Q2 2022

Canada Cap Rate Report

Accelerating success.

National Investment Trends

Q2 2022

Rate increases and the associated bond yield rises are the main story in the investment market. The "emergency rates" environment of COVID is clearly over, and an unprecedented level of inflation has forced the Bank of Canada to raise rates more aggressively than in the past. While the overnight rate is still not unusually high by historical standards, the speed of hikes has been surprising, as the Bank struggles to get a handle on spiraling prices. Inflation has reached near record levels, and impacted real estate at all levels, from construction costs, escalating wages for construction, and rapidly rising government fees. Inflation is not contained to a single area and is impacting food, gasoline, travel, wages, automobiles, housing and consumer products. This inflationary environment, combined with aggressive action from the US Federal Reserve, will likely force the bank of Canada to continue raising rates. The current overnight rate of 2.5% is the highest in 14 years, and bond yields are similarly at a 12-year high.

Cap rates began to rise for the first time in years, with the continued hangover of COVID restrictions and a changing rate environment combining to increase rates. As bond yields rapidly rose in Q2, the possibility of negative leverage appeared for very hot assets (depending on the loan conditions and spreads). To date the cap rate increases have been mild but it's likely we see a continued rise in subsequent quarters to reflect the new debt environment. We expect a cooler transaction market for Q3 as investors digest the higher rate environment, and possibly "wait and see" for further hikes from the Bank of Canada.

Office occupancy rose significantly in most markets but the return to office has been slower than expected. The office market is at an inflection point, where the future is unclear regarding work-from-home and hybrid work. Because office occupancy is generally at a low during the summer in Canada, it may be difficult to assess the trajectory of return to office until Q3 2022. Toronto office occupancy was at a 2-year high in June 2022 but still less than 30 percent of pre-COVID norms. The hesitancy to ride transit is impacting major markets more significantly. However, downtown A office rates remain below 5% in Vancouver and Toronto despite these headwinds.

The leasing market remains extraordinarily strong for industrial especially, with availability rates for several Canadians market (Toronto, Victoria, Vancouver) among the lowest in the world. Rent growth has been explosive in many industrial markets (Montreal especially) and with availability below 2% in many markets, we predict further rent growth even with macro headwinds. Cap rates for industrial remain low based on the strong market fundamentals, with land shortages, rent growth and expanding ecommerce.

Multi-family has remained hot and now represents a much larger investment class nationally than office, which has not historically been the case. As inflation becomes a major concern, multi-family can be attractive due to the short nature of leases compared to other assets. While rent control regulations obviously complicate this calculation, the fundamentals favour multi-family, with record-high immigration levels and an increasingly out-of-reach market for single-family-homes expanding the pool of renters. Cap rates are at or below 5% in every market, the only asset at such low levels.

The appetite for redevelopment of suburban retail has driven some deal volume in retail; as the housing shortage intensifies in Canada, governments are increasingly receptive to large mixed-use developments in place of suburban malls. Retail cap rates for less desirable assets and markets are approaching 7 percent, the highest of any asset class.

Key Findings

Despite inflationary and interest rate hike concerns, the national all asset average cap rate continues to edge down.

- Rates have risen sharply and seem poised to continue rising, creating a very different borrowing environment than 2021.
- Return to office is still a large question mark in most markets, where the future of hybrid work and office leasing is still in question.
- Industrial and multi-family still have very strong fundamentals, but the low cap rates risk creating a negative leverage situation for some investors.

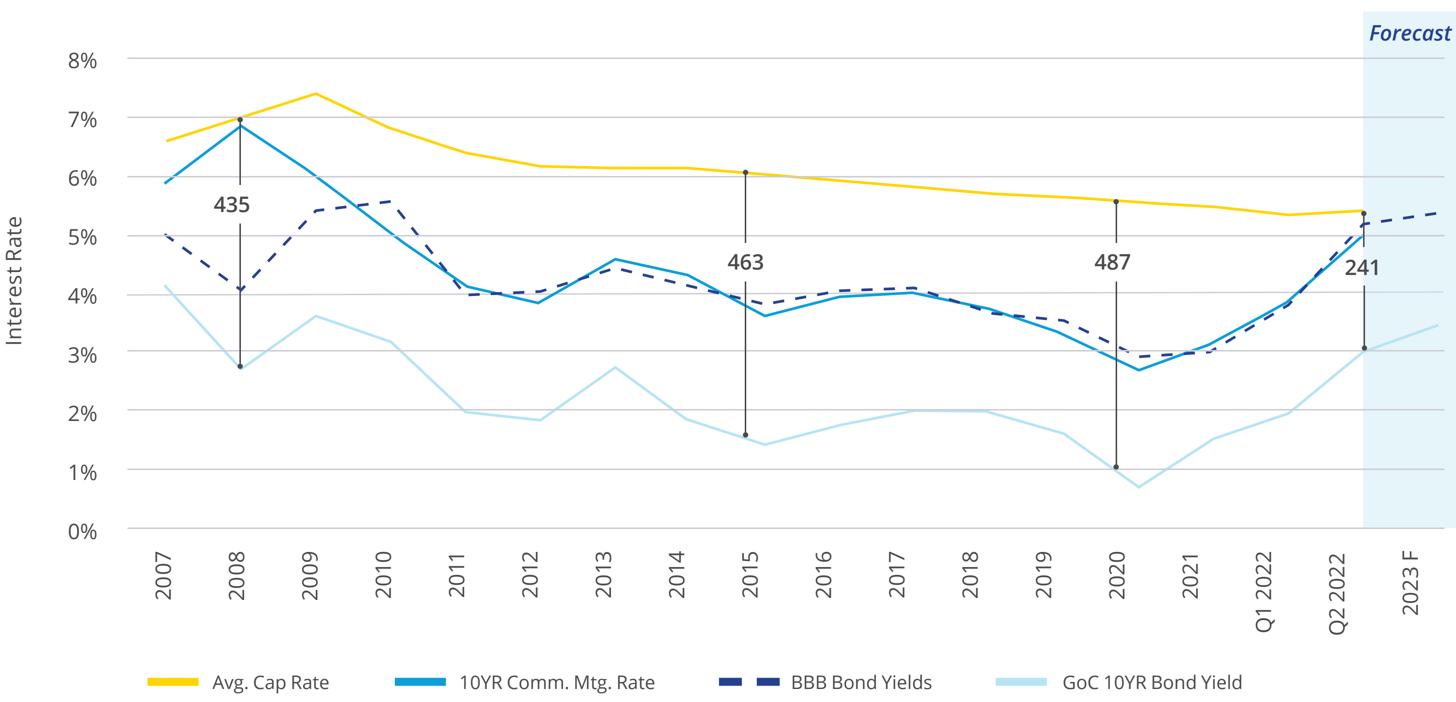
Hotels Q2 Cap Rate Report

Canadian hotel operating performance continued improving in Q2 with each month gaining ground on pre-covid RevPAR metrics, according to STR. Operational improvement has been led by an impressive rebound in average rates which trended above 2019 levels month over month; however, occupancy metrics remain below normalized levels. With the recent rise in topline performance, investors for the most part are now focusing on monthly pacing this year and forecast stabilized performance for new acquisitions, balanced with price per key metrics.

Preliminary data indicates just north of $500 million of hotel real estate transacted in the first half of the year, compared with $784 million in 2021 and $470 million in 2020. What was anticipated to be a relatively strong year for hotel investment will likely be softened by a rising interest rate environment; although given overall positive operating fundamentals, a diverse range of lenders are committed to the hotel space. Further details on Q2 transaction trends will be released in the Q2 2022 INNvestment Canada Hotel Report in July 2022.

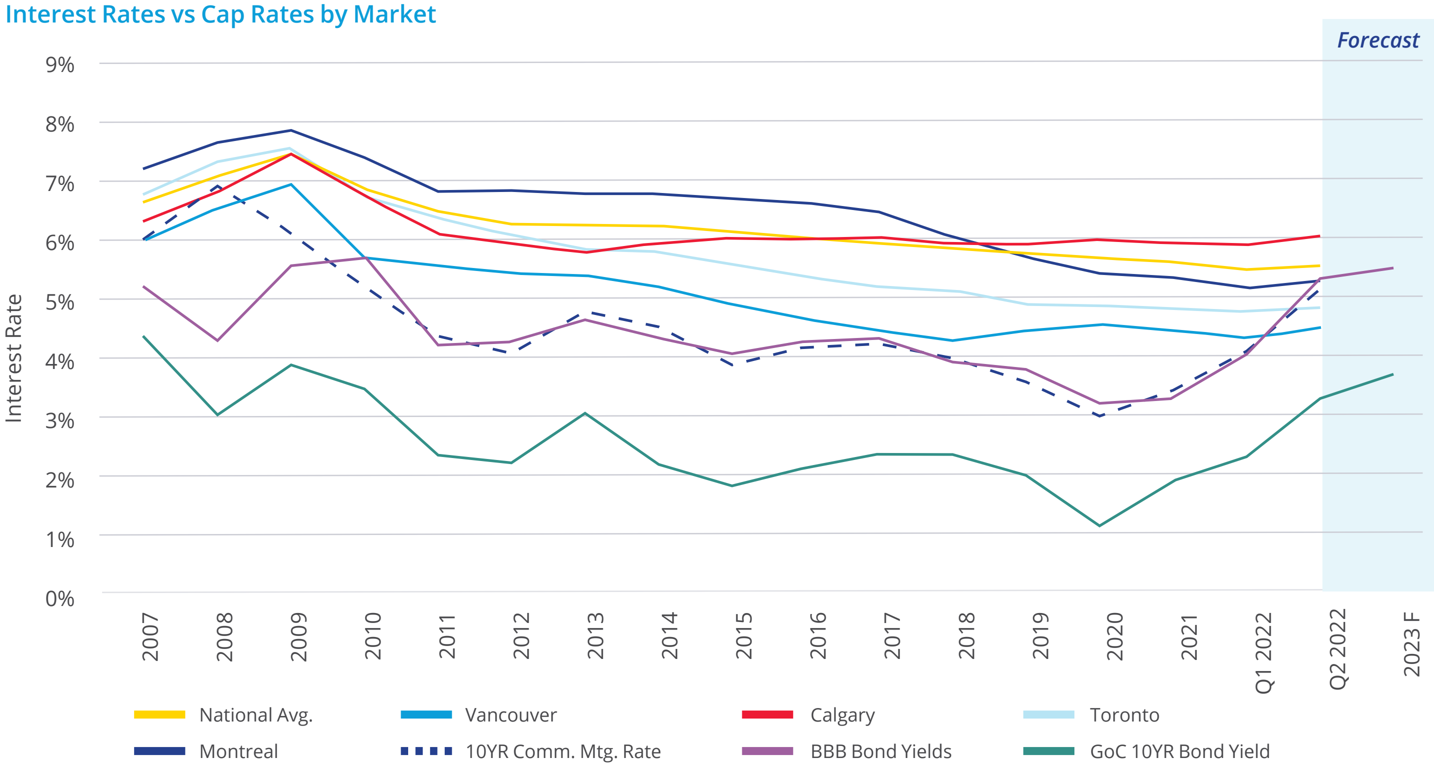
Interest Rates vs Cap Rates

Bond yields rose sharply this quarter, closing the gap to the national all-asset cap rate, now at 241bps.



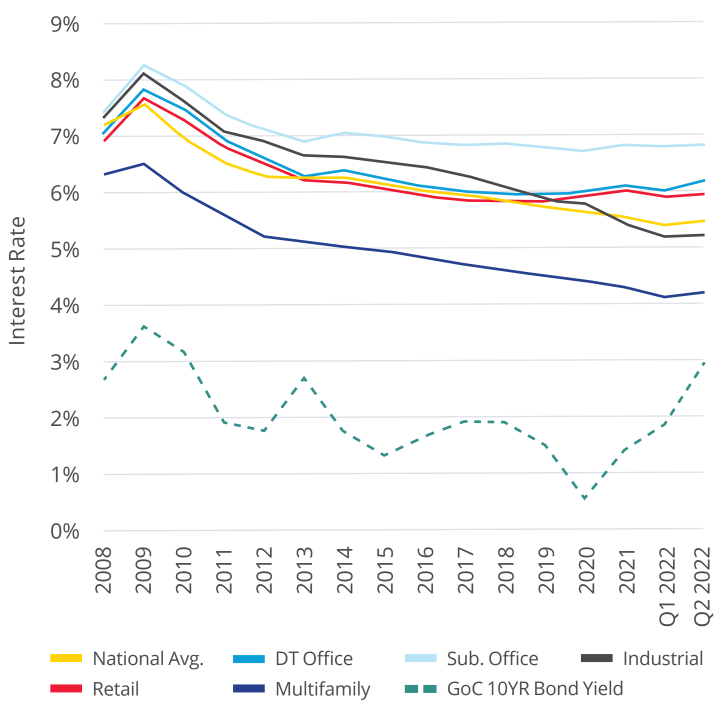
Source: Colliers Cap Rate Report, Q2 2022, Bank of Canada and Big 6 Banks, July 2022

Interest Rates vs Cap Rates by Market



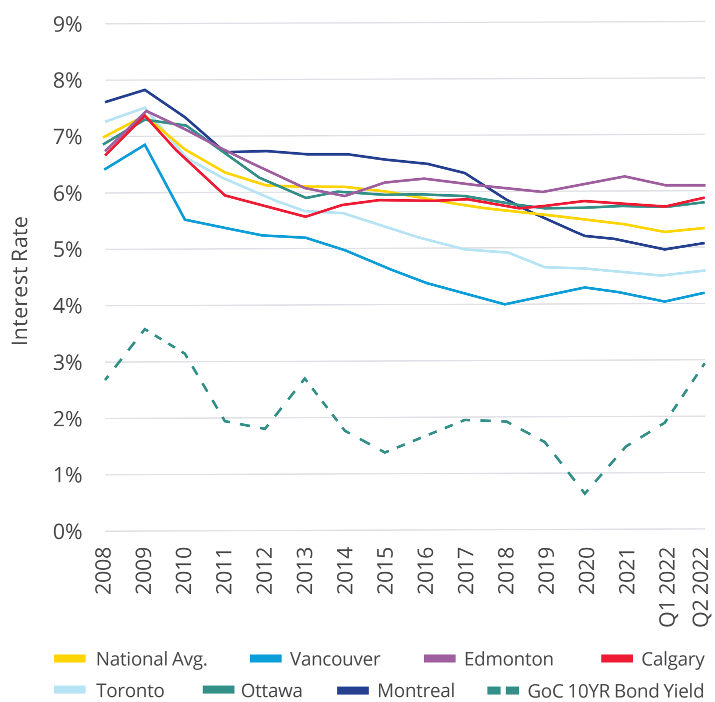
Source: Colliers Cap Rate Report, Q2 2022, Bank of Canada and Big 6 Banks, July 2022

Average National Cap Rates by Asset Type



Average National Cap Rates by Market

- Vancouver spread at 126 bps, 154 bps below 15-yr avg.
- Calgary spread at 295 bps, 101 bps below 15-yr avg.
- Toronto spread at 165 bps, 181 bps below 15-yr avg.
- Montreal spread at 369 bps, 130 bps below 15-yr avg.



Source: Colliers Cap Rate Report, Q2 2022, Bank of Canada, July 2022

Toronto

Q2 2022

What's Trending?

- Sellers across most markets and assets classes in the GTA are having to realign their expectations as a result of the shifting lending environment, and those that can be flexible are still managing to complete transactions.
- GTA Industrial assets are expected to be one of the more resilient asset classes during this time of rising interest rates, as continued increases in rental rates are anticipated to offset most of the increases in yield expectations as investors navigate the evolving debt landscape.
- Several larger Mississauga office assets traded early in the quarter totaling just over $353 million in sales. Three of the five transactions involved Crown Properties who acquired a total of six buildings from Orlando Corp and also sold one to Soneil Investments. The buildings purchased by Crown were all located in the Heartland Business Park and had an average price per foot of $219 which was reflective of the occupancy levels at the properties.
- Multi-Family activity in the GTA continues to trend upwards as total sales volume increased by roughly 8% on a year over year basis from the same period last year. As housing affordability levels decrease the demand for rentals could increase even further.
- Retail vacancies are still just above pre-pandemic figures but have been steadily trending downwards in recent quarters which is also pushing up rental rates for prime locations. These trends will help boost investor confidence in the sector, but demand is still expected to be heavily weighted towards top tier assets with strong covenants and national tenants.

Downtown Office					
Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
4.50%	5.00%	4.75%	5.50%	◄►	◄►

Suburban Office					
Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.00%	6.75%	6.50%	7.25%	▲	▲

Industrial					
Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
3.75%	4.25%	4.00%	4.50%	◄►	◄►

Retail								
Regional/ Power		Grocery/ Community		Neighbourhood/ Strip		Q3 Prediction		
Low	High	Low	High	Low	High	R	G	N
4.75%	5.50%	5.00%	6.25%	4.75%	6.00%	▲	▲	▲

Multi-Family Apartment					
High-Rise		Low-Rise		Q3 Prediction	
Low	High	Low	High	H	L
3.00%	3.75%	3.00%	3.75%	▲	▲

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Montréal

Q2 2022

What's Trending?

- The industrial market continued its strong growth in terms of rental rates as well as overall values. The first six months of 2022 has seen even larger growth in net rents and although transactional volumes have slowed, it is more due to a lack of product than interest. Properties are trading off market with many direct deals taking place. This lack of sale inventory has caused prices to increase for both investment properties as well as owner-occupier inventory.
- The office market was relatively calm with very little transactions occurring since the Cominar transaction that lead 2022. Office rents have stabilized, and landlords are looking to fill the anticipated negative absorption throughout 2022 that the pandemic had created. Occupancy rates have yet to return to pre-COVID levels but with the removing of many of the restrictions and a more leveled response to the pandemic, hybrid work is expected to be the norm for at least the next 2 to 4 quarters.
- The retail sector had seen an increase of sales activity throughout 2021 which has continued into 2022. Although the pandemic had affected the retail sector over since the beginning of the pandemic, in general the Quebec Government has tried to support the retail sector by keeping businesses open but enforcing strict health measures. Sales volumes in Q2 2022 were somewhat limited, however, those limited transactions that did occur did not see any upward pressure on capitalization rates.
- The multi-family markets have remained consistent with low-rise multi-family being traded at unprecedented rates. High-rise multi-family transactions have been limited due to a lack of available product. The recent increase in the Bank of Canada's overnight rate is expected to have an impact on the multifamily sector, as fixed rate mortgages have seen a dramatic increase in their borrowing rates. This is expected to impact capitalization rates in the short to mid-term.

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Downtown Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
5.00%	5.75%	5.50%	6.25%	▲	▲

Suburban Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.25%	7.00%	7.00%	7.50%	▲	▲

Industrial

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
3.25%	4.50%	4.00%	4.75%	▲	▲

Retail

Regional/ Power		Grocery/ Community		Neighbourhood/ Strip		Q3 Prediction		
Low	High	Low	High	Low	High	R	G	N
5.25%	6.50%	6.00%	7.00%	6.50%	7.50%	◄►	◄►	◄►

Multi-Family Apartment

High-Rise		Low-Rise		Q3 Prediction	
Low	High	Low	High	H	L
3.50%	4.50%	3.25%	4.00%	▲	▲

Vancouver

Q2 2022

What's Trending?

- Retail was the most active category for larger deals in Q2 2022. The largest transaction was the sale of Tsawwassen Mills in Delta. The purchase price was reported to be than the cost to construct the 1.2 million square foot centre. Other transactions of note include Il Mercato in Vancouver, Trenant Park Square in Delta, Logan Creek Plaza in Langley for $57.25 million and Mount Lehman Centre in Abbotsford for over $44 million.
- Industrial investment was quieter during the second quarter with the sale of 2870 Lake City Way in Burnaby for $29.5 million being the largest transaction. 6600 Fraserwood Place in Richmond sold for $17.5 million, or $564 per square foot.
- Office also saw some larger deals, including Concert Properties' acquisition of 1795 Willing Avenue in Burnaby for $112.5 million. The property is fully leased to the provincial government and has excellent long-term redevelopment potential. Canadian Urban also acquire 510 Seymour in Vancouver for an undisclosed sum, although pricing is expected to be in excess of $1,000 per square foot.
- Starlight completed the acquisition of Brydon Court, a newer 57-unit, purpose built low-rise building in Langley. Other multi-family transactions include 1265 Cardero Street in Vancouver's West End for $18.6 million and 3809 Albert Street in Burnaby for $12.5 million.

Downtown Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
3.50%	4.25%	3.50%	4.25%	▲	▲

Suburban Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
4.75%	6.00%	5.50%	6.50%	▲	▲

Industrial

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
3.50%	4.25%	3.75%	4.50%	▲	▲

Retail

Regional/ Power		Grocery/ Community		Neighbourhood/ Strip		Q3 Prediction		
Low	High	Low	High	Low	High	R	G	N
4.25%	6.50%	4.25%	5.75%	3.50%	5.25%	▲	▲	▲

Multi-Family Apartment

High-Rise		Low-Rise		Q3 Prediction	
Low	High	Low	High	H	L
2.50%	3.50%	2.75%	4.00%	▲	▲

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Calgary

Q2 2022

What's Trending?

- Calgary's resource sector continues to prosper as tight global supply puts upward pressure on commodity prices. Yields in Alberta remain attractive relative to other provinces, but interest rate hikes have undeniably had a cooling effect on demand and values for certain asset classes.
- Increased financing costs have put upward pressure on capitalization rates as leveraged returns have diminished without price adjustments. Further, debt service requirements have become more onerous at higher interest rates and loan to value threshold have been adjusted accordingly.
- As expected, there has been a slowdown in transaction velocity especially in distribution warehouse and multi-family assets which historically have the lowest yields.
- Mid-market and owner user asset values remain buoyant as there is limited supply for good quality developments.

Downtown Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.00%	7.00%	7.00%	9.00%	▲	▲

Suburban Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.25%	7.00%	7.00%	8.50%	▲	▲

Industrial

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
4.75%	5.75%	5.50%	7.00%	◀▶	◀▶

Retail

Regional/ Power		Grocery/ Community		Neighbourhood/ Strip		Q3 Prediction		
Low	High	Low	High	Low	High	R	G	N
5.25%	6.25%	5.25%	6.25%	5.50%	6.75%	▲	▲	▲

Multi-Family Apartment

High-Rise		Low-Rise		Q3 Prediction	
Low	High	Low	High	H	L
4.50%	5.00%	4.75%	5.50%	◀▶	◀▶

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Edmonton

Q2 2022

What's Trending?

- The office market in Metropolitan Edmonton appears to have stabilized and improvements are expected this year. The overall vacancy rate was 18.6% during the first quarter of 2022, which is the same vacancy rate recorded during Q1 2021. Despite the nascent optimism, this asset class remains weak, absorption is low, and investment demand is minimal.
- The vacancy rate for industrial properties declined to 4.6% in the first quarter of 2022. This is the lowest level since 2015. Demand remains high and construction is brisk despite elevated prices. Capitalization rates have declined significantly over the past two years but will most likely plateau during 2022 due to rising financing costs.
- The retail investment market remained buoyant through the pandemic despite minor increases to vacancy levels. The departure of restrictions, coupled with a strong provincial economy, is causing high demand for retail assets in the metro area. Capitalization rates, for best quality product, are below 6.0% in some cases and should stabilize at this level.
- The Edmonton multi-family market appears to be gathering strength this year due to high levels of inter provincial and international immigration, limited new supply, and rising rents. Local capitalization rates are particularly appealing to Ontario and British Columbia investors due to the premiums they offer in conjunction with healthy economic conditions.

Downtown Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.75%	8.00%	7.25%	9.00%	◄►	◄►

Suburban Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.75%	7.75%	7.00%	8.50%	◄►	◄►

Industrial

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
5.50%	6.50%	6.00%	7.00%	◄►	◄►

Retail

Regional/ Power		Grocery/ Community		Neighbourhood/ Strip		Q3 Prediction		
Low	High	Low	High	Low	High	R	G	N
5.50%	6.50%	5.50%	6.50%	5.75%	6.75%	◄►	◄►	◄►

Multi-Family Apartment

High-Rise		Low-Rise		Q3 Prediction	
Low	High	Low	High	H	L
4.00%	5.00%	4.25%	5.50%	◄►	◄►

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Ottawa

Q2 2022

What's Trending?

- The recent rise in interest rates has had an immediate impact on sales activity in the City of Ottawa. Many buyers are reducing their offer prices in the face of increased financings costs and it is expected that a rise in capitalization rates is imminent.
- Sales activity has begun to slow as a result of the increased financing costs and there is expected to be a transition period where owners come to terms with the impact of the interest rate increases. With that, it's likely that there will be a gap between vendor value expectations and what buyers are willing to pay for assets in the near term which will reduce sales activity.
- Demand for assets with solid tenant covenants and / or good upside potential remains strong and it is expected that buyers will be increasingly looking for assets with good upside potential to help offset an increased cost of financing.
- Construction costs remain at record high levels which combined with increased financing costs is expected to result in many proposed projects being put on hold until such a time as construction costs reduce or financing costs stabilize. With that, given the increased cost of housing in Ottawa many developers are exploring condominium developments as an alternative to conventional apartment rental projects.
- Demand for industrial space throughout the City remains high with rental rates continuing to escalate and supply remaining low. It's likely that capitalization rates for industrial assets will stay more stable as a result of this increased demand.

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Downtown Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
5.50%	6.75%	6.50%	7.50%	▲	▲

Suburban Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.50%	7.50%	7.00%	7.75%	▲	▲

Industrial

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
5.00%	6.25%	5.75%	6.50%	◀▶	◀▶

Retail

Regional/ Power		Grocery/ Community		Neighbourhood/ Strip		Q3 Prediction		
Low	High	Low	High	Low	High	R	G	N
6.00%	6.75%	6.00%	6.75%	6.00%	7.00%	▲	▲	▲

Multi-Family Apartment

High-Rise		Low-Rise		Q3 Prediction	
Low	High	Low	High	H	L
4.00%	4.75%	3.75%	4.75%	▲	▲

Winnipeg

Q2 2022

What's Trending?

- With the rise of interest rates over the past few months, transaction volume appears to be slowing in some sectors. Not enough time has passed to see the impact of rising interest rates on the Winnipeg market; however in the past when interest rates have increased, transaction volumes have slowed but cap rates have remained fairly steady. We may see a 0.25%-0.5% increase of cap rates over time if interest rates remain elevated, but it will take some time to see if this is the case. For now, industrial demand remains strong with multi-family, retail and office sales being on the slower side.

Downtown Office					
Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.00%	6.75%	6.25%	7.00%	◄►	◄►

Suburban Office					
Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
–	–	6.00%	6.75%	◄►	◄►

Industrial					
Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
5.75%	6.50%	6.00%	6.75%	◄►	◄►

Retail								
Regional/ Power		Grocery/ Community		Neighbourhood/ Strip		Q3 Prediction		
Low	High	Low	High	Low	High	R	G	N
6.00%	6.50%	6.00%	6.75%	6.00%	6.75%	◄►	◄►	◄►

Multi-Family Apartment					
High-Rise		Low-Rise		Q3 Prediction	
Low	High	Low	High	H	L
5.00%	6.00%	5.00%	6.00%	◄►	◄►

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Halifax

Q2 2022

What's Trending?

- Labour shortages continue to impact a broad variety of industries, impacting many services resulting in longer wait times/ delays. Resumption of pre-pandemic levels of immigration may help offset this to some degree.
- Supply for preferred asset classes such as apartments, necessity retail, and industrial are limited. Consolidation of ownership in the Burnside Industrial Park continues with the recent acquisition of 21 industrial properties by a joint venture between Crestpoint & PRO REIT resulting in a total of 42 owned properties in Burnside totaling 3.1 million square feet.
- Availability of land for new development is limited in many areas, particularly approved land at city-edge locations and industrial parks. This lack of supply is causing a chain reaction as there are more buyers pursuing alternative development sites, along with a continuation of development interest from outside of the region. The cost of land has increased, and along with the higher cost of construction has resulted in increased overall costs that has compressed overall cap rates. In many instances, the market rents are also moving to where they need to be to support continued development.
- Due to recent rate hikes owners have been locking in mortgage renewals and completing any pending acquisitions to secure financing before anticipated additional upward movement. In some instances, the potential for higher cost of capital may result in cap rate compression as investors are more anxious to complete deals taking advantage of current rates. The relatively more affordable Atlantic investment market may serve to partially offset or delay the impact of rate hikes on rates of return relative to the rest of the country.

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Downtown Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.50%	7.25%	7.25%	8.25%	◀▶	◀▶

Suburban Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.50%	7.25%	7.25%	8.25%	◀▶	◀▶

Industrial

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
5.00%	6.00%	5.50%	7.00%	◀▶	◀▶

Retail

Regional/ Power		Grocery/ Community		Neighbourhood/ Strip		Q3 Prediction		
Low	High	Low	High	Low	High	R	G	N
5.50%	6.25%	6.25%	7.50%	6.00%	7.25%	▲	▲	▲

Multi-Family Apartment

High-Rise		Low-Rise		Q3 Prediction	
Low	High	Low	High	H	L
4.00%	4.50%	4.25%	4.50%	◀▶	◀▶

Victoria

Q2 2022

What's Trending?

- Balancing concerns of rising interest rates to limit increasing inflation and the ongoing disruptions in supply chains, Q2 2022 activity indicated there remains to be general investor confidence in the Victoria investment market.
- Following the height of the pandemic, the return to office protocol was less fulsome than expected with many workers choosing a hybrid work scenario. Despite this vacancy rates in the office sector are on the decline, with rental rates on the rise
- The industrial market remains highly competitive, with continued low vacancy rates and rising net asking rents due to a lack of supply, which is being addressed with new construction mainly in the Westshore.
- The $10.25M sale of 2311-2315 Government Street and 616-630 Queens Avenue, an industrial site with holding income, traded at a below market cap rate.
- The $16.3M sale of 1101 Yates this quarter to Jawl Properties is considered a medium-term redevelopment play with holding income from the existing automotive dealership for the approximately one acre site.
- The multifamily market remains strong, although it is worth noting the lower capitalization rates for existing assets are a challenge for investors as a hedge against rising inflation.
- 971 Market Street, a 33 unit rental apartment sold at $9.35M reporting a market typical cap rate of approximately 3.5%.
- Indications of overall confidence in the Greater Victoria investment market remain positive for the third quarter of 2022.

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Downtown Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
5.00%	5.25%	5.25%	5.50%	◄►	◄►

Suburban Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
5.25%	5.50%	5.50%	5.75%	◄►	◄►

Industrial

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
3.75%	4.25%	4.00%	4.75%	◄►	◄►

Retail

Regional/ Power		Grocery/ Community		Neighbourhood/ Strip		Q3 Prediction		
Low	High	Low	High	Low	High	R	G	N
5.25%	5.50%	5.00%	5.25%	5.00%	5.25%	◄►	◄►	◄►

Multi-Family Apartment

High-Rise		Low-Rise		Q3 Prediction	
Low	High	Low	High	H	L
3.25%	4.00%	3.00%	3.75%	◄►	◄►

Waterloo

Q2 2022

What's Trending?

- Both the speed and the magnitude of the interest rate hikes seemed to catch the market off guard. This has caused a general pause where both buyers and sellers are assessing their next moves rather than making them.
- Office, which was looking up as a place for buyers to get a little more yield has been hit by the same "wait and see" mindset as the general market.
- Industrial fundamentals continue to be strong. However, underwriting with much higher interest rates is putting upward pressure on cap rates.
- Retail is for buyers that are interested in redevelopment or intensification. This market has been most hard hit by inflation and concern about a possible recession. Therefore, buyers are looking for more direction in the economy in general before taking any leaps of faith in retail.
- Even multifamily, the market darling throughout the pandemic has softened. We are seeing fewer buyers making offers and less aggressive bidding. The higher rates are creating negative leverage which we have not seen for some time.

Downtown Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
5.75%	6.50%	6.25%	7.00%	◂▸	◂▸

Suburban Office

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
6.00%	6.50%	6.25%	6.75%	◂▸	▲

Industrial

Class A		Class B		Q3 Prediction	
Low	High	Low	High	A	B
3.75%	4.25%	4.25%	4.75%	◂▸	◂▸

Retail

Regional/ Power		Grocery/ Community		Neighbourhood/ Strip		Q3 Prediction		
Low	High	Low	High	Low	High	R	G	N
5.50%	6.25%	5.25%	6.00%	6.25%	7.50%	◂▸	◂▸	◂▸

Multi-Family Apartment

High-Rise		Low-Rise		Q3 Prediction	
Low	High	Low	High	H	L
3.25%	4.00%	3.50%	4.25%	◂▸	◂▸

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Canada Cap Rates

Q2 2022

Downtown Office						
Market	**Class A**		**Class B**		**Q3 2022 Prediction**	
City	**Low**	**High**	**Low**	**High**	**Class A**	**Class B**
Toronto	4.50%	5.00%	4.75%	5.50%	◄►	◄►
Montréal	5%	5.75%	5.50%	6.25%	▲	▲
Vancouver	3.50%	4.25%	3.50%	4.25%	▲	▲
Calgary	6.00%	7.00%	7.00%	9.00%	▲	▲
Edmonton	6.75%	8.00%	7.25%	9.00%	◄►	◄►
Ottawa	5.50%	6.75%	6.50%	7.50%	▲	▲
Winnipeg	6.00%	6.75%	6.25%	7.00%	◄►	◄►
Halifax	6.50%	7.25%	7.25%	8.25%	◄►	◄►
Victoria	5.00%	5.25%	5.25%	5.50%	◄►	◄►
Waterloo	5.75%	6.50%	6.25%	7.00%	◄►	◄►

Suburban Office						
Market	**Class A**		**Class B**		**Q3 2022 Prediction**	
City	**Low**	**High**	**Low**	**High**	**Class A**	**Class B**
Toronto	6.00%	6.75%	6.50%	7.25%	▲	▲
Montréal	6.25%	7.00%	7.00%	7.50%	▲	▲
Vancouver	4.75%	6.00%	5.50%	6.50%	▲	▲
Calgary	6.25%	7.00%	7.00%	8.50%	▲	▲
Edmonton	6.75%	7.75%	7.00%	8.50%	◄►	◄►
Ottawa	6.50%	7.50%	7.00%	7.75%	▲	▲
Winnipeg	–	–	6.00%	6.75%	◄►	◄►
Halifax	6.50%	7.25%	7.25%	8.25%	◄►	◄►
Victoria	5.25%	5.50%	5.50%	5.75%	◄►	◄►
Waterloo	6.00%	6.50%	6.25%	6.75%	◄►	▲

Canada Cap Rates

Q2 2022

Industrial						
Market	**Class A**		**Class B**		**Q3 2022 Prediction**	
City	**Low**	**High**	**Low**	**High**	**Class A**	**Class B**
Toronto	3.75%	4.25%	4.00%	4.50%	◀▶	◀▶
Montréal	3.25%	4.50%	4.00%	4.75%	▲	▲
Vancouver	3.50%	4.25%	3.75%	4.50%	▲	▲
Calgary	4.75%	5.75%	5.50%	7.00%	◀▶	◀▶
Edmonton	5.50%	6.50%	6.00%	7.00%	◀▶	◀▶
Ottawa	5.00%	6.25%	5.75%	6.50%	◀▶	◀▶
Winnipeg	5.75%	6.50%	6.00%	6.75%	◀▶	◀▶
Halifax	5.00%	6.00%	5.50%	7.00%	◀▶	◀▶
Victoria	3.75%	4.25%	4.00%	4.75%	◀▶	◀▶
Waterloo	3.75%	4.25%	4.25%	4.75%	◀▶	◀▶

Retail									
Market	**Regional/Power**		**Grocery/Community**		Neighbourhood/Strip		**Q3 2022 Prediction**		
City	**Low**	**High**	**Low**	**High**	**Low**	**High**	**R**	**G**	**N**
Toronto	4.75%	5.50%	5.00%	6.25%	4.75%	6.00%	▲	▲	▲
Montréal	5.25%	6.50%	6.00%	7.00%	6.50%	7.50%	◀▶	◀▶	◀▶
Vancouver	4.25%	6.50%	4.25%	5.75%	3.50%	5.25%	▲	▲	▲
Calgary	5.25%	6.25%	5.25%	6.25%	5.50%	6.75%	▲	▲	▲
Edmonton	5.50%	6.50%	5.50%	6.50%	5.75%	6.75%	◀▶	◀▶	◀▶
Ottawa	6.00%	6.75%	6.00%	6.75%	6.00%	7.00%	▲	▲	▲
Winnipeg	6.00%	6.50%	6.00%	6.75%	6.00%	6.75%	◀▶	◀▶	◀▶
Halifax	5.50%	6.25%	6.25%	7.50%	6.00%	7.25%	▲	▲	▲
Victoria	5.25%	5.50%	5.00%	5.25%	5.00%	5.25%	◀▶	◀▶	◀▶
Waterloo	5.50%	6.25%	5.25%	6.00%	6.25%	7.50%	◀▶	◀▶	◀▶

Canada Cap Rates

Q2 2022

Multi-Family Apartment						
Market	**High-Rise**		**Low-Rise**		**Q3 2022 Prediction**	
City	**Low**	**High**	**Low**	**High**	**Class A**	**Class B**
Toronto	3.00%	3.75%	3.00%	3.75%	▲	▲
Montréal	3.50%	4.50%	3.25%	4.00%	▲	▲
Vancouver	2.50%	3.50%	2.75%	4.00%	▲	▲
Calgary	4.50%	5.00%	4.75%	5.50%	◀▶	◀▶
Edmonton	4.00%	5.00%	4.25%	5.50%	◀▶	◀▶
Ottawa	4.00%	4.75%	3.75%	4.75%	▲	▲
Winnipeg	5.00%	6.00%	5.00%	6.00%	◀▶	◀▶
Halifax	4.00%	4.50%	4.25%	4.50%	◀▶	◀▶
Victoria	3.25%	4.00%	3.00%	3.75%	◀▶	◀▶
Waterloo	3.25%	4.00%	3.50%	4.25%	◀▶	◀▶

Glossary

Cap Rate

A capitalization rate is a property's net operating income for the 12 months following the date of sale divided by the purchase price. Cap rate range estimates in this report are provided by appraisers in their respective markets and take into consideration recent transactions, as well as investor sentiment.

Office

Downtown Class A
Office buildings, predominantly high-rise, situated within the Central Business District (CBD), that offer high-quality construction and amenities; large floor plates; modern, efficient systems; and superior accessibility. These buildings typically compete for larger, top-tier tenants and command among the highest rental rates.

Downtown Class B
Office buildings, commonly high-rise, in the CBD, that offer average to good-quality construction and amenities, but tend to be more dated, with fewer features and less prominent locations. These buildings tend to compete for smaller to mid-size tenants seeking average to good-quality space at more economical rent rates.

Suburban Class A
Office buildings located outside of the CBD offering high-quality construction and amenities that appeal to mid-size to larger, upper-tier tenants seeking non-central locations

Suburban Class B
Office buildings outside of the CBD offering average to good-quality construction and amenities appealing to smaller to mid-size tenants seeking peripheral locations and discounted rent rates

Industrial

Class A
Newer, fully-featured industrial buildings of high-quality steel and concrete construction, with modern, efficient mechanical and electrical systems; high ceilings; good loading capability; air-conditioned offices; and extensive yard storage/truck marshalling areas

Class B
Average to good-quality industrial buildings, typically of somewhat dated construction, providing good- quality functional space, but with less extensive features. These buildings are usually characterized by lower clear heights and fewer shipping doors.

Retail

Regional Shopping Centre
Larger enclosed malls characterized by multiple anchors (typically including department stores and/or larger discount stores/mini-anchors) complemented by numerous smaller retailers (CRUs). The CRUs are generally oriented inwardly with stores connected by internal walkways (malls) and with numerous common entrances. They tend to reflect a high proportion of national tenants, with a broad mix of categories.

Power Centre
Larger "open air" centres, typically in arterial locations, comprising a cluster of mostly freestanding, large-format "big box" stores, with ample surface parking adjacent to the stores and throughout the centre. Tenant mixes tend to reflect anchors such as discount department stores, furniture/home furnishings, home improvement/hardware, electronics, office supplies, cinemas, fashion outlets, etc., with few smaller CRUs.

Grocery or Community Centre
Mid-size to larger enclosed or unenclosed centres with a community-oriented focus, offering products and services for daily needs, but with an expanded soft goods and services component. Anchors often include supermarkets, drugstores, discount department stores and similar outlets, but can also include "big box" outlets in categories such as apparel, home improvements, electronics and others.

Neighbourhood or Strip Centre
Smaller to mid-size unenclosed centres, intended for convenience shopping for the residents of the surrounding neighbourhood. These centres are often anchored by smaller supermarkets, drugstores, discount stores, etc., with a mix of smaller, attached retailers.

Multi-Family

High-Rise
Multifamily residential buildings with comparatively high densities, typically exceeding four stories in height and including elevators. These commonly offer concrete construction and can have amenities such as underground parking, fitness rooms, indoor or outdoor pools, tennis courts, social rooms, etc.

Low-Rise
Lower-density multifamily residential buildings, typically comprising four stories or fewer, with or without elevators. These can offer concrete or wood frame construction and generally have surface parking with few building amenities.

Hotels

Urban Full Service
Fully-featured branded hotels offering an extensive suite of services and amenities, such as food and beverage services, conference centres/meeting rooms, fitness/ activity centres, and valet and concierge services

Select Service
Hotels that offer mid-range accommodations with a selection of added services and amenities, but to a notably lower extent compared to full service facilities

Limited Service
Hotels that offer affordable accommodation with comparatively limited additional features and amenities, typically excluding food and beverage services

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