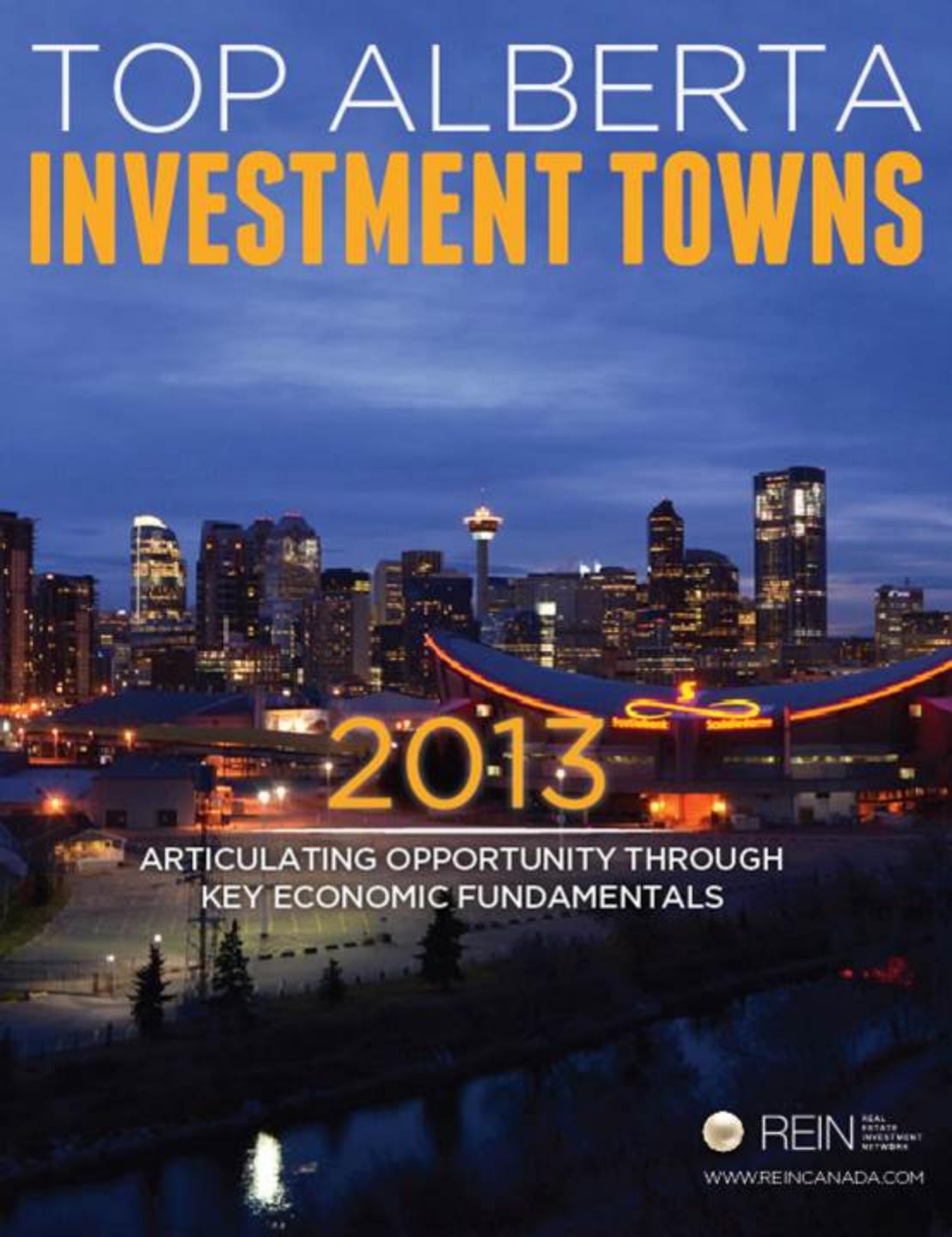


TOP ALBERTA INVESTMENT TOWNS



2013

ARTICULATING OPPORTUNITY THROUGH
KEY ECONOMIC FUNDAMENTALS



Top Alberta Investment Towns

Executive Summary

After a few years of economic turbulence, Alberta's economy has come out on top. For the coming few years we will witness some regions underperform their economic fundamentals while others will out-perform.

As an investor or home-buyer it is critical that you consider the underlying economic structure propping up your region and confirm that it has long term sustainability. Identifying regions with a well structured and well supported future must remain your #1 priority.

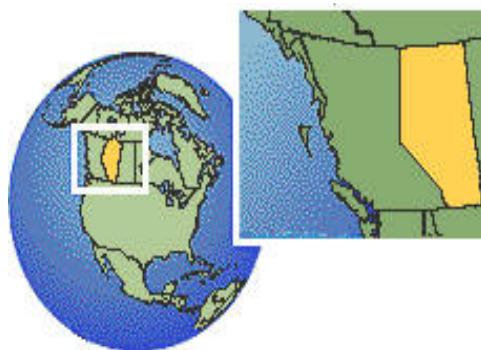
In this report, we are identifying cities, towns and regions that are poised to outperform other regions of the province over the next 3 – 5 years. Past, or even current, performance is not an indicator of how a region will perform in the future; that is why investors must focus solely on the economic fundamentals that will drive the real estate market in the future. As part of the development of this Top Investment Town List, we have considered these key fundamentals:

- Is the area's average income increasing faster than the provincial average?
- Is the area's population growing faster than the provincial average?
- Is the area creating jobs faster than the provincial average?
- Does the area have more than one major employer?
- Is the area in the RBC Affordability Index Hot Zone (25% to 39%)?
- Will the area benefit from an economic or real estate ripple effect?
- Has the political leadership created an economic growth atmosphere?
- Is the Economic Development Office progressive and helpful?
- Is the area's infrastructure being built to handle the expected growth?
- Are there any major transportation improvements in the works?
- Is the area attractive to Baby Boomers' lifestyle?
- Is there a short term problem occurring that is slated to disappear in the future?
- Is there a noted increase in labour and materials cost in the area?

The answers to these questions provide a base from which to work while analyzing any region in North America. Especially during today's market turmoil and mixed economic signals this pure economic focus is critical. The long-term opportunities are there; it will just take a practiced eye and a non-emotional outlook to uncover them. The good news is we have completed a lot of the initial research for you and the results follow.

Top Alberta Investment Towns:

- 1. Edmonton**
2. Calgary
- 3. Airdrie**
4. Leduc
- 5. St. Albert**
6. Red Deer
- 7. Fort Saskatchewan**
8. Fort McMurray
- 9. Grande Prairie**
10. Lloydminster
- 11. Okotoks**
12. Lethbridge



Edmonton

They say investing is about location, location, location, and Edmonton is at the centre of it all. The city has staged an impressive comeback over the past couple of years, its diverse economy providing it with stability not experienced in other parts of the country. The city's population continues to grow and get younger. This is great news for the housing market as demands for rentals, as well as property purchases, have been proven to continue for longer cycles with younger median populations. The city is now attracting more international investment (and workers) than ever before, due to its unique position as Canada's most diverse and stable metropolitan economy.

In the next few years, Edmonton will need to ensure that it is providing enough housing for the next wave of people moving into the city to fill job vacancies. During the plateau of 2008, the city's real estate market shook out a lot of speculators, allowing a return to more stable market conditions. With Edmonton's economy beginning to fire on all cylinders again, now is a good time for city officials, property investors, and developers to plan for the future growth so they don't get caught in another 'feeding frenzy' like the one we witnessed in 2006.

The city is experiencing historically low vacancy rates. This, combined with increasing rents and low interest rates, will put more pressure on house prices as a lot of renters decide to become home owners. Several investors have commented that the current conditions remind them of Edmonton in 2005 and 2006...red hot.

Calgary

The largest city in both population and economy on the prairies, the City of Calgary offers residents with amenities and business opportunities found nowhere else in the province. The city is home to over one million residents and growing every day. And as you dig deeper into the numbers, you find even better news for the housing market. With only 9.8% of Calgarians above the age of 65, the majority of the population is just heading into their peak earning and spending period of their lives, which will increase the upward pressure on rental and housing values – even if the economy slows. Real estate agents serving investors have noted that good inventory is very hard to come by.

When you combine the economic fundamentals, the population growth, and a burgeoning provincial economy, it is easy to see why so many businesses and people have come to call the city home. However, the City of Calgary and its residents took a big hit in 2013, as nature doled out rain and caused flooding like never seen before in this region. The housing sector took a big hit as homeowners and renters lost their homes permanently or were displaced. This event has changed the game in the City of Calgary as decision-makers seek to ameliorate damage, re-zone, re-regulate, and reconsider their policies. In the meantime, vacancy rates have tightened and rents have gone up as inventory has shrunk. It will take the city a while to recover.

Airdrie

Less than a five-minute drive north from Calgary's city limits, Airdrie has become one of the country's fastest growing communities. From population, to construction value, to housing prices, the city is witnessing tremendous growth and will continue to do so for the foreseeable future. The city's leadership is handling the tremendous growth better than others in

the province and with their positive steps towards densification (which will help investors receive increased income), council and planning departments are setting Airdrie up for a long term win.

As affordable housing becomes a growing problem in Calgary, Airdrie will benefit from lower average house prices. As the office centre of the west, Calgary may offer employment opportunities that Airdrie does not, but much of the labour force will turn to Airdrie as a place to call home. With the completion of the north section of the Calgary Ring Road, Airdrie is better connected to its larger neighbour than ever before. In coming years, we will see the population of Airdrie continue its rapid growth as many current Calgarians see the benefits of this smaller city.

Leduc

Leduc is appearing on our list of Top Alberta Investments towns for second year in a row. Leduc's proximity to Edmonton and the Edmonton International airport have set the city up for long-term growth. Leduc was the ninth fastest growing city in the country over the last five years, recording a population increase of 43.1 %. One look at the Leduc economy and the number of infrastructure projects currently in the works and it's clear that the city's rapid growth is bound to continue into the next decade.

The demand for real estate in Leduc has increased over the last few years due to the sheer number of people moving into the city. An affordable alternative to southern Edmonton, families have flocked to the region. With increasingly easy access to many areas of Edmonton as well as the growth of job centers in and around the city, Leduc property owners should continue to feel upward pressure on rents, as well as home prices. However, investors should be aware that there are large discrepancies in prices between new neighbourhoods and older neighbourhoods. Investors will have to do their homework to discover neighbourhoods where the rental rates will cover the expenses of the property.

St. Albert

Once known solely as a bedroom community to Edmonton, the leadership in St. Albert has worked hard to shed this label by becoming an employment center. It has turned itself into a major retail center for the region, while adding to its industrial and commercial job base. The expanded recreation facilities, the extensive pathway system, and a revitalized downtown core will go a long way to keeping St. Albert a destination of choice for young families. During the coming years, the city will witness a growth spurt as people move to the city for lifestyle and convenience.

The recent completion of the Northwest quadrant of the Anthony Henday Ring Road in Edmonton coupled with the other access improvements that are currently under construction should help relieve traffic congestion in St. Albert. As minutes are shaved off of this commute, the desirability of the city as a place to live will grow.

Functioning as a regional hub for northern Alberta, St. Albert has been a strong and consistent performer in the Top Alberta Investment Towns report for a decade, and that leadership position doesn't look like it will be slipping any time soon.

Red Deer

Located right in the heart of the booming Edmonton – Calgary corridor, Red Deer and the surrounding county have enjoyed tremendous economic growth over the last several years. Once known as a retail and agriculture center, Red Deer's Economic Development and Diversification Plan has proven to be very beneficial for the city. Red Deer is no longer just a stretch stop on the road between Edmonton and Calgary; it has become Central Alberta's trading and distribution centre.

The location provides a tremendous spot to situate and grow businesses designed to service the whole province. Attracting residents to fill all the job openings in the city should be easy, but providing them with housing is going to be an ongoing issue for the city. Red Deer's steady growth has strained the city's infrastructure, forcing city leaders to work hard on long term planning. However, with a recent annexation and transportation plans in place for the next 30 years, the city should provide investors and homeowners with a strong real estate and rental demand for many years to come.

Fort Saskatchewan

Fort Saskatchewan is appearing on our list of Top Alberta Investments towns for the first time. The city popped up on our radar due to its rapid population growth over the last five years, an increasing number of major construction projects, job growth, and low vacancy rates. Located in northern Alberta, just above Edmonton, Fort Saskatchewan functions as the gateway to Alberta's Industrial Heartland. The city is home to many upgrading and refining facilities for Alberta's oil sands, providing an increasing number of job opportunities with high average wages.

Fort Saskatchewan's economy is healthy and growing. What once were empty fields on the south sides of Highways 15 and 21 are now home to new housing developments and business parks. Over 425 commercial and industrial companies call the city home, in addition to the several hundred home-based businesses that operate within the city. One look at the number of infrastructure projects currently in the works in Fort Saskatchewan and it's clear that the city's rapid growth is bound to continue into the next decade.

Fort McMurray

The Regional Municipality of Wood Buffalo functions as the gateway to Canada's oil sands. The heart of Alberta's booming oil and gas industry, the Region's population has more than doubled in the last ten years. As the major commercial, cultural and recreational centre for the oil sands region, Fort McMurray has absorbed a majority of the region's enormous growth. Over the next 20 years, Fort McMurray is expected to emerge as the third largest urban area in Alberta, with overall growth accelerating faster than nearly any other city in Canada.

The economic stars have all lined up for the Fort McMurray region, the investors and the home owners. However, anyone considering investing in Fort McMurray should go there for at least two full days to investigate the scope of the economy. Many new investors do not have all or any of the tools needed to get into the Fort McMurray investment arena. The market has become expensive to get into, but can create positive cash flow if you have the capital to get in and you select your properties well. The future looks very bright for those who can position themselves in the market for the long-term.

Grande Prairie

Located in the heart of Alberta's oil country, Grande Prairie is a city of big risks and big rewards for investors. People are attracted to Grande Prairie for a number of reasons: it boasts a low unemployment rate, high average incomes, and a high quality of life. Grande Prairie's booming oil and gas industry has attracted young people from across the country, significantly lowering the city's median age. The market has experienced a bit of turmoil in the last few years, but has begun to settle. As a community that relies heavily on the oil & gas industry, the city's economy has taken a bit of a hit. However, this will give Grande Prairie a chance to diversify its economy. When oil and gas activity picks up again, increased residential activity and economic growth will follow.

This city is poised to do very well for commercial and residential investors who have long term time horizons and who are not afraid to be active owners. Before jumping in on your next piece of real estate in the city, make sure you have arranged to have your properties impeccably managed and you are committed to being active in the process. Quality property management will prove to be key to a successful investment in this city.

Lloydminster

They say success breeds more success, and the City of Lloydminster has learned how to harness this talent. Lloydminster has benefitted enormously from the province's booming energy industry. The city is surrounded by a 2,500-square-mile oil field and is currently the centre of the country's Cold Heavy Oil production. But it's not just the oil and gas industry that fuels this city's economy. Lloydminster continues to attract employees and workers in many economic sectors, creating a booming real estate market and low average vacancy rates. In coming years we will see the population of Lloydminster continue its rapid growth as people experience the benefits this smaller city has to offer.

Lloydminster will inevitably experience growing pains as the city's population continues to grow. In addition to a lack of affordable housing, the city must tackle increased demands for health care and education. However, the city's proactive economic development team already has some solutions in place and is setting Lloydminster up for the long-term win. The city is appearing on our list of Top Alberta Investment Towns for the first time, but it certainly won't be the last. When you combine the economic fundamentals, the population growth, and two burgeoning provincial economies, it is easy to see why so many businesses and people have begun to call the city home.

Okotoks

Okotoks is shedding its image of primarily being a bedroom community. Only a 15 minute commute to Calgary, the town benefits from superb transportation links and an influx of people from its larger neighbour. However, the town's growth has begun to strain its existing infrastructure. This is actually playing a strong role in the rapid diversification of the town's economy, with new businesses popping up. Being one of the fastest growing communities in Canada, Okotoks' Economic Development team is setting it up for a long-term win.

Okotoks is renowned for its unique decision to create a build-out municipal boundary capacity of 30,000 people. The policy did not allow for annexation of adjacent lands, creating a buying frenzy in recent years as people looked to take

advantage of the town's laidback lifestyle before the opportunity was gone for good. However, the population cap created some serious controversy, and the town recently scrapped the plan in its entirety. Even without the population growth restriction, Okotoks will remain a place many will choose to raise their families. This, in turn will drive both the rental and the housing purchase markets for many years to come.

Lethbridge

Located in Southern Alberta, Lethbridge is one of the few Alberta cities that does not rely heavily on oil and gas. Not prone to the cyclical up and downs that plague the province's northern oil-based municipalities, Lethbridge has flourished. The city has witnessed strong in-migration, expanded post-secondary education facilities, and a more diversified economic base over the past decade.

Functioning as the southern gateway into Alberta, Lethbridge has access to both national and international markets. Offering an extensive system of highways, the region facilitates the movement of goods and people. Job growth, economic diversification, major transportation improvements and an aggressive Economic Development Team have helped Lethbridge to become a magnet for new residents, new development and new businesses. The influx of people, the growth of the commercial and industrial base of the city, coupled with the growing demand for College and University enrollment should help Lethbridge provide home-owners and investors with strong long-term returns on their capital.