

MarketView Edmonton Multi-Housing

Little has changed since the Fourth Quarter of 2008. Sales volume continues to be slow with only \$58 million in sales so far this year. This puts us on pace to come in 35.0% below the 2008 sales volume of \$177 million. There have been only 18 buildings sold, encompassing 541 units. Of those sales, only two buildings were over 50 units. Those two buildings, Blue Quill Pointe and Briarwood, represented 45.0% of the total units sold, both of which were CBRE sales.

Declining values can be attributed to a lack of buyers and sellers. Buyers are reluctant to jump into a market, that they believe, will continue to see values deteriorate, creating little or no urgency at this time. For the most part, those buyers that are looking at acquisitions are the bargain hunters.

From the seller's perspective, there is no rush to sell for two reasons. The first being that they can refinance at record low interest rates, retain their property and not incur the capital gains tax. The second is that, from their perspective, there is optimism that the market will get better, or at the very least not get worse. Regardless of values, sellers are quite possibly experiencing the best cash flow they have ever enjoyed due to low interest rates.

The other factor contributing to lower values is the disappearance of condo conversions. Cash flow is what now dictates value. In a market of record low interest rates, one would think that cap rates would remain low. This however is not proving to be the case as cap rates are moving upward. This upward movement is caused in part by difficulty in getting financing and by a general lack of confidence in the market. With vacancy

rates on the rise and rents softening, buyers are building the downturn into their cash flow projections. What may look like a 7% return on investment today, may wind up being a 6.5% return tomorrow.

Clearly, all of the numbers indicate a downward shift in values, but as mentioned previously, vendors are reluctant to sell at these lower rates.

Our survey indicates that the vacancy rate has risen to 3.9% compared to 2.4% at the end of 2008. CHMC's survey came in at 4.7%, with the discrepancy possibly being attributed to the amount of units surveyed. As condo conversions have led to an oversupply in the condominium market, newer vacant condominiums are being offered as rentals and CMHC includes these vacancies in their survey. With Edmonton's two tier market, the newer condominiums and the higher end rental properties carry a higher vacancy rate than typical 30 year old product.

In terms of rental rates, the most expensive rental units in Edmonton are three bedroom units in the Downtown District at an average of \$1,304 per month. The least expensive is a bachelor unit in Castledowns at \$580 per month. A decline in rental rates was seen in two bedroom units but a marginal increase occurred in bachelors, one and three bedroom units. These rate fluctuations do not account for the incentives being offered by many landlords. If the incentive of one month free rent is factored in, the average rental rate is down from 2008 levels by 7.0 to 8.0%. Going forward we expect rental rates to remain relatively stable.

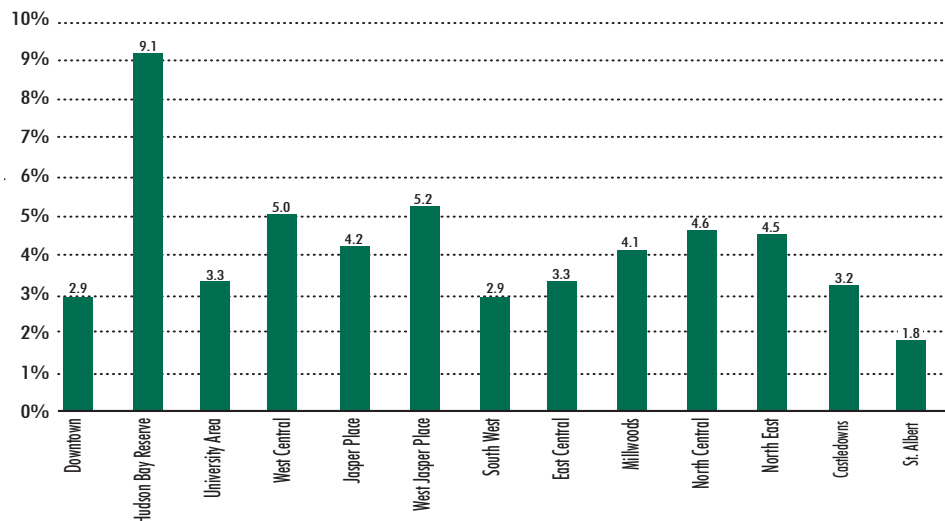
Quick Stats

	Current	Change from last	
		Yr.	Half Yr.
Vacancy	3.9%	↑	↑
Sales Volume	\$58M	↓	↓
Price Per Suite	\$106,000	↓	↓
Average Rates	\$1,015/month	↓	↓

Hot Topics

- Sales volume totals roughly \$58 million, down from \$89 million at mid-year 2008.
- Sales on a price per unit basis has fallen marginally from \$114K to \$106K on a per suite basis.
- Vacancy has increased 110 basis from mid-year 2008 and now sits at 3.9%

Vacancy Rates by Zone

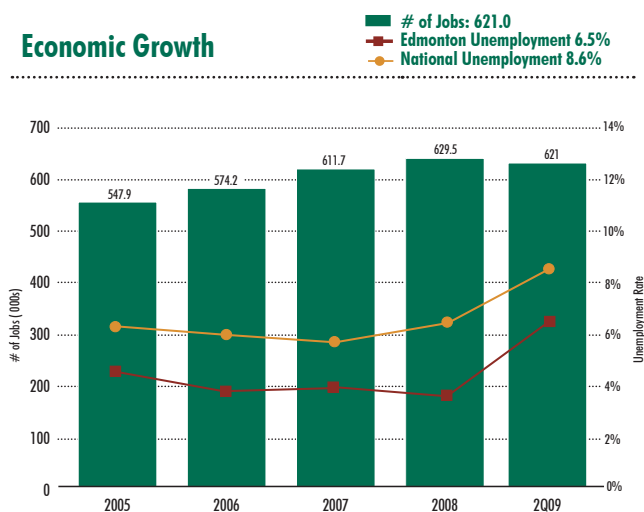


Market Statistics

Market	Vacancy Rate	Average Bachelor (\$/mth)	Average 1 Bedroom (\$/mth)	Average 2 Bedroom (\$/mth)	Average 3 Bedroom (\$/mth)
Downtown	2.9%	759	906	1101	1304
Hudson Bay Reserve	9.1%	649	782	924	1062
University Area	3.3%	728	929	1067	1295
West Central	5.0%	675	791	944	1027
Jasper Place	4.2%	692	784	909	1079
West Jasper Place	5.2%	781	965	1116	1272
South West	2.9%	746	898	1048	1270
East Central	3.3%	756	852	1043	1158
Millwoods	4.1%	787	917	1036	1170
North Central	4.6%	648	779	913	1016
North East	4.5%	749	852	1012	1143
Castledowns	3.2%	580	867	984	1211
St. Albert	1.8%	675	882	1024	1212
Survey Market Average	3.9%	712	862	1015	1178

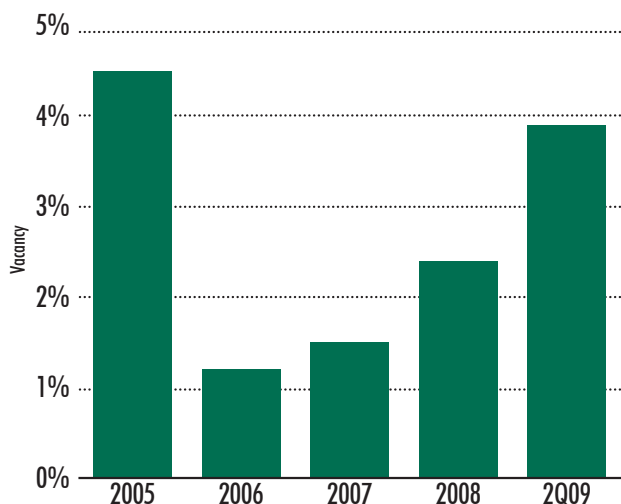
Source: CBRE

Economic Growth



Edmonton's labour force has shrunk almost 1.4% in the first half of 2009. Edmonton has lost 8,500 jobs during the first half of the year, bringing the total employment to 621,000; however, the number of lost jobs is well below what most North American cities have experienced. Edmonton's unemployment rate is at 6.5% as of June, up from 3.6% in December 2008. This figure is once again below the national unemployment rate of 8.6% and represents one of the lowest unemployment rates of all the census metropolitan areas in Canada.

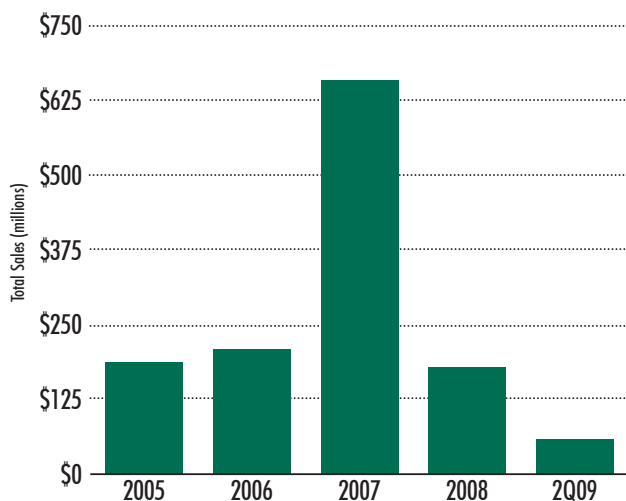
Vacancy



Edmonton's rental vacancy rate continued to climb from the all-time low of 1.2% in 2006 and now sits at 3.9%. All regions, except for St. Albert, showed increases in vacancy, which pushed the vacancy rate up 1.5% from the year end 2008 level of 2.4%.

The lowest vacancy rate in the metropolitan area was St. Albert, which is currently seeing 1.8% vacancy, down from 3.7% in December. Alternatively, the Hudson Bay Reserve had a surprisingly high vacancy rate of 9.1%, up from 3.5% six months ago, as a number of the apartment buildings in that region were undergoing renovations.

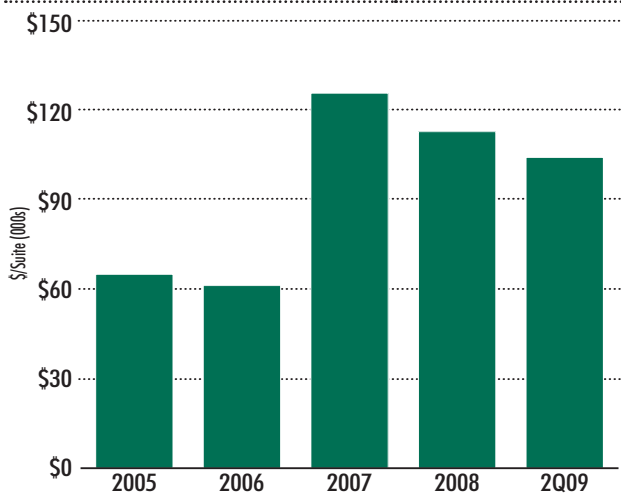
Sales Volume (All Sales)



Although there has been only one less sale to this point in 2009 compared to the midway point of last year, total sales volume is currently \$58 million, down 35.0% from the \$89 million we saw half way through last year. The 18 buildings sold represent a total of 541 units. None of these transactions were high-rise buildings, as all were low-rise, wood-frame walk-ups ranging from 6 to 156 units.

The largest transaction to take place this year was Blue Quill Pointe, a 156 unit complex which sold for \$21.5 million in January.

Price Per Suite



With vacancy rates climbing and average rents remaining static, investors are calculating these trends into their projected cash-flows, which creates downward pressure on the overall price per suite.

The average sale price per unit is down 7.0%, slipping to \$106,000 per unit, down from \$114,000 at the end of 2008. Although, the two larger sales drove the average sale price up, as without these two deals, the average unit price drops to \$90,200 per unit. Prices on a per suite basis ranged from a low of \$61,538 to a high of \$137,821.

