



# **Q1 2019** **Canadian** **Cap Rates &** **Investment** **Insights**

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**A quarterly snapshot of  
Canadian commercial  
real estate cap rates and  
investment trends.**

**CBRE RESEARCH**

**CBRE**

# Q1 2019

## Canadian Cap Rates & Investment Insights

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# Investment Summary

- What a difference a quarter makes! Following the financial market meltdown of late 2018, markets have rallied with the S&P 500, NASDAQ and TSX all hitting new record highs in early 2019. The equity market rally together with incredibly strong real estate fundamentals and a dovish Bank of Canada and U.S. Fed, has added wind to investors' sails.
- Background turbulence does still remain, however, due to on-going Brexit negotiations, slowing retail sales and uncertainty surrounding the CUSMA trade deal ratification, to name just a few.
- While there has been some modest cap rate movement in both directions, yields remain largely stable overall and the National average all property yield figure remained unchanged at 5.64% in Q1 2019.

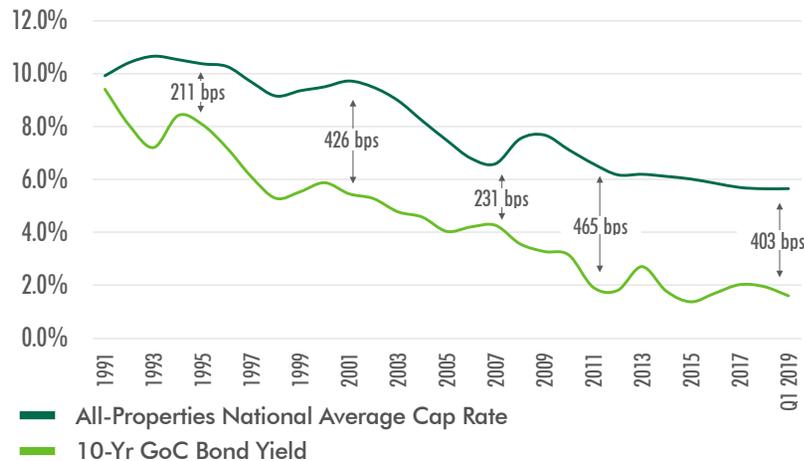


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## National Average Cap Rate



Source: CBRE Research, Q1 2019

## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	4.85%	▲
A	5.63%	◀▶
B	6.55%	▲
SUBURBAN OFFICE		
A	6.38%	▲
B	7.22%	▲
INDUSTRIAL		
A	5.11%	▼
B	6.11%	▼
RETAIL		
Regional	5.25%	▲
Power	6.22%	▲
Neighbourhood	6.28%	▲
Strip	5.81%	▲
Strip (non-anchored)	6.72%	▲
Urban Streetfront	5.36%	▲
High Street	3.81%	◀▶
MULTIFAMILY		
High Rise A	3.89%	▼
High Rise B	4.42%	▼
Low Rise A	4.45%	▲
Low Rise B	4.91%	▼
HOTEL		
Downtown Full Service	7.08%	◀▶
Suburban Limited Service	8.20%	◀▶
Focused Service	7.92%	◀▶

# Debt Market Summary

- Q1 2019 represented an awakening for the Fed and BOC, with a continued pivot away from hawkish aggression, each becoming far more dovish in their respective interest rate outlooks.
- International trade, the golden goose that fathered geosynchronous global growth, now looks snarled in uncertainty. At the same time, misguided attention to political volatility and rising equity markets continues to mask many underlying economic issues.
- Both the 10-year Government of Canada and US Treasury yields bottomed in late March at 1.53% and 2.37%, respectively, marking precipitous drops of 107 and 86 bps from their peaks in October and November 2018.
- This type of compressed volatility kicking off many lenders' new fiscal year created choppy conditions with loan pricing impacting absolute returns and lenders hedging on the side of caution.

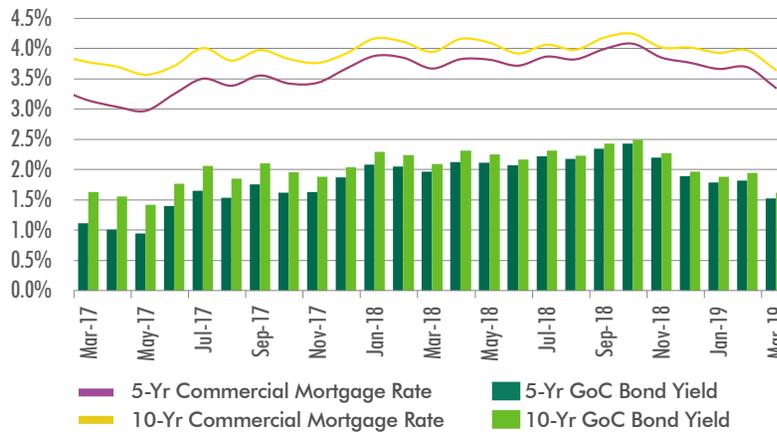


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## Mortgage Rates to Government of Canada Bonds



Source: CBRE Research, Thomson Reuters, Q1 2019

## MARKET MOVERS

### CAD/USD

Q4 2018	Q1 2019	Change QoQ (%)
\$0.73	\$0.75	▲ 2.18%

### CANADA PRIME RATE

Q4 2018	Q1 2019	Change QoQ (%)
3.95%	3.95%	◀▶ 0.00%

### 30-DAY CDOR

Q4 2018	Q1 2019	Change QoQ (%)
2.30%	1.98%	▼ -13.93%

### WEST TEXAS INTERMEDIATE (USD)

Q4 2018	Q1 2019	Change QoQ (%)
\$45.41	\$60.14	▲ 32.44%

### 5-YEAR MORTGAGE SPREAD RANGE

Q4 2018	Q1 2019	Change QoQ (%)
1.65% - 2.10%	1.55% - 2.10%	▼ -2.67%

### 10-YEAR MORTGAGE SPREAD RANGE

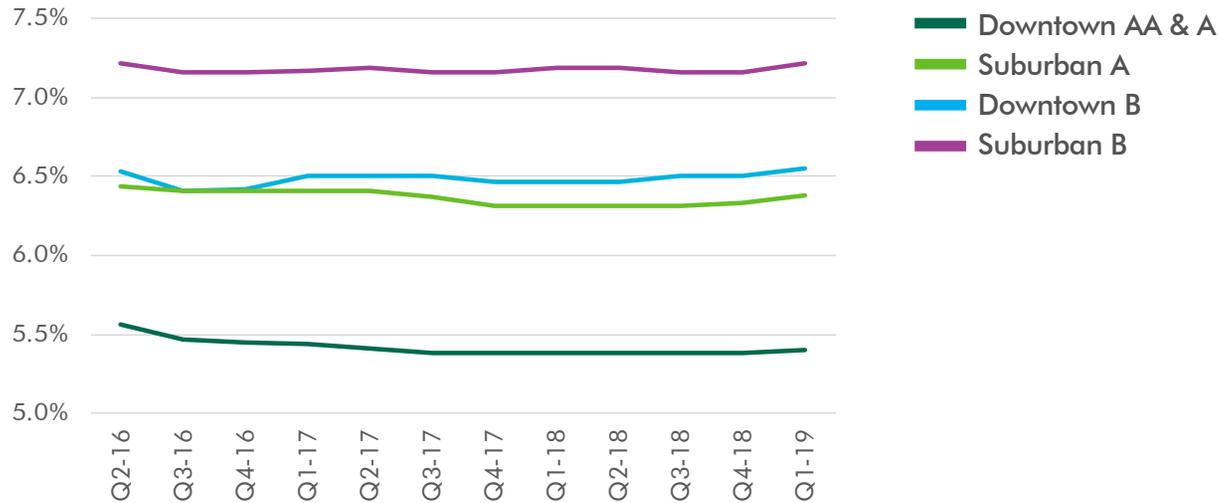
Q4 2018	Q1 2019	Change QoQ (%)
1.80% - 2.30%	1.75% - 2.30%	▼ -1.22%

Source: CBRE Limited, Thomson Reuters, Q4 2018

# National Office Summary

- Office cap rates retreated slightly across a variety of subcategories in Q1 2019 with the greatest compressions being seen for Class B properties and assets located in Suburban geographies.
- Both Toronto and Ottawa reported 25 bps increases in Suburban office yields in Q1 2019, while Montreal also reported a 38 bps increase in its Downtown Class B figure.
- Despite the cap rate increases for second tier asset types, investor demand and pricing for top end Downtown office assets remained elevated and only one market reported any changes in Class AA or Class A Downtown yields in Q1 2019.

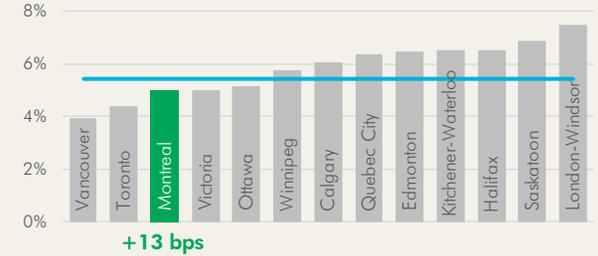
## Historical Office Cap Rates



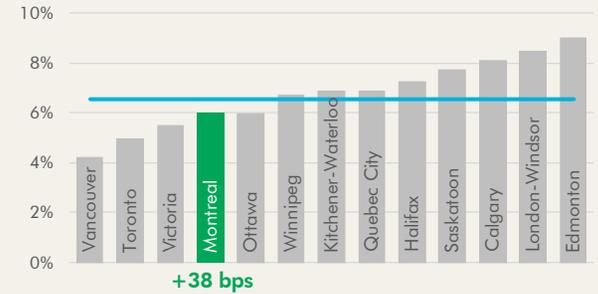
## REGIONAL RANKINGS

Cap Rate National Average ΔQ/Q

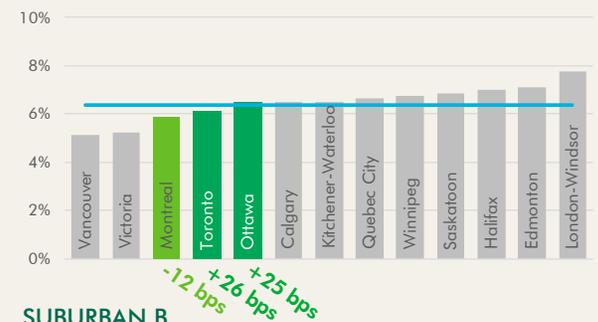
### DOWNTOWN AA & A



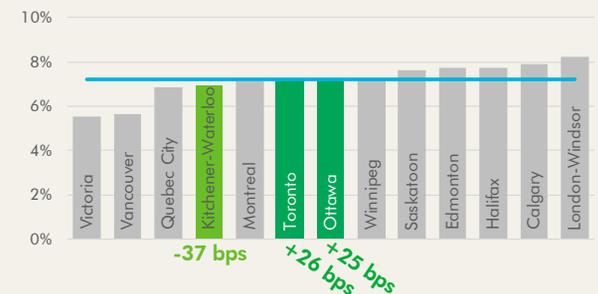
### DOWNTOWN B



### SUBURBAN A



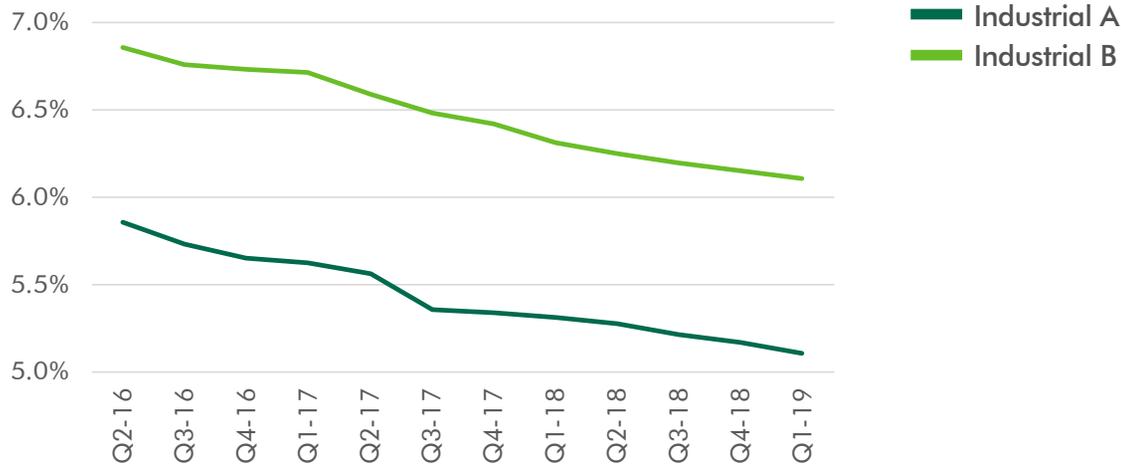
### SUBURBAN B



# National Industrial Summary

- Industrial fundamentals continued to perform exceptionally well over the first quarter of 2019 and investor demand for the asset class continues to rise.
- As demand has increased, so too has pricing. The National averages for Class A & B industrial assets compressed by 6 and 5 bps in Q1 2019, finishing the quarter at 5.11% and 6.11%, respectively.
- With industrial cap rates already at record lows in Toronto and Vancouver, much of the downward movement recorded over the first quarter was felt in secondary and tertiary markets including Montreal, Victoria, Halifax, Quebec City and Kitchener-Waterloo.

## Historical Industrial Cap Rates



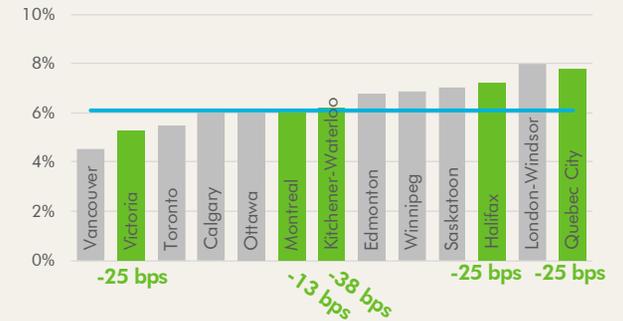
## REGIONAL RANKINGS

Cap Rate National Average  $\Delta$ Q/Q

### INDUSTRIAL A



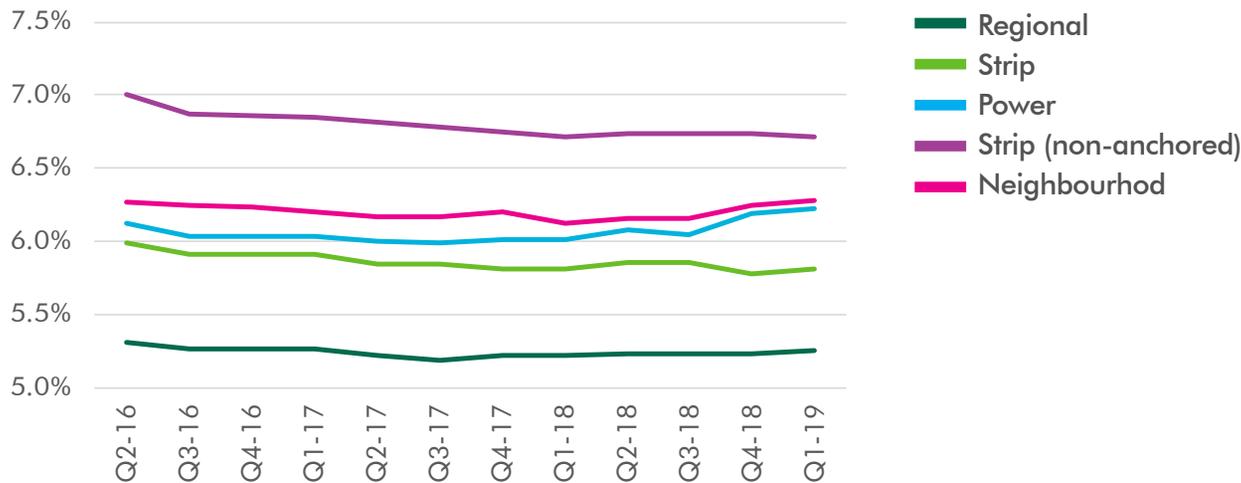
### INDUSTRIAL B



# National Retail Summary

- Cap rate trends in the retail sector continue to be mixed as the industry reshapes itself in the face of shifting consumer demands and the increased prominence of ecommerce.
- The national average cap rate figure rose in five of seven retail property categories in Q1 2019 with the largest increases being observed within the neighbourhood mall or power centre property types.
- While yields compressed across many retail categories, pricing for tier one regional malls, well situated urban assets and any properties which offer downside protection against recessionary forces (namely anchored strip centres) have remained elevated and resilient.

## Historical Retail Cap Rates



## REGIONAL RANKINGS

Cap Rate National Average  $\Delta$ Q/Q

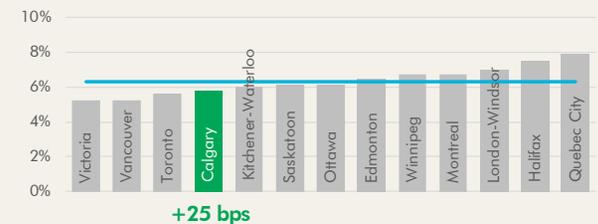
### REGIONAL



### POWER



### NEIGHBOURHOOD



### STRIP



### STRIP (NON-ANCHORED)



# National Multifamily Summary

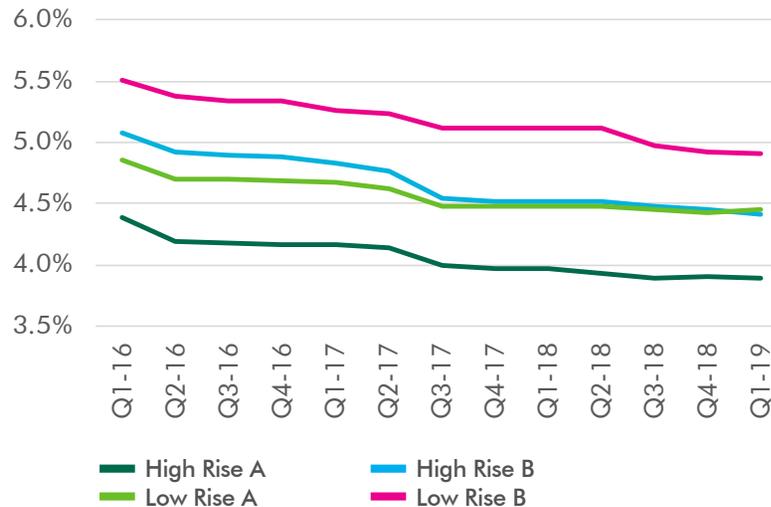
- The multifamily sector continued to see increased demand from investors in Q1 2019 supported by rock solid fundamentals and steep rent growth across a variety of geographies.
- With Class A multifamily cap rates already sitting between 2.75% and 3.50% in Toronto and Vancouver, yields in surrounding markets are feeling upwards pressure on pricing. The markets to see the greatest movement in multifamily rates over the first quarter were Montreal and Kitchener-Waterloo.
- Robust population growth, rising home prices and a limited rental supply pipeline should continue to ensure that multifamily cap rates remain compressed for the foreseeable future.



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## Historical Multifamily Cap Rates



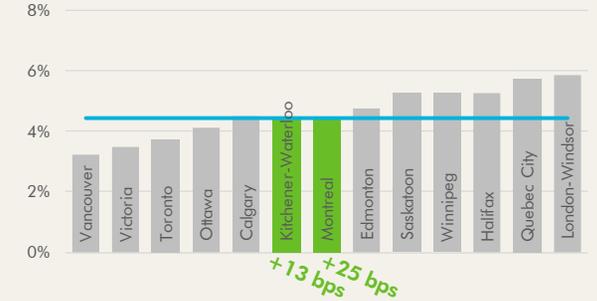
## REGIONAL RANKINGS

Cap Rate National Average  $\Delta$ Q/Q

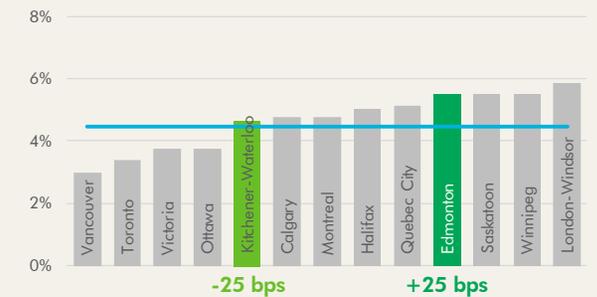
### HIGH RISE A



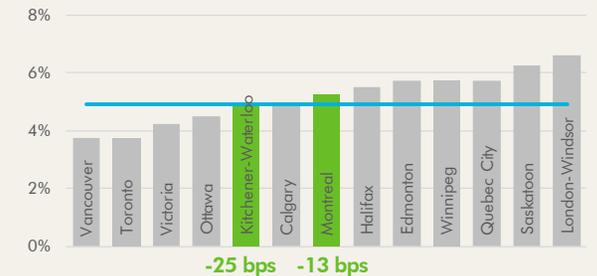
### HIGH RISE B



### LOW RISE A



### LOW RISE B



# National Hotel Summary

- The CBRE Hotels 2019 market and financial outlooks have remained generally unchanged from the original year end forecasts from 2018. This positive outlook coupled with the considerable levels of debt financing which continues to be available in the market, have ensure that capitalization rates across the country held flat over the first quarter of 2019.
- Investors remain interested in hotel acquisitions across all asset classes. While primary and secondary markets hold the greatest appeal for buyers, more than 65% of the transactions closed in Q1 2019 were in tertiary markets.

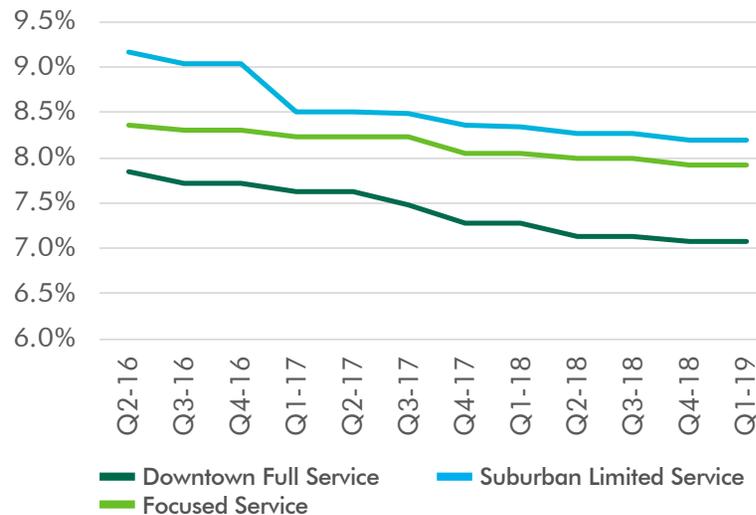


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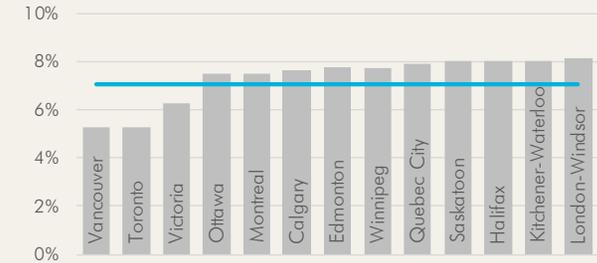
## Historical Hotel Cap Rates



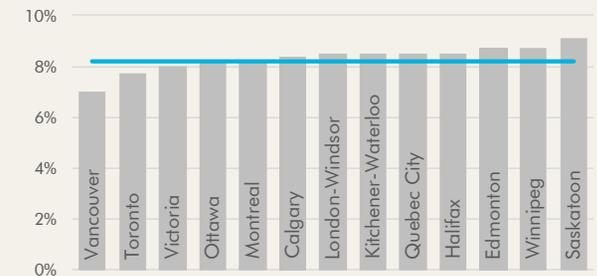
## REGIONAL RANKINGS

Cap Rate National Average  $\Delta$ Q/Q

### DOWNTOWN FULL SERVICE



### SUBURBAN LIMITED SERVICE



### FOCUSED SERVICE



# Victoria

- Investor demand for all asset classes remains strong as Greater Victoria’s robust and diversified economy and growing population fuel the attractiveness of the market.
- Lack of industrial development brought on by high land costs due largely to geographical constraints, is resulting in strengthening fundamentals. There continues to be robust demand for existing industrial product from both users and investors as replacement cost dynamics intensify.
- Increased development fees, approval delays and new inclusionary housing policies requiring all condo projects in Victoria to include affordable rental units are likely to slow multifamily development and increase prices of new market condos in the city core.

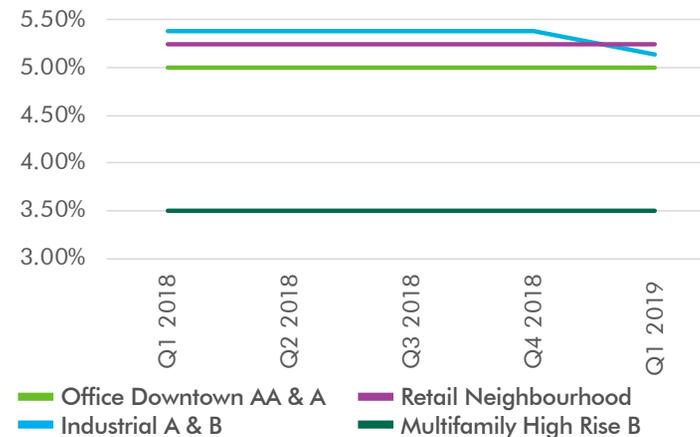


**Ross Marshall**

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## Historical Victoria Cap Rates



## Q1 2019 CAP RATES

### DOWNTOWN OFFICE ΔQ/Q

AA	N/A	
A	4.75% - 5.25%	◀▶
B	5.25% - 5.75%	◀▶

### SUBURBAN OFFICE

A	5.00% - 5.50%	◀▶
B	5.25% - 5.75%	◀▶

### INDUSTRIAL

A	4.75% - 5.25%	▼
B	5.00% - 5.50%	▼

### RETAIL

<b>Regional</b>	<b>4.75% - 5.75%</b>	▲
<b>Power</b>	<b>5.00% - 6.00%</b>	▲
Neighbourhood	5.00% - 5.50%	◀▶
Strip	5.00% - 5.50%	◀▶
Strip (non-anchored)	5.25% - 5.75%	◀▶
Urban Streetfront	4.75% - 5.25%	◀▶
High Street	4.50% - 5.00%	◀▶

### MULTIFAMILY

High Rise A	N/A	
High Rise B	3.25% - 3.75%	◀▶
Low Rise A	3.50% - 4.00%	◀▶
Low Rise B	4.00% - 4.50%	◀▶

### HOTEL

Downtown Full Service	5.50% - 7.00%	◀▶
Suburban Limited Service	7.50% - 8.50%	◀▶
Focused Service	7.00% - 8.50%	◀▶

# Vancouver

- Fundamentals remain strong in all asset classes with respect to low current vacancy rates and steady demand.
- Our anticipated increase in the availability of secondary and tertiary market retail has materialized and this dynamic is creating some interesting opportunities for contrarian investors in this overlooked asset class.
- Demand for apartments remains strong despite the introduction of limited rent control increases in this asset class. New supply for multifamily appears to be on the way as developers consider building rental over market housing as a hedge against downward price pressure and the rising costs of developing market housing.



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## Historical Vancouver Cap Rates



## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	3.75% - 4.00%	◀▶
A	3.75% - 4.25%	◀▶
B	4.00% - 4.50%	◀▶
SUBURBAN OFFICE		
A	4.75% - 5.50%	◀▶
B	5.25% - 6.00%	◀▶
INDUSTRIAL		
A	3.50% - 4.00%	◀▶
B	4.25% - 4.75%	◀▶
RETAIL		
Regional	4.00% - 4.50%	◀▶
Power	5.00% - 5.00%	◀▶
Neighbourhood	5.00% - 5.50%	◀▶
Strip	4.00% - 5.00%	◀▶
Strip (non-anchored)	5.00% - 5.50%	◀▶
Urban Streetfront	3.75% - 4.25%	◀▶
High Street	3.50% - 4.00%	◀▶
MULTIFAMILY		
High Rise A	2.50% - 3.00%	◀▶
High Rise B	3.00% - 3.50%	◀▶
Low Rise A	2.75% - 3.25%	◀▶
Low Rise B	3.25% - 4.25%	◀▶
HOTEL		
Downtown Full Service	4.50% - 6.00%	◀▶
Suburban Limited Service	6.50% - 7.50%	◀▶
Focused Service	6.00% - 7.50%	◀▶

# Calgary

- Calgary is seeing renewed optimism with stability in the job sector and a strong economic growth forecast.
- The Government of Canada 10-year benchmark bond yields continued to decline over Q1 2019, providing greater returns for private investors, the City's most active investor group.
- There remains high liquidity for core product across all asset classes. Demand for industrial and multifamily assets continues to keep yields for these sectors at historically low levels.



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### Historical Calgary Cap Rates



## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	5.25% - 5.75%	◀▶
A	6.25% - 7.00%	◀▶
B	7.75% - 8.50%	◀▶
SUBURBAN OFFICE		
A	6.25% - 6.75%	◀▶
B	7.50% - 8.25%	◀▶
INDUSTRIAL		
A	5.00% - 5.50%	◀▶
B	5.75% - 6.25%	◀▶
RETAIL		
<b>Regional</b>	<b>4.75% - 5.50%</b>	▲
<b>Power</b>	<b>5.75% - 6.25%</b>	▲
<b>Neighbourhood</b>	<b>5.50% - 6.00%</b>	▲
<b>Strip</b>	<b>5.50% - 6.00%</b>	▲
Strip (non-anchored)	5.75% - 6.25%	◀▶
<b>Urban Streetfront</b>	<b>5.50% - 6.25%</b>	▲
High Street	N/A	
MULTIFAMILY		
High Rise A	4.00% - 4.50%	◀▶
High Rise B	4.25% - 4.75%	◀▶
Low Rise A	4.50% - 5.00%	◀▶
Low Rise B	4.75% - 5.25%	◀▶
HOTEL		
Downtown Full Service	6.75% - 8.50%	◀▶
Suburban Limited Service	7.75% - 9.00%	◀▶
Focused Service	7.25% - 9.00%	◀▶

# Edmonton

- Core industrial and multifamily product remains in high demand with limited supply available.
- Retail is generally being viewed cautiously, institutional investors are seeking defensive investment strategies (strong performing food and pharmacy) while the private buyer continues to show demand for smaller retail offerings.
- The office market is experiencing a flight to quality with well-located towers seeing elevated interest.
- It remains to be seen what impacts the pending provincial election will have on real estate in Edmonton.



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## Historical Edmonton Cap Rates



## Q1 2019 CAP RATES

Category	Cap Rate Range	ΔQ/Q
<b>DOWNTOWN OFFICE</b>		
AA	5.50% - 6.00%	◀▶
A	6.75% - 7.50%	◀▶
B	8.00% - 10.00%	◀▶
<b>SUBURBAN OFFICE</b>		
A	6.75% - 7.50%	◀▶
B	7.50% - 8.00%	◀▶
<b>INDUSTRIAL</b>		
A	5.25% - 5.75%	◀▶
B	6.50% - 7.00%	◀▶
<b>RETAIL</b>		
Regional	5.00% - 5.50%	◀▶
Power	6.25% - 6.75%	◀▶
Neighbourhood	6.25% - 6.75%	◀▶
Strip	5.75% - 6.25%	◀▶
<b>Strip (non-anchored)</b>	<b>6.25% - 6.75%</b>	▼
Urban Streetfront	6.00% - 6.50%	◀▶
High Street	N/A	
<b>MULTIFAMILY</b>		
High Rise A	4.00% - 4.50%	◀▶
High Rise B	4.50% - 5.00%	◀▶
<b>Low Rise A</b>	<b>5.25% - 5.75%</b>	▲
Low Rise B	5.50% - 6.00%	◀▶
<b>HOTEL</b>		
Downtown Full Service	7.00% - 8.50%	◀▶
Suburban Limited Service	8.25% - 9.25%	◀▶
Focused Service	7.75% - 9.25%	◀▶

# Saskatoon

- Development continues at River Landing, with work set to begin on the North Tower. The leasing momentum generated by the new office product at this site continues to create uncertainty surrounding investment in aging downtown office assets.
- Industrial market fundamentals continue to improve, bringing increased investment and owner-user opportunities in Saskatoon’s industrial market.
- Cap rates remain unchanged across all asset types, with continued caution surrounding Saskatchewan’s 2019 economic outlook.



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## Historical Saskatoon Cap Rates



## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	N/A	
A	6.50% - 7.25%	◀▶
B	7.25% - 8.25%	◀▶
SUBURBAN OFFICE		
A	6.50% - 7.25%	◀▶
B	7.25% - 8.00%	◀▶
INDUSTRIAL		
A	6.25% - 7.00%	◀▶
B	6.75% - 7.25%	◀▶
RETAIL		
Regional	5.00% - 5.75%	◀▶
Power	5.00% - 5.75%	◀▶
Neighbourhood	5.75% - 6.50%	◀▶
Strip	6.00% - 6.75%	◀▶
Strip (non-anchored)	6.75% - 7.25%	◀▶
Urban Streetfront	6.50% - 7.00%	◀▶
High Street	N/A	
MULTIFAMILY		
High Rise A	N/A	
High Rise B	5.00% - 5.50%	◀▶
Low Rise A	5.25% - 5.75%	◀▶
Low Rise B	6.00% - 6.50%	◀▶
HOTEL		
Downtown Full Service	7.25% - 8.75%	◀▶
Suburban Limited Service	8.50% - 9.75%	◀▶
Focused Service	8.00% - 9.50%	◀▶

# Winnipeg

- While the continued lease-up of True North Square has brought increased vacancies to the Downtown office market, the weakness has been isolated to specific pockets and is not reflective of the market as a whole, which has seen positive cumulative absorption since early 2018.
- The heavily constrained industrial market is pulling back as a result of limited quality product. Q1 2019 was the second straight quarter of negative absorption after two years of record breaking levels of expansion.
- Investment demand remains strongest for assets primed for repositioning where value can be added through a change in use, leasing strategy or capital programs.

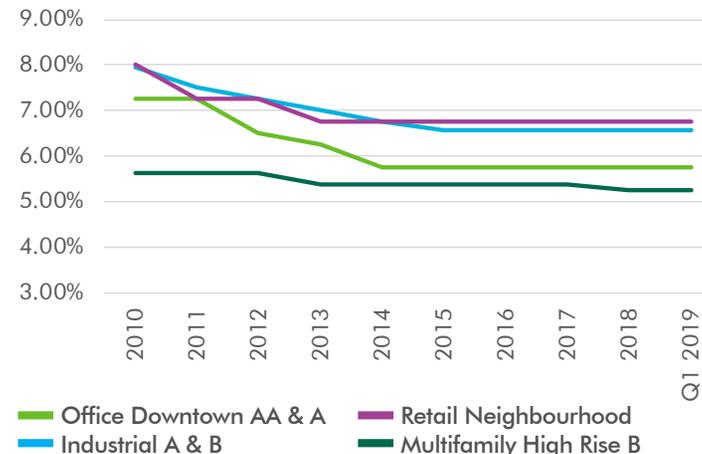


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## Historical Winnipeg Cap Rates



## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	N/A	
A	5.50% - 6.00%	◀▶
B	6.50% - 7.00%	◀▶
SUBURBAN OFFICE		
A	6.50% - 7.00%	◀▶
B	7.00% - 7.50%	◀▶
INDUSTRIAL		
A	6.00% - 6.50%	◀▶
B	6.50% - 7.25%	◀▶
RETAIL		
Regional	5.50% - 6.00%	◀▶
Power	6.00% - 6.50%	◀▶
Neighbourhood	6.50% - 7.00%	◀▶
Strip	6.25% - 6.75%	◀▶
Strip (non-anchored)	6.75% - 7.50%	◀▶
Urban Streetfront	6.00% - 6.75%	◀▶
High Street	N/A	
MULTIFAMILY		
High Rise A	N/A	
High Rise B	5.00% - 5.50%	◀▶
Low Rise A	5.25% - 5.75%	◀▶
Low Rise B	5.50% - 6.00%	◀▶
HOTEL		
Downtown Full Service	7.00% - 8.50%	◀▶
Suburban Limited Service	8.00% - 9.50%	◀▶
Focused Service	7.50% - 8.75%	◀▶

# London

- Strong investor interest continues to accelerate the multifamily market and demand continues to outweigh availability of assets.
- Free standing industrial is still an in demand market segment from investors of all types.
- While the number of assets receiving multiple bids has declined in several asset classes, investor demand is still healthy overall.



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## Historical London Cap Rates



## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	N/A	
A	6.50% - 8.50%	◀▶
B	8.00% - 9.00%	◀▶
SUBURBAN OFFICE		
A	7.50% - 8.00%	◀▶
B	8.00% - 8.50%	◀▶
INDUSTRIAL		
A	6.30% - 7.50%	◀▶
B	7.50% - 8.50%	◀▶
RETAIL		
Regional	6.25% - 7.00%	◀▶
Power	6.25% - 7.00%	◀▶
Neighbourhood	6.25% - 7.75%	◀▶
Strip	6.25% - 7.25%	◀▶
Strip (non-anchored)	6.25% - 7.75%	◀▶
Urban Streetfront	7.00% - 8.50%	◀▶
High Street	N/A	
MULTIFAMILY		
High Rise A	4.75% - 5.50%	◀▶
High Rise B	5.25% - 6.50%	◀▶
Low Rise A	5.00% - 6.75%	◀▶
Low Rise B	6.00% - 7.25%	◀▶
HOTEL		
Downtown Full Service	7.50% - 8.75%	◀▶
Suburban Limited Service	8.00% - 9.00%	◀▶
Focused Service	7.75% - 9.00%	◀▶

# Kitchener-Waterloo

- The investment outlook for the Kitchener-Waterloo region is trending upwards on the back of robust employment growth across a variety of industries and strong economic forecasts.
- Industrial assets remain in high demand as fundamentals, including rental and availability rates, continue to strengthen. Lack of new supply should ensure that the attractiveness of this sector remains elevated for the foreseeable future.
- The continued sell off of secondary market assets by large institutional players continues to provide opportunities for smaller investors. This trend has been evident in the retail sector where larger ticket assets or properties with development potential have been in high demand.



**Peter Whatmore**

Senior Vice President,  
National Investment Team

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## Historical Kitchener-Waterloo Cap Rates



## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	N/A	
A	6.00% - 7.00%	◀▶
B	6.50% - 7.25%	◀▶
SUBURBAN OFFICE		
A	6.00% - 7.00%	◀▶
<b>B</b>	<b>6.50% - 7.25%</b>	▼
INDUSTRIAL		
A	5.50% - 6.10%	◀▶
<b>B</b>	<b>5.50% - 7.00%</b>	▼
RETAIL		
Regional	5.50% - 6.00%	◀▶
Power	5.75% - 6.50%	◀▶
Neighbourhood	5.50% - 6.50%	◀▶
Strip	5.00% - 6.50%	◀▶
Strip (non-anchored)	5.00% - 6.75%	◀▶
Urban Streetfront	6.00% - 7.50%	◀▶
High Street	N/A	
MULTIFAMILY		
<b>High Rise A</b>	<b>4.25% - 4.50%</b>	▼
<b>High Rise B</b>	<b>4.25% - 4.75%</b>	▼
<b>Low Rise A</b>	<b>4.25% - 5.00%</b>	▼
<b>Low Rise B</b>	<b>4.50% - 5.25%</b>	▼
HOTEL		
Downtown Full Service	7.50% - 8.50%	◀▶
Suburban Limited Service	8.00% - 9.00%	◀▶
Focused Service	7.50% - 8.50%	◀▶

# Toronto

- While the financial and economic market volatility experienced near the end of 2018 led to a slowdown in real estate investment activity to start 2019, green shoots began to show in January and this momentum continued through to the end of the quarter.
- The investment outlook for many of the big players has reversed completely since the start of 2019 and volumes should return back to elevated levels over the remainder of the year.
- Leasing fundamentals for all asset classes outside of select retail subcategories have continued to strengthen. Industrial and multifamily assets remain the most sought after property types.



**Peter Senst**  
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 Capital Markets  
 National Investment Team  
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## Historical Toronto Cap Rates



## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	4.00% - 4.50%	◀▶
A	4.25% - 4.75%	◀▶
B	4.75% - 5.25%	◀▶
SUBURBAN OFFICE		
A	5.75% - 6.50%	▲
B	6.75% - 7.50%	▲
INDUSTRIAL		
A	4.00% - 4.50%	◀▶
B	5.00% - 6.00%	◀▶
RETAIL		
Regional	4.25% - 5.50%	◀▶
Power	6.00% - 7.00%	◀▶
Neighbourhood	5.00% - 6.25%	◀▶
Strip	4.75% - 6.00%	◀▶
Strip (non-anchored)	6.00% - 7.00%	◀▶
Urban Streetfront	3.75% - 4.50%	◀▶
High Street	3.50% - 4.25%	◀▶
MULTIFAMILY		
High Rise A	3.00% - 3.75%	◀▶
High Rise B	3.50% - 4.00%	◀▶
Low Rise A	3.00% - 3.75%	◀▶
Low Rise B	3.50% - 4.00%	◀▶
HOTEL		
Downtown Full Service	4.50% - 6.00%	◀▶
Suburban Limited Service	7.00% - 8.50%	◀▶
Focused Service	7.00% - 8.00%	◀▶

# Ottawa

- Ottawa investment is off to a strong start in 2019, marked by a number of notable offerings in the marketplace.
- Capital is proving to be more discerning, while seeking growth and fundamentals above all.
- Look for downtown and suburban office sales to drive the bulk of the investment sales activity in 2019.



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## Historical Ottawa Cap Rates



## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	4.75% - 5.25%	◀▶
A	5.00% - 5.50%	◀▶
B	5.75% - 6.25%	◀▶
SUBURBAN OFFICE		
A	6.25% - 6.75%	▲
B	7.00% - 7.50%	▲
INDUSTRIAL		
A	4.50% - 5.00%	◀▶
B	5.50% - 6.50%	◀▶
RETAIL		
Regional	5.00% - 5.75%	◀▶
Power	6.00% - 6.75%	◀▶
Neighbourhood	5.75% - 6.50%	◀▶
Strip	5.50% - 6.25%	◀▶
Strip (non-anchored)	6.50% - 7.50%	◀▶
Urban Streetfront	4.75% - 5.50%	◀▶
High Street	N/A	
MULTIFAMILY		
High Rise A	3.50% - 3.75%	◀▶
High Rise B	4.00% - 4.25%	◀▶
Low Rise A	3.50% - 4.00%	◀▶
Low Rise B	4.25% - 4.75%	◀▶
HOTEL		
Downtown Full Service	7.00% - 8.00%	◀▶
Suburban Limited Service	7.75% - 8.75%	◀▶
Focused Service	7.50% - 8.50%	◀▶

# Montreal

- Investors are increasingly bullish on the Montreal market due to the strong economic fundamentals and accelerating rental growth.
- Limited supply of industrial and Downtown office opportunities has driven cap rates to near historic lows in each of these asset classes.
- Downtown land sites are increasingly scarce and buildable values have grown significantly over the past 24 months.
- Urban retail continues to benefit from the significant densification of downtown, while there is an increasing bifurcation of the suburban market based on asset quality.



**Scott Speirs**

Executive Vice President,  
National Investment Team

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## Historical Montreal Cap Rates



## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
<b>AA</b>	4.50% - 5.00%	▲
A	5.00% - 5.50%	◄►
<b>B</b>	5.75% - 6.25%	▲
SUBURBAN OFFICE		
<b>A</b>	5.50% - 6.25%	▼
B	6.75% - 7.50%	◄►
INDUSTRIAL		
<b>A</b>	4.50% - 5.25%	▼
<b>B</b>	5.50% - 6.50%	▼
RETAIL		
Regional	5.00% - 5.75%	◄►
Power	6.00% - 6.75%	◄►
Neighbourhood	6.50% - 7.00%	◄►
Strip	5.25% - 6.00%	◄►
Strip (non-anchored)	7.00% - 7.75%	◄►
Urban Streetfront	3.75% - 4.50%	◄►
High Street	N/A	
MULTIFAMILY		
<b>High Rise A</b>	3.75% - 4.25%	▼
<b>High Rise B</b>	4.25% - 4.75%	▼
Low Rise A	4.50% - 5.00%	◄►
<b>Low Rise B</b>	5.00% - 5.50%	▼
HOTEL		
Downtown Full Service	7.00% - 8.00%	◄►
Suburban Limited Service	7.75% - 8.75%	◄►
Focused Service	7.50% - 8.75%	◄►

# Quebec City

- The Federal election in the fall will have major impacts on the market as the city tries to secure the final \$800 million of financing for their new tramway system.
- Group Mach has now started their redevelopment of 300 Saint Paul and the new seven storey 100,000 sq. ft. plus office building is scheduled to be delivered by Q2 2020.
- The city has officially started an initiative to rethink and redevelop existing industrial parks due to extreme market tightness and a lack of land for new development.

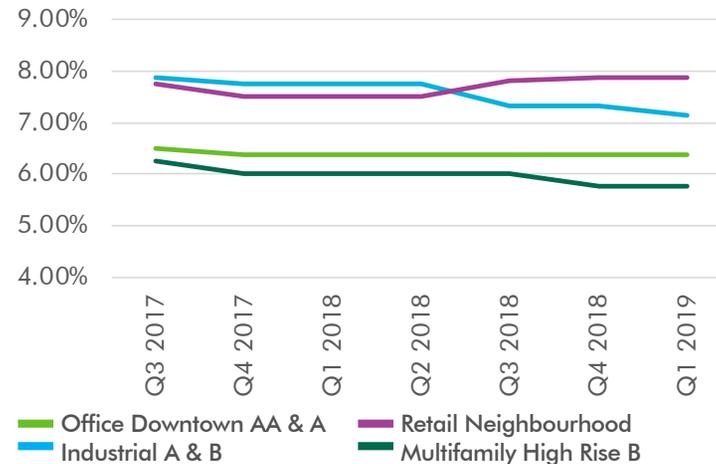


**Stéphane Hudon**

Vice President

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## Historical Quebec City Cap Rates



## Q1 2019 CAP RATES

### DOWNTOWN OFFICE ΔQ/Q

AA	N/A	
A	6.00% - 6.75%	◀▶
B	6.25% - 7.50%	◀▶

### SUBURBAN OFFICE

A	6.25% - 7.00%	◀▶
B	6.50% - 7.25%	◀▶

### INDUSTRIAL

A	6.00% - 7.00%	▼
B	7.00% - 8.50%	▼

### RETAIL

Regional	5.75% - 6.75%	◀▶
Power	6.50% - 7.50%	◀▶
Neighbourhood	7.25% - 8.50%	◀▶
Strip	6.25% - 7.50%	◀▶
Strip (non-anchored)	6.75% - 7.75%	◀▶
Urban Streetfront	N/A	
High Street	N/A	

### MULTIFAMILY

High Rise A	4.25% - 5.25%	◀▶
High Rise B	5.25% - 6.25%	◀▶
Low Rise A	4.75% - 5.50%	◀▶
Low Rise B	5.25% - 6.25%	◀▶

### HOTEL

Downtown Full Service	7.25% - 8.50%	◀▶
Suburban Limited Service	8.00% - 9.00%	◀▶
Focused Service	7.50% - 9.00%	◀▶

# Halifax

- Halifax posted an unemployment rate of 4.9% as of February 2019, one of the lowest for major metropolitan centres across Canada.
- Even with 1,700 new units added to the rental universe in 2018, the apartment vacancy rate in Halifax has reached a new low of 1.6% and landlords continue to see steady rent growth.
- Investment activity is expected to increase in Halifax in 2019 as some larger owners look to cull their portfolios.



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## Historical Halifax Cap Rates



## Q1 2019 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	N/A	
A	6.25% - 6.75%	◀▶
B	7.00% - 7.50%	◀▶
SUBURBAN OFFICE		
A	6.50% - 7.50%	◀▶
B	7.50% - 8.00%	◀▶
INDUSTRIAL		
A	6.00% - 6.50%	▼
B	7.00% - 7.50%	▼
RETAIL		
Regional	5.75% - 6.25%	◀▶
Power	6.25% - 7.25%	◀▶
Neighbourhood	7.00% - 8.00%	◀▶
Strip	6.25% - 7.50%	◀▶
Strip (non-anchored)	7.50% - 8.50%	◀▶
Urban Streetfront	6.50% - 7.50%	◀▶
High Street	N/A	
MULTIFAMILY		
High Rise A	4.75% - 5.25%	◀▶
High Rise B	5.00% - 5.50%	◀▶
Low Rise A	4.75% - 5.25%	◀▶
Low Rise B	5.25% - 5.75%	◀▶
HOTEL		
Downtown Full Service	7.25% - 8.75%	◀▶
Suburban Limited Service	8.00% - 9.00%	◀▶
Focused Service	7.50% - 9.00%	◀▶

# Q1 2019 Canadian Cap Rates $\Delta$ Q/Q

DOWNTOWN OFFICE	VICTORIA	VANCOUVER	CALGARY	EDMONTON	SASKATOON	WINNIPEG	LONDON-WINDSOR
AA	N/A	3.75% - 4.00% $\triangleleft\triangleright$	5.25% - 5.75% $\triangleleft\triangleright$	5.50% - 6.00% $\triangleleft\triangleright$	N/A	N/A	N/A
A	4.75% - 5.25% $\triangleleft\triangleright$	3.75% - 4.25% $\triangleleft\triangleright$	6.25% - 7.00% $\triangleleft\triangleright$	6.75% - 7.50% $\triangleleft\triangleright$	6.50% - 7.25% $\triangleleft\triangleright$	5.50% - 6.00% $\triangleleft\triangleright$	6.50% - 8.50% $\triangleleft\triangleright$
B	5.25% - 5.75% $\triangleleft\triangleright$	4.00% - 4.50% $\triangleleft\triangleright$	7.75% - 8.50% $\triangleleft\triangleright$	8.00% - 10.00% $\triangleleft\triangleright$	7.25% - 8.25% $\triangleleft\triangleright$	6.50% - 7.00% $\triangleleft\triangleright$	8.00% - 9.00% $\triangleleft\triangleright$
<b>SUBURBAN OFFICE</b>							
A	5.00% - 5.50% $\triangleleft\triangleright$	4.75% - 5.50% $\triangleleft\triangleright$	6.25% - 6.75% $\triangleleft\triangleright$	6.75% - 7.50% $\triangleleft\triangleright$	6.50% - 7.25% $\triangleleft\triangleright$	6.50% - 7.00% $\triangleleft\triangleright$	7.50% - 8.00% $\triangleleft\triangleright$
B	5.25% - 5.75% $\triangleleft\triangleright$	5.25% - 6.00% $\triangleleft\triangleright$	7.50% - 8.25% $\triangleleft\triangleright$	7.50% - 8.00% $\triangleleft\triangleright$	7.25% - 8.00% $\triangleleft\triangleright$	7.00% - 7.50% $\triangleleft\triangleright$	8.00% - 8.50% $\triangleleft\triangleright$
<b>INDUSTRIAL</b>							
A	4.75% - 5.25% $\nabla$	3.50% - 4.00% $\triangleleft\triangleright$	5.00% - 5.50% $\triangleleft\triangleright$	5.25% - 5.75% $\triangleleft\triangleright$	6.25% - 7.00% $\triangleleft\triangleright$	6.00% - 6.50% $\triangleleft\triangleright$	6.30% - 7.50% $\triangleleft\triangleright$
B	5.00% - 5.50% $\nabla$	4.25% - 4.75% $\triangleleft\triangleright$	5.75% - 6.25% $\triangleleft\triangleright$	6.50% - 7.00% $\triangleleft\triangleright$	6.75% - 7.25% $\triangleleft\triangleright$	6.50% - 7.25% $\triangleleft\triangleright$	7.50% - 8.50% $\triangleleft\triangleright$
<b>RETAIL</b>							
Regional	4.75% - 5.75% $\blacktriangle$	4.00% - 4.50% $\triangleleft\triangleright$	4.75% - 5.50% $\blacktriangle$	5.00% - 5.50% $\triangleleft\triangleright$	5.00% - 5.75% $\triangleleft\triangleright$	5.50% - 6.00% $\triangleleft\triangleright$	6.25% - 7.00% $\triangleleft\triangleright$
Sector/Power	5.00% - 6.00% $\blacktriangle$	5.00% - 5.00% $\triangleleft\triangleright$	5.75% - 6.25% $\blacktriangle$	6.25% - 6.75% $\triangleleft\triangleright$	5.00% - 5.75% $\triangleleft\triangleright$	6.00% - 6.50% $\triangleleft\triangleright$	6.25% - 7.00% $\triangleleft\triangleright$
Neighborhood	5.00% - 5.50% $\triangleleft\triangleright$	5.00% - 5.50% $\triangleleft\triangleright$	5.50% - 6.00% $\blacktriangle$	6.25% - 6.75% $\triangleleft\triangleright$	5.75% - 6.50% $\triangleleft\triangleright$	6.50% - 7.00% $\triangleleft\triangleright$	6.25% - 7.75% $\triangleleft\triangleright$
Strip	5.00% - 5.50% $\triangleleft\triangleright$	4.00% - 5.00% $\triangleleft\triangleright$	5.50% - 6.00% $\blacktriangle$	5.75% - 6.25% $\triangleleft\triangleright$	6.00% - 6.75% $\triangleleft\triangleright$	6.25% - 6.75% $\triangleleft\triangleright$	6.25% - 7.25% $\triangleleft\triangleright$
Non-anchored Strip Mall	5.25% - 5.75% $\triangleleft\triangleright$	5.00% - 5.50% $\triangleleft\triangleright$	5.75% - 6.25% $\triangleleft\triangleright$	6.25% - 6.75% $\nabla$	6.75% - 7.25% $\triangleleft\triangleright$	6.75% - 7.50% $\triangleleft\triangleright$	6.25% - 7.75% $\triangleleft\triangleright$
Urban Streetfront	4.75% - 5.25% $\triangleleft\triangleright$	3.75% - 4.25% $\triangleleft\triangleright$	5.50% - 6.25% $\blacktriangle$	6.00% - 6.50% $\triangleleft\triangleright$	6.50% - 7.00% $\triangleleft\triangleright$	6.00% - 6.75% $\triangleleft\triangleright$	7.00% - 8.50% $\triangleleft\triangleright$
High Street	4.50% - 5.00% $\triangleleft\triangleright$	3.50% - 4.00% $\triangleleft\triangleright$	N/A	N/A	N/A	N/A	N/A
<b>MULTIFAMILY</b>							
High Rise A	N/A	2.50% - 3.00% $\triangleleft\triangleright$	4.00% - 4.50% $\triangleleft\triangleright$	4.00% - 4.50% $\triangleleft\triangleright$	N/A	N/A	4.75% - 5.50% $\triangleleft\triangleright$
High Rise B	3.25% - 3.75% $\triangleleft\triangleright$	3.00% - 3.50% $\triangleleft\triangleright$	4.25% - 4.75% $\triangleleft\triangleright$	4.50% - 5.00% $\triangleleft\triangleright$	5.00% - 5.50% $\triangleleft\triangleright$	5.00% - 5.50% $\triangleleft\triangleright$	5.25% - 6.50% $\triangleleft\triangleright$
Low Rise A	3.50% - 4.00% $\triangleleft\triangleright$	2.75% - 3.25% $\triangleleft\triangleright$	4.50% - 5.00% $\triangleleft\triangleright$	5.25% - 5.75% $\blacktriangle$	5.25% - 5.75% $\triangleleft\triangleright$	5.25% - 5.75% $\triangleleft\triangleright$	5.00% - 6.75% $\triangleleft\triangleright$
Low Rise B	4.00% - 4.50% $\triangleleft\triangleright$	3.25% - 4.25% $\triangleleft\triangleright$	4.75% - 5.25% $\triangleleft\triangleright$	5.50% - 6.00% $\triangleleft\triangleright$	6.00% - 6.50% $\triangleleft\triangleright$	5.50% - 6.00% $\triangleleft\triangleright$	6.00% - 7.25% $\triangleleft\triangleright$
<b>HOTEL</b>							
Downtown Full Service	5.50% - 7.00% $\triangleleft\triangleright$	4.50% - 6.00% $\triangleleft\triangleright$	6.75% - 8.50% $\triangleleft\triangleright$	7.00% - 8.50% $\triangleleft\triangleright$	7.25% - 8.75% $\triangleleft\triangleright$	7.00% - 8.50% $\triangleleft\triangleright$	7.50% - 8.75% $\triangleleft\triangleright$
Suburban Limited Service	7.50% - 8.50% $\triangleleft\triangleright$	6.50% - 7.50% $\triangleleft\triangleright$	7.75% - 9.00% $\triangleleft\triangleright$	8.25% - 9.25% $\triangleleft\triangleright$	8.50% - 9.75% $\triangleleft\triangleright$	8.00% - 9.50% $\triangleleft\triangleright$	8.00% - 9.00% $\triangleleft\triangleright$
Focused Service	7.00% - 8.50% $\triangleleft\triangleright$	6.00% - 7.50% $\triangleleft\triangleright$	7.25% - 9.00% $\triangleleft\triangleright$	7.75% - 9.25% $\triangleleft\triangleright$	8.00% - 9.50% $\triangleleft\triangleright$	7.50% - 8.75% $\triangleleft\triangleright$	7.75% - 9.00% $\triangleleft\triangleright$

# Q1 2019 Canadian Cap Rates $\Delta$ Q/Q

	KITCHENER-WATERLOO	TORONTO	OTTAWA	MONTREAL	QUEBEC CITY	HALIFAX
<b>DOWNTOWN OFFICE</b>						
AA	N/A	4.00% - 4.50% $\triangleleft\triangleright$	4.75% - 5.25% $\triangleleft\triangleright$	4.50% - 5.00% $\triangle$	N/A	N/A
A	6.00% - 7.00% $\triangleleft\triangleright$	4.25% - 4.75% $\triangleleft\triangleright$	5.00% - 5.50% $\triangleleft\triangleright$	5.00% - 5.50% $\triangleleft\triangleright$	6.00% - 6.75% $\triangleleft\triangleright$	6.25% - 6.75% $\triangleleft\triangleright$
B	6.50% - 7.25% $\triangleleft\triangleright$	4.75% - 5.25% $\triangleleft\triangleright$	5.75% - 6.25% $\triangleleft\triangleright$	5.75% - 6.25% $\triangle$	6.25% - 7.50% $\triangleleft\triangleright$	7.00% - 7.50% $\triangleleft\triangleright$
<b>SUBURBAN OFFICE</b>						
A	6.00% - 7.00% $\triangleleft\triangleright$	5.75% - 6.50% $\triangle$	6.25% - 6.75% $\triangle$	5.50% - 6.25% $\triangledown$	6.25% - 7.00% $\triangleleft\triangleright$	6.50% - 7.50% $\triangleleft\triangleright$
B	6.50% - 7.25% $\triangledown$	6.75% - 7.50% $\triangle$	7.00% - 7.50% $\triangle$	6.75% - 7.50% $\triangleleft\triangleright$	6.50% - 7.25% $\triangleleft\triangleright$	7.50% - 8.00% $\triangleleft\triangleright$
<b>INDUSTRIAL</b>						
A	5.50% - 6.10% $\triangleleft\triangleright$	4.00% - 4.50% $\triangleleft\triangleright$	4.50% - 5.00% $\triangleleft\triangleright$	4.50% - 5.25% $\triangledown$	6.00% - 7.00% $\triangledown$	6.00% - 6.50% $\triangledown$
B	5.50% - 7.00% $\triangledown$	5.00% - 6.00% $\triangleleft\triangleright$	5.50% - 6.50% $\triangleleft\triangleright$	5.50% - 6.50% $\triangledown$	7.00% - 8.50% $\triangledown$	7.00% - 7.50% $\triangledown$
<b>RETAIL</b>						
Regional	5.50% - 6.00% $\triangleleft\triangleright$	4.25% - 5.50% $\triangleleft\triangleright$	5.00% - 5.75% $\triangleleft\triangleright$	5.00% - 5.75% $\triangleleft\triangleright$	5.75% - 6.75% $\triangleleft\triangleright$	5.75% - 6.25% $\triangleleft\triangleright$
Sector/Power	5.75% - 6.50% $\triangleleft\triangleright$	6.00% - 7.00% $\triangleleft\triangleright$	6.00% - 6.75% $\triangleleft\triangleright$	6.00% - 6.75% $\triangleleft\triangleright$	6.50% - 7.50% $\triangleleft\triangleright$	6.25% - 7.25% $\triangleleft\triangleright$
Neighborhood	5.50% - 6.50% $\triangleleft\triangleright$	5.00% - 6.25% $\triangleleft\triangleright$	5.75% - 6.50% $\triangleleft\triangleright$	6.50% - 7.00% $\triangleleft\triangleright$	7.25% - 8.50% $\triangleleft\triangleright$	7.00% - 8.00% $\triangleleft\triangleright$
Strip	5.00% - 6.50% $\triangleleft\triangleright$	4.75% - 6.00% $\triangleleft\triangleright$	5.50% - 6.25% $\triangleleft\triangleright$	5.25% - 6.00% $\triangleleft\triangleright$	6.25% - 7.50% $\triangleleft\triangleright$	6.25% - 7.50% $\triangleleft\triangleright$
Non-anchored Strip Mall	5.00% - 6.75% $\triangleleft\triangleright$	6.00% - 7.00% $\triangleleft\triangleright$	6.50% - 7.50% $\triangleleft\triangleright$	7.00% - 7.75% $\triangleleft\triangleright$	6.75% - 7.75% $\triangleleft\triangleright$	7.50% - 8.50% $\triangleleft\triangleright$
Urban Streetfront	6.00% - 7.50% $\triangleleft\triangleright$	3.75% - 4.50% $\triangleleft\triangleright$	4.75% - 5.50% $\triangleleft\triangleright$	3.75% - 4.50% $\triangleleft\triangleright$	N/A	6.50% - 7.50% $\triangleleft\triangleright$
High Street	N/A	3.50% - 4.25% $\triangleleft\triangleright$	N/A	N/A	N/A	N/A
<b>MULTIFAMILY</b>						
High Rise A	4.25% - 4.50% $\triangledown$	3.00% - 3.75% $\triangleleft\triangleright$	3.50% - 3.75% $\triangleleft\triangleright$	3.75% - 4.25% $\triangledown$	4.25% - 5.25% $\triangleleft\triangleright$	4.75% - 5.25% $\triangleleft\triangleright$
High Rise B	4.25% - 4.75% $\triangledown$	3.50% - 4.00% $\triangleleft\triangleright$	4.00% - 4.25% $\triangleleft\triangleright$	4.25% - 4.75% $\triangledown$	5.25% - 6.25% $\triangleleft\triangleright$	5.00% - 5.50% $\triangleleft\triangleright$
Low Rise A	4.25% - 5.00% $\triangledown$	3.00% - 3.75% $\triangleleft\triangleright$	3.50% - 4.00% $\triangleleft\triangleright$	4.50% - 5.00% $\triangleleft\triangleright$	4.75% - 5.50% $\triangleleft\triangleright$	4.75% - 5.25% $\triangleleft\triangleright$
Low Rise B	4.50% - 5.25% $\triangledown$	3.50% - 4.00% $\triangleleft\triangleright$	4.25% - 4.75% $\triangleleft\triangleright$	5.00% - 5.50% $\triangledown$	5.25% - 6.25% $\triangleleft\triangleright$	5.25% - 5.75% $\triangleleft\triangleright$
<b>HOTEL</b>						
Downtown Full Service	7.50% - 8.50% $\triangleleft\triangleright$	4.50% - 6.00% $\triangleleft\triangleright$	7.00% - 8.00% $\triangleleft\triangleright$	7.00% - 8.00% $\triangleleft\triangleright$	7.25% - 8.50% $\triangleleft\triangleright$	7.25% - 8.75% $\triangleleft\triangleright$
Suburban Limited Service	8.00% - 9.00% $\triangleleft\triangleright$	7.00% - 8.50% $\triangleleft\triangleright$	7.75% - 8.75% $\triangleleft\triangleright$	7.75% - 8.75% $\triangleleft\triangleright$	8.00% - 9.00% $\triangleleft\triangleright$	8.00% - 9.00% $\triangleleft\triangleright$
Focused Service	7.50% - 8.50% $\triangleleft\triangleright$	7.00% - 8.00% $\triangleleft\triangleright$	7.50% - 8.50% $\triangleleft\triangleright$	7.50% - 8.75% $\triangleleft\triangleright$	7.50% - 9.00% $\triangleleft\triangleright$	7.50% - 9.00% $\triangleleft\triangleright$

# GLOSSARY OF TERMS:

**CAP RATE:** Estimates are provided by NIT members in respective markets based on market transactions and/or feedback from investors on their current yield expectations.

## Office/Industrial

**DOWNTOWN:** The neighborhoods in a metropolitan area which are the most densely populated, contain the highest concentration of businesses, offer access to a variety of urban amenities, and are typically well serviced by public transit.

**SUBURBAN:** The portion of a metropolitan area that is outside the city centre with a less concentrated population and typically lower density land use than is typically found in the metro's urban areas.

**CLASS AA (OFFICE ONLY):** The best quality office assets in a metropolitan area's downtown submarket. Typically, these properties are newer, larger than 800,000 sq. ft. with large floor plates, fully or near fully leased at or above markets rents to top quality tenants.

**CLASS A:** Properties competing for higher-quality tenants with above average rental rates for the area. Buildings are in good physical shape, are well situated and contain high-quality finishes, top class building systems and exceptional accessibility features.

**CLASS B:** Properties competing for a wide range of tenants with average or below average rents for the area. Buildings are in good to fair shape and suitable for tenants seeking functional space at discounted rates.

## Retail

**REGIONAL:** Enclosed malls which have strong anchors with a high percentage of National tenants in CRU space. Occupiers focus on general merchandise or fashion-oriented offerings. Properties are typically anchored by at least two large format tenants, including most often a department store.

**POWER CENTRES:** Unenclosed retail centres comprised of freestanding and mostly unconnected single storey properties or "big boxes", often including at least one large format brand name anchor tenant. Typically situated in a larger retail node but contain limited CRU space.

**COMMUNITY/NEIGHBORHOOD:** Enclosed or unenclosed shopping centres that serve a community and are generally anchored by some combination of a junior department store, supermarket, drug or sport store. Typically supply a wide range of apparel and soft goods.

**STRIP (ANCHORED):** Open-air centres anchored by either a grocery or major drugstore tenant. Designed to provide convenience shopping for the daily needs of consumers in the surrounding neighbourhood. Off-street parking typically offered on site.

**STRIP (NON-ANCHORED):** Open-air centre typically not anchored by either a grocery or drugstore tenant. Centres offer a narrow mix of goods and personal services to a limited trade area. Off-street parking typically offered on site.

**HIGH STREET RETAIL:** Self-contained streetfront properties centrally located along high-profile retail corridors. Properties are occupied by well-known brands at well above average rental rates. Parking is typically available on street or within a public parking structure.

**URBAN STREETFRONT:** Streetfront properties located side by side along major urban thoroughfares in close proximity to public transit. Properties may be occupied by a wide range of tenants at above average rental rates. Parking is typically available on street or within a public parking structure.

## Multifamily

**HIGH RISE:** Multi-unit high density properties typically 5 storeys and above in height.

**LOW RISE:** Multi-unit properties typically 4 storeys and below in height.

**CLASS A:** Newer properties which are situated in desirable neighbourhoods, well-served by public transit, demand above average rents, and are furnished with top of the line finishes and amenities.

**CLASS B:** Older properties which offer functional space with rental rates near to or below the market average.

## Hotel

**CAP RATES (HOTEL SPECIFIC):** Rates indicated are based on adjusted results after deduction of management fees and reserves for replacement

**FULL SERVICE:** Hotel properties offering an abundant provision of food and beverage services (meeting rooms and dining venues). Full service hotels also typically offer additional amenities such as room service, valet parking and concierge service. Examples of core brands would be Marriott, Hilton, Four Seasons.

**LIMITED SERVICE:** Hotel properties that are rooms focused and don't offer a wide variety of additional amenities or services. This category would include "budget" limited service assets that offer no-frills rooms at modest prices, as well as more robust limited service properties that might offer a fitness room, a guest laundry facility, a market pantry, an indoor and/or outdoor pool, and/or a small meeting room. Examples would include Comfort Inn, Days Inn, Super 8.

**FOCUSED SERVICE:** Focused service hotels (also referred to as select service hotels) offer the fundamentals of limited-service properties together with a selection of the services and amenities characteristic of full-service properties. They may offer food and beverage facilities but on a less elaborate scale than one would find at full-service hotels. Extended Stay/All-Suite hotels are included in this sample. Examples would include Hampton Inn, Holiday Inn Express, Residence Inn.

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