

Last Quarter of 2012 Features Another Round of Cap Rate Compression

Altus InSite Q4 2012 Investment Trends Survey Summary Outlook

Like previous 2012 results, the Altus InSite Investment Trends Survey for Q4 2012 records that investors continue to compete actively for opportunities in the commercial real estate market. Bidding wars are no longer limited to top quality assets, but are spreading to most all income generating properties that promise yields and value appreciation that are increasingly difficult to obtain through other investment alternatives.

This vigorous competition, fueled by the enormous amounts of capital seeking refuge in the real estate investment market, is pushing cap rates to unprecedented low levels. While 2011 surpassed pre-recession cap rate peaks, the last part of 2012 accustomed us to seeing more transactions in the 4% to 5% range for several asset classes. While some observers are amazed at how low investors are prepared to go, these transactions make sense given today's unique combination of low financing cost, healthy real estate market fundamentals and lack of more compelling investment alternatives.

As a result, cap rates have continued to compress for the four major asset classes in all markets covered quarterly by the Altus InSite Investment Trends Survey. Reaching 'new' limits, cap rates now range from as low as 4.1% for a top

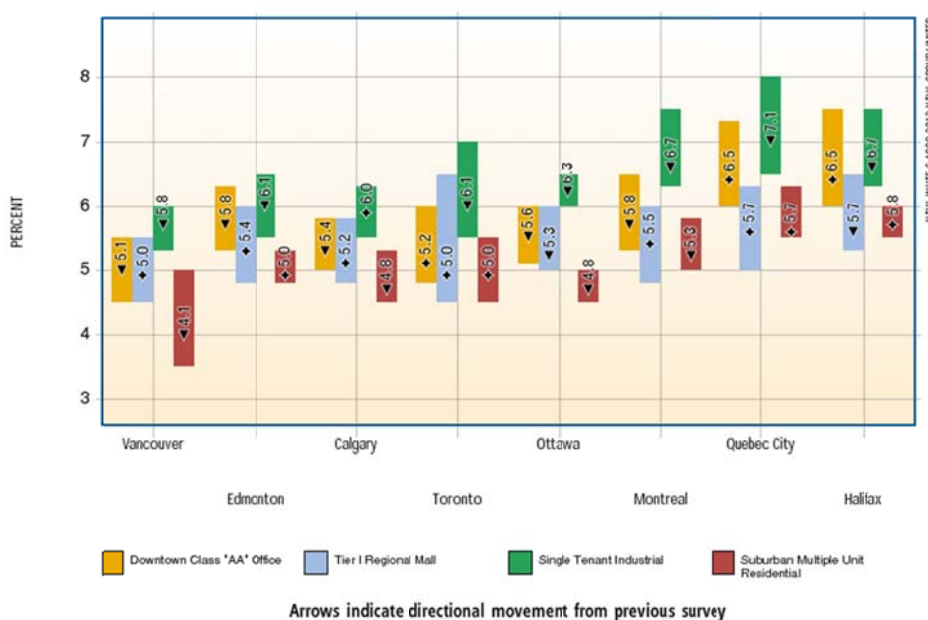
of class Suburban
Multiple Unit Residential
Complex in Vancouver to
a high of 7.1% for Single
Tenant Industrial
buildings in Québec City.

For the asset class with the lowest cap rates, Suburban Multiple Unit Residential markets, the survey results indicate an average cap rate compression of 44 basis points since Q1 2012, with 14 basis points between Q3 and Q4. For 5 of the 8 Canadian Multi-Res markets this has resulted in cap rates

at 5.0% and below. In comparison, back in Q1 2012, only the Vancouver Multi-Res market stood below the 5% mark. Compression was also significant in the Single Tenant Industrial market, with a drop of 36 basis points since Q1 2012, and 17 basis points from Q3 to Q4. Regional differences are more apparent

Overall Capitalization Rates

Q4 2012



ALTUS INSITE © 1999-2012 ALTUS GROUP LIMITED

in the Single Tenant Industrial market, with the eastern cities around 7% and the Western markets closer to 6%.

Regional differences are significantly smaller for the Tier 1 Regional Mall category, where cap rates range between 5% in Vancouver and 5.7% in the East. Cap rates for this asset class have been below 6% since the very beginning of 2012. The small 9 basis points of compression observed between Q3 and Q4 could indicate a stabilization of this already aggressively priced trophy asset. And finally, for the Class AA Downtown Office category, cap rates have compressed 33 basis points since Q1 2012, with 14 basis points between Q3 and Q4.

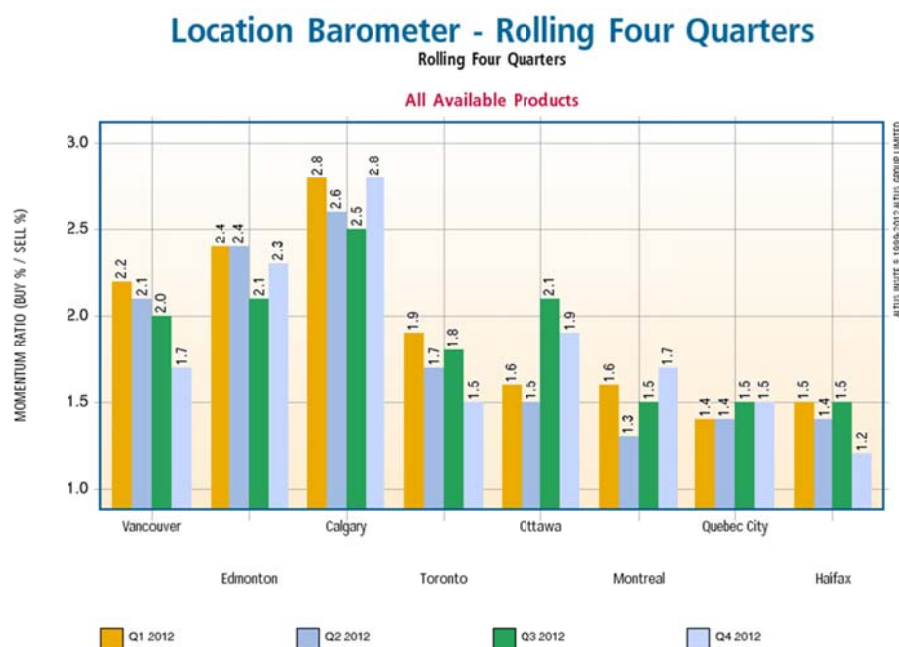
Results from the last 4 quarters have demonstrated that assets in the West are definitely in favour, and have been for all of 2012. The investors' preference indicated by the Buyer/Seller ratio on the Altus InSite ITS Barometer below, show a clear investor preference for Calgary, as well as for Edmonton while Vancouver.

Quebec City and Halifax have had the lowest Buyer/Seller ratios in 2012.

Overall, cap rate compression appears to have stabilized in the 2nd and 3rd quarter, but then compress further in the last quarter of 2012. The rise in investment activity in the last part of 2012 may have influenced our survey contributors' opinion in terms of market outlook. It is matter of speculation if this was merely a year-end shopping spree, or a harbinger of what to expect in 2013. As long as the outlook for interest rates remain flat, the cost of debt low and the influx of capital positive, aggressive bidding for commercial real estate assets is likely to continue.

This New Year, 2013, is positioned to be both active and interesting with ample room for multiple views of what will happen next in Canada's Commercial Real Estate Markets.

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.