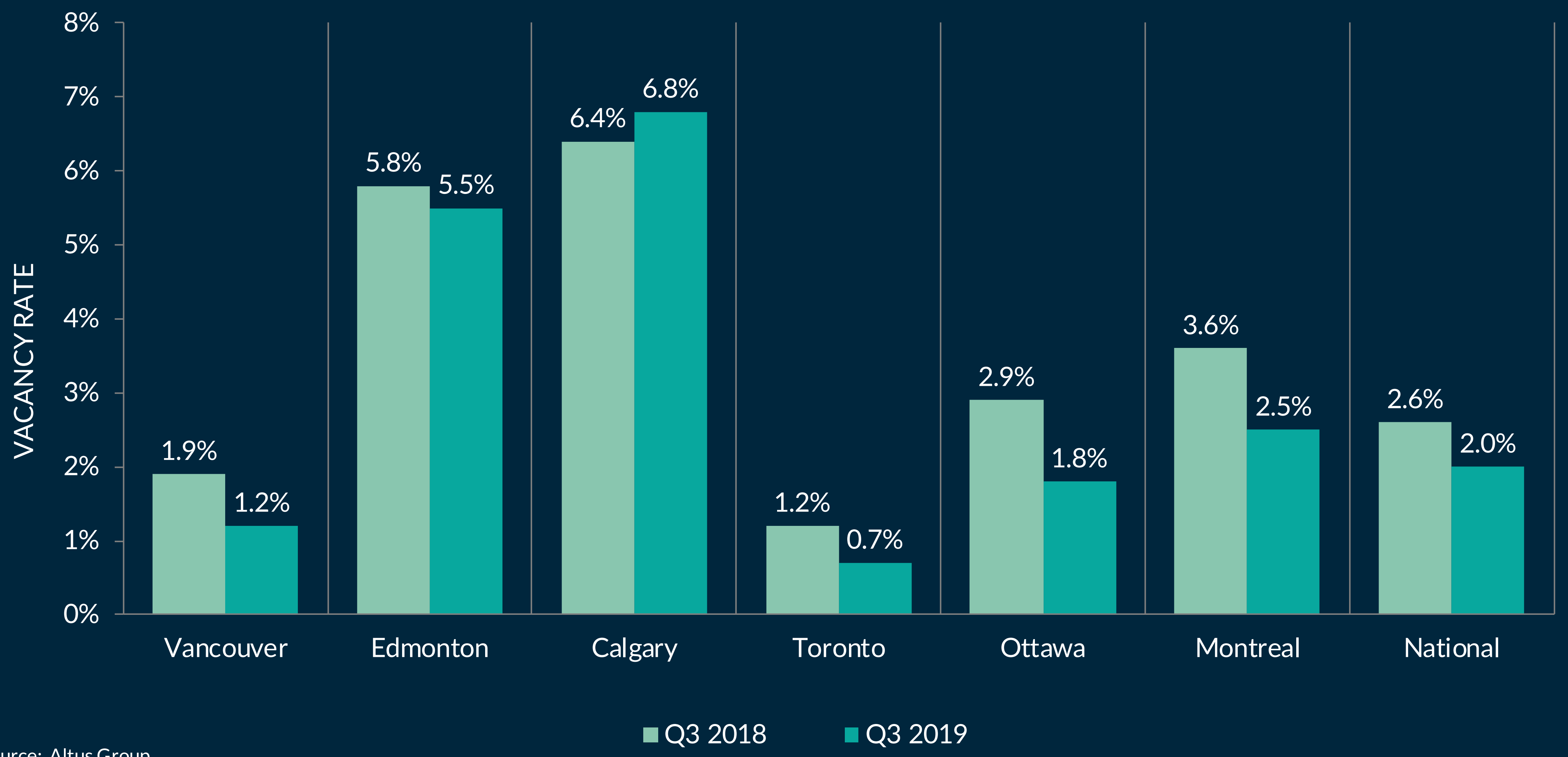
5 BILLION POUNDS
OF WASTE

15 MILLION TONNES
OF CARBON EMISSONS

Source: The Atlantic / Reuters / Lucas Jackson / BBC Earth / NBC

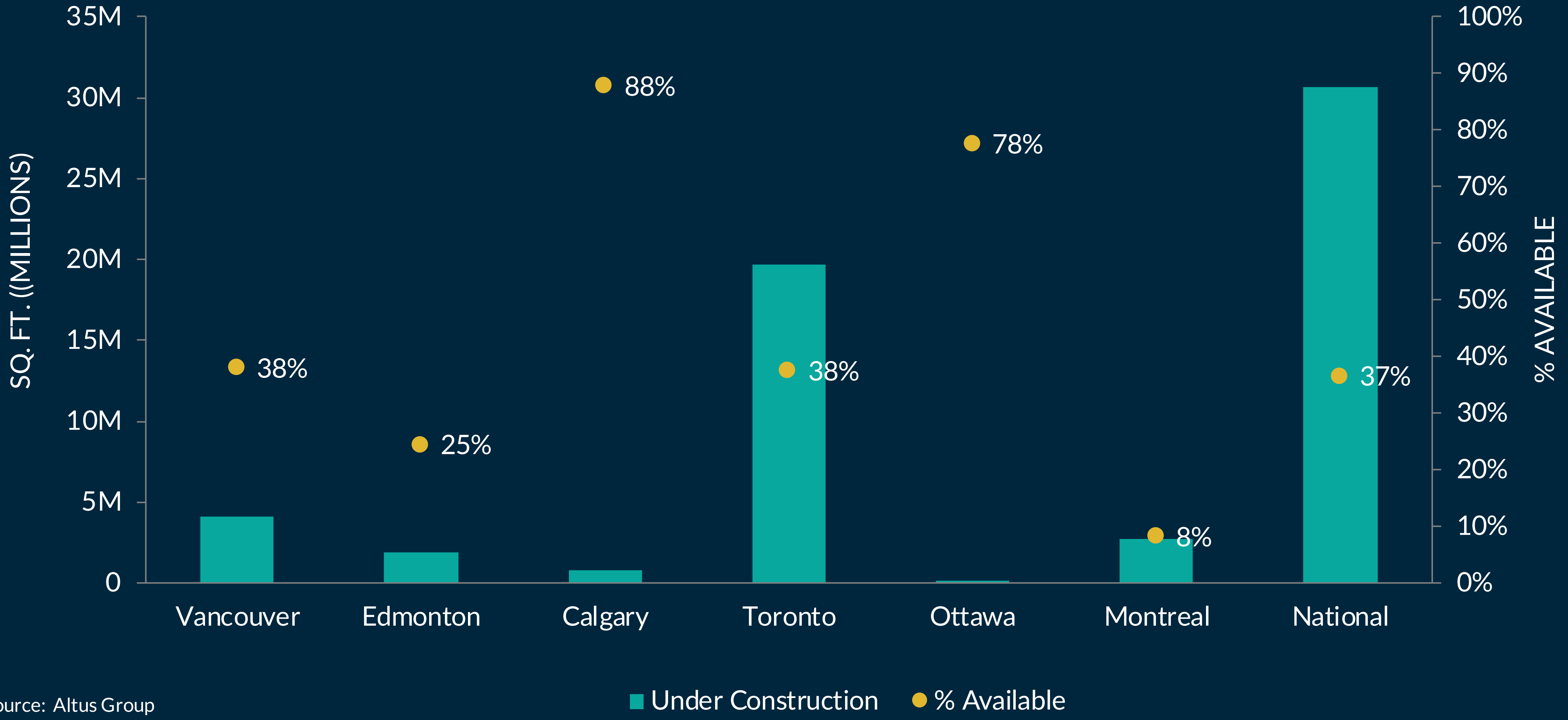

INDUSTRIAL

Industrial sector remains undersupplied, while demand strengthens



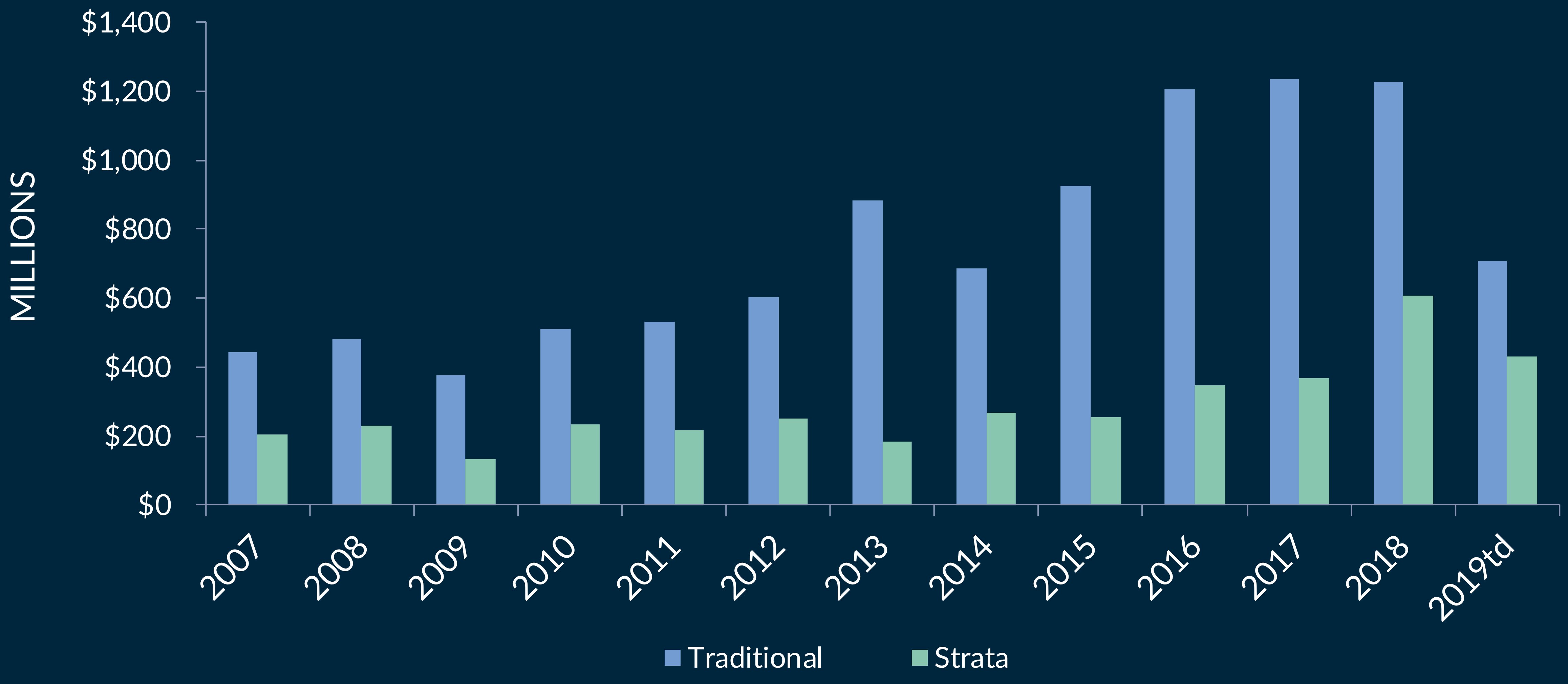
Source: Altus Group

Pre-leasing activity in new buildings under construction has been strong



Source: Altus Group

Vancouver industrial sales volume activity: traditional vs strata



The last mile

Source: FreightWaves

Multi-storey industrial in Vancouver - almost there

Artistic rendering of Delta iPort in Tsawwassen

A new, 450,000-sq-ft Amazon distribution centre for the Metro

Artistic rendering of 220 East 1st Avenue, Vancouver

(GBL Architects / QuadReal Property Group / Hungerford Properties)

CAPITAL MARKETS

Chase for yield

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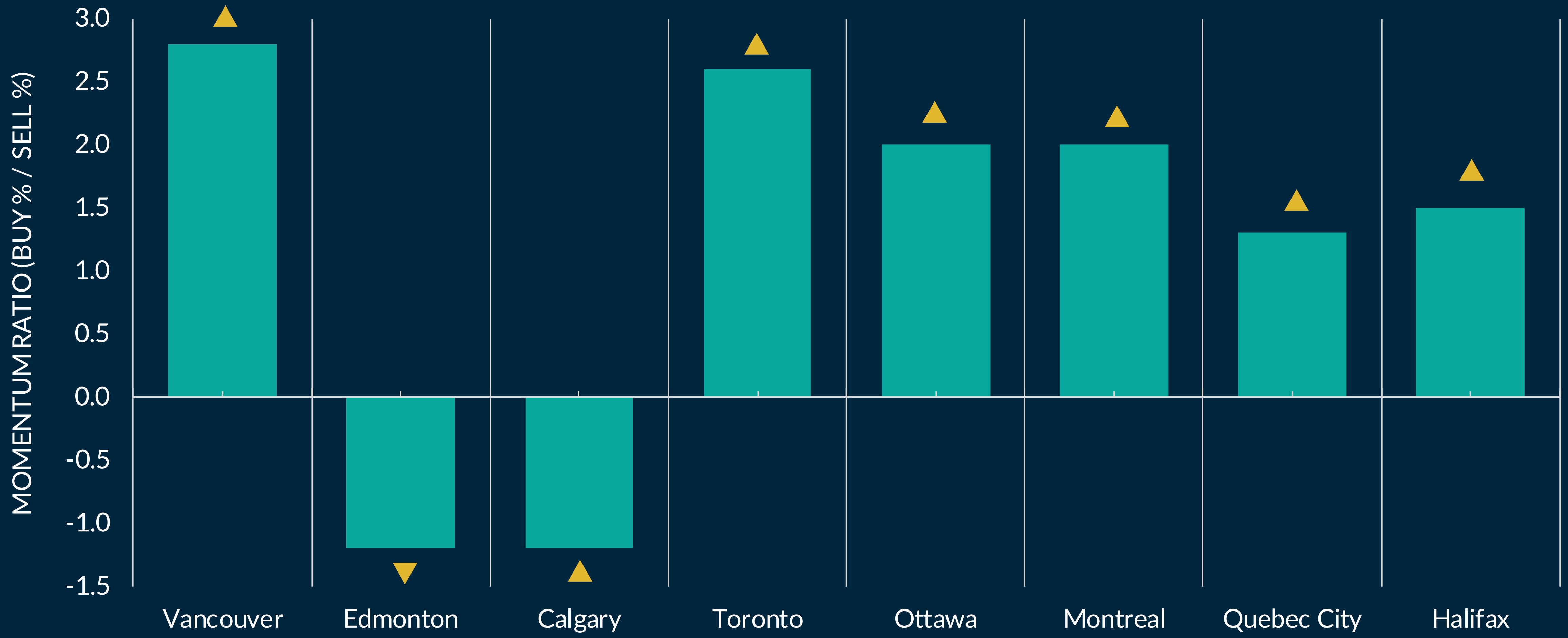
Location barometer - All available products (Q3 2019)



Source: Altus Group (Investment Trends Survey)

What investors want…

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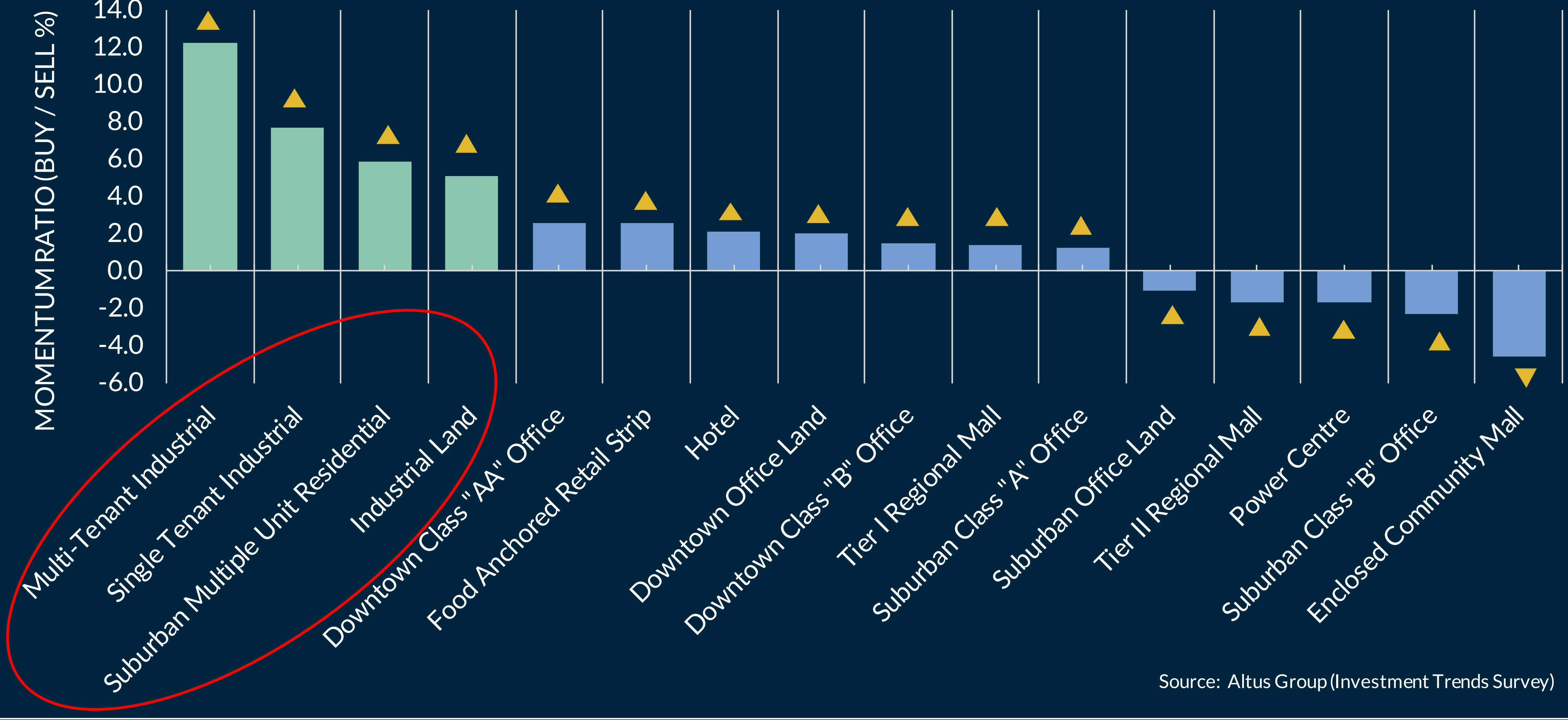
Property type barometer – All available products (Q3 2019)



Source: Altus Group (Investment Trends Survey)

Overall national cap rate trends continue to show signs of compression

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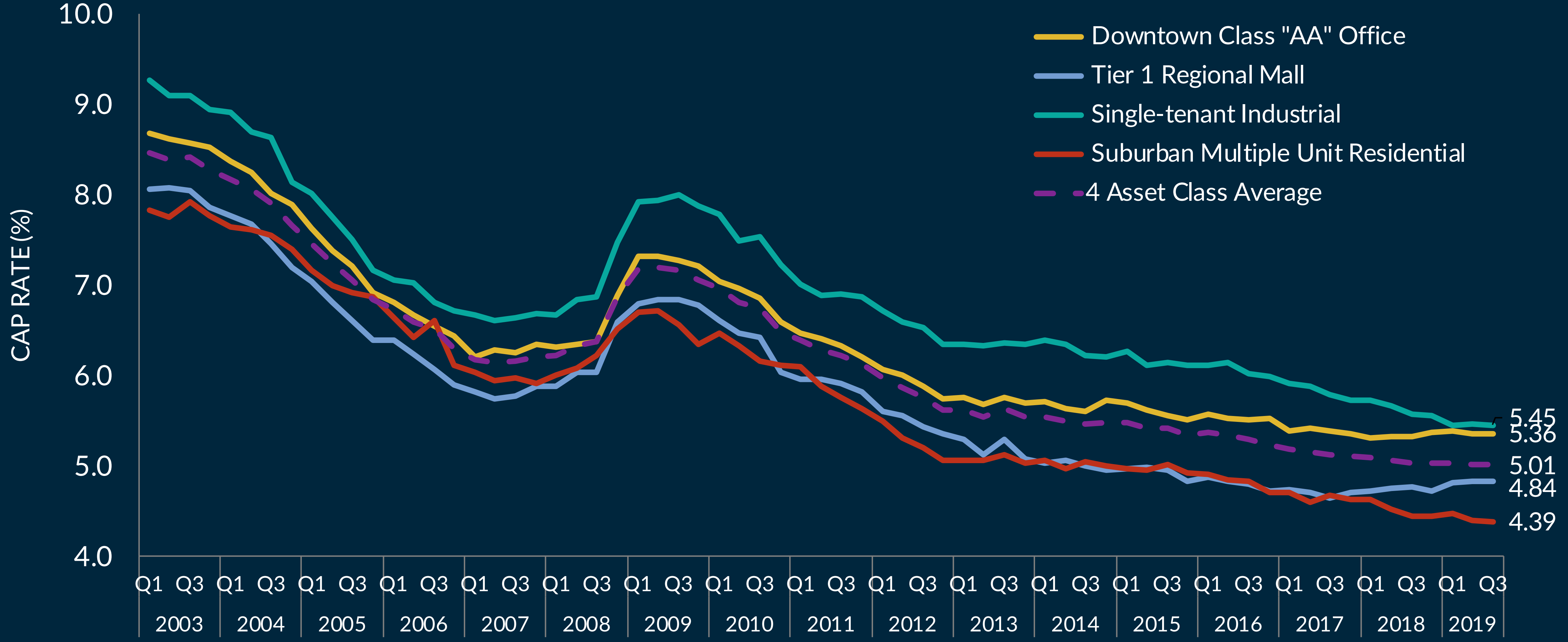
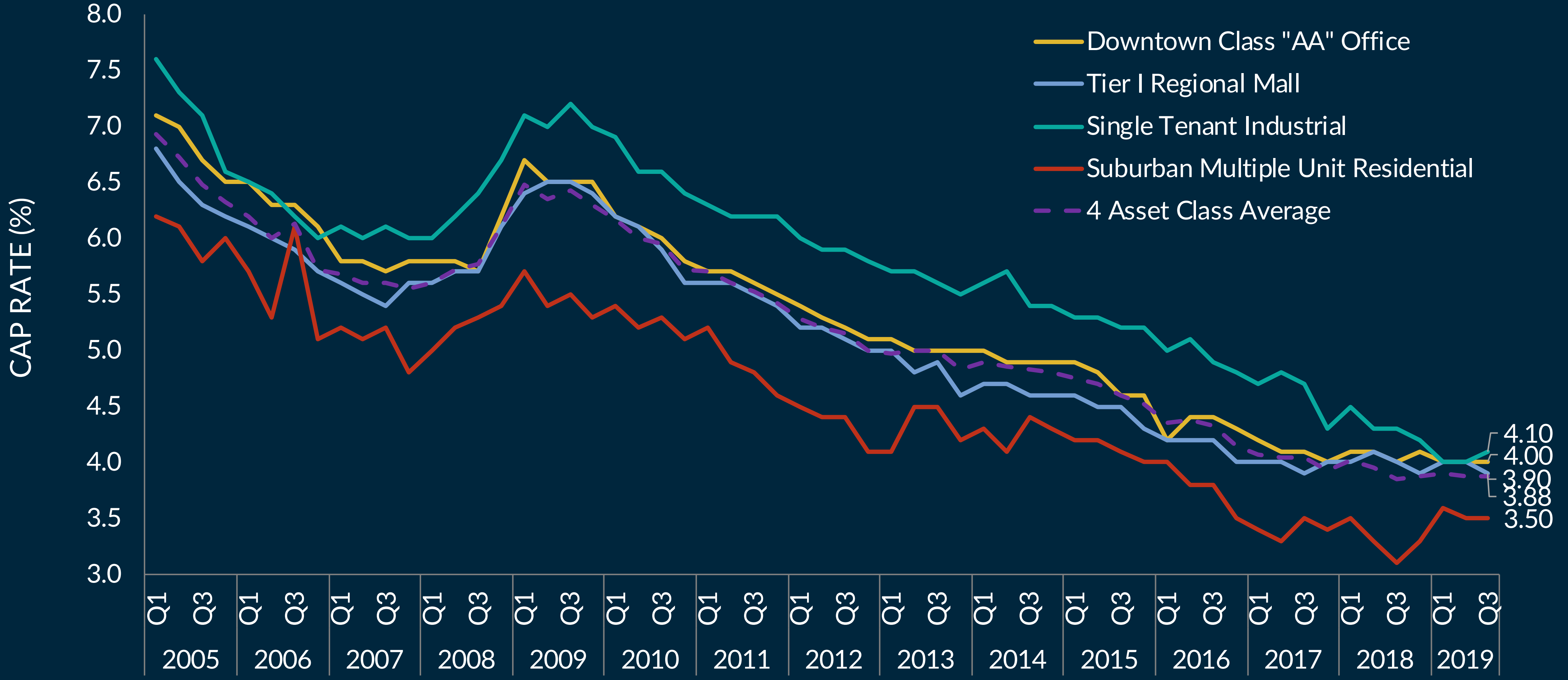


Source: Altus Group (Investment Trends Survey)

Vancouver cap rate trends

Altus Group



Source: Altus Group (Investment Trends Survey)

Investment activity down 20% in 2019 YTD

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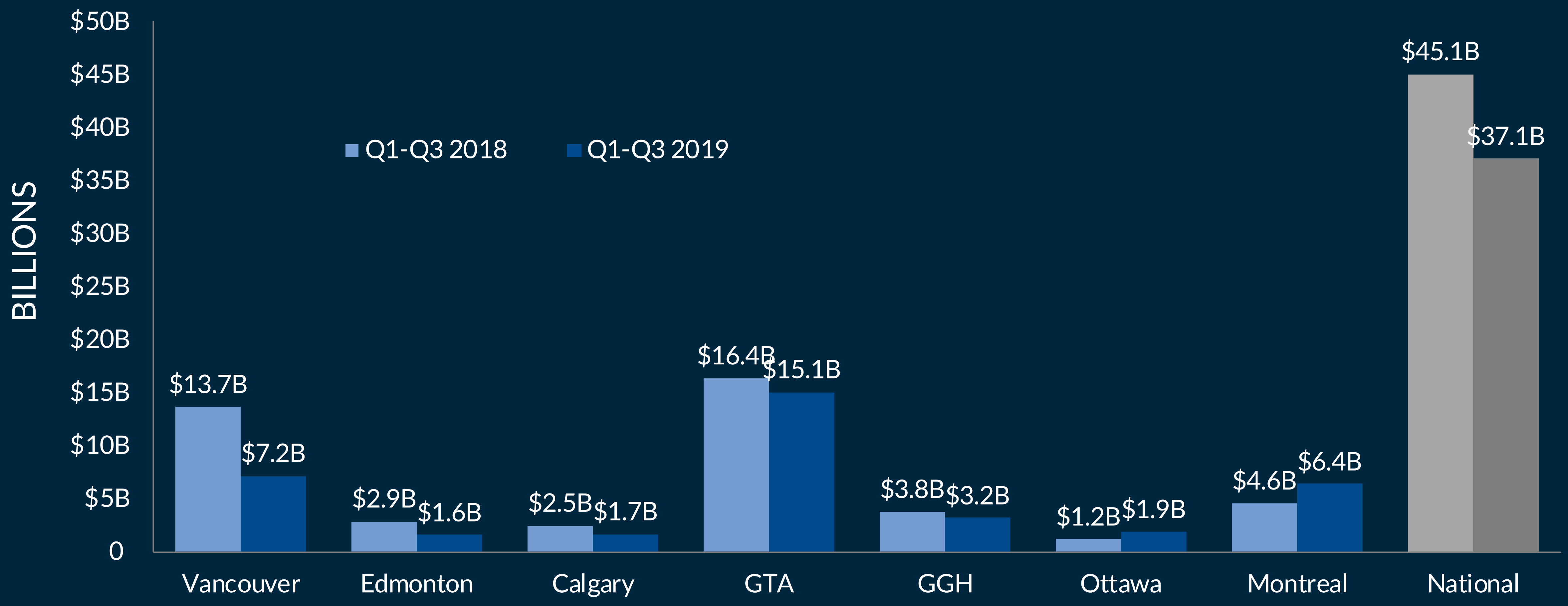
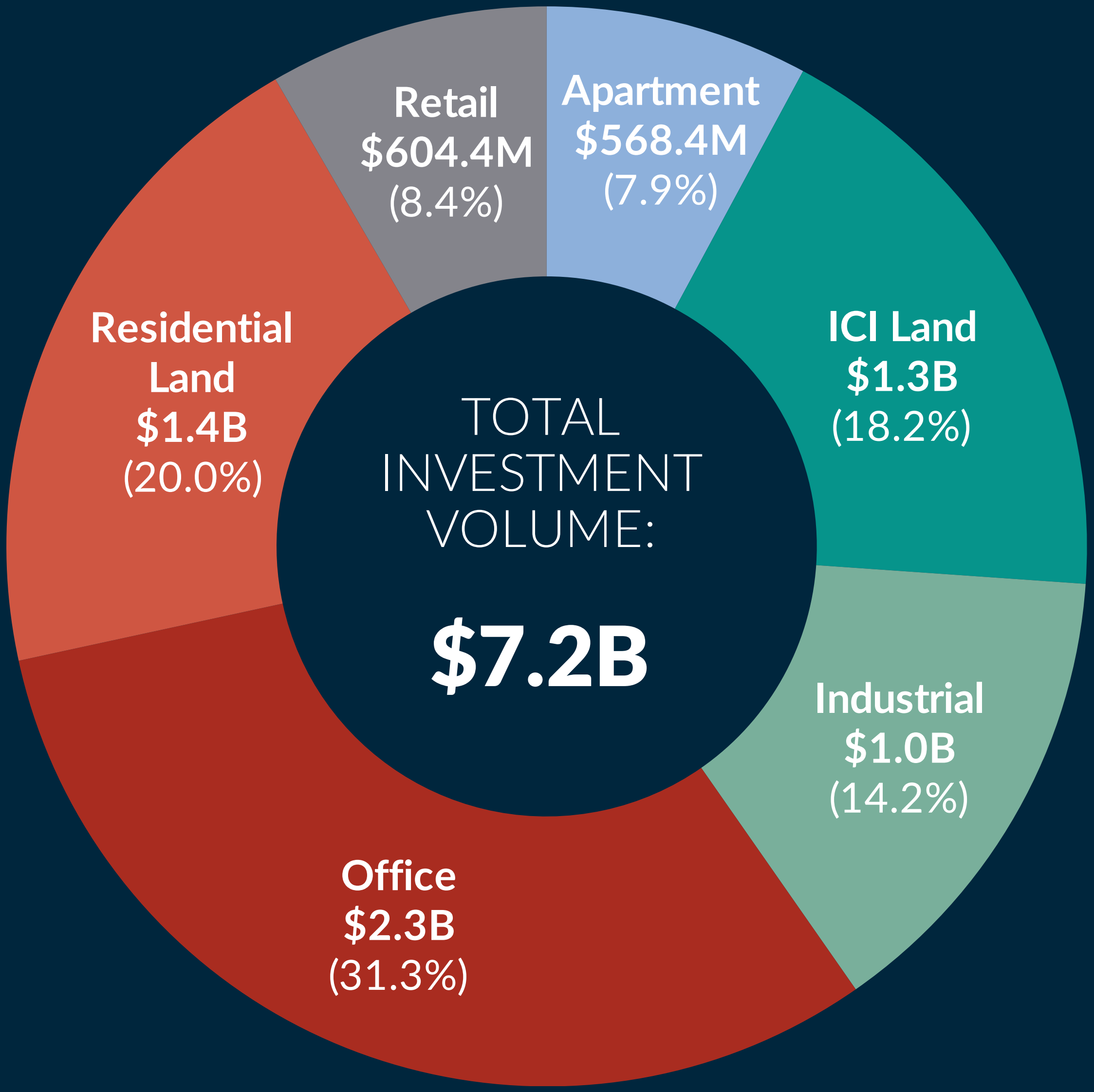


*National summaries include: commercial arm's length market transactions and share sales > $1 million

Source: Altus Group

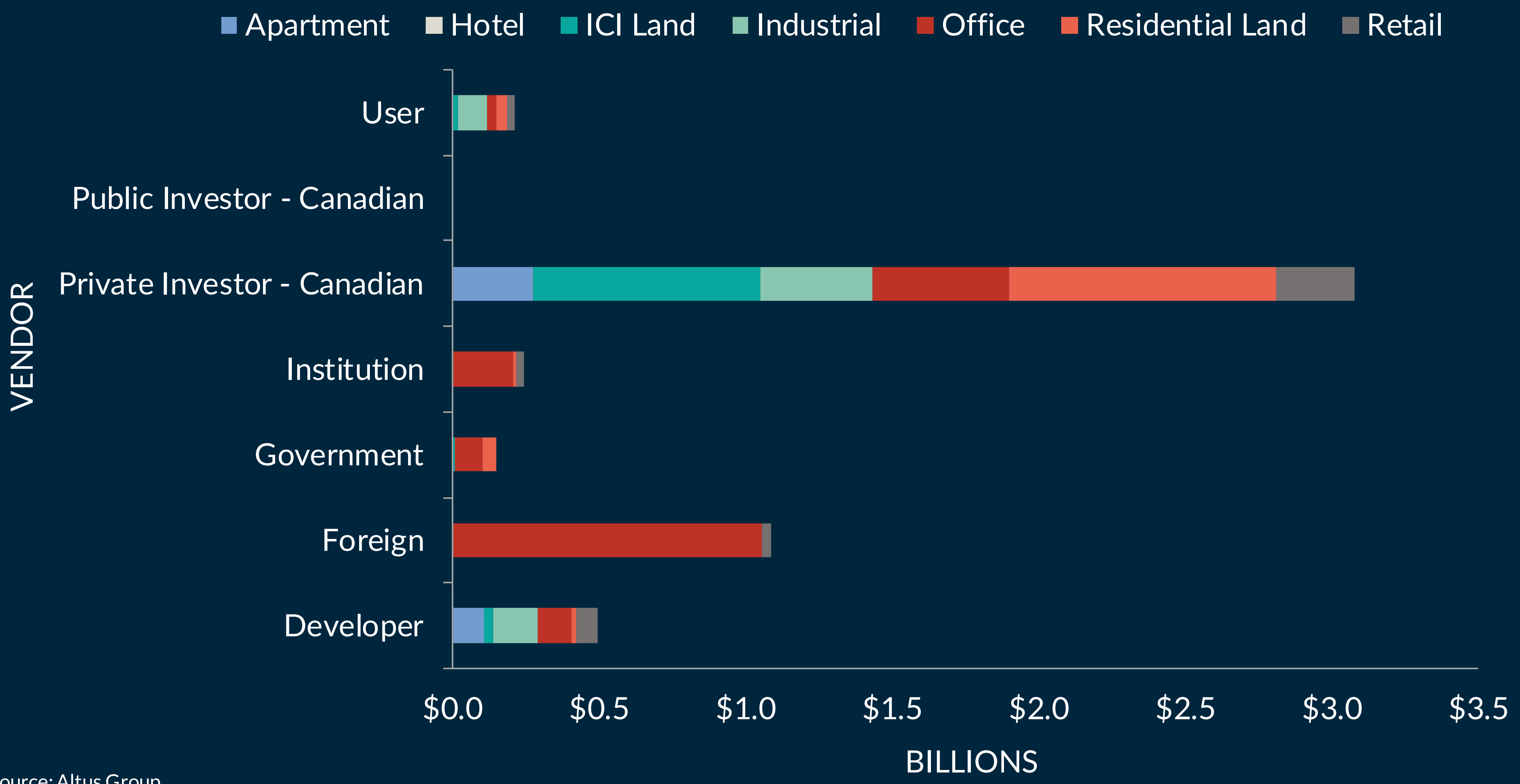
Vancouver investment activity (YTD)

Altus Group



Who's *selling* in Vancouver? (2019 YTD)

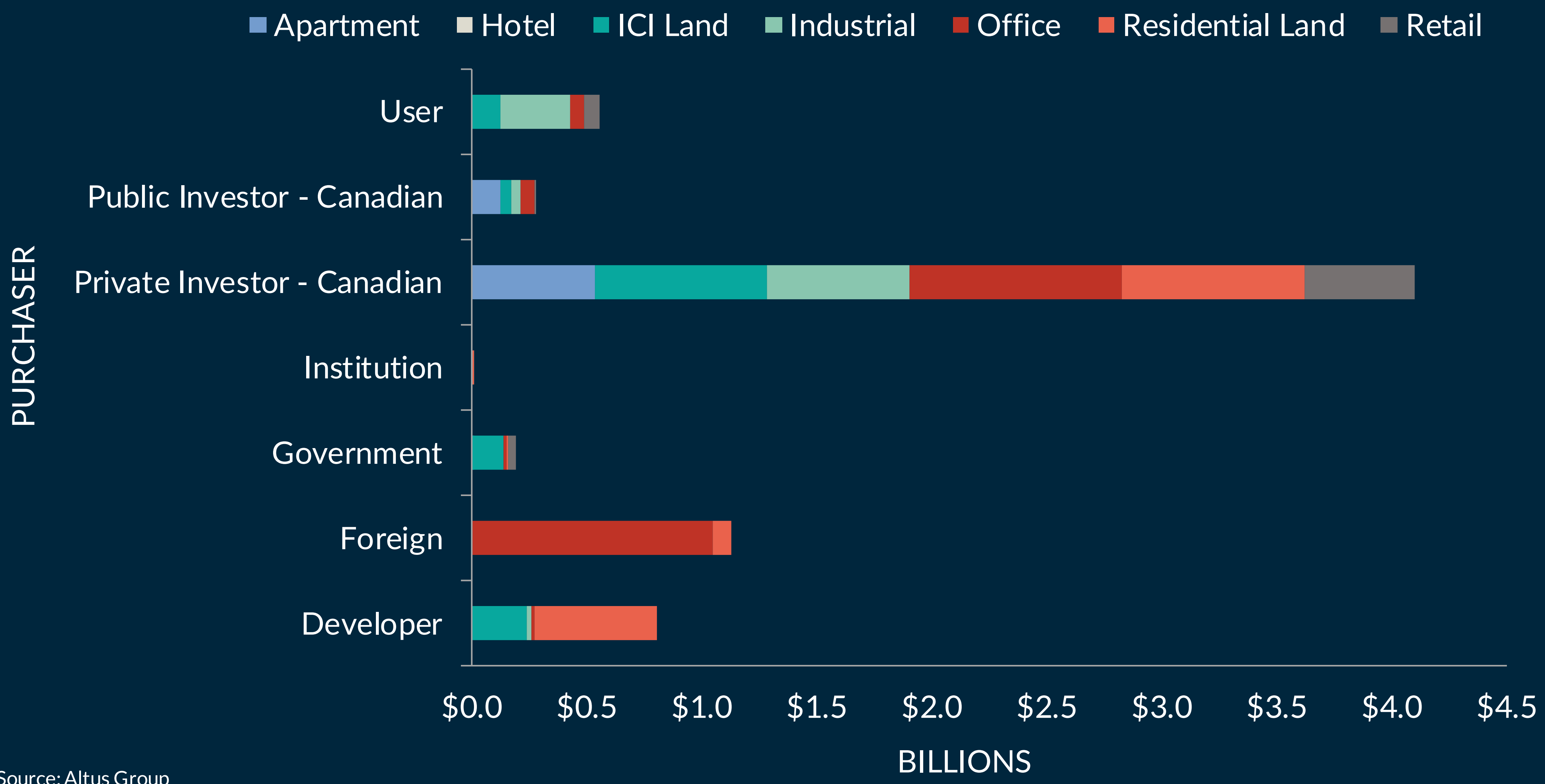
Altus Group



Source: Altus Group

Who's *buying* in Vancouver? (2019 YTD)

Altus Group



Source: Altus Group

Retail transactions

33310 SOUTH FRASER WAY
Abbotsford, BC

Vendor: Private
Purchaser: Private
Date: April 2019
Price: $15,000,000
Adjusted price / sq.ft.: $426
Cap rate: 4.6%
Net rentable area: 35,217 sq.ft.

8400 WEST ROAD, UNITS 110, 115, 605
Richmond, BC

Vendor: Private
Purchaser: Private
Date: August 2019
Price: $11,000,000
Adjusted price / sq.ft.: $1,072
Cap rate: N/A
Net rentable area: 10,259 sq.ft.

Office transactions

2665 RENFREW STREET
Vancouver, BC

Vendor: Aikang Capital
Purchaser: Private Investor
Date: April 2019
Price: $73,500,000
Adjusted price / sq.ft.: $900
Cap rate: 4.41%
Net rentable area: 81,662 sq.ft.

435 COLUMBIA WAY
New Westminster, BC

Vendor: Boucher Institute
Purchaser: Grosvenor
Date: August 2019
Price: $15,050,000
Adjusted price / sq.ft.: $330
Cap rate: 5.0%
Net rentable area: 45,617 sq.ft.

Transactions

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INDUSTRIAL

15050 54A AVENUE
Surrey, BC

Vendor: Private
Purchaser: CanFirst Capital
Date: September 2019
Price: $66,150,000
Adjusted price / sq.ft.: $210
Cap rate: 3.8%
Net rentable area: 315,128 sq.ft.

APARTMENT

5393 201ST STREET
Langley, BC

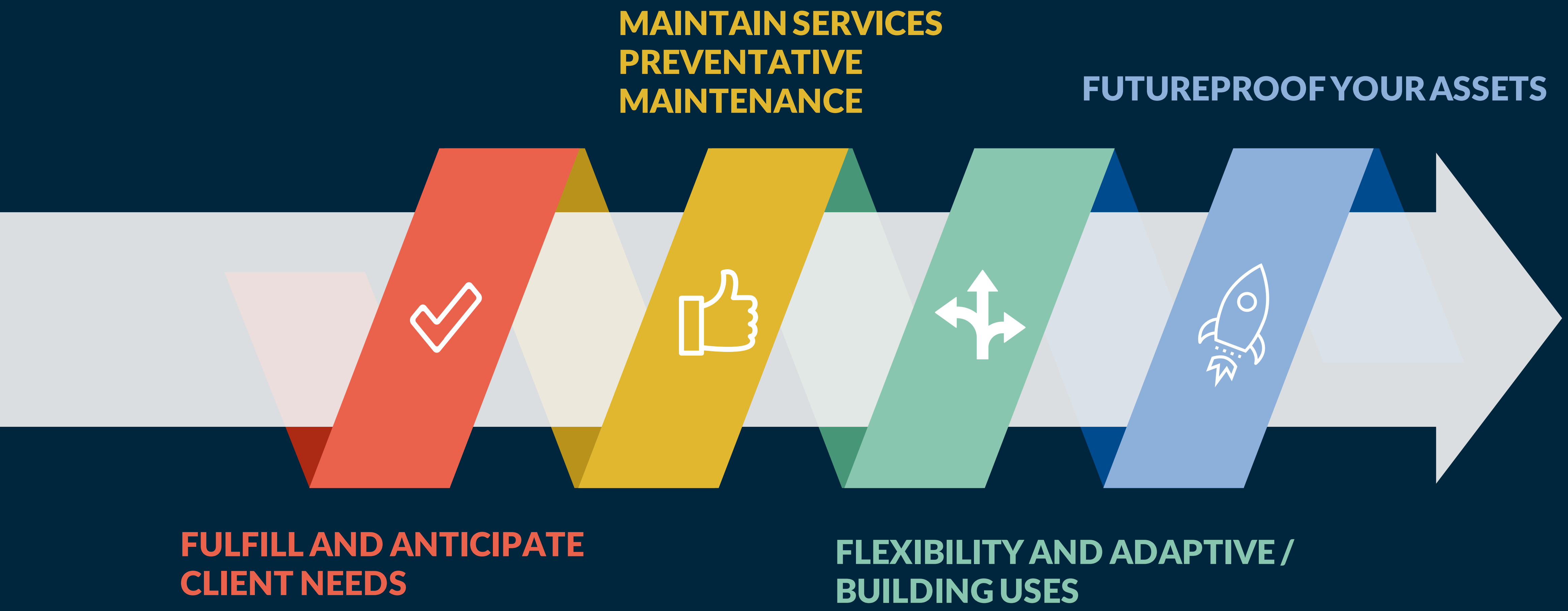
Vendor: Tannin Developments
Purchaser: CAPREIT
Date: June 2019
Price: $39,000,000
Adjusted price / unit.: $397K
Cap rate: 4.3%
Net rentable area: 98 units

APARTMENT

7070-7082 INLET DRIVE
Burnaby, BC

Vendor: Anthem Properties
Purchaser: Western Investment
Date: August 2019
Price: $32,500,000
Adjusted price / sq.ft.: $278K
Cap rate: 3.4%
Net rentable area: 117 units

The more things change, the more they stay the same...just need to move faster!



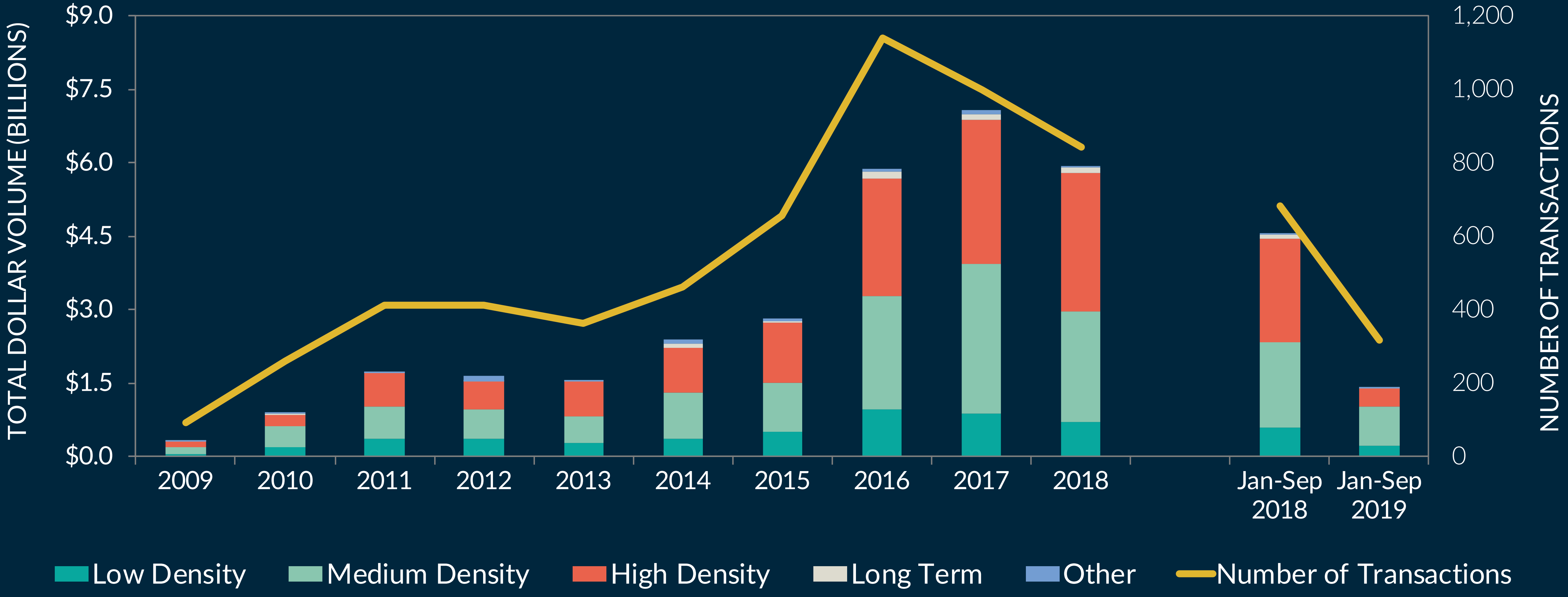
Residential market update

VANCOUVER STATE OF THE MARKET 2019

RESIDENTIAL LAND

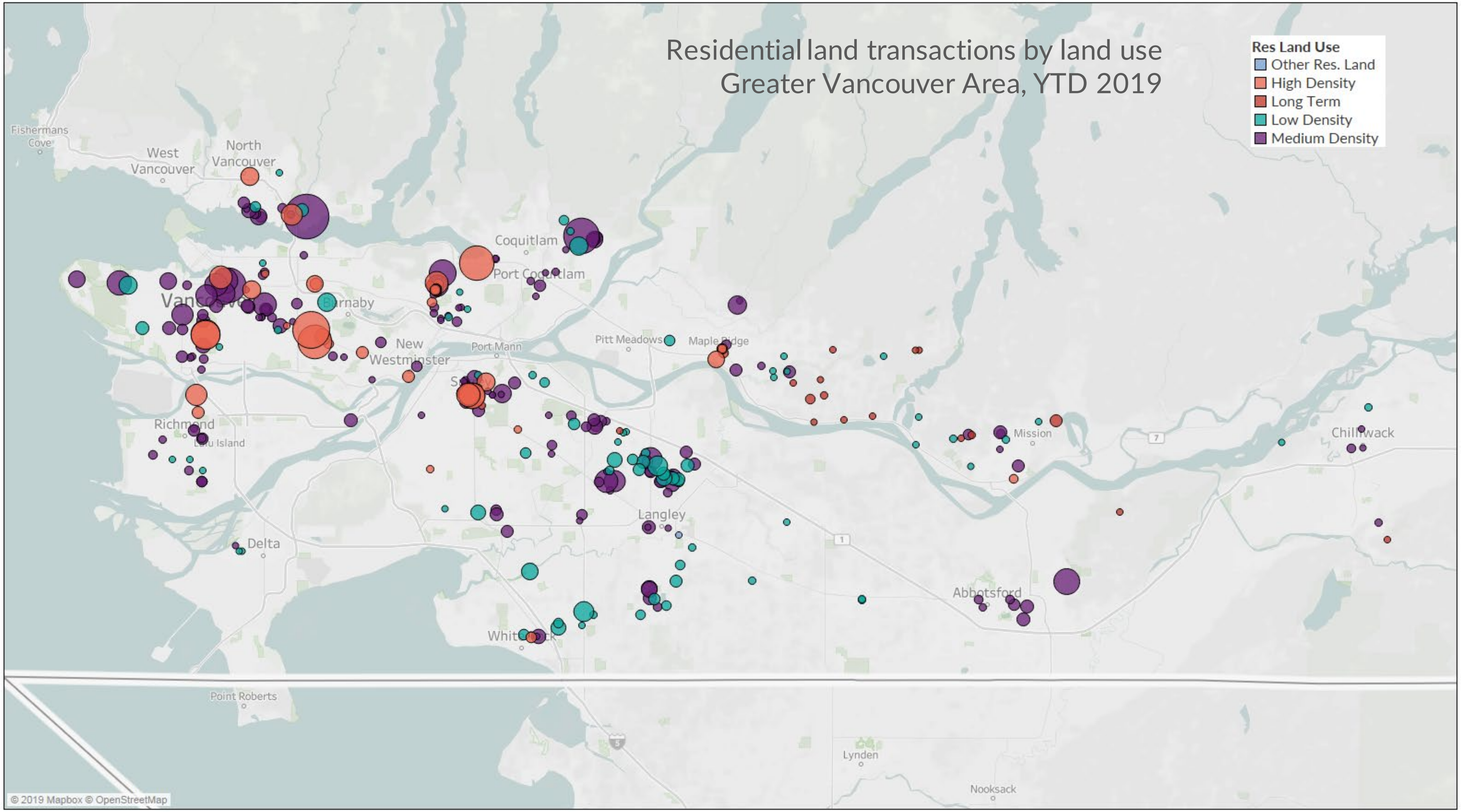
Residential land transactions down again this year

AltusGroup



Source: Altus Group

Location of recent land transactions



What does $30M+ buy in Vancouver land today?

Altus Group

MAPLEWOOD GARDENS
North Vancouver

$55,000,000
3.668 acres
$137 / sq. ft.
Medium Density

4725 GRANGE
Burnaby

$37,600,000
1.049 acres
$229 / sq. ft.
High Density

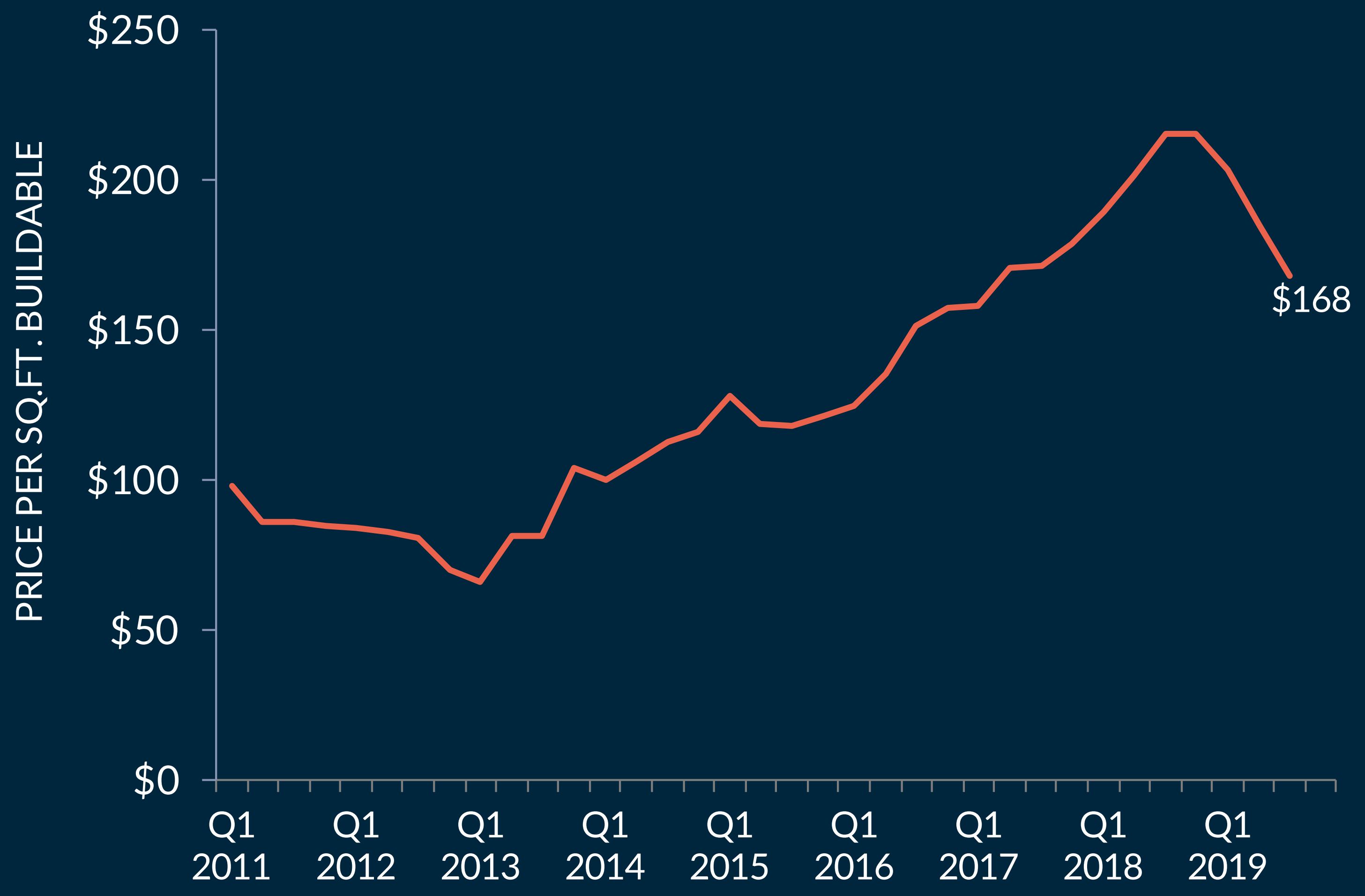
1350 MITCHELL
Coquitlam

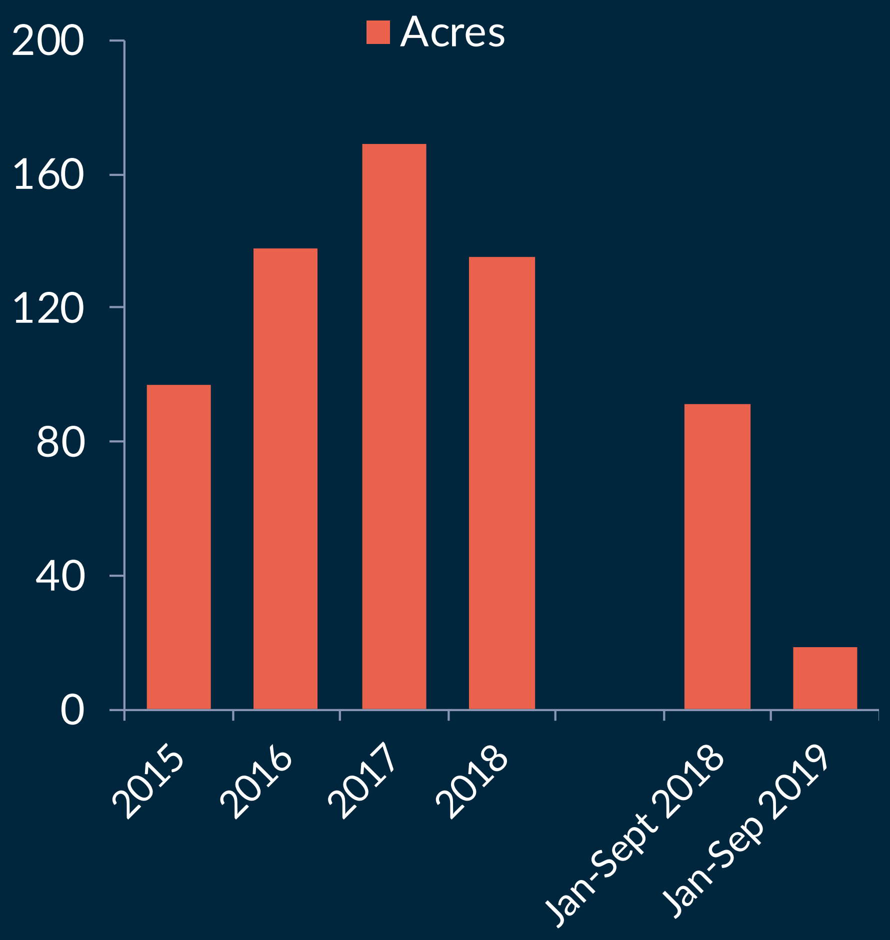
$34,969,000
8.995 acres
$265K / unit
Medium Density

465-475 E BROADWAY
Vancouver

$33,000,000
0.875 acres
TBD
Medium Density

High density land prices no longer climbing…





Source: Altus Group

…with similar trend for low and medium density land

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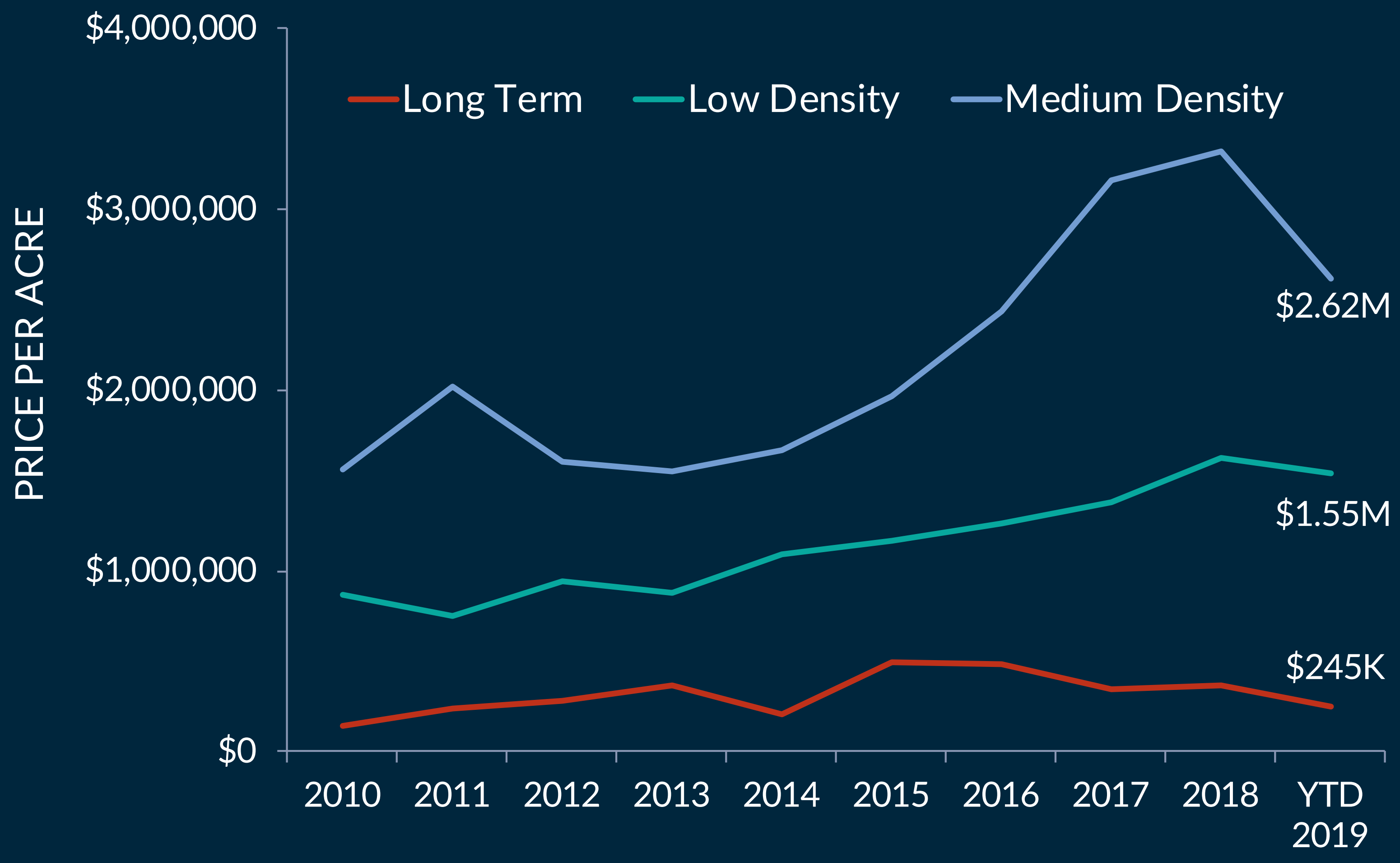
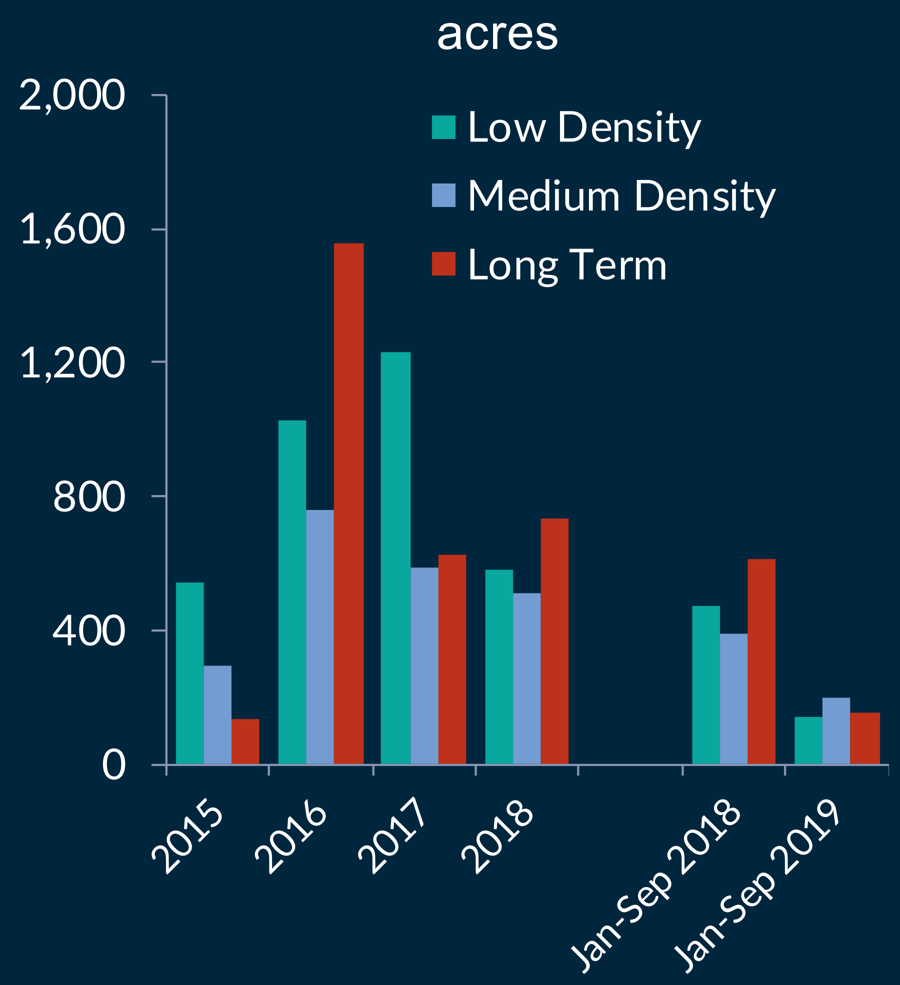
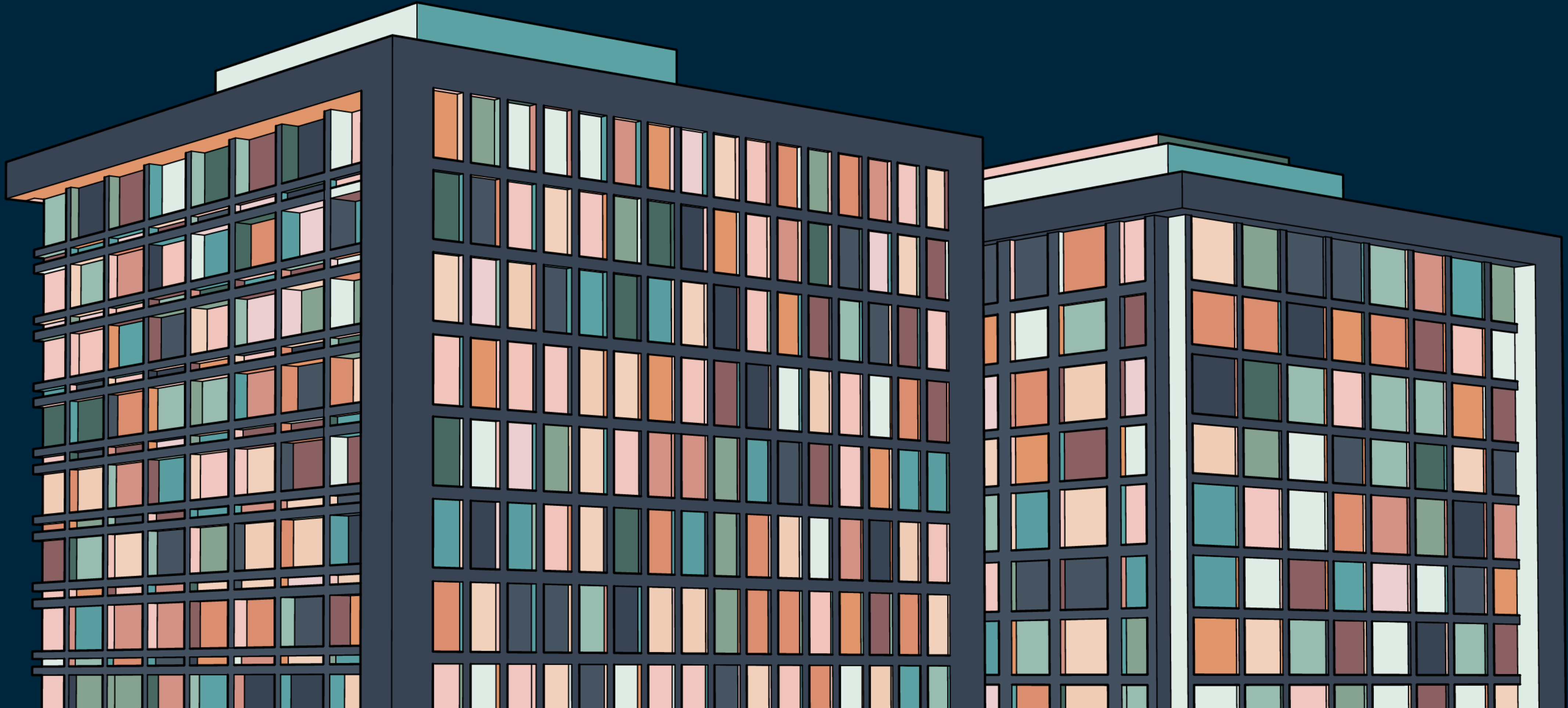




Source: Altus Group

NEW HOMES



Actions being taken to address 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

Vancouver new home sales slow further in 2019

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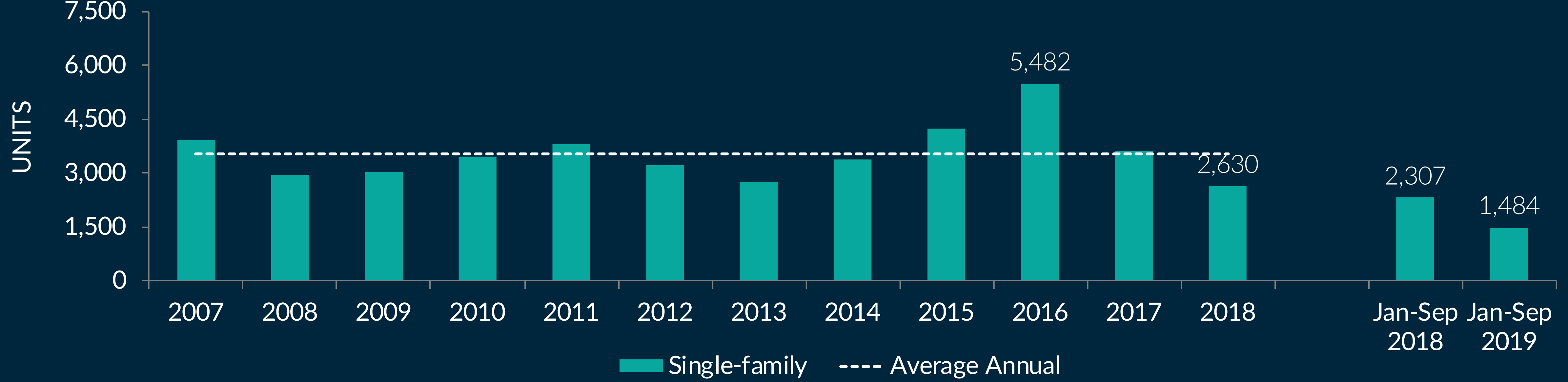

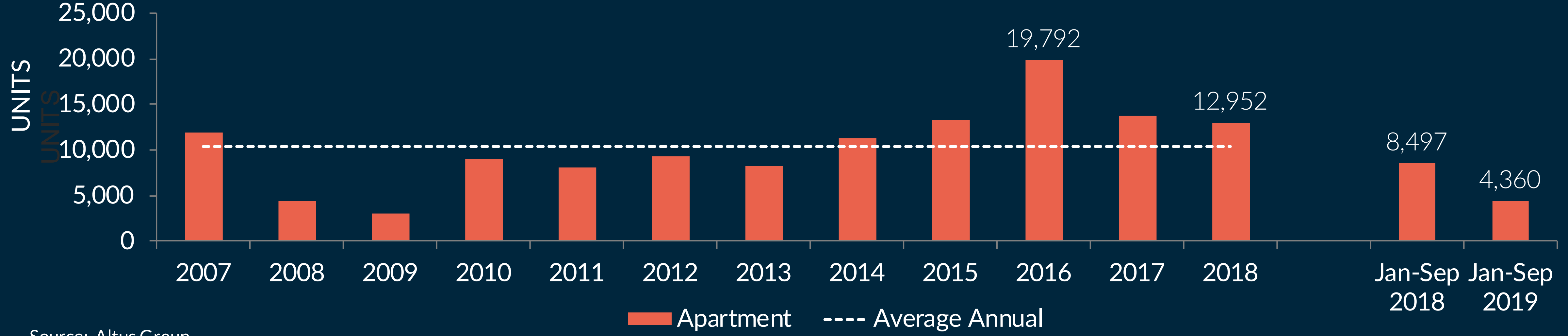

Source: Altus Group

Vancouver not alone in slower new condo apartment sales this year

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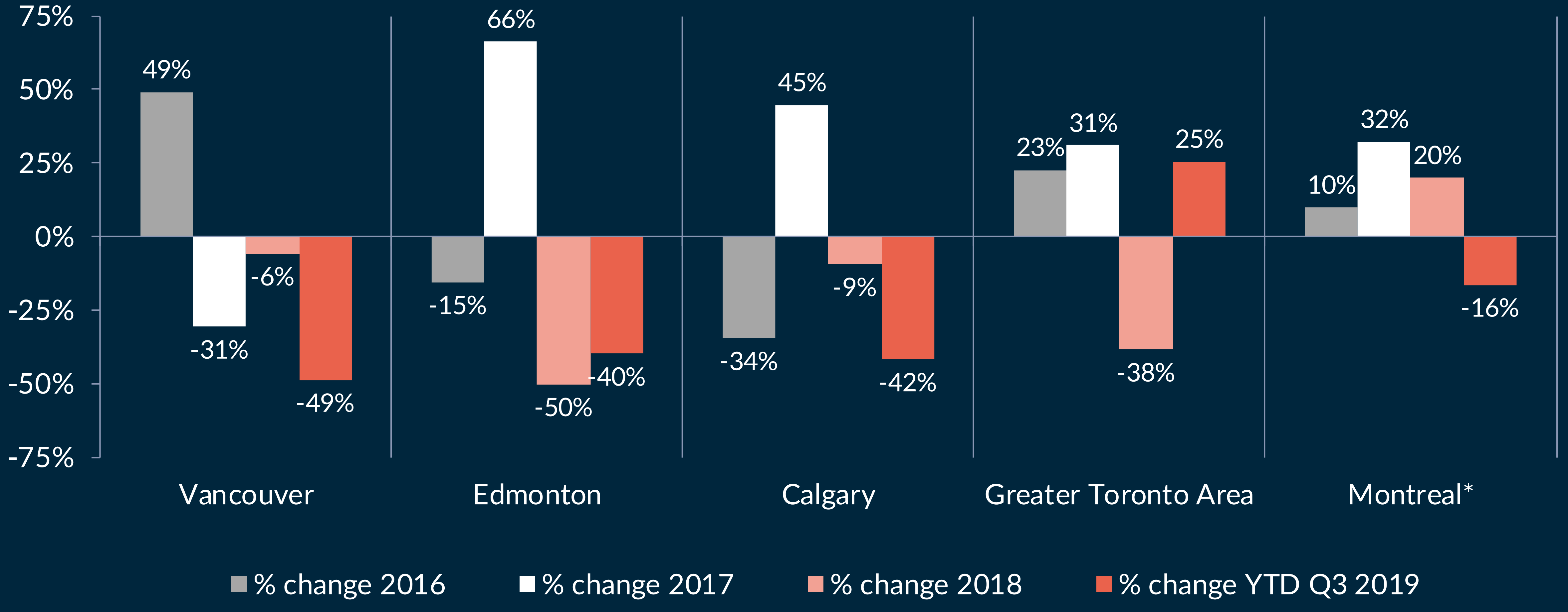
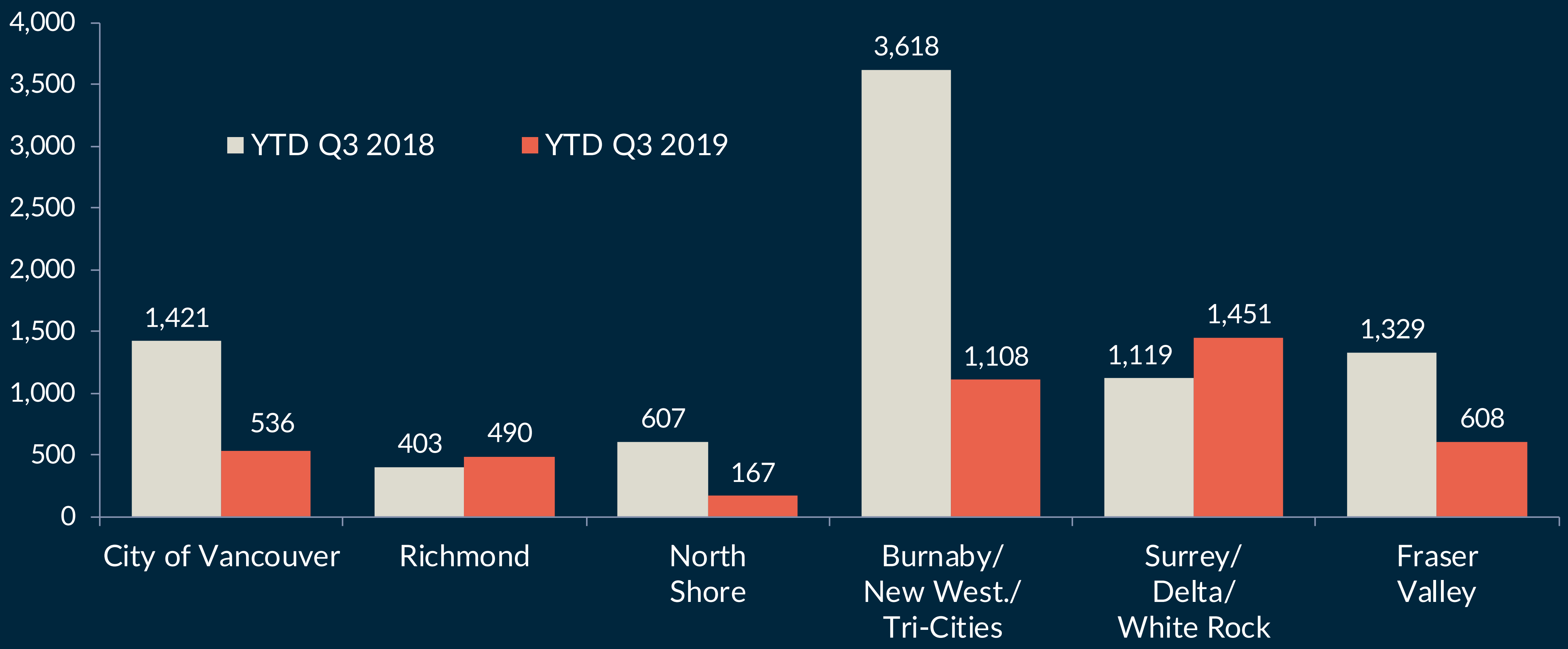
New condominium apartment sales



Source: Altus Group

* Montreal YTD are as of Q2

Mixed performance in new condo sales by subarea



Source: Altus Group

New condo inventory has rebounded from critical lows

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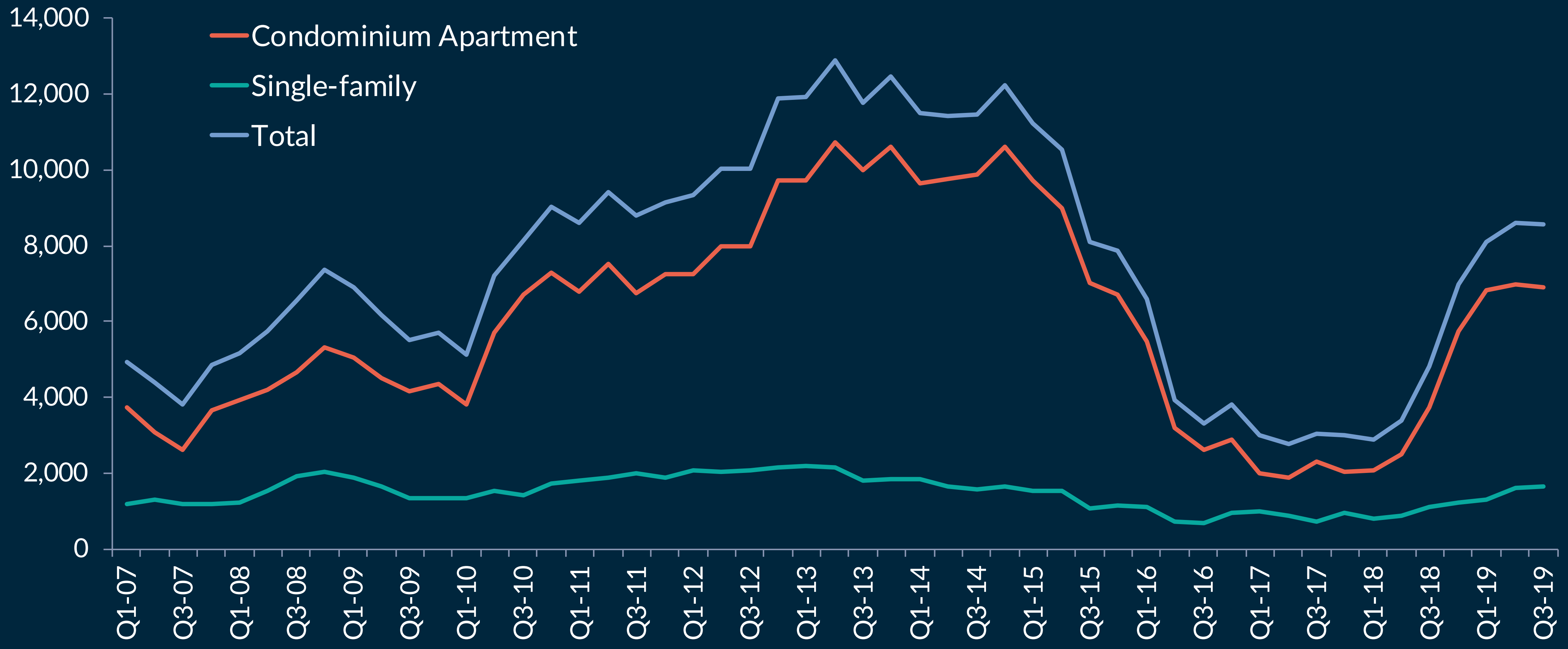

Source: Altus Group

…putting the market back into a more balanced situation

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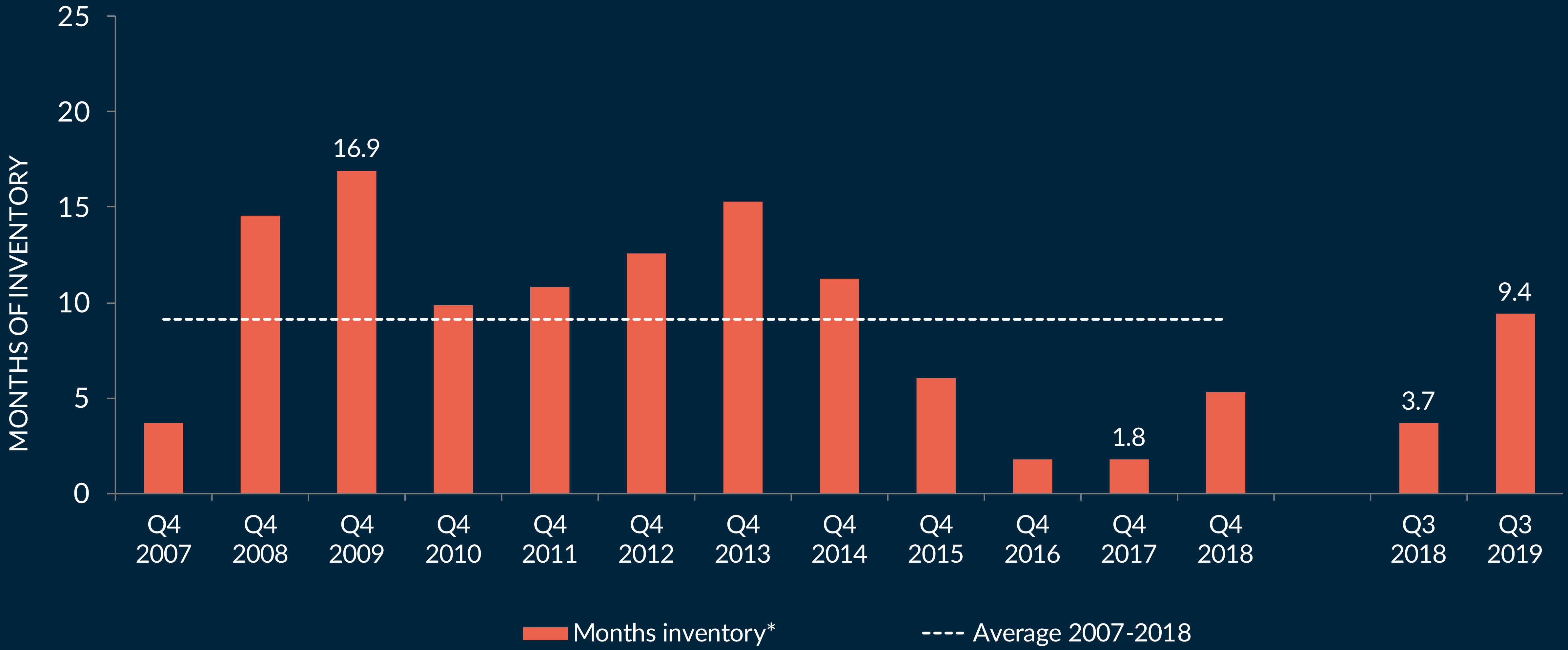

* Based on pace of sales in previous 12 months

Source: Altus Group

Average asking prices for new project launches choppy and still off the peak of early 2018

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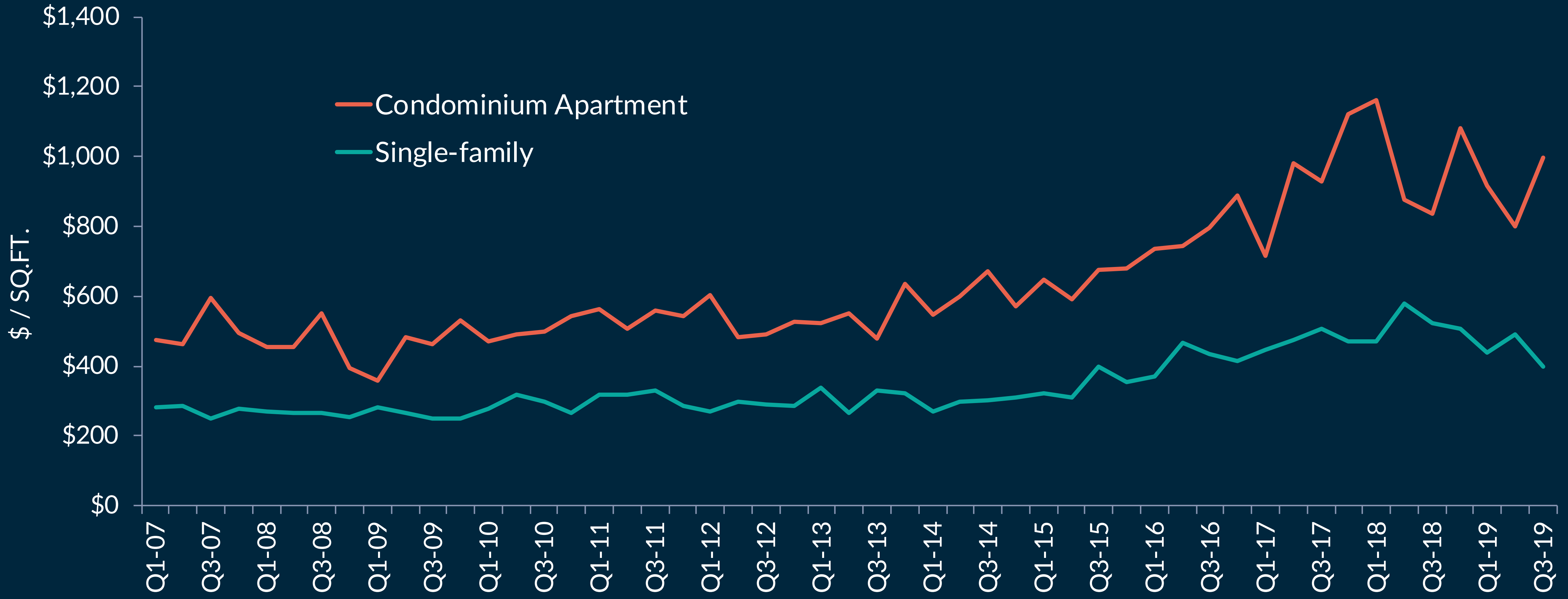

Source: Altus Group

New condo supply down this year – and also absorption rates

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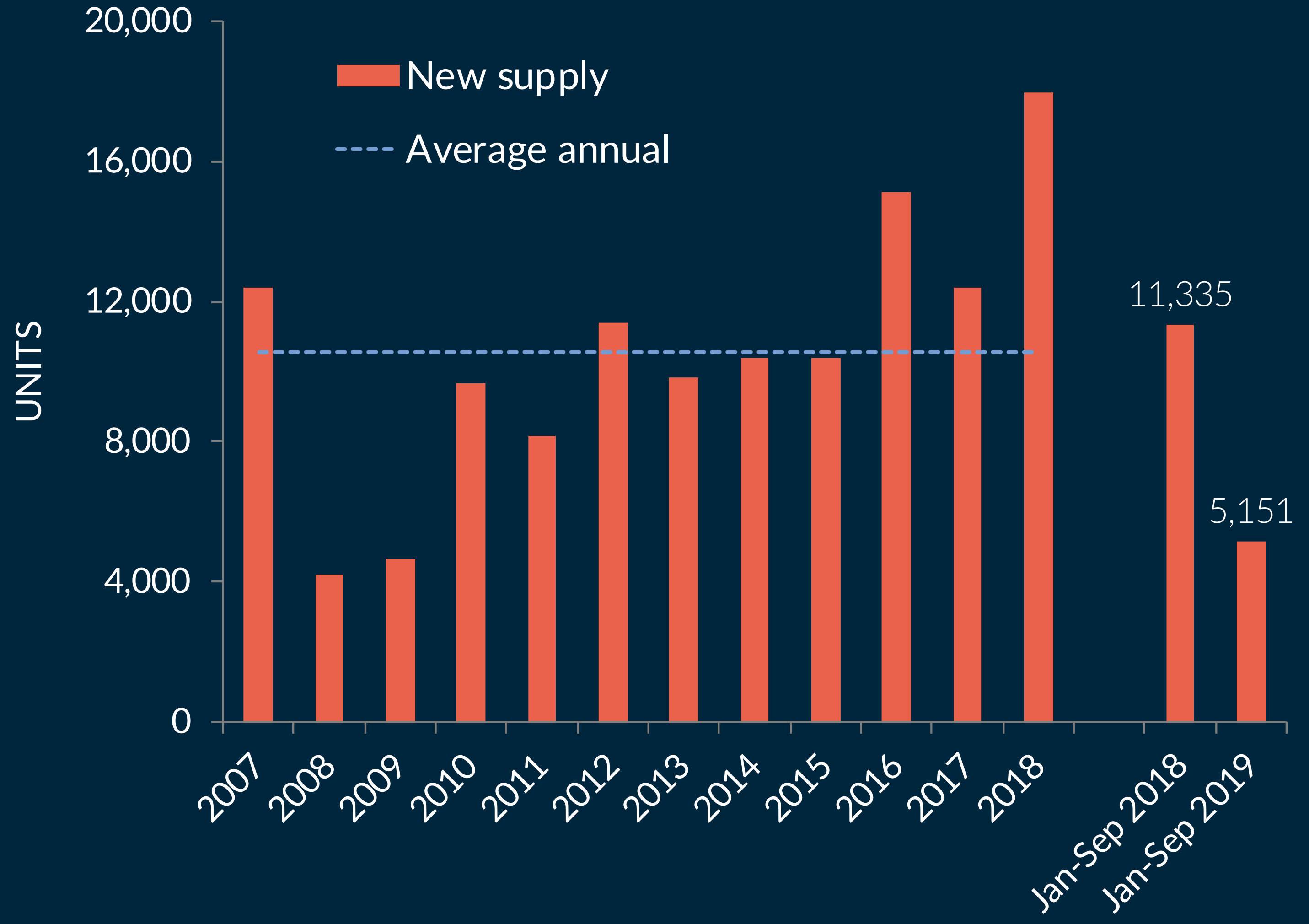
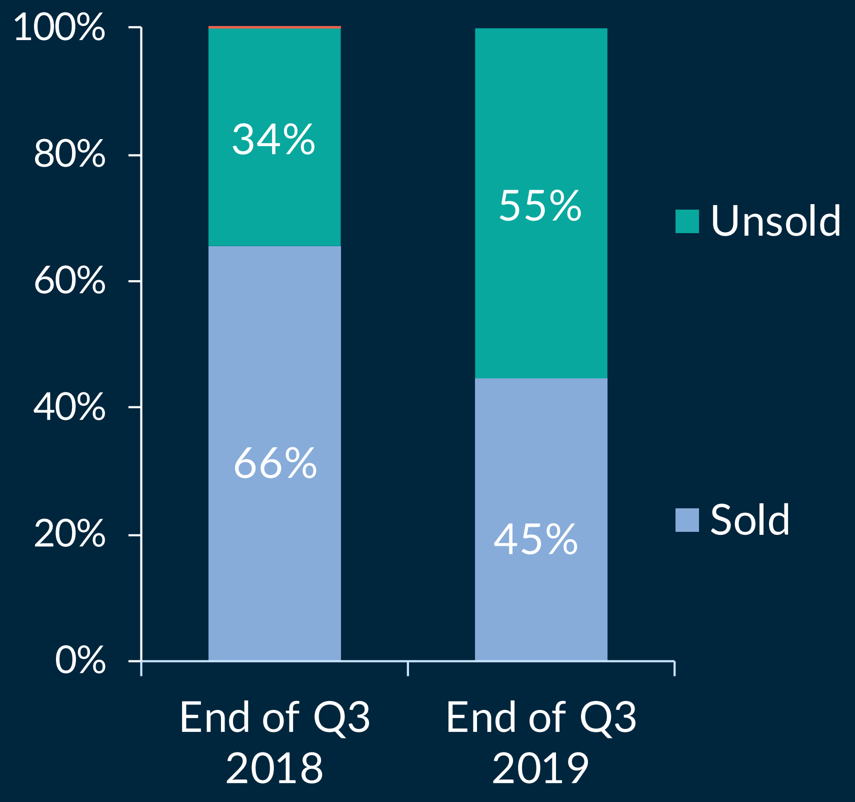
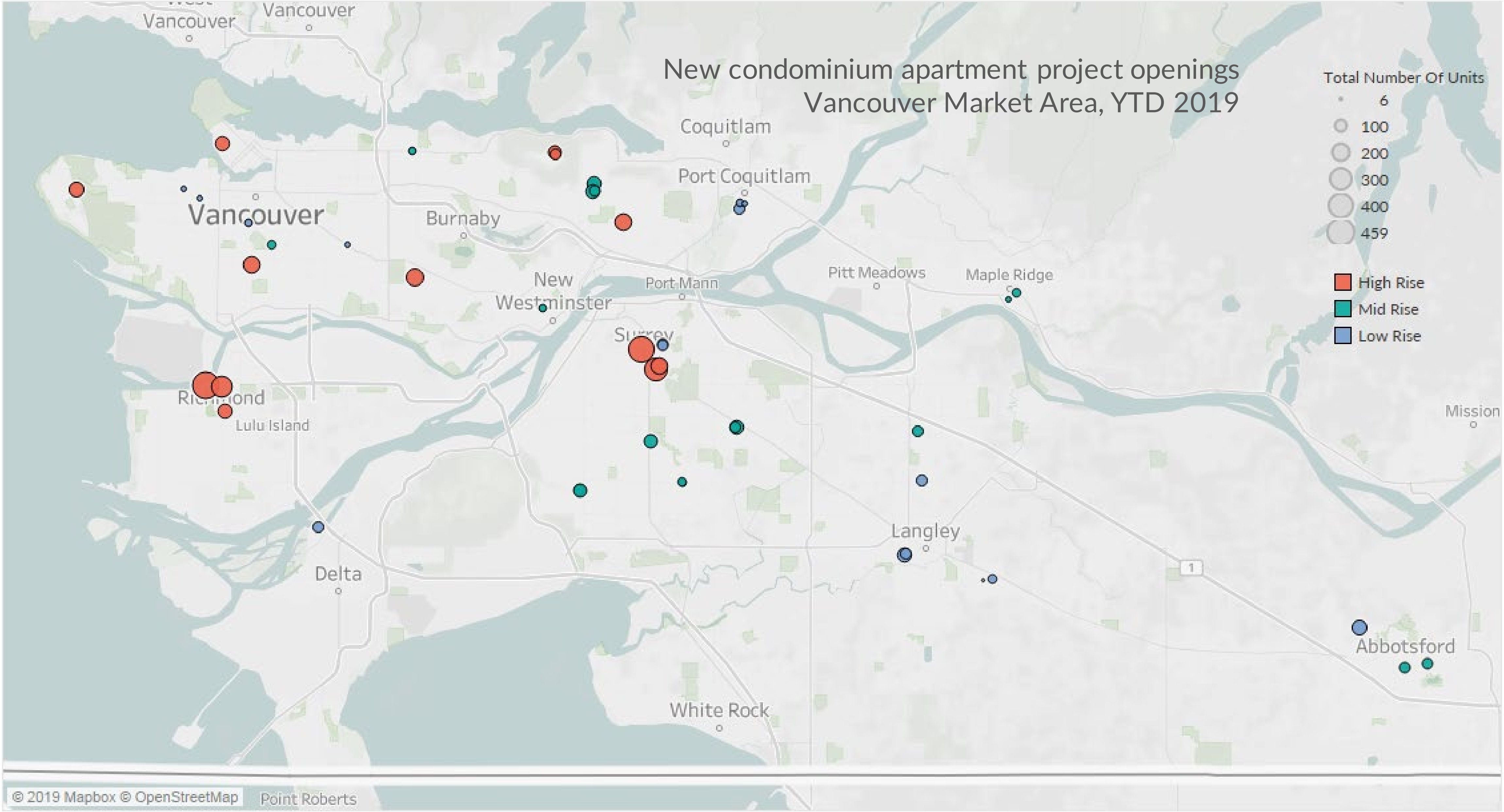




Source: Altus Group

Location of recent new condo projects



Sample new home projects

Altus Group

SYLVIA
Surrey

38 townhome units
$614k avg. price
Opened March
Sold out

THE HOLLAND
Surrey

250 high rise units
$794 / sq. ft.
Opened October
100 sales

LATIMER HEIGHTS (Bldg A)
Langley

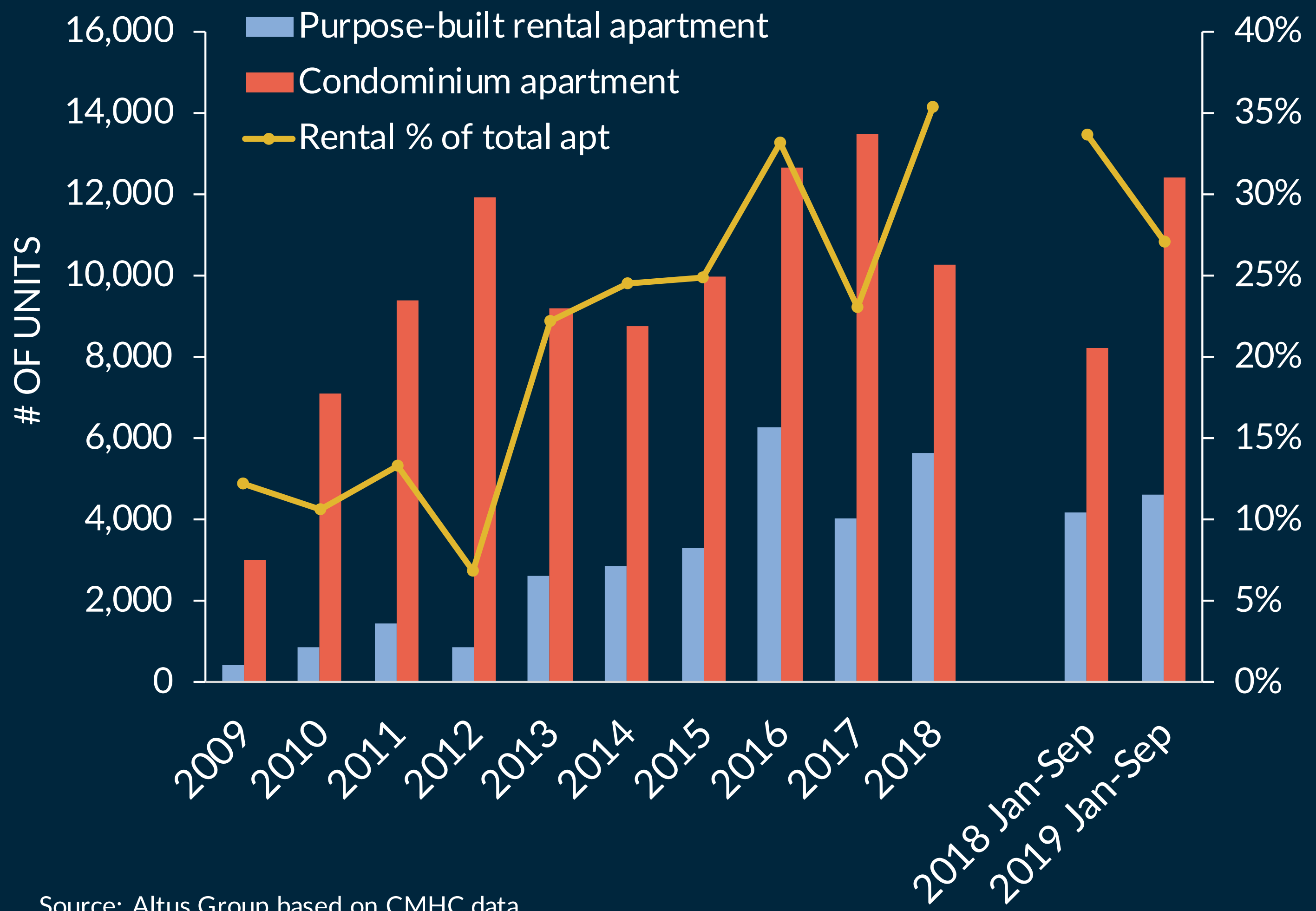
54 mid rise units
$531 / sq. ft.
Opened October
27 sales

WILLOW & OAK
Maple Ridge

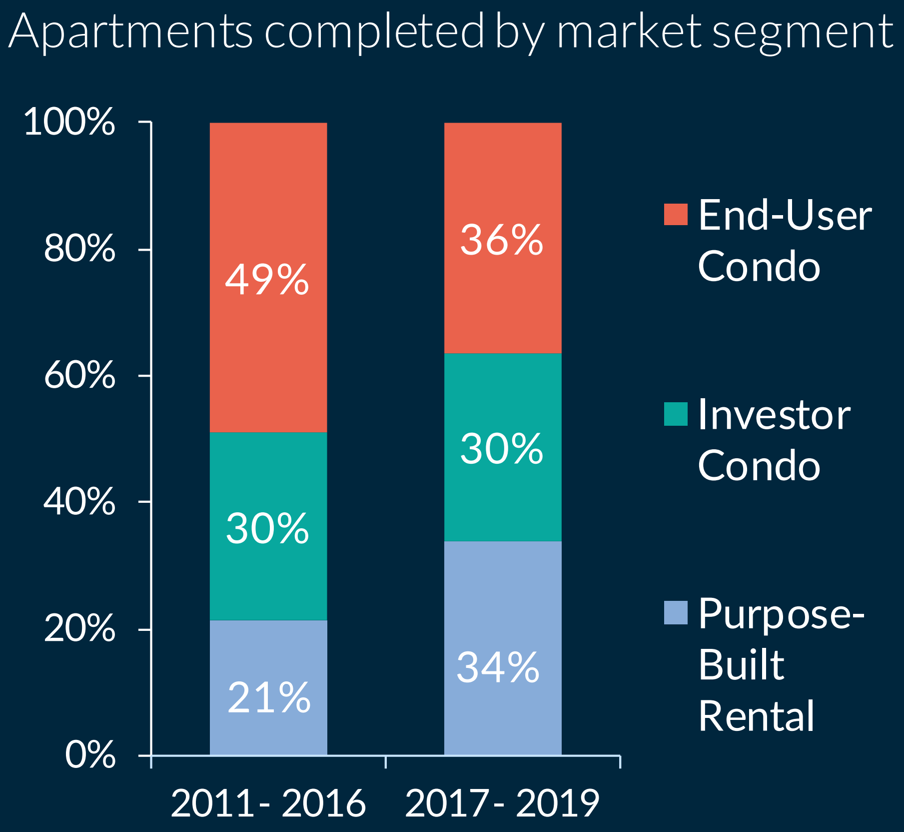
54 townhome units
$550k avg. price
Opened May
43 sales

Housing starts highlight the growth in purpose-built rental

Altus Group



Source: Altus Group based on CMHC data



Source: Altus Group estimates based on Census of Canada and CMHC data

Purpose-built rental significant in recent applications

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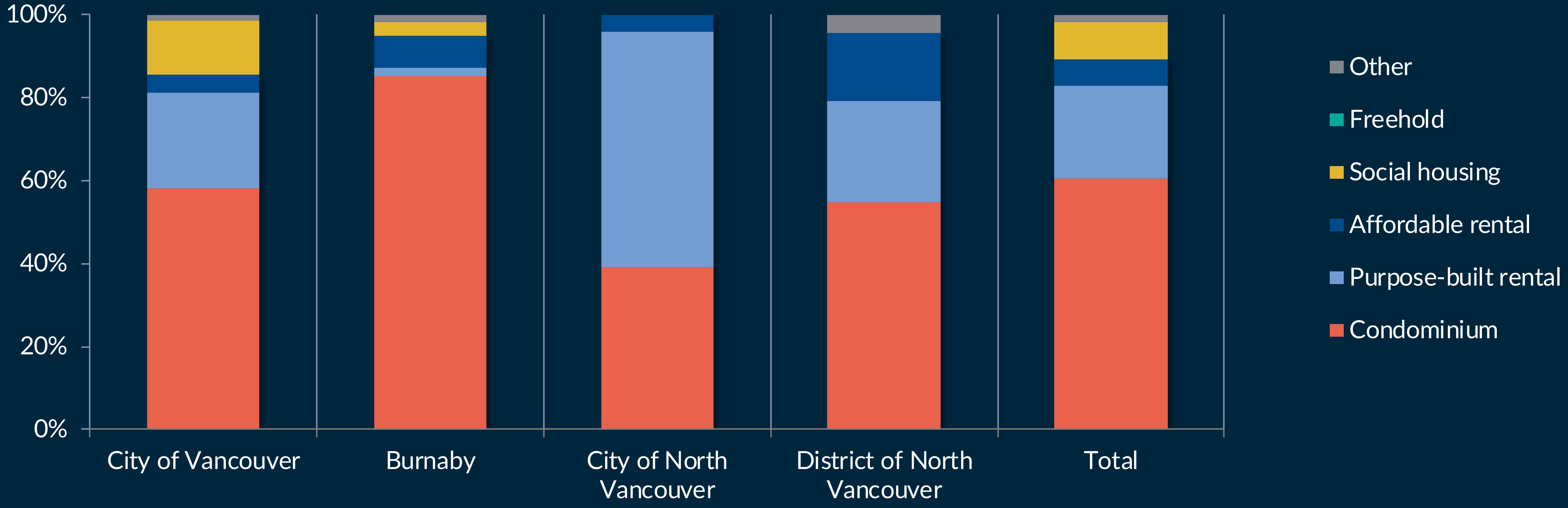
Residential units in recent development applications by type*



* Applications with first submission from January 2017

Source: Altus Group based on municipal information

…with trend shifting to more rental, less condo

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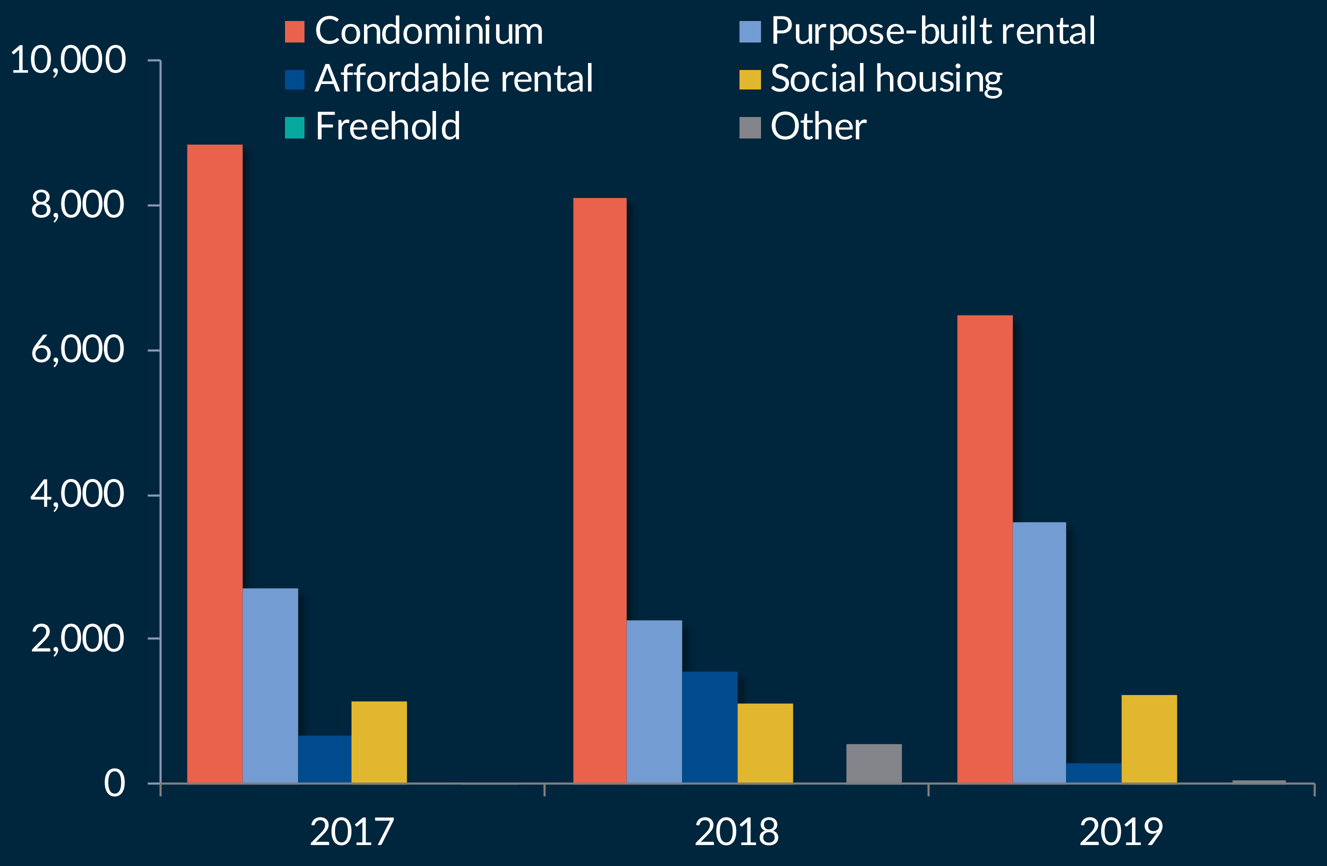
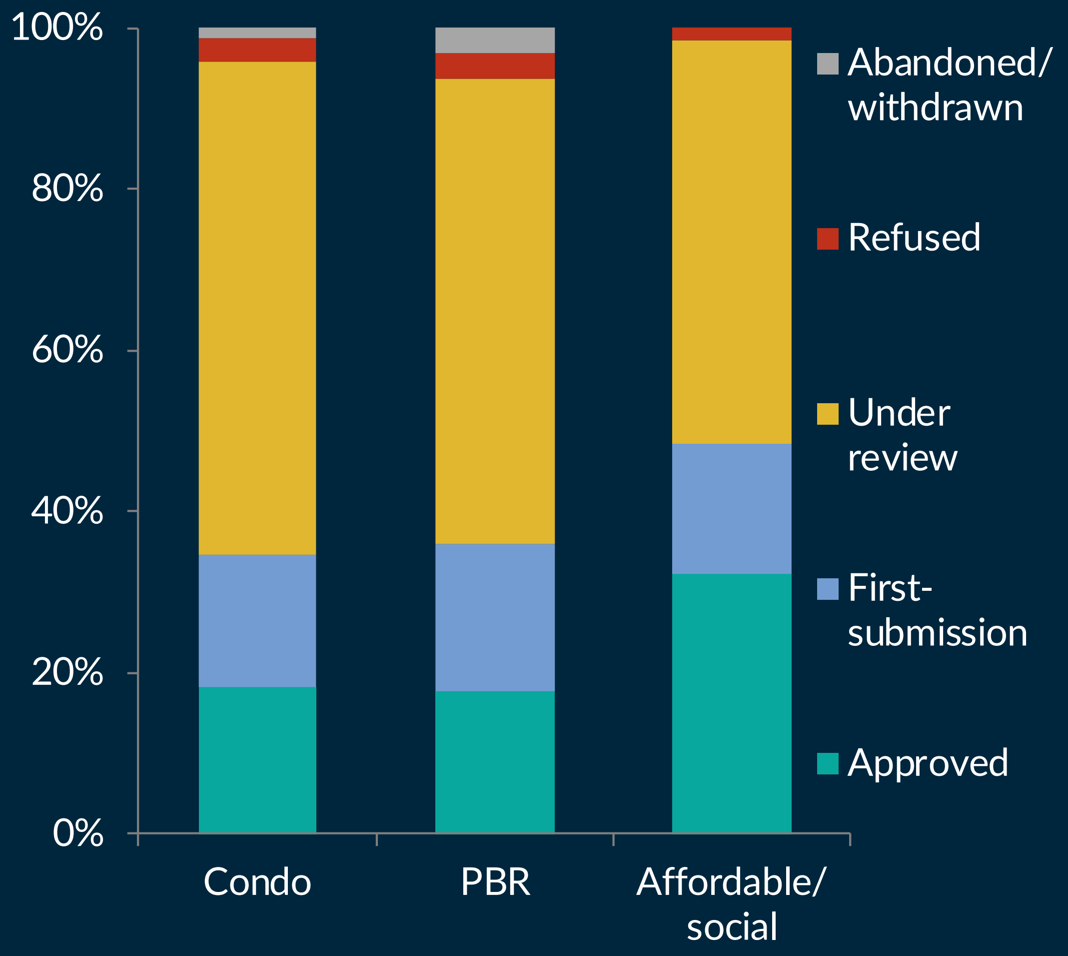
Residential units in development applications in each year by type*



Residential units in development applications Since 2017 by current status of application*

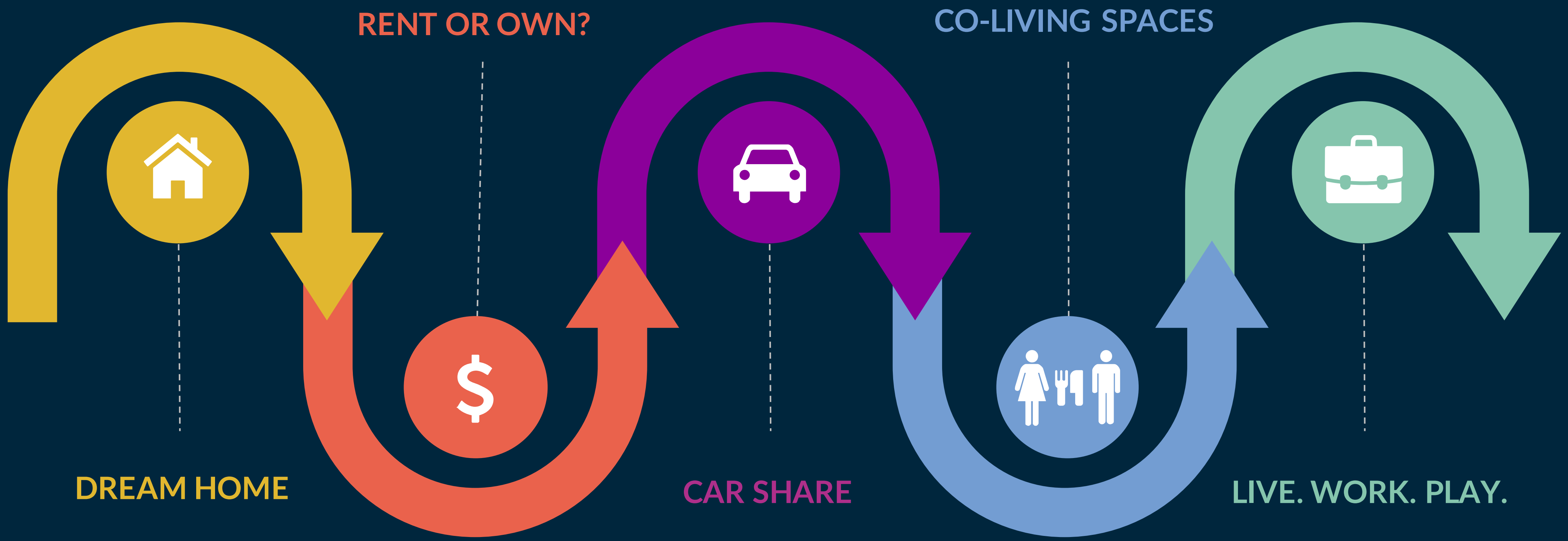


Source: Altus Group based on municipal information

* City of Vancouver, Burnaby, North Vancouver (City) and North Vancouver (DM); new applications since January 2017

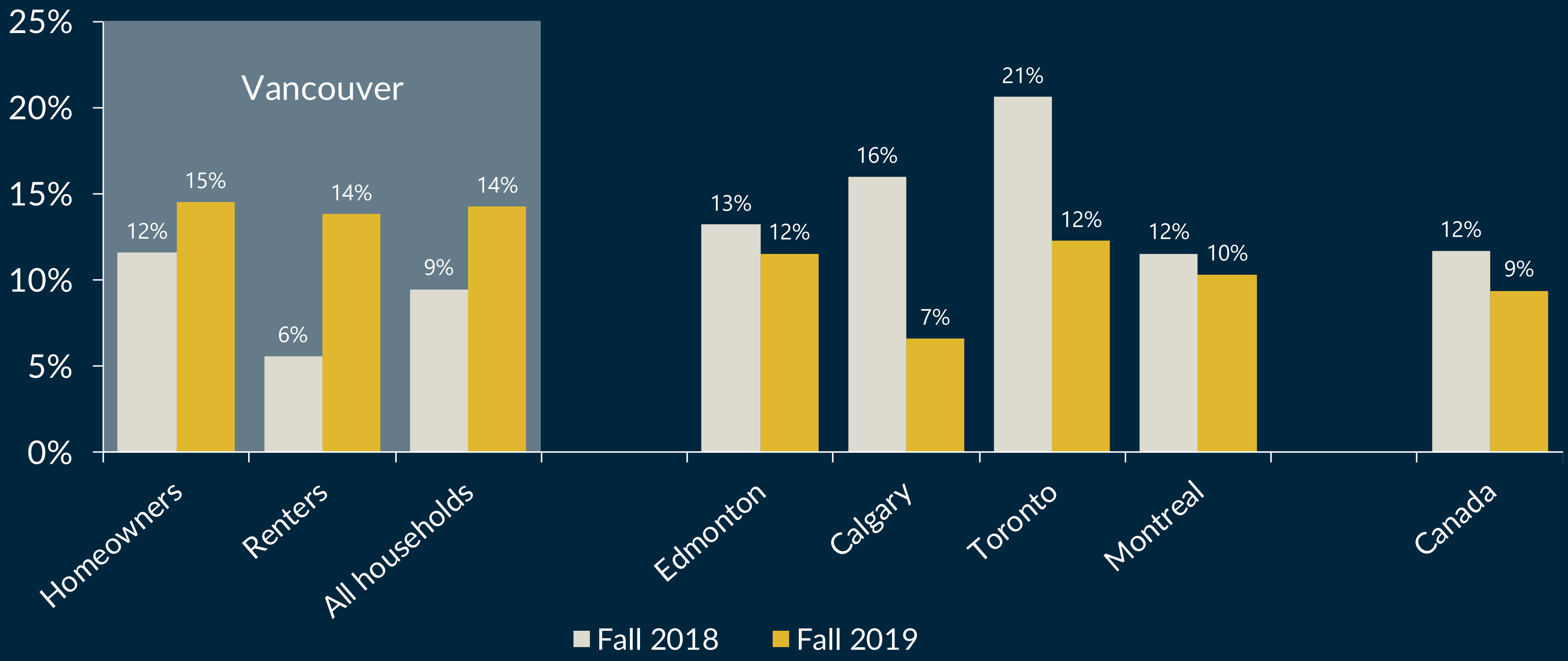
RESIDENTIAL OUTLOOK

Options are expanding for how and where we can live



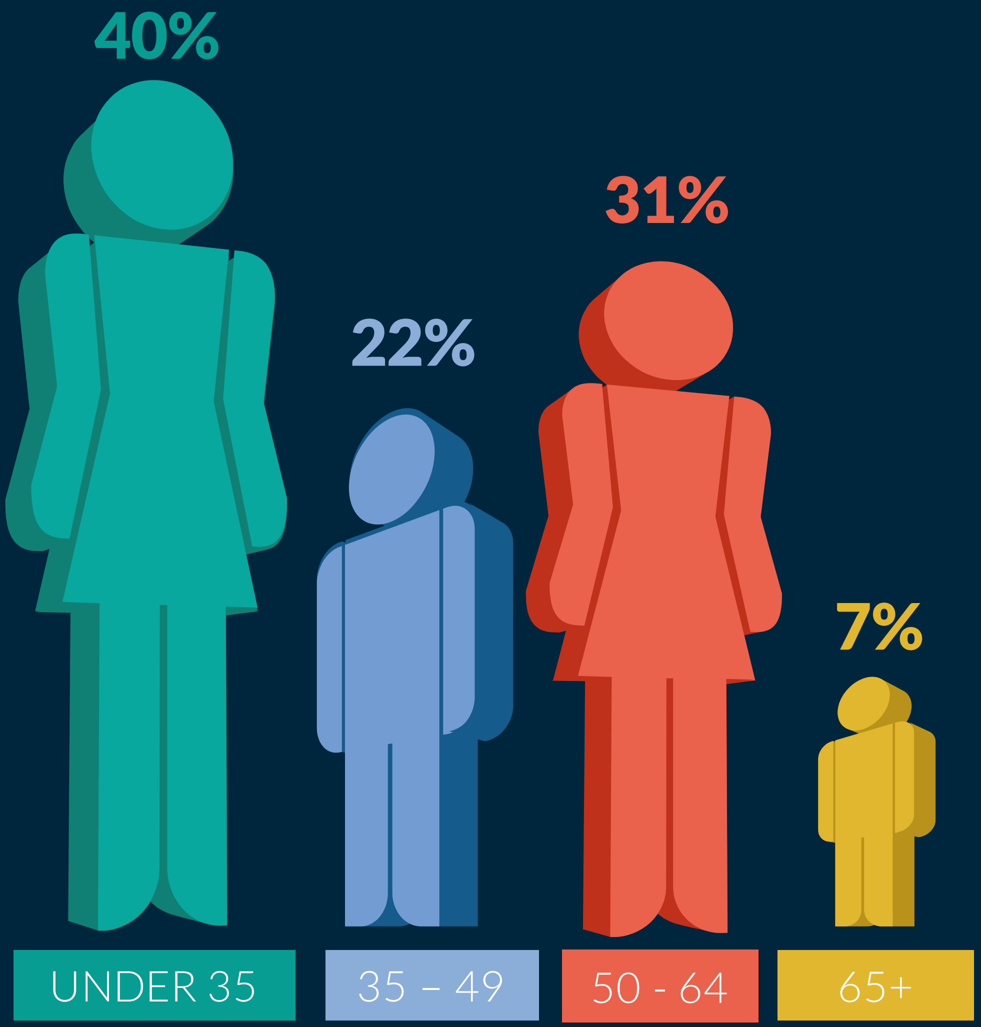
Bucking the trend: home buying intentions are now UP in Vancouver

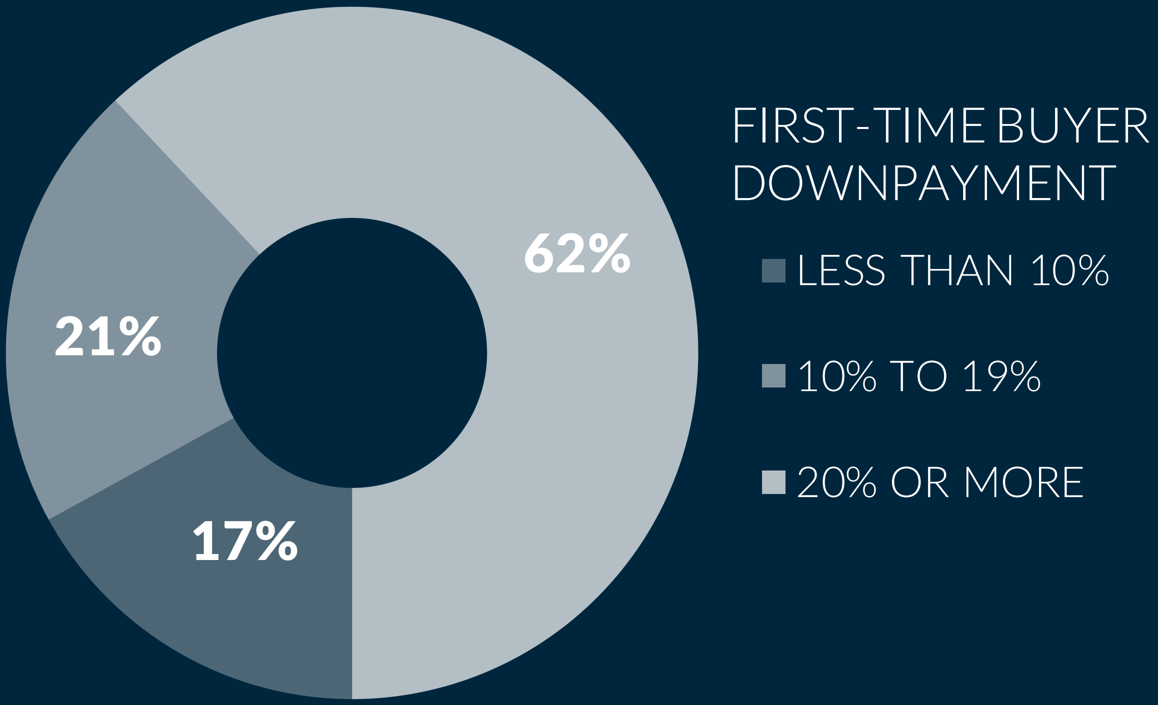
% of respondents saying "yes" planning to buy a home in next year or so



Source: Altus Group

Vancouver end-user home buyers are predominantly younger and have good downpayments





Additional observations...

1 PENT-UP DEMAND

2 TRADE-OFFS: DESIRES VS. AFFORDABILITY

3 APARTMENT SUPPLY SHIFTING TO RENTAL ...BUT DEPTH OF DEMAND AT NEEDED RENTS UNCERTAIN

4 SLOWER ABSORPTION FOR PROJECTS THE NEW NORMAL

5 DOWNSIDE RISKS TO THE ECONOMY

Vancouver 2020 market outlook

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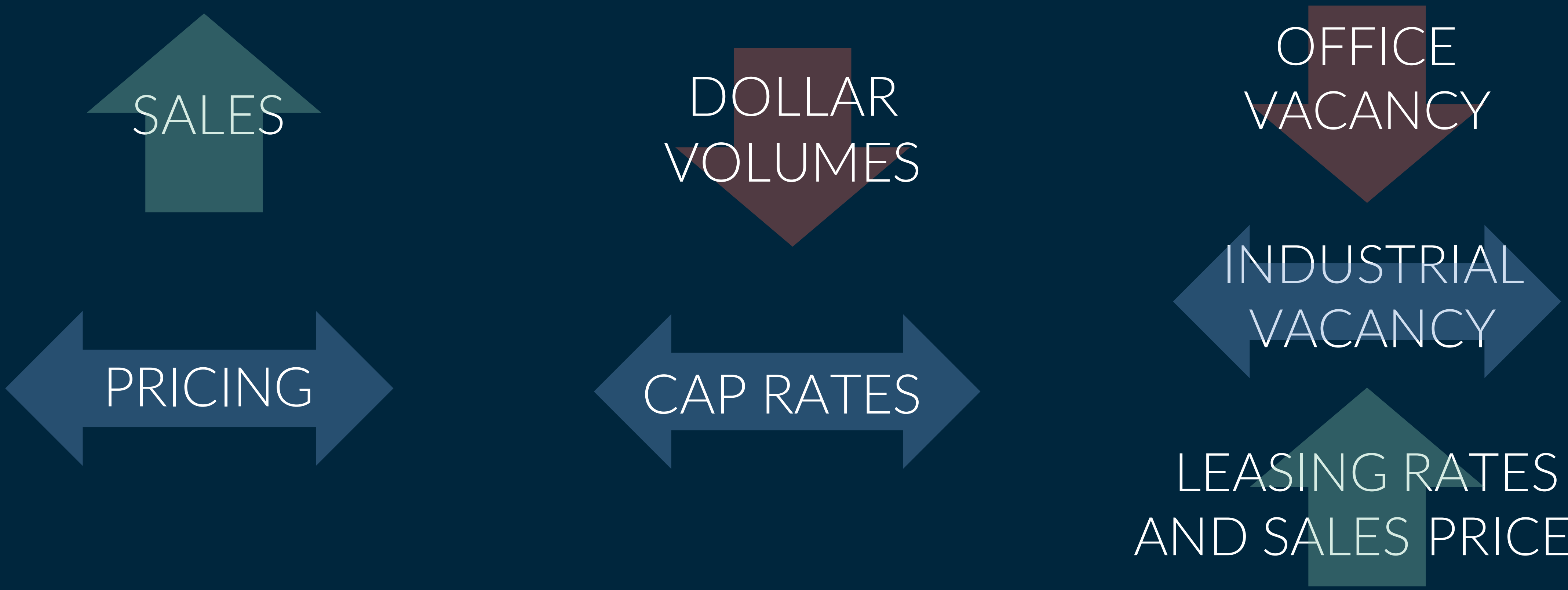
NEW HOME MARKET	COMMERCIAL TRANSACTIONS	OFFICE AND INDUSTRIAL MARKETS



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Jason Lo

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Data Solutions

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Thank you for attending!

VANCOUVER STATE OF THE MARKET 2019

Today's presentation & Flash Report

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

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FOCUS SESSIONS

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1

Owning land in a soft market: sell, hold, build?

MACKENZIE I
(Downstairs)

2

The case for rental

MACKENZIE II
(Downstairs)