

Notes to the Consolidated Financial Statements

Dollar amounts are in thousands of Canadian dollars (except share and per share amounts)

5. Investment Properties (continued)

The investment property segment defined as Other consists of one commercial property of which the Company has a 50% ownership. The property has a fair value of \$2.2 million (December 31, 2012 - \$2.1 million).

IPUC includes land held for future development, which is recorded at a fair value of \$2.8 million (December 31, 2012 - \$5.2 million) and properties under construction of \$21.6 million (December 31, 2012 - \$52.7 million). Fair value cannot be reliably determined for properties under construction as the projects are in the early stages of development and therefore IPUC is recorded at cost.

Sensitivity Analysis

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy include cap-rates, vacancy rates and management fee rates. Investment property valuations are most sensitive to changes in the cap-rate. The cap-rate assumptions for the investment properties are included in the following table:

	December 31, 2013			December 31, 2012		
	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments			5.88%			6.02%
Halifax	5.15%	7.00%	5.87%	5.30%	7.00%	5.85%
Moncton	5.56%	8.00%	5.94%	6.00%	8.00%	6.30%
Fredericton	5.15%	6.25%	5.93%	5.75%	6.50%	6.30%
Saint John	6.25%	6.75%	6.63%	6.00%	6.75%	6.45%
St. John's	5.15%	6.25%	5.94%	6.25%	7.00%	6.36%
Charlottetown	5.65%	6.00%	5.88%	5.75%	6.50%	6.15%
Ontario	4.50%	5.25%	5.26%	4.50%	5.25%	5.25%
Other Atlantic	6.00%	7.00%	6.76%	6.25%	7.00%	7.31%
MHCs			6.86%			7.04%
Ontario	7.00%	8.00%	7.09%	7.00%	8.50%	7.34%
Nova Scotia	6.00%	7.50%	6.61%	6.50%	7.50%	6.96%
New Brunswick	8.25%	8.25%	8.25%	6.50%	8.50%	6.87%
Newfoundland and Labrador	7.25%	7.25%	7.25%	7.50%	7.50%	7.50%

The quantitative sensitivity analysis shown below illustrates the value increase or decrease in the Company's portfolio of properties given the change in the noted input.

Class of property	Capitalization rate		Vacancy rate	Management fee rate
	10 basis points increase	10 basis points decrease	1% increase/decrease in vacancy	1% increase/decrease in management fees
Apartments	\$(22,408)	\$22,947	\$21,055	\$22,206
MHCs	\$(1,659)	\$1,708	\$1,483	\$1,932