

MULTI-FAMILY REPORT - Regina



Lender's Corner (con't)

The Royal Bank continues to look upon multi-family as a preferred asset class and are actively seeking loan opportunities. Loan to Value ratios of up to 85% are still available through the Royal Bank with mortgage insurance from the Canada Mortgage and Housing Corporation (CMHC). Most recently, CMHC insured mortgages have been quoted at a rate level of about 5.10% fixed for ten years. That is an attractive rate by anyone's standards.

The key in 2009/2010 for multi-family property owners will be managing interest rate risk and leveraging assets to a manageable level. They should be raising capital for new acquisitions when opportunities present themselves. Given the amount of money that is being injected into the economy by our government, I think most anyone would agree that interest rates will have to rise in the future to hold off inflation. For investors, now is the time to leverage existing assets and fix the interest rate for as long as possible.

(Source: Tyler McKinna, Account Manager, Commercial Real Estate, Royal Bank)

Avison Young is the real estate partner business trusts for intelligent, integrated solutions. We deliver results that are aligned with your strategic business objectives, supporting real estate initiatives that add value and build competitive advantage for your organization.

Across the Country, Around the World

Halifax · Quebec City
Montreal · Toronto
Mississauga · Winnipeg
Regina · Calgary
Edmonton · Vancouver
Ottawa · Chicago

USA · Mexico
United Kingdom
Continental Europe
Asia-Pacific

For more information, please contact our multi-family team at:

Avison Young Commercial Real Estate (Sask) Inc
#300, 2550 12th Avenue
Regina, SK S4P 3X1

Phone: (306) 359-9799
Facsimile: (306) 352-5325
Email: rmitchell@ay-sk.com
aingleby@ay-sk.com

Website: www.avisonyoung.com



Multi-Family Team



Rick Mitchell
rmitchell@ay-sk.com
306-359-9799



Art Ingleby
aingleby@ay-sk.com
306-359-9799

This newsletter will be published quarterly by Avison Young Commercial Real Estate (Sask) Inc. and is available in email format. Please send your email address to kmccconnell@ay-sk.com if you would like to receive this publication via email.

MULTI-FAMILY REPORT – REGINA SUMMER REPORT – 2009

MULTI-FAMILY MARKET STILL STRONG

In today's uncertain environment, multi-family continues to be a safe option for investors. The turmoil within the financial markets has done little to dampen the enthusiasm for Saskatchewan multi-family properties with Sellers remaining in a position to command top prices for quality product and Buyers willing to pay premium prices for the right opportunity.

Positive population growth, low employment rate, rising house prices and a shrinking supply have created a market with historically low vacancy rates and corresponding record high rental rates. A significant number of converted and new condominiums will come to the market in the latter part of 2009; this will lead to a modest rise in the vacancy rate and a cooling of the persistent increases in rental rates. The conversion of apartments to condominiums is drawing to a halt creating an environment where investors and lenders are insisting sale prices be appropriately determined by the ability of the property to generate income and not on its speculative potential.

The trends we are seeing:

- Capitalization rates will hold steady for multi-family properties;
- Rental Rates will rise modestly in the short term;
- Occupancy rates will trend slowly upward over the next 6 months;
- Out of province buyers will continue to see Saskatchewan as a stable market;
- Lenders will remain keen to finance realistically priced multi-family properties.

Rick / Art



MULTI-FAMILY REPORT
- Regina

SIGNIFICANT TRANSACTIONS—Regina

| Address | Sale Price | # Units | Price/Unit | Date Sold | Cap Rate |
|---------------------|-------------|---------|------------|-----------|----------|
| 125 From Cr. | \$1,663,000 | 24 | \$ 69,292 | Feb 2008 | 6.04% |
| 405 Lorne Street N. | \$1,360,000 | 18 | \$ 75,556 | Feb 2008 | 5.55% |
| 38 Spence Street | \$2,460,000 | 24 | \$102,500 | Mar 2008 | 4.34% |
| 141 Proctor Place | \$1,206,000 | 18 | \$ 67,000 | Sept 2008 | 6.42% |
| 4313 Rae Street | \$1,848,000 | 24 | \$ 77,000 | Sept 2008 | 6.06% |
| 419 Lorne Street N. | \$1,300,000 | 18 | \$ 72,222 | Oct 2008 | 5.78% |
| 821-41 Empress St. | \$1,540,000 | 24 | \$ 64,167 | Nov 2008 | 7.07% |

SIGNIFICANT TRANSACTIONS—Moose Jaw

| Address | Sale Price | # Units | Price/Unit | Date Sold | Cap Rate |
|---------------------|-------------|---------|------------|-----------|----------|
| Wood Lily Drive | \$6,240,000 | 104 | \$ 60,000 | July 2008 | 5.90% |
| 235 Fairford Street | \$ 500,000 | 11 | \$ 45,455 | July 2008 | 6.40% |
| 73 Ross Street E. | \$ 830,000 | 12 | \$ 69,167 | July 2008 | 6.00% |
| 240 Home Street W | \$ 400,000 | 8 | \$ 50,000 | July 2008 | 6.87% |

(Source: Avison Young Commercial Real Estate (Sask) Inc).

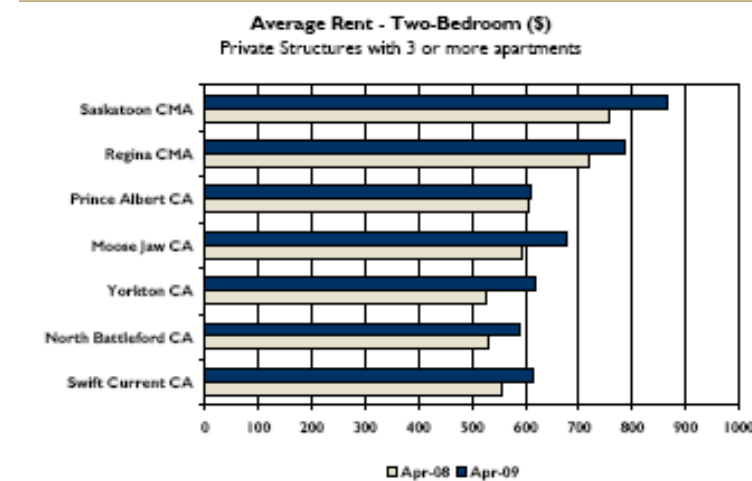
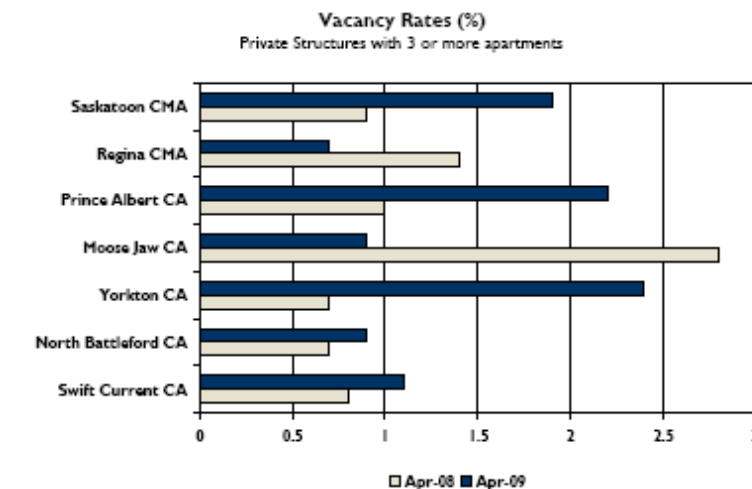
Appraiser's Corner

The sale of multi-family properties appears to have slowed in 2009 but not from a lack of potential purchasers but more from a lack of motivated sellers. Several real estate agents claim to have willing and qualified buyers for Regina apartment properties but no properties to sell. With decreasing vacancy rates, increasing rents and stabilizing of operating expenses owners appear to be prepared to hold onto properties. Also, the sales for conversion of rental apartments to condominium ownership have slowed in 2009. The conversions being carried out at the present time were purchased last year or earlier. No significant sales have occurred to date in 2009.

Also, for the first time since at least the early 1980's Regina has seen the commitment from developers to construct new multi-family properties for the rental market. Several projects are in the planning phases. Rents are increasing to a level where new construction can now make economic sense and with the continued decrease in the vacancy rate there should be a demand for the new apartments.

(Source: Brian Gaffney, AACI, P. App., B. R. Gaffney & Associates Ltd.)

MULTI-FAMILY REPORT
- Regina



Source: Canada Mortgage and Housing Corporation

Lender's Corner

To say that the past 18 months have been a volatile time in the credit markets would be a gross understatement. The markets were pounded with uncertainty and waves of bad news. What originally began in the US housing market boiled over into the world economy and is now affecting commercial real estate lending here in Saskatchewan.

A positive in all of this is multi-family residential housing in Saskatchewan. It has performed extremely well and while there remains great uncertainty and a requirement for larger interest rate spreads in real estate loans, multi-family properties are still attractive to lenders and are viewed as extremely stable. This stability is especially true in Saskatchewan as residential vacancy rates are near zero.