

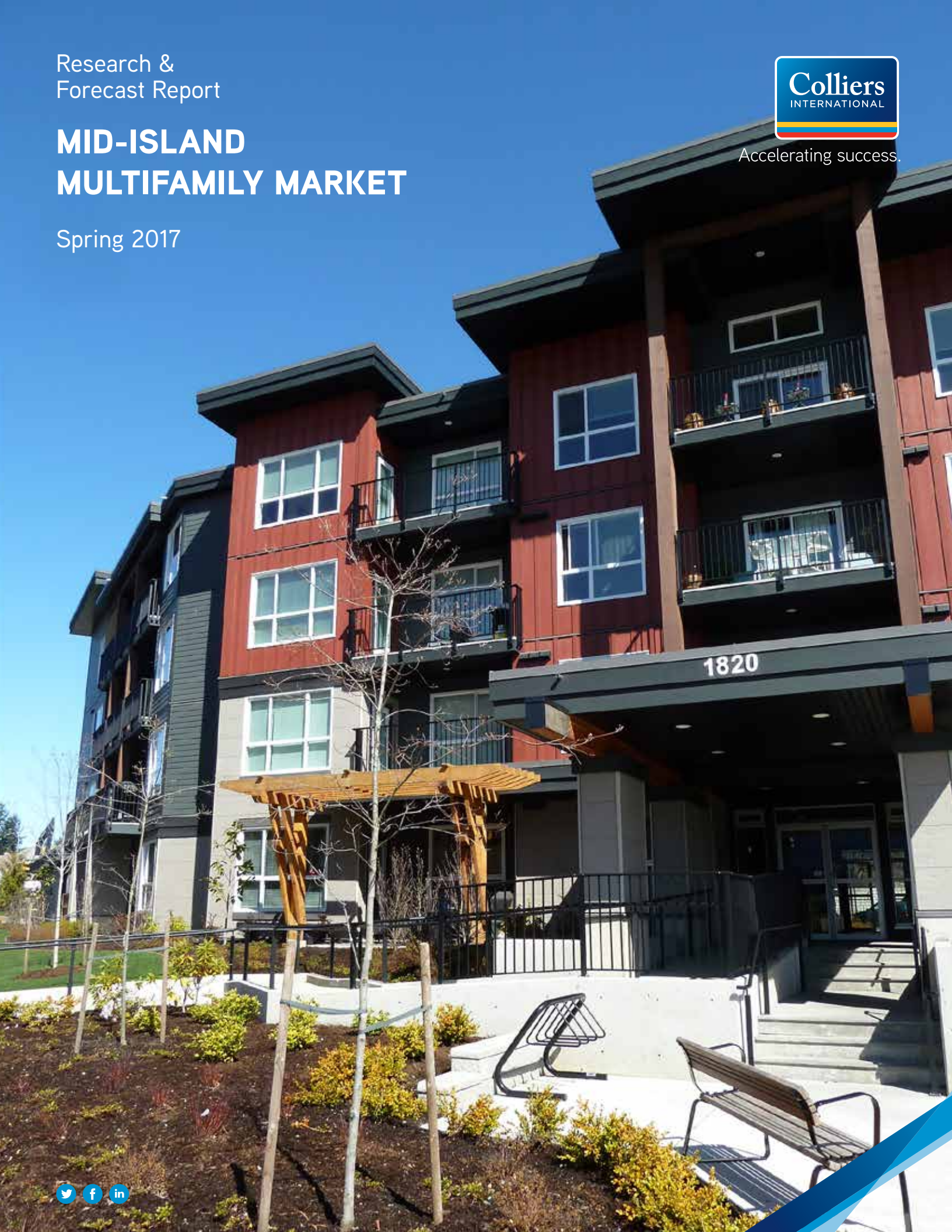
Research &
Forecast Report



Accelerating success.

MID-ISLAND MULTIFAMILY MARKET

Spring 2017



Mid-Island Multifamily Market Overview

Investment Overview

The 2016 Mid Vancouver Island multifamily residential market experienced increased demand with limited supply of available product resulting in further capitalization rate compression. Due to the limited supply, only 12 transactions completed in 2016 compared to 15 in 2015. However, the two building portfolio purchased by RealStar in 2016 totaled ~ \$40.5M which pushed the total annual sales volume to ~ \$57.9M, surpassing the record levels of multi-family investment transactions in 2012 of ~ \$44.1M dollars. The Mid-Vancouver Island markets, and specifically Nanaimo, are attracting interest from REIT's and private equity groups for its emerging status as a growing and stable multifamily residential market.

These figures may not include sales in the form of share transfers, acquisitions of bare trustees or non arm's length transactions and, as a result, total numbers could be slightly higher.

MID-ISLAND APARTMENT VACANCY RATES 2016	
MARKET	VACANCY RATE
Campbell River	2.0%
Courtenay	1.0%
Duncan	3.3%
Nanaimo	1.5%
Parksville	0.6%
Port Alberni	3.1%

Source: Colliers International

Market Indicators

	Q4 2015	Q4 2016	2016* Trend
Nanaimo Vacancy	2.00%**	1.5%**	↓
Mid-Island Price Per Suite	\$81,926	-	↑
Mid-Island Sales Volume	\$27.3M	\$57.9M	↑
Mid-Island Average Cap Rate	5.5%	5.0%	↓

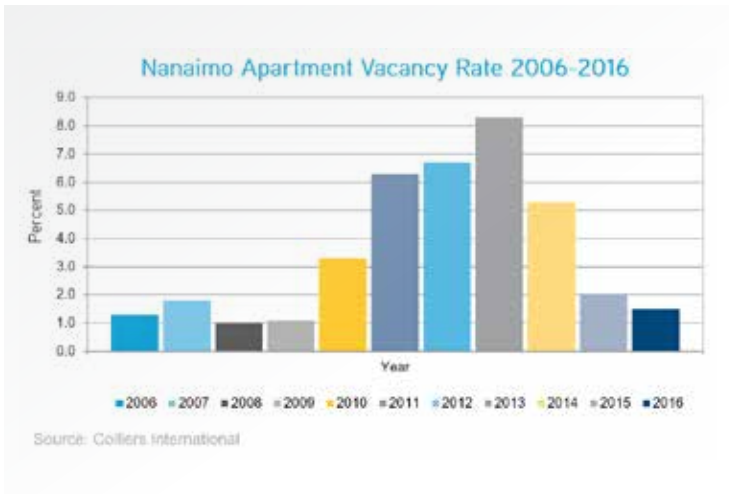
* Forecasted
 ** Source: 2016 CMHC Rental Market Report

Vacancy Overview

CMHC, in its most recent 2016 Rental Market Report, has separated Nanaimo into three different geographic segments: Centre, South, North & Periphery. This is the first time CMHC has split the region into separate areas providing apartment owners and developers detail with respect to inventory levels, rental rates and vacancy in each distinct area of Nanaimo. CMHC states an overall apartment vacancy rate in the Nanaimo Census Area (CA) of 1.5% overall, a decrease from the 2.0% vacancy level contained in the 2015 CMHC report. Port Alberni and Courtenay were the only two Mid-Vancouver Island markets tracked by CMHC to experience a slight increase in vacancy from 2015 to 2016. All Mid-Vancouver Island markets registered stable vacancy levels of 3.3% or lower.



1840 Argyle Avenue, Nanaimo

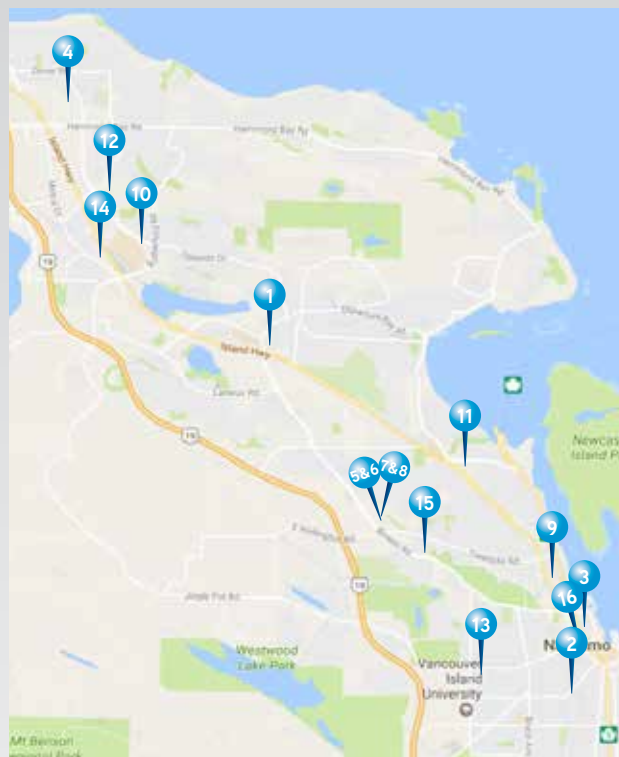


Market Commentary

The Mid-Vancouver Island apartment markets are more active than ever; specifically, Nanaimo will add 331 units of purpose built rental product in 2017 with an additional 469 units in the rezoning and development permit stage. Major market drivers for this new development include an increase in population, particularly from the mainland. The 2016 census indicates the total City of Nanaimo population is up 8.0% since 2011 to 90,504 people*.

Brand-new purpose built rental product is also setting market transaction benchmarks for the Nanaimo region. The Molnar Group's Crest and Summerhill developments both sold in 2016 for a record \$169,421 and \$194,174 per unit, respectively. The region is attracting interest from large private equity and institutional investors due to affordability and growth potential. Given the stable demand from these groups, combined with the increasing population of the region, Colliers forecast the new supply of rental product to continue. Capitalization rates will compress to the limit of market tolerances for new, quality product and forecast to remain stable for the medium term.

Nanaimo Purpose Built Rental Development Map



Nanaimo Purpose Built Rental Developments

	ADDRESS	NUMBER OF UNITS	NUMBER OF STOREYS	ESTIMATED COMPLETION	PURPOSE	SITE SIZE
1.	3690 Country Club Drive Magnolia Apartments	36 rental units	2 storey townhouse style, 4 units are single storey	2017	Rental	45,738 SF
2.	571 Albert Street	10 rental units	3	2017	Rental	6,623 SF
3.	91 Chapel Street	Phase 1: 30 condos, 30 rental units	6	Construction to start summer 2017	Condo and Rental	17,867 SF
4.	6330 McRobb Avenue Diver Ridge Apartments	Phase 2: 60-70 units	-	-	Rental	101,495 SF
5.	1690 Townsite Road Mid-Town Condos	28 rental 2 commercial	5	2017	Rental	25,569 SF
6.	1680 Townsite Road Mid-Town Condos	25 rental 2 commercial	4	2017	Rental	23,348 SF
7.	1825 Summerhill Place	97 rental units	4	2017	Rental	70,175 SF
8.	1805 Summerhill Place	80 rental units	4	2017	Rental	50,138 SF
9.	130 Vancouver Avenue	17 rental units	4	August 2017 completion	Rental	8,712 SF
10.	4535 Uplands Drive	8 rental units	2	2017	Rental	19,193 SF
11.	2020 Estevan Road	36 rental, 38 affordable housing units	5	-	Rental	51,346 SF
12.	6025 Linley Valley Drive	72 rental units	5	-	Affordable Housing and Rental	81,980 SF
13.	306 Hillcrest Avenue, 525 Third Street, 311 Watfield Avenue, 321 Watfield Avenue, 305 Watfield Avenue	100 student housing units 18 townhouses 60 rental units	4 storeys Third Street 3 storeys Hillcrest Ave. 2 storey Watfield Ave. 4 storey student housing	-	Student Housing and Rental	~ 174,240 SF
14.	5260 Dublin Way	60 rental units	4	-	Rental	50,913 SF
15.	1406 Bowen Road	25 rental units	2	2016	Affordable Housing and Rental	43,626 SF
16.	238 Franklyn Street	46 rental units	6	-	Rental	23,009 SF

*Source: Statistics Canada

Market Transactions - Year-End 2016

NAME	ADDRESS	LOCATION	CLOSED	PRICE	SUITES	CAP RATE	PRICE/SUITE
-	270 Wakesiah Avenue & 680 Third Street	Nanaimo	Jan- 2016	\$1,350,450	38	-	\$68,421
Country Gardens Apartments	664 Bruce Avenue	Nanaimo	May-2016	\$2,350,000	19	5.27%	\$123,684
Ferndale Manor	76 Pryde Avenue	Nanaimo	May-2016	\$1,300,000	13	5.53%	\$100,000
Boundary Ridge Apartments	1529- 1595 Boundary Crescent	Nanaimo	Mar-2016	\$4,780,000	51	4.94%	\$93,725
Ocean Bay Apartments	901 South Island Highway	Nanaimo	Apr-2016	\$905,000	19	8.1%	\$42,689
-	202 Birch Street	Campbell River	Apr-2016	\$574,500	10	6.3%	\$57,450
-	521 Windslow Road	Comox	May-2016	\$1,170,000	5 plex	-	-
-	1840 Argyle Street	Nanaimo	Sept-2016	\$4,450,000	29	4.26%	\$156,896
-	5864 York Road	Duncan	Sept-2016	\$570,000	6	-	\$95,000
The Crest	775 Terminal Avenue North	Nanaimo	May-2016	\$20,500,000	121	5.03%	\$169,421
Summerhill Apartments	1820 Summerhill Place	Nanaimo	May-2016	\$20,000,000	103	5.21%	\$194,174
TOTAL:	12 Transactions			\$57,949,950	414	5.58%	\$110,146

Market Rental Rates

CMHC rental rate figures for each Mid-Island market can be obtained upon request. Nanaimo figures are shown below. Average rentals for Bachelor, 1 Bdrm, 2 Bdrm and 3 bdrm units in 2016 are compared with 2015 in the Table below. Legislated rental increases for 2016 were 2.99% and 2017 rental increases have been set at 3.7%.

Forecast

Increasing demand for rental housing in the City of Nanaimo has spurred significant development of purpose built apartment product. Approximately 800 units are under construction or in the permitting stages of development. The affordability of the region relative to the Lower Mainland and Greater Victoria has greatly contributed to this influx of people and subsequent development trend and it is forecast to continue for the next couple years.

Due to the recent population growth of the City of Nanaimo, Colliers does not forecast a marked increase in rental apartment vacancy. Both rental rates and capitalization rates are reaching the upper level of market tolerances and we forecast both to remain at current levels into 2018.

AVERAGE RENTAL RATES BY APARTMENT TYPE - NANAIMO

APARTMENT TYPE	2015 RENTS (\$)	2016 RENTS (\$)	PERCENT CHANGE
Bachelor	585	636	8.7%
1-Bedroom	723	760	5.1%
2-Bedroom	847	895	5.7%
3-Bedroom	1,030	1,150	1.17%

Source: 2016 CMHC Rental Market Report

Investment

We invite apartment owners and investors alike to contact our Colliers Victoria and Nanaimo Apartment Specialists Divisions. Our specialists, Ken Cloak in Victoria and Brad Archibald in Nanaimo, will be pleased to apply our specialized expertise to owners looking to maximize the value of their apartment assets.

Dave Ganong of our Capital Markets Division is ready to speak to your Capital requirements, whether it be in the form of a refinancing proposal or funding a new acquisition.