

Q1 2017 
**CANADIAN
CAP RATES &
INVESTMENT
INSIGHTS**

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

CBRE

SELECT AN AREA TO BEGIN:

**National
Overviews**

**City-by-City
Analysis**

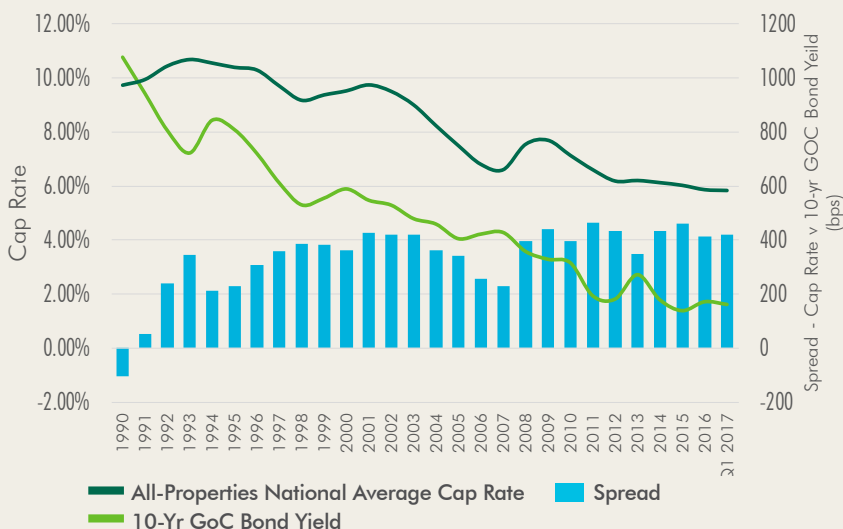
**Cap Rate
Summary Sheet**

Canada

INVESTMENT TRENDS

To quote Yogi Berra, it's déjà vu all over again. Q1 2017 marked another quarter in which cap rates remained generally unchanged, while several markets reported additional tightening. Stronger than expected domestic economic data coupled with nervous anticipation surrounding European elections and U.S. trade policy provides the context for Canada's continued investment appeal.

RECORD LOW NATIONAL AVERAGE CAP RATE*



Paul Morassutti
 Executive Vice President
 Valuation & Advisory Services
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Q1 2017 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	4.90%	▼
A	5.69%	▲
B	6.50%	▲
SUBURBAN OFFICE		ΔQ/Q
A	6.41%	◀▶
B	7.17%	▲
INDUSTRIAL		ΔQ/Q
A	5.63%	▼
B	6.72%	▼
RETAIL		ΔQ/Q
Regional	5.27%	◀▶
Power	6.03%	◀▶
Neighbourhood	6.20%	▼
Strip	5.91%	◀▶
Strip (non-anchored)	6.84%	▼
Urban Streetfront	5.50%	▼
High Street	3.69%	◀▶
APARTMENT		ΔQ/Q
High Rise A	4.16%	◀▶
High Rise B	4.83%	▼
Low Rise A	4.67%	▼
Low Rise B	5.27%	▼
HOTEL		ΔQ/Q
Downtown Full Service	7.63%	▼
Suburban Limited Service	8.50%	▼
Focused Service	8.23%	▼

[[GLOSSARY OF TERMS](#)]

VIEW ALL CANADIAN CAP RATES

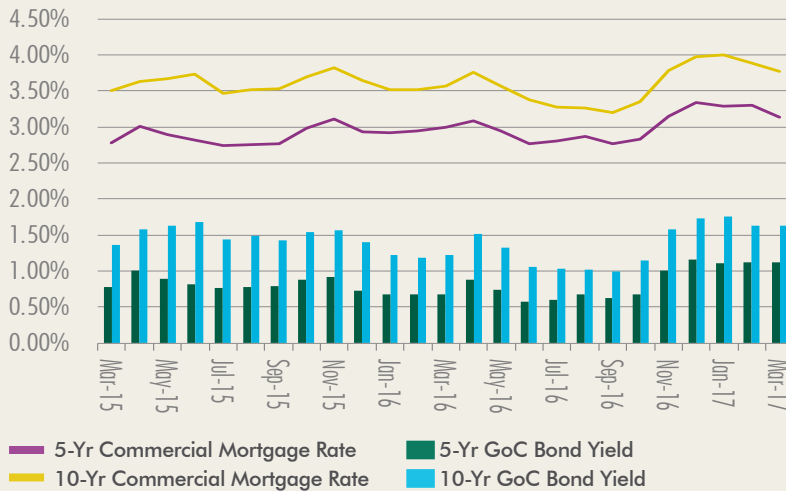
* Source: CBRE Research, Q1 2017

Canada

DEBT MARKET TRENDS

Mortgage spreads reflect the animal spirits that equity markets have exhibited since the U.S. presidential election. Lenders have started 2017 by inking some compression on spreads which may be a symptom of new debt supply or a shortage of product. While the spread compression is helping to mitigate an increase in underlying bond rates, positive signs in the employment market may cement the belief the yield curve trough was reached in 2016.

MORTGAGE RATES TO GOVERNMENT OF CANADA BONDS



Carmin Di Fiore

Executive Vice President
Debt & Structured Finance

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MARKET MOVERS

CAD/USD

2016 Q1	2017 Q1	Change YoY (%)
\$0.76	\$0.75	▼ -1.20%

CANADA PRIME RATE

2016 Q1	2017 Q1	Change YoY (%)
2.70%	2.70%	◀▶ 0.00%

30-DAY CDOR

2016 Q1	2017 Q1	Change YoY (%)
0.88%	0.91%	▲ 3.86%

WEST TEXAS INTERMEDIATE (USD)

2016 Q1	2017 Q1	Change YoY (%)
\$39.15	\$50.60	▲ 29.25%

5-YEAR MORTGAGE SPREAD RANGE

2016 Q1	2017 Q1	Change YoY (%)
1.95%-2.70%	1.70%-2.35%	▼ -12.90%

10-YEAR MORTGAGE SPREAD RANGE

2016 Q1	2017 Q1	Change YoY (%)
2.00%-2.70%	1.85%-2.45%	▼ -8.51%

Source: CBRE Limited, Thomson Reuters Eikon

[[GLOSSARY OF TERMS](#)]

VIEW ALL CANADIAN CAP RATES

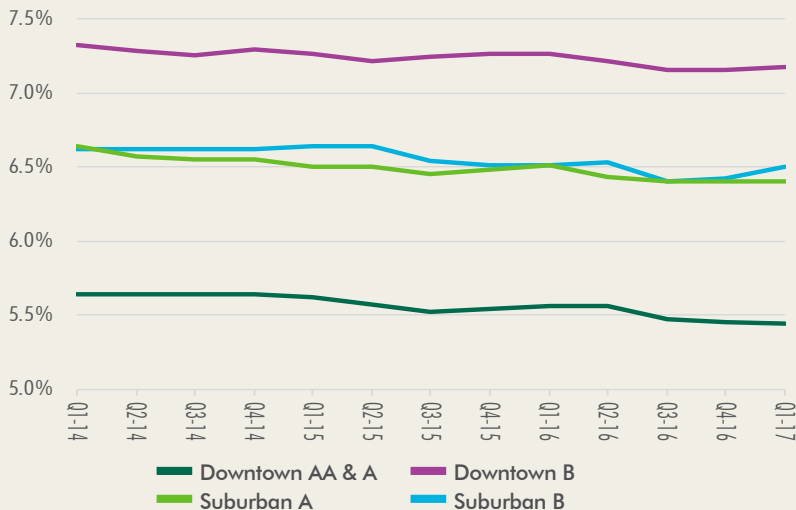
Canada

OFFICE INVESTMENT TRENDS

Similar to the start of 2016, National average Office cap rates started the year on a stable note. Nonetheless, downtown and suburban Office yields are each distinctly lower than the opening quarter one year ago. This is especially noteworthy after a year in which Office asset pricing reached record levels in multiple markets. Downtown Class B Office yields inflated in Q1 2017, as one Edmonton drove the national average up by 8 bps.

Yield increases for Office properties in Q1 were realized in Alberta. The Downtown office markets in these cities continue to grapple with the influence of the oil and gas industry that is predominantly central based, which has resulted in cap rates rising above similar properties located in Suburban areas. Edmonton saw cap rates for Downtown Class A properties leap by 6 bps in Q1 2017, while its Downtown B and Suburban A cap rates jumped by 63 bps and 13 bps respectively. Calgary also observed Suburban B yields grow by 25 bps in Q1.

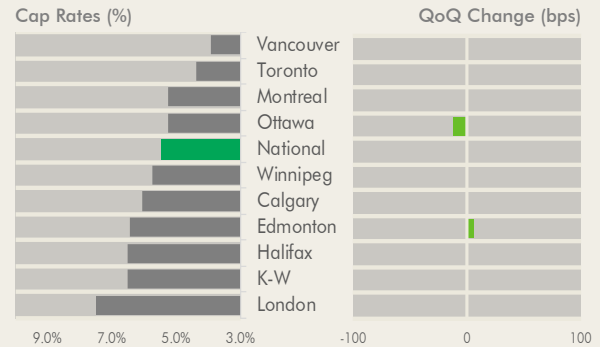
HISTORICAL OFFICE CAP RATES



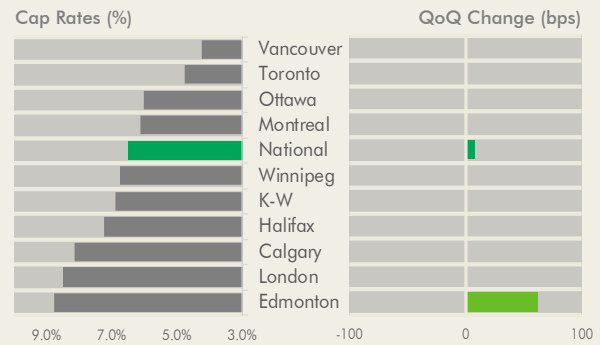
[VIEW ALL CANADIAN CAP RATES](#)

REGIONAL RANKINGS

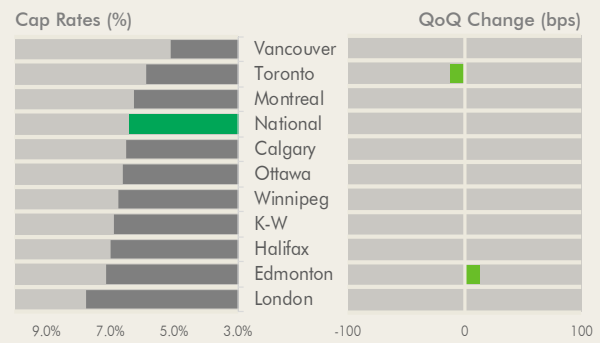
DOWNTOWN A



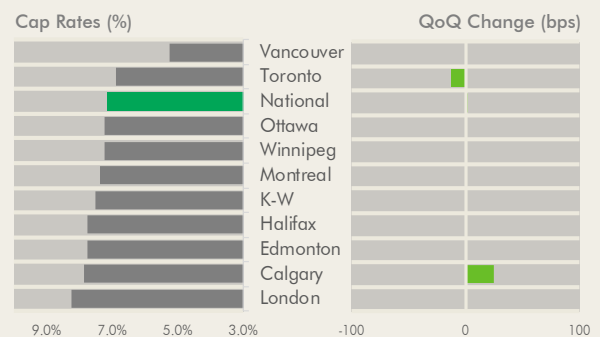
DOWNTOWN B



SUBURBAN A



SUBURBAN B



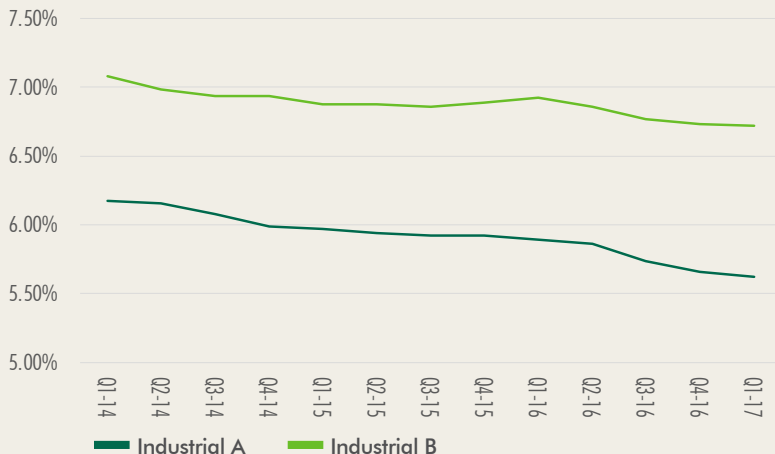
Canada

INDUSTRIAL INVESTMENT TRENDS

The Industrial sector continued to benefit from favorable supply-demand dynamics to post a strong Q1 2017. The average Industrial Class A cap rate compressed 3 bps, while Class B cap rates dropped 2 bps in the quarter. Prices for Class A assets are growing at a quicker rate than their Class B counterparts, as Q1 2017 marked the third consecutive quarter in which the spread between the two classes expanded to a ten-year high of 109 bps.

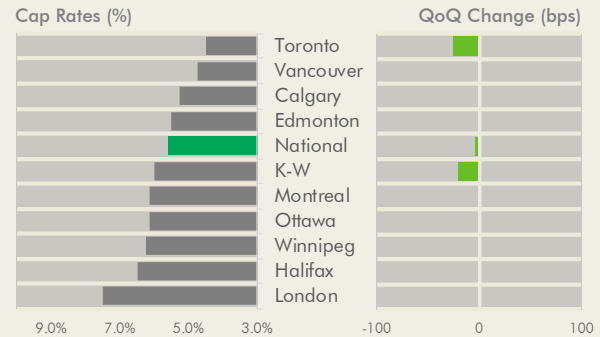
Regionally, yields in most markets remained aligned with year-end 2016 levels, with Toronto and Waterloo being the exceptions, as their average Class A cap rates declined 25 bps and 20 bps respectively. These drops positioned Toronto ahead of Vancouver as the market with the lowest Class A Industrial cap rates in the nation, and Waterloo edging ahead of Ottawa and Montreal in the national rankings for the first time. The average Class A cap rates in each of these markets remained at record lows.

HISTORICAL INDUSTRIAL CAP RATES

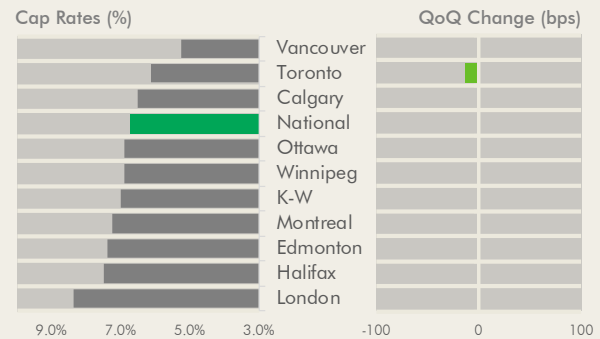


REGIONAL RANKINGS

INDUSTRIAL A



INDUSTRIAL B



[VIEW ALL CANADIAN CAP RATES](#)

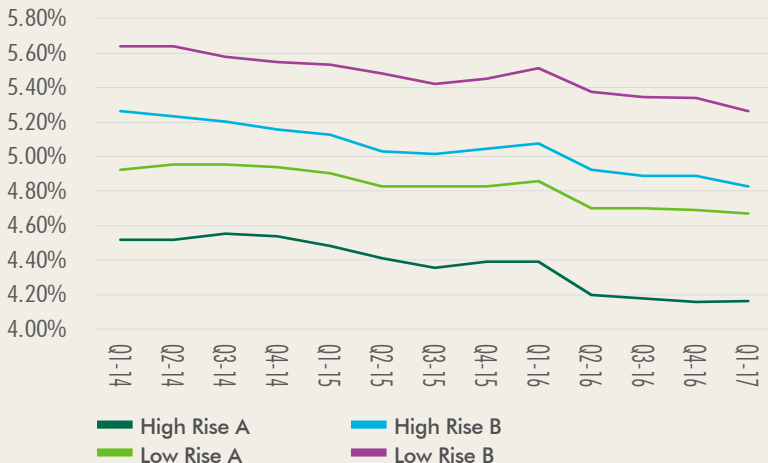
Canada

MULTIFAMILY INVESTMENT TRENDS

The Multifamily sector experienced some of the largest cap rate compression of any asset class in Q1 2017. The national average Apartment cap rate in each of the High Rise B, Low Rise A, and Low Rise B subtypes compressed by 6 bps, 2 bps, and 7 bps respectively over the course of the first quarter. Yields for each of the Apartment sector subtypes now sit at all-time record lows.

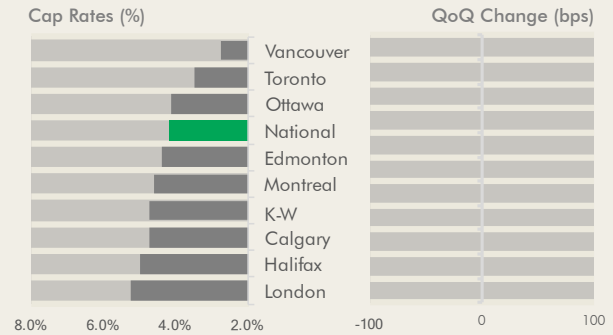
Rising home prices in markets across the country continue to make the comparatively affordable rental sector an appealing option for investors. As much as the expansion in housing prices has been reported in the country's major gateway markets, the rental housing investment interest is also vigorous in secondary markets, as no increase in yields were recorded. Cap rate declines were observed in the High Rise B and Low Rise B property types in Toronto, which dropped a further 50 bps each. As well, declines in Low Rise A and B cap rates occurred in Halifax, each dropping by 13 bps.

HISTORICAL MULTIFAMILY CAP RATES

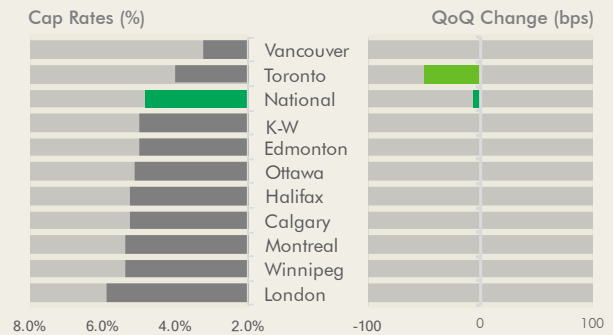


REGIONAL RANKINGS

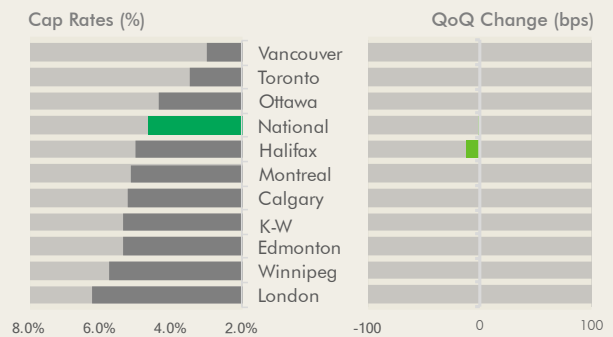
HIGH RISE A



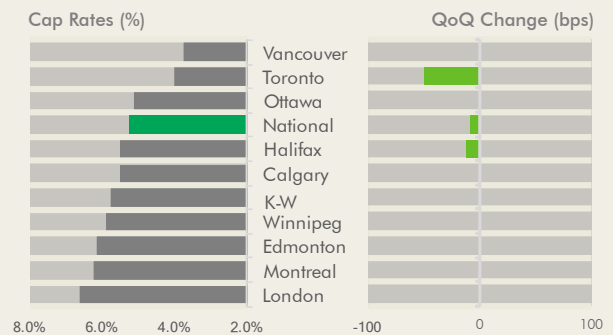
HIGH RISE B



LOW RISE A



LOW RISE B



[VIEW ALL CANADIAN CAP RATES](#)

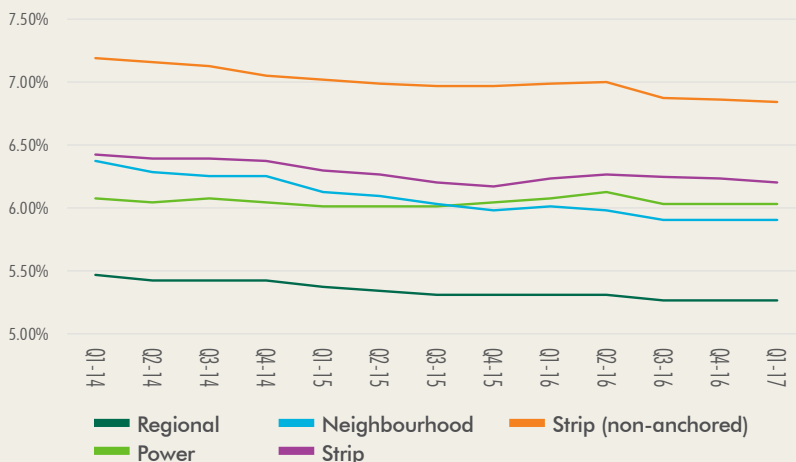
Canada

RETAIL INVESTMENT TRENDS

Asset pricing in the Retail sector remained strong to start the new year after a 2016 period that saw record levels of investment activity driven by the shift towards urban located properties. This trend of heightened investor interest in central located assets continued in Q1 2017, as cap rates for High-Street, Urban Streetfront and Regional Retail were the lowest of any sector subtype. Yields in each of these categories remained stable compared to end of year 2016 levels, with the exception of Urban Streetfront which dropped 3 bps nationally.

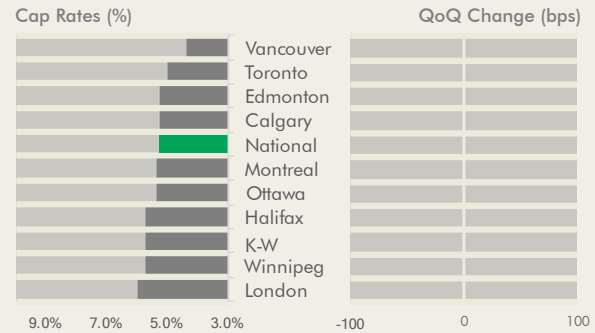
Regionally, Retail cap rates remained largely unchanged to start 2017 with the exception of Calgary and Edmonton. Consumer optimism in the province seems to be gaining after Statistics Canada reported January realizing the fifth increase in six months for overall retail sales. The average cap rate for Urban Streetfront Retail properties in Calgary fell by 25 bps quarter-over-quarter, and in Edmonton, yields for Neighborhood and Non-Anchored Strip Retail assets compressed by 25 bps and 13 bps respectively.

HISTORICAL RETAIL CAP RATES

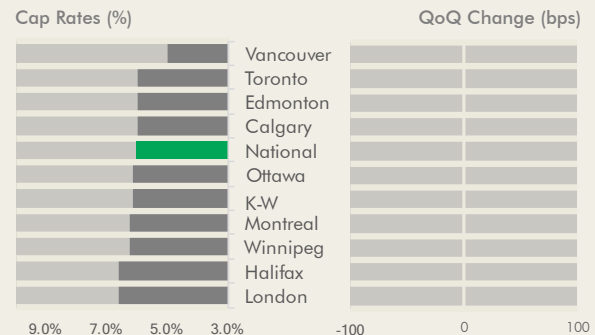


REGIONAL RANKINGS

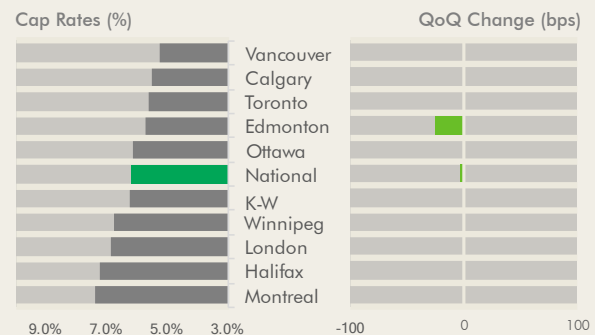
REGIONAL



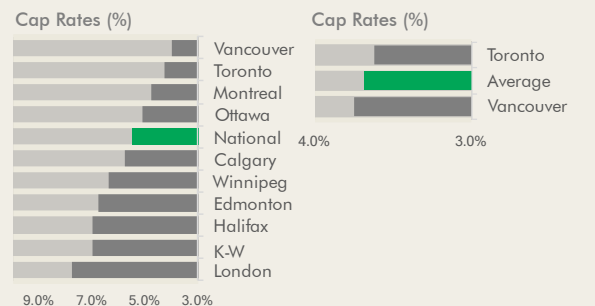
POWER



NEIGHBOURHOOD



URBAN STREETFRONT



[VIEW ALL CANADIAN CAP RATES](#)

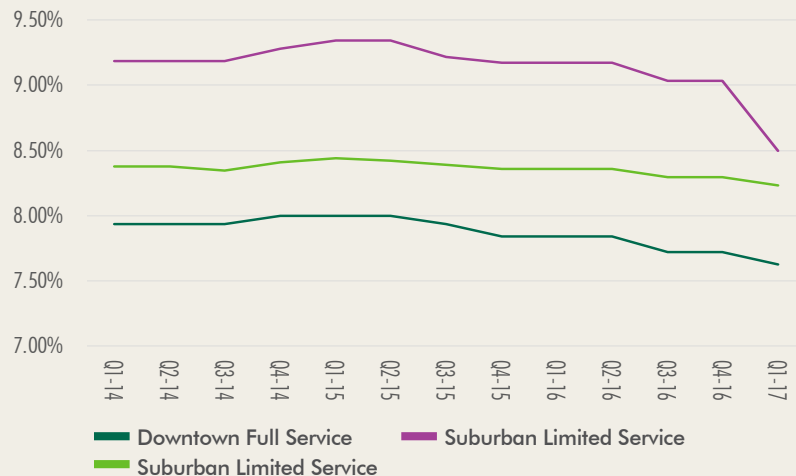
Canada

HOTEL INVESTMENT TRENDS

The Hotel sector experienced steep cap rate declines over the first quarter of 2017, as asset pricing reflected sustained investor interest in the sector. This continued after a 2016 period that saw high interest from foreign and domestic buyers, and as further domestic tourism can be expected due to the low Canadian dollar. As a result, national average Hotel cap rates compressed in each of the three Hotel property subtypes in Q1. Downtown Full Service, Suburban Limited Service, and Focused Service properties dropped by 9 bps, 53 bps, and 6 bps respectively.

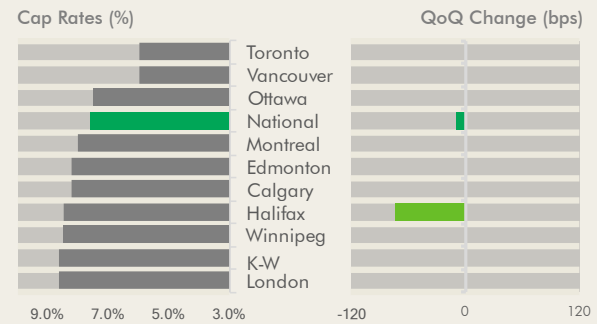
Unlike in other sectors, cap rate compression in Hotel assets took place in a larger variety of markets. Halifax, Montreal, Ottawa, Winnipeg, Calgary, and Edmonton each saw yields decline, some in multiple subtypes to start the year. Interestingly, cap rates in Vancouver and Toronto remained stable to begin 2017, a sign that investors may be looking elsewhere for hotel yield.

HISTORICAL HOTEL CAP RATES

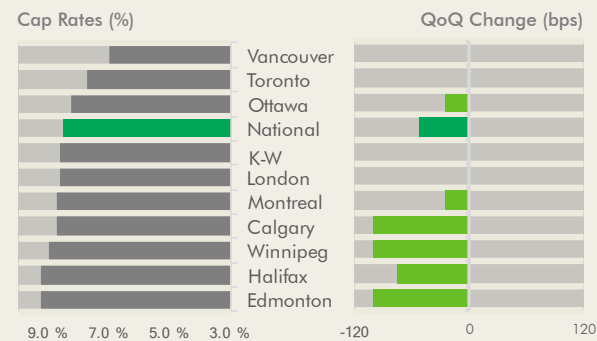


REGIONAL RANKINGS

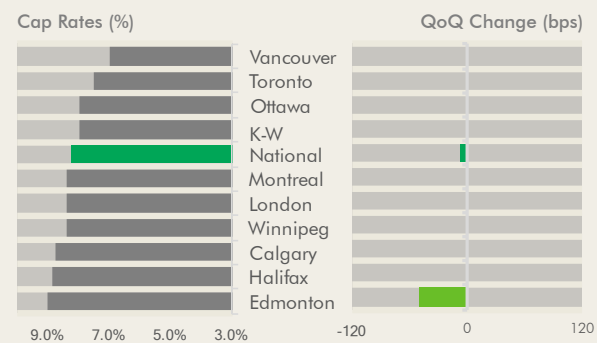
DOWNTOWN FULL SERVICE



SUBURBAN LIMITED SERVICE



FOCUSED SERVICE



[VIEW ALL CANADIAN CAP RATES](#)

Vancouver

INVESTMENT TRENDS

After a strong performance in 2016, commercial real estate volumes started strongly in 2017 and Vancouver looks to be on pace for a record year.



Asian capital continues to flow into Vancouver and makes up a significant portion of the buyer profile.

Investors are focusing on properties with future upside to manage record low cap rates.



Jim Szabo

Vice Chairman
National Investment Team

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VIEW ALL CANADIAN
CAP RATES

Q1 2017 CAP RATES

DOWNTOWN OFFICE		△Q/Q
AA	3.75% - 4.00%	◀▶
A	3.75% - 4.25%	◀▶
B	4.00% - 4.50%	◀▶
SUBURBAN OFFICE		
A	4.75% - 5.50%	◀▶
B	5.00% - 5.50%	◀▶
INDUSTRIAL		
A	4.50% - 5.00%	◀▶
B	5.00% - 5.50%	◀▶
RETAIL		
Regional	4.00% - 4.75%	◀▶
Power	5.00% - 5.00%	◀▶
Neighbourhood	5.00% - 5.50%	◀▶
Strip	4.75% - 5.25%	◀▶
Strip (non-anchored)	5.00% - 5.50%	◀▶
Urban Streetfront	3.75% - 4.25%	◀▶
High Street	3.50% - 4.00%	◀▶
APARTMENT		
High Rise A	2.50% - 3.00%	◀▶
High Rise B	3.00% - 3.50%	◀▶
Low Rise A	2.75% - 3.25%	◀▶
Low Rise B	3.25% - 4.25%	◀▶
HOTEL		
Downtown Full Service	5.50% - 6.50%	◀▶
Suburban Limited Service	6.50% - 7.50%	◀▶
Focused Service	6.50% - 7.50%	◀▶

[GLOSSARY OF TERMS]

Calgary

INVESTMENT TRENDS

The enthusiasm gap continues to shrink as owner and investor opinions are coalescing around a more optimistic outlook for the Calgary marketplace.



There is strong institutional interest in core product on the one end of the investment spectrum, while value-add private interest is supporting the other half of the market.

Interest in the office market continues to increase as does the amount of available product. In addition to new offerings in the Beltline, there has been an increase in suburban office opportunities.



Garry Beres

Executive Vice President
National Investment Team

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VIEW ALL CANADIAN
CAP RATES

Q1 2017 CAP RATES

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

[\[GLOSSARY OF TERMS\]](#)

Edmonton

INVESTMENT TRENDS

Investor activity in Edmonton continues to accelerate based on strong demand for Class A industrial, retail and multifamily properties.



Private investors continue to dominate the landscape and are most active in the pursuit of office and retail assets.

A limited supply of core properties could drive yields down on best-in-class property.



Dave Young

Executive Vice President
National Investment Team

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VIEW ALL CANADIAN
CAP RATES

Q1 2017 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	5.50% - 6.00%	◀▶
A	6.75% - 7.50%	▲
B	8.00% - 9.50%	▲

SUBURBAN OFFICE

A	6.75% - 7.50%	▲
B	7.50% - 8.00%	◀▶

INDUSTRIAL

A	5.25% - 5.75%	◀▶
B	6.75% - 8.00%	◀▶

RETAIL

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

APARTMENT

High Rise A	4.00% - 4.75%	◀▶
High Rise B	4.75% - 5.25%	◀▶
Low Rise A	5.00% - 5.75%	◀▶
Low Rise B	5.75% - 6.50%	◀▶

HOTEL

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

[\[GLOSSARY OF TERMS\]](#)

Waterloo Region

INVESTMENT TRENDS

Southwestern Ontario has long been on the radar for Toronto based investors seeking a yield premium; however, the spread that what was once 150-250 bps has narrowed to 50-100 bps.

50-100 bps
NARROW SPREAD

Increasing demand for cash flowing product will continue to put pressure on pricing and cap rates are expected to continue to compress.

For the investor willing to be creative, there are value-add opportunities in core areas that have long been dormant.



Peter Whatmore

Senior Vice President
National Investment Team

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VIEW ALL CANADIAN
CAP RATES

Q1 2017 CAP RATES

DOWNTOWN OFFICE △Q/Q

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

SUBURBAN OFFICE

A	6.25% - 7.50%	◀▶
B	7.00% - 8.00%	◀▶

INDUSTRIAL

A	5.90% - 6.50%	◀▶
B	6.75% - 7.25%	◀▶

RETAIL

Regional	5.50% - 6.00%	◀▶
Power	5.75% - 6.50%	◀▶
Neighbourhood	6.00% - 6.50%	◀▶
Strip	5.25% - 6.50%	◀▶
Strip (non-anchored)	5.25% - 7.00%	◀▶
Urban Streetfront	6.50% - 7.50%	◀▶
High Street	N/A	

APARTMENT

High Rise A	4.50% - 5.00%	◀▶
High Rise B	4.75% - 5.25%	◀▶
Low Rise A	5.00% - 5.75%	◀▶
Low Rise B	5.50% - 6.00%	◀▶

HOTEL

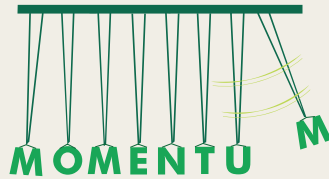
Downtown Full Service	8.25% - 9.00%	◀▶
Suburban Limited Service	8.25% - 9.00%	◀▶
Focused Service	7.50% - 8.50%	◀▶

[\[GLOSSARY OF TERMS\]](#)

Toronto

INVESTMENT TRENDS

After a modest start to the year, investment volume and market momentum are increasing. Core property in Canada's major cities remains sought-after as a result of global uncertainties.



Land continues to be a significant driver of the investment market as demand is being propelled by the ongoing development cycle.

There are a range of domestic and global capital sources at play, including private and institutional money.



Peter Senst

President, Canadian
Capital Markets
National Investment Team

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VIEW ALL CANADIAN
CAP RATES

Q1 2017 CAP RATES

DOWNTOWN OFFICE △Q/Q

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

SUBURBAN OFFICE

A	5.50% - 6.25%	▼
B	6.50% - 7.25%	▼

INDUSTRIAL

A	4.25% - 4.75%	▼
B	5.75% - 6.50%	▼

RETAIL

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

APARTMENT

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

HOTEL

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

[\[GLOSSARY OF TERMS\]](#)

Ottawa

INVESTMENT TRENDS

Billions of dollars in public and private redevelopment projects are expected to be a catalyst for economic growth, while Canada's 150th Anniversary of Confederation should significantly boost tourism.

REDEVELOPMENT
TO BOOST GROWTH

Ottawa continues to exhibit improving fundamentals, particularly in the Class A office market which is expected to record a significant drop in vacancy.

Job growth has been robust in both the public and private sectors which bodes well for real estate fundamentals.



Nico Zentil

Vice President
National Investment Team

www.cbre.ca/nico.zentil

VIEW ALL CANADIAN
CAP RATES

Q1 2017 CAP RATES

DOWNTOWN OFFICE		△Q/Q
AA	4.75% - 5.25%	▼
A	5.25% - 5.75%	◀▶
B	5.75% - 6.25%	◀▶
SUBURBAN OFFICE		
A	6.25% - 7.00%	◀▶
B	7.00% - 7.50%	◀▶
INDUSTRIAL		
A	6.00% - 6.25%	◀▶
B	6.50% - 7.25%	◀▶
RETAIL		
Regional	5.00% - 5.75%	◀▶
Power	5.75% - 6.50%	◀▶
Neighbourhood	5.75% - 6.50%	◀▶
Strip	5.50% - 6.25%	◀▶
Strip (non-anchored)	6.50% - 7.50%	◀▶
Urban Streetfront	4.75% - 5.50%	◀▶
High Street	N/A	
APARTMENT		
High Rise A	3.75% - 4.50%	◀▶
High Rise B	4.75% - 5.50%	◀▶
Low Rise A	4.00% - 4.75%	◀▶
Low Rise B	4.75% - 5.50%	◀▶
HOTEL		
Downtown Full Service	7.00% - 8.00%	◀▶
Suburban Limited Service	7.75% - 8.75%	▼
Focused Service	7.50% - 8.50%	◀▶

[GLOSSARY OF TERMS]

Montreal

INVESTMENT TRENDS

Despite a quiet first quarter from a transaction perspective, Montreal remains in the investment spotlight due to strong real estate and economic fundamentals.



A strong pipeline of mid-market assets will come to market in Q2, which combined with healthy demand should put downward pressure on cap rates and bring them closer to the national average.

Lenders are showing a huge appetite for industrial assets and to a lesser extent, food and drug anchored retail.



Serge Duval

Senior Vice President
National Investment Team

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VIEW ALL CANADIAN
CAP RATES

Q1 2017 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	4.75% - 5.25%	◀▶
A	5.25% - 5.75%	◀▶
B	5.75% - 6.50%	◀▶

SUBURBAN OFFICE

A	5.75% - 6.75%	◀▶
B	7.00% - 7.75%	◀▶

INDUSTRIAL

A	5.75% - 6.50%	◀▶
B	6.75% - 7.75%	◀▶

RETAIL

Regional	5.00% - 5.75%	◀▶
Power	5.75% - 6.75%	◀▶
Neighbourhood	7.00% - 7.75%	◀▶
Strip	5.25% - 6.00%	◀▶
Strip (non-anchored)	7.25% - 8.00%	◀▶
Urban Streetfront	4.50% - 5.00%	◀▶
High Street	N/A	

APARTMENT

High Rise A	4.25% - 5.00%	◀▶
High Rise B	5.00% - 5.75%	◀▶
Low Rise A	4.75% - 5.50%	◀▶
Low Rise B	5.75% - 6.75%	◀▶

HOTEL

Downtown Full Service	7.50% - 8.50%	◀▶
Suburban Limited Service	8.25% - 9.25%	▼
Focused Service	8.00% - 8.75%	◀▶

[\[GLOSSARY OF TERMS\]](#)

Halifax

INVESTMENT TRENDS

Halifax has yet to experience an increase in foreign investment, but this could change as investors become familiar with other Canadian cities and pursue new options.



Halifax looks to build momentum following 2.6% GDP growth in 2016 with higher levels of immigration and overall population growth.

Despite high levels of construction, additional projects on Peninsula Halifax are on hold as the City finalizes The Centre Plan, its blueprint for future urban development.



Chris Carter

Vice President
National Investment Team

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VIEW ALL CANADIAN
CAP RATES

Q1 2017 CAP RATES

DOWNTOWN OFFICE △Q/Q

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

SUBURBAN OFFICE

A	6.50% - 7.50%	◀▶
B	7.50% - 8.00%	◀▶

INDUSTRIAL

A	6.00% - 7.00%	◀▶
B	7.25% - 7.75%	◀▶

RETAIL

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

APARTMENT

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

HOTEL

Downtown Full Service	8.00% - 9.00%	▼
Suburban Limited Service	8.75% - 9.75%	▼
Focused Service	8.25% - 9.50%	◀▶

[\[GLOSSARY OF TERMS\]](#)

Q1 2017 Canadian Cap Rates

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

Q1 2017 Canadian Cap Rates

△Q/Q	Kitchener-Waterloo	Toronto	Ottawa	Montreal	Halifax
Downtown Office					
AA	N/A	4.00% - 4.50%	4.75% - 5.25%	4.75% - 5.25%	N/A
A	6.00% - 7.00%	4.25% - 4.75%	5.25% - 5.75%	5.25% - 5.75%	6.25% - 6.75%
B	6.50% - 7.25%	4.50% - 5.00%	5.75% - 6.25%	5.75% - 6.50%	7.00% - 7.50%
Suburban Office					
A	6.25% - 7.50%	5.50% - 6.25%	6.25% - 7.00%	5.75% - 6.75%	6.50% - 7.50%
B	7.00% - 8.00%	6.50% - 7.25%	7.00% - 7.50%	7.00% - 7.75%	7.50% - 8.00%
Industrial					
A	5.90% - 6.50%	4.25% - 4.75%	6.00% - 6.25%	5.75% - 6.50%	6.00% - 7.00%
B	6.75% - 7.25%	5.75% - 6.50%	6.50% - 7.25%	6.75% - 7.75%	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%	5.75% - 6.75%	6.25% - 7.00%
Neighborhood	6.00% - 6.50%	5.00% - 6.25%	5.75% - 6.50%	7.00% - 7.75%	6.75% - 7.75%
Strip	5.25% - 6.50%	5.25% - 6.25%	5.50% - 6.25%	5.25% - 6.00%	6.50% - 7.50%
Non-anchored Strip Mall	5.25% - 7.00%	6.25% - 7.25%	6.50% - 7.50%	7.25% - 8.00%	7.50% - 8.25%
Urban Streetfront	6.50% - 7.50%	4.00% - 4.50%	4.75% - 5.50%	4.50% - 5.00%	6.50% - 7.50%
High Street	N/A	3.25% - 4.00%	N/A	N/A	N/A
Apartment					
High Rise A	4.50% - 5.00%	3.25% - 3.75%	3.75% - 4.50%	4.25% - 5.00%	4.75% - 5.25%
High Rise B	4.75% - 5.25%	3.50% - 4.50%	4.75% - 5.50%	5.00% - 5.75%	5.00% - 5.50%
Low Rise A	5.00% - 5.75%	3.25% - 3.75%	4.00% - 4.75%	4.75% - 5.50%	4.75% - 5.25%
Low Rise B	5.50% - 6.00%	3.50% - 4.50%	4.75% - 5.50%	5.75% - 6.75%	5.25% - 5.75%
Hotel					
Downtown Full Service	8.25% - 9.00%	5.50% - 6.50%	7.00% - 8.00%	7.50% - 8.50%	8.00% - 9.00%
Suburban Limited Service	8.25% - 9.00%	7.00% - 8.50%	7.75% - 8.75%	8.25% - 9.25%	8.75% - 9.75%
Focused Service	7.50% - 8.50%	7.00% - 8.00%	7.50% - 8.50%	8.00% - 8.75%	8.25% - 9.50%

GLOSSARY OF TERMS:

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

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

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

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

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

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

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

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

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

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

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

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