COLLIERS INTERNATIONAL | MARKET REPORT

Greater Edmonton

MULTIFAMILY | YEAR END 2009 | OUTLOOK 2010

MARKET INDICATORS

	2008	2009
VACANCY	↑	↑
NEW CONSTRUCTION	↓	↓
RENTAL RATES	↑	↓
CAP RATES	↑	↔

EDMONTON ECONOMIC UPDATE

Crude Oil *(USD/barrel)*	
2009 *(January)*	$36.51
2010 *(January 18)*	$77.09
Canadian Dollar	
2009 *(January)*	0.83
2010 *(January)*	0.98
Interest Rates *(Prime)*	
2009 *(January)*	2.25%
2010 *(January)*	2.25%
Labour Force *(Unadjusted)*	
2009 *(January)*	652.500
2010 *(January)*	665,000
Unemployment Rate *(Unadjusted)*	
2009 *(January)*	4.1%
2010 *(January)*	7.4%

Source: Statistics Canada, Bank of Canada, Albera Finance and Enterprise

ECONOMIC HIGHLIGHTS

As expected, Edmonton was not immune to the effects of the subprime mortgage crisis and market crash experienced by the economic world in 2007 and 2008 respectively. This led to a slow start in 2009, but the Edmonton economic market started to bounce back with the surging price of crude oil and favourable interest rates towards the end of 2009. These factors, coupled with Alberta having the highest GDP per capita in Canada, have resulted in a projected migration to Alberta of approximately 60,000 in 2010 (CMHC).

This was also reflected in the Edmonton single family real estate market, which saw a 10 percent increase in sales volume for the year ended 2009 in comparison with 2008. In large part, this occurred due to the second highest December sales volume (1,066 single family dwellings) since 2006, which saw a total of 1,204 single family dwellings being sold in Edmonton. December has historically been a very slow month and sales volumes have rarely reached such high levels. The average single family and condo price also increased over the past year along with the sales volume. The single family average price increased 4.23 percent to $366,761 per dwelling while the condominium price increased 4.22 percent to $244,174 per unit. This information should be taken with a grain of salt as single family dwelling prices have decreased in the last few years.

AVERAGE RESIDENTIAL PRICE IN EDMONTON

	AVERAGE RESIDENTIAL SELLING PRICE	SINGLE FAMILY	CONDO
December 2009	$319,201	$366,761	$244,174
December 2008	$310,974	$351,870	$234,286
Change	2.65%	4.23%	4.22%

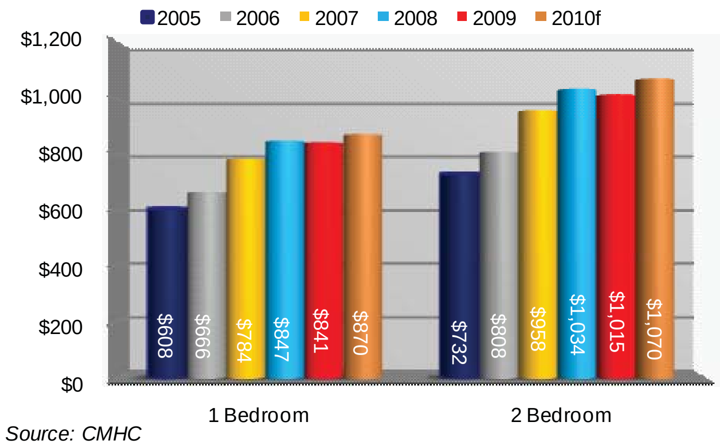
EDMONTON MULTIFAMILY

As a result of this recent revival in the Edmonton real estate market, the Colliers Multifamily Team foresees a much stronger year in 2010. There were 43 total multifamily property sales in Edmonton in 2009. Sales should increase as investors will be looking to take advantage of favourable financing terms being offered by CMHC. The market will get a little more interesting in the latter half of the year when interest rate hikes are expected and landlords can no longer re-finance to improve their cash flow situation. A smaller gap between seller and buyer expectations is expected as CMHC is anticipating lower vacancy rates and higher rents. As a result, buyers will be willing to pay a premium for quality product.

Average rental rates stayed relatively constant in both 2008 and 2009 at $930 ($1,030 average for two-bedroom units and $841 for one-bedroom units), as there is still a high demand for home ownership in Edmonton because of low interest rates and reduced prices from 2007. The Bank of Canada has publicly acknowledged the positive effects of low interest rates and plans to keep the benchmark rate at 0.25 percent until the third quarter in 2010. Also, even with a slight decrease in average rental rates over the last year, rents are close to the all-time high experienced in 2008. According to CMHC projections, the average rental rates are expected to increase even more in 2010 due to solid in migration and a relatively slow new construction market.

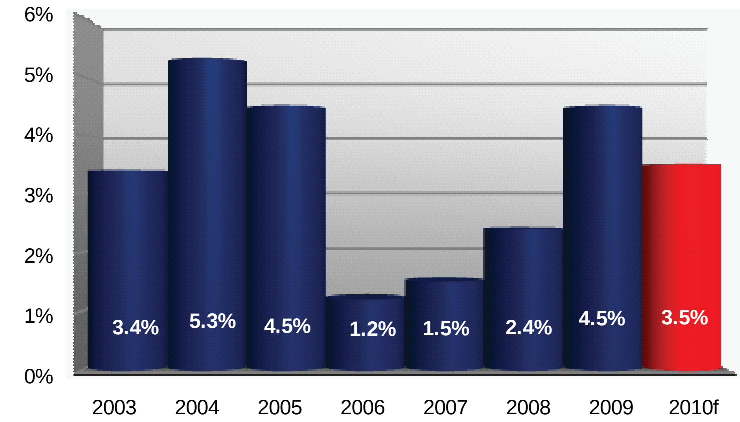
COLLIERS INTERNATIONAL

AVERAGE APARTMENT RENT / UNIT



Source: CMHC

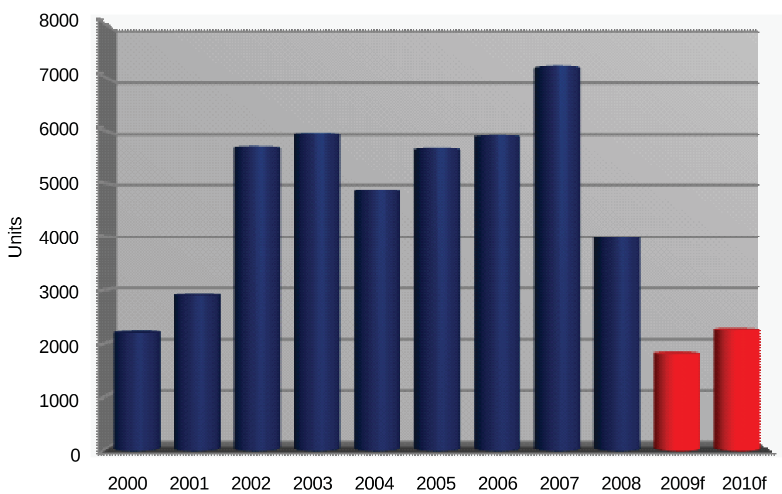
APARTMENT VACANCY RATE



Source: CMHC

The vacancy rate increased to 4.5 percent in 2009 from the prior year mark of 2.4 percent. These rates vary depending on location and can range anywhere from 2 percent in the University area to as high as 10 percent in Northeast Edmonton. The increase in vacancy occurred due to various factors. There were a large number of condominium units diluting the rental market as owners were looking for premium profits and therefore held the units and injected them into the rental market. Also, the high unemployment rate in 2009 slowed migration into Alberta attributing to the vacancy rate increase. Despite these trends, CMHC has anticipated that the vacancy rate will dip below 4 percent in 2010 as there were record low condominium starts in 2009 (1,900 units started in 2009 - CMHC). Condominium starts are projected to increase by a slight amount, but will be well below the boom numbers of 6,000–7,000 per year in 2006 and 2007.

MULTIFAMILY STARTS



Source: CMHC

In addition to these extremely favourable conditions in the multifamily market, CMHC is offering an 85 percent loan-to-value on product with a 6.75–7.25 percent capitalization rate. They are also willing to look at capitalization rates as low as 6.5 percent if properties are well located and show potential in terms of rental increases or a decrease in expenses. Interest rates on these CMHC deals will usually be 100 basis points above the Canadian Mortgage Bond (CMB) rate for deals under $1 million and usually 75 basis points above the Canadian Mortgage Bond rate for deals over $1 million. This translates to an overall rate of roughly 3.75 percent. These rates have come down from the 2009 mid-year mark of 4.25 percent. Given the impressive spread between capitalization rates and mortgage rates, it is a great time to invest in the Edmonton multifamily market provided that product is available.

MULTIFAMILY BUILDING AND LAND SALES

The first half of 2009 started off relatively slowly with a total sales volume of $47 million of multifamily product. However, the final figures for 2009 came in at a staggering $122 million of multifamily product sold with an average price of $90,000 per unit. In total, 43 properties were sold during 2009. The average price was down 25 percent from the 2008 figure of $120,000 per unit, while the total value traded was down 33 percent from the 2008 figure of $182 million. However, these

SIGNIFICANT MULTIFAMILY SALE TRANSACTIONS

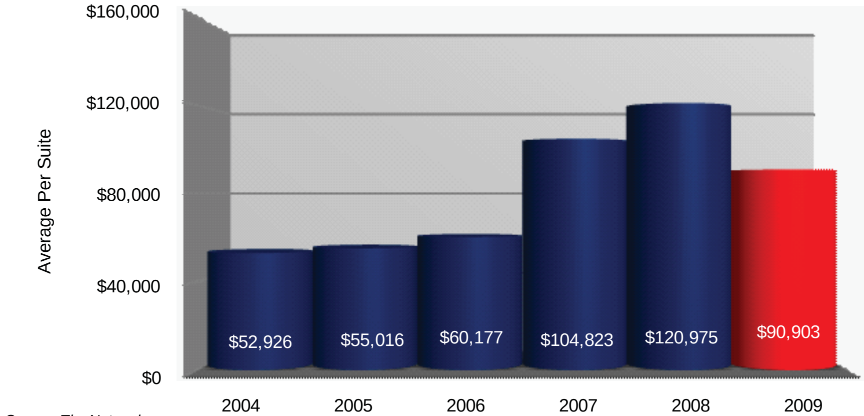
TOP SALES LAST HALF OF 2009

PROPERTY NAME	ADDRESS	YEAR BUILT	# OF UNITS	SALE PRICE	PRICE / UNIT	CAP RATE	SALE DATE
Nova Villa	12615 - 152 Avenue		61	$6,700,000	$109,836	7.42%	September 29, 2009
Edge on Jasper	8306 Jasper Avenue		42	$4,200,000	$100,000	8.44%	September 18, 2009
Brightstar Apartment	10021 - 62 Street		24	$2,400,000	$100,000	7.22%	November 30, 2009
	10622 - 111 Street		18	$1,530,000	$85,000	7.43%	November 13, 2009
Cedarwood Manor	11816 - 83 Street		16	$1,328,000	$83,000	7.00%	September 14, 2009

figures again show the multifamily market bouncing back in the latter half of 2009 after an extremely slow start. This trend is expected to continue going forward in 2010 because of favourable market conditions and favourable financing options offered by CMHC.

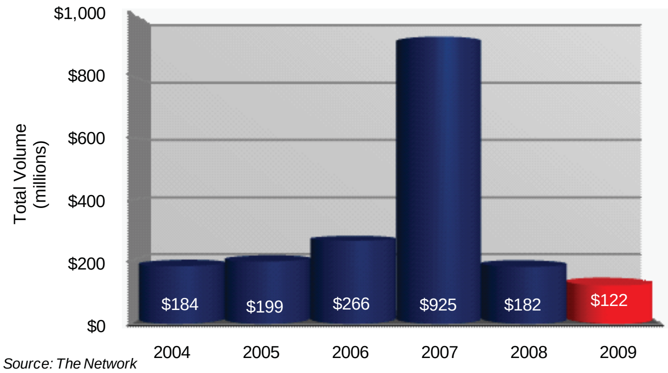
Multifamily land sales in 2009 were significantly lower than 2008 at $27 million for a total of 29.56 acres. The average price per acre was $915,000, which decreased by 20 percent from the 2008 average of $1.15 million. This decrease was expected as the multifamily market got off to a slow start in 2009; therefore, developers were less willing to make the large investment to build multifamily properties. Despite lower construction costs and land values, developers avoided risk due to an uncertain market environment. Although it seems there are many condominiums that are currently being constructed in Edmonton, especially the Downtown core, it should be noted that these condos were pre-2009 starts. Construction starts should increase slightly in 2010 as rents are set to increase and vacancy is on its way down.

MULTIFAMILY BUILDING SALES - PRICE PER SUITE



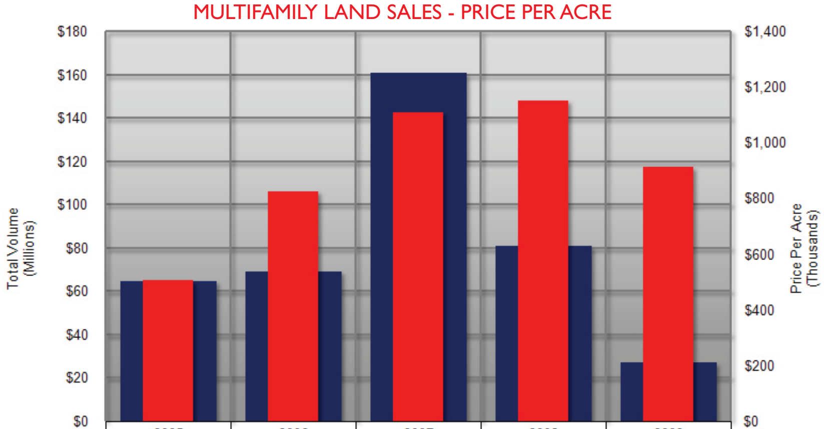
Source: The Network

MULTIFAMILY BUILDING SALES - VOLUME SOLD



Source: The Network

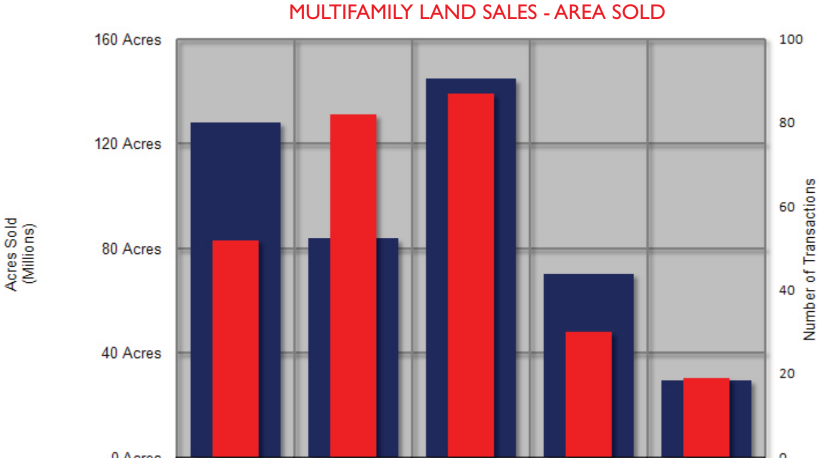
MULTIFAMILY LAND SALES - PRICE PER ACRE



	2005	2006	2007	2008	2009
Total Volume	$64,707,132	$69,155,135	$160,672,074	$80,955,655	$27,019,240
Price Per Acre	$504,726	$826,082	$1,109,890	$1,151,902	$914,047

Source: The Network

MULTIFAMILY LAND SALES - AREA SOLD



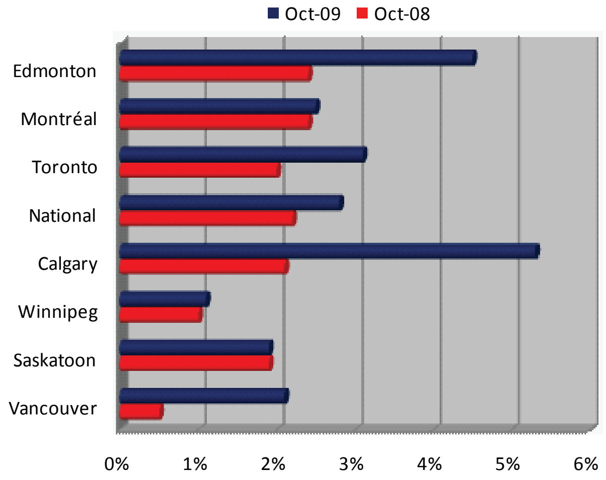
	2005	2006	2007	2008	2009
Acres Sold	128.20 Acres	83.71 Acres	144.76 Acres	70.28 Acres	29.56 Acres
Number of Transactions	52	82	87	30	19

Source: The Network

FORECAST FOR 2010

- Despite the high level of in migration to Alberta expected in 2010, the unemployment rate is expected to decrease to 7.1 percent, further promoting economic growth in Edmonton.
- Product will be limited, because landlords have been able to refinance their properties at extremely desirable rates, which has increased their cash flow and reduced their desire to sell.
- When quality product does become available, investors should expect to face competition.
- Increased rental rates and decreased vacancy will also put upward pressure on price.
- Rental starts will remain relatively low, meaning very little new supply.
- The buyer-seller price gap will shrink slightly in comparison to 2009 as interest rates are increased and the economy continues to improve.

AVERAGE CANADIAN VACANCY RATES



Source: CMHC

THE COLLIERS ADVANTAGE - TAX & ACCOUNTING KNOWLEDGE

The Colliers International Multifamily Division has further distinguished themselves in the Edmonton real estate community by offering comprehensive tax planning advice. Our newest member, Jandip Deol, is a Chartered Accountant and has extensive tax and accounting knowledge in the following areas:

- Sales analysis – assets vs. shares and related tax effects
- Gain classification - capital gains vs. active business income and related tax effects
- Estate planning & estate freezes
- Opinion of value and related tax implications
- Financial statement due diligence

This information will be provided as an additional service by the Colliers Multifamily Team.

Tax Appeals

The Realty Tax Services Group at Colliers now offers a new service to valued clients. Their mandate is to ensure our clients pay no more than their fair share of property taxes by verifying assessment data.

The initial review of each case is free and a fee is only charged if the tax savings case is successful. For more information, please contact your Colliers Multifamily Team.

AVERAGE CANADIAN RESIDENTIAL PRICES

CITY	NOVEMBER 2009	NOVEMBER 2008
Vancouver	$622,564	$510,465
Toronto	$418,502	$368,582
Calgary	$401,201	$384,243
Edmonton	$318,482	$318,588
Ottawa	$314,071	$291,695
Hamilton	$310,377	$284,469
Saskatoon	$278,885	$278,495
Montréal	$282,665	$262,772
Winnipeg	$202,128	$182,286
National	**$337,231**	**$282,691**

294 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

- 133 Americas
  - 94 United States
  - 22 Canada
  - 17 Latin America
- 97 Europe, Middle East & Africa
- 64 Asia Pacific

$1.6 billion in annual revenue

1.1 billion square feet under management

12,749 professionals

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