

CBRE SENIORS HOUSING & HEALTHCARE **Canadian Cap Rate Survey**

H1 2015

CBRE

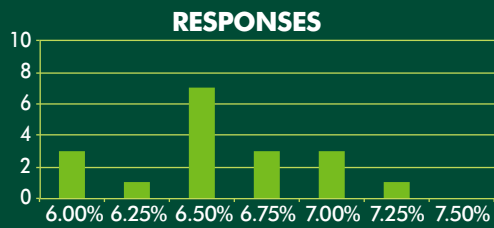


On May 12th we asked a sample of the most active seniors housing market participants in Canada:

“What cap rate would you use to value a Class A Independent & Assisted Living community in each of Vancouver, Calgary, Toronto and Montreal, assuming the property was stabilized and it was a ‘clean’ deal?”

Vancouver, BC

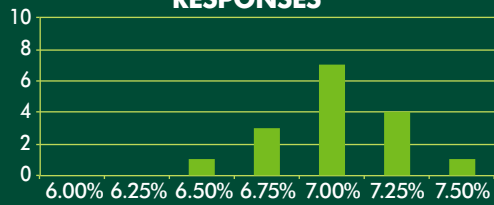
CLASS	A
OBSERVATIONS	18
AVERAGE	6.56%
MODE	6.50%
MIN	6.00%
MAX	7.25%
STD. DEV.	0.36%
RANGE	1.25%



Calgary, AB

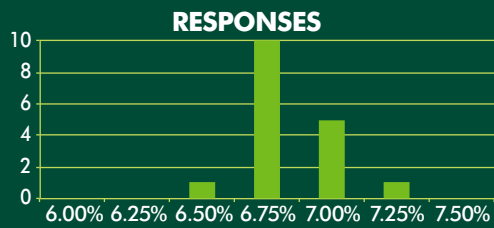
CLASS	A
OBSERVATIONS	16
AVERAGE	7.02%
MODE	7.00%
MIN	6.50%
MAX	7.50%
STD. DEV.	0.25%
RANGE	1.00%

RESPONSES



Toronto, ON

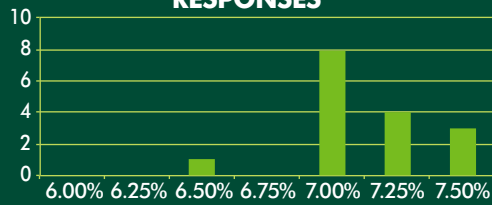
CLASS	A
OBSERVATIONS	17
AVERAGE	6.84%
MODE	6.75%
MIN	6.50%
MAX	7.25%
STD. DEV.	0.18%
RANGE	0.75%



Montreal, QC

CLASS	A
OBSERVATIONS	16
AVERAGE	7.13%
MODE	7.00%
MIN	6.50%
MAX	7.50%
STD. DEV.	0.26%
RANGE	1.00%

RESPONSES



THE RESULTS

“While specific property comparisons can never be perfect (i.e. different service platforms, building construction, age, local market supply and demand outlook, location, etc.) the Vancouver Class A category commanded a 28 bps premium over Toronto & 56 bps over Montréal”

“Given the robust demand for quality product, it is a strong possibility that the cap rate on the next transaction involving a Class A asset in a primary market will start with a ‘6’ ”

“Low interest rates continue to support record low cap rates”

“Recent activity in Canada from the well capitalized U.S. healthcare REITs is contributing to the perception of increased competition for offerings”

“Multiple groups preparing to redeploy the proceeds from pending U.S. property sales back to Canada”

“Some investors appear to have concerns over adverse effects from the low price of oil in Alberta”

On behalf of CBRE Valuation & Advisory Services, we would like to express our sincere gratitude to all our clients who participated in this survey

OUR COLLEAGUES IN THE U.S. RECENTLY PUBLISHED THE RESULTS OF THEIR H2 2014 CAP RATE SURVEY, WITH THE FOLLOWING KEY FINDINGS:

Investor outlook for capitalization rates compressed 40 to 60 basis points from our H1 2014 for Class A and B properties. A similar compression was identified for Class C properties with the exception of Skilled Nursing, with investors reporting a 27 basis point increase over H1 2014

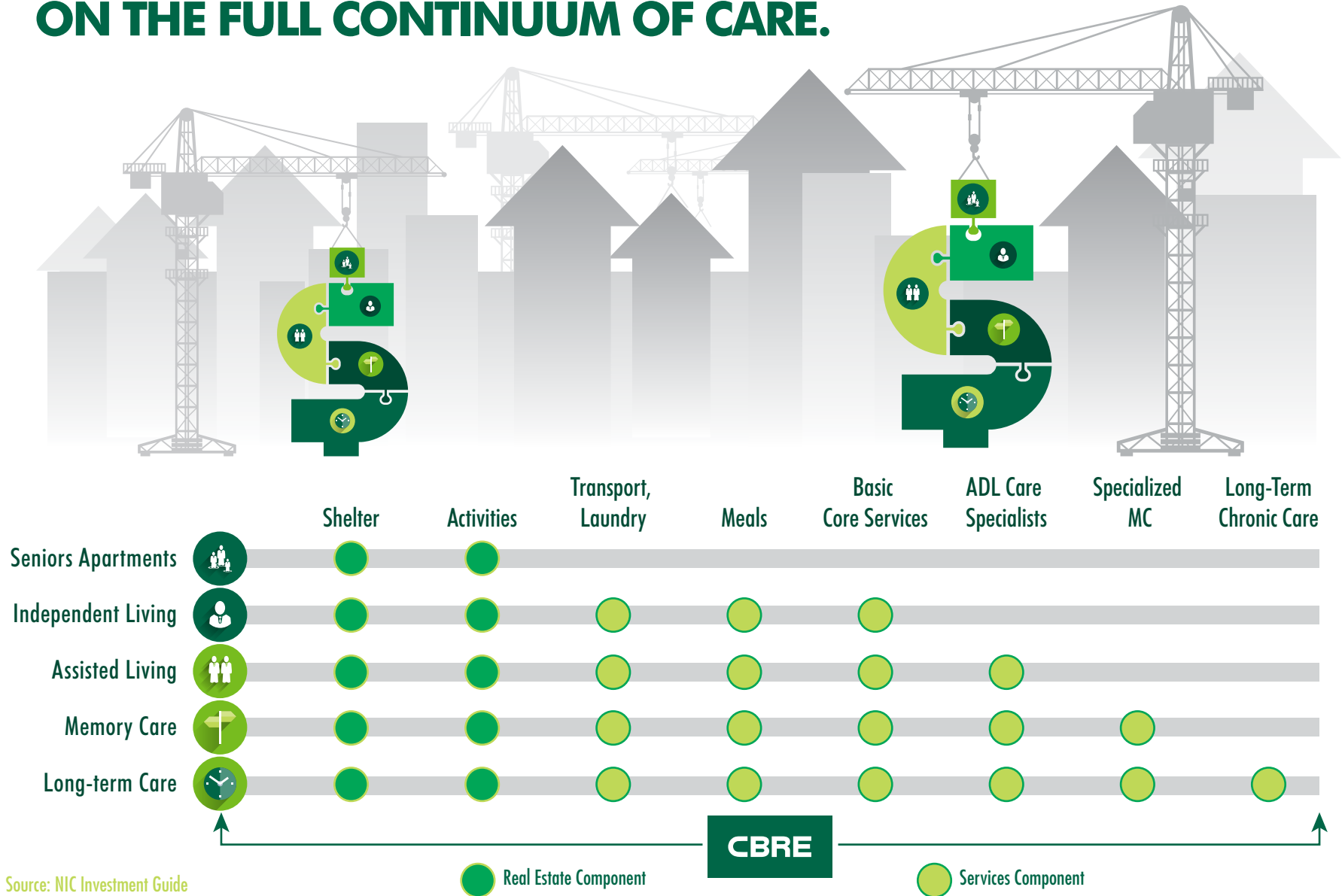
Capitalization rate spreads on core vs. non-core pricing compressed slightly for IL and AL, with a widening spread identified for MC, SN, and CCRCs

For anyone concerned with where the volume of properties will come from in order to match the record volume of deals in 2014, there will be sellers. 24% of respondents intend to decrease their exposure to seniors housing over the next 12 months

At 41%, the majority of survey participants expect no change in capitalization rates over the next 12 months, with 21% expecting to see capitalization rates compress, and at a faster rate than other asset classes

Rising interest rates was identified by 33% of investors as their greatest concern in relation to market changes that would negatively impact the seniors housing market, followed closely by increased construction activity, at 21% of the respondents

CBRE ADVISES DEVELOPERS AND INVESTORS ON THE FULL CONTINUUM OF CARE.



Source: NIC Investment Guide

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