

MULTI-FAMILY REPORT

Historically, the multi-family asset class has been among the most stable of the categories.

Although the percentage of local vs national ownership is higher in Kelowna than most markets, the ratios are changing as more institutional firms are gaining a foothold in the marketplace.

Rising land prices and construction costs along with a compression of cap rates has increased the price per door dramatically.

	ADDRESS	SALE PRICE	# OF UNITS	CAP RATE	PRICE/UNIT
1	773 Glenmore Rd (Kelowna)	Not Disclosed	115	Not Disclosed	Not Disclosed
2	165/175/205 Mills Road (Kelowna)	\$3,970,000	17 t/h 2 s/f res 1 suite	6.1%	\$198,500
3	564, 576, 580 Ellis (Penticton)	\$3,970,000	12	5.87%	\$259,300
4	1980 Pandosy St (Kelowna)	\$5,950,000	44	5.25%	\$135,200
5	117 Calgary Ave (Penticton)	\$5,150,000	20	4.81%	\$257,500
6	598 Sutherland Ave (Kelowna)	\$3,027,000	16	5.14%	\$189,100
7	1604 31st Street (Vernon)	\$4,094,420	49	5.68%	\$83,560
8	43 Calgary Ave 83 Calgary Ave (Penticton)	\$2,162,000 \$2,538,000	46	5.98% (combined)	\$102,170 (combined)
9	385 Winnipeg St (Penticton)	\$1,400,000	14	5.9%	\$100,000
10	861 Main St (Penticton)	\$1,570,000	17	5.2%	\$92,300
11	669 Martin St (Penticton)	\$2,556,000	31	5.9%	\$82,452
12	2000 32 Ave (Vernon)	\$889,000	10	4.73%	\$88,900
13	173 Wade Ave (Penticton)	\$990,500	16	5.33%	\$61,906
14	1491 Government St (Penticton)	\$860,000	10	5.49%	\$86,000
15	1904 39 Ave (Vernon)	\$670,000	6	5.60%	\$111,667
16	1979 Pandosy (Kelowna)	\$3,980,000	27	4.54%	\$147,400
17	3504 32 Street (Vernon)	\$1,050,000	16	6.06%	\$65,625

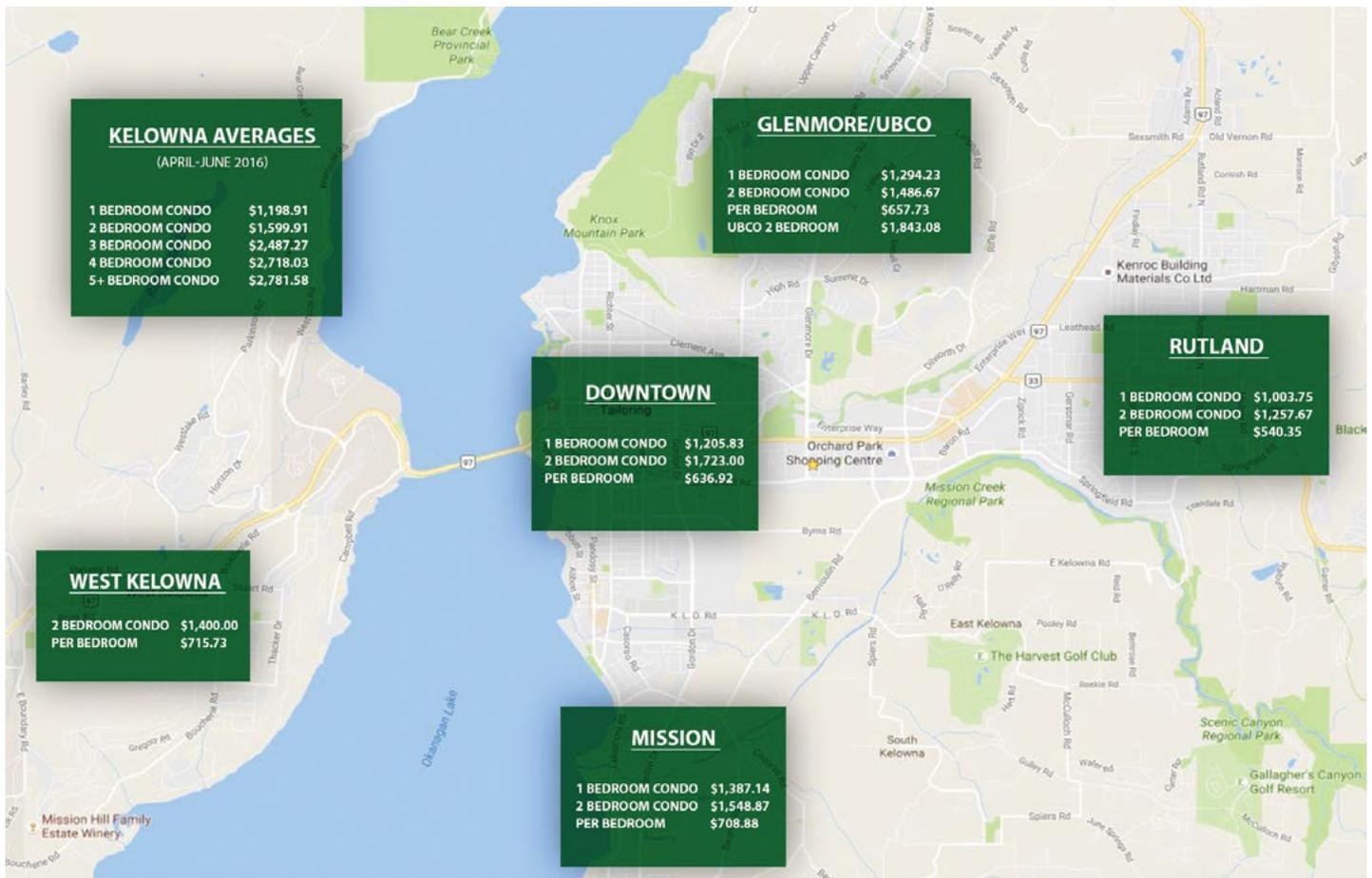
Since Fall 2014, the vacancy rate for rental apartments dropped from 4.0% down to 0.7%.

Several years ago the City of Kelowna introduced a number of financial incentives to stimulate the development of rental apartments and increase inventory. Direct rental housing grants, as well as 10 year property tax exemptions (on improvements only, when the vacancy rate drops below three percent) and possible development cost charge exemptions on micro suites only, are a few of the incentives implemented by the City of Kelowna.

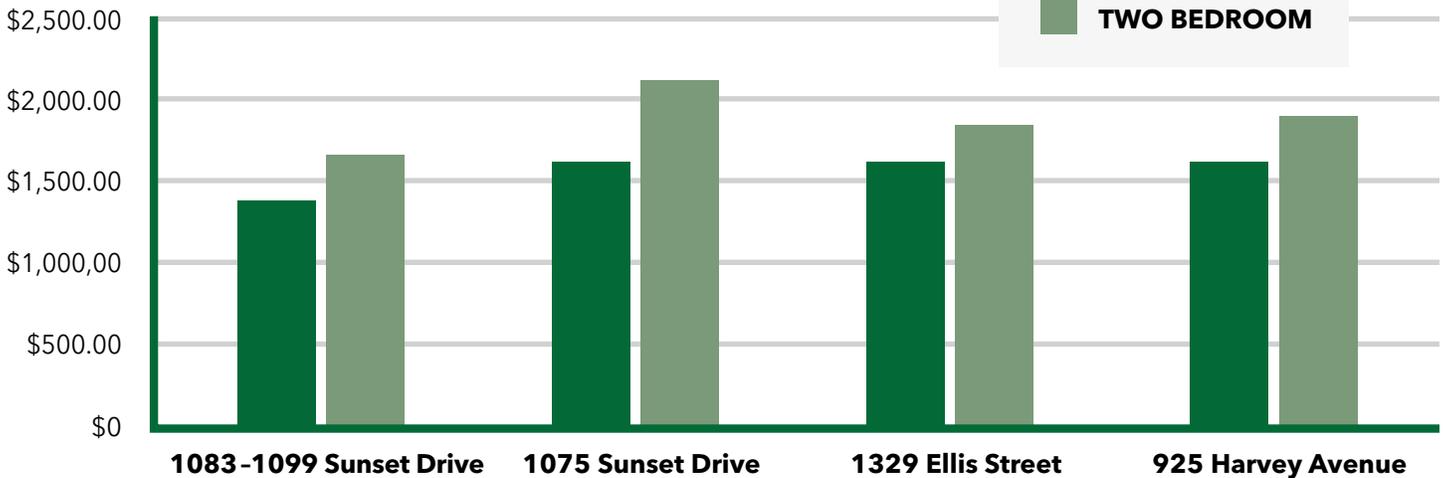
Presently, there are more than 1,000 townhouse / apartments in the development application or construction stages with

estimated occupancy of 12 to 24 months. A few of the projects currently under construction include, Central Green; Ki-Low-Na Friendship Society (at Central Green); Lucaya or 1151 Sunset Drive as it has been renamed; SOPA Square and Gyro Beach Townhouses. Of the above noted projects, only the 86 unit Ki-Low-Na Friendship Society project is an affordable housing concept with rents being charged at 75% of market rents, not rent based on a person's income. All others are being offered for sale.

Below is a sample of average rents throughout Kelowna.



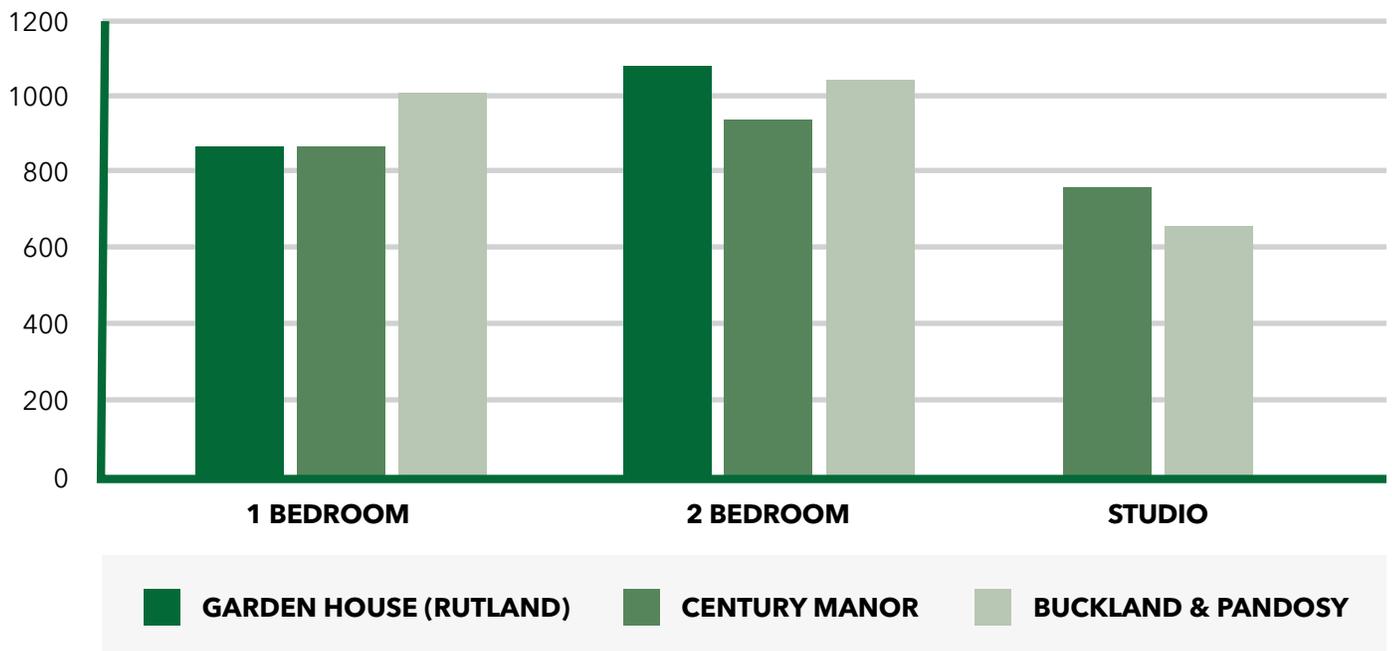
NEW CONSTRUCTION RENTAL UNITS



Although rents on older vintage apartments remain affordable compared to the rates for new construction, quality expectations from tenants have also increased and many

owners continue to reposition their buildings in order to stay competitive.

OLDER VINTAGE - PURPOSE BUILT RENTAL APARTMENTS



There is a significant supply of new multi family condominiums slated for delivery leading into 2019. There is reason to believe that a substantial number of them (perhaps 25%) will be purchased by investors seeking income and capital appreciation and that will - in part at least - alleviate some of the stress currently found in the residential rental market. The supply of lower cost micro

suites, both for rental and purchase, will also likely have a beneficial effect. Accordingly, we can forecast that the residential rental vacancy rate will likely rise slightly in the beginning of 2017 from 0.5% to 1.0% and may edge slightly higher again in 2018 and 2019; however, the population growth will continue to absorb new supply.