

Q2 2017 
**CANADIAN
CAP RATES &
INVESTMENT
INSIGHTS**

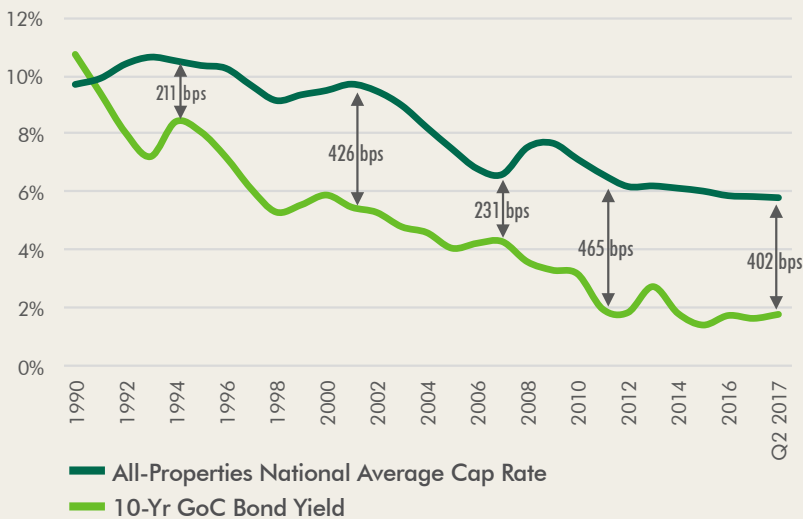
A quarterly snapshot of
Canadian commercial
real estate cap rates
and investment trends.

CBRE

INVESTMENT SUMMARY

Canada's GDP forecast for 2017 has been revised upwards twice already and is now expected to lead the G7 nations in economic growth this year. Within this macro backdrop, national cap rates reflected further compression on average, particularly within the rock solid industrial asset class.

RECORD LOW NATIONAL AVERAGE CAP RATE*



Paul Morassutti
 Executive Vice President
 Valuation & Advisory Services
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Q2 2017 CAP RATES

| DOWNTOWN OFFICE | | △Q/Q |
|--------------------------|-------|------|
| AA | 4.85% | ▼ |
| A | 5.66% | ▼ |
| B | 6.50% | ◀▶ |
| SUBURBAN OFFICE | | |
| A | 6.41% | ◀▶ |
| B | 7.19% | ▲ |
| INDUSTRIAL | | |
| A | 5.56% | ▼ |
| B | 6.59% | ▼ |
| RETAIL | | |
| Regional | 5.22% | ▼ |
| Power | 6.00% | ▼ |
| Neighbourhood | 6.17% | ▼ |
| Strip | 5.84% | ▼ |
| Strip (non-anchored) | 6.81% | ▼ |
| Urban Streetfront | 5.44% | ▼ |
| High Street | 3.69% | ◀▶ |
| APARTMENT | | |
| High Rise A | 4.14% | ▼ |
| High Rise B | 4.77% | ▼ |
| Low Rise A | 4.63% | ▼ |
| Low Rise B | 5.23% | ▼ |
| HOTEL | | |
| Downtown Full Service | 7.63% | ◀▶ |
| Suburban Limited Service | 8.50% | ◀▶ |
| Focused Service | 8.23% | ◀▶ |

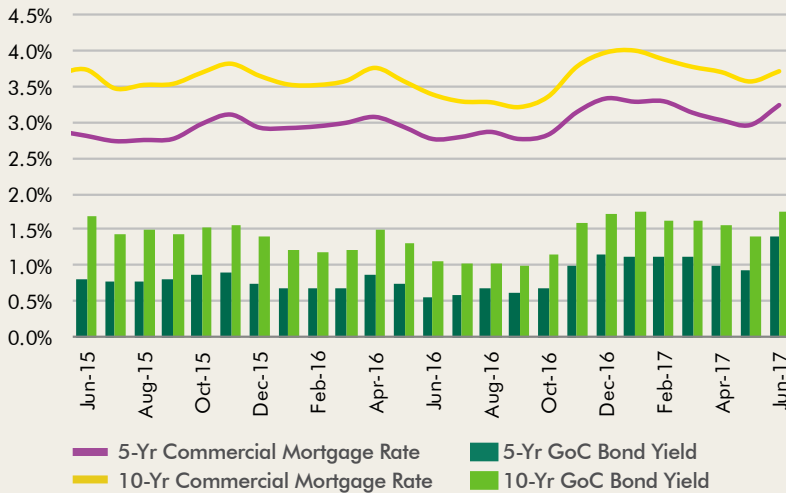
VIEW ALL CANADIAN CAP RATES
 ON PAGE 17

* Source: CBRE Research, Q2 2017

DEBT MARKET SUMMARY

It is fair to call it a ‘Borrower’s Market’. Despite spread compression, rising bond yields punish those hesitating to act. Conventional senior debt for Class A assets are attracting five-year spreads in the 160-175 basis points (bps) range and premiums for seven and ten-year tenors narrowing. Sprinkle in interest-only and non-recourse requirements and decisive borrowers can secure some very appealing debt financing.

MORTGAGE RATES TO GOVERNMENT OF CANADA BONDS



Carmin Di Fiore

Executive Vice President
Debt & Structured Finance

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MARKET MOVERS

CAD/USD

| 2017 Q1 | 2017 Q2 | Change QoQ (%) |
|---------|---------|----------------|
| \$0.75 | \$0.77 | ▲ 2.70% |

CANADA PRIME RATE

| 2017 Q1 | 2017 Q2 | Change QoQ (%) |
|---------|---------|----------------|
| 2.70% | 2.70% | ◀▶ 0.00% |

30-DAY CDOR

| 2017 Q1 | 2017 Q2 | Change QoQ (%) |
|---------|---------|----------------|
| 0.91% | 0.98% | ▲ 7.11% |

WEST TEXAS INTERMEDIATE (USD)

| 2017 Q1 | 2017 Q2 | Change QoQ (%) |
|---------|---------|----------------|
| \$50.60 | \$46.04 | ▼ -9.01% |

5-YEAR MORTGAGE SPREAD RANGE

| 2017 Q1 | 2017 Q2 | Change QoQ (%) |
|-------------|-------------|----------------|
| 1.70%-2.35% | 1.60%-2.10% | ▼ -8.64% |

10-YEAR MORTGAGE SPREAD RANGE

| 2017 Q1 | 2017 Q2 | Change QoQ (%) |
|-------------|-------------|----------------|
| 1.85%-2.45% | 1.65%-2.25% | ▼ -9.30% |

Source: CBRE Limited, Thomson Reuters Eikon

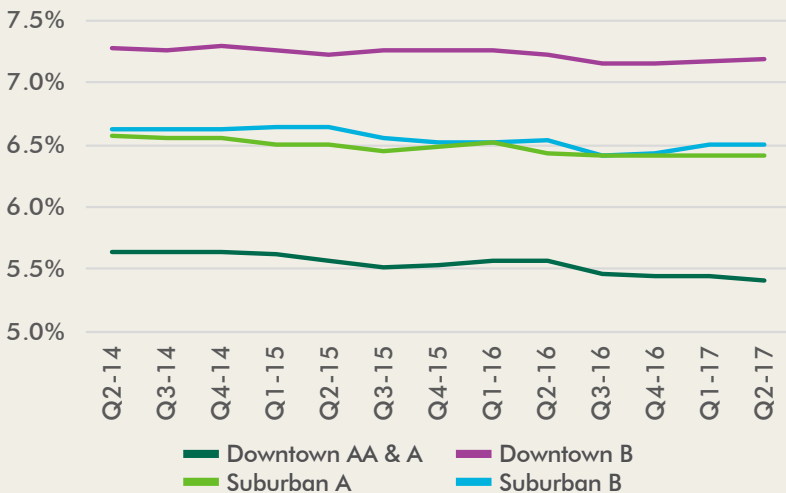
VIEW ALL CANADIAN CAP RATES

NATIONAL OFFICE SUMMARY

The key trend in the office sector over the past few quarters has been bifurcation between Class A and B assets. This was again the case in Q2 2017 as the national average cap rate for downtown Class A office assets fell 4 bps while the national average for suburban Class B assets rose by 2 bps. Investors continue to compete over the limited supply of well leased downtown core assets while avoiding lower class properties in less desirable neighbourhoods.

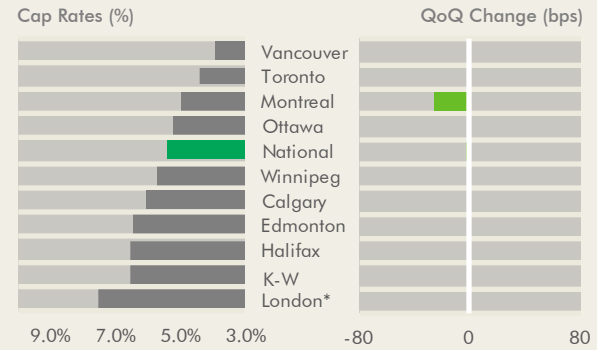
It is also becoming clear that the spread between office assets in gateway and other markets continues to widen. After 2016 which saw the rise of asset pricing in Canada's two highest profile markets, Q2 2017 saw cap rates follow suit in the nation's second largest office market of Montreal. Cap rates for downtown assets in Montreal fell by 25 bps across all classes in Q2 2017 while, on the other end of the spectrum, Edmonton saw a rise of 25 bps in their downtown Class B cap rates.

HISTORICAL OFFICE CAP RATES

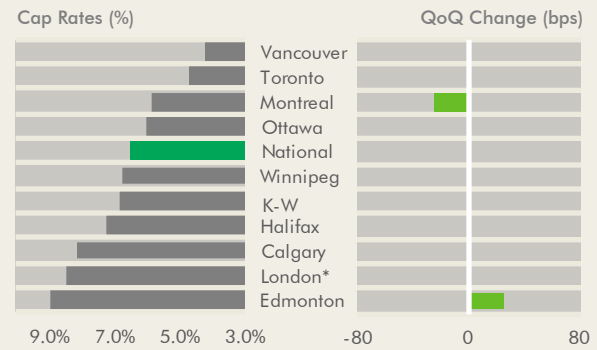


REGIONAL RANKINGS

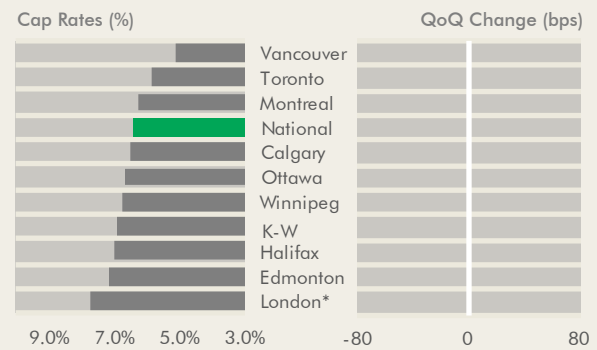
DOWNTOWN A



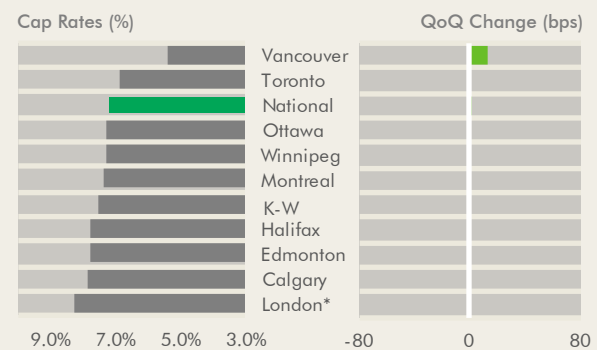
DOWNTOWN B



SUBURBAN A



SUBURBAN B



VIEW ALL CANADIAN CAP RATES ON PAGE 17

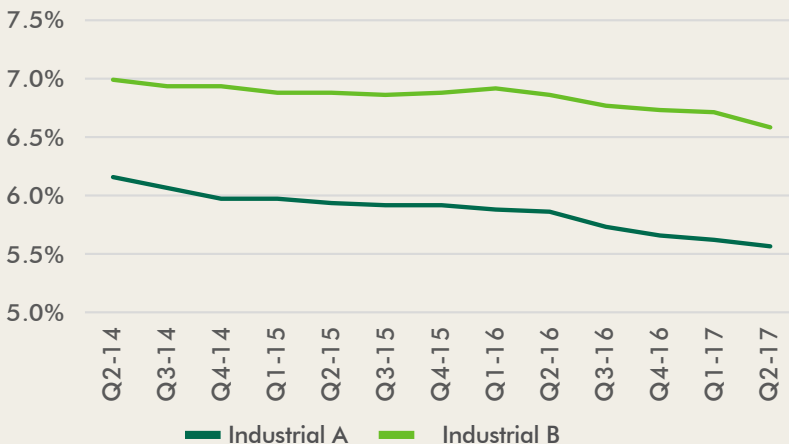
*includes Windsor

NATIONAL INDUSTRIAL SUMMARY

Backed by a thriving Canadian manufacturing sector, record low availability rates, and extremely tight supply of quality assets, cap rates in the industrial sector compressed significantly in Q2 2017. The national average cap rate for Class A and B properties fell by 6 bps and 12 bps respectively over the course of the quarter. After three consecutive quarters where the spread between Class A and B cap rates had widened, Q2 2017 saw Class B assets close the gap slightly.

Unlike some other sectors where bifurcation between geographies has become more and more evident, prices for industrial assets in almost every market continue to rise. Four separate markets saw Class A cap rates drop in Q2 2017 while Class B cap rates compressed in a staggering seven markets on the quarter. While cap rates were down across the board, the largest declines were seen in London-Windsor where Class A rates fell by 60 bps while Class B yields fell by 37 bps.

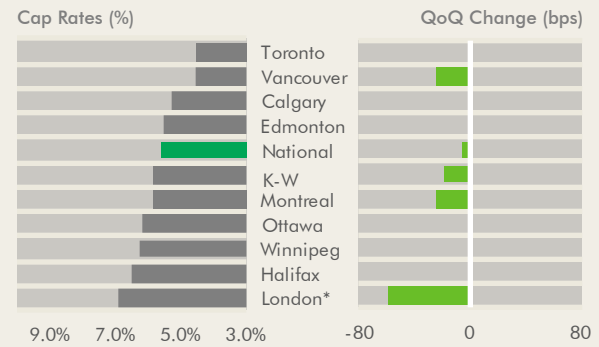
HISTORICAL INDUSTRIAL CAP RATES



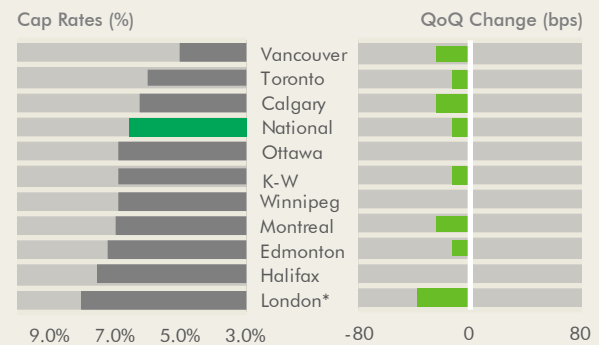
[VIEW ALL CANADIAN CAP RATES ON PAGE 17](#)

REGIONAL RANKINGS

INDUSTRIAL A



INDUSTRIAL B



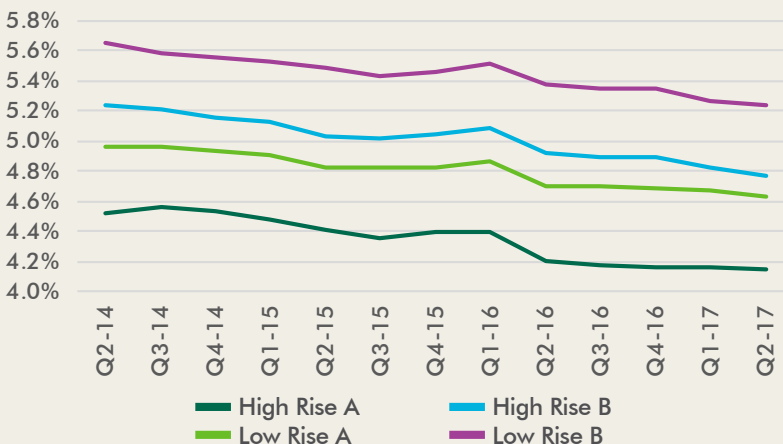
*includes Windsor

NATIONAL MULTIFAMILY SUMMARY

The Canadian housing sector remains a hot topic across the country as rental rates and homeownership costs continue to rise. The effects of high housing costs have translated to strong investor demand for multifamily assets regardless of property type. In Q2 2017, the average cap rate for high-rise Class A and B properties dropped by 2 bps and 6 bps respectively while the average cap rate for low-rise Class A and B properties fell by 24 bps and 4 bps over this same time period.

Markets which saw the largest compression in cap rates over the second quarter of the year were Kitchener-Waterloo, Edmonton, and Calgary. While Vancouver and Toronto remain the most attractive markets for multifamily investment, the extremely tight yields in these cities are making investment in the secondary markets of Alberta and South Western Ontario increasingly attractive. Overall, investor interest in purpose-built assets should persist into the second half of the year as a lack of a significant construction pipeline will keep multifamily vacancy rates low and rising housing prices will continue to place upward pressure on apartment rental rates.

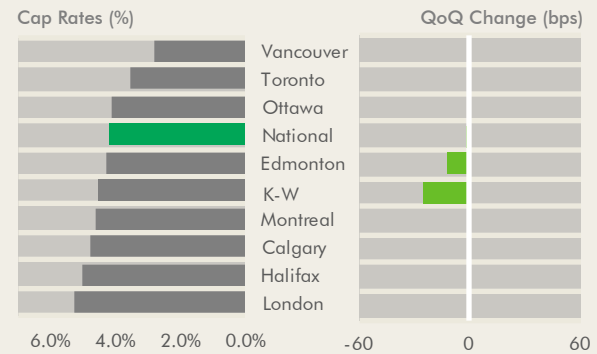
HISTORICAL MULTIFAMILY CAP RATES



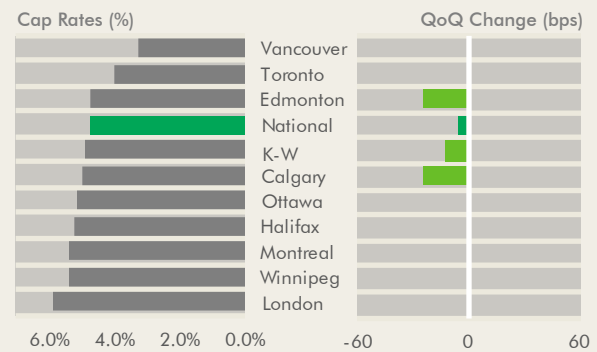
[VIEW ALL CANADIAN CAP RATES ON PAGE 17](#)

REGIONAL RANKINGS

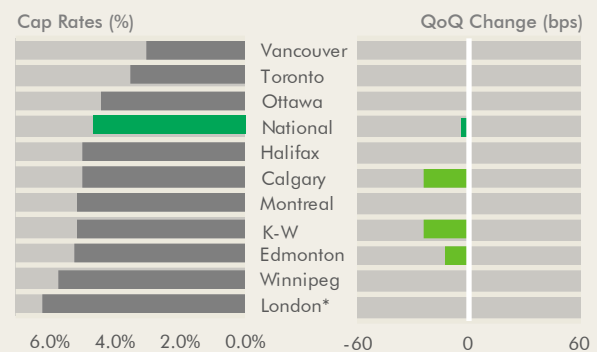
HIGH RISE A



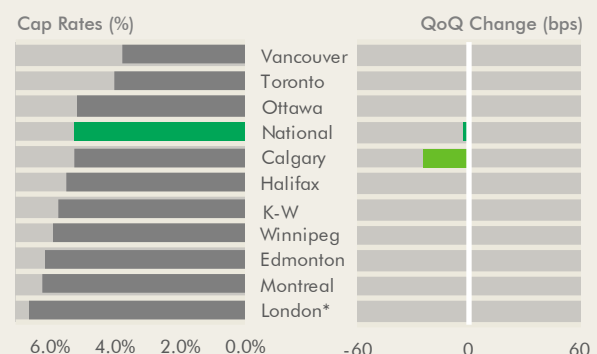
HIGH RISE B



LOW RISE A



LOW RISE B



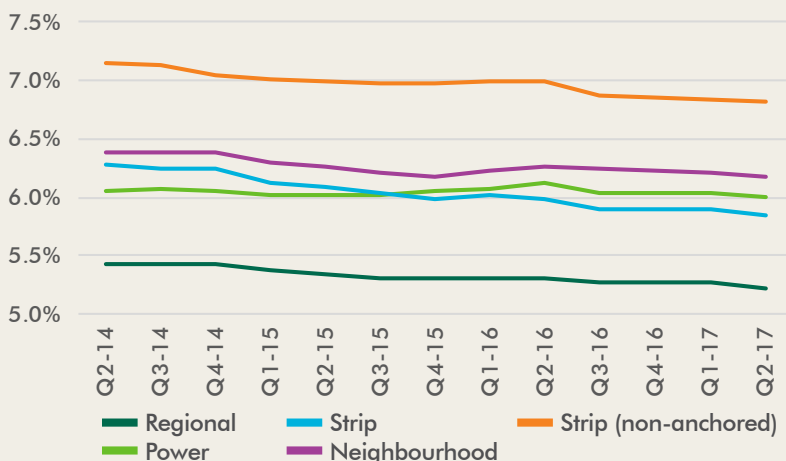
*includes Windsor

NATIONAL RETAIL SUMMARY

Q2 2017 was a strong quarter for the retail sector as the national average cap rate fell in every class, with the exception of high street, which stayed in line with Q1 2017 values. The largest compressions were felt in the regional, strip, and urban streetfront sectors which fell by 5 bps, 6 bps, and 6 bps respectively. Notwithstanding the shifting retail landscape, there continues to be strong demand for well situated urban properties across a variety of markets.

Markets which saw retail cap rates compress in Q2 2017 include Vancouver, Kitchener-Waterloo, Edmonton, and Calgary. The cities in which the greatest drops were felt were in Alberta, where Calgary and Edmonton each continued to see strong demand for high quality retail assets despite their struggling economies. As the province continues on its path towards stabilization, the low supply of top end properties in both of these cities should ensure that retail cap rates remain low moving forward.

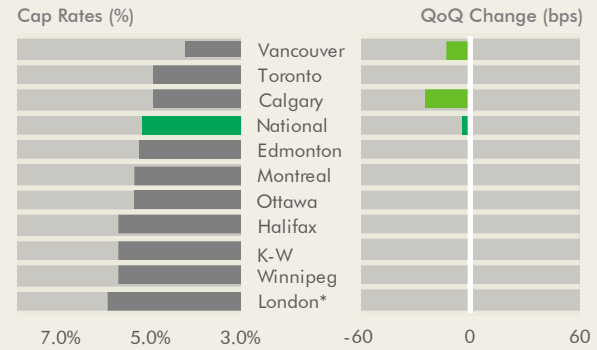
HISTORICAL RETAIL CAP RATES



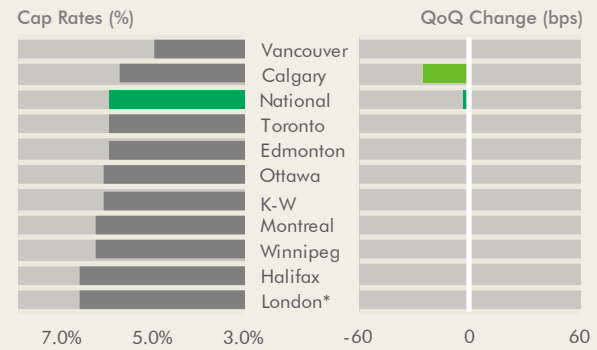
[VIEW ALL CANADIAN CAP RATES ON PAGE 17](#)

REGIONAL RANKINGS

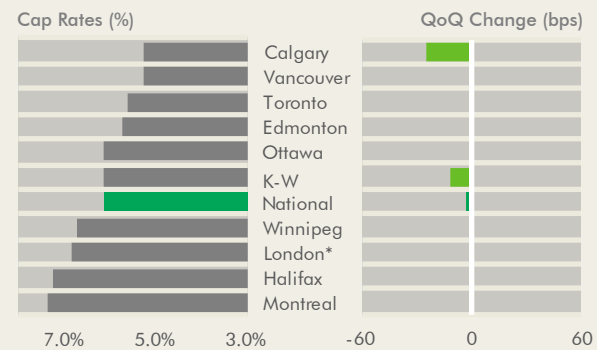
REGIONAL



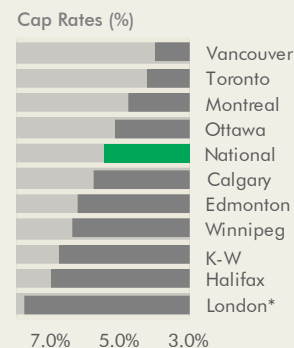
POWER



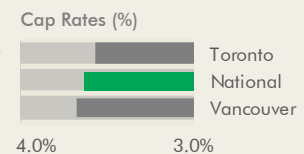
NEIGHBOURHOOD



URBAN STREETFRONT



HIGH STREET



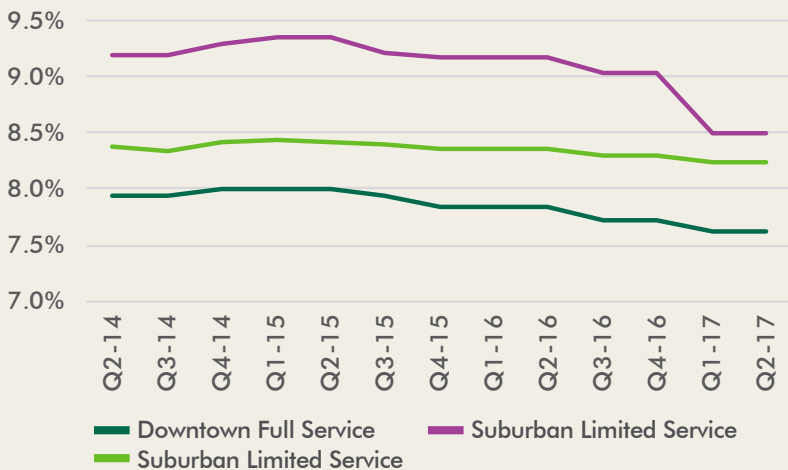
*includes Windsor

NATIONAL HOTEL SUMMARY

The hotel sector continued with business as usual in Q2 2017. While interest in hotel assets remained robust, cap rates did not move from the levels seen in the first quarter of the year. Hotel assets across the country continue to perform well based on all metrics. The low Canadian dollar, strong business landscape, and increased tourist visitations across the country should ensure that the hotel sector remains a compelling investment option over the second half of 2017.

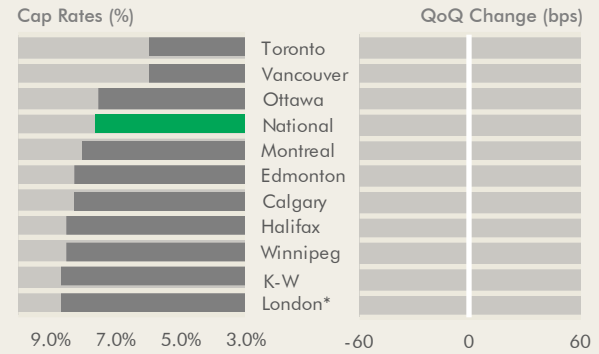
Toronto and Vancouver continue to be the primary investment markets for the hotels sector and boast the lowest cap rates in all three hotel classes. That being said, investors are beginning to show signs of expanding their focus to several appealing secondary markets including Alberta, where economic forecasts suggest that the business landscape in the province may rebound sooner rather than later. As yields in the nation's two gateway markets continue to tighten, the comparatively high yields in secondary markets can only become more enticing.

HISTORICAL HOTEL CAP RATES

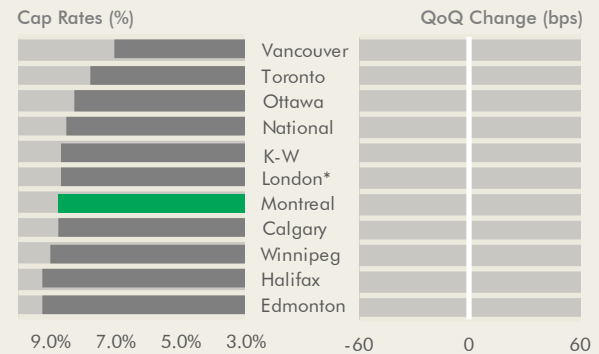


REGIONAL RANKINGS

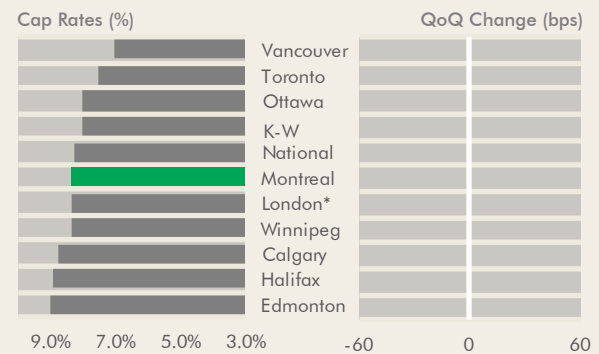
DOWNTOWN FULL SERVICE



SUBURBAN LIMITED SERVICE



FOCUSED SERVICE

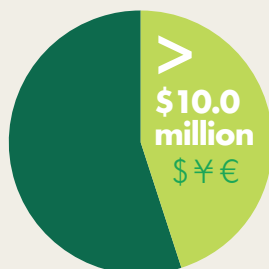


VIEW ALL CANADIAN CAP RATES
ON PAGE 17

*includes Windsor

INVESTMENT TRENDS

Foreign investment accounts for approximately 45% of all commercial transactions over \$10.0 million. However, domestic investors remain in the mix and private and institutional investors are outbidding foreign investors.



GDP growth, strong leasing fundamentals, tech growth and demand, and limited new supply have contributed to a sound investment matrix in the Metro Vancouver area.

Metro Vancouver's residential condominium pre-sale market continued to perform well with valuation increases across the board.



Jim Szabo

Vice Chairman
National Investment Team

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Q2 2017 CAP RATES

| DOWNTOWN OFFICE | | △Q/Q |
|--------------------------|---------------|------|
| AA | 3.75% - 4.00% | ◀▶ |
| A | 3.75% - 4.25% | ◀▶ |
| B | 4.00% - 4.50% | ◀▶ |
| SUBURBAN OFFICE | | |
| A | 4.75% - 5.50% | ◀▶ |
| B | 5.00% - 5.75% | ▲ |
| INDUSTRIAL | | |
| A | 4.25% - 4.75% | ▼ |
| B | 4.75% - 5.25% | ▼ |
| 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% | ◀▶ |
| APARTMENT | | |
| 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 | 5.50% - 6.50% | ◀▶ |
| Suburban Limited Service | 6.50% - 7.50% | ◀▶ |
| Focused Service | 6.50% - 7.50% | ◀▶ |

VIEW ALL CANADIAN CAP RATES
ON PAGE 17

INVESTMENT TRENDS

Calgary has emerged as an alternative for buyers in Toronto and Vancouver.

The diagram features three airport codes: YYZ, YVR, and YYC. A large green arrow points from YYZ to YVR. A second green arrow points from YYZ to YYC. A third green arrow points from YYZ to YYC, then turns 90 degrees down and then 90 degrees right to point towards YYC, suggesting a migration path from Toronto to Calgary.

Strong interest remains for quality retail, industrial, and multifamily product.

Notwithstanding the state of the office leasing market, there continues to be institutional interest in well leased core product and interest in Class B and C product on a per square foot basis. Overall, the market is active but there is a shortage of product, especially core product.



Garry Beres

Executive Vice President
National Investment Team

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Q2 2017 CAP RATES

DOWNTOWN OFFICE △Q/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 | 6.00% - 6.50% | ▼ |

RETAIL

| | | |
|----------------------|---------------|----|
| Regional | 4.75% - 5.25% | ▼ |
| Power | 5.50% - 6.00% | ▼ |
| Neighbourhood | 5.00% - 5.50% | ▼ |
| Strip | 5.25% - 5.75% | ◀▶ |
| Strip (non-anchored) | 6.00% - 6.50% | ▼ |
| Urban Streetfront | 5.50% - 6.00% | ◀▶ |
| High Street | N/A | |

APARTMENT

| | | |
|-------------|---------------|----|
| High Rise A | 4.50% - 5.00% | ◀▶ |
| High Rise B | 4.75% - 5.25% | ▼ |
| Low Rise A | 4.75% - 5.25% | ▼ |
| Low Rise B | 5.00% - 5.50% | ▼ |

HOTEL

| | | |
|--------------------------|---------------|----|
| Downtown Full Service | 7.75% - 8.75% | ◀▶ |
| Suburban Limited Service | 8.25% - 9.25% | ◀▶ |
| Focused Service | 8.25% - 9.25% | ◀▶ |

**VIEW ALL CANADIAN CAP RATES
ON PAGE 17**

INVESTMENT TRENDS

As the economy seems to be stabilizing, investors are starting to review land positions and deals under \$20.0 million are seeing



While supply is limited, demand is increasing for core industrial and retail while remaining steady for multifamily assets.

Higher availability rates are impacting Class B and lower industrial assets as tenants demand more functionality from their properties. Class B office buildings are trading on a per square foot basis.



Dave Young

Executive Vice President
National Investment Team

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Q2 2017 CAP RATES

DOWNTOWN OFFICE △Q/Q

| | | |
|----|----------------|----|
| AA | 5.50% - 6.00% | ◀▶ |
| A | 6.75% - 7.50% | ◀▶ |
| B | 8.00% - 10.00% | ▲ |

SUBURBAN OFFICE

| | | |
|---|---------------|----|
| A | 6.75% - 7.50% | ◀▶ |
| B | 7.50% - 8.00% | ◀▶ |

INDUSTRIAL

| | | |
|---|---------------|----|
| A | 5.25% - 5.75% | ◀▶ |
| B | 6.50% - 8.00% | ▼ |

RETAIL

| | | |
|----------------------|---------------|----|
| Regional | 5.00% - 5.50% | ◀▶ |
| Power | 5.75% - 6.25% | ◀▶ |
| Neighbourhood | 5.50% - 6.00% | ◀▶ |
| Strip | 5.50% - 6.00% | ◀▶ |
| Strip (non-anchored) | 6.25% - 7.00% | ◀▶ |
| Urban Streetfront | 6.00% - 6.50% | ▼ |
| High Street | N/A | |

APARTMENT

| | | |
|-------------|---------------|----|
| High Rise A | 4.00% - 4.50% | ▼ |
| High Rise B | 4.50% - 5.00% | ▼ |
| Low Rise A | 5.00% - 5.50% | ▼ |
| Low Rise B | 5.75% - 6.50% | ◀▶ |

HOTEL

| | | |
|--------------------------|---------------|----|
| Downtown Full Service | 7.75% - 8.75% | ◀▶ |
| Suburban Limited Service | 9.00% - 9.50% | ◀▶ |
| Focused Service | 8.50% - 9.50% | ◀▶ |

VIEW ALL CANADIAN CAP RATES
ON PAGE 17

INVESTMENT TRENDS

GTA investors are leading all market activity across Southwestern Ontario and investment activity is strong in all sectors.



Although there has been a modest decline in the number of bidders, those bidding are bullish and offers are strong.

Lenders are very bullish as well, particularly with automotive based tenants and long lease term product.



Peter Whatmore

Senior Vice President
National Investment Team

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Q2 2017 CAP RATES

DOWNTOWN OFFICE △Q/Q

| | | |
|----|---------------|----|
| AA | N/A | |
| A | 6.00% - 7.00% | ◀▶ |
| B | 6.50% - 7.25% | ◀▶ |

SUBURBAN OFFICE

| | | |
|---|---------------|----|
| A | 6.25% - 7.50% | ◀▶ |
| B | 7.00% - 8.00% | ◀▶ |

INDUSTRIAL

| | | |
|---|---------------|---|
| A | 5.50% - 6.10% | ▼ |
| B | 6.50% - 7.25% | ▼ |

RETAIL

| | | |
|----------------------|---------------|----|
| Regional | 5.50% - 6.00% | ◀▶ |
| Power | 5.75% - 6.50% | ◀▶ |
| Neighbourhood | 5.75% - 6.50% | ▼ |
| Strip | 5.25% - 6.50% | ◀▶ |
| Strip (non-anchored) | 5.25% - 6.75% | ▼ |
| Urban Streetfront | 6.00% - 7.50% | ▼ |
| High Street | N/A | |

APARTMENT

| | | |
|-------------|---------------|----|
| High Rise A | 4.25% - 4.75% | ▼ |
| High Rise B | 4.50% - 5.25% | ▼ |
| Low Rise A | 4.75% - 5.50% | ▼ |
| Low Rise B | 5.50% - 6.00% | ◀▶ |

HOTEL

| | | |
|--------------------------|---------------|----|
| Downtown Full Service | 8.25% - 9.00% | ◀▶ |
| Suburban Limited Service | 8.25% - 9.00% | ◀▶ |
| Focused Service | 7.50% - 8.50% | ◀▶ |

VIEW ALL CANADIAN CAP RATES
ON PAGE 17

INVESTMENT TRENDS

Urban assets remain a primary investment thesis, but quality suburban assets are gaining traction.



Fundamentals remain strong in Toronto across all sectors, and product flow is picking up momentum.

Regardless of deal size, big or small, quality assets are seeing strong interest through continued aggressive bidding amongst investors.



Peter Senst

President, Canadian
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National Investment Team

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Q2 2017 CAP RATES

DOWNTOWN OFFICE △Q/Q

| | | |
|----|---------------|----|
| AA | 4.00% - 4.50% | ◀▶ |
| A | 4.25% - 4.75% | ◀▶ |
| B | 4.50% - 5.00% | ◀▶ |

SUBURBAN OFFICE

| | | |
|---|---------------|----|
| A | 5.50% - 6.25% | ◀▶ |
| B | 6.50% - 7.25% | ◀▶ |

INDUSTRIAL

| | | |
|---|---------------|----|
| A | 4.25% - 4.75% | ◀▶ |
| B | 5.50% - 6.50% | ▼ |

RETAIL

| | | |
|----------------------|---------------|----|
| Regional | 4.50% - 5.50% | ◀▶ |
| Power | 5.50% - 6.50% | ◀▶ |
| Neighbourhood | 5.00% - 6.25% | ◀▶ |
| Strip | 5.25% - 6.25% | ◀▶ |
| Strip (non-anchored) | 6.25% - 7.25% | ◀▶ |
| Urban Streetfront | 4.00% - 4.50% | ◀▶ |
| High Street | 3.25% - 4.00% | ◀▶ |

APARTMENT

| | | |
|-------------|---------------|----|
| High Rise A | 3.25% - 3.75% | ◀▶ |
| High Rise B | 3.50% - 4.50% | ◀▶ |
| Low Rise A | 3.25% - 3.75% | ◀▶ |
| Low Rise B | 3.50% - 4.50% | ◀▶ |

HOTEL

| | | |
|--------------------------|---------------|----|
| Downtown Full Service | 5.50% - 6.50% | ◀▶ |
| Suburban Limited Service | 7.00% - 8.50% | ◀▶ |
| Focused Service | 7.00% - 8.00% | ◀▶ |

VIEW ALL CANADIAN CAP RATES
ON PAGE 17

INVESTMENT TRENDS

Meanwhile, a noticeable spread between core and non-core assets continues to develop.



Improving fundamentals have defined Q2 2017 for Ottawa, with Class A office vacancy leading the charge to now sit well below 5.0%.

Compared to other cities such as Toronto and Vancouver, Ottawa properties offer attractive relative value for investors.



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Vice President
National Investment Team

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Q2 2017 CAP RATES

DOWNTOWN OFFICE △Q/Q

| | | |
|----|---------------|----|
| AA | 4.75% - 5.25% | ◀▶ |
| A | 5.25% - 5.75% | ◀▶ |
| B | 5.75% - 6.25% | ◀▶ |

SUBURBAN OFFICE

| | | |
|---|---------------|----|
| A | 6.25% - 7.00% | ◀▶ |
| B | 7.00% - 7.50% | ◀▶ |

INDUSTRIAL

| | | |
|---|---------------|----|
| A | 6.00% - 6.25% | ◀▶ |
| B | 6.50% - 7.25% | ◀▶ |

RETAIL

| | | |
|----------------------|---------------|----|
| Regional | 5.00% - 5.75% | ◀▶ |
| Power | 5.75% - 6.50% | ◀▶ |
| 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 | |

APARTMENT

| | | |
|-------------|---------------|----|
| High Rise A | 3.75% - 4.50% | ◀▶ |
| High Rise B | 4.75% - 5.50% | ◀▶ |
| Low Rise A | 4.00% - 4.75% | ◀▶ |
| Low Rise B | 4.75% - 5.50% | ◀▶ |

HOTEL

| | | |
|--------------------------|---------------|----|
| Downtown Full Service | 7.00% - 8.00% | ◀▶ |
| Suburban Limited Service | 7.75% - 8.75% | ◀▶ |
| Focused Service | 7.50% - 8.50% | ◀▶ |

VIEW ALL CANADIAN CAP RATES
ON PAGE 17

INVESTMENT TRENDS

The office sector has turned into a Landlord's market and this has placed downward pressure on cap rates. Similarly, cap rates in the industrial sector have also compressed in light of record low availability rates.



The lack of quality product in all asset classes remains the greatest obstacle for Montreal.

Cap rates in the retail sector will remain idle as this segment continues to face challenges, particularly in the big box fashion segment.



Serge Duval

Senior Vice President
National Investment Team

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Q2 2017 CAP RATES

| DOWNTOWN OFFICE | | △Q/Q |
|--------------------------|---------------|------|
| AA | 4.50% - 5.00% | ▼ |
| A | 5.00% - 5.50% | ▼ |
| B | 5.50% - 6.25% | ▼ |
| SUBURBAN OFFICE | | |
| A | 5.75% - 6.75% | ◀▶ |
| B | 7.00% - 7.75% | ◀▶ |
| INDUSTRIAL | | |
| A | 5.50% - 6.25% | ▼ |
| B | 6.50% - 7.50% | ▼ |
| RETAIL | | |
| Regional | 5.00% - 5.75% | ◀▶ |
| Power | 5.75% - 6.75% | ◀▶ |
| Neighbourhood | 7.00% - 7.75% | ◀▶ |
| Strip | 5.25% - 6.00% | ◀▶ |
| Strip (non-anchored) | 7.25% - 8.00% | ◀▶ |
| Urban Streetfront | 4.50% - 5.00% | ◀▶ |
| High Street | N/A | |
| APARTMENT | | |
| High Rise A | 4.25% - 5.00% | ◀▶ |
| High Rise B | 5.00% - 5.75% | ◀▶ |
| Low Rise A | 4.75% - 5.50% | ◀▶ |
| Low Rise B | 5.75% - 6.75% | ◀▶ |
| HOTEL | | |
| Downtown Full Service | 7.50% - 8.50% | ◀▶ |
| Suburban Limited Service | 8.25% - 9.25% | ◀▶ |
| Focused Service | 8.00% - 8.75% | ◀▶ |

VIEW ALL CANADIAN CAP RATES
ON PAGE 17

INVESTMENT TRENDS

The industrial market is showing positive signs with significant absorption, declining availability in Q2 2017, and increased traffic at the Port of Halifax.



While the first half of 2017 was relatively quiet for investment transactions, projects are being marketed or coming online that should lead to a solid second half for sales activity.

Significant construction activity continues on the peninsula, including new builds of multi-residential buildings, commercial renovations, and updated infrastructure.



Chris Carter

Vice President
National Investment Team

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Q2 2017 CAP RATES

DOWNTOWN OFFICE △Q/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% - 7.00% | ◀▶ |
| B | 7.25% - 7.75% | ◀▶ |

RETAIL

| | | |
|----------------------|---------------|----|
| Regional | 5.50% - 6.00% | ◀▶ |
| Power | 6.25% - 7.00% | ◀▶ |
| Neighbourhood | 6.75% - 7.75% | ◀▶ |
| Strip | 6.50% - 7.50% | ◀▶ |
| Strip (non-anchored) | 7.50% - 8.25% | ◀▶ |
| Urban Streetfront | 6.50% - 7.50% | ◀▶ |
| High Street | N/A | |

APARTMENT

| | | |
|-------------|---------------|----|
| 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 | 8.00% - 9.00% | ◀▶ |
| Suburban Limited Service | 8.75% - 9.75% | ◀▶ |
| Focused Service | 8.25% - 9.50% | ◀▶ |

VIEW ALL CANADIAN CAP RATES
ON PAGE 17

Q2 2017 Canadian Cap Rates

| △Q/Q | Vancouver | Calgary | Edmonton | Winnipeg | London-Windsor |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| Downtown Office | | | | | |
| AA | 3.75% - 4.00% ◀▶ | 5.25% - 5.75% ◀▶ | 5.50% - 6.00% ◀▶ | N/A | N/A |
| A | 3.75% - 4.25% ◀▶ | 6.25% - 7.00% ◀▶ | 6.75% - 7.50% ◀▶ | 5.50% - 6.00% ◀▶ | 6.50% - 8.50% ◀▶ |
| B | 4.00% - 4.50% ◀▶ | 7.75% - 8.50% ◀▶ | 8.00% - 10.00% ▲ | 6.50% - 7.00% ◀▶ | 8.00% - 9.00% ◀▶ |
| Suburban Office | | | | | |
| A | 4.75% - 5.50% ◀▶ | 6.25% - 6.75% ◀▶ | 6.75% - 7.50% ◀▶ | 6.50% - 7.00% ◀▶ | 7.50% - 8.00% ◀▶ |
| B | 5.00% - 5.75% ▲ | 7.50% - 8.25% ◀▶ | 7.50% - 8.00% ◀▶ | 7.00% - 7.50% ◀▶ | 8.00% - 8.50% ◀▶ |
| Industrial | | | | | |
| A | 4.25% - 4.75% ▼ | 5.00% - 5.50% ◀▶ | 5.25% - 5.75% ◀▶ | 6.00% - 6.50% ◀▶ | 6.30% - 7.50% ▼ |
| B | 4.75% - 5.25% ▼ | 6.00% - 6.50% ▼ | 6.50% - 8.00% ▼ | 6.50% - 7.25% ◀▶ | 7.50% - 8.50% ▼ |
| Retail | | | | | |
| Regional | 4.00% - 4.50% ▼ | 4.75% - 5.25% ▼ | 5.00% - 5.50% ◀▶ | 5.50% - 6.00% ◀▶ | 5.50% - 6.50% ◀▶ |
| Sector/Power | 5.00% - 5.00% ◀▶ | 5.50% - 6.00% ▼ | 5.75% - 6.25% ◀▶ | 6.00% - 6.50% ◀▶ | 6.25% - 7.00% ◀▶ |
| Neighborhood | 5.00% - 5.50% ◀▶ | 5.00% - 5.50% ▼ | 5.50% - 6.00% ◀▶ | 6.50% - 7.00% ◀▶ | 6.25% - 7.50% ◀▶ |
| Strip | 4.00% - 5.00% ▼ | 5.25% - 5.75% ◀▶ | 5.50% - 6.00% ◀▶ | 6.50% - 7.00% ◀▶ | 6.00% - 7.00% ◀▶ |
| Non-anchored Strip Mall | 5.00% - 5.50% ◀▶ | 6.00% - 6.50% ▼ | 6.25% - 7.00% ◀▶ | 6.75% - 7.50% ◀▶ | 6.00% - 7.50% ◀▶ |
| Urban Streetfront | 3.75% - 4.25% ◀▶ | 5.50% - 6.00% ◀▶ | 6.00% - 6.50% ▼ | 6.00% - 6.75% ◀▶ | 7.00% - 8.50% ◀▶ |
| High Street | 3.50% - 4.00% ◀▶ | N/A | N/A | N/A | N/A |
| Apartment | | | | | |
| High Rise A | 2.50% - 3.00% ◀▶ | 4.50% - 5.00% ◀▶ | 4.00% - 4.50% ▼ | N/A | 5.00% - 5.50% ◀▶ |
| High Rise B | 3.00% - 3.50% ◀▶ | 4.75% - 5.25% ▼ | 4.50% - 5.00% ▼ | 5.00% - 5.75% ◀▶ | 5.25% - 6.50% ◀▶ |
| Low Rise A | 2.75% - 3.25% ◀▶ | 4.75% - 5.25% ▼ | 5.00% - 5.50% ▼ | 5.50% - 6.00% ◀▶ | 5.75% - 6.75% ◀▶ |
| Low Rise B | 3.25% - 4.25% ◀▶ | 5.00% - 5.50% ▼ | 5.75% - 6.50% ◀▶ | 5.75% - 6.00% ◀▶ | 6.00% - 7.25% ◀▶ |
| Hotel | | | | | |
| Downtown Full Service | 5.50% - 6.50% ◀▶ | 7.75% - 8.75% ◀▶ | 7.75% - 8.75% ◀▶ | 8.00% - 9.00% ◀▶ | 8.25% - 9.00% ◀▶ |
| Suburban Limited Service | 6.50% - 7.50% ◀▶ | 8.25% - 9.25% ◀▶ | 9.00% - 9.50% ◀▶ | 8.50% - 9.50% ◀▶ | 8.25% - 9.00% ◀▶ |
| Focused Service | 6.50% - 7.50% ◀▶ | 8.25% - 9.25% ◀▶ | 8.50% - 9.50% ◀▶ | 8.00% - 8.75% ◀▶ | 7.75% - 9.00% ◀▶ |

Q2 2017 Canadian Cap Rates

| △Q/Q | Kitchener-Waterloo | Toronto | Ottawa | Montreal | Halifax |
|--------------------------|--------------------|---------------|---------------|---------------|---------------|
| Downtown Office | | | | | |
| AA | N/A | 4.00% - 4.50% | 4.75% - 5.25% | 4.50% - 5.00% | N/A |
| A | 6.00% - 7.00% | 4.25% - 4.75% | 5.25% - 5.75% | 5.00% - 5.50% | 6.25% - 6.75% |
| B | 6.50% - 7.25% | 4.50% - 5.00% | 5.75% - 6.25% | 5.50% - 6.25% | 7.00% - 7.50% |
| Suburban Office | | | | | |
| A | 6.25% - 7.50% | 5.50% - 6.25% | 6.25% - 7.00% | 5.75% - 6.75% | 6.50% - 7.50% |
| B | 7.00% - 8.00% | 6.50% - 7.25% | 7.00% - 7.50% | 7.00% - 7.75% | 7.50% - 8.00% |
| Industrial | | | | | |
| A | 5.50% - 6.10% | 4.25% - 4.75% | 6.00% - 6.25% | 5.50% - 6.25% | 6.00% - 7.00% |
| B | 6.50% - 7.25% | 5.50% - 6.50% | 6.50% - 7.25% | 6.50% - 7.50% | 7.25% - 7.75% |
| Retail | | | | | |
| Regional | 5.50% - 6.00% | 4.50% - 5.50% | 5.00% - 5.75% | 5.00% - 5.75% | 5.50% - 6.00% |
| Sector/Power | 5.75% - 6.50% | 5.50% - 6.50% | 5.75% - 6.50% | 5.75% - 6.75% | 6.25% - 7.00% |
| Neighborhood | 5.75% - 6.50% | 5.00% - 6.25% | 5.75% - 6.50% | 7.00% - 7.75% | 6.75% - 7.75% |
| Strip | 5.25% - 6.50% | 5.25% - 6.25% | 5.50% - 6.25% | 5.25% - 6.00% | 6.50% - 7.50% |
| Non-anchored Strip Mall | 5.25% - 6.75% | 6.25% - 7.25% | 6.50% - 7.50% | 7.25% - 8.00% | 7.50% - 8.25% |
| Urban Streetfront | 6.00% - 7.50% | 4.00% - 4.50% | 4.75% - 5.50% | 4.50% - 5.00% | 6.50% - 7.50% |
| High Street | N/A | 3.25% - 4.00% | N/A | N/A | N/A |
| Apartment | | | | | |
| High Rise A | 4.25% - 4.75% | 3.25% - 3.75% | 3.75% - 4.50% | 4.25% - 5.00% | 4.75% - 5.25% |
| High Rise B | 4.50% - 5.25% | 3.50% - 4.50% | 4.75% - 5.50% | 5.00% - 5.75% | 5.00% - 5.50% |
| Low Rise A | 4.75% - 5.50% | 3.25% - 3.75% | 4.00% - 4.75% | 4.75% - 5.50% | 4.75% - 5.25% |
| Low Rise B | 5.50% - 6.00% | 3.50% - 4.50% | 4.75% - 5.50% | 5.75% - 6.75% | 5.25% - 5.75% |
| Hotel | | | | | |
| Downtown Full Service | 8.25% - 9.00% | 5.50% - 6.50% | 7.00% - 8.00% | 7.50% - 8.50% | 8.00% - 9.00% |
| Suburban Limited Service | 8.25% - 9.00% | 7.00% - 8.50% | 7.75% - 8.75% | 8.25% - 9.25% | 8.75% - 9.75% |
| Focused Service | 7.50% - 8.50% | 7.00% - 8.00% | 7.50% - 8.50% | 8.00% - 8.75% | 8.25% - 9.50% |

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.

AA Downtown Office: The downtown's best office buildings, typically newer, larger than 800,000 sq. ft. with larger floor plates, attract larger, top quality tenants with 5 and 10-year leases.

Class A Suburban Office and Industrial: Best of class product, recently completed to a high-standard, leases to better quality tenants on 5 and 10-year leases, typically newer construction.

Class B Suburban Office and Industrial: Older product, mostly 5-year leases, typically previously owned.

Regional: Enclosed malls, are the top performers in sales per sq. ft., has strong anchors and high percentage of National Tenants in CRU space. Typically >500,000 sq. ft. and has a department store as one of the anchors.

Power Centres: Open-air retail centre comprised of larger, brand name tenants. Tend to be in a node with other anchor tenants. Limited CRU space and typically larger than 400,000 sq. ft. or in a node of that size.

Community/Neighborhood: Enclosed centre that serves a community and is generally anchored by some combination of a junior department store, supermarket, drug or sport store; supplies a wide range of apparel and soft goods. Can range from 150,000 sq. ft.–350,000 sq. ft.

Strip (Anchored): Open-air centre anchored by either food or drug.

Strip (Non-Anchored): Open-air centre typically not anchored by either food or drug.

Hotel: Rates indicated are based on normalized results after deduction of management fees and reserves for replacement.

Focused Service Hotel: Upper-midscale lodging focused on rooms operations with limited food and beverage and meeting facilities; examples include Hampton Inn, Residence Inn.

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