

Q1 2018 
**CANADIAN
CAP RATES &
INVESTMENT
INSIGHTS**

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

CBRE

Canadian Investment Trends

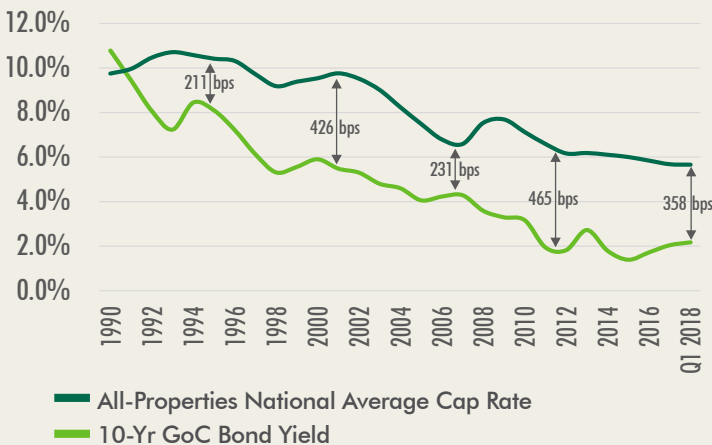
INVESTMENT SUMMARY

With an economic backdrop that includes uncertainty surrounding NAFTA, trade, pipeline expansion (or lack thereof), cracks in the housing market, and a looming decision on the Iran nuclear deal, the Bank of Canada remains cautious and has continued to hold rates steady as expected.

Cap rates remained largely unchanged in Q1 2018 with the notable exception being the industrial sector where further cap rate compression is being fuelled mainly by strong rental growth, both actual and anticipated future growth.

Modest cap rate declines in some retail categories belies the over-arching "retail apocalypse" narrative.

RECORD LOW NATIONAL AVERAGE CAP RATE*



Paul Morassutti
 Executive Vice President
 Valuation & Advisory Services
www.cbre.ca/paul.morassutti

**VIEW ALL CANADIAN CAP RATES
 ON PAGE 18**

Q1 2018 CAP RATES

Category	Cap Rate	ΔQ/Q
DOWNTOWN OFFICE		
AA	4.81%	◀▶
A	5.63%	◀▶
B	6.47%	◀▶
SUBURBAN OFFICE		
A	6.31%	◀▶
B	7.19%	▲
INDUSTRIAL		
A	5.31%	▼
B	6.31%	▼
RETAIL		
Regional	5.22%	◀▶
Power	6.02%	◀▶
Neighbourhood	6.13%	▼
Strip	5.81%	◀▶
Strip (non-anchored)	6.72%	▼
Urban Streetfront	5.42%	◀▶
High Street	3.69%	◀▶
APARTMENT		
High Rise A	3.96%	◀▶
High Rise B	4.52%	◀▶
Low Rise A	4.48%	◀▶
Low Rise B	5.13%	◀▶
HOTEL		
Downtown Full Service	7.28%	◀▶
Suburban Limited Service	8.34%	▼
Focused Service	8.05%	◀▶

* Source: CBRE Research, Q1 2018

Canadian Investment Trends

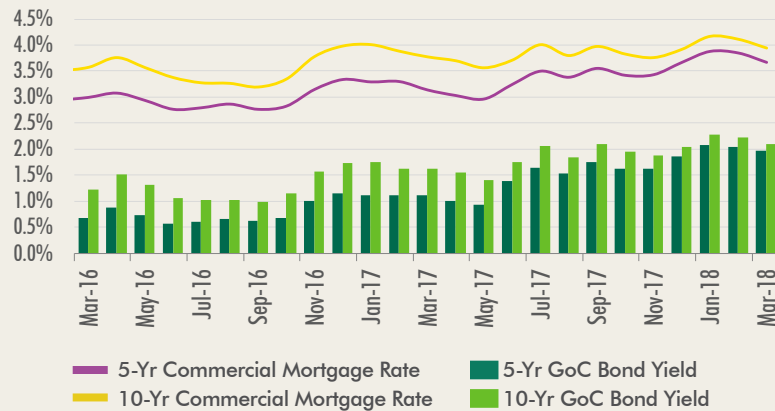
DEBT MARKET SUMMARY

Q1 2018 marked a very competitive start to the year with lenders being highly accommodative on pricing, terms and conditions for best in class assets. While lenders are showing slightly more fortitude with mid-tier or lesser quality assets, there seems to be no lack of liquidity looking for opportunities throughout the capital stack.

While NAFTA re-negotiations continue to foster volatility in the Canadian economic outlook, the Q1 2018 exemption from US steel and aluminum tariffs has bought some temporary relief.

Despite solid employment numbers, a loss of momentum in Toronto's housing market and sleepless nights over NAFTA have the Bank of Canada holding off with additional rate increases until there is more direction and clarity from south of the border on global trade policy and its impact on interest rates.

MORTGAGE RATES TO GOVERNMENT OF CANADA BONDS



Carmin Di Fiore

Executive Vice President
Debt & Structured Finance

www.cbre.ca/carmin.difiore

VIEW ALL CANADIAN CAP RATES
ON PAGE 18

MARKET MOVERS

CAD/USD

2017 Q4	2018 Q1	Change QoQ (%)
\$0.79	\$0.78	▼ -2.44%

CANADA PRIME RATE

2017 Q4	2018 Q1	Change QoQ (%)
3.20%	3.45%	▲ 7.81%

30-DAY CDOR

2017 Q4	2018 Q1	Change QoQ (%)
1.44%	1.63%	▲ 13.20%

WEST TEXAS INTERMEDIATE (USD)

2017 Q4	2018 Q1	Change QoQ (%)
\$60.42	\$64.94	▲ 7.48%

5-YEAR MORTGAGE SPREAD RANGE

2017 Q4	2018 Q1	Change QoQ (%)
1.60% - 2.00%	1.45% - 1.95%	▼ -5.56%

10-YEAR MORTGAGE SPREAD RANGE

2017 Q4	2018 Q1	Change QoQ (%)
1.65% - 2.10%	1.60% - 2.10%	▼ -1.33%

Source: CBRE Limited, Thomson Reuters Eikon

[GLOSSARY OF TERMS]

Canadian Investment Trends

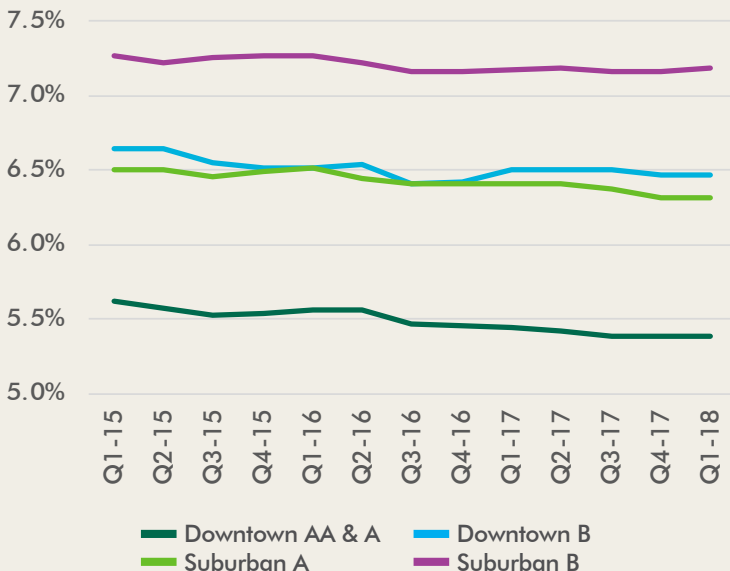
NATIONAL OFFICE SUMMARY

Investor interest in Canadian office assets remained robust in Q1 2018. Against the backdrop of a stable economic landscape and a positive outlook for office-using employment sectors, office fundamentals experienced a strong start to the new year as the national vacancy rate dropped by 50 basis points (bps) and net absorption topped 2.0 million sq. ft. in the quarter.

Downtown core office assets continue to fetch record high valuations, supported by vacancy rates at or near all-time lows in downtown submarkets and strong rental growth for top of class space.

While downtown assets continue to be in high demand, there is definite bifurcation between urban and suburban geographies. The national average cap rate for downtown assets remained unchanged at 5.93% over Q1 2018 while the suburban average rate rose by 2 bps to end the quarter at 6.75%. This was driven primarily by a 25 bps jump in yields for suburban Class B assets in Vancouver.

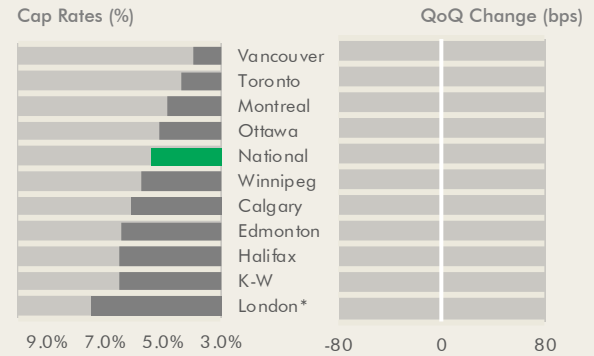
HISTORICAL OFFICE CAP RATES



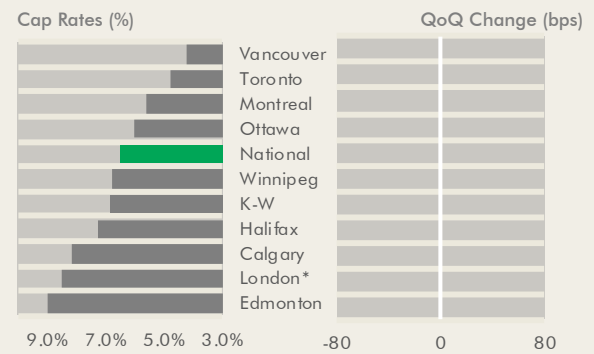
[VIEW ALL CANADIAN CAP RATES ON PAGE 18](#)

REGIONAL RANKINGS

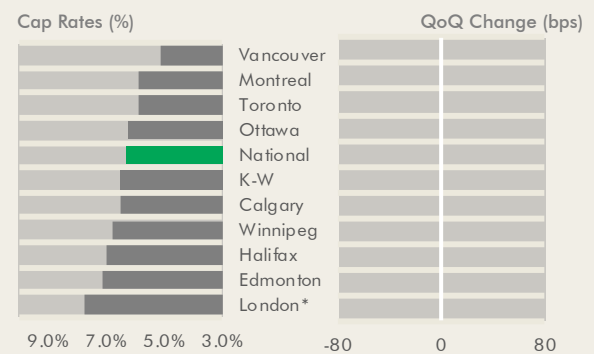
DOWNTOWN AA&



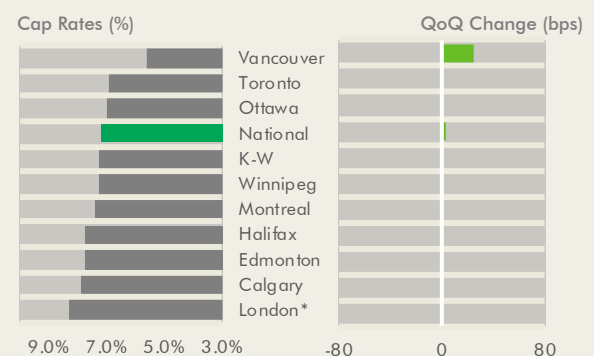
DOWNTOWN B



SUBURBAN A



SUBURBAN B



*includes Windsor

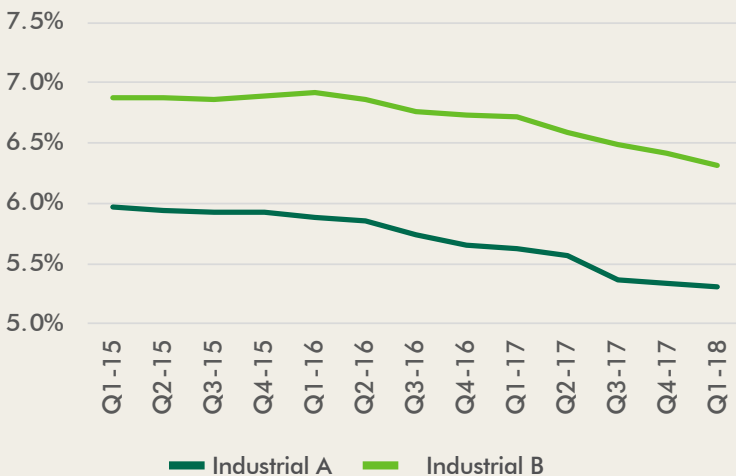
Canadian Investment Trends

NATIONAL INDUSTRIAL SUMMARY

The industrial sector continued to be one of the most sought-after asset classes in Q1 2018. The national average cap rate for Class A and B industrial properties ended the first quarter at 5.31% and 6.31%, respectively, compressing by 3 and 11 bps. The aggressive drop in cap rates for Class B assets demonstrates the overall strength of the sector as investors look to acquire almost any industrial product they can.

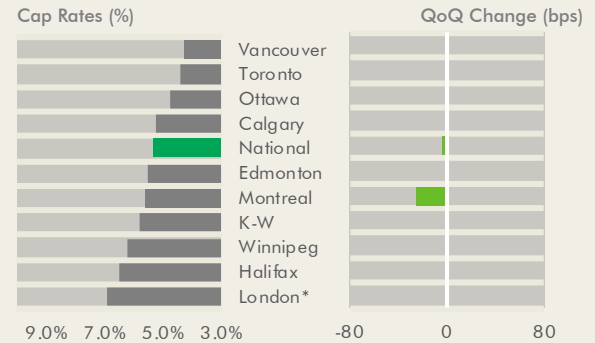
While much of the focus in 2017 was on the major gateway markets of Toronto and Vancouver, investors shifted some attention to alternate geographies in Q1 2018. Montreal saw Class A industrial yields fall by 25 bps and Class B yields fall by 38 bps. Edmonton and Calgary also saw industrial cap rates fall over Q1 2018 as yields for Class B assets compressed by 25 bps in both markets.

HISTORICAL INDUSTRIAL CAP RATES

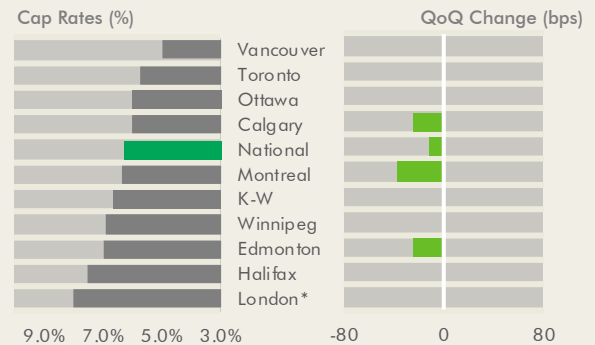


REGIONAL RANKINGS

INDUSTRIAL A



INDUSTRIAL B



VIEW ALL CANADIAN CAP RATES
ON PAGE 18

*includes Windsor

Canadian Investment Trends

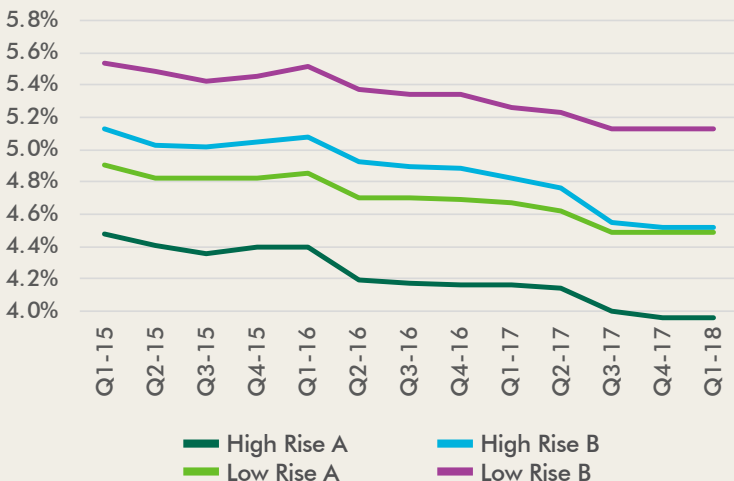
NATIONAL MULTIFAMILY SUMMARY

The Canadian multifamily sector had a solid start to 2018 with no markets reporting movement in cap rates. Liquidity for multifamily assets remains strong and this looks set to persist.

Rental market fundamentals across almost all markets remain solid. Forecasts by the Canadian Mortgage and Housing Corporation (CMHC) suggest that this should continue into the near term, with the national average multifamily vacancy rate expected to remain close to 3.0%, while Toronto and Vancouver are expected to remain around 1.0% in 2018.

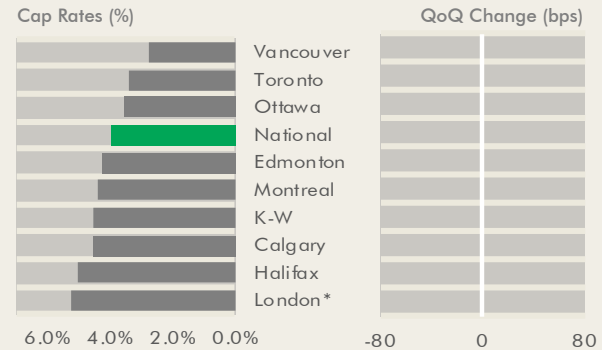
Rising home ownership costs continue to drive demand for comparatively affordable multifamily units and, as supply of this product type continues to lag, cap rates for existing multifamily stock are expected to remain low.

HISTORICAL MULTIFAMILY CAP RATES

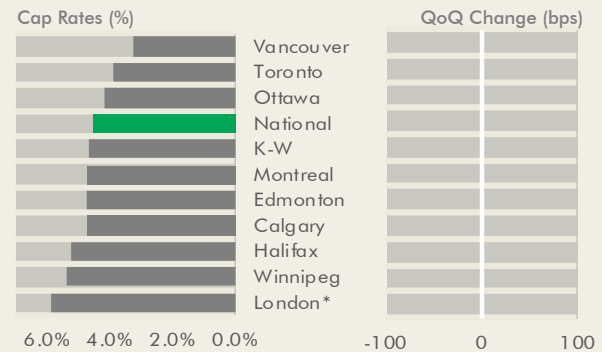


REGIONAL RANKINGS

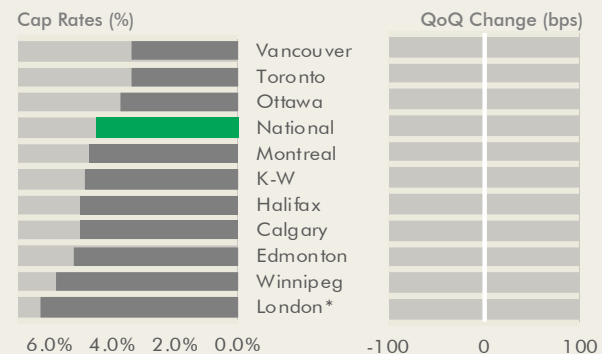
HIGH RISE A



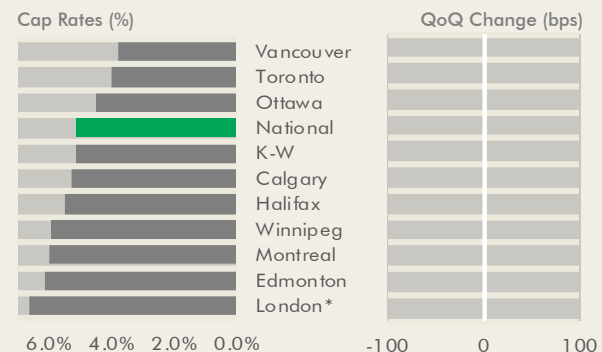
HIGH RISE B



LOW RISE A



LOW RISE B



VIEW ALL CANADIAN CAP RATES
ON PAGE 18

*includes Windsor

Canadian Investment Trends

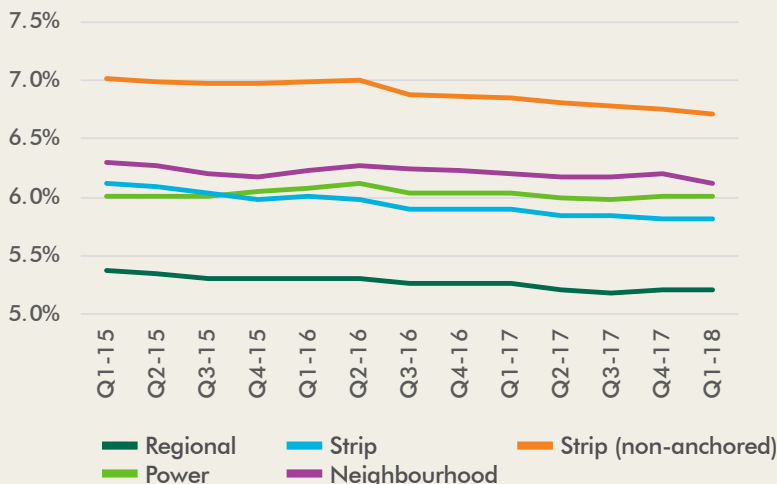
NATIONAL RETAIL SUMMARY

After a year which was mired by volatility as investors and owners adapted to a shifting consumer landscape, the retail sector experienced a much more stable start to 2018. Cap rates remained largely unchanged with the only movement occurring in the neighbourhood and strip (non-anchored) categories, where yields fell by 8 and 3 bps, respectively in the quarter.

The only market to report retail cap rate compression in Q1 2018 was Montreal. Demand for retail assets in this market continues to be robust, especially in urban submarkets.

Perhaps more so than in any other asset class, cap rates in the retail sector continue to be bifurcated along both geography and property type. Robust demand remains for high performing regional malls, well-situated urban streetfront assets, and sites with potential for future development and densification while other formats in this space continue to struggle.

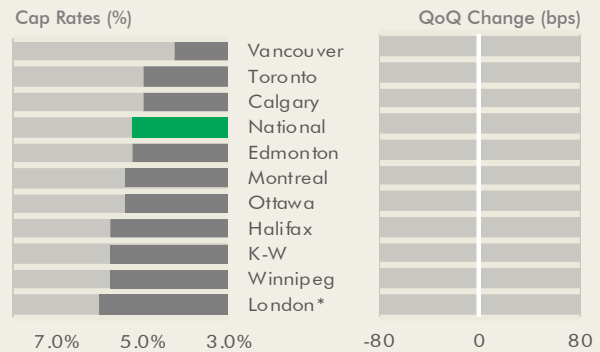
HISTORICAL RETAIL CAP RATES



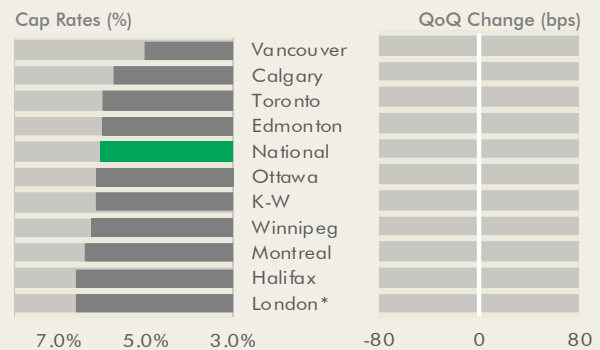
[VIEW ALL CANADIAN CAP RATES ON PAGE 18](#)

REGIONAL RANKINGS

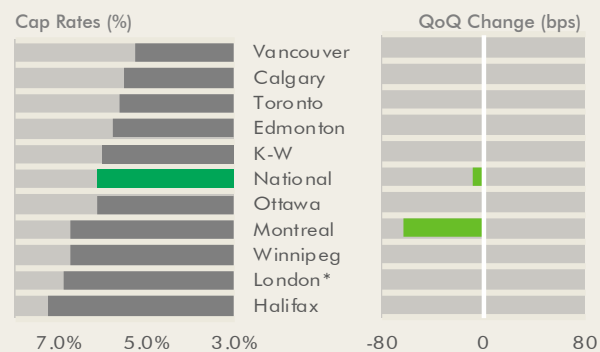
REGIONAL



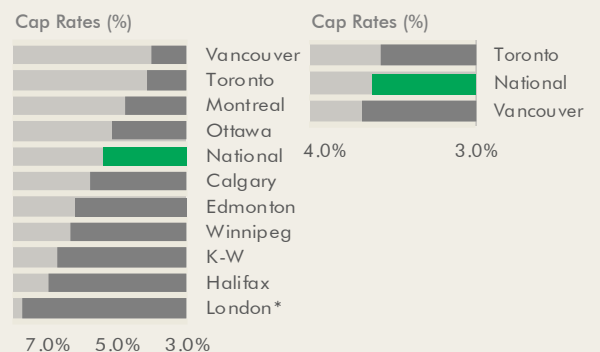
POWER



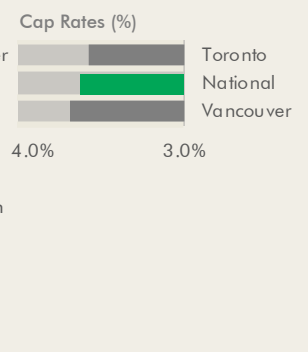
NEIGHBOURHOOD



URBAN STREETFRONT



HIGH STREET



*includes Windsor

Canadian Investment Trends

NATIONAL HOTEL SUMMARY

The hotel sector is expected to see further gains in demand led by expanding domestic tourism and business travel.

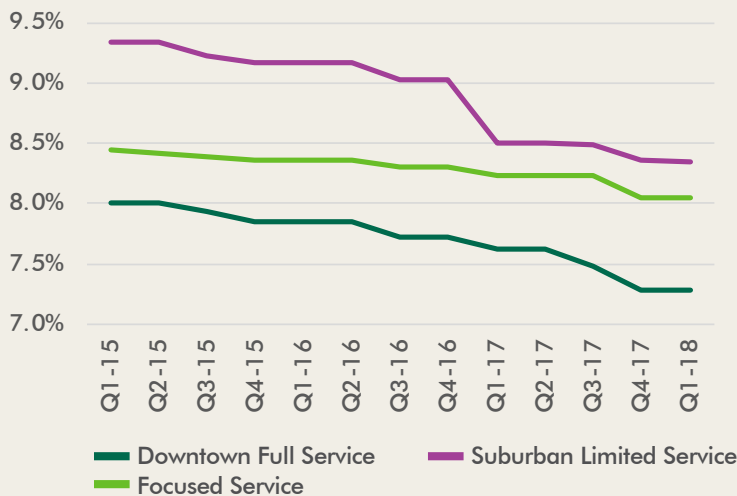
Supply growth for British Columbia, Ontario, Quebec and Atlantic Canada remains in balance and these markets should readily absorb new hotel product expected to come on board over the next few years.

Cap Rates held steady over Q1 2018. Record profit levels continue to fuel strong investment interest in British Columbia and Ontario. Expectations for continued profit growth should keep cap rates at record lows for some time.

As investors sought out desirable alternatives, downward pressure on cap rates was seen in other major markets such as Montreal; and in smaller secondary and tertiary markets including Halifax and across southern Ontario.

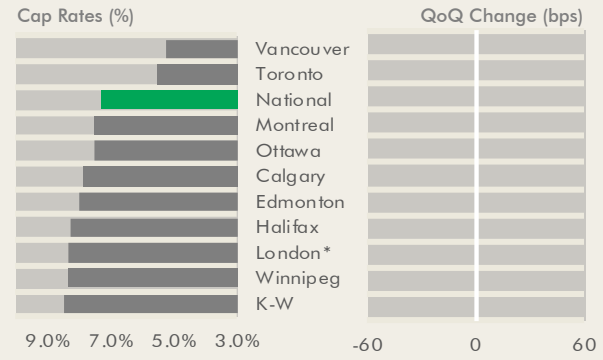
Despite the perception of higher rates, cap rates on Alberta transactions were relatively low as buyers did not double punish weak market-wide performance with high yield expectations and bought on a per-room basis with lower initial yields.

HISTORICAL HOTEL CAP RATES

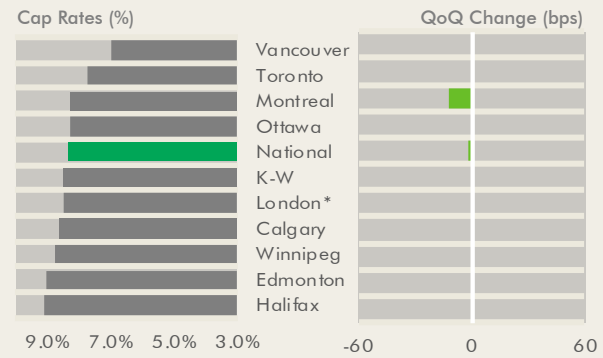


REGIONAL RANKINGS

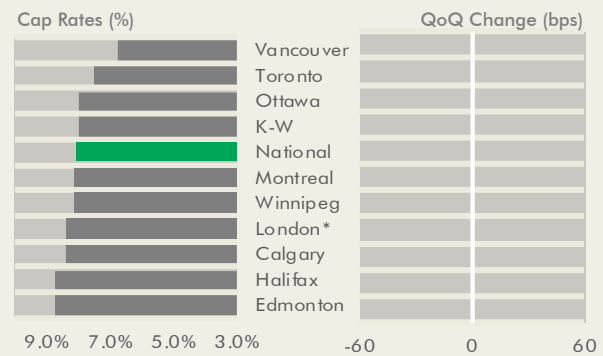
DOWNTOWN FULL SERVICE



SUBURBAN LIMITED SERVICE



FOCUSED SERVICE



VIEW ALL CANADIAN CAP RATES
ON PAGE 18

*includes Windsor

Vancouver

INVESTMENT TRENDS

Suburban office had a strong Q1 2018 as improving fundamentals and strong initial returns have strengthened investor sentiment for this product type. We expect this trend to continue as falling vacancy rates will result in near term real rental rate growth.

Interest from domestic and foreign investors for developable land remains strong in core Vancouver locations and along suburban transit corridors. Demand for income properties across all product types remains strong as well.

The effects of new increases to the foreign buyer tax implemented by the provincial government have been moderate based on residential land bid activity.



Tony Quattrin

Vice Chairman
National Investment Team

www.cbre.ca/tony.quattrin

**VIEW ALL CANADIAN CAP RATES
ON PAGE 18**

Q1 2018 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	3.75% - 4.00%	◀▶
A	3.75% - 4.25%	◀▶
B	4.00% - 4.50%	◀▶

SUBURBAN OFFICE

A	4.75% - 5.50%	◀▶
B	5.25% - 6.00%	▲

INDUSTRIAL

A	4.00% - 4.50%	◀▶
B	4.75% - 5.25%	◀▶

RETAIL

Regional	4.00% - 4.50%	◀▶
Power	5.00% - 5.00%	◀▶
Neighbourhood	5.00% - 5.50%	◀▶
Strip	4.00% - 5.00%	◀▶
Strip (non-anchored)	5.00% - 5.50%	◀▶
Urban Streetfront	3.75% - 4.25%	◀▶
High Street	3.50% - 4.00%	◀▶

APARTMENT

High Rise A	2.50% - 3.00%	◀▶
High Rise B	3.00% - 3.50%	◀▶
Low Rise A	2.75% - 3.25%	◀▶
Low Rise B	3.25% - 4.25%	◀▶

HOTEL

Downtown Full Service	4.50% - 6.00%	◀▶
Suburban Limited Service	6.50% - 7.50%	◀▶
Focused Service	6.00% - 7.50%	◀▶

Calgary

INVESTMENT TRENDS

Capital continues to show interest in the Calgary market across a variety of product categories with the greatest focus on industrial assets, followed by retail, multifamily, and office.

Cap rates for top of class assets are strong as institutional buyers are once again prepared to pay core pricing for high-quality properties.

The office market is becoming more active, with Class B and C product being sold to opportunistic buyers on a price per sq. ft. basis.



Garry Beres

Vice Chairman
National Investment Team

www.cbre.ca/garry.beres

Q1 2018 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	5.25% - 5.75%	◀▶
A	6.25% - 7.00%	◀▶
B	7.75% - 8.50%	◀▶

SUBURBAN OFFICE

A	6.25% - 6.75%	◀▶
B	7.50% - 8.25%	◀▶

INDUSTRIAL

A	5.00% - 5.50%	◀▶
B	5.75% - 6.25%	▼

RETAIL

Regional	4.75% - 5.25%	◀▶
Power	5.50% - 6.00%	◀▶
Neighbourhood	5.25% - 5.75%	◀▶
Strip	5.25% - 5.75%	◀▶
Strip (non-anchored)	5.75% - 6.25%	◀▶
Urban Streetfront	5.50% - 6.00%	◀▶
High Street	N/A	

APARTMENT

High Rise A	4.25% - 4.75%	◀▶
High Rise B	4.50% - 5.00%	◀▶
Low Rise A	4.75% - 5.25%	◀▶
Low Rise B	5.00% - 5.50%	◀▶

HOTEL

Downtown Full Service	7.00% - 8.75%	◀▶
Suburban Limited Service	8.00% - 9.25%	◀▶
Focused Service	7.50% - 9.25%	◀▶

VIEW ALL CANADIAN CAP RATES
ON PAGE 18

Edmonton

INVESTMENT TRENDS

Demand continues to increase for core assets across all property types.

Interest in multifamily development land is beginning to gain momentum in both suburban and downtown regions of the city.

There continues to be limited supply of Class A industrial opportunities on the market, while substantial demand for this product type remains.



Food and drug anchored retail assets may witness cap rate compression in the coming quarters as demand is currently outpacing supply.



Dave Young

Executive Vice President
National Investment Team

www.cbre.ca/dave.young

Q1 2018 CAP RATES

DOWNTOWN OFFICE △Q/Q

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

SUBURBAN OFFICE

A	6.75% - 7.50%	◀▶
B	7.50% - 8.00%	◀▶

INDUSTRIAL

A	5.25% - 5.75%	◀▶
B	6.50% - 7.50%	▼

RETAIL

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

APARTMENT

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

HOTEL

Downtown Full Service	7.25% - 8.75%	◀▶
Suburban Limited Service	8.50% - 9.50%	◀▶
Focused Service	8.00% - 9.50%	◀▶

**VIEW ALL CANADIAN CAP RATES
ON PAGE 18**

Winnipeg

INVESTMENT TRENDS

Activity in Winnipeg's downtown office sector continues to be robust with location being the primary focus and reinvestment and repositioning becoming recurring themes. Q1 2018 marked the structural completion of True North Square's first tower, the first new office tower to be built in Winnipeg since 1991.

As population growth accelerates, interest in land for residential development remains strong in both the suburban markets surrounding Winnipeg and for urban infill sites.

Value-add industrial assets continue to garner broad interest as construction costs remain prohibitive to new development and vacancy remains low at 3%.



Ryan Behie

Vice President
Managing Director

www.cbre.ca/ryan.behie

**VIEW ALL CANADIAN CAP RATES
ON PAGE 18**

Q1 2018 CAP RATES

DOWNTOWN OFFICE		△Q/Q
AA	N/A	
A	5.50% - 6.00%	◀▶
B	6.50% - 7.00%	◀▶
SUBURBAN OFFICE		
A	6.50% - 7.00%	◀▶
B	7.00% - 7.50%	◀▶
INDUSTRIAL		
A	6.00% - 6.50%	◀▶
B	6.50% - 7.25%	◀▶
RETAIL		
Regional	5.50% - 6.00%	◀▶
Power	6.00% - 6.50%	◀▶
Neighbourhood	6.50% - 7.00%	◀▶
Strip	6.50% - 7.00%	◀▶
Strip (non-anchored)	6.75% - 7.50%	◀▶
Urban Streetfront	6.00% - 6.75%	◀▶
High Street	N/A	
APARTMENT		
High Rise A	N/A	◀▶
High Rise B	5.00% - 5.75%	◀▶
Low Rise A	5.50% - 6.00%	◀▶
Low Rise B	5.75% - 6.00%	◀▶
HOTEL		
Downtown Full Service	7.75% - 9.00%	◀▶
Suburban Limited Service	8.00% - 9.50%	◀▶
Focused Service	7.50% - 8.75%	◀▶

Waterloo Region

INVESTMENT TRENDS

The most sought-after asset type in the Kitchener-Waterloo region continues to be industrial, as strong leasing fundamentals are fuelling rental growth expectations and all-time low cap rates.

The retail sector has seen increased activity as large institutional property holders execute highly publicized disposition programs in secondary and tertiary markets. This has presented private buyers with the rare opportunity to enter this space.

Interest in multifamily assets across south western Ontario has surged of late. Bid depth has been very strong for this property type and cap rates remain low.



Peter Whatmore

Senior Vice President
National Investment Team

www.cbre.ca/peter.whatmore

**VIEW ALL CANADIAN CAP RATES
ON PAGE 18**

Q1 2018 CAP RATES

DOWNTOWN OFFICE △Q/Q

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

SUBURBAN OFFICE

A	6.00% - 7.00%	◀▶
B	6.75% - 7.75%	◀▶

INDUSTRIAL

A	5.50% - 6.10%	◀▶
B	6.00% - 7.25%	◀▶

RETAIL

Regional	5.50% - 6.00%	◀▶
Power	5.75% - 6.50%	◀▶
Neighbourhood	5.50% - 6.50%	◀▶
Strip	5.00% - 6.50%	◀▶
Strip (non-anchored)	5.00% - 6.75%	◀▶
Urban Streetfront	6.00% - 7.50%	◀▶
High Street	N/A	

APARTMENT

High Rise A	4.25% - 4.75%	◀▶
High Rise B	4.25% - 5.00%	◀▶
Low Rise A	4.50% - 5.25%	◀▶
Low Rise B	4.75% - 5.50%	◀▶

HOTEL

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

Toronto

INVESTMENT TRENDS

Real estate as an asset class continues to perform well in relation to other investment vehicles. The strong performance has attracted additional capital to the sector which has in turn driven pricing.



Bifurcation across geographies and product types continues to widen and non-core assets in secondary markets are being priced with higher risk premiums today.

Conversely, top of class assets in core locations are delivering record low initial yields and we expect this trend to continue.



Peter Senst

President, Canadian
Capital Markets
National Investment Team

www.cbre.ca/peter.senst

Q1 2018 CAP RATES

DOWNTOWN OFFICE △Q/Q

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

SUBURBAN OFFICE

A	5.50% - 6.25%	◀▶
B	6.50% - 7.25%	◀▶

INDUSTRIAL

A	4.00% - 4.75%	◀▶
B	5.25% - 6.25%	◀▶

RETAIL

Regional	4.50% - 5.50%	◀▶
Power	5.50% - 6.50%	◀▶
Neighbourhood	5.00% - 6.25%	◀▶
Strip	5.00% - 6.00%	◀▶
Strip (non-anchored)	6.00% - 7.00%	◀▶
Urban Streetfront	3.75% - 4.50%	◀▶
High Street	3.25% - 4.00%	◀▶

APARTMENT

High Rise A	3.00% - 3.75%	◀▶
High Rise B	3.50% - 4.25%	◀▶
Low Rise A	3.00% - 3.75%	◀▶
Low Rise B	3.50% - 4.50%	◀▶

HOTEL

Downtown Full Service	5.00% - 6.00%	◀▶
Suburban Limited Service	7.00% - 8.50%	◀▶
Focused Service	7.00% - 8.00%	◀▶

VIEW ALL CANADIAN CAP RATES
ON PAGE 18

Ottawa

INVESTMENT TRENDS

The new year has started strong with a number of large office and industrial portfolios already trading hands in Q1 2018.

Partial interest sales will continue to comprise a considerable portion of the investment activity in Ottawa in the near term.

Expect an increase in activity in the residential land market in 2018.



Nico Zentil

Senior Vice President
National Investment Team

www.cbre.ca/nico.zentil

Q1 2018 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	4.75% - 5.25%	◀▶
A	5.00% - 5.50%	◀▶
B	5.75% - 6.25%	◀▶

SUBURBAN OFFICE

A	6.00% - 6.50%	◀▶
B	6.75% - 7.25%	◀▶

INDUSTRIAL

A	4.50% - 5.00%	◀▶
B	5.50% - 6.50%	◀▶

RETAIL

Regional	5.00% - 5.75%	◀▶
Power	5.75% - 6.50%	◀▶
Neighbourhood	5.75% - 6.50%	◀▶
Strip	5.50% - 6.25%	◀▶
Strip (non-anchored)	6.50% - 7.50%	◀▶
Urban Streetfront	4.75% - 5.50%	◀▶
High Street	N/A	

APARTMENT

High Rise A	3.25% - 3.75%	◀▶
High Rise B	4.00% - 4.25%	◀▶
Low Rise A	3.50% - 4.00%	◀▶
Low Rise B	4.25% - 4.75%	◀▶

HOTEL

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

**VIEW ALL CANADIAN CAP RATES
ON PAGE 18**

Montreal

INVESTMENT TRENDS

Overall real estate market fundamentals continued to improve over the course of Q1 2018. Demand for a variety of product types is at an all-time high.

Lack of quality income producing properties, strong leasing momentum, and scarcity of well-located strategic land parcels is driving pricing across the city.

Demand remains robust for a variety of product types including core downtown and suburban office assets, anchored and urban retail, and all industrial. The strong economic outlook for the region also continues to drive interest in the market.



Serge Duval

Senior Vice President
National Investment Team

www.cbre.ca/serge.duval

Q1 2018 CAP RATES

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

VIEW ALL CANADIAN CAP RATES
ON PAGE 18

Halifax

INVESTMENT TRENDS

Atlantic Canada looks poised to see over \$500 million of investment volume in Q1



MILLION IN Q1

2018. This would be an incredibly strong start to the year and would represent over 50% the region's investment total from 2017.

The largest contributor to Atlantic investment volume over the first quarter was Slate's acquisition of the Cominar portfolio of properties.

Halifax continues to see strong apartment absorption, with vacancy rates declining to 2.3% in 2017, even with record completions of over 1,700 units.



Chris Carter

Vice President
National Investment Team

www.cbre.ca/chris.carter

Q1 2018 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	N/A	
A	6.25% - 6.75%	◀▶
B	7.00% - 7.50%	◀▶

SUBURBAN OFFICE

A	6.50% - 7.50%	◀▶
B	7.50% - 8.00%	◀▶

INDUSTRIAL

A	6.00% - 7.00%	◀▶
B	7.25% - 7.75%	◀▶

RETAIL

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

APARTMENT

High Rise A	4.75% - 5.25%	◀▶
High Rise B	5.00% - 5.50%	◀▶
Low Rise A	4.75% - 5.25%	◀▶
Low Rise B	5.25% - 5.75%	◀▶

HOTEL

Downtown Full Service	7.50% - 9.00%	◀▶
Suburban Limited Service	8.50% - 9.75%	◀▶
Focused Service	8.00% - 9.50%	◀▶

VIEW ALL CANADIAN CAP RATES
ON PAGE 18

Q1 2018 Canadian Cap Rates

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

Q1 2018 Canadian Cap Rates

△Q/Q	Kitchener-Waterloo	Toronto	Ottawa	Montreal	Halifax
Downtown Office					
AA	N/A	4.00% - 4.50%	4.75% - 5.25%	4.25% - 4.75%	N/A
A	6.00% - 7.00%	4.25% - 4.75%	5.00% - 5.50%	5.00% - 5.50%	6.25% - 6.75%
B	6.50% - 7.25%	4.50% - 5.00%	5.75% - 6.25%	5.25% - 6.00%	7.00% - 7.50%
Suburban Office					
A	6.00% - 7.00%	5.50% - 6.25%	6.00% - 6.50%	5.25% - 6.50%	6.50% - 7.50%
B	6.75% - 7.75%	6.50% - 7.25%	6.75% - 7.25%	7.00% - 7.75%	7.50% - 8.00%
Industrial					
A	5.50% - 6.10%	4.00% - 4.75%	4.50% - 5.00%	5.25% - 6.00%	6.00% - 7.00%
B	6.00% - 7.25%	5.25% - 6.25%	5.50% - 6.50%	6.00% - 6.75%	7.25% - 7.75%
Retail					
Regional	5.50% - 6.00%	4.50% - 5.50%	5.00% - 5.75%	5.00% - 5.75%	5.50% - 6.00%
Sector/Power	5.75% - 6.50%	5.50% - 6.50%	5.75% - 6.50%	6.00% - 6.75%	6.25% - 7.00%
Neighborhood	5.50% - 6.50%	5.00% - 6.25%	5.75% - 6.50%	6.50% - 7.00%	6.75% - 7.75%
Strip	5.00% - 6.50%	5.00% - 6.00%	5.50% - 6.25%	5.25% - 6.00%	6.50% - 7.50%
Non-anchored Strip Mall	5.00% - 6.75%	6.00% - 7.00%	6.50% - 7.50%	7.00% - 7.75%	7.50% - 8.25%
Urban Streetfront	6.00% - 7.50%	3.75% - 4.50%	4.75% - 5.50%	4.50% - 5.00%	6.50% - 7.50%
High Street	N/A	3.25% - 4.00%	N/A	N/A	N/A
Apartment					
High Rise A	4.25% - 4.75%	3.00% - 3.75%	3.25% - 3.75%	4.00% - 4.75%	4.75% - 5.25%
High Rise B	4.25% - 5.00%	3.50% - 4.25%	4.00% - 4.25%	4.50% - 5.00%	5.00% - 5.50%
Low Rise A	4.50% - 5.25%	3.00% - 3.75%	3.50% - 4.00%	4.50% - 5.00%	4.75% - 5.25%
Low Rise B	4.75% - 5.50%	3.50% - 4.50%	4.25% - 4.75%	5.50% - 6.50%	5.25% - 5.75%
Hotel					
Downtown Full Service	8.00% - 9.00%	5.00% - 6.00%	7.00% - 8.00%	7.00% - 8.00%	7.50% - 9.00%
Suburban Limited Service	8.00% - 9.00%	7.00% - 8.50%	7.75% - 8.75%	7.75% - 8.75%	8.50% - 9.75%
Focused Service	7.50% - 8.50%	7.00% - 8.00%	7.50% - 8.50%	7.50% - 8.75%	8.00% - 9.50%

GLOSSARY OF TERMS:

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

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

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

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

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

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

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

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

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

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

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

This disclaimer shall apply to CBRE Limited, Real Estate Brokerage, and to all other divisions of the Corporation; to include all employees and independent contractors ("CBRE"). The information set out herein, including, without limitation, any projections, images, opinions, assumptions and estimates obtained from third parties (the "Information") has not been verified by CBRE, and CBRE does not represent, warrant or guarantee the accuracy, correctness and completeness of the Information. CBRE does not accept or assume any responsibility or liability, direct or consequential, for the Information or the recipient's reliance upon the Information. The recipient of the Information should take such steps as the recipient may deem necessary to verify the Information prior to placing any reliance upon the Information. The Information may change and any property described in the Information may be withdrawn from the market at any time without notice or obligation to the recipient from CBRE. CBRE and the CBRE logo are the service marks of CBRE Limited and/or its affiliated or related companies in other countries. All other marks displayed on this document are the property of their respective owners. All Rights Reserved.