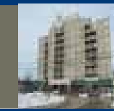


AVISON YOUNG

Intelligent Real Estate Solutions

Outlook 2012

THE Multi-Family Report

INVESTMENT MARKET MONITOR

Limited product as investors hold steady

Investors in Edmonton's multi-family real estate market were patient in managing their assets in 2011, with only 52 transactions closing in the past 12 months for a total of $185.3 million. It's not a surprising trend as the Alberta economy continues to grow and local businesses are clamoring for skilled labour, the result of which has rental properties being in greater demand around the Edmonton region.

Multi-family rental housing in Edmonton has proven to be a strong investment vehicle during the past five years as returns have remained relatively stable for investors when compared to the volatility of other property markets across North America. While the Edmonton unemployment rate did spike following the collapse of world markets in late 2008 and 2009, the demand for oil and gas products has recently kept most Albertans working with the result being that unemployment fell below 5% to start 2012. The market has also remained in demand as there have been limited new developments over the past five years, however, the number of people seeking rental accommodations has continued to steadily increase.

A trend of note in the Edmonton multi-family market has been the increase in number of units sold per transaction. This number has steadily increased since 2009 from 29.4 units per transaction to 32.0 units per transaction, as more institutional buyers and the larger private landlords have taken an interest in acquiring properties in the Edmonton region although their interest has remained in only acquiring newer, large complexes.

Year	Units Sold	Total $ Volume	Average Price per Door	Transactions
2007	8,068	$965,446,592	$119,663	218
2008	1,748	$197,333,400	$112,890	55
2009	1,472	$147,069,762	$99,911	50
2010	1,885	$208,157,033	$110,428	60
2011	1,665	$185,293,667	$111,287	52

Ridgewood Court (2303 - 38th Street) is a 94 suite property acquired by Har-Par Investments in 2011 for $9,050,000.

Capitalization rates have been subject to downward pressure over the past year with most sales in the 6.25% to 6.75% range, although aggressive competition for newer product has pushed rates below the 6.00% mark in multiple bid situations. There is strong sentiment that interest rates will continue to remain at their historically low levels for at the least the next 12 months, which could provide further competition and capitalization rate compression as purchasers race to redeploy capital and get assets under management while borrowing conditions are favorable.

Looking forward to 2012, the Edmonton multi-family market is poised to have a very healthy year. Expected downward pressure on vacancy rates is forecast to push up rental rates across the region as workers from other parts of the country continue to migrate to Alberta. Well positioned product will continue to draw strong interest from both local and national investors. It is also expected that the move to purchase multi-family land and build more purpose-built rental units will continue to gain traction in what has become a very active market.

Market Notes

- Mayfair Village North, the second phase of Procura's development has a proposed construction start date of mid 2012. Clark Builders is the contractor.
- Multi-Family starts increased by 16% in Spruce Grove in 2011 when compared to 2010.

PURPOSE-BUILT RENTAL DEVELOPMENTS

Northridge Village, St. Albert
- 96 unit, two building development
- 94 two-bedroom units and two one-bedroom suites
- Occupancy in second quarter of 2012

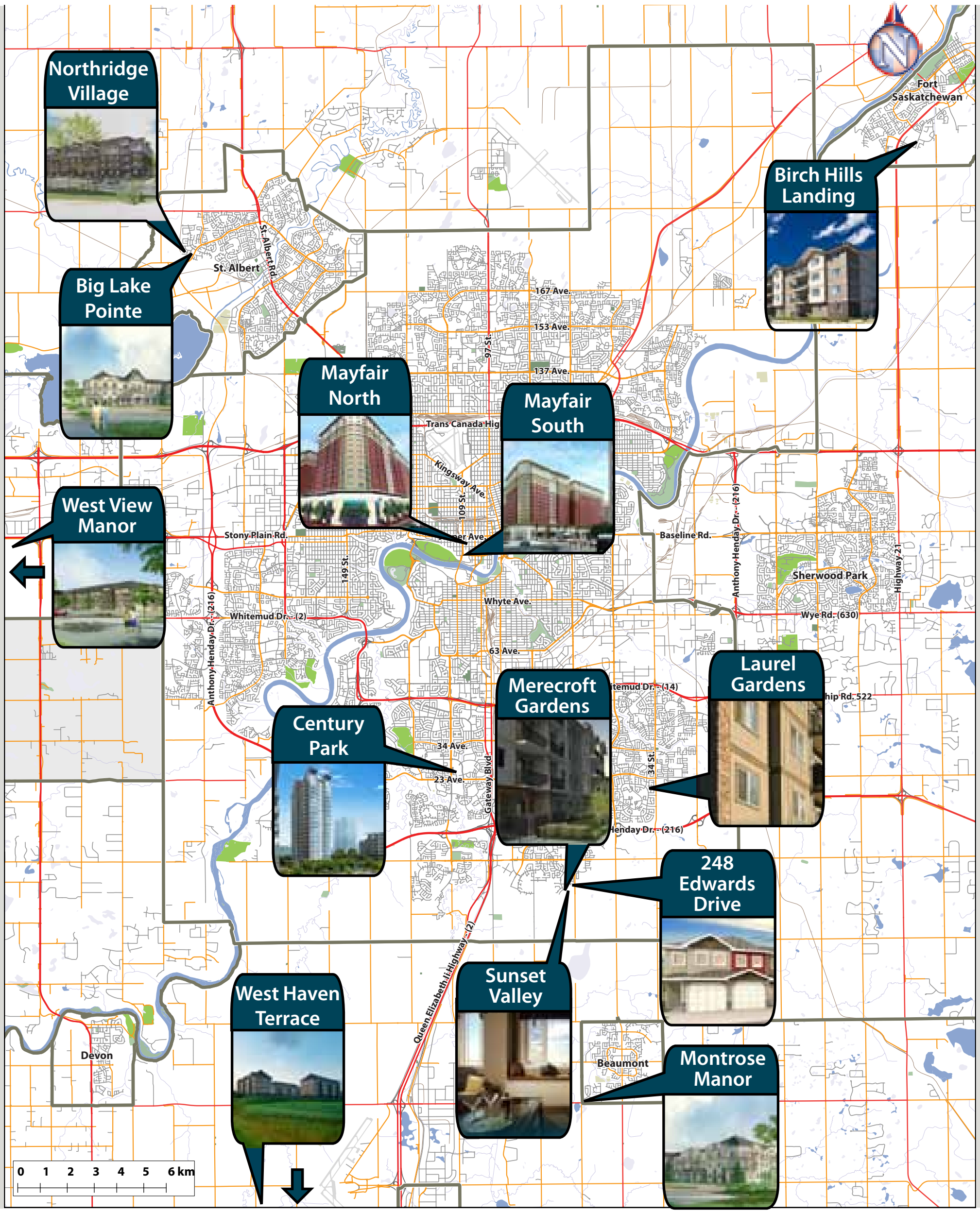
Big Lake Pointe, St. Albert
- 118 unit, two building development
- Occupancy in November 2012

West View Manor, Spruce Grove
- 80 unit, two building development
- Occupancy in late 2012

Mayfair Village North, Downtown
- 478 unit, 16-storey development
- Construction scheduled to begin in summer 2012

Mayfair Village South, Downtown
- 237 unit, 16-storey development
- Main floor will be retail space
- Occupancy in spring 2012

Century Park One & Regent, SW
- 388 unit, four building development
- Occupancy in early 2013



Birch Hills Landing, Fort Saskatchewan
- 142 unit, two building development
- Suites are two-bedroom units ranging between 847 and 971 sf
- Completed in 2011

Laurel Gardens, SE
- 118 unit, two building development
- Suites are two-bedroom units ranging between 852 and 943 sf
- Completed in 2011

Merecroft Gardens, SE
- 267 unit, four building development
- Occupancy in early 2012

Sunset Valley, SE
- 128 unit, two building development
- Occupancy in November 2012

248 Edwards Drive, SE
- 44 unit, townhouse development
- Occupancy expected for summer 2012

Montrose Manor, Beaumont
- 166 unit, three building development
- Occupancy in Phase 1 in early 2012

West Haven Terrace, Leduc
- 269 unit, five building development
- One 50+ building with recreation room
- Completed in 2011

THE MULTI-FAMILY REPORT VACANCY RATES 2011

Overall CMA 3.3% ▼ 0.9%

Edmonton City	3.3% ▼ 0.9%	**South Edmonton**	1.4% ▼ 1.7%	**Leduc**	1.2% ▼ 0.6%
Outlying Areas	4.7% ▼ 0.2%	**North Edmonton**	5.0% ▼ 0.7%	**Spruce Grove**	2.7% ▼ 0.5%
Edmonton Core	3.2% ▼ 0.9%	**St. Albert**	0.5% ▼ 1.8%	**Stony Plain**	8.0% ▲ 1.8%
West Edmonton	3.7% ▼ 0.3%	**Fort Saskatchewan**	10.7% ▲ 0.5%	**Strathcona County**	4.7% ▲ 3.7%

MULTI-FAMILY LAND PRICES

Average Land Costs per Acre

Edmonton	$832,088.10
Outskirts	$559,856.41
RA7+ Zoned	$910,866.70

Avison Young, 2800 Bell Tower, 10104 - 103 Avenue, Edmonton, Alberta T5J 0H8

NEW MULTI-FAMILY DEVELOPMENT

Builders are starting construction on purpose-built rental units as multi-family land sales activity increases.

The increase in multi-family land sales activity in the final quarter of 2011 means that a market in need of new purpose-built rental units could soon welcome additional supply to the marketplace. For an economy on the brink of a labour shortage and increasing inter-provincial migration, coupled with decreasing apartment vacancy, the new units will be well received.

While most of the land in question is currently under contract, very few transactions have been completed as developers are still trying to gauge market demand in 2012 against the longer term demand for the region. With over 1,800 new rental suites either recently completed or currently under construction in the Edmonton CMA, landlords have a good start on filling market demand for new rental units.

In both the suburban and central markets, buildings are currently being constructed with the rental market in mind. Northridge Village in St. Albert is a new 96 unit, two building apartment complex development located in a market that is significantly under-supplied with a ratio of one rental unit for 76 people. The rental unit ratio in Edmonton is one for every 13 people.

Despite the lower ratio in Edmonton, there is still demand for purpose built rental product as a significant portion of rental units are located in older buildings, set in mature neighbourhoods. To that extent, Procura is currently constructing Mayfair Village South, a \$185 million 16 storey residential development located at the corner of Jasper Avenue and 109th street in the downtown core. In the suburban markets, a new 44 unit townhouse rental development is under construction in the Ellerslie neighbourhood at 248 Edwards Drive. Both projects expect occupancy in mid 2012.

Moving forward, the demand for purpose built rental units is expected to grow, both on the residential and investment sides of the equation. To satisfy that demand, land sales are forecast to move higher.

Electronic Report

Are you interested in receiving The Multi-Family Report electronically?

Scan the code;
Email (matthew.bishai@avisonyoung.com)
or Call (780.428.7850)

Feature Listings

Northridge Village
20 Nevada Place
St. Albert
New 96 unit, two building apartment complex under construction

248 Edwards Drive
91 Street & Edwards Drive
New 44 unit, rental townhouse development in Ellerslie

Longboat Landing Site 1 - 3.25 acre MF
Franklin Avenue & Prairie Loop Blvd.
Fort McMurray,

Main Street Manor & Ironstone Terrace
4910 - 50 Street
4701 - 49 Avenue
Stony Plain, AB
44 total units

Movers & Shakers of 2011

The Providence
3103 - 137th Avenue
\$17,500,000
94 suites
\$186,170 per suite
6.10% capitalization rate
Kelson Investments Ltd.

Summer Square & Summer Court
4806 - 47th Ave. & 4809 - 48th Ave., Leduc
\$14,200,000
122 suites
\$116,393 per suite
6.37% capitalization rate
Kelson Investments Ltd.

Nova Ridge Estates
1 Spruce Ridge Drive, Spruce Grove
\$12,900,000
102 suites
\$126,470 per suite
6.39% capitalization rate
Norsteel Ltd.

Garneau Bay & Ridgewood Court
11104 - 84th Ave. & 2303 - 38th St.
\$20,650,000
181 suites
\$114,088 per suite
6.56% capitalization rate
Har-Par Investments Ltd.

Colony Park
11530 - 34th Street
\$7,050,000
62 suites
\$113,710 per suite
6.37% capitalization rate
LWM Holdings Inc.

Issa Manor & Deasha Manor
10240/50 - 122nd St. & 10340 122nd St.
\$6,890,000
66 suites
\$104,393 per suite
5.22% capitalization rate
Oneka Land Company Ltd.

THE RENTAL REPORT

Gains in employment and increased net migration to the province pushed the overall vacancy rate for multi-family residential units in the Edmonton Census Metropolitan Area (CMA) down to 3.3% in 2011 from 4.2% in 2010. Vacancy within the city limits fell to 3.3% from 4.2% while rising marginally in the outlying areas from 4.7% to 4.9%.

In Edmonton, vacancy was especially tight in the South, as rental units in Edmonton's South West, East Central, and Millwoods zones were in high demand leading to a vacancy rate of 1.4% for the area. In the outlying areas, St. Albert had the lowest reported vacancy at 0.5% down from 2.3% in 2010. Leduc also posted low vacancy at 1.2%, down from 1.8% a year ago, highlighting the increase in activity in Nisku to support Alberta's energy industry.

The lower vacancy rates put upward pressure on rental rates across the region. Rates were increased by an average of 2% across the Capital Region from 2010. Two bedroom apartments in Edmonton moved up from $1,017 in 2010 to $1,036. Rates for similar units in the outlying areas pushed above the $1,000 per month mark to $1,017. In addition to higher rental rates, landlords have also been reducing incentive packages for new tenants as the inventory of available suites steadily decreases. The number of landlords offering incentive packages has decreased by 15% since 2010, a trend that is expected to continue, especially for well positioned, in-demand buildings.

Looking ahead, rental rates are expected to continue to increase due to tightening vacancy rates across the Edmonton CMA in 2012. Based on historical increases, renters can expect a 2% to 3% increase over the next 12 months. The Edmonton economy is expected to grow by 3.4% this year, followed by a 4.0% increase forecast for 2013. With limited new inventory currently under construction, Edmonton could have a tightening of supply before new buildings are available for occupancy.

District	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom		Total	
City	Vacancy Rate	Average Rent	Vacancy Rate	Average Rent	Vacancy Rate	Average Rent	Vacancy Rate	Average Rent	Vacancy Rate	Average Rent
Central Core	2.7%	$734	3.5%	$871	3.0%	$1,090	2.9%	$1,230	3.2%	$923
West	6.6%	$702	3.6%	$834	3.3%	$1,010	5.0%	$1,213	3.7%	$940
South	1.0%	$744	1.1%	$891	1.5%	$1,051	1.5%	$1,257	1.4%	$992
North	1.6%	$625	6.1%	$792	4.8%	$953	3.6%	$1,121	5.0%	$877
Edmonton Total	**2.6%**	**$713**	**3.5%**	**$858**	**3.0%**	**$1,036**	**3.3%**	**$1,199**	**3.3%**	**$931**
Surrounding Districts										
St. Albert	-	-	0.0%	$871	0.3%	$1,034	1.5%	$1,190	0.5%	$1,035
Fort Saskatchewan	5.7%	$685	7.4%	$791	12.1%	$974	-	-	10.7%	$916
Leduc	0.0%	$684	1.6%	$871	1.2%	$1,086	0.0%	$1,174	1.2%	$1,031
Spruce Grove	-	-	2.9%	$869	1.9%	$1,022	11.5%	$1,079	2.7%	$968
Stony Plain	-	-	-	$761	7.2%	$964	-	$1,001	8.0%	$933
Strathcona County	-	-	2.3%	$934	5.3%	$1,109	9.1%	$1,170	4.7%	$1,067
Surrounding Total	**4.6%**	**$684**	**4.3%**	**$837**	**5.1%**	**$1,017**	**7.2%**	**$1,074**	**4.9%**	**$963**
Overall Total	**2.7%**	**$713**	**3.5%**	**$857**	**3.2%**	**$1,034**	**3.4%**	**$1,191**	**3.3%**	**$934**

*Source: CMHC

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Avison Young is the real estate partner businesses trust 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.

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