CBRE RESEARCH

2018

REAL ESTATE MARKET OUTLOOK

Canada

CBRE

CONTENTS

NATIONAL OUTLOOK

REGIONAL OUTLOOK

EXECUTIVE SUMMARY

These are remarkable times. Canadian commercial real estate continues to set records, assert itself on the world stage and build momentum despite an extended, nine-year bull run and technological innovations that are shaping our physical and digital existence. This is the backdrop for CBRE's 2018 Market Outlook; a year in which context might be as important as the facts and figures upon which forecasts are built.

The 2018 outlook for Canadian commercial property suggests that the market has the potential to defy traditional market cycles. The institutionalization of real estate, the diversification of the economy and changing technology have altered the rules of the game. Traditional market analysis would generally cast doubt on the chances of consecutive, all-time record investment volumes. However, in this new paradigm, Canada has the potential to achieve this feat for a remarkable third consecutive year.

CANADIAN REAL ESTATE OUTLOOK 2018

EXECUTIVE SUMMARY

Expect a number of notable trends and unparalleled statistics in 2018, including:

Office Sale Price and Rental Rate Records

The desire to buy core office buildings will likely produce new record prices per sq. ft. in Canadian cities, with Toronto and Vancouver leading the way. Strong leasing demand and decreasing vacancy will likely produce record high rental rates.

Tenants Forced to Get Creative

As available office and industrial space become increasingly scarce, tenants will need to shift their real estate expectations to reflect new market realities. To meet business goals, tenants will have to be flexible and consider non-contiguous units, expansion into separate offices and the possibility of leasing second-tier, Class B and C space.

Land in Demand

As the market gears up for a new construction cycle and investors plan for the future, land sales will likely continue to set pricing records in a variety of markets across Canada.

Speculative Construction to Surge

The combination of record low office vacancy and industrial availability along with rising rental rates will spur new construction. Developers will likely be so confident in their ability to lease space that they will start construction with minimal, or no, preleasing.

Record Investment Volume

Canada is likely to contend for a third consecutive year of record investment volumes. Commercial real estate will maintain its appeal as a stable, high-yielding investment vehicle despite rising interest rates and stricter underwriting.

Urban Industrial Renaissance

The next evolution of logistics and distribution activity will involve a push to revitalize old, light manufacturing buildings to support same-day delivery. Expect inner suburbs and fringe core areas of major Canadian markets to see increased leasing demand in 2018.

New Metrics and Perspectives on the Market

In line with changing rules of the game, increased focus on distribution means solely valuing industrial buildings by sq. ft. may not account for total potential value. As the focus on space utilization increases, valuations on a ft.^{3} basis may become more commonplace. The push for autonomous vehicles will also result in a re-evaluation of parking needs which could shift underwriting on a variety of properties.

Landlords to Embrace Big Data

Expect to see increased data collection around business operations and individual preferences in order to develop new real estate strategies. The institutionalization of commercial real estate should facilitate the adoption of new technologies.

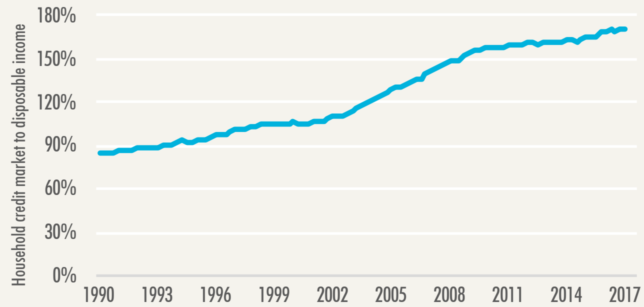
CONFIDENCE OVER QUESTION MARKS

Since the global financial crisis roiled confidences in 2008, forecasting efforts have had to confront the possibility of one destabilizing event or another. In 2018, market watchers are suddenly inclined to choose confidence over question marks and seem emboldened following a decade of distressing events.

This newfound confidence might be unfamiliar and somewhat disconcerting because many of the unvanquished boogeymen from the past decade are materializing in new ways. Central banks have fortified the financial system, but it is unclear how fiscal stimulus will be unwound in a smooth and painless fashion. Inflation is rising faster than expected, stoking worries that central banks will accelerate rate hike schedules causing volatility in the stock markets. In Canada, household debt levels are at record highs and increased mortgage carrying costs could have significant implications for consumption and overall economic performance. Globally, the end of quantitative easing could bring Europe back into the spotlight as Italy becomes the focus of renewed sovereign debt issues.

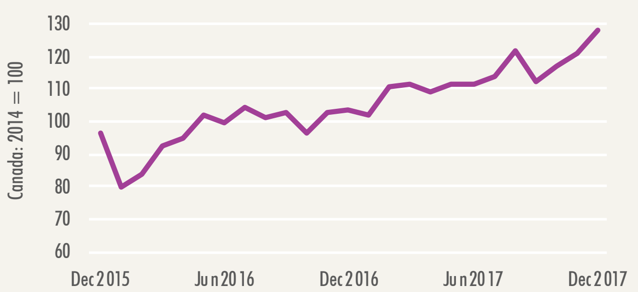
In addition to economic uncertainty, the potential for exogenous shocks makes this 2018 outlook similar to others from the past decade. Brexit, China and Russia's growing influence, the resurgence of populism and U.S. political instability are risks to just about any forecast at the moment. What is different about 2018 is the level of optimism from so many quarters in the face of so much uncertainty. And while one can argue whether this enthusiasm might be misplaced, Canadian commercial real estate remains one asset class with real reason for optimism.

FIGURE 1:
Household debt to disposable income at record levels



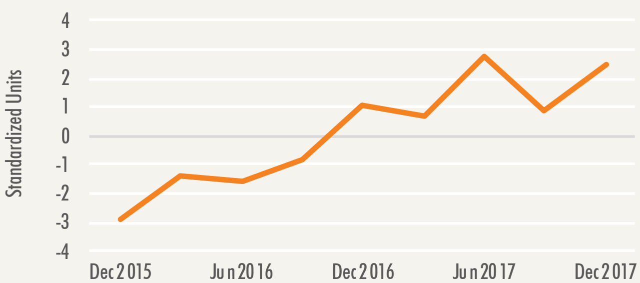
Source: OECD, February 2018.

FIGURE 2:
Canadian Consumer Confidence Index



Source: The Conference Board of Canada, February 2018.

FIGURE 3:
Business Survey Outlook Indicator

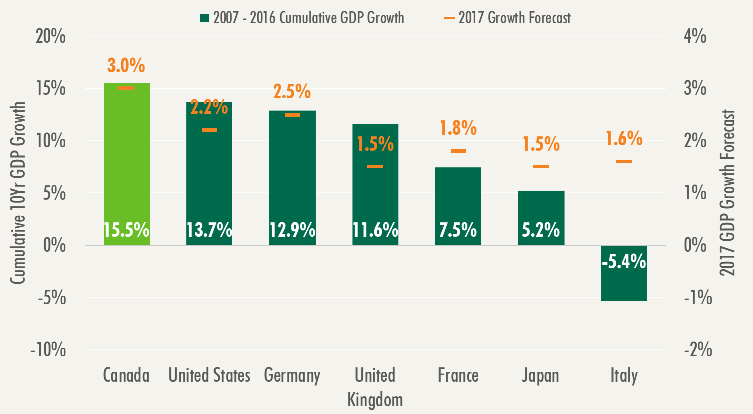


Source: Bank of Canada, February 2018.

CANADA IN THE SPOTLIGHT

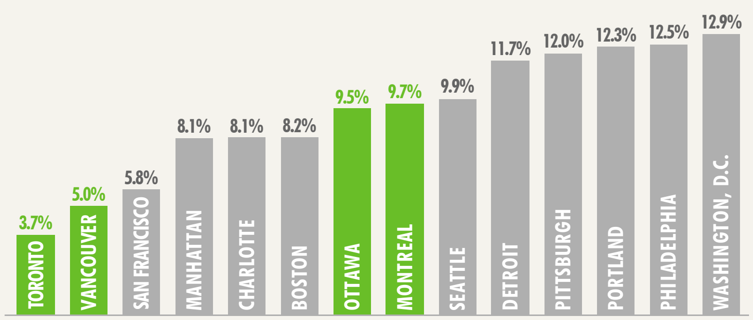
At a time when selecting facts to fit a preferred world view is the norm, there are relatively few ways to discredit the strength of Canadian commercial real estate fundamentals. Canada has led G7 nations in GDP growth over the last decade and diverse job growth has driven unemployment below 6.0%. With solid employment prospects, wage growth and robust business spending, it should come as no surprise that commercial real estate fundamentals are strong.

FIGURE 4:
Canada leads G7 nations in GDP growth over last decade



Source: OECD, February 2018.

FIGURE 5:
North American downtown office vacancy rates



Source: CBRE Research, Q4 2017.

Strong may not be a bold enough term in this era of inflated rhetoric, especially when one considers the Canadian commercial real estate records that were set in 2017:

- Toronto and Vancouver recorded the lowest downtown office vacancy rates and industrial availability rates in North America
- Montreal posted over 1.9 million sq. ft. of positive net absorption in 2017, a record amount of tenant demand
- National industrial average net asking rents reached an all-time high of $6.97 per sq. ft.
- Canada recorded the highest commercial real estate investment volume in the nation's history at $43.1 billion, setting back-to-back annual records
- Canada was one of four nations in the world to log back-to-back all-time high investment volumes, along with China, Spain and Netherlands
- The national average cap rate fell to a record low of 5.69%

CANADA IN THE SPOTLIGHT

Canada has had a prolonged moment in the spotlight since avoiding the worst of the global financial crisis. Historically seen as a safe, diverse and welcoming nation for businesses and immigrants, that momentum has only intensified. Canada was recently ranked second-best country in the world to live in by the U.S. News Report. The Economist Intelligence Unit listed Vancouver, Calgary and Toronto amongst the five most liveable cities in the world, and Toronto is a short-list candidate for a global tech giant's second headquarters. A record number of tourists visited the country last year, including a remarkable 43.0 million visits to Toronto alone. Canada's international appeal and competitive dollar are expected to support record tourism in 2018.

Overall best countries ranking

RANK	COUNTRY
1	Switzerland
2	**Canada**
3	Germany
4	United Kingdom
5	Japan
6	Sweden
7	Australia
8	United States
9	France
10	Netherlands

Source: U.S. News & World Report, 2018.

World's most livable cities

RANK	CITY	COUNTRY
1	Melbourne	Australia
2	Vienna	Austria
3	**Vancouver**	**Canada**
4	**Toronto**	**Canada**
5	**Calgary**	**Canada**
5	Adelaide	Australia
7	Perth	Australia
8	Auckland	New Zealand
9	Helsinki	Finland
10	Hamburg	Germany

Source: Economist Intelligence Unit, 2017.

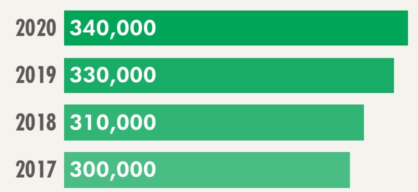
THE RISING COST OF THE CANADIAN DREAM

Canada is in demand. From those pursuing education to employment, investment and travel, the flow of capital and people bodes well for Canadian commercial real estate in 2018 and beyond.

Foreign students continue to enroll in Canadian universities in record numbers as they pursue quality education, high standards of living and employment opportunities once their studies are complete. More broadly, increased immigration targets will produce 310,000 new permanent Canadian residents in 2018 as part of an overall plan to accept over 1.0 million new immigrants by 2020. At a time when other nations are intensely divided over immigration, Canada appears to have found the right balance. This is crucial to Canada's future economic growth. The country now has more seniors than children under the age of 14 so immigration will be essential if the economy is to grow and to allow businesses to access a diverse and highly-skilled workforce.

310,000
New permanent residents in Canada in 2018

FIGURE 6:
Canadian Immigration Levels



Source: CBC News, February 2018.

THE RISING COST OF THE CANADIAN DREAM

Both people and capital are flowing towards urban areas, especially Toronto, Vancouver and Montreal, and with increasing demand comes increasing costs. The result is the Canadian dream is getting more expensive. This is less intimidating as business real estate costs will remain a fraction of total business costs. Any increase in rental rates, especially for office and industrial space, are likely to be outweighed by the benefits of operating in a growing economy with access to a talented workforce.

For individuals, rising costs related to real estate could be more difficult to bear, despite low unemployment and solid wage growth. Supply issues are exacerbating challenges on the housing front and low vacancy rates for apartments in major cities will continue to drive up rents. Renters will likely have to shoulder these costs, or take on roommates, as purchasing a condo or home will continue to be out of reach for many in Canada's largest cities. Domestic travelers will also experience rising costs. Increased business travel along with strong growth in both domestic and international tourism is forecast to produce the fourth consecutive year of record hotel occupancy rates, which will push room rates and profits higher.

Commercial property costs will remain a fraction of total business costs.

Multifamily rents forecast to rise in 2018 according to CMHC

Source: CMHC, February 2018.

NEW RULES OF THE GAME

The nine-year bull run for Canadian commercial real estate has been defined by declining vacancy rates, accelerating rental rate growth, rising property values and increasing capital allocations for real estate. There have been more winners than losers in this extended cycle and some are now asking the question: how much longer can this last? Rather than attempting to time the market or choosing which inning of the cycle we are in, our forecast suggests considering the possibility that the very rules of the game have changed.

Institutional capital, backed by incisive analysts, big data and ample capital, is traditionally viewed as the 'smart money' in the market. Pension funds are not shying away from commercial real estate late in the cycle. In fact, allocations to real estate are expected to climb to 14.0-16.0% in the next five years. Retail, which is viewed as the commercial property type most at risk from technological innovation, is a sought-after property type by investors. Retail investment volumes grew again in 2017 and the push to reinvent malls and intensify transit oriented retail properties is expected to ramp up in 2018. These are encouraging trends for those hoping for a few more innings in the cycle.

14-16%

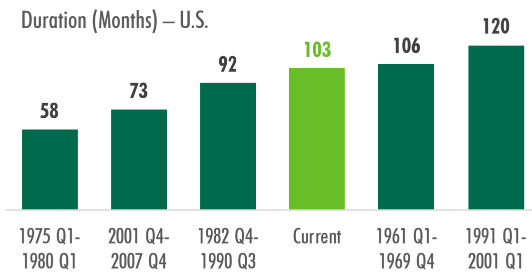
Real estate allocations by 2023

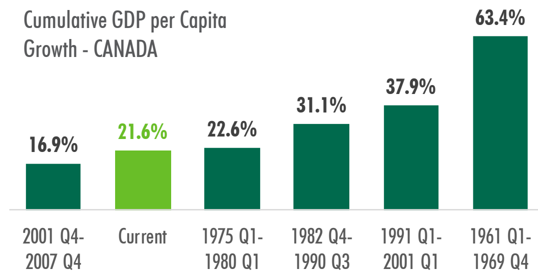
Some are also of the opinion that the global economy is overdue for a recession. Canada is in the midst of the third longest period of economic expansion in history. However, when measured by cumulative GDP growth per capita over the same period, this cycle sits in the middle of the pack. The economy is more diverse than at any other point since the recession in 2008. Technology, natural resources and professional services are all driving growth, which leaves room for expansion and mitigates risk in the event of a downturn.

But what about the dark clouds on the horizon? With an ongoing softwood lumber trade dispute, NAFTA negotiations, the failure of Sears Canada and discounted Canadian oil prices, there are risks to commercial real estate fundamentals. That said, these risks, and the fears that they produce, may not account for the new realities of the Canadian economy.

NEW RULES OF THE GAME

FIGURE 7: Third longest period of economic expansions





Source: BEA, NBER, CIBC, Statistics Canada, February 2018.

LET'S PUT THE RISKS IN PERSPECTIVE:

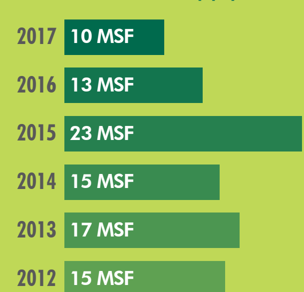
- New tariffs on Canadian softwood lumber are having a marginal impact on an increasingly diversified B.C. economy. This would not have been the case in the 1980s and 90s. In general, the Canadian economy is more diverse than in previous decades, which provides a buffer to economic shocks.

22.1%

Approx. amount of national GDP is Canadian exports to the U.S.

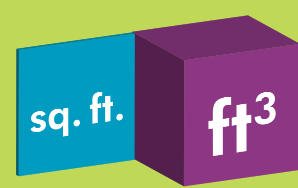
- The possibility of the U.S. exiting NAFTA has raised concerns about various sectors of the economy, especially the industrial market. Canadian exports to the U.S. account for approximately 22.1% of national GDP and industrial space is the staging ground for much of this cross-border trade. However, over the past decade, Canada's manufacturing sector has been on the decline. The majority of the industrial universe is now geared towards logistics and distribution activity for domestic consumption and annual new supply is at a six-year low which adds further stability to the market. Furthermore, there is a significant push to revitalize old, light manufacturing buildings to support same-day delivery. This type of delivery service will be needed regardless of the outcome of NAFTA negotiations. In 2018, the increased focus on distribution could result in a shift towards industrial assets being valued on a $ft.^3$ basis rather than sq. ft., reflecting the growing importance of overall space utilization that stacking technology brings.

FIGURE 8: Industrial new supply



Source: CBRE Research, Q4 2017.

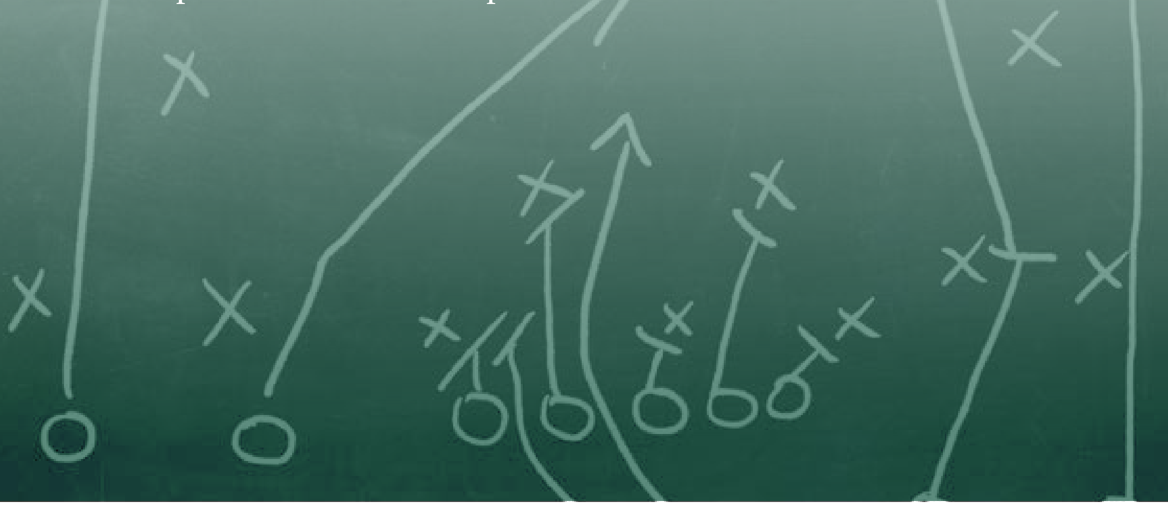
- For some, the failure of Target followed by Sears Canada's exit was a tangible example of the ongoing churn in the retail market. Questions are now being raised about the viability of other department stores in the face of growing online sales; however, retail landlords have largely shrugged off the demise of Sears.



Prime locations in major markets have been repurposed for better uses and have been leased out at higher rates. Tertiary malls, like all non-core real estate, face challenges from a tenant and investment perspective, which exists despite technological disruption.

- While oil and gas extraction accounted for the majority of Canadian GDP growth during the global recession, this sector has had to retool in the face of lower oil prices. New efficiencies have been found and production costs are decreasing. Oil prices are not expected to return to pre-recession levels and even if prices were to increase marginally, the GDP gains would not likely reflect a significant uptick in Alberta employment. These are the new realities for Canada's energy markets, which already have a few years of innovating and retooling under their belts.

It is possible to identify risks to the economy and commercial real estate fundamentals, but these risks may have a muted impact as a result of a diversifying economy. The rules of the game have changed. There is the potential for the cycle to continue and it may take an unlikely combination of risks or another black swan event to produce a knockout punch for this bull run.



RISING INTEREST IN INTEREST RATES

There has never been a period of rising interest rates that has not resulted in a recession and the unwinding of quantitative easing makes the prospect of higher rates all the more important. The one factor that remains a determining factor for the commercial real estate market and economy writ large is interest rates.

The Bank of Canada has increased the key overnight rate three times since July 2017 and this is a significant shift for commercial real estate investors and user-owners. The spread between 10-Year Canada Bonds and the overall cap rate for Canadian commercial properties has shrunk; however, the remaining spread and historic track record for reliable returns will continue to entice investors to commercial real estate in 2018.

It would be a mistake to conflate "higher" interest rates with "high" interest rates, but stricter underwriting is likely in 2018. Landlords need to focus on operations to drive value. Rising interest rates will increase carrying costs, but this will be partially offset by the upward trajectory of rental rates for multiple asset classes.

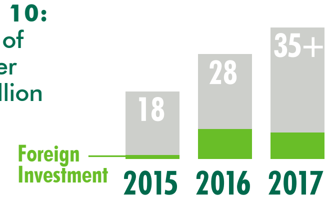
Increased scrutiny will also spread to foreign purchases, which have driven the investment market in recent years. The number of >$1.0 billion mega purchases by foreign entities is expected to decrease in 2018, but the total number of deals that they execute is expected to climb. The Chinese capital that was looking to enter Canada in years past is now being much more selective, but will remain active.

Despite rising rates and narrowing spreads, it is reassuring that Blackstone, the world's leading private equity firm, started 2018 by purchasing one of Canada's largest industrial REITs. This is especially notable given that cap rates for industrial properties are amongst the lowest of any asset class. Blackstone's focus on industrial properties might not represent belief in all commercial property types and all Canadian markets, but it does show that sophisticated players will still be able to identify opportunities in 2018 and that commercial valuations have runway for growth.

FIGURE 9:
Increased key overnight rate three times since July 2017

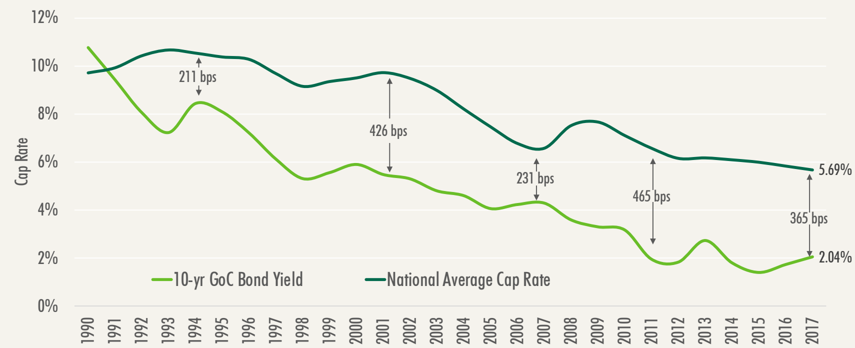
Source: Bank of Canada, February 2018.

FIGURE 10:
Number of deals over $100 million



Source: CBRE Research, 2017.

FIGURE 11:
Spread between bonds and cap rates have shrunk



Source: Bank of Canada, CBRE Research, Q4 2017.

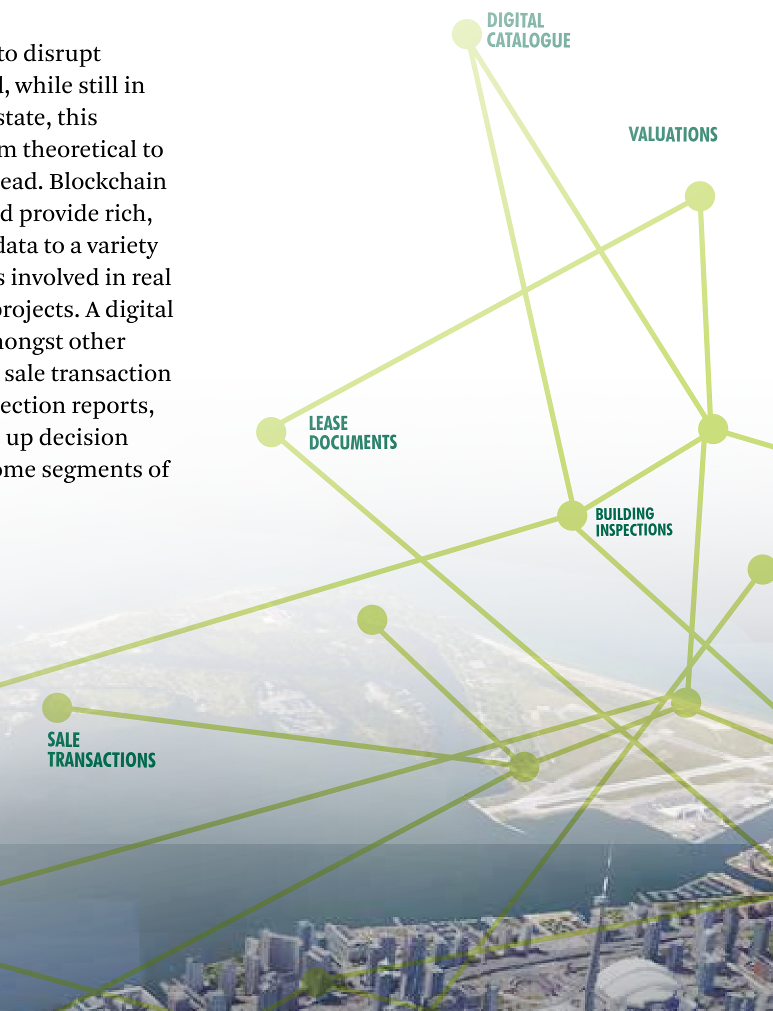
TECHNOLOGY: WAKE UP CALL OR ALARM BELLS?

Real estate has been slow to adopt technological solutions due in part to a lack of data and a perceived disconnect between landlords and their tenants' day-to-day activities. While this has been the case up until now, the proliferation of big data is encouraging owners, building managers and brokerage firms to better leverage tenant information. In 2018, expect to see increased collection of data around business practices and individual preferences in order to develop new real estate strategies.

The institutionalization of real estate, which has provided stability to the industry, should facilitate the adoption of new technologies. Sophisticated, well-resourced landlords will be able to leverage tenant data to optimize operations and design investment strategies. WeWork, a trailblazer in many respects, has shown that tenants are increasingly comfortable with landlords becoming more integrated into their daily routines. From backend support, including HR and finance, to providing onsite services and amenities, landlords have a huge opportunity to obtain even more detailed information on their tenants' needs.

The increased availability of data will begin to have tangible impacts on everything from built form to business processes. The Internet-of-Things is taking on a physical presence as designs for Toronto's Eastern Waterfront take shape. Sensors in this district will monitor the flow of people and goods and could enhance the performance of the entire neighbourhood. This type of project, while groundbreaking now, will act as a blueprint for other municipalities moving forward.

Blockchain looks poised to disrupt established practices and, while still in the early stages for real estate, this technology will move from theoretical to practicable in the year ahead. Blockchain will create efficiencies and provide rich, real-time, open-sourced data to a variety of users and stakeholders involved in real estate and city building projects. A digital catalogue containing, amongst other things, lease documents, sale transaction details and building inspection reports, could dramatically speed up decision making and transform some segments of the market.



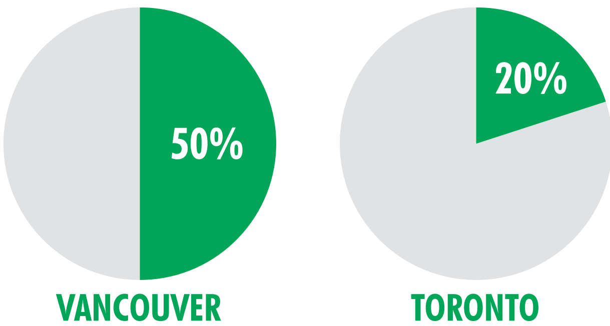
TECHNOLOGY: WAKE UP CALL OR ALARM BELLS?

Autonomous vehicles will prove to be one of the largest changes to human transportation in history. With mass production of a Level Four autonomous vehicle scheduled for 2019, the change will arrive in North America quicker than most realize. Driverless vehicles will quickly eradicate the need for the personal ownership and storage of cars as subscription services will provide access to cars on-demand. Although not an immediate issue for 2018, some landlords are already looking at the implications for their portfolios including how much space they dedicate to parking in new developments, how to repurpose and revalue parking in existing developments and how they can facilitate passenger drop-offs from driverless vehicles.

The most tangible impact of technology in the year ahead will be its impact on leasing and new demand for space. In Vancouver, tech firms accounted for over 50.0% of office space requirements in 2017. This number was equally impressive in Toronto where, regardless of a more diverse regional economy, tech firms accounted for 20.0% of office space requirements. Given that tech firms only currently occupy 4% of all office space in Downtown Toronto, it is evident that this sector is having an outsized effect on demand. Tech will continue to drive demand for office space in 2018, including the possibility of a tech firm anchoring one of the new developments to be built over the course of the next construction cycle.

TECHNOLOGY: WAKE UP CALL OR ALARM BELLS?

FIGURE 12:
Tech users in the market



Source: CBRE Research, 2017.

Tech will also be the largest agent of change in the industrial and retail markets in 2018, regardless of the ongoing NAFTA negotiations. Look for Canada to continue to close the online retail sales gap with the U.S., where 9.0% of retail sales are made online compared to 7.5% of sales in Canada. Retailers and landlords will increasingly focus on omnichannel solutions as shopping habits are fundamentally changing. The difference between winning and losing in the retail market moving forward will be the ability to adjust to these changes. Expect 2018 to be the year in which urban distribution centres and pick-up points shape industrial leasing demand and construction activity. While logistics are driving the industrial market from coast to coast, it is no longer as simple as building massive suburban facilities with impressive sorting technologies. The distribution network across urban areas will begin to take shape in the year ahead and previously obsolete urban industrial locations may see new life.

The current and potential impacts of technology are difficult to encapsulate, especially as one looks beyond 2018. Technology is ubiquitous and is raising the stakes for so many components of the commercial real estate market. Landlords, tenants and investors all need to stay engaged and forward thinking. The industry that eschewed technology for so long now needs to champion it and state some of the terms of the forthcoming transformation. Otherwise, new entrants, with different objectives to the established players, will set the pace of change and determine who are winners.

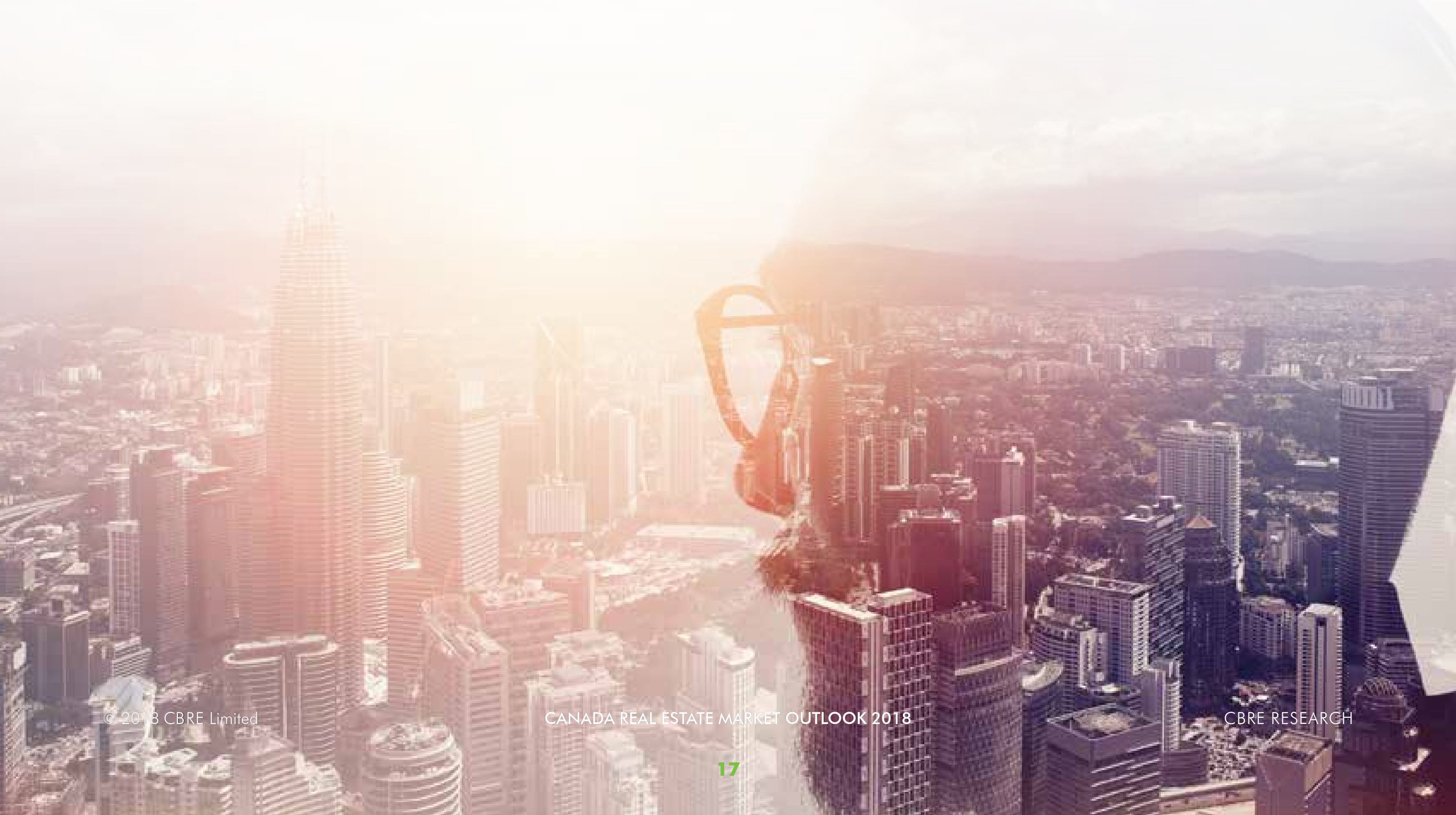
FIGURE 13:
2017 online sales

Source: eMarketer, 2018.

2018: RUNWAY FOR OPPORTUNITY

Canadian commercial real estate is poised to maintain its prolonged moment in the spotlight through 2018. Canada is a leading destination for capital, businesses and immigrants, which is diversifying the economy, bolstering property fundamentals and providing a buffer to the spate of economic and geopolitical risks that exist. The rules of the game are changing and so too must our expectations for market cycles, technological implementation, built form and business processes. While the bull market may still have legs, it is imperative that landlords, tenants and investors all stay vigilant and forward looking in these dynamic times.

> *"Everyone has their day and some days last longer than others."*
>
> ***~ WINSTON CHURCHILL***



NATIONAL STATISTICS

CANADA

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	11.2%	11.1%	11.0%	▼
Class A Net Asking Rent (per sq. ft.)	$22.64	$21.91	$21.13	▼
Net Absorption (million sq. ft.)	0.49	3.18	2.43	▼
New Supply (million sq. ft.)	4.70	3.61	2.68	▼
Under Construction (million sq. ft.)	6.65	6.67	6.94	▲
SUBURBAN				
Vacancy Rate	15.7%	15.3%	14.8%	▼
Class A Net Asking Rent (per sq. ft.)	$18.50	$17.63	$17.33	▼
Net Absorption (million sq. ft.)	1.17	3.11	3.42	▲
New Supply (million sq. ft.)	4.37	2.38	2.88	▲
Under Construction (million sq. ft.)	3.12	4.27	3.96	▼
OVERALL				
Vacancy Rate	13.2%	13.0%	12.7%	▼
Class A Net Asking Rent (per sq. ft.)	$20.15	$19.38	$19.33	▼
Net Absorption (million sq. ft.)	1.66	6.29	5.85	▼
New Supply (million sq. ft.)	9.07	5.99	5.56	▼
Under Construction (million sq. ft.)	9.76	10.94	10.90	▼

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	5.1%	4.1%	3.8%	▼
Net Asking Rent (per sq. ft.)	$6.61	$6.97	$7.13	▲
Sale Price (per sq. ft.)	$115	$123	$133	▲
Net Absorption (million sq. ft.)	20.34	23.67	19.10	▼
New Supply (million sq. ft.)	13.26	9.62	14.25	▲
Under Construction (million sq. ft.)	11.19	13.75	15.04	▲

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$15,203	$16,039	$16,269	▲
Total Retail Sales Growth	5.1%	6.7%	2.4%	▼
Mall Sales Productivity (per sq. ft.)	$761	$770	$771	▲
New Supply (million sq. ft.)	6.88	4.59	4.96	▲

Source: CBoC, ICSC, CBRE Research, 2018.

Investment

VOLUME ($ MILLIONS)	2016	2017	2018 F	YoY
Office	$7,752	$10,195	$9,871	▼
Industrial	$5,794	$7,406	$9,267	▲
Retail	$6,780	$9,217	$8,216	▼
Multifamily	$5,682	$6,284	$6,643	▲
ICI Land	$5,150	$6,997	$7,168	▲
Hotel*	$3,548	$2,961	$1,904	▼
Total	$34,706	$43,060	$43,069	▲
CAP RATES (%)				
Office - Downtown Class A (%)	5.94	5.90	5.90	◀▶
Office - Suburban Class A & B (%)	6.91	6.84	6.83	▼
Industrial - Class A & B (%)	6.41	6.13	6.07	▼
Retail - Neighbourhood (%)	6.30	6.25	6.20	▼
Multifamily - High Rise Class B (%)	4.94	4.66	4.66	◀▶
Hotel - Downtown Full Service (%)	7.90	7.51	7.51	◀▶

*Market and surrounding region

Source: CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	3.3%	2.9%	3.3%	▲
2-Bedroom Average Rent	$1,144	$1,172	$1,198	▲
New Rental Supply (units)	23,565	22,872	24,210	▲

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	388,759	392,883	399,436	▲
Occupancy	64.0%	66.0%	66.0%	◀▶
Average Daily Rate	$148.00	$155.00	$161.00	▲

Source: CBRE Research, 2018.

REGIONAL OUTLOOK

KEY TRENDS

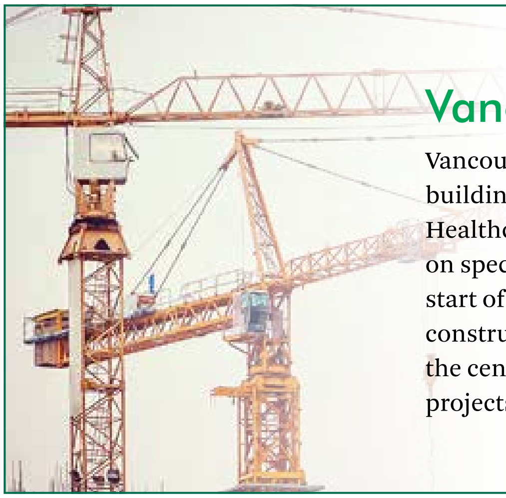
- Commercial real estate investment volumes in Vancouver climbed to a record $11.7 billion in 2017, an increase of 44.9% from 2016. The increased investment activity was driven by unprecedented demand from well-capitalized private and institutional investors. The market looks poised to continue on this path into early 2018, although changes to Bank of Canada monetary policy could have effects on cap rates going forward.
- Real estate fundamentals in the downtown office market continue to tighten. Absorption of space from the previous construction cycle has driven the vacancy rate in downtown Vancouver to 5.0% and, with no meaningful new supply coming on stream until 2022, landlords are pricing competitively. Net asking rents in the central business district continue to climb and can at times exceed $50 per sq. ft. for top end Class AA space.
- Vancouver has reached critical mass where tech tenants now constitute a significant portion of the overall office landscape. The growth of both the Mount Pleasant and Broadway corridors as hotbeds for technology clustering has attracted new international firms, as well as talent from across Canada and abroad.
- Industrial developers are future-proofing their new speculative projects, keeping technological advancements and the rising importance of ecommerce in mind. Greater use of automation and machine robotics will force developers to place a greater emphasis on clear height, shifting the industry standard towards 36'. Lack of available land will continue to push land values up together with spurring more entrepreneurial industrial developments within Vancouver moving forward.
- Record low vacancies and a 13.7% year-over-year increase in net asking rents dominated the industrial headlines in 2017. Availability rates are expected to continue trending downwards over the next year and current projections show them reaching 2.0%. Under these conditions net rental rates could increase as much as 10.0% in 2018. Elevated consumer confidence and a strong economic outlook may translate to higher costs for the consumer, as companies look for ways to recoup their increased fixed costs.
- Luxury retailers are performing well in Vancouver due to the continued influx of international tourism and a robust and diversified regional economy. New retail entrants like Officine Panerai, Van Cleef & Arpels and IWC Schaffhausen continue to target Vancouver and have raised the profile of the 1000 block of Alberni which, with limited vacancy, has driven up rents. Such pressures may encourage the development of another luxury enclave outside of Alberni over the next few years.
- After years of rising home ownership costs, the provincial government implemented several new housing policies in 2017. While the new regulations have cooled the market in some regards, bifurcation remains across residential property types. New mortgage qualification rules adopted nationally and the City of Vancouver's plans to tax vacant properties locally, should temper home ownership demand in 2018, although to what degree remains to be seen.

PROJECTS TO WATCH

VANCOUVER

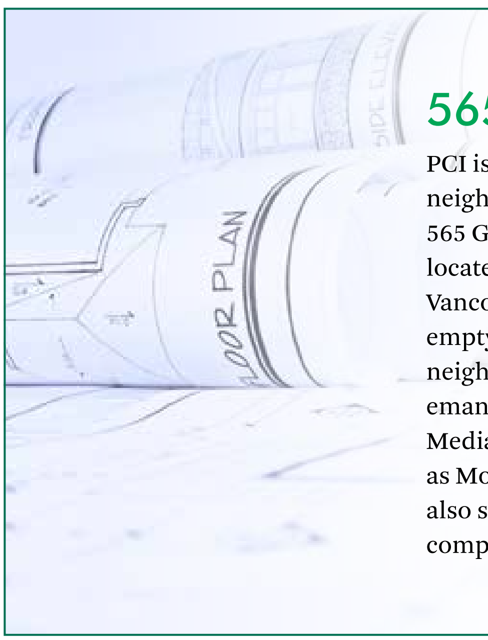
Delta iPort

Delta iPort's buildings 2 and 3 are the newest large bay spaces for build-to-suit tenants over 200,000 sq. ft. They will have significantly lower drayage costs in comparison to all other options because of its proximity to the Deltaport. This project is the largest new spec delivery to the market underway at this time and will effectively create a new submarket due to its unique location. It is also the first industrial project by an institutional developer on First Nation Lands in history.



Vancouver Centre II

Vancouver Centre II is a traditional style, 33-storey, Class AAA, 371,000 sq. ft. office building being constructed by Great West Life Realty Advisors on behalf of the Healthcare of Ontario Pension Plan. It is the first downtown building being built on spec in this wave of construction, ending a three year hiatus and signifying the start of the next office construction cycle in Vancouver. Expect further construction in the subsequent years as 400, 401 and 349 West Georgia Street and the central distribution branch of the Vancouver public library construction projects bring further vibrancy to the area.



565 Great Northern Way

PCI is laying the groundwork for the transformation of the False Creek Flats neighbourhood with the construction of their new 160,000 sq. ft. office building at 565 Great Northern Way. The neighbourhood comprises over 450 acres of land located less than four kilometers to both downtown and the port of Metro Vancouver. Over the last year, the city has made significant plans to develop this empty space with more linkages, public spaces, public transit and commerce. The neighbourhood has the potential to become a thriving community due to talent emanating from the new Emily Carr University campus, the centre for Digital Media, St Paul's hospital, neighbouring technology and creative companies such as Mountain Equipment Co-op and its proximity to downtown. This building will also set the foundation for several additional successive developments by the same company at 887 and 901 Great Northern Way.

VANCOUVER

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	7.7%	5.0%	4.9%	▼
Class A Net Asking Rent (per sq. ft.)	$30.25	$31.77	$32.73	▲
Net Absorption (million sq. ft.)	0.47	0.70	0.38	▼
New Supply (million sq. ft.)	0.00	0.09	0.37	▲
Under Construction (million sq. ft.)	0.76	0.82	0.73	▼
SUBURBAN				
Vacancy Rate	13.8%	9.6%	8.0%	▼
Class A Net Asking Rent (per sq. ft.)	$23.57	$22.62	$23.30	▲
Net Absorption (million sq. ft.)	0.13	1.11	1.32	▲
New Supply (million sq. ft.)	0.68	0.13	1.04	▲
Under Construction (million sq. ft.)	0.85	0.96	1.63	▲
OVERALL				
Vacancy Rate	10.8%	7.3%	6.5%	▼
Class A Net Asking Rent (per sq. ft.)	$25.48	$25.05	$26.83	▲
Net Absorption (million sq. ft.)	0.60	1.81	1.70	▼
New Supply (million sq. ft.)	0.68	0.22	1.40	▲
Under Construction (million sq. ft.)	1.60	1.78	2.36	▲

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	3.9%	2.3%	2.0%	▼
Net Asking Rent (per sq. ft.)	$9.00	$10.23	$10.59	▲
Sale Price (per sq. ft.)	$204	$280	$307	▲
Net Absorption (million sq. ft.)	4.01	4.79	4.32	▼
New Supply (million sq. ft.)	3.63	3.14	3.85	▲
Under Construction (million sq. ft.)	4.24	4.17	3.09	▼

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$14,146	$15,277	$15,559	▲
Total Retail Sales Growth	6.6%	10.0%	3.4%	▼
Mall Sales Productivity (per sq. ft.)	$1,053	$1,059	$1,070	▲
New Supply (million sq. ft.)	2.20	0.89	0.52	▼

Source: CBoC, ICSC, CBRE Research, 2018.

Investment

VOLUME ($ MILLIONS)	2016	2017	2018 F	YoY
Office	$2,220	$2,388	$2,400	▲
Industrial	$1,185	$1,394	$1,400	▲
Retail	$1,608	$3,599	$1,850	▼
Multifamily	$1,100	$1,259	$1,350	▲
ICI Land	$1,567	$2,693	$2,750	▲
Hotel*	$393	$362	$325	▼
Total	$8,073	$11,695	$10,075	▼
CAP RATES (%)				
Office - Downtown Class A (%)	3.75 - 4.25	3.75 - 4.25	3.75 - 4.25	◀▶
Office - Suburban Class A & B (%)	4.75 - 5.50	4.50 - 5.75	4.50 - 5.75	◀▶
Industrial - Class A & B (%)	4.50 - 5.50	4.00 - 5.25	4.00 - 5.25	◀▶
Retail - Neighbourhood (%)	5.00 - 5.50	5.00 - 5.50	5.00 - 5.50	◀▶
Multifamily - High Rise Class B (%)	3.00 - 3.50	3.00 - 3.50	3.00 - 3.50	◀▶
Hotel - Downtown Full Service (%)	5.50 - 6.50	4.50 - 6.00	4.50 - 6.00	◀▶

*Market and surrounding region

Source: CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	0.7%	0.9%	1.0%	▲
2-Bedroom Average Rent	$1,450	$1,552	$1,610	▲
New Rental Supply (units)	3,032	4,245	4,384	▲

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	23,929	24,066	24,159	▲
Occupancy	79.0%	79.0%	80.0%	▲
Average Daily Rate	$174.00	$190.00	$202.00	▲

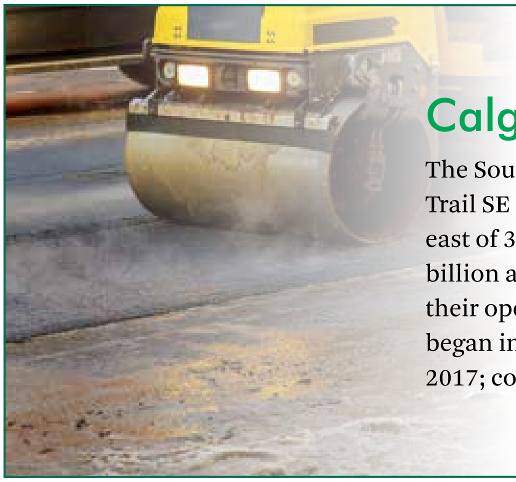
Source: CBRE Research, 2018.

KEY TRENDS

- After two years of recession, Calgary's economy seems to be on the rebound as GDP grew by 6.9% in 2017 and is expected to grow again in 2018. The unemployment rate has decreased from 9.4% to 8.7% since 2016 and job growth is expected to expand by 2.0% in 2018. However, Calgary's unemployment rate is forecast to remain above the national average until 2021.
- Following a relatively flat year in the Calgary office market, characterized by small deal sizes and M & A activity, we can expect another flat year in 2018. Despite improvements to the overall Calgary economy, downtown energy companies have, and will continue to, decrease the size of their footprints due to consolidation and asset rationalization. With some green shoots popping up, smaller deal sizes under 15,000 sq. ft. will continue to make up the majority of the market activity.
- The Calgary industrial market will continue to be the strongest asset class in 2018. Four consecutive quarters of positive net absorption totaling nearly 2.5 million sq. ft., have generated optimism and confidence in the future of the industrial market. After a period of minimal new supply following Calgary's "super cycle", construction activity has begun once again. There is nearly 2.3 million sq. ft. of new product slated for completion by Q4 2018, leaving a few quarters to absorb some of the existing inventory.
- There was a marked shift in Calgary's retail vacancy rate when Sears Canada closed its doors and gave back 650,000 sq. ft. of space to the market in 2017. The vacancy rate increased from 3.5% to 6.5% since mid-year 2017, with Sears alone accounting for 61% of the upswing. Active categories in the market continue to be fitness, food and medical/wellness tenancies. On the other hand, high-end restaurants and mid-tier clothiers continue to suffer. The increase of the minimum wage to $13.60 per hour and mandatory vacation pay are adding additional pressure on businesses, and the upward trend in additional rent costs continue to cause consternation among tenants.
- The strong investment activity in 2017, particularly in the office asset class, is expected to continue into 2018. The prevalent gap between vendor and buyer expectations in the previous recession years has narrowed to a healthy level where favourable deal terms are met by both parties involved. We expect robust demand for all asset classes with an emphasis on strong tenant industrial, grocery-anchored retail and multi-family product.

PROJECTS TO WATCH

CALGARY



Calgary Southwest Ring Road

The Southwest Calgary Ring Road will be built between Highway 8 and Macleod Trail SE and includes the reconstruction of Glenmore Trail from Sarcee Trail to east of 37 Street SW. This extensive infrastructure project is estimated to cost $1.4 billion and will benefit local businesses which rely on ground transportation for their operations via improved traffic and less congestion. Preliminary construction began in the summer of 2016 with major construction following in the spring of 2017; completion is expected in late 2021.

Speculative BMO Convention Centre Expansion

BMO Centre, the largest convention centre in Alberta measuring the 500,000 sq. ft., is set to double in size in a proposed $500 million expansion plan pending government approvals. Once completed, BMO Centre will total approximately one million sq. ft. and be upgraded to a Tier 1 facility that can compete with Vancouver, Toronto and Montreal for larger international events. The project is estimated to create 1,800 construction jobs, 500 tourism related positions and contribute $73 million per year to the Albertan economy.

Potential New Arena

Proposed construction of a new arena to replace the 35-year-old Scotiabank Saddledome in Victoria Park, the second oldest in the NHL, has led to heated discussions between the Calgary Mayor, Naheed Nenshi, and the Calgary Sports and Entertainment Corporation (CSEC). Currently at a stalemate, the estimated $500 million project would result in a new 19,000 seat event centre and a neighbouring 5,000 seat practice facility. A modern arena would translate to improved tourism revenues and the ability to host larger national and international sporting events.

REGIONAL STATISTICS

CALGARY

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	25.0%	27.7%	27.9%	▲
Class A Net Asking Rent (per sq. ft.)	$19.19	$17.89	$17.50	▼
Net Absorption (million sq. ft.)	(2.08)	(0.11)	(0.10)	▲
New Supply (million sq. ft.)	1.15	1.40	0.00	▼
Under Construction (million sq. ft.)	1.83	0.43	0.43	◀▶

SUBURBAN	2016	2017	2018 F	YoY
Vacancy Rate	21.4%	22.3%	22.6%	▲
Class A Net Asking Rent (per sq. ft.)	$20.75	$20.11	$19.11	▼
Net Absorption (million sq. ft.)	0.03	0.03	0.10	▲
New Supply (million sq. ft.)	0.82	0.48	0.22	▼
Under Construction (million sq. ft.)	0.56	0.22	0.07	▼

OVERALL	2016	2017	2018 F	YoY
Vacancy Rate	23.7%	25.7%	25.9%	▲
Class A Net Asking Rent (per sq. ft.)	$19.90	$18.72	$18.02	▼
Net Absorption (million sq. ft.)	(2.06)	(0.07)	0.00	▲
New Supply (million sq. ft.)	1.97	1.88	0.22	▼
Under Construction (million sq. ft.)	2.39	0.65	0.50	▼

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	9.8%	8.2%	7.9%	▼
Net Asking Rent (per sq. ft.)	$7.08	$7.04	$7.08	▲
Sale Price (per sq. ft.)	$170	$165	$168	▲
Net Absorption (million sq. ft.)	(1.11)	2.46	2.40	▼
New Supply (million sq. ft.)	1.21	0.48	2.29	▲
Under Construction (million sq. ft.)	0.24	1.87	2.10	▲

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$19,707	$21,005	$21,169	▲
Total Retail Sales Growth	1.1%	8.9%	2.6%	▼
Mall Sales Productivity (per sq. ft.)	$788	$774	$776	▲
New Supply (million sq. ft.)	0.90	0.46	1.29	▲

Source: CBoC, ICSC, CBRE Research, 2018.

Investment

VOLUME ($ MILLIONS)	2016	2017	2018 F	YoY
Office	$655	$843	$885	▲
Industrial	$623	$717	$751	▲
Retail	$513	$425	$445	▲
Multifamily	$248	$346	$345	▼
ICI Land	$522	$519	$519	◀▶
Hotel*	$3	$42	$44	▲
Total	$2,563	$2,892	$2,989	▲

CAP RATES (%)				
Office - Downtown Class A (%)	6.25 - 7.00	6.25 - 7.00	6.25 - 7.00	◀▶
Office - Suburban Class A & B (%)	6.25 - 8.00	6.25 - 8.25	6.25 - 8.25	◀▶
Industrial - Class A & B (%)	5.00 - 6.75	5.00 - 6.50	5.00 - 6.50	◀▶
Retail - Neighbourhood (%)	5.25 - 5.75	5.25 - 5.75	5.25 - 5.75	◀▶
Multifamily - High Rise Class B (%)	4.25 - 5.00	4.50 - 5.00	4.50 - 5.00	◀▶
Hotel - Downtown Full Service (%)	7.75 - 8.75	7.00 - 8.75	7.00 - 8.75	◀▶

*Market and surrounding region

Source: CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	7.0%	6.3%	6.0%	▼
2-Bedroom Average Rent	$1,258	$1,247	$1,250	▲
New Rental Supply (units)	2,437	1,414	679	▼

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	14,929	15,529	16,183	▲
Occupancy	59.0%	59.0%	59.0%	◀▶
Average Daily Rate	$145.00	$143.00	$145.00	▲

Source: CBRE Research, 2018.

KEY TRENDS

- Investor demand in the Edmonton market is increasing for appropriately priced assets as leasing fundamentals continue to improve. The lack of core product for sale has kept institutional investors on the sidelines and led to an almost exclusively private buyer market in 2017. However, downtown Edmonton is beginning to see institutional interest again. In the previous business cycle, numerous business owners were in the market looking to acquire their own buildings, but were faced with a scarcity of available product. In this cycle, users have been more successful and demand is expected to remain strong into 2018. Small to mid-sized buildings coming to market are generally selling quickly and it is not uncommon for multiple offers to be submitted.
- Space requirements from energy tenants are increasing as the price of oil continues to rise and companies continue to restructure to improve efficiency. Positive absorption is expected in oil and gas markets this year with companies increasing their budgets to meet higher market demands. The industrial market also has a strong value-add oil and gas sector which is expected to grow significantly in the coming year. For example, the $9.3 billion North West Refining is an Alberta-based energy producer that creates value-added products from bitumen. Their three-phased refinery is partially complete and situated in Sturgeon county, north of Edmonton.
- After a quiet few years, Edmonton's core is gaining vigour and buzz, and the downtown skyline is getting a facelift following years of limited development. In just under three years, Enbridge Centre and Edmonton Tower, two class AAA towers, have been built, while Stantec Tower is still under construction and slated for completion in 2018. The construction of ICE District, one of Canada's largest mixed-use developments, has shifted the city's core to 104 Avenue and 101st Street. Being overshadowed by three new state-of-the-art towers, downtown landlords have embarked on capital improvement campaigns to renovate older properties. In 2017, the Financial Building and Harley Court pioneered repurposing efforts for functionally obsolete office space in the core. In the coming years, up to five additional towers could be repurposed or redeveloped.
- Despite an overall increase in ecommerce activity across Canada, the retail market in Edmonton has remained stable. Food and drug anchored sites are in high demand with cap rates comparable to pre-recession times. The retail market has also seen growth from the new cannabis industry. With the legalization of recreational cannabis use in Canada slated for July 1st, 2018, the retail market is quickly ramping up in preparation.
- The economic fabric of Edmonton is steadily diversifying towards value-add industries. Business and professional service sectors outside of the oil and gas industry such as technology, health and law are spurring office leasing activity. Demand for industrial space has been driven by tenants in industries such as cannabis, cryptocurrency mining, automotive, construction and indoor recreational.

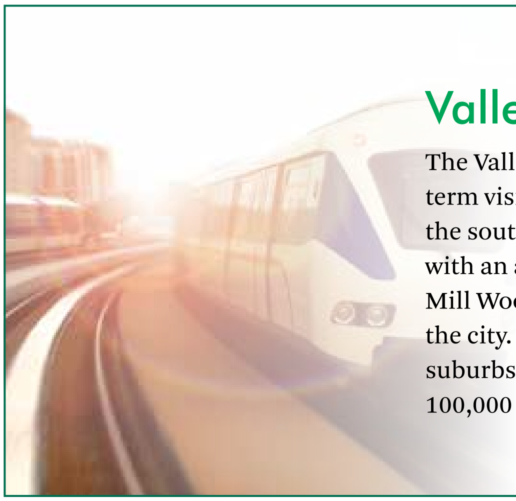
PROJECTS TO WATCH

EDMONTON

Ice District

ICE District is quickly becoming the centerpiece of Edmonton's downtown core. The $2.5 billion Phase I is well underway with Rogers Place and Edmonton Tower completed and operational. The JW Marriott, Stantec Tower, The Legends and Sky Residences are currently under construction and slated for completion between 2018 and 2019. Construction of Block BG, which includes approximately 560 purpose built rental units, has begun and move-ins are expected to begin in the spring of 2020. Phase II of the development, north of Rogers Place, is currently in the planning stage.

PHOTO CREDIT: Katz Group



Valley Line

The Valley Line LRT is part of the greater Edmonton LRT Network Plan, a long-term vision to expand the city's public transportation network. Construction of the southeast portion has commenced and is expected to be completed by 2020 with an anticipated capital cost of $1.8 billion. The full Valley Line will extend to Mill Woods Town Centre in the southeast and to Lewis Farms in the west end of the city. This expansion is anticipated to draw more labour to downtown from the suburbs. The Valley Line LRT will have 28 stations and is forecast to service 100,000 people per day.

Inter Pipeline Ltd

Inter Pipeline Ltd. recently announced the construction of a $3.5 billion world-class integrated propane dehydrogenation and polypropylene plant in the Alberta Industrial Heartland, just northeast of the City of Edmonton. The facility will transform propane into 525,000 tonnes of polypropylene per year, a high value, easily transportable plastic used for manufacturing a wide range of finished products. With over $35 billion invested to date, and a proposed $15 billion in additional investment expected over the next decade, the Industrial Heartland is a major hydrocarbon processing center which produces 43% of the country's basic chemical manufacturing.

REGIONAL STATISTICS

EDMONTON

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	17.5%	18.7%	19.2%	▲
Class A Net Asking Rent (per sq. ft.)	$23.43	$22.16	$22.00	▼
Net Absorption (million sq. ft.)	(0.12)	(0.30)	0.24	▲
New Supply (million sq. ft.)	1.12	0.00	0.65	▲
Under Construction (million sq. ft.)	0.60	0.60	0.00	▼
SUBURBAN				
Vacancy Rate	18.4%	19.1%	18.8%	▼
Class A Net Asking Rent (per sq. ft.)	$20.11	$18.51	$18.50	▼
Net Absorption (million sq. ft.)	(0.34)	(0.02)	0.14	▲
New Supply (million sq. ft.)	0.15	0.07	0.13	▲
Under Construction (million sq. ft.)	0.11	0.15	0.05	▼
OVERALL				
Vacancy Rate	17.8%	18.8%	19.1%	▲
Class A Net Asking Rent (per sq. ft.)	$22.33	$20.93	$20.67	▼
Net Absorption (million sq. ft.)	(0.46)	(0.32)	0.38	▲
New Supply (million sq. ft.)	1.27	0.07	0.78	▲
Under Construction (million sq. ft.)	0.71	0.75	0.05	▼

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	7.6%	7.6%	7.4%	▼
Net Asking Rent (per sq. ft.)	$9.51	$9.71	$9.71	◀▶
Sale Price (per sq. ft.)	$139	$139	$139	◀▶
Net Absorption (million sq. ft.)	0.80	0.61	1.60	▲
New Supply (million sq. ft.)	1.61	0.60	1.50	▲
Under Construction (million sq. ft.)	0.65	1.04	0.50	▼

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$18,661	$19,739	$19,898	▲
Total Retail Sales Growth	(1.1%)	8.0%	2.5%	▼
Mall Sales Productivity (per sq. ft.)	$765	$730	$731	▲
New Supply (million sq. ft.)	0.79	0.70	0.40	▼

Source: CBoC, ICSC, CBRE Research, 2018.

Investment

VOLUME ($ MILLIONS)	2016	2017	2018 F	YoY
Office	$128	$404	$260	▼
Industrial	$566	$397	$678	▲
Retail	$624	$692	$580	▼
Multifamily	$723	$296	$500	▲
ICI Land	$394	$300	$300	◀▶
Hotel*	$19	$275	$200	▼
Total	$2,453	$2,364	$2,518	▲
CAP RATES (%)				
Office - Downtown Class A (%)	6.75 - 7.25	6.75 - 7.50	6.75 - 7.50	◀▶
Office - Suburban Class A & B (%)	6.75 - 8.00	6.75 - 8.00	6.75 - 8.00	◀▶
Industrial - Class A & B (%)	5.25 - 8.00	5.25 - 8.00	5.25 - 7.50	▼
Retail - Neighbourhood (%)	5.75 - 6.25	5.50 - 6.00	5.50 - 6.00	◀▶
Multifamily - High Rise Class B (%)	4.75 - 5.25	4.50 - 5.00	4.50 - 5.00	◀▶
Hotel - Downtown Full Service (%)	7.75 - 8.75	7.25 - 8.75	7.25 - 8.75	◀▶

*Market and surrounding region

Source: CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	7.1%	7.0%	6.2%	▼
2-Bedroom Average Rent	$1,229	$1,215	$1,210	▼
New Rental Supply (units)	3,358	1,923	1,457	▼

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	15,734	16,624	17,031	▲
Occupancy	59.0%	57.0%	57.0%	◀▶
Average Daily Rate	$130.00	$130.00	$133.00	▲

Source: CBRE Research, 2018.

KEY TRENDS

- Winnipeg's labour force growth is expected to remain steady going forward due to continued job creation. According to The Conference Board of Canada's 2017 Metropolitan Outlook report, Winnipeg's unemployment rate will drop from 5.8% in 2017 to 5.5% by 2021. Growth in potential output in Manitoba may overtake that of all the western provinces, owing in part to the province's considerably younger demographic profile as compared to the rest of Canada.
- Continuous economic expansion coupled with little new supply has resulted in the industrial availability rate compressing to a 5-year low. While there is a need for new supply to enter the market, high construction costs have tempered the development community's confidence as stretched rental rates are required to justify the high cost of development. Vacancy will remain compressed causing rental rates to rise at an increasing rate.
- There is some relief on the horizon for industrial inventory as both QuadReal and Hopewell have land slated for industrial and mixed-use development in the North and South ends of the city. In addition, subsequent phases of successful business parks in CentrePort will get underway in 2018.
- In the downtown core, Class A and higher quality Class B office buildings continue to perform well, while lower quality Class B space has seen increasing vacancies. Winnipeg is catching up to the global trend of bifurcation in the demands of office users to premium A and B class space, as well as the modernized Class C market. An increase in capital investment in existing buildings has emerged in the wake of True North Square, which will be the new standard of quality office space in Winnipeg. While the face of Portage Avenue and Main Street is changing, expect this large node to remain the centre of commerce in Winnipeg, complimented by new options in the SHED district.
- The suburban office market has seen speculative construction for the first time in recent years. The success of these projects has bolstered confidence in the market and is expected to drive further expansion in 2018.
- While the investment market has remained steady, moving forward Winnipeg could see high dollar volumes traded in 2018. As large institutional investors focus on core Canadian markets, the disposition of assets considered non-core to institutions would result in good buying opportunities for investors of a different lens. This could tip the scale from another consistent year, to one that includes significant trades.

PROJECTS TO WATCH

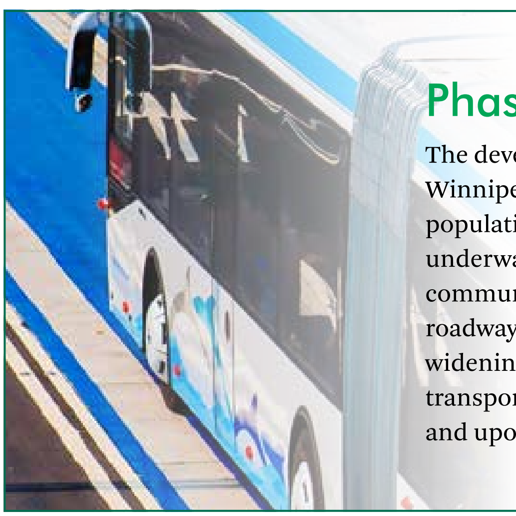
WINNIPEG

True North Square

True North Square is a 1-million sq. ft. mixed-use development comprised of office, retail, residential and hotel components in the Sports Hospitality, and Entertainment District in downtown Winnipeg. Situated between Bell MTS Place and the RBC Convention Centre, the first of four high-rise buildings will be a 365,000 sq. ft. 17-storey Class A office tower to be completed in Summer 2018. The project has secured Bank of Nova Scotia and Thompson, Dorfman, Sweatman LLP as anchor office tenants, along with Manitoba Liquor Marts as a key retail tenant. The expanded inventory will cause vacancy rates to jump, not as a result of weakening in the market, but the result of a strong market realizing inventory expansion.

Bishop Grandin Crossing

Hopewell's Bishop Grandin Crossing is a 132-acre mixed-use industrial, office, retail and multifamily transit-oriented infill development. It is situated in the high-growth southwest quadrant on Winnipeg's inner ring road, adjacent to the future southwest Rapid Transit corridor. With 44-acres dedicated to industrial development, this project should help to ease the industrial supply crunch that has formed in recent years. Another 23 acres have been slated for commercial development and 32 acres are earmarked for the development of over 1,100 multifamily units.



Phase II Southwest Rapid Transit Corridor

The development of the Bus Rapid Transit system is a key component of Winnipeg's Master Transportation Plan. With the southwest area's rapid population growth, construction for Phase II of the Southwest Corridor is underway. The project will connect the University of Manitoba, residential communities, suburban employment areas and downtown via a high-speed roadway. New infrastructure for the project includes tunnels, bridges, road widenings, cycling paths and park-and-rides. The project will transform transportation and consumer habits in the southwest region during construction and upon completion.

REGIONAL STATISTICS

WINNIPEG

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	8.9%	8.8%	11.9%	▲
Class A Net Asking Rent (per sq. ft.)	$17.80	$17.89	$18.24	▲
Net Absorption (million sq. ft.)	0.07	0.03	0.04	▲
New Supply (million sq. ft.)	0.00	0.00	0.38	▲
Under Construction (million sq. ft.)	0.37	0.38	0.00	▼
SUBURBAN				
Vacancy Rate	8.4%	9.2%	10.9%	▲
Class A Net Asking Rent (per sq. ft.)	n/a	n/a	n/a	
Net Absorption (million sq. ft.)	0.01	0.00	(0.01)	▼
New Supply (million sq. ft.)	0.00	0.08	0.06	▼
Under Construction (million sq. ft.)	0.03	0.00	0.00	◀▶
OVERALL				
Vacancy Rate	8.7%	9.0%	11.7%	▲
Class A Net Asking Rent (per sq. ft.)	$17.80	$17.89	$18.24	▲
Net Absorption (million sq. ft.)	0.08	0.03	0.03	▲
New Supply (million sq. ft.)	0.00	0.08	0.44	▲
Under Construction (million sq. ft.)	0.40	0.38	0.00	▼

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	4.2%	3.6%	3.5%	▼
Net Asking Rent (per sq. ft.)	$7.41	$7.88	$8.02	▲
Sale Price (per sq. ft.)	$89	$91	$92	▲
Net Absorption (million sq. ft.)	0.54	0.47	0.20	▼
New Supply (million sq. ft.)	0.03	0.07	0.10	▲
Under Construction (million sq. ft.)	0.03	0.00	0.10	▲

Source: CBRE Research, 2018.

Investment

CAP RATES (%)	2016	2017	2018 F	YoY
Office - Downtown Class A (%)	5.50 - 6.00	5.50 - 6.00	5.50 - 6.00	◀▶
Office - Suburban Class A & B (%)	6.50 - 7.50	6.50 - 7.50	6.50 - 7.50	◀▶
Industrial - Class A & B (%)	6.00 - 7.25	6.00 - 7.25	6.00 - 7.25	◀▶
Retail - Neighbourhood (%)	6.50 - 7.00	6.50 - 7.00	6.50 - 7.00	◀▶
Multifamily - High Rise Class B (%)	5.00 - 5.75	5.00 - 5.75	5.00 - 5.75	◀▶
Hotel - Downtown Full Service (%)	8.00 - 9.00	7.75 - 9.00	7.75 - 9.00	◀▶

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$14,519	$14,711	$14,770	▲
Total Retail Sales Growth	4.2%	3.5%	2.1%	▼
New Supply (million sq. ft.)	0.08	0.40	0.12	▼

Source: CBoC, CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	2.8%	2.8%	3.2%	▲
2-Bedroom Average Rent	$1,068	$1,107	$1,120	▲
New Rental Supply (units)	1,455	1,376	715	▼

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	7,086	7,188	7,313	▲
Occupancy	66.0%	71.0%	71.0%	◀▶
Average Daily Rate	$124.00	$126.00	$129.00	▲

Source: CBRE Research, 2018.

LONDON

KEY TRENDS

- The Old East Village in London is poised to become the city's next activity hub with the repurposing of the former Kellogg's factory into a large entertainment space. The 170,000 sq. ft. recreational facility, dubbed "The Factory", includes an indoor ropes course, a trampoline park, and an electric go-kart track. Expected to open in early 2018, the redevelopment will also include 87,000 sq. ft. of office space, in addition to the existing portion of the complex used for warehousing, logistics and distribution.
- Westmount Mall, recently acquired by Kingsett Capital, has undergone a major shift as it attempts to combat retail vacancies by converting its entire second floor into predominately medical offices. With no official plan in place for the vacant Sears space, the mall could continue to explore alternative options to optimize use of its vacancies. Similarly, Masonville Mall recently renovated and adapted some of its vacant spaces into a Rec Room entertainment venue after the departure of Target.
- London is starting to see an increase in tech-occupied space as the city has become an incubator for some of the fastest growing companies in Canada such as Diply, Zomaron, Big Blue Bubble and Big Viking games. Zomaron adapted and converted the 16,000 sq. ft. Westmount Public Library into its new office space in the suburban market. Start.ca, another London-based technology company, is investing $10 million to revitalize a vacant industrial site, giving the company an additional 80,729 sq. ft. for future growth.
- The emerging trend of converting older real estate product into new office and medical space is likely to continue in London. Tightening vacancy rates and increasing demand, in addition to the rising appeal of brick-and-beam space amongst the tech community, will continue to drive activity in the market. The repurposing of older product is not only an economically viable option, but it also fits the current trends in the office market.
- Driven by a flight-to-quality momentum, compressing industrial availability rates in London are producing higher net asking lease rates. While demand is strong for high-quality industrial space, there is also a lack of adequate supply for tenants in the market. To meet the robust demand, London's industrial market could see a increased industrial development over the coming years.

PROJECTS TO WATCH

LONDON

Bus Rapid Transit System

In early 2018, the Ontario government announced a $170 million partial investment to build London's new Bus Rapid Transit (BRT) system. This major transit project, with an estimated total cost of $498 million, will connect neighbourhoods, suburban businesses and post-secondary institutions to the downtown core. The project aligns with the city's new Official Plan aimed at providing viable mobility alternatives with an emphasis on intensification. Construction of London's BRT is set to begin in 2020 and upon completion in 2028, will create a more vibrant and connected city that encourages sustainable growth.

Dundas Place

The Dundas Street revitalization, beginning in 2018 and finishing in 2025, is the first of six strategic projects within the draft Downtown Plan that intends to create a more attractive, vibrant and functional corridor in downtown London. Dundas Street has long been the city's commercial artery and improving the streetscape will stimulate the downtown core. This four-block section of road between Ridout Street and Wellington Street will be converted into a "flexible" corridor shared by pedestrians, cyclists, and motorists. Dundas Street could then be programmed to accommodate motor traffic, festivals, and community events as needed. The improvements will also compliment Fanshawe College's growing downtown presence with better accessibility to their new building at 130 Dundas Street, which is set to open in the fall of 2018.

Camden Terrace

Camden Terrace is a mixed-use, three-tower development consisting of 703 high-rise units planned for London's downtown. The massive new development will consist of 38-storey and 29-storey towers connected by a 9-storey building in the centre. Upon completion, the project would add 18,000 sq. ft. of street-level commercial and retail space. Construction on the first of the towers is slated to begin in 2018 and the final tower to be completed in 2025. The Camden Terrace development also conforms with the City of London's Official Plan to intensify its downtown core.

LONDON

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	19.2%	19.5%	18.7%	▼
Class A Net Asking Rent (per sq. ft.)	$15.35	$14.52	$15.00	▲
Net Absorption (million sq. ft.)	(0.12)	(0.01)	0.04	▲
New Supply (million sq. ft.)	0.00	0.00	0.00	◀▶
Under Construction (million sq. ft.)	0.00	0.00	0.00	◀▶
SUBURBAN				
Vacancy Rate	8.7%	8.0%	11.1%	▲
Class A Net Asking Rent (per sq. ft.)	n/a	n/a	n/a	
Net Absorption (million sq. ft.)	0.04	0.04	0.06	▲
New Supply (million sq. ft.)	0.05	0.04	0.12	▲
Under Construction (million sq. ft.)	0.05	0.12	0.06	▼
OVERALL				
Vacancy Rate	17.0%	16.9%	16.8%	▼
Class A Net Asking Rent (per sq. ft.)	$15.35	$14.52	$15.00	▲
Net Absorption (million sq. ft.)	(0.08)	0.03	0.10	▲
New Supply (million sq. ft.)	0.05	0.04	0.12	▲
Under Construction (million sq. ft.)	0.05	0.12	0.06	▼

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	7.8%	8.0%	7.1%	▼
Net Asking Rent (per sq. ft.)	$3.95	$4.35	$4.40	▲
Sale Price (per sq. ft.)	$48	$61	$64	▲
Net Absorption (million sq. ft.)	1.05	(0.29)	0.46	▲
New Supply (million sq. ft.)	0.14	0.10	0.14	▲
Under Construction (million sq. ft.)	0.39	0.51	0.50	▼

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$14,953	$15,365	$15,525	▲
Total Retail Sales Growth	5.3%	4.0%	1.8%	▼
New Supply (million sq. ft.)	0.14	0.20	0.19	▼

Source: CBoC, CBRE Research, 2018.

Investment

VOLUME ($ MILLIONS)	2016	2017	2018 F	YoY
Office	$25	$11	$65	▲
Industrial	$19	$21	$18	▼
Retail	$21	$64	$42	▼
Multifamily	$86	$126	$93	▼
ICI Land	$10	$17	$40	▲
Hotel*	$26	$13	$25	▲
Total	$187	$252	$283	▲
CAP RATES (%)				
Office - Downtown Class A (%)	6.50 - 8.50	6.50 - 8.50	6.50 - 8.50	◀▶
Office - Suburban Class A & B (%)	7.50 - 8.50	7.50 - 8.50	7.50 - 8.50	◀▶
Industrial - Class A & B (%)	7.00 - 9.00	6.30 - 8.50	6.30 - 8.50	◀▶
Retail - Neighbourhood (%)	6.25 - 7.50	6.25 - 7.50	6.25 - 7.50	◀▶
Multifamily - High Rise Class B (%)	5.25 - 6.50	5.25 - 6.50	5.25 - 6.50	◀▶
Hotel - Downtown Full Service (%)	8.25 - 9.00	7.75 - 9.00	7.75 - 9.00	◀▶

*Market and surrounding region

Source: CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	2.1%	1.8%	2.8%	▲
2-Bedroom Average Rent	$1,002	$1,041	$1,030	▼
New Rental Supply (units)	958	415	904	▲

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	3,579	3,531	3,494	▼
Occupancy	61.0%	64.0%	65.0%	▲
Average Daily Rate	$107.00	$110.00	$113.00	▲

Source: CBRE Research, 2018.

KEY TRENDS

- Waterloo's office market demand has been driven by robust growth within its technology sector, specifically amongst local startups and smaller national firms relocating to the area. In particular, units under 5,000 sq. ft. within prime market nodes have been in high demand. Restricted by limited Class A availabilities, rental rates are expected to rise.
- Fueled by growth in the ecommerce industry, leasing velocity from warehousing and distribution users has been accelerating. However, Waterloo Region boasts a large base of manufacturing companies and as costs associated with land, labour and hydro continue to rise, businesses are finding it increasingly difficult to maintain profitable margins. Exacerbated by the Province's recent minimum wage hike to $14.00 per hour, tenants are expected to alter both their business practices and real estate footprint.
- Investment volumes increased 63.5% year-over-year for 2017, rounding to a total of $1.8 billion, with industrial and land investments driving growth. As Canadian bond yields are anticipated to rise in the coming year, cap rates are forecast to begin flattening. Available product in the market is expected to increase as owners move to take profit on their assets and the costs of borrowing rise.
- Many retail developers are evaluating multi-residential densification opportunities, and first floor retail is becoming a key component of most multi-residential sites offering tenants convenience and on-site amenities. This development option also provides a buffer against the lag in large suburban malls and retail pads as more consumers shop online.
- Net rental rates in prime market nodes, including the Idea Quarter and Innovation District, are expected to rise as flight to quality persists amongst tenants. Meanwhile, in the face of tenant relocations, secondary assets within the Region are expected to continue to face challenges.
- The federal and provincial government announced funding grants to facilitate job growth and research within the industrial sector. Through these financial incentives, the Region is expected to undergo substantial growth in the coming years. Linamar Corporation, a recent recipient of the grant, announced plans to expand operations by adding approximately 1,500 jobs over the next 10 years.
- The student residential market continues to be active, with Class A units in high demand and renting quickly. Some properties have already reached over 90% occupancy for the Fall 2018 term. While the market still has capacity for additional Class A product, it is expected to reach purpose-built capacity in the near future. Once this capacity is met, many Class C and D assets will no longer be viable as student-rental units and will return to traditional rental units or be sold back to the market as single family residences.

PROJECTS TO WATCH

WATERLOO REGION

345 King West

A parking lot in the heart of the Innovation District in Downtown Kitchener has been slated to be developed by Perimeter Developments as a six-storey, 100,000 sq. ft. LEED Gold Class A office building with ground-floor retail. This building will be the first new Class A development in Downtown Kitchener in over 25 years. International law firm Gowling WLG announced their plan to lease space in the building upon completion, moving from their current location at 50 Queen Street North. Construction is anticipated to begin in the spring of 2018.

ION Light Rail Transit

The rapid transit system will connect the centers of Kitchener, Waterloo and Cambridge through two stages of development, with the first phase coming online spring 2018. The system has begun testing along the entire 19-kilometre Stage 1 loop, with service expected to begin in the spring. This project has facilitated development and growth along the transit corridor, with a total of $2.4 billion in building permits since 2009. The speculated transit stops along the corridor has attracted several multi-residential and office developments.

One Hundred

A joint development between Momentum Developments and Zehr Group, comprises of 276 residential units that are already 90% sold to investors who see Waterloo Region's strong price to rent ratios. The project will also include over 120,000 sq. ft. of office space to be called 'The Glove Box'. This comes at a time when over $1.2 billion in building permits are expected to be issued for new developments in the Kitchener city core by February 2019. This continued revitalization and development of Kitcheners' downtown area has been fueled by growth of the technology sector in the area and is expected to continue to boom.

REGIONAL STATISTICS

WATERLOO REGION

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	10.0%	12.5%	12.2%	▼
Class A Net Asking Rent (per sq. ft.)	$12.43	$13.64	$14.09	▲
Net Absorption (million sq. ft.)	0.03	(0.10)	0.07	▲
New Supply (million sq. ft.)	0.05	0.02	0.06	▲
Under Construction (million sq. ft.)	0.05	0.06	0.33	▲
SUBURBAN				
Vacancy Rate	17.1%	20.0%	19.5%	▼
Class A Net Asking Rent (per sq. ft.)	$14.72	$14.91	$15.11	▲
Net Absorption (million sq. ft.)	0.10	0.36	0.35	▼
New Supply (million sq. ft.)	0.31	0.24	0.38	▲
Under Construction (million sq. ft.)	0.05	0.21	0.33	▲
OVERALL				
Vacancy Rate	14.6%	17.5%	17.1%	▼
Class A Net Asking Rent (per sq. ft.)	$14.28	$14.64	$14.87	▲
Net Absorption (million sq. ft.)	0.13	0.27	0.42	▲
New Supply (million sq. ft.)	0.37	0.26	0.43	▲
Under Construction (million sq. ft.)	0.09	0.26	0.66	▲

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	5.1%	3.9%	3.9%	◀▶
Net Asking Rent (per sq. ft.)	$5.01	$5.02	$5.24	▲
Sale Price (per sq. ft.)	$81	$54	$80	▲
Net Absorption (million sq. ft.)	1.35	0.84	0.75	▼
New Supply (million sq. ft.)	0.69	0.66	0.71	▲
Under Construction (million sq. ft.)	0.31	0.55	0.39	▼

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$13,625	$13,952	$14,115	▲
Total Retail Sales Growth	5.6%	3.8%	2.1%	▼
New Supply (million sq. ft.)	0.00	0.06	0.12	▲

Source: CBoC, CBRE Research, 2018.

Investment

VOLUME ($ MILLIONS)	2016	2017	2018 F	YoY
Office	$190	$196	$226	▲
Industrial	$118	$509	$400	▼
Retail	$256	$366	$375	▲
Multifamily	$356	$453	$390	▼
ICI Land	$119	$245	$180	▼
Hotel*	$46	$5	$30	▲
Total	$1,085	$1,774	$1,601	▼

CAP RATES (%)				
Office - Downtown Class A (%)	6.00 - 7.00	6.00 - 7.00	6.00 - 7.00	◀▶
Office - Suburban Class A & B (%)	6.25 - 8.00	6.00 - 7.75	6.00 - 7.25	▼
Industrial - Class A & B (%)	5.90 - 6.50	5.50 - 7.25	5.50 - 6.75	▼
Retail - Neighbourhood (%)	6.00 - 6.50	5.50 - 6.50	5.50 - 6.50	◀▶
Multifamily - High Rise Class B (%)	4.75 - 5.25	4.25 - 5.00	4.00 - 5.00	▼
Hotel - Downtown Full Service (%)	8.25 - 9.00	8.00 - 9.00	8.00 - 9.00	◀▶

*Market and surrounding region

Source: CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	2.2%	1.9%	2.4%	▲
2-Bedroom Average Rent	$1,050	$1,093	$1,090	▼
New Rental Supply (units)	1,495	977	1,105	▲

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	4,286	4,219	4,219	◀▶
Occupancy	63.0%	63.0%	64.0%	▲
Average Daily Rate	$115.00	$118.00	$121.00	▲

Source: CBRE Research, 2018.

KEY TRENDS

- Much like the country at large, Toronto set commercial real estate investment records in 2017 as capital flows into the city topped the $15 billion mark. Feeding off Canada's surging economy and growing global reputation, Toronto continues to be the destination of choice for institutional capital of all kinds. As volatility reigns in the traditional investment markets, relatively safe commercial real estate will continue to be an area of focus for investment managers in 2018.
- The Government of Ontario has invested $80 million to help achieve its target of reaching 50,000 Science, Technology, Engineering and Mathematics (STEM) graduates per year. If successful, this would position Ontario as the region with the highest number of STEM graduates per capita in North America. With Toronto's increased international attention, technology is expected to act as a driving force for the city's economy in 2018.
- Supported by a strong Canadian economy, the Toronto downtown office market continues to become increasingly competitive on a global scale. A market that is traditionally driven by FIRE sector industries has recently experienced tremendous activity from the technology sector, creating record lows in office vacancy rates. As the technology sector continues to grow, office vacancy rates are expected to remain low, particularly within brick-and-beam building stock.
- Toronto has entered a new development cycle, with a total of 5.1 million sq. ft. of office space under construction. To combat the extremely low vacancies and keep up with tenant demand downtown, developers are now building Class A towers on a speculative basis. Options for large occupiers will remain limited until 2020 when the first wave of new office product is delivered to the market.
- The TTC's York-Spadina subway extension began service in December 2017, enhancing accessibility to the Vaughan Metropolitan Centre and future suburban developments. Looking forward, this infrastructure advancement will entice developers towards North York and Vaughan's suburban office markets by providing a transportation vein seamlessly connecting the downtown and suburban markets.
- After a year which saw the GTA industrial availability rate hit a record low 2.2% and strong demand result in over 11 million sq. ft. of net absorption, the market looks poised for additional rent growth in 2018. While industrial rents have grown over the past two years, the 18.7% growth in asking rents since 2015 has lagged significantly behind the almost 50% growth in sale price achieved over this same period. As land prices and overall construction costs continue to climb, rental growth will be the key to tipping developers over the edge and should spur much needed industrial development across the city in the coming year.

TORONTO - KEY TRENDS

- The industrial construction mix across the GTA could see major changes in 2018 as developers begin to favour more in-fill developments in central submarkets in lieu of building more product in outer areas like Milton or Halton Hills. Proximity to large population hubs, urban amenities, and transportation arteries make speculative in-fill projects located in central locations very attractive for tenants, and these types of projects will be very enticing to developers searching for yield.
- The rise of ecommerce has shifted the landscape for retail and industrial properties, causing retailers to question how to efficiently structure themselves from a real estate perspective. Being able to rely upon their full supply chain network, from warehouse and distribution to in-store, will be imperative as the proliferation of omnichannel purchases continue. In order to meet consumer demand for convenience, well located neighbourhood centres will evolve into fulfilment points and will prove to be a great position to hold in the market.
- As Toronto remains a top destination for immigration in Canada, demand for purpose-built multi-family units will continue to rise and put pressure on Toronto's already low average vacancy rate. While there is a need for new purpose-built supply to enter the market, high land costs have made it difficult for developers to justify new apartment builds. Landlords may start to explore intensification options in their current Toronto portfolios as a way to circumvent the skyrocketing land prices.
- With the exponential target market growth from the baby boomer generation still a decade away, seniors housing is forecast to see a stable 2018. Improving occupancy rates are expected to continue and supply growth has been underpinned by disciplined development decisions. Following Quebec's lead, seniors' apartments in urban locations are expected to emerge as a growing trend this year.
- Across the GTA, hotels are operating at functional capacity and owners are seeing strong RevPAR growth, a metric which had previously been challenged. With a very limited development pipeline and an already undersupplied market, hotel value appreciation is expected in 2018.

TORONTO

CIBC Square

In 2017, CIBC announced a landmark deal to become the anchor tenant to a multi-complex development now named CIBC Square. The project consists of two Class A office towers located adjacent to Union Station with an elevated park perched over the railyards, connecting the two buildings. The first tower will be delivered in 2020 with the second coming in 2023.

East Waterfront

Toronto's East Waterfront has seen a significant amount of activity this year, including the ground breaking and announcement of several large-scale projects. Sugar Wharf is a multi-towered development currently under construction by Menkes Development Ltd and Greystone Managed Investments Inc., which will be the future home of LCBO's headquarters. Sidewalk Labs announced that they would be partnering with Waterfront Toronto on an initiative to build the world's first "smart city", situated within Quayside, near Toronto's Port Lands. Lastly, First Gulf's East Harbour project on the eastern side of the Don River is projected to bring over 10 million sq. ft. of new office space to the city.

Downtown Markham

The Marriott Hotel, York University's Markham Campus and GO-Transit's Stouffville Line expansion, are amongst the recently committed projects for Remington Group's Downtown Markham development. These proposed developments have ushered both Metrolinx and VIVA to work collaboratively with the City of Markham in advancing transit infrastructure along major arterial roads, such as Highway 7, to provide efficient local and regional transit service. Implementation of an integrated multi-modal transit system is paramount to the success of the City's downtown project.

TORONTO

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	4.4%	3.7%	3.3%	▼
Class A Net Asking Rent (per sq. ft.)	$27.98	$30.96	$32.13	▲
Net Absorption (million sq. ft.)	2.84	1.52	1.10	▼
New Supply (million sq. ft.)	2.39	0.95	0.72	▼
Under Construction (million sq. ft.)	1.60	3.55	4.84	▲
SUBURBAN				
Vacancy Rate	14.7%	14.3%	14.0%	▼
Class A Net Asking Rent (per sq. ft.)	$17.73	$17.48	$17.51	▲
Net Absorption (million sq. ft.)	0.58	0.27	0.78	▲
New Supply (million sq. ft.)	1.27	0.28	0.65	▲
Under Construction (million sq. ft.)	0.39	1.57	0.85	▼
OVERALL				
Vacancy Rate	9.2%	8.6%	8.2%	▼
Class A Net Asking Rent (per sq. ft.)	$19.47	$19.88	$20.62	▲
Net Absorption (million sq. ft.)	3.43	1.80	1.88	▲
New Supply (million sq. ft.)	3.65	1.23	1.37	▲
Under Construction (million sq. ft.)	1.99	5.12	5.68	▲

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	3.2%	2.2%	1.8%	▼
Net Asking Rent (per sq. ft.)	$5.94	$6.42	$6.75	▲
Sale Price (per sq. ft.)	$140	$156	$170	▲
Net Absorption (million sq. ft.)	10.81	11.39	7.26	▼
New Supply (million sq. ft.)	4.71	3.92	4.60	▲
Under Construction (million sq. ft.)	5.12	4.41	7.20	▲

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$13,307	$13,993	$14,233	▲
Total Retail Sales Growth	7.2%	7.2%	3.3%	▼
Mall Sales Productivity (per sq. ft.)	$926	$943	$952	▲
New Supply (million sq. ft.)	1.77	0.87	1.25	▲

Source: CBoC, ICSC, CBRE Research, 2018.

Investment

VOLUME ($ MILLIONS)	2016	2017	2018 F	YoY
Office	$3,318	$4,221	$4,500	▲
Industrial	$2,476	$3,463	$5,000	▲
Retail	$2,288	$2,830	$3,600	▲
Multifamily	$1,160	$1,544	$1,600	▲
ICI Land	$1,906	$2,260	$2,600	▲
Hotel*	$1,063	$1,388	$1,000	▼
Total	$12,212	$15,706	$18,300	▲
CAP RATES (%)				
Office - Downtown Class A (%)	4.25 - 4.75	4.25 - 4.75	4.25 - 4.75	◀▶
Office - Suburban Class A & B (%)	5.75 - 7.25	5.50 - 7.25	5.75 - 7.50	▲
Industrial - Class A & B (%)	4.50 - 6.50	4.00 - 6.25	3.75 - 6.25	▼
Retail - Neighbourhood (%)	5.00 - 6.25	5.00 - 6.25	5.00 - 6.50	▲
Multifamily - High Rise Class B (%)	4.00 - 5.00	3.50 - 4.25	3.25 - 4.00	▼
Hotel - Downtown Full Service (%)	5.50 - 6.50	5.00 - 6.00	5.00 - 6.00	◀▶

*Market and surrounding region

Source: CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	1.3%	1.0%	1.0%	◀▶
2-Bedroom Average Rent	$1,327	$1,404	$1,410	▲
New Rental Supply (units)	2,303	1,370	3,138	▲

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	44,312	44,503	45,079	▲
Occupancy	74.0%	76.0%	75.0%	▼
Average Daily Rate	$160.00	$172.00	$183.00	▲

Source: CBRE Research, 2018.

OTTAWA

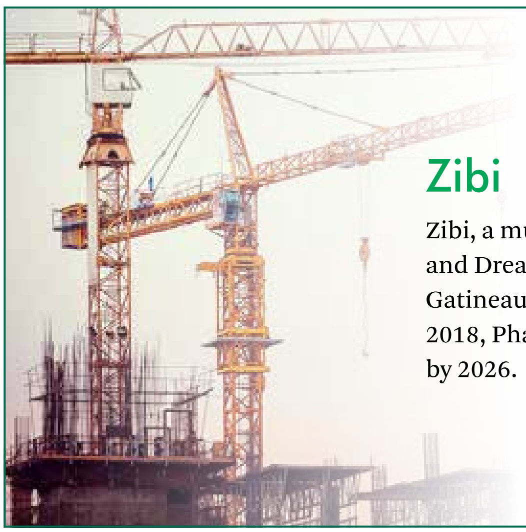
KEY TRENDS

- Hitting the lowest availability rate since 2006, Ottawa's industrial market continues to experience stable demand and a limited supply of quality product. Alternative users, such as microbreweries, gymnastic centres and recreation facilities continue to absorb and take advantage of industrial space across the city. In addition, with the legalization of recreational marijuana set for July 2018, the Ottawa industrial market has seen increased interest in distribution and growing facilities to support this new industry, which is expected to increase following the legalization date.
- The departure of Sears as an anchor tenant from the Canadian retail market left three locations across Ottawa vacant at the end of 2017, including St. Laurent Shopping Centre in the East where it occupied 149,000 sq. ft. As the retail industry faces increased pressure from the rise of ecommerce, how landlords position their properties to remain competitive will be the narrative going forward. Redevelopment projects for the Westgate Shopping Centre and Gloucester City Centre have been announced, which may help move these centres into the new retail era.
- The largest office transaction of 2017 was Shopify leasing 325,000 sq. ft. at the old Export Development Canada building at 234 Laurier Avenue West. Shopify and the rise of urban tech has helped change the conversation of commercial real estate in Ottawa from one that was exclusively based around the federal government to that of an emerging tech-hub in Canada. As more tech companies mobilize into the downtown core, this leading-edge tenant has the potential to change the landscape of downtown Ottawa in 2018 and beyond.
- The Deep West, 80% of which is comprised from the tech-rich Kanata submarket, is likely to see vacancy rates in the single digits in 2018 for the first time since the financial crisis of 2008. The Deep West has seen continued interest from both new tenants entering the market and those looking to expand.
- Ottawa is observing a significant increase in city building projects, condominiums and multi-use developments. Phase I of the LRT is scheduled for delivery mid-2018, with Phase II beginning shortly thereafter. In addition, a new central library and civic hospital campus are in the planning stages, along with numerous condominium developments along Preston Street. Many of these proposed developments are located west of the downtown core, which may provide another "city centre" for Ottawa.

OTTAWA

Confederation LRT Line (Phase I)

Phase I of Ottawa's LRT line, the Confederation Line, is scheduled for ridership mid-2018. This is the largest infrastructure project in Ottawa since the Rideau Canal and has spurred extensive renovations to buildings located along the line and an increase in density to encourage transit-oriented developments. While it is still early to speculate on the ultimate effect on rental rates and commuting patterns, the Confederation Line will enhance connectivity across the city and provide alternatives to transportation.



Zibi

Zibi, a multi-phase, mixed-use development by Windmill Development Group Ltd. and Dream Office REIT will transform the old Domtar lands in Ottawa and Gatineau into a world-class sustainable community. Set to start development in 2018, Phase I is scheduled to be complete for 2023, with the full site anticipated by 2026.

900 Albert

Trinity Development Group Inc. will be breaking ground on their mixed-use development 900 Albert later this year. The project will feature three towers between 50 and 59 storeys, with 187,000 sq. ft. of office space, 116,000 sq. ft. of retail and over 1,600 residential units. 900 Albert will be located adjacent to the Bayview Station with prime accessibility to the Confederation LRT Line and the O-Train.

REGIONAL STATISTICS

OTTAWA

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	10.2%	9.5%	9.2%	▼
Class A Net Asking Rent (per sq. ft.)	$23.12	$23.05	$23.25	▲
Net Absorption (million sq. ft.)	(0.11)	0.10	0.06	▼
New Supply (million sq. ft.)	0.00	0.00	0.00	◀▶
Under Construction (million sq. ft.)	0.00	0.00	0.08	▲

SUBURBAN	2016	2017	2018 F	YoY
Vacancy Rate	11.9%	11.8%	10.9%	▼
Class A Net Asking Rent (per sq. ft.)	$16.67	$16.48	$16.96	▲
Net Absorption (million sq. ft.)	(0.07)	0.40	0.21	▼
New Supply (million sq. ft.)	0.03	0.44	0.00	▼
Under Construction (million sq. ft.)	0.42	0.00	0.00	◀▶

OVERALL	2016	2017	2018 F	YoY
Vacancy Rate	11.1%	10.8%	10.1%	▼
Class A Net Asking Rent (per sq. ft.)	$18.37	$18.12	$19.57	▲
Net Absorption (million sq. ft.)	(0.18)	0.51	0.27	▼
New Supply (million sq. ft.)	0.03	0.44	0.00	▼
Under Construction (million sq. ft.)	0.42	0.00	0.08	▲

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	5.4%	4.6%	4.4%	▼
Net Asking Rent (per sq. ft.)	$9.17	$9.72	$9.96	▲
Sale Price (per sq. ft.)	$134	$134	$134	◀▶
Net Absorption (million sq. ft.)	0.25	0.43	0.09	▼
New Supply (million sq. ft.)	0.06	0.20	0.03	▼
Under Construction (million sq. ft.)	0.09	0.03	0.00	▼

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$14,545	$15,067	$15,338	▲
Total Retail Sales Growth	5.7%	5.2%	3.0%	▼
Mall Sales Productivity (per sq. ft.)	$697	$704	$709	▲
New Supply (million sq. ft.)	0.66	0.31	0.31	◀▶

Source: CBoC, ICSC, CBRE Research, 2018.

Investment

VOLUME ($ MILLIONS)	2016	2017	2018 F	YoY
Office	$132	$1,067	$575	▼
Industrial	$117	$107	$125	▲
Retail	$212	$208	$250	▲
Multifamily	$686	$279	$400	▲
ICI Land	$252	$310	$325	▲
Hotel*	$128	$54	$100	▲
Total	$1,527	$2,025	$1,775	▼

CAP RATES (%)	2016	2017	2018 F	YoY
Office - Downtown Class A (%)	5.25 - 5.75	5.00 - 5.50	5.00 - 5.50	◀▶
Office - Suburban Class A & B (%)	6.25 - 7.50	6.00 - 7.25	6.00 - 7.25	◀▶
Industrial - Class A & B (%)	6.00 - 7.25	4.50 - 6.50	4.50 - 6.50	◀▶
Retail - Neighbourhood (%)	5.75 - 6.50	5.75 - 6.50	5.75 - 6.50	◀▶
Multifamily - High Rise Class B (%)	4.75 - 5.50	4.00 - 4.25	4.00 - 4.25	◀▶
Hotel - Downtown Full Service (%)	7.00 - 8.00	7.00 - 8.00	7.00 - 8.00	◀▶

*Market and surrounding region

Source: CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	3.0%	1.7%	3.2%	▲
2-Bedroom Average Rent	$1,201	$1,232	$1,245	▲
New Rental Supply (units)	523	575	1,846	▲

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	10,252	10,431	11,078	▲
Occupancy	72.0%	75.0%	73.0%	▼
Average Daily Rate	$156.00	$172.00	$178.00	▲

Source: CBRE Research, 2018.

KEY TRENDS

- Coming off a strong 2017, the Montreal commercial real estate market is expected to maintain momentum throughout 2018. A favourable economy, competitive cost of living, and deep pool of talent have set the field for tenants and investors eager to be a part of Montreal's growing success story. As well, low hydro costs are expected to draw more demand from high-energy users, with investors anticipated to target all product types and classes.
- As the office market continues to tighten, quality blocks of contiguous space will become increasingly scarce for tenants looking to consolidate or expand their current presence. This is expected to force larger occupiers to consider built-to-suit development options. Recently, the largest downtown vacant lot measuring 135,000 sq. ft. was acquired at a historically high price of $100 million by a local developer, Broccolini, 85,000 sq. ft. of which was then acquired by National Bank for the construction of their new head office.
- The industrial market is fueled by demand from technology and high-energy users that are seeking properties that fulfil their power and logistic needs. The current sense of urgency for industrial buildings has only increased when coupled with the scarcity of available high-quality product and land. This has led to increased acquisition and development interest, especially along the proposed LRT route.
- The retail market will continue to undergo a transformation as online demand peaks, however, the traditional defensive grocery anchored centre remains a steadfast investment for most institutions. Urban retail in Montreal's Central Business District will continue to outperform with tenants looking for the best the location to maximize pedestrian traffic and exposure, resulting in rising rental rates. Meanwhile, centres with the potential for increased density are undergoing redevelopment, with a focus on residential.
- With another record year for multifamily investments, impressive prices have been observed in 2017 in the Greater Montreal Area. Asset pricing continues to be driven by both supply and demand factors, in addition to historically low yielding CMHC-insured multifamily mortgages. Despite an increase of interest rates in 2017, demand and prices remained competitive. Expect investment volume for multifamily properties to be maintained in 2018 as demand remains high, which is expected to be characterized by large portfolio transactions and record pricing.

MONTREAL

National Bank/Broccolini Mixed-Use Site

National Bank announced plans to spend $500 million on a new 36-storey tower that will be home to their head office. The full 135,000 sq. ft. site was purchased by Broccolini for $100 million; 85,000 sq. ft. of which was later purchased by National Bank. Similar to the 50-storey “L’Avenue,” Broccolini plans to develop their portion of the site to include office and condos. This development will add to the growing number of mixed-use projects either planned or currently underway in Montreal, including Humaniti Montréal, Solar Uniquartier and Royalmount.

Structube Distribution Centre

Structube has started construction of a $80 million, 650,000 sq. ft. distribution centre facility in Laval, which will see them relocating from the Island. This is a part of a wider trend where companies with large space requirements have started to leave the core of the Greater Montreal Area, due in part to a shortage of vacant land on the Island. Structube joins Ikea and Costco, who will relocate further in the South Shore in order to expand their footprint.

Ste-Catherine Street

Phase I of the roadwork has started along a 2.2 km strip of Montreal’s major shopping artery, Ste-Catherine Street, replacing sidewalks, concrete and asphalt, as well as upgrading of the underground sewer system. Upon completion, the street will be able to serve as both a serviced road and full pedestrian street, with the aim to serve as a new public space that is able to accommodate Montreal’s outdoor events. Also underway, the Montreal Eaton Center and Complexe Les Ailes are merging in order to offer a broader choice and better experience for customers.

REGIONAL STATISTICS

MONTREAL

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	10.6%	9.7%	9.5%	▼
Class A Net Asking Rent (per sq. ft.)	$21.21	$22.22	$22.50	▲
Net Absorption (million sq. ft.)	(0.37)	1.18	0.54	▼
New Supply (million sq. ft.)	0.00	0.85	0.50	▼
Under Construction (million sq. ft.)	1.15	0.71	0.40	▼
SUBURBAN				
Vacancy Rate	18.4%	17.5%	17.0%	▼
Class A Net Asking Rent (per sq. ft.)	$15.63	$15.30	$15.50	▲
Net Absorption (million sq. ft.)	0.59	0.76	0.34	▼
New Supply (million sq. ft.)	1.02	0.50	0.22	▼
Under Construction (million sq. ft.)	0.50	1.03	0.85	▼
OVERALL				
Vacancy Rate	13.8%	12.8%	12.5%	▼
Class A Net Asking Rent (per sq. ft.)	$18.32	$18.48	$18.69	▲
Net Absorption (million sq. ft.)	0.21	1.93	0.88	▼
New Supply (million sq. ft.)	1.02	1.35	0.72	▼
Under Construction (million sq. ft.)	1.65	1.74	1.25	▼

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	7.2%	6.3%	6.0%	▼
Net Asking Rent (per sq. ft.)	$5.29	$5.66	$5.75	▲
Sale Price (per sq. ft.)	$60	$70	$75	▲
Net Absorption (million sq. ft.)	2.76	2.75	1.86	▼
New Supply (million sq. ft.)	1.08	0.42	0.90	▲
Under Construction (million sq. ft.)	0.08	1.04	1.00	▼

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$12,955	$13,311	$13,526	▲
Total Retail Sales Growth	4.3%	4.0%	2.6%	▼
Mall Sales Productivity (per sq. ft.)	$626	$655	$656	▲
New Supply (million sq. ft.)	0.29	0.28	0.54	▲

Source: CBoC, ICSC, CBRE Research, 2018.

Investment

VOLUME ($ MILLIONS)	2016	2017	2018 F	YoY
Office	$1,062	$867	$860	▼
Industrial	$620	$772	$820	▲
Retail	$1,077	$877	$974	▲
Multifamily	$1,218	$1,693	$1,715	▲
ICI Land	$306	$603	$384	▼
Hotel*	$145	$55	$106	▲
Total	$4,427	$4,867	$4,859	▼
CAP RATES (%)				
Office - Downtown Class A (%)	5.25 - 5.75	5.00 - 5.50	5.00 - 5.50	◀▶
Office - Suburban Class A & B (%)	5.75 - 7.75	5.25 - 7.75	6.00 - 6.75	▼
Industrial - Class A & B (%)	5.75 - 7.75	5.50 - 7.25	5.75 - 7.00	◀▶
Retail - Neighbourhood (%)	7.00 - 7.75	7.00 - 7.75	6.25 - 7.25	▼
Multifamily - High Rise Class B (%)	5.00 - 5.75	4.50 - 5.00	4.75 - 5.50	▲
Hotel - Downtown Full Service (%)	7.50 - 8.50	7.00 - 8.00	7.00 - 8.00	◀▶

*Market and surrounding region

Source: CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	3.9%	2.8%	4.3%	▲
2-Bedroom Average Rent	$791	$782	$840	▲
New Rental Supply (units)	6,724	9,155	8,692	▼

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	22,984	23,038	24,500	▲
Occupancy	73.0%	75.0%	73.0%	▼
Average Daily Rate	$163.00	$175.00	$186.00	▲

Source: CBRE Research, 2018.

HALIFAX

KEY TRENDS

- Following a prolonged period of suburban centric development, the office and residential sectors have started to shift back to the Halifax peninsula and are opting to develop in the central business district (CBD). Prior municipal restrictions to CBD development has led to the suburban market holding 58.8% of Halifax's office inventory, differing from other Canadian markets that are typically concentrating downtown. As a result of this shift, inventory and absorption are expected to balance between the CBD and suburban markets in the coming years.
- The flight-to-quality continues to impact the office market, as tenants upgrade their space to newer and more functional layouts in better locations. This has put upward pressure on Class C vacancy rates as much of this product was built prior to 1970 and does not meet the expectations of current demand. This outdated inventory is currently being assessed as an opportunity for redevelopment, some of which may be converted to residential properties to meet increased demand.
- While Halifax's industrial market has seen an increase in demand driven by landlords lowering their operating costs, many tenants continue to turn to owner-occupied options due to a lack of suitable mid-sized space for lease. Landlords may begin sub-dividing their current space in order to meet the requirements of mid-sized businesses.
- A widening yield premium in the Halifax market presents increased investment opportunities for smaller institutional investors and syndicators, as a result, 2018 is expected to be a strong year for investment. The combination of the cap rate compression flattening and the widening yield premium is expected to generate positive activity across all asset classes.
- Capitalizing on the ocean access and the plethora of educational institutions in the area, Halifax is developing a tech-hub primarily focused on IT and Ocean Industries. This hub will continue to expand through 2018 with the Centre for Ocean Ventures and Entrepreneurship (COVE) project set to open in the spring. As well, the city's hub will significantly benefit from Atlantic Canada's Ocean Supercluster, a $250.0 million project with the federal government and the private sector contributing an equal share of $125.0 million each.
- The outlook for Halifax is optimistic, as office, industrial, and residential markets continue to improve. The retail sector is expected to trend upwards throughout the year as the market adjusts to the vacancy left by Sears. NAFTA negotiations will be an important factor in 2018 as a slowdown in Canadian imports and exports would negatively impact Halifax's port, an important driver of the local economy.

HALIFAX

Centre for Ocean Ventures & Entrepreneurship

The Centre for Ocean Ventures & Entrepreneurship (COVE) project is underway on the Dartmouth waterfront. This collaborative facility, totaling 42,500 sq. ft., is designed specifically for applied innovation in the ocean sector and will be a leading facility for research in this field. The appeal of this site is the deep water access near the shore line, which creates an excellent opportunity for larger vessels to dock and for deep water research to take place close to the shore. This project will further expand the growing tech hub in Halifax. Construction is ongoing with an expected opening in Spring 2018.

Ship Contract

This $35-50 billion outsourcing contract, the largest in Canadian history, is well underway. Over the 35-year timeline, 2,000 jobs will be created or maintained across Canada, of which many will be in Halifax. This contract will create jobs, stimulate residential development, and provide a large boost to the local manufacturing sector. Currently, two Arctic patrol ships are being built at the Irving Shipbuilding facility, which recently completed $350 million in upgrades. Four more ships are planned, with a total cost of $2.3 billion for all six.

BP Scotian Basin

BP Scotian Basin Project is launching an off-shore drilling operation on the coast of Nova Scotia, 300 km off the Halifax shore. They've committed to spending $1 billion on the project and plan on executing in the Spring of 2018. This project has the potential to bring significant change to both Nova Scotia and Atlantic Canada, as the project would drive economic growth and development in the area. Specifically, the residential sector will benefit from the jobs created by the project.

HALIFAX

Office

CENTRAL	2016	2017	2018 F	YoY
Vacancy Rate	17.5%	18.5%	17.4%	▼
Class A Net Asking Rent (per sq. ft.)	$20.16	$19.43	$19.65	▲
Net Absorption (million sq. ft.)	(0.13)	0.16	0.07	▼
New Supply (million sq. ft.)	0.00	0.30	0.01	▼
Under Construction (million sq. ft.)	0.30	0.12	0.13	▲
SUBURBAN				
Vacancy Rate	13.7%	13.5%	12.7%	▼
Class A Net Asking Rent (per sq. ft.)	$15.50	$15.51	$15.70	▲
Net Absorption (million sq. ft.)	0.10	0.14	0.12	▼
New Supply (million sq. ft.)	0.04	0.12	0.07	▼
Under Construction (million sq. ft.)	0.16	0.03	0.13	▲
OVERALL				
Vacancy Rate	15.2%	15.5%	14.6%	▼
Class A Net Asking Rent (per sq. ft.)	$19.05	$18.06	$18.25	▲
Net Absorption (million sq. ft.)	(0.02)	0.31	0.19	▼
New Supply (million sq. ft.)	0.04	0.42	0.09	▼
Under Construction (million sq. ft.)	0.46	0.15	0.26	▲

Source: CBRE Research, 2018.

Industrial

	2016	2017	2018 F	YoY
Availability Rate	11.6%	10.3%	10.0%	▼
Net Asking Rent (per sq. ft.)	$7.81	$7.85	$7.90	▲
Sale Price (per sq. ft.)	$80	$80	$80	◀▶
Net Absorption (million sq. ft.)	(0.10)	0.21	0.16	▼
New Supply (million sq. ft.)	0.13	0.05	0.13	▲
Under Construction (million sq. ft.)	0.05	0.12	0.15	▲

Source: CBRE Research, 2018.

Retail

	2016	2017	2018 F	YoY
Total Retail Sales per Capita	$16,894	$17,580	$17,919	▲
Total Retail Sales Growth	4.9%	6.5%	3.9%	▼
New Supply (million sq. ft.)	0.06	0.42	0.21	▼

Source: CBoC, CBRE Research, 2018.

Investment

VOLUME ($ MILLIONS)	2016	2017	2018 F	YoY
Office	$22	$198	$100	▼
Industrial	$70	$26	$75	▲
Retail	$182	$85	$100	▲
Multifamily	$107	$288	$250	▼
ICI Land	$73	$50	$70	▲
Hotel*	$0	$130	$75	▼
Total	$453	$777	$670	▼
CAP RATES (%)				
Office - Downtown Class A (%)	6.25 - 6.75	6.25 - 6.75	6.25 - 6.75	◀▶
Office - Suburban Class A & B (%)	6.50 - 8.00	6.50 - 8.00	6.50 - 8.00	◀▶
Industrial - Class A & B (%)	6.00 - 7.75	6.00 - 7.75	6.00 - 7.75	◀▶
Retail - Neighbourhood (%)	6.75 - 7.75	6.75 - 7.75	6.75 - 7.75	◀▶
Multifamily - High Rise Class B (%)	5.00 - 5.50	5.00 - 5.50	5.00 - 5.50	◀▶
Hotel - Downtown Full Service (%)	8.75 - 9.75	7.50 - 9.00	7.50 - 9.00	◀▶

*Market and surrounding region

Source: CBRE Research, 2018.

Multifamily

	2016	2017	2018 F	YoY
Vacancy Rate	2.6%	2.6%	3.0%	▲
2-Bedroom Average Rent	$1,063	$1,048	$1,175	▲
New Rental Supply (units)	1,280	1,422	1,290	▼

Source: CMHC, CBRE Research, 2018.

Hotel

	2016	2017	2018 F	YoY
Inventory (Rooms)	5,493	5,293	5,293	◀▶
Occupancy	68.0%	72.0%	71.0%	▼
Average Daily Rate	$136.00	$149.00	$155.00	▲

Source: CBRE Research, 2018.

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