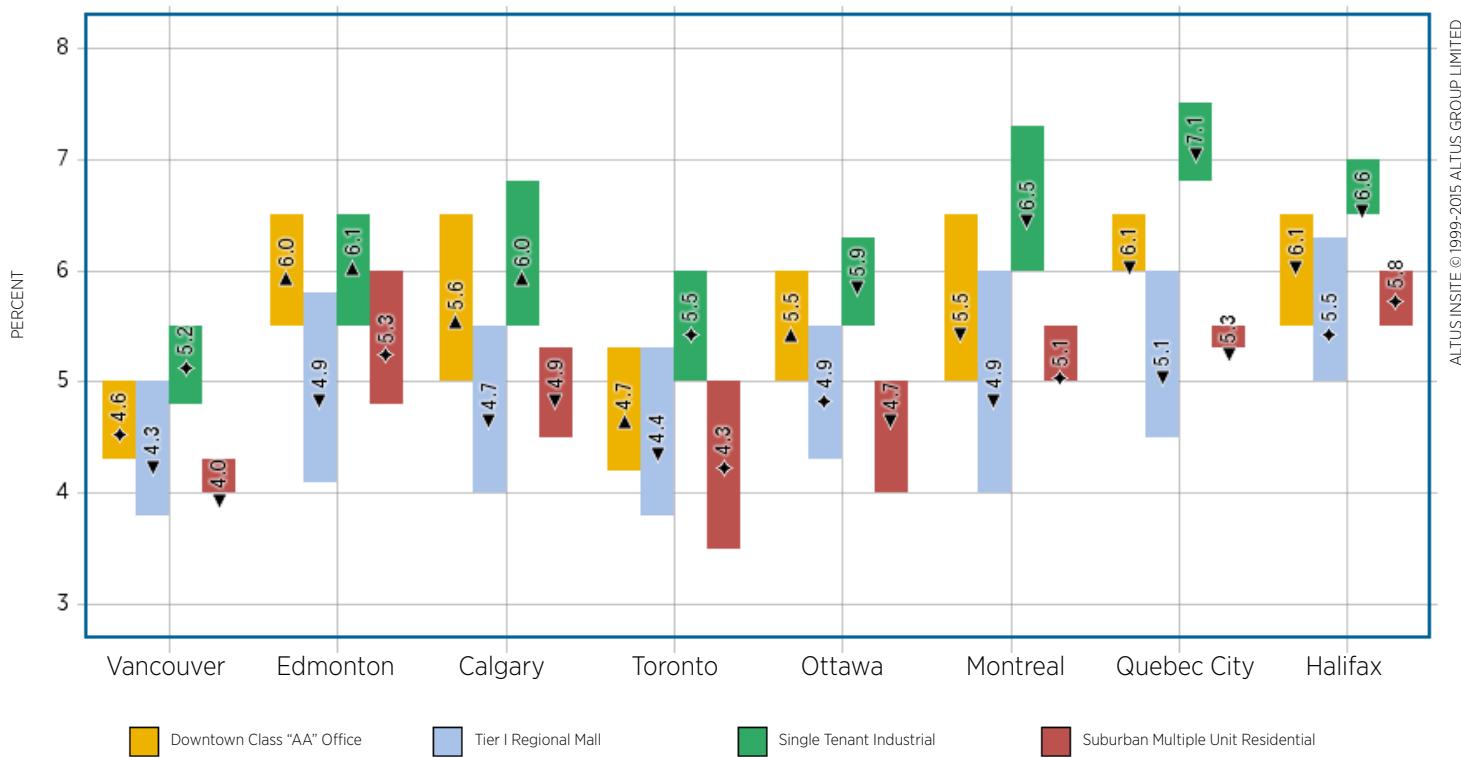


One More Time – Cap Rates Compress

Dig Deeper to See - Flight to Quality with Emphasis on Operational Excellence

Altus InSite Investment Trends Survey national Cap Rate (OCR) average has reached an all-time (17 year) record low of 5.35% for Q4 2015, down seven basis points from the 5.41% average reported in Q3 2015 and 13 basis points from 5.48% in Q4 2014. The widely anticipated modest rise of Federal Reserve benchmark interest rate, the first hike since 2006, did not seem to impact this quarter's Investment Trends Survey results, which continue to show minor compressions in rates of return for most asset classes. More in tune with the Bank of Canada's 50 basis point rate cut in 2015, all four Benchmarks have reached new record lows this quarter.

Overall Capitalization Rates Q4 2015



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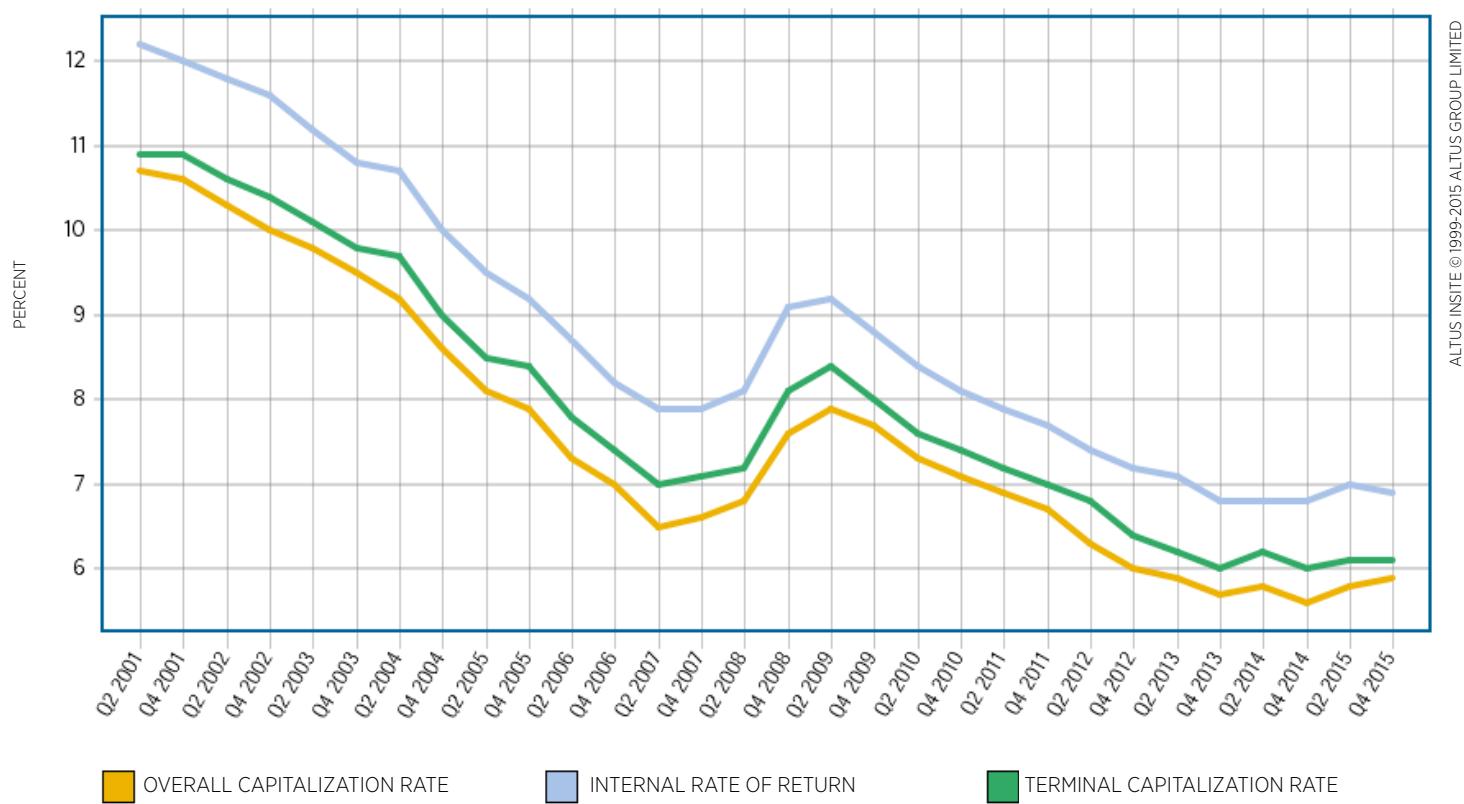
After one year of stability, the national average OCR for Tier 1 Regional Mall now stands at 4.84% this quarter, down 11 basis points from Q3 2015. The 8-City average OCR for Multiple Unit Residential reached a new low at 4.93%, after 4 consecutive quarters at or below the 5.0% threshold. Downtown Class AA Office's 8-city average

continues to see its OCR compress slightly, reaching a new low of 5.51% this quarter, down from 5.55% in Q3 2015. Finally, after registering a significant 15 basis points cap rate compression since the beginning of the year, the Single-Tenant Industrial 8-City Benchmark stands at 6.11%.



Valuation Parameters

Historical - Calgary - Enclosed Community Mall



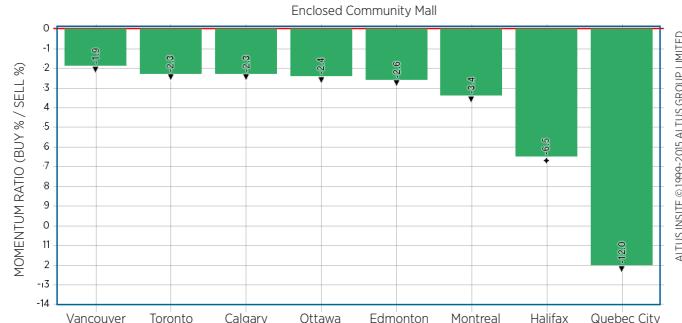
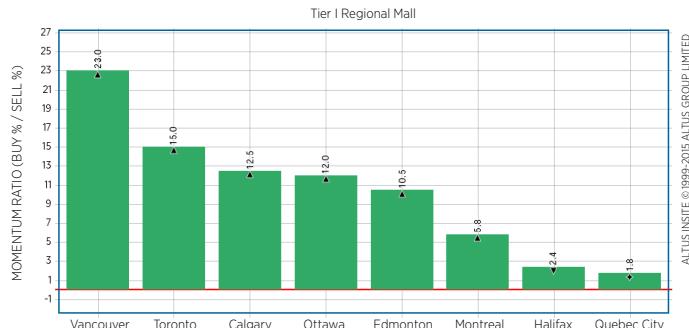
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While national average OCRs and IRRs for the four benchmarks asset classes continue to compress to new limits every quarter, some market segments have been trending upward and regional differences have emerged during the course of 2015. For instance, all cities and benchmarks registered a slight compression or stability in cap rates this quarter with the exception of Edmonton, Calgary and Ottawa Downtown Class AA Office (+10 bps) and Calgary-Edmonton Single Tenant Industrial, respectively +30 bps and +10 bps. Calgary also registered an increase of 30 basis points in the Multi-tenant industrial and Enclosed Community Mall segments since Q4 2014.

The ITS results highlight the spread between the safety of fully-priced top quality assets and the riskier secondary assets and market segments that are perceived to be most vulnerable to obsolescence and evolving market demands. The buyer to seller ratio for Tier 1 Regional Malls, considered by all as a trophy asset, and its little sister, the Enclosed Community Mall, shows evidence of this contrast.

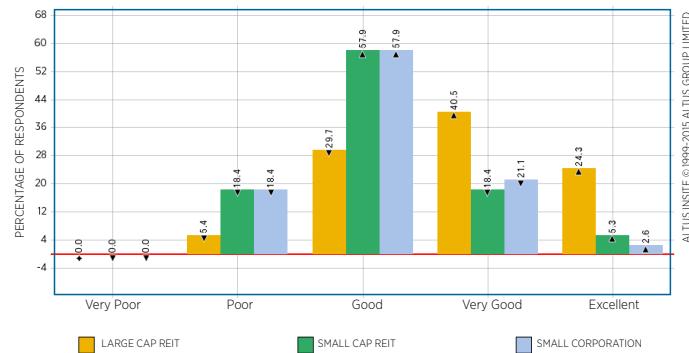
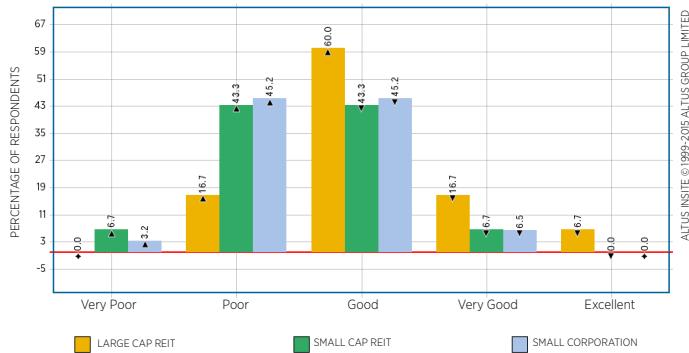


Location Barometer - Current Quarter - Q4 2015



Yet, even as investors seem pickier in their choice of real estate products, real estate continues to offer superior returns when compared to Government Bonds. With the current economic uncertainty, commercial real estate ownership is perceived by many to be more attractive than publicly traded stocks and bonds. The excess capital searching for a home in the Canadian real estate investment market is still colossal but instead of settling for second grade products, it now seems to be exploring other avenues like infrastructure, agriculture and timberland. And while the availability of equity for Real Estate is still very good, according to ITS respondents this quarter, it is not quite as good as it was just one year ago.

Availability of New Real Estate Equity - Q4 2015 (Reits and Corporations)



After a decade of declining capitalization rates and rising values for virtually all commercial real estate investments, we are likely entering a new era. The opportunity to continue to ride the wave is behind us as cap rates in most markets and for most asset classes plateau. Value creation in this space can no longer depend on auto-pilot capital gains and will require increasing income properties' net operating income. Future returns and the ability to outperform the market will more than ever require both a proactive strategy and implementation/operational excellence.

Every quarter, senior Altus Group professionals reach out to over 300 investors, managers, owners, lenders, analysts and other market stakeholders to survey their opinion on value trends and perspectives. Conducted with the same benchmark properties for over 10 years, the survey provides valuable insights on valuation parameters for 32 asset classes in Canada's 8 largest markets. For more detailed survey results, please contact support@altusinsite.com.