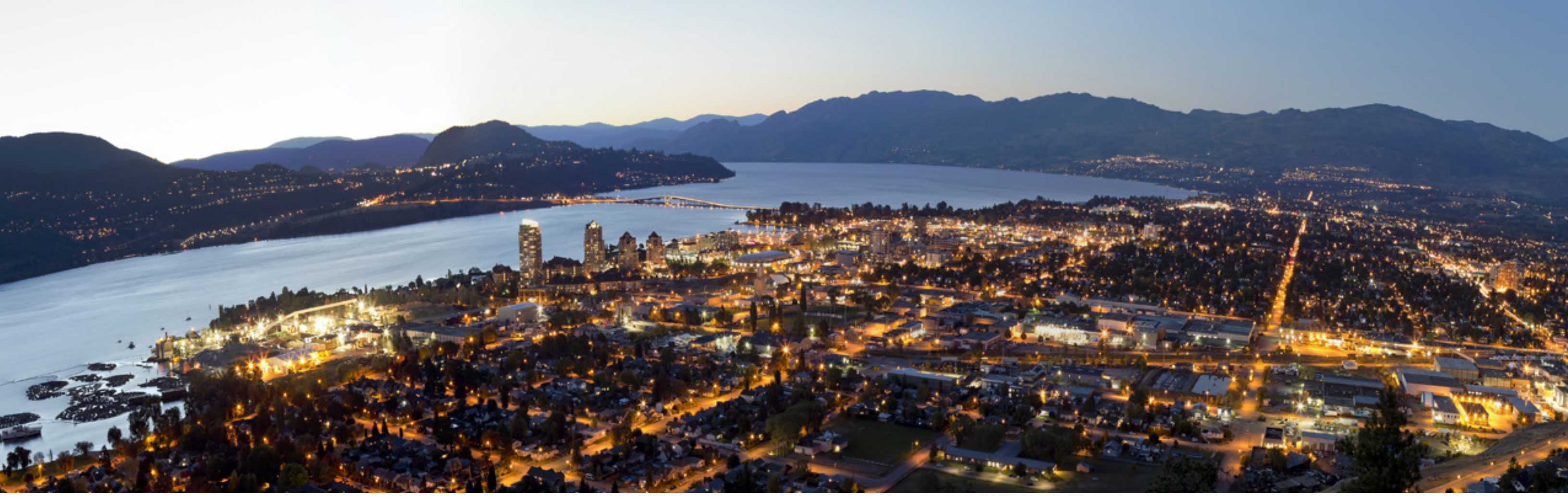
Valuation &
Advisory Services

# CANADA
# CAP RATE REPORT

Second Quarter 2017

Colliers
INTERNATIONAL

Accelerating success.



## Market Spotlight

Never has there been a better time to consider investing in Kelowna. As the largest city in BC's interior and drawing on a trading area of approximately 550,000 residents within a two-hour drive; Kelowna currently boasts an annual population growth rate of over 3.1%, making it one of the fastest growing metropolitan areas in Canada. With its technology, manufacturing, health care, and tourism boom and an expanding post-secondary education sector, in particular, attracting new business and residents to the area is becoming easier and easier. With a strong competitive Vancouver market, Kelowna and the greater Okanagan area offer a market many more investors are seeing as more and more relevant.

Nowhere is Kelowna's recent boom more evident than in the Downtown Core. The recently opened Okanagan Centre for Innovation (105,000 SF) and Interior Health Authority (152,000 SF) buildings increased the existing downtown office inventory by 25%. These two new additions alone are expected to bring nearly 1,500 jobs to downtown. Retail space is also being added to the downtown core, although not nearly to the extent of office and residential space, with approximately 23,000 SF added in the past 12 months, and another 18,000 SF anticipated to be added in the near future.

The addition of new jobs is naturally attracting new residents to the downtown area, and developers are responding to the demand. There are currently over 1,900 multi-family residential units under construction or in the planning stages within one kilometer of Kelowna's downtown waterfront, anticipated to house over 4,300 residents over the next five years.

The investment market in Kelowna remains strong, with strong demand and limited supply, specifically in the industrial sector, and in the downtown retail market. High demand is being driven by population and job growth in the region, as well as the fact that returns investors are able to achieve are still relatively higher than those in the nearby Vancouver market. Supply of land in the area can at least be partially attributed to Kelowna's geography in that it is surrounded primarily by hillside, Okanagan Lake, or land in the Agricultural Land Reserve (the ALR); all of which limit further development potential.

Low vacancy continues to characterize the Kelowna industrial market which has resulted in an influx of new projects since the end of 2016, primarily on sites being redeveloped and/or repurposed. The strongest demand is for small bay industrial complexes and warehouses with yard space. Often these specific property types are fully leased prior to completion. High demand for these units has been a major factor in the vacancy rate dropping nearly a full percentage point to 2.5% in this quarter.

One transaction of note thus far in 2017 is U-Haul's purchase of 2076 Enterprise Way for $21 million. The approximately 250,000 SF office/warehouse building had been primarily vacant since 2002. The retail investment market in Kelowna also continues to remain strong as Kelowna continues to experience higher than normal job and population growth. This growth has resulted in strong demand and declining supply. Looking ahead, as the population continues to grow and shifts more towards a younger demographic, it is anticipated these trends will continue, at least in the near term.

As Kelowna's commercial real estate market continues to grow on the basis of the strong economic fundamentals it is currently experiencing, Colliers is well suited to serve your business needs. Our professionals are active in this market, and are ready to provide the service and expertise to ensure you make an informed business decision.

**NATHAN KURJATA**
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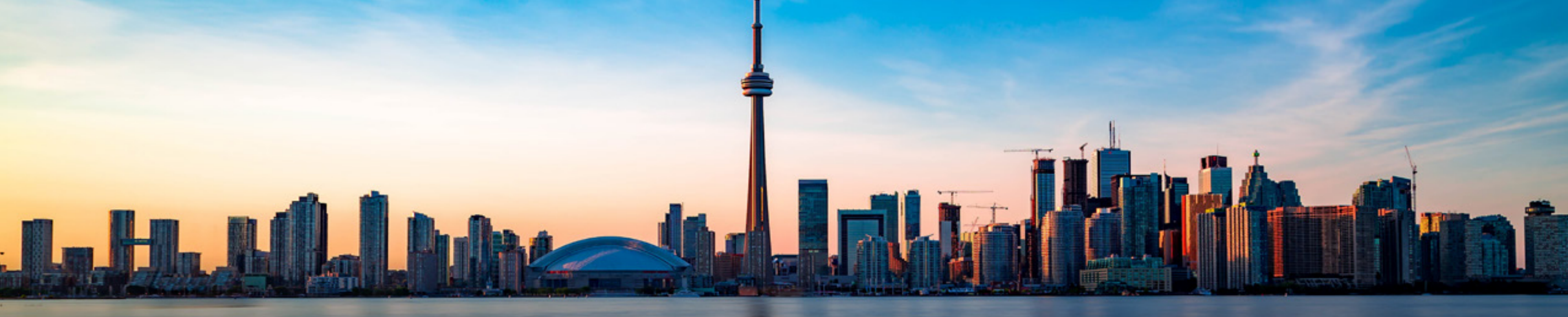

# TORONTO

## Q2 2017 CAP RATES

### DOWNTOWN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 3.75% | 4.75% | 4.50% | 5.50% | ◄► | ▼ |

### SUBURBAN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.00% | 6.75% | 6.50% | 7.50% | ◄► | ▼ |

### INDUSTRIAL

| SINGLE-TENANT A | | MULTI-TENANT B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 4.75% | 5.50% | 5.75% | 6.50% | ▼ | ▼ |

### RETAIL

| REGIONAL / POWER | | COMMUNITY | | STRIP MALL | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | R | C | S |
| 4.25% | 5.00% | 5.25% | 6.00% | 4.75% | 5.75% | ◄► | ◄► | ◄► |

### MULTIFAMILY

| HIGH-RISE | | LOW-RISE | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | H | L |
| 3.50% | 4.50% | 3.50% | 4.50% | ▼ | ▼ |

### HOTEL

| URBAN FULL SERVICE | | SELECT SERVICE | | LIMITED SERVICE | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | U | S | L |
| 5.00% | 6.50% | 6.00% | 7.50% | 7.50% | 9.00% | ▼ | ▼ | ▼ |


TIM LOCH

Director, Greater Toronto Area

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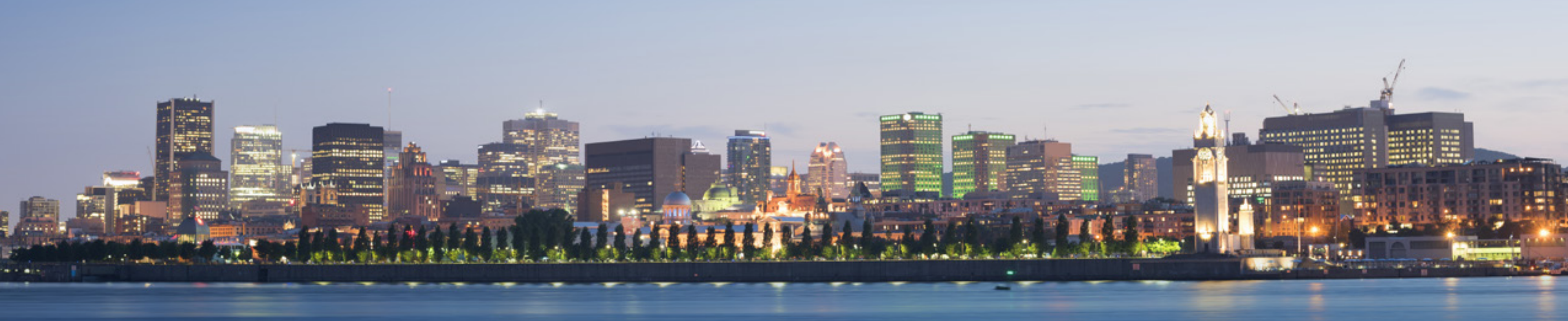
## WHAT'S TRENDING

The first half of the year concluded with a strong surge of office investment activity throughout suburban markets in the GTA. Several key transactions in Mississauga helped push the total dollar investment for the quarter to roughly $1.38 billion in office assets. This more than doubled the total volume witnessed in Q1 of $600 million for this asset class.

The majority of the activity was a result of Dream Office REIT parting ways with just over 1.76 million square feet of office space in Etobicoke and Mississauga. The four separate transactions comprised of ten buildings and a total dollar volume of $405.8 million. Slate Office REIT purchased both the West Metro Corporate Centre and Commerce West portfolios which are located along Highway 427 in Etobicoke. They were reported to trade at cap rates of 6.6% and 6.9% respectively.

Crown Realty Partners were also very active this quarter, acquiring nearly 500,000 square feet in two separate transactions of 111 Peter Street in downtown Toronto, and 2300 Meadowvale Boulevard in Mississauga. The Ontario based company also closed out their third value add real estate fund with the off-market acquisition of 45-47 Sheppard Avenue East in June, which they already managed on behalf of their clients.

In the industrial investment market, the sale of 240 South Blair Street in Whitby was one of the more noteworthy trades during the quarter. This 291,000 square foot multi-tenant building built in 2008 was fully leased to five tenants and sold for $27.35 million, which resulted in a cap rate just under 5.5% and represents the largest industrial sale in the GTA East in the last twelve months.



# MONTREAL

## Q2 2017 CAP RATES

### DOWNTOWN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 5.00% | 5.75% | 5.75% | 6.25% | ◄► | ◄► |

### SUBURBAN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.75% | 7.75% | 7.25% | 8.25% | ◄► | ◄► |

### INDUSTRIAL

| SINGLE-TENANT A | | MULTI-TENANT B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.75% | 7.50% | 7.00% | 7.75% | ◄► | ◄► |

### RETAIL

| REGIONAL / POWER | | COMMUNITY | | STRIP MALL | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | R | C | S |
| 5.00% | 6.75% | 7.00% | 7.75% | 6.75% | 7.75% | ◄► | ◄► | ◄► |

### MULTIFAMILY

| HIGH-RISE | | LOW-RISE | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | H | L |
| 4.00% | 5.00% | 5.25% | 6.00% | ◄► | ◄► |

### HOTEL

| URBAN FULL SERVICE | | SELECT SERVICE | | LIMITED SERVICE | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | U | S | L |
| 6.50% | 8.50% | 7.75% | 9.00% | 9.50% | 11.00% | ▼ | ▼ | ▼ |


MICHEL COLGAN
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## WHAT'S TRENDING

The Montreal office market currently reports a vacancy rate at 8.9% (down 0.1% from last quarter); Positive Net Absorption of 58,326 SF (decrease from the Q4 2016 with 1,037,462 SF) and Average Weighted Asking Rent of $16.12 vs $16.17 in the last quarter, the office market continues to see strong activity. Some major leasing activity was also completed including: Ubisoft for 86,715 SF, Ernst & Young for 86,687 SF and Studios Framestore with 81,493 SF. Major sales transactions from the beginning of the year include: 433 Chabanel for 45,715,000 ($105/SF), 1155 University for $57,875,000 ($304/SF), 1350-1360 René-Lévesque West for $429,000,000 ($458/SF) and SCN LAVALIN on 425 René-Lévesque West for 173,225,000 ($360/SF); with the last 2, both at an Overall Cap Rate in the low 5%'s. Furthermore, Ivanhoe Cambridge has brought 1000 de la Gauchetière W, a AAA Office Building comprised of 917,000 SF to market recently.

The multi-residential market remains active, with investors looking at each product being brought to market illustrating the competitive nature of the asset class. Construction of new units remains low; with vacancy rates expected to rise into the low 5.00%'s; a small rent increase is anticipated with average cap rates falling between 4.00% to 6.00%. Significant transactions from 2017 include: The Monkland Apartment Building (170 units) sold for $46,400,000 ($273,000/unit) and The Saint-M2 in Old Montréal (118 units) sold for $38,775,000 ($329,000/unit). Lastly, the 1115-1117 René-Lévesque East sold for $13,435,000 ($280,000/unit). All 3 transactions have reported cap rates close to or below 5.00%.

In conclusion, the Montreal commercial real estate market continues to see some nice improvements, most notably in the downtown office and multi-residential sectors.

# CALGARY

## Q2 2017 CAP RATES

### DOWNTOWN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 5.75% | 6.50% | 7.00% | 8.50% | ◄► | ◄► |

### SUBURBAN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.00% | 6.75% | 6.75% | 8.00% | ◄► | ▲ |

### INDUSTRIAL

| SINGLE-TENANT A | | MULTI-TENANT B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 5.50% | 6.25% | 6.00% | 6.75% | ◄► | ◄► |

### RETAIL

| REGIONAL / POWER | | COMMUNITY | | STRIP MALL | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | R | C | S |
| 5.25% | 6.00% | 5.50% | 6.25% | 5.50% | 6.75% | ◄► | ◄► | ◄► |

### MULTIFAMILY

| HIGH-RISE | | LOW-RISE | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | H | L |
| 4.50% | 5.00% | 4.75% | 5.25% | ◄► | ◄► |

### HOTEL

| URBAN FULL SERVICE | | SELECT SERVICE | | LIMITED SERVICE | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | U | S | L |
| 7.50% | 9.50% | 8.00% | 9.50% | 8.75% | 10.75% | ◄► | ◄► | ◄► |


MARK BERESTIANSKY
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## WHAT'S TRENDING

The Calgary real estate investment market, for the most part, has remained stable throughout the first half of 2017. However, there has been a slight pessimistic turn as oil prices continue to languish and the long-term oversupply of office inventory continues to persist. Q2 2017 marks the completion of 707 Fifth and Brookfield Place which adds an additional 1.95 Million square feet to the downtown core and increases the overall vacancy to north of 25%.

The most notable transaction in Q2 of 2017 was the sale of Ford Tower and Alpine Building in the downtown core. These two assets are B/C Class office buildings which transacted at $186 per square foot.

Retail and Industrial assets have remained stable in Calgary and are expected to for the foreseeable future. Multi-Family assets have shown signs of confidence as investors are willing to accept lower yields on new low-rise construction.

# VANCOUVER

## Q2 2017 CAP RATES

### DOWNTOWN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 3.50% | 4.50% | 3.50% | 4.75% | ◀▶ | ◀▶ |

### SUBURBAN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 4.75% | 5.75% | 5.25% | 6.00% | ◀▶ | ◀▶ |

### INDUSTRIAL

| SINGLE-TENANT A | | MULTI-TENANT B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 4.25% | 5.00% | 4.50% | 5.50% | ◀▶ | ◀▶ |

### RETAIL

| REGIONAL / POWER | | COMMUNITY | | STRIP MALL | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | R | C | S |
| 4.00% | 5.50% | 4.00% | 5.50% | 4.00% | 5.50% | ◀▶ | ◀▶ | ◀▶ |

### MULTIFAMILY

| HIGH-RISE | | LOW-RISE | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | H | L |
| 2.25% | 3.00% | 2.75% | 3.50% | ◀▶ | ◀▶ |

### HOTEL

| URBAN FULL SERVICE | | SELECT SERVICE | | LIMITED SERVICE | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | U | S | L |
| 4.50% | 6.00% | 6.00% | 7.50% | 7.00% | 8.50% | ▼ | ▼ | ▼ |


## JAMES GLEN

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## WHAT'S TRENDING

Investment sales that reflect underlying land value is a continuing trend in the Metro Vancouver market, most notably within the City of Vancouver. The best of example of this 2290 Cambie Street. Canadian Tire had an old store at this location in the early 2000's. They liked the location but wanted a bigger store, and so assembled most of the block, totalling 1.87 acres, and built a new 107,000 square foot, flag ship store, along with a 42,000 square foot Best Buy co-tenancy in 2004/2005. Best Buy signed a 15-year lease in mid-2005 and Canadian Tire entered into a 20-year lease-back when they sold the property to Riocan REIT for $44.5 million. Riocan sold the property to an offshore investor for $94.2 million in June 2017, and a sub-3.5 cap rate. Taken from a land value perspective, this deal pencils out to $385 per buildable square foot, which at the very low end of recent market transactions. And there you have it, a substantial 12-year old building, selling for below land value in today's market.

# EDMONTON

## Q2 2017 CAP RATES

### DOWNTOWN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.50% | 7.00% | 6.75% | 7.75% | ◀▶ | ◀▶ |

### SUBURBAN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.50% | 7.25% | 7.00% | 7.75% | ▲ | ▲ |

### INDUSTRIAL

| SINGLE-TENANT A | | MULTI-TENANT B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 5.75% | 6.75% | 6.00% | 7.00% | ◀▶ | ◀▶ |

### RETAIL

| REGIONAL / POWER | | COMMUNITY | | STRIP MALL | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | R | C | S |
| 5.50% | 6.00% | 5.75% | 6.50% | 6.00% | 6.75% | ◀▶ | ◀▶ | ◀▶ |

### MULTIFAMILY

| HIGH-RISE | | LOW-RISE | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | H | L |
| 5.00% | 5.75% | 5.50% | 6.50% | ◀▶ | ◀▶ |

### HOTEL

| URBAN FULL SERVICE | | SELECT SERVICE | | LIMITED SERVICE | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | U | S | L |
| 7.75% | 9.75% | 8.50% | 9.75% | 8.50% | 10.50% | ◀▶ | ▲ | ▲ |


**ANDREW MACLEOD**
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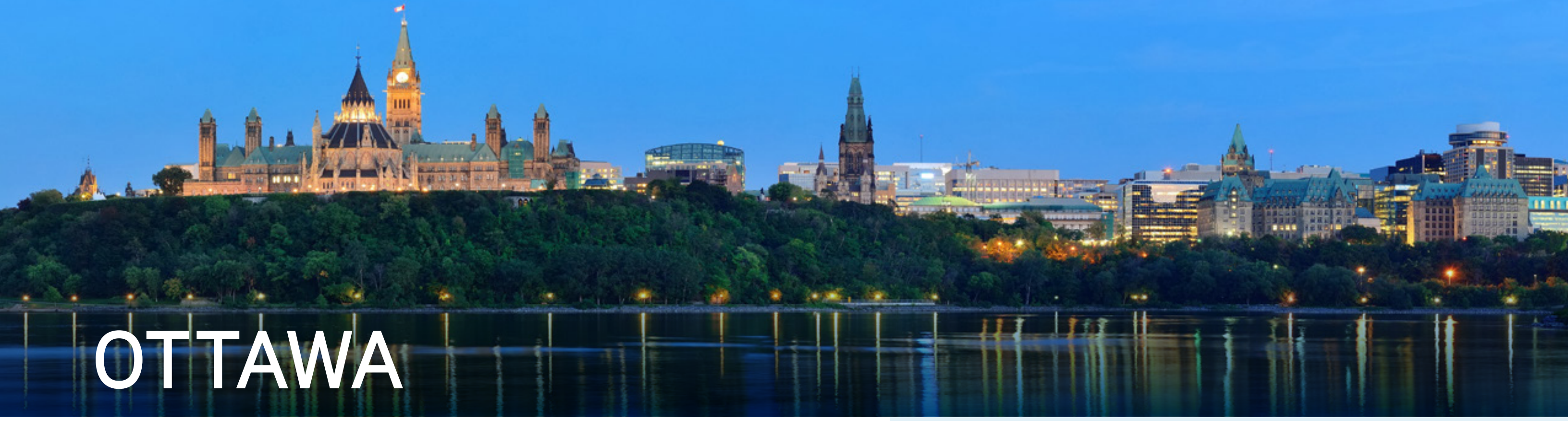
## WHAT'S TRENDING

The first half of 2017 has been one of relative consistency in Edmonton. After five months of steady increases, employment in Edmonton CMA fell by approximately 4,000 positions in June 2017 according to the City of Edmonton. After analyzing this further however, these losses are entirely made up of part-time positions. Where manufacturing saw employment gains, construction, trade and educational services saw employment fall.

As of June 2017, Edmonton's fundamentals stand relatively unchanged, with the unemployment rate remaining consistent to Q1 2017 at 7.9%. In contrast to the Edmonton CMA, employment across Alberta was up in June, with a modest gain of 7,500 jobs.

While it is now clear that Edmonton's labour market has improved from the previous 18 months, the region's job losses during 2016 in the goods-producing sector demonstrated that the region was not immune to the impact of low oil prices. Nonetheless, gains in the Edmonton region's full-time employment since January 2017 suggest employers are now more confident about adding to their workforce.

Moving forward, the City of Edmonton projects employment to continue to grow in the manufacturing, professional services and logistics sectors. However, with Edmonton's unemployment rate well above the national average, net migration into the region has slowed down, especially when compared to the volumes seen from 2010 to 2014. This has resulted in direct impacts to the housing market in Edmonton, where builders broke ground on a total of 2,158 housing units in Q2 2017, a slight decrease of 0.6% when compared to Q1 2017. Total housing starts in Q2 2017 eased for the City of Edmonton with the main source of weakness seen in multi-family housing. inventory levels in the resale and new housing market along with a high vacancy rate in the rental market should limit starts to current levels over the remainder of 2017.



# OTTAWA

## Q2 2017 CAP RATES

### DOWNTOWN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.00% | 6.25% | 6.75% | 7.25% | ◄► | ▲ |

### SUBURBAN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.50% | 7.00% | 7.50% | 8.00% | ▲ | ▲ |

### INDUSTRIAL

| SINGLE-TENANT A | | MULTI-TENANT B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.00% | 6.50% | 6.00% | 6.50% | ◄► | ◄► |

### RETAIL

| REGIONAL / POWER | | COMMUNITY | | STRIP MALL | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | R | C | S |
| 5.00% | 5.50% | 6.00% | 6.50% | 6.25% | 7.00% | ▲ | ▲ | ▲ |

### MULTIFAMILY

| HIGH-RISE | | LOW-RISE | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | H | L |
| 4.50% | 5.00% | 5.00% | 5.50% | ◄► | ◄► |

### HOTEL

| URBAN FULL SERVICE | | SELECT SERVICE | | LIMITED SERVICE | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | U | S | L |
| 6.00% | 7.75% | 7.50% | 8.50% | 9.00% | 10.75% | ▼ | ▼ | ▼ |


OLIVER TIGHE

Managing Director, Ottawa
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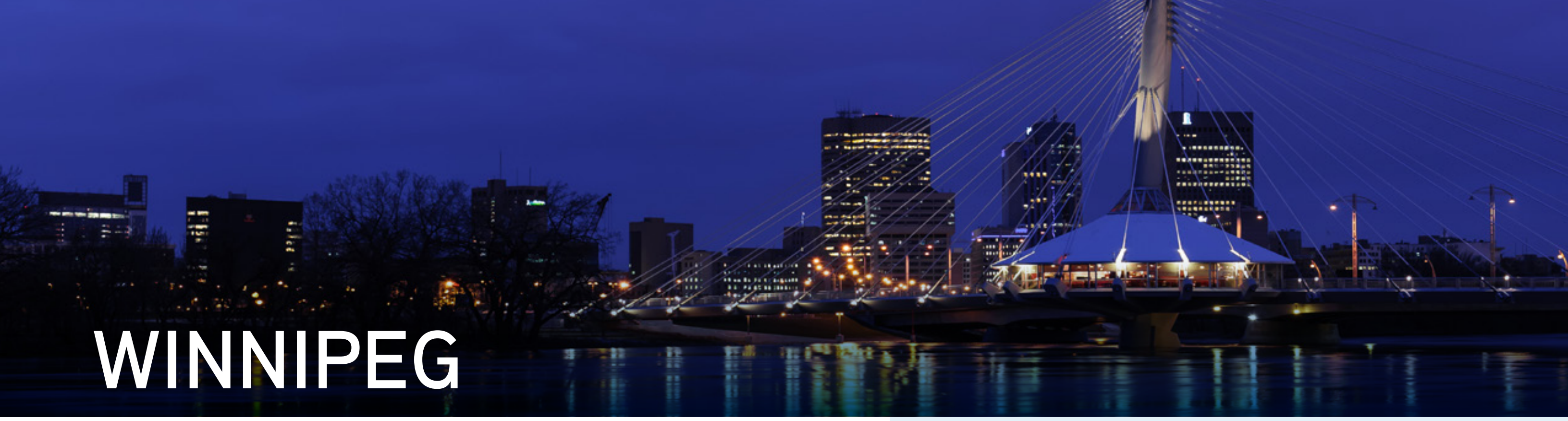
## WHAT'S TRENDING

The Ottawa Market has been one of strong performance in the first half of the year. The city has been witnessing strong economic growth stemming from the planned Canada 150 and Ottawa 2017 events. Tourism has seen a significant increase for the country's 150th birthday which has translated into a major boost for the city's retail market. The multi-family market has remained strong through the first half of the year and had one major transaction in Q2 with the sale of 1440 Mayview Avenue, and 1425 Rosenthal Avenue for the reported consideration of $17.75M. The office market continues to remain stable overall while the industrial market struggles to increase development across the city due to a lack of available industrial lands.

Developers in the city are continuing to expand from typical projects to more non-typical developments such as purpose built rentals, seniors housing and student housing. With Ottawa's new LRT system expected to be completed in 2018, new development is expected to soar along the confederation line. This is expected to give the city the development boost it has long been waiting for. Overall the investment market is looking very healthy and is expected to reach near record level high transaction levels by years end.



# WINNIPEG

## Q2 2017 CAP RATES

### DOWNTOWN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 5.50% | 6.25% | 6.25% | 7.25% | ◂▸ | ◂▸ |

### SUBURBAN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| N/A | N/A | 6.50% | 7.25% | ◂▸ | ◂▸ |

### INDUSTRIAL

| SINGLE-TENANT A | | MULTI-TENANT B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.50% | 7.25% | 6.50% | 7.25% | ◂▸ | ◂▸ |

### RETAIL

| REGIONAL / POWER | | COMMUNITY | | STRIP MALL | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | R | C | S |
| 5.50% | 6.25% | 6.00% | 6.75% | 6.00% | 6.75% | ◂▸ | ◂▸ | ◂▸ |

### MULTIFAMILY

| HIGH-RISE | | LOW-RISE | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | H | L |
| 4.75% | 5.75% | 4.75% | 5.75% | ◂▸ | ◂▸ |

### HOTEL

| URBAN FULL SERVICE | | SELECT SERVICE | | LIMITED SERVICE | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | U | S | L |
| 7.75% | 9.25% | 8.50% | 9.75% | 9.50% | 11.00% | ◂▸ | ◂▸ | ◂▸ |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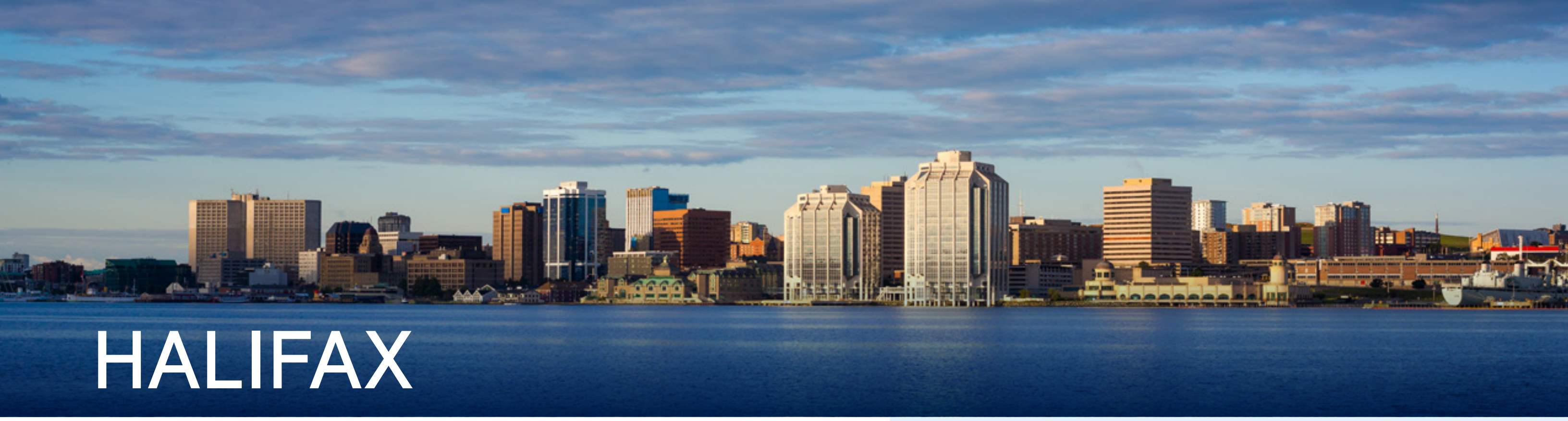
## WHAT'S TRENDING

The industrial sector appears to be seeing downward pressure on cap rates in 2017 due to increased demand for multi-tenant investment properties. Industrial property in southwest Winnipeg continues to be the most desirable inventory compared with other areas of Winnipeg with vacancy being under 1% within this area and 4.07% for all of Winnipeg.

The demand for multi-tenant retail properties continues to be strong into 2017. Cap rates for retail properties in Winnipeg are typically in the 6.0% to 6.5% range for most transactions. Retail vacancy in Winnipeg is currently 5.2%.

The office sector is expected to see some changes in 2017 as True North Square continues to lease up space during the construction process. This property will be a multi-tower development with tower one being a 365,000 square foot office building. Tower one is expected to complete construction in 2018 and the remaining towers will be completed by 2020. Overall office vacancy is currently at 8.3% which is down from the previous quarter; however this is expected to increase as more inventory comes to market. Cap rates are expected to remain steady during the coming quarter.

Multi-Family development continues to be strong with many apartment and condominium developments underway. Cap rates for multi-family are expected to remain stable over the coming quarter. In terms of recent trends in the multi-family market, more and more landlords have been opting to upgrade suites within their developments and apply for an above guidelines increase with the residential tenancies branch. Previously it was more common for landlords to fully renovate their buildings to remove the property from rent control and freely be able to increase rental rates; however based on increased government regulation and costs per suite to fully remove a building from rent control, more owners have been opting to spend less per unit upgrading their suites and apply for above guideline increases in order to increase rental rates.



# HALIFAX

## Q2 2017 CAP RATES

### DOWNTOWN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.00% | 6.75% | 7.00% | 7.75% | ▼ | ◀▶ |

### SUBURBAN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.00% | 6.75% | 7.00% | 7.75% | ▼ | ◀▶ |

### INDUSTRIAL

| SINGLE-TENANT A | | MULTI-TENANT B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 6.50% | 7.00% | 7.25% | 7.75% | ◀▶ | ◀▶ |

### RETAIL

| REGIONAL / POWER | | COMMUNITY | | STRIP MALL | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | R | C | S |
| 5.25% | 6.25% | 6.75% | 7.75% | 6.25% | 7.50% | ◀▶ | ◀▶ | ◀▶ |

### MULTIFAMILY

| HIGH-RISE | | LOW-RISE | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | H | L |
| 4.75% | 5.25% | 5.00% | 6.25% | ▼ | ▼ |

### HOTEL

| URBAN FULL SERVICE | | SELECT SERVICE | | LIMITED SERVICE | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | U | S | L |
| 7.00% | 8.50% | 8.25% | 9.75% | 9.50% | 11.00% | ◀▶ | ◀▶ | ◀▶ |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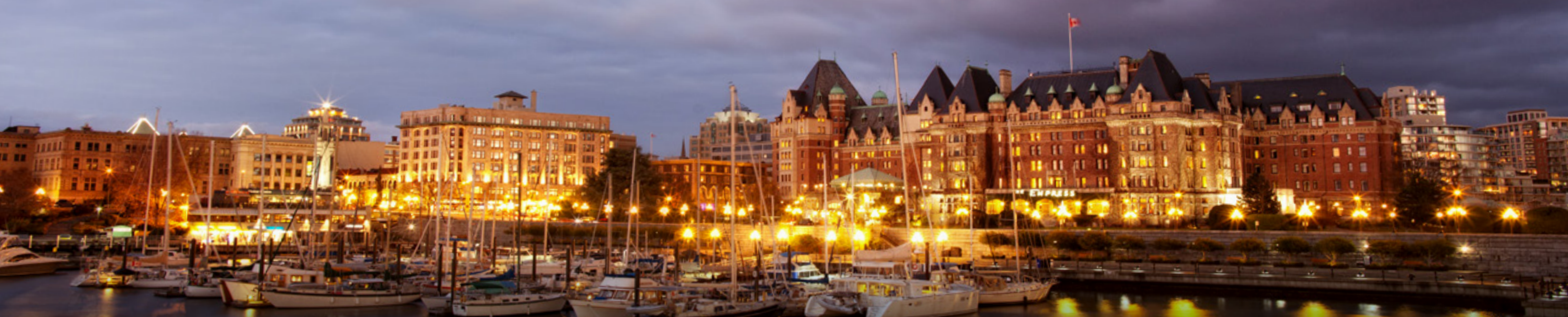
## WHAT'S TRENDING

Thriving manufacturing and construction sectors, healthy employment and income gains, strong housing and retail markets, and population gains have made Halifax one of the country's fastest-growing cities. The city's per capita population growth in 2016 outpaced Montreal, Vancouver, Ottawa and, just barely, Toronto, according to a recent Statistics Canada report. Ian Munro, chief economist with the Halifax Partnership, called the two per cent increase in population, to nearly 426,000 residents, "spectacular."

The GDP for Halifax is expected to grow nearly two per cent in 2017 according to the Conference Board of Canada. Rising container traffic, a growing services sector and manufacturing buoyed by work on Arctic patrol ships at the Halifax Shipyard will push Halifax's GDP beyond the national average within the next year or two.

Commercial real estate markets remain at or near peak market conditions, although occupancy rates in the office and industrial sectors have been less than stellar. Retail remains largely in balance. A major new IKEA retail outlet is preparing for its grand opening that will create positive spinoffs in the sector as this store will draw from a customer base throughout the Maritimes. The multi residential market continues to expand, although at a slower pace than the recent past. Nonetheless, the supply of new units is resulting in "bumpy roads" in some areas of the city as rent growth remains muted and use of incentives persists. The downtown area and north end are now the focal points for new development, a trend which will continue for some time.

The recent increase in the Bank of Canada rate was by and large expected, in our view, for some time. Further increases over the next year could be a clear signal that the end of cap rate compression is near. Assets remain fully valued with near term NOI growth rates not always justifying the market consensus overall cap rate. Given the prevailing "wall of capital", lack of near term NOI growth appears to be being overlooked to some extent by some investors.



# VICTORIA

## Q2 2017 CAP RATES

### DOWNTOWN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 5.00% | 5.25% | 5.25% | 5.50% | ▼ | ◀▶ |

### SUBURBAN OFFICE

| A | | B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 5.50% | 5.75% | 5.75% | 6.00% | ▼ | ◀▶ |

### INDUSTRIAL

| SINGLE-TENANT A | | MULTI-TENANT B | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | A | B |
| 5.25% | 5.50% | 5.50% | 5.75% | ◀▶ | ◀▶ |

### RETAIL

| REGIONAL / POWER | | COMMUNITY | | STRIP MALL | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | R | C | S |
| 5.00% | 5.25% | 5.25% | 5.50% | 5.25% | 5.50% | ◀▶ | ◀▶ | ◀▶ |

### MULTIFAMILY

| HIGH-RISE | | LOW-RISE | | TREND | |
|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | H | L |
| 3.50% | 3.75% | 4.00% | 4.25% | ◀▶ | ◀▶ |

### HOTEL

| URBAN FULL SERVICE | | SELECT SERVICE | | LIMITED SERVICE | | TREND | | |
|---|---|---|---|---|---|---|---|---|
| LOW | HIGH | LOW | HIGH | LOW | HIGH | U | S | L |
| 6.00% | 7.50% | 7.50% | 9.50% | 8.50% | 10.50% | ▼ | ▼ | ▼ |


## ANDREW BUHR

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## WHAT'S TRENDING

Victoria's investment market continues to demonstrate stability due to investor confidence in our strong local economy.

In the office market, the sale of 727 Fisgard to Starlight Investments marks the largest second quarter investment sale of approximately $14M at a capitalization rate of approximately 6.5-6.75%. The higher than market cap rate resulted from short term tenancies in place at the time of sale. We anticipate the building at 727 Fisgard will be 100% vacant upon lease expiries and that Starlight will likely be repositioning this asset as a multi residential development.

The performance in the office market, primarily driven by the private sector, remains strong. With an increase in supply for Class AA office space, the local market awaits the completion of 1515 Douglas and the first phase of Capital Park, which will deliver approximately 405K SF by Q1 of 2018. While we do not anticipate an impact on rental or vacancy rates for Class A assets, vacancy in Class C buildings and possibly certain Class B buildings in neglect may be adversely affected.

A notable sale in the multi family market was the $13.0M sale of a 60 unit building located at 2433 Malaview Avenue in Sidney, resulting in a capitalization rate of approximately 4.35%. The multi family market continues to exhibit exceptional strength with cap rates dropping well below 4% for prime assets. Of note was the sale of the 25 unit Newport King steel and concrete building located at 2314 Oak Bay Avenue which recorded a 3.22% cap rate and a price per suite of 240K.

Local job growth remains positive and a persistently low Canadian dollar continues to fuel increases in tourism throughout the region. As a result, the outlook for all property types in the Victoria market remains positive for the third quarter of 2017.

# Canada Cap Rate Report

## DOWNTOWN OFFICE

| MARKET | A | | B | | TREND | |
|---|---|---|---|---|---|---|
| CITY | LOW | HIGH | LOW | HIGH | A | B |
| Vancouver | 3.50% | 4.50% | 3.50% | 4.75% | ◄► | ◄► |
| Calgary | 5.75% | 6.50% | 7.00% | 8.50% | ◄► | ◄► |
| Edmonton | 6.50% | 7.00% | 6.75% | 7.75% | ◄► | ◄► |
| Toronto | 3.75% | 4.75% | 4.50% | 5.50% | ◄► | ▼ |
| Ottawa | 6.00% | 6.25% | 6.75% | 7.25% | ◄► | ▲ |
| Montreal | 5.00% | 5.75% | 5.75% | 6.25% | ◄► | ◄► |
| Winnipeg | 5.50% | 6.25% | 6.25% | 7.25% | ◄► | ◄► |
| Halifax | 6.00% | 6.75% | 7.00% | 7.75% | ▼ | ◄► |
| Victoria | 5.00% | 5.25% | 5.25% | 5.50% | ◄► | ◄► |

## SUBURBAN OFFICE

| MARKET | A | | B | | TREND | |
|---|---|---|---|---|---|---|
| CITY | LOW | HIGH | LOW | HIGH | A | B |
| Vancouver | 4.75% | 5.75% | 5.25% | 6.00% | ◄► | ◄► |
| Calgary | 6.00% | 6.75% | 6.75% | 8.00% | ◄► | ▲ |
| Edmonton | 6.50% | 7.25% | 7.00% | 7.75% | ◄► | ◄► |
| Toronto | 6.00% | 6.75% | 6.50% | 7.50% | ◄► | ▼ |
| Ottawa | 6.50% | 7.00% | 7.50% | 8.00% | ▲ | ▲ |
| Montreal | 6.75% | 7.75% | 7.25% | 8.25% | ◄► | ◄► |
| Winnipeg | N/A | N/A | 6.50% | 7.25% | ◄► | ◄► |
| Halifax | 6.00% | 6.75% | 7.00% | 7.75% | ▼ | ◄► |
| Victoria | 5.50% | 5.75% | 5.75% | 6.00% | ▼ | ◄► |

# Canada Cap Rate Report

| INDUSTRIAL | | | | | | |
|---|---|---|---|---|---|---|
| **MARKET** | **SINGLE-TENANT A** | | **MULTI-TENANT B** | | **TREND** | |
| **CITY** | **LOW** | **HIGH** | **LOW** | **HIGH** | **A** | **B** |
| Vancouver | 4.25% | 5.00% | 4.50% | 5.50% | ◀▶ | ◀▶ |
| Calgary | 5.50% | 6.25% | 6.00% | 6.75% | ◀▶ | ◀▶ |
| Edmonton | 5.75% | 6.75% | 6.00% | 7.00% | ◀▶ | ◀▶ |
| Toronto | 4.75% | 5.50% | 5.75% | 6.50% | ▼ | ▼ |
| Ottawa | 6.00% | 6.50% | 6.00% | 6.50% | ◀▶ | ◀▶ |
| Montreal | 6.75% | 7.50% | 7.00% | 7.75% | ◀▶ | ◀▶ |
| Winnipeg | 6.50% | 7.25% | 6.50% | 7.25% | ◀▶ | ◀▶ |
| Halifax | 6.50% | 7.00% | 7.25% | 7.75% | ◀▶ | ◀▶ |
| Victoria | 5.25% | 5.50% | 5.50% | 5.75% | ◀▶ | ◀▶ |

| MULTIFAMILY | | | | | | |
|---|---|---|---|---|---|---|
| **MARKET** | **HIGH-RISE** | | **LOW-RISE** | | **TREND** | |
| **CITY** | **LOW** | **HIGH** | **LOW** | **HIGH** | **H** | **L** |
| Vancouver | 2.25% | **3.00%** | 2.75% | 3.50% | ◀▶ | ◀▶ |
| Calgary | 4.50% | **5.00%** | 4.75% | 5.25% | ◀▶ | ◀▶ |
| Edmonton | 5.00% | **5.75%** | 5.50% | 6.50% | ◀▶ | ◀▶ |
| Toronto | 3.50% | **4.50%** | 3.50% | 4.50% | ▼ | ▼ |
| Ottawa | 4.50% | **5.00%** | 5.00% | 5.50% | ◀▶ | ◀▶ |
| Montreal | 4.00% | **5.00%** | 5.25% | 6.00% | ◀▶ | ◀▶ |
| Winnipeg | 4.75% | **5.75%** | 4.75% | 5.75% | ◀▶ | ◀▶ |
| Halifax | 4.75% | **5.25%** | 5.00% | 6.25% | ▼ | ▼ |
| Victoria | 3.50% | **3.75%** | 4.00% | 4.25% | ◀▶ | ◀▶ |

# Canada Cap Rate Report

| HOTEL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| MARKET | URBAN FULL SERVICE | | SELECT SERVICE | | LIMITED SERVICE | | TREND | | |
| CITY | LOW | HIGH | LOW | HIGH | LOW | HIGH | U | S | L |
| Vancouver | 4.50% | 6.00% | 6.00% | 7.50% | 7.00% | 8.50% | ▼ | ▼ | ▼ |
| Calgary | 7.50% | 9.50% | 8.00% | 9.50% | 8.75% | 10.75% | ▼ | ▼ | ◀▶ |
| Edmonton | 7.75% | 9.75% | 8.50% | 9.75% | 9.00% | 11.00% | ◀▶ | ◀▶ | ◀▶ |
| Toronto | 5.00% | 6.00 | 6.00% | 7.50% | 7.50% | 9.00% | ▼ | ▼ | ▼ |
| Ottawa | 6.00% | 7.75% | 7.50% | 8.50% | 9.00% | 10.75% | ▼ | ▼ | ◀▶ |
| Montreal | 6.50% | 8.50% | 7.75% | 9.00% | 9.50% | 11.00% | ▼ | ▼ | ▼ |
| Winnipeg | 7.75% | 9.25% | 8.50% | 9.75% | 9.50% | 11.00% | ◀▶ | ◀▶ | ◀▶ |
| Halifax | 7.00% | 8.50% | 8.25% | 9.75% | 9.50% | 11.00% | ◀▶ | ◀▶ | ◀▶ |
| Victoria | 6.00% | 7.50% | 7.50% | 9.50% | 8.50% | 10.50% | ▼ | ▼ | ▼ |

| RETAIL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| MARKET | REGIONAL / POWER | | COMMUNITY | | STRIP MALL | | TREND | | |
| CITY | LOW | HIGH | LOW | HIGH | LOW | HIGH | R | C | S |
| Vancouver | 4.00% | 5.50% | 4.00% | 5.50% | 4.00% | 5.50% | ◀▶ | ◀▶ | ◀▶ |
| Calgary | 5.25% | 6.00% | 5.50% | 6.25% | 5.50% | 6.75% | ◀▶ | ◀▶ | ◀▶ |
| Edmonton | 5.50% | 6.00% | 5.75% | 6.50% | 6.00% | 6.75% | ◀▶ | ◀▶ | ◀▶ |
| Toronto | 4.25% | 5.00% | 5.25% | 6.00% | 4.75% | 5.75% | ◀▶ | ◀▶ | ◀▶ |
| Ottawa | 5.00% | 5.50% | 6.00% | 6.50% | 6.25% | 7.00% | ▲ | ▲ | ▲ |
| Montreal | 5.00% | 6.75% | 7.00% | 7.75% | 6.75% | 7.75% | ◀▶ | ◀▶ | ◀▶ |
| Winnipeg | 5.50% | 6.25% | 6.00% | 6.75% | 6.00% | 6.75% | ◀▶ | ◀▶ | ◀▶ |
| Halifax | 5.25% | 6.25% | 6.75% | 7.75% | 6.25% | 7.50% | ◀▶ | ◀▶ | ◀▶ |
| Victoria | 5.00% | 5.25% | 5.25% | 5.50% | 5.25% | 5.50% | ◀▶ | ◀▶ | ◀▶ |

**11** offices
**90** professionals

**Across Canada**

**3,700**
Appraisals
each year

**1,200**
Tax
Appeals

**76**
NPS Score
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