Q2 2023

# Canada Cap Rate Report

Accelerating success.

Q2 2023

# National Investment Trends

Rate hikes continued to dominate the commercial real estate headlines in Q2, as rates reached a 20-year high, and the overnight rate crested five percent. Continued raises have further dampened the investment market, as uncertainty continues in the lending market. Recent data from REALPAC indicate lenders are no longer offering longer-term loans, which creates further difficulty for office investment and development.

Some larger deals returned to the office market in Q2, including a ~$200M transaction in Ottawa. Overall investment volume remains muted due to the uncertainty regarding return-to-office, and lender hesitancy to participate in the office market. Suburban office has outperformed in terms of leasing in many Canadian markets, and the risk of suburban markets is more “priced in” than downtown. Additionally, the lower cost of suburban office creates a more liquid market, as private investors can participate when deals are below nine figures. Downtown office was the favoured asset for many years, and still commands significantly higher rents and prices. But the unwillingness of many institutions to participate on the buy side means minimal office transactions downtown. Overall, additional risk from return-to-office concerns weighed on office cap rates in Q2.

Assets more tied to fundamentals, such as population growth and the job market, continue to perform well. Multi-family cap rates remain extremely low – below four percent in strong markets – based off expectations of double-digit rent growth and strong investor demand. Canada’s record-breaking population growth post-pandemic, combined with severely unaffordable home ownership, has buoyed the investment market for apartments even in a high-rate environment.

Industrial yields have dropped significantly in the past decade (formerly the highest of any asset) but are showing some retrenchment. Yields for B assets are now ~7% in several markets, as higher construction and labour costs impact the attractiveness of this asset. Industrial leasing remains strong and still a “landlord’s market.” But the unprecedented leasing boom of the last few years (>50% year-over-year rent growth in some markets) has tapered off.

Yields are expected to level off for many assets, with the outlook for Q3 cap rates flat for hotels, many industrial markets, secondary apartment markets and stronger retail assets. Downtown B office remains a weak spot as most markets are expected see increased cap rates.

Basic retail continues to perform extremely well despite inflationary pressures and rate hikes, with grocery anchored retail attracting investors. Grocery and community assets commanded cap rates in line with traditionally more profitable and prestigious “regional” enclosed malls. Retail spending has defied predictions of a recession, continuing to grow due to a rising population, declining gas prices and less positive factors such as higher food prices.

Redevelopment potential is becoming an increasingly important consideration for investors. Intense pressure for more housing combined with government decisions to loosen zoning in major markets may introduce extra value for low-density assets such as suburban retail in the near future.

**Items to watch in Q3:**

- The expected slowing of inflation may give the bond market optimism, leading to lower rates and borrowing costs.
- Distress sales have not yet appeared on the market but may materialize in the second half of 2023.
- Conversion of office to new uses (apartment, accommodation, agriculture) remains a hot topic that may affect valuations and the investment market.

Q2 2023

# Hotels Q2 Cap Rate Report

The lodging market in Canada is experiencing a surge in demand with many markets across the country achieving new heights in Average Daily Rates (ADR). Operational performance in most markets has generally been exceeding management budgets, and data from STR indicates that major markets have surpassed comparable 2019 levels on a nominal basis. The national average Revenue Per Available Room (RevPAR) has risen by 19.3% through year-to-date May 2023 compared to the same period in 2019, with most of the increase being driven by ADR gains.

Several factors are supporting market fundamentals, including the faster-than-expected return of leisure travelers and the utilization of hotels for refugee and social lodging purposes in some markets. Additionally, small, and medium-sized conference business has made a significant comeback, and the outlook for international travel and large city conference business looks promising for 2024 and beyond.

For most markets and properties, bottom-line cash flows have rebounded quickly and exceeded previous peak levels. This strong bounce is acting as a catalyst for investment sales, both on the books and in the pipeline. Preliminary hotel investment volume in the first half of 2023 has surpassed $900 million, significantly above the $550 million that traded in the first half of 2022 and exceeding the $830 million recorded in the first half of 2019. Despite new interest rate realities, upwards pressure on cap rates has been mitigated by significantly improved in-place cash flows and greater visibility into future operating performance.

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# Toronto

## What's Trending?

- With the latest rate increases by the Bank of Canada, and rising financing costs, the bid-ask spread continues to be too great for the market to overcome. Industrial continues to be the most in demand asset class as we get halfway through 2023.
- The industrial leasing market has remained strong, with lease rates supported by a low vacancy rate. Investor and end user demand for industrial properties have provided good support for values. The most notable transactions this quarter were 46 Di Poce Way in Vaughan, sold by PIRET to Pontegadea Group for $198,200,000 and leased to Fedex, and 574 Boston Church Road, Milton, sold to PIRET for $176 million, and leased to Whirlpool.
- Office continues to be the most challenging asset class, with less financing availability and limited interest from investors. Two notable office transactions were the Courtney Park flex office portfolio sale by HOOPP to Soneil Investments, and the purchase by Toronto Metropolitan University of 277 Victoria Street & 38 Dundas Street East, with a two-year sale leaseback to the City of Toronto.
- There were few large retail transactions during Q2. The total volume of deals was $380 million, dominated by smaller transactions, with the average sale price less than $3 million dollars, and only a few transactions selling for more than $10 million.
- Investor demand for multi-family remains strong, with limited new supply and rental growth driving performance in existing buildings. The total volume of multi-family transactions for Q2 was $559 million. The largest transaction was the acquisition of 1225 York Mills Road by Realstar for $84.7 million.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.50% | 6.00% | 5.75% | 6.50% | ▲ | ▲ |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.75% | 7.25% | 7.25% | 7.75% | ▲ | ▲ |

**Industrial**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 4.50% | 5.00% | 5.00% | 5.75% | ◀▶ | ◀▶ |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 5.50% | 6.75% | 5.50% | 6.50% | 5.50% | 6.50% | ◀▶ | ◀▶ | ◀▶ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 3.75% | 4.50% | 3.50% | 4.50% | ▲ | ▲ |

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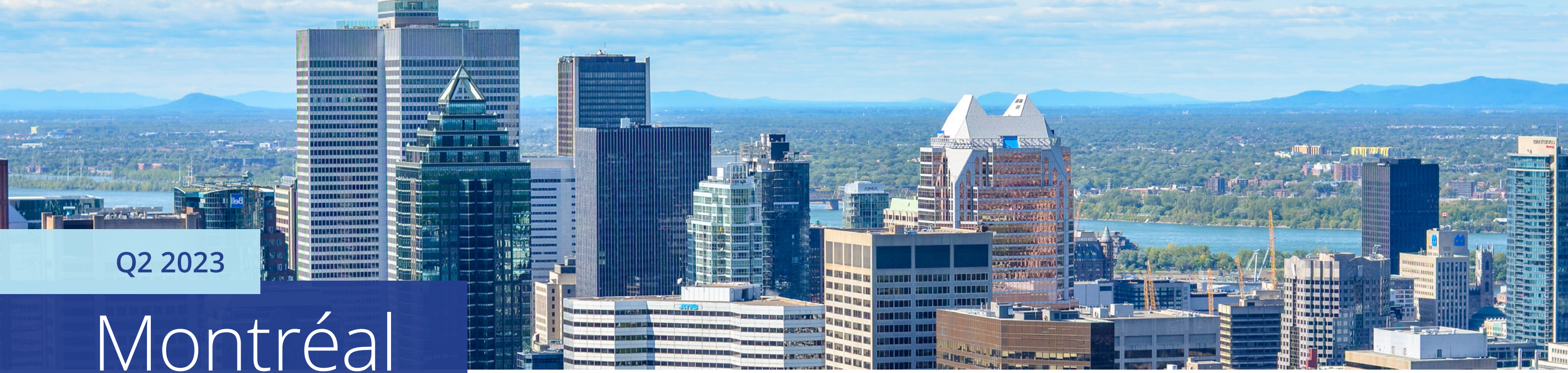

Q2 2023

# Montréal

## What's Trending?

The industrial market has begun to see things stabilize, sales volumes have started to decreased, and net rents have normalized with moderate growth in rents vs. historic increases as seen over the past twenty four to thirty six months. The recent and continued interest rate increases have started to weigh on investor appetite, the only offset is the fact that inventory is far offside when we look at demand. The GMA as well as secondary markets still have opportunities due to the previously mentioned lack of supply and the fact that secondary markets have rents that can be considered below market. Within existing inventory rental rates across all markets can still be considered below market which has led to interest on behalf of buyers, however, higher borrowing costs have seen multiple re-trades as buyers weight the additional debt costs against the upside of rental increases over the short to mid term. The Montréal GMA, has seen a decrease in sales activity on the investment side, but direct deals for owner occupiers is still strong. There are still more buyers than sellers, the problem is that there just isn't as much product available as has been in the past 36 months. Properties are continuing to trade off market with many direct deals taking place.

The office market has remained relatively stable with very little transactions occurring since the Cominar transaction that lead Q1 2022. Office rents have begun to soften due mostly to the sub-lease market and the fact that business are trying to figure out the right blend of WFO and RTO for their employees. Depending on the office class, owner/developers are looking at alternate use scenarios, however, any re-development plans would need support at the various municipal levels, which to this day hasn't really occurred Overall vacancy rates have hit a 10 year high in the CBD markets due to a larger supply of sub lease space. It is however, expected that by mid 2024 the market should return to a more stable and equal rental market.

The retail sector had seen a steady level of sales activity throughout 2022 which (coupled with the Cominar transaction) has continued into Q1. The biggest challenge in the retail sector has been finding enough employees to fill previously vacated positions. Sales volumes in Q1 2023 continued to transact with a reasonable level of activity in all sectors of the market. Small strip centres are now starting to trade as are community and grocery anchored investments, however, those limited transactions that did occur did not see any upward pressure on capitalization rates. The market is awaiting the fate of the Mont Tremblant Village offering, that will no doubt be one of the larger transactions for 2023 and it will no doubt set the tone for other larger retail transactions.

The multi-family markets have seen the biggest impact of the current interest rate increases. Developers are now putting projects on hold due to the higher borrowing costs, the increased labour costs and the fact that inflation , which although is coming down still remains well below the targeted two to three percent as forecasted by the BoC. All of these factors are now rendering project un-profitable as margins are essentially evaporating. The recent increases in the Bank of Canada's overnight rate are starting to have an impact on the multifamily sector, as fixed rate mortgages as well as floating rate credit lines have now reached levels not seen in the past several years. This is expected to impact capitalization rates in the short to mid term (6 – 18 months).

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.75% | 6.25% | 6.25% | 6.75% | ▲ | ▲ |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.25% | 7.00% | 7.00% | 7.50% | ◀▶ | ◀▶ |

**Industrial**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.00% | 5.50% | 5.00% | 5.50% | ▲ | ▲ |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 5.50% | 6.25% | 5.75% | 6.75% | 6.00% | 7.00% | ▲ | ◀▶ | ◀▶ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 4.50% | 5.00% | 4.00% | 4.50% | ◀▶ | ◀▶ |


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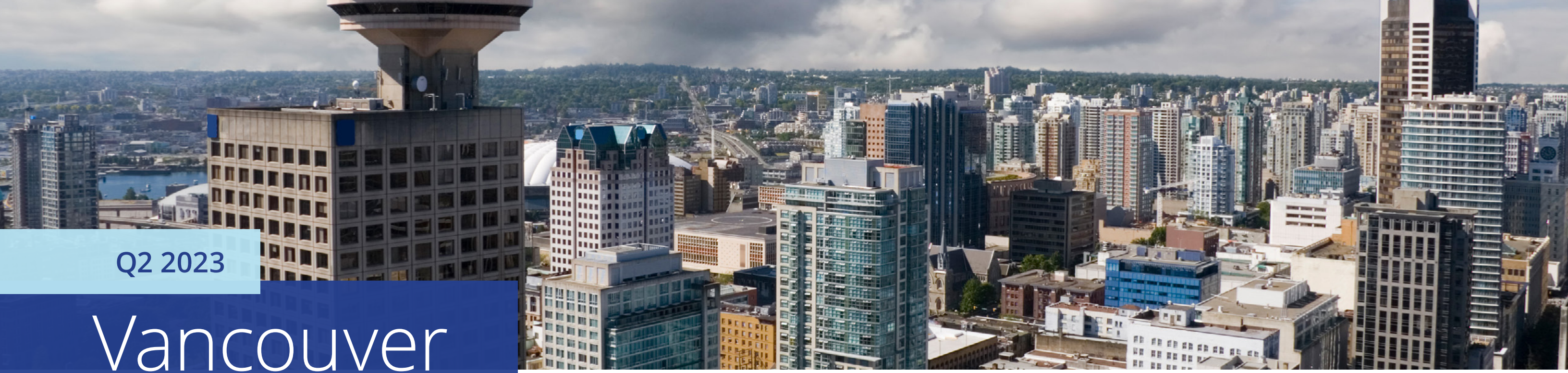

Q2 2023

# Vancouver

## What's Trending?

- Notable sales for the second quarter of 2023 include 5491 Parkwood Way in Richmond, an auto dealership acquired by the GO Auto Group out of Edmonton for $24.0 million, Rosemary Heights Centre in South Surrey, a retail/office complex for $16.125 million with below market financing, and Clayton Crossing Annex at Fraser Highway and 188th Street, which sold for $10.73 million. Panorama Village Shopping Centre, a grocery and pharmacy anchored complex at Highway 10 and 152nd Street in Surrey has been offered for sale by IG Financial and represents one of the largest retail assets offered so far in 2023. All eyes are on the eventual capitalization rate.
- A newer industrial warehouse in Campbell Heights sold for $25.0 million, or approximately $461 per square foot, while 1615 Industrial Avenue in Port Coquitlam traded for $14.5 million, or approximately $616 per square foot. Both properties sold to private investors. The largest industrial oriented transaction of the second quarter of 2023 was SmartStop Self Storage's acquisition of a newly built, seven-storey self storage facility at 1615 Franklin Street in Vancouver for $43.75 million.
- The office sale market was quiet for properties over $10.0 million during the second quarter of 2023. Owner-user (primarily strata) buyers and small investors remain active. After twelve months of relative quiet, a larger office complex in Downtown Vancouver has been offered for sale. Oxford Properties and CPPIB are inviting bids on 401 West Georgia and 402 Dunsmuir Street, two Class A office towers totalling over 416,000 square feet and occupying a full city block of approximately 1.38 acres. Many large investors are watching to see where the capitalization rate will land.
- The largest single asset sale during the second quarter of 2023 was Parque on Park, a new, purpose-built rental development in the Langley City Centre area, which was acquired by CAPREIT for $53.7 million, or approximately $577k/door. 1450 West 12th Avenue in Vancouver, a 12-storey former senior-assisted living facility was acquired by the provincial government for conversation into supportive housing. The price $40.5 million, and additional $14.1 million is expected to be spent to renovate the property. Overall, investor interest remains strong in apartment buildings, although at cap rates continue to move upward on some deals.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 4.25% | 5.25% | 4.50% | 5.50% | ▲ | ▲ |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.00% | 6.00% | 5.50% | 6.50% | ◀▶ | ◀▶ |

**Industrial**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 4.00% | 4.75% | 4.25% | 5.00% | ▲ | ▲ |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 4.75% | 6.50% | 4.50% | 5.75% | 4.25% | 5.50% | ▲ | ◀▶ | ◀▶ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 3.50% | 4.25% | 3.25% | 4.25% | ▲ | ▲ |

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Q2 2023

# Calgary

## What's Trending?

- Low vacancy in the industrial market is driving lease rates higher while limited supply and rising construction costs are contributing to a tight market for owner-user facilities. Nonetheless, stabilized capitalization rates and IRR expectations are trending higher as investors grapple with rising bond yields.
- Calgary continues to experience high levels of in-migration from both new immigrants and interprovincial migration as cost-of-living soars nationally. Rental rates for residential tenants are increasing on a monthly basis and favourable CMHC programs are resulting in a healthier market for multi-residential assets, however rising debt cost is putting some upward pressure on capitalization rates.
- Office product continues to languish as vacancy remains high despite positive absorption for A Class space. Investors remain cautious of office product and stabilized capitalization rates for are expected to increase.
- Although consumer spending in Alberta outpaces Canada as a whole rising, cost-of-living expenses are expected to lead to a slowdown in retail spending. Retail capitalization rates have generally been trending upward despite stronger than average consumer spending.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.50% | 7.50% | 7.50% | 9.50% | ▲ | ▲ |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.50% | 7.50% | 7.50% | 9.00% | ▲ | ▲ |

**Industrial**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.25% | 6.00% | 6.00% | 7.50% | ◀▶ | ◀▶ |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 5.75% | 6.75% | 5.75% | 6.75% | 6.00% | 7.25% | ▲ | ▲ | ▲ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 4.75% | 5.25% | 5.00% | 5.75% | ▲ | ▲ |

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Q2 2023

# Edmonton

## What's Trending?

- The Edmonton Office Market struggled in 2022 due to work-from-home mandates and oversupply. Positive absorption during the year was only 43,242 square feet and rents remained flat. The First Quarter of 2023 appears to be continuing this trend. Office investment remains weak although positive economic conditions may dovetail with stabilizing interest rates by the end of the year.
- Strong tenant demand continues to fuel the industrial market within Edmonton. There has been mild increases to capitalization rates although rental rate inflation should keep further increases in check. There was 6.4 million square feet of positive absorption last year and the vacancy rate fell from 5.4% in January 2022 to 4.1% in December 2022. Further decreases are expected this year.
- Interest rate pressures caused mild increases to shopping centre capitalization rates during the First Quarter of 2023 in Edmonton. However, a healthy economy and consistent tenant demand has prevented increases to vacancy levels. New construction remains muted. Retail capitalization rates may have peaked during Q1 and could potentially start to fall again later this year.
- Alberta has experienced the highest levels of inter-provincial migration of all provinces for the past five quarters and should continue this trend through 2023. International migration has slowed but remains strong. Due to premiums in capitalization rates in Edmonton, it continues to attract out-of-province investors from BC and Ontario. Cap rates appear to have stabilized during Q1 2023.
- The hotel occupancy rate in Edmonton was 52.5% during 2022. This is 18 percentage points higher than 2021 but still below pre-pandemic levels. ADR has recovered in a more robust manner. Hotel investment activity has been brisk in expectation of rising net income. Financing remains difficult although the situation continues to evolve and improve.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 7.00% | 8.25% | 7.75% | 9.00% | ◀▶ | ◀▶ |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 7.00% | 8.25% | 7.25% | 8.50% | ◀▶ | ◀▶ |

**Industrial**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.75% | 6.75% | 6.00% | 7.00% | ◀▶ | ◀▶ |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 5.75% | 6.75% | 5.75% | 6.75% | 6.00% | 7.00% | ◀▶ | ◀▶ | ◀▶ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 4.25% | 5.25% | 4.75% | 5.75% | ◀▶ | ◀▶ |


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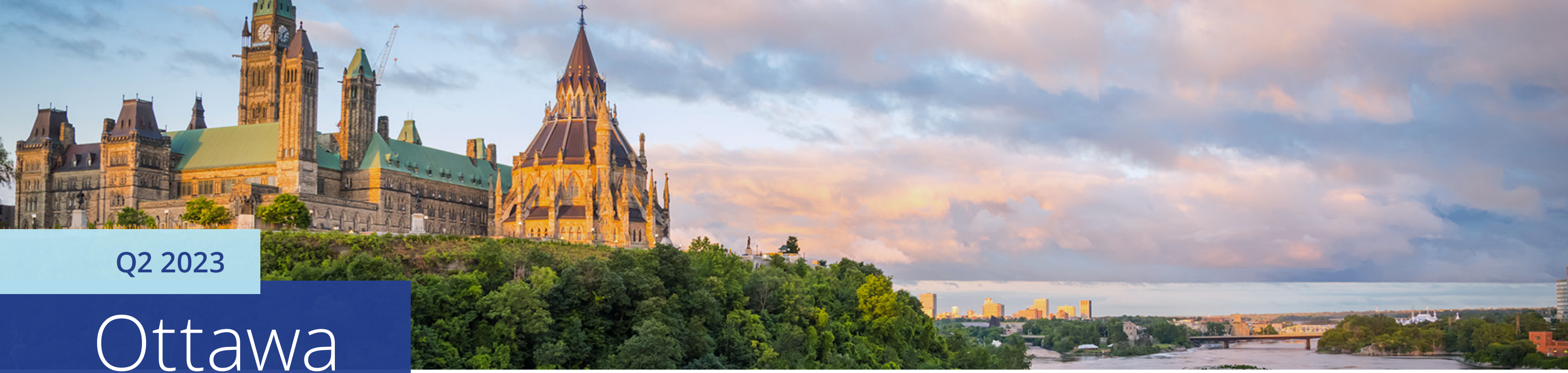

Q2 2023

# Ottawa

## What's Trending?

- Buyers in Ottawa continue to seek out assets with upside potential through expansion, conversion or repositioning. Those assets which lack such opportunities are seeing the most substantial increases in capitalization rates, with buyers having to adjust to account for greater financing costs.
- The Ottawa office market continues to evolve in the face of increasing vacancy and downward trending rental rates. Capitalization rates for office assets are increasing but new buyers are entering the space with unique plans to reposition existing office assets. With that, the office market in Ottawa will continue to evolve and an increase in conversion activity from office to multi-family is anticipated.
- Apartment rental rates keep rising throughout the City. Pre-COVID studio suites in Ottawa would never lease above $1,000 per month, but now studio suites in new buildings are renting for upwards of $1,600 per month. Investors continue to seek out opportunities in the multi-family market to capitalize on increasing rental rates. The availability of CMHC financing is also keeping capitalization rates lower than what otherwise would be apparent.
- In the Post-COVID world many tenants expected retail rents to flatten or decrease, though in reality retail rental rates in prime locations continue to rise. With that, the Downtown Core in Ottawa is struggling with upwards of 35% of all retail space currently vacant. As workers gradually return to the Downtown Core, landlords must adjust their rental expectations to account for the reduced days workers return to the office.
- The industrial and retail markets are both experiencing good demand from tenants and investors alike. However, capitalization rates have risen as a result of the increased cost of financing for both asset classes.
- Land prices in Ottawa have been impacted the most by the increased cost of financing. As land value is a relatively small component of the overall development cost increased construction financing costs have had a disproportionately negative impact on land values. In addition, the approval of the City of Ottawa New Official Plan significantly increased density potential for many sites in the City thus increasing the supply of high density development sites. With that, sites with attractive locations where top-of-market rents can be justified continue to be in demand.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.00% | 7.25% | 6.75% | 7.75% | ▲ | ▲ |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.50% | 7.50% | 7.00% | 7.75% | ▲ | ▲ |

**Industrial**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.75% | 6.75% | 6.00% | 7.00% | ◀▶ | ◀▶ |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 6.25% | 7.00% | 6.25% | 7.00% | 6.25% | 7.25% | ▲ | ▲ | ▲ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 4.00% | 5.25% | 3.75% | 5.25% | ▲ | ▲ |


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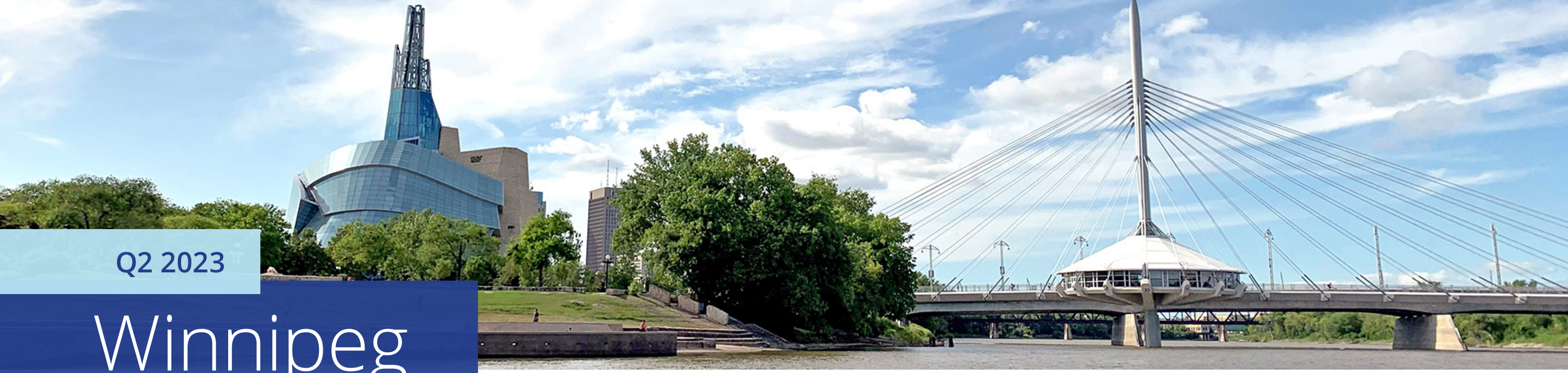

Q2 2023

# Winnipeg

## What's Trending?

- Cap rates in Winnipeg have begun to increase due to the rising rate environment which is consistent with other locations across Canada. Due to a rising interest rate environment, cap rates have started to increase and transaction volume has decreased. Within a rising interest rate environment we are seeing vacancy rates decrease over the previous period a year ago, specifically with industrial vacancy being the lowest it has been in years. With a higher cost of borrowing the amount of new construction projects have slightly decreased with some developers opting to pause the start of their projects due to the higher cost of construction financing.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.00% | 7.00% | 6.25% | 7.00% | ◀▶ | ◀▶ |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| NA | NA | 6.00% | 7.00% | ◀▶ | ◀▶ |

**Industrial**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.75% | 6.50% | 6.00% | 7.00% | ◀▶ | ◀▶ |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 6.00% | 7.00% | 6.00% | 7.00% | 6.00% | 7.00% | ◀▶ | ◀▶ | ◀▶ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 5.00% | 6.00% | 5.00% | 6.00% | ◀▶ | ◀▶ |

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Q2 2023

# Halifax

## What's Trending?

- Challenging economic indicators have resulted in a downturn in Investment sales volume in the market. Increasing financing costs and ongoing high construction costs have led to many market participants adopting a 'wait and see' approach, staying on the sidelines until stability returns.

- Multifamily construction continues despite ongoing cost pressures as demand out-paces supply. New developments are being constructed and continue to achieve record-setting rents for Halifax, in part to offset the impact of the ongoing rent cap. The provincial government has recently announced the rent cap will be extended until the end of 2025, with allowable year over year rent increases raised to 5% for the remaining life of the cap. Given how recent this announcement is capitalization rates have yet to fully react however given public sentiment around rent inflation it is likely that prudent buyers at least partially factored in the risk of the rent cap being extended beyond its original anticipated expiry at the end of 2023. High costs have already delayed some projects and the extension of the rent cap may delay more.

- The office market has seen some major movement with the entry of Groupe Mach into the Halifax market, with the acquisition of 2 centrally-located strategic office assets. This is the first acquisition of this scale of solely office product since the start of the pandemic and reflects the general overall trend of out-of-market investors taking an interest in the Atlantic market, with Halifax being the main beneficiary. Office vacancy rates remain challenging, however there are some positive indications on absorption and market rents.

- The retail investment market remains largely sidelined, although vacancy rates are generally trending downwards and rents experience inflation. Retail sales volumes are up, however inflationary pressures may account for a significant portion of this increase rather than sales volume.

- The industrial market in Halifax remains the strongest sector in the market, with low vacancy rates and continued upward pressure on rental rates driven the lack of available development land in Burnside. This has resulted in positive pressure in peripheral industrial parks as well and intense interest in new lands being opened up later in the year, although the supply of new land may not be sufficient to cool vacancy rates and rent growth as the high costs to construct may potentially lead to top-of-market asking rents.

- The retail market has slowed in Halifax as inflation has tenants with near-term lease expiries renewing on shorter terms at rents in-place in many locations, causing both buyers and sellers to pause. Well-tenanted and well-located retail developments continue to attract investor interest.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.75% | 7.75% | 7.25% | 8.25% | ▲ | ▲ |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.75% | 7.75% | 7.50% | 8.50% | ▲ | ▲ |

**Industrial**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.25% | 6.25% | 5.75% | 7.00% | ◀▶ | ◀▶ |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 6.00% | 6.75% | 6.00% | 7.50% | 6.25% | 7.50% | ▲ | ▲ | ▲ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 4.00% | 4.50% | 4.25% | 4.75% | ◀▶ | ◀▶ |

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Q2 2023

# Victoria

## What's Trending?

- During Q2 2023, investment activity was muted by a change in strategy by the Bank of Canada, with a 25-basis point rate hike in June surprising many speculating rate holds for the duration of the summer. Those taking part in investment activity were primarily private buyers, with institutional investors choosing to move capital outside of real estate with returns equal to or better than current capitalization rates.
- Office market investment activity was non-existent but vacancy rates remained stable, due primarily to a marginal increase in the sublease market, which was offset by average absorption during the period.
- New Class A office product is coming to the Westshore suburban market in Q3 2023, with the Plexxis Office Building located at 1319 Westhills Drive.
- With vacancy rates well below the other asset classes and limited availability only within the City of Victoria, the industrial market is continuing to record increases in asking rents.
- Notable industrial investment sales were 2615 Turner Road that traded at just over $3M reflecting a low 5% capitalization rate and two adjacent properties at 870-880 Devonshire Road that sold for $5.4M at a low 4% capitalization rate.
- Starlight purchased a prime corner site in the Harris Green neighbourhood at 904 Yates Street for $4.25M as a strategy for future redevelopment.
- The share sale of Tallwood 1 in the order of $60M at 2830 Peatt Road highlighted the acquisition of a newly constructed multifamily apartment in Langford, offering a total of 128 units with 124 residential units and four ground floor commercial spaces, at an undisclosed capitalization rate.
- At 919 Caledonia, the $9.3M sale of a 19-unit building was purchased by BC Housing with vacant possession.
- Indications of overall confidence in the Greater Victoria investment market remains positive for the third quarter of 2023.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.50% | 5.75% | 5.75% | 6.00% | ◄► | ◄► |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.75% | 6.00% | 6.00% | 6.25% | ◄► | ◄► |

**Industrial**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 4.25% | 4.75% | 4.50% | 5.25% | ◄► | ◄► |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 5.75% | 6.25% | 5.50% | 6.00% | 5.50% | 6.00% | ▲ | ▲ | ▲ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 3.75% | 4.50% | 3.50% | 4.25% | ▲ | ▲ |


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Q2 2023

# Waterloo

## What's Trending?

- Early in the year investors thought they had seen a peak to the interest rate arc, and the story was that there would be decreases before the end of the year. Unfortunately, that wasn't the case and rates have risen unexpectedly since. This has put tentative buyers solidly on the side lines waiting for some clarity on the interest rate picture going forward. Therefore, we continue in a protracted price discovery phase with little clarity for buyers or sellers.
- We have seen several office buildings selling to be converted to other uses, and several sell to users but there are few investment sales. The underlying fundamentals in the office market are strong in certain areas of Waterloo Region and weak in others leaving more questions than answers for potential investors.
- The Industrial market is one where demand is still there, and the fundamentals are strong. However, buyers and sellers can't seem to agree on prices yet. We do expect there to be a defining sale in the next quarter that will show the way to where cap rates are and therefore set a benchmark for pricing.
- The Retail market has been showing more signs of activity as contrarians and developers hunt for opportunities in this downtrodden sector. Retailers are starting to see some sustained growth post pandemic.
- Sales volume is up in Multifamily. However, the institutional buyers are still not active. Private buyers are the most active group and will likely be for the remainder of this year. Potential rent increases will continue to be the driving force and attractive attribute for Multifamily properties while interest rates remain relatively high.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.00% | 6.50% | 6.50% | 7.00% | ◀▶ | ▲ |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.00% | 6.50% | 6.50% | 7.00% | ◀▶ | ▲ |

**Industrial**

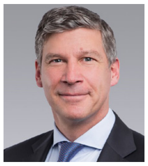
| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 4.50% | 5.00% | 5.25% | 6.00% | ▲ | ▲ |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 5.50% | 6.75% | 5.50% | 6.50% | 6.25% | 7.50% | ◀▶ | ◀▶ | ◀▶ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 3.50% | 4.25% | 3.75% | 4.50% | ▲ | ▲ |

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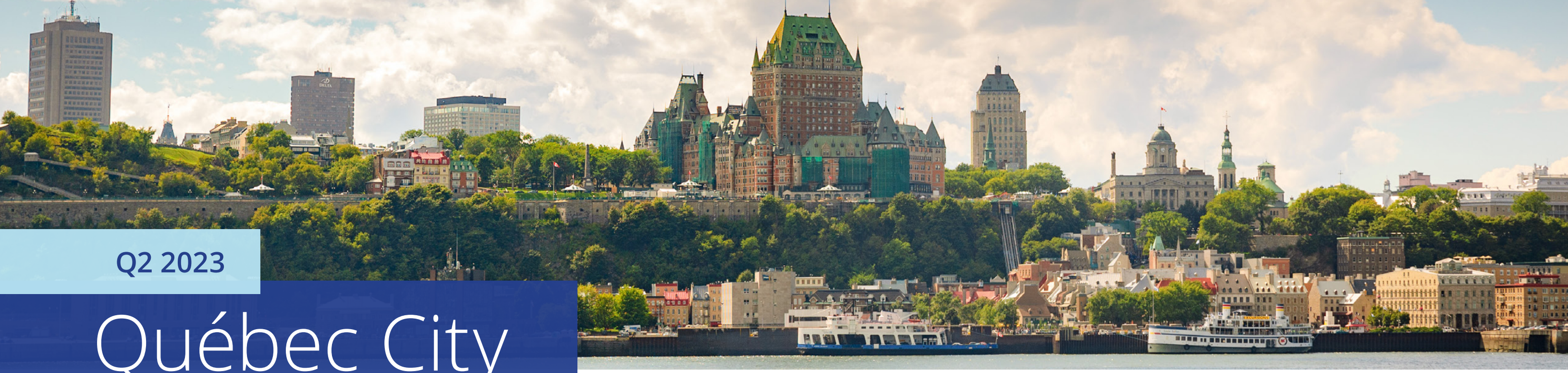


Q2 2023

# Québec City

## What's Trending?

Industrial

- With 2022 behind us, a big question plans atop the industrial market as whether it will keep its strong progression this year. Affected by successive interest rate increases and slowing sales volumes, rents are rising fast and vacancy rates remain low, attenuating the observed increases in overall cap rates. As a result, property values are expected to remain stable for the upcoming quarter.

Office

- Rising interest rates are also impacting the office market, resulting in higher overall cap rates. Although rents are remaining stable, vacancy rates are increasing in many sectors, which might result at some point in cap rate increase in a foreseeable future. The combination of these actions will result in a slight decrease or stagnation in the value of office buildings in the short to medium term.

Retail

- Alike previous economic shifts, the Québec City market has been very resilient and despite recent interest hikes, no obvious sign of increase was observed in cap rates over the last quarter. An employment market secured by massive governmental and insurers jobs sure does help maintaining the retail market and sales volume afloat.

Multifamily

- Low vacancy and little availability keep pressuring upward rental rates in this renewal session. A massive multi-res portfolio foreclosure is clouding the market with many units under construction and many complexes left mismanaged. Combined with the high interest rates that was already giving a hard time at financing, a stronger focus is now provided on coverage ratio instead of leveraging on increasing values as it's been going for many years.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.25% | 7.50% | 6.50% | 8.00% | ◀▶ | ▲ |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 6.50% | 7.75% | 6.75% | 8.00% | ▲ | ▲ |

**Industrial**

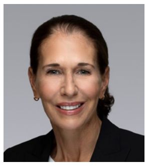
| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 5.25% | 6.25% | 5.50% | 6.75% | ◀▶ | ◀▶ |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| 5.75% | 7.00% | 6.50% | 7.50% | 6.75% | 7.75% | ◀▶ | ◀▶ | ◀▶ |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 4.25% | 5.00% | 4.50% | 5.75% | ◀▶ | ◀▶ |

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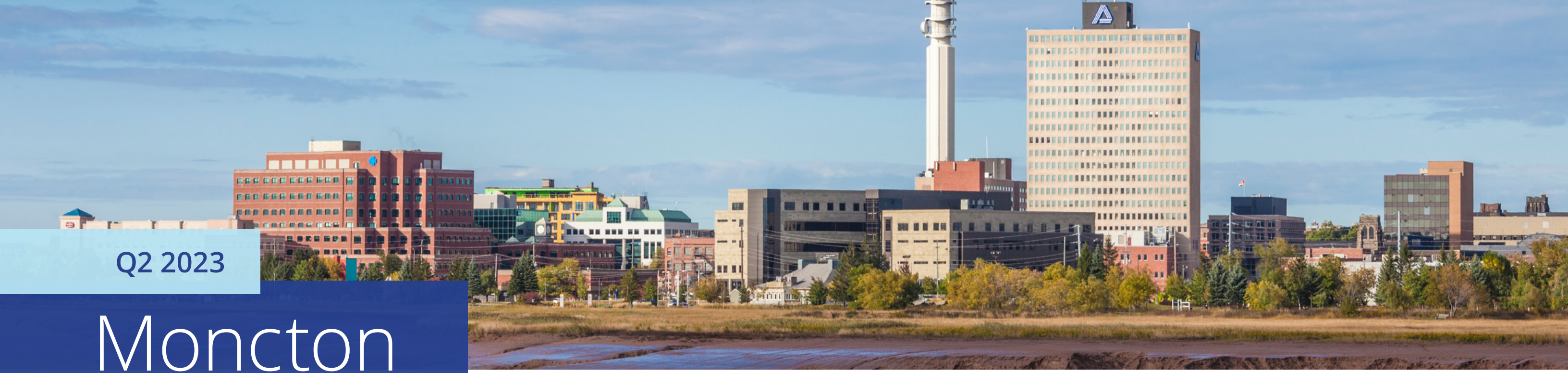

Q2 2023

# Moncton

## What's Trending?

- Q2 has continued to show investor demand for industrial and multi-family assets with the office sector also showing some signs of recovery albeit still cautionary with strong tenanted retail showing signs of investor interest similar to last quarter. With Moncton being one of the two cities in Canada showing both positive GDP growth and population growth investors from other parts of the country continue to invest in Atlantic Canada.
- Industrial remains in strong with demand still out-pacing supply. Rental rates are increasing as a result of regional and macro trends, low availability of space in both older stock and new builds. Capitalization rates are in turn trending downwards reflecting good NOI growth prospects over the near-term investment period and strong investor demand.
- Office assets are still the most vulnerable asset class since the beginning of the pandemic however as mentioned previously interest is perhaps returning with a small number of trades currently in the due diligence phases. The risk of tenant downsizing is still a factor as some companies move to hybrid back to work models; risk of increased capital required to lease vacant space (and on renewals) along with higher interest rates have resulted in increased capitalization rates. With no actual trades completed in the Moncton market, it is sentiment that cap rates are higher.
- Despite recent interest hikes, no obvious sign of increase was observed in cap rates over the last quarter in Moncton in the retail sector however albeit little with respect to notable trades. Well tenanted assets such as drug and grocery anchored retail remain the most sought-after asset in this class while smaller local retailers are less coveted. Investors in large format retail traditionally correlate cap and discount rates to 10-year GOC and "BBB" rated bonds , both of which have seen yields rise materially since January 2022, thus upward pressure on discount rates. The overall cap rate can also be expected to increase, save for situations where there is near term renewals of significant tenants/ anchors and above typical leasing spreads may be achieved on renewals, thus stabilizing asset value.
- According to the latest CMHC data for October 2022 vacancy rates have increased only slightly over last year and still considered extremely low at 1.7% for Greater Moncton. Land sales for multi-family developments have continued over the past few months with several large building's currently under construction. Units are, for the most part, high end units with rents continuing to climb, with rent growth over the last five years hovering around 7%. With interest rates having risen sharply, CMHC available debt and affordable housing finance initiatives have helped to buoy the market. The overall cap rate has been impacted; we believe on a stabilized NOI basis (rents at full market) however many buildings have room for rent growth and the near-term NOI upside potential; given such low vacancy is contributing to relative stability with respect to overall capitalization rates in many situations. In turn upward pressure on capitalization rates values remain stable in this sector.

**Downtown Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| NA | NA | NA | NA | | |

**Suburban Office**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| NA | NA | NA | NA | | |

**Industrial**

| Class A | | Class B | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | A | B |
| 7.00% | 7.50% | 7.50% | 8.00% | ◄► | ◄► |

**Retail**

| Regional/ Power | | Grocery/ Community | | Neighbourhood/ Strip | | Q3 Prediction | | |
|---|---|---|---|---|---|---|---|---|
| Low | High | Low | High | Low | High | R | G | N |
| NA | NA | NA | NA | 7.25% | 8.25% | | | ◄► |

**Multi-Family Apartment**

| High-Rise | | Low-Rise | | Q3 Prediction | |
|---|---|---|---|---|---|
| Low | High | Low | High | H | L |
| 4.25% | 4.75% | 5.00% | 6.00% | ◄► | ◄► |

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# Canada Cap Rates

## Q2 2023

**Downtown Office**

| Market | Class A | | Class B | | Q3 2023 Prediction | |
|---|---|---|---|---|---|---|
| **City** | **Low** | **High** | **Low** | **High** | **Class A** | **Class B** |
| **Toronto** | 5.50% | 6.00% | 5.75% | 6.50% | ▲ | ▲ |
| **Montréal** | 5.75% | 6.25% | 6.25% | 6.75% | ▲ | ▲ |
| **Calgary** | 6.50% | 7.50% | 7.50% | 9.50% | ▲ | ▲ |
| **Vancouver** | 4.25% | 5.25% | 4.50% | 5.50% | ▲ | ▲ |
| **Edmonton** | 7.00% | 8.25% | 7.75% | 9.00% | ◀▶ | ◀▶ |
| **Ottawa** | 6.00% | 7.25% | 6.75% | 7.75% | ▲ | ▲ |
| **Winnipeg** | 6.00% | 7.00% | 6.25% | 7.00% | ◀▶ | ◀▶ |
| **Halifax** | 6.75% | 7.75% | 7.25% | 8.25% | ▲ | ▲ |
| **Victoria** | 5.50% | 5.75% | 5.75% | 6.00% | ◀▶ | ◀▶ |
| **Waterloo** | 6.00% | 6.50% | 6.50% | 7.00% | ◀▶ | ▲ |
| **Québec City** | 6.25% | 7.50% | 6.50% | 8.00% | ◀▶ | ▲ |
| **Moncton** | NA | NA | NA | NA | | |

**Suburban Office**

| Market | Class A | | Class B | | Q3 2023 Prediction | |
|---|---|---|---|---|---|---|
| **City** | **Low** | **High** | **Low** | **High** | **Class A** | **Class B** |
| **Toronto** | 6.75% | 7.25% | 7.25% | 7.75% | ▲ | ▲ |
| **Montréal** | 6.25% | 7.00% | 7.00% | 7.50% | ◀▶ | ◀▶ |
| **Calgary** | 6.50% | 7.50% | 7.50% | 9.00% | ▲ | ▲ |
| **Vancouver** | 5.00% | 6.00% | 5.50% | 6.50% | ◀▶ | ◀▶ |
| **Edmonton** | 7.00% | 8.25% | 7.25% | 8.50% | ◀▶ | ◀▶ |
| **Ottawa** | 6.50% | 7.50% | 7.00% | 7.75% | ▲ | ▲ |
| **Winnipeg** | NA | NA | 6.00% | 7.00% | ◀▶ | ◀▶ |
| **Halifax** | 6.75% | 7.75% | 7.50% | 8.50% | ▲ | ▲ |
| **Victoria** | 5.75% | 6.00% | 6.00% | 6.25% | ◀▶ | ◀▶ |
| **Waterloo** | 6.00% | 6.50% | 6.50% | 7.00% | ◀▶ | ▲ |
| **Québec City** | 6.50% | 7.75% | 6.75% | 8.00% | ▲ | ▲ |
| **Moncton** | NA | NA | NA | NA | | |

# Canada Cap Rates

## Q2 2023

| Industrial | | | | | | |
|---|---|---|---|---|---|---|
| **Market** | **Class A** | | **Class B** | | **Q3 2023 Prediction** | |
| **City** | **Low** | **High** | **Low** | **High** | **Class A** | **Class B** |
| **Toronto** | 4.50% | 5.00% | 5.00% | 5.75% | ◀▶ | ◀▶ |
| **Montréal** | 5.00% | 5.50% | 5.00% | 5.50% | ▲ | ▲ |
| **Calgary** | 5.25% | 6.00% | 6.00% | 7.50% | ▲ | ▲ |
| **Vancouver** | 4.00% | 4.75% | 4.25% | 5.00% | ▲ | ▲ |
| **Edmonton** | 5.75% | 6.75% | 6.00% | 7.00% | ◀▶ | ◀▶ |
| **Ottawa** | 5.75% | 6.75% | 6.00% | 7.00% | ◀▶ | ◀▶ |
| **Winnipeg** | 5.75% | 6.50% | 6.00% | 7.00% | ◀▶ | ◀▶ |
| **Halifax** | 5.25% | 6.25% | 5.75% | 7.00% | ◀▶ | ◀▶ |
| **Victoria** | 4.25% | 4.75% | 4.50% | 5.25% | ◀▶ | ◀▶ |
| **Waterloo** | 4.50% | 5.00% | 5.25% | 6.00% | ▲ | ▲ |
| **Québec City** | 5.25% | 6.25% | 5.50% | 6.75% | ◀▶ | ◀▶ |
| **Moncton** | 7.00% | 7.50% | 7.50% | 8.00% | ◀▶ | ◀▶ |

| Retail | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Market** | **Regional/Power** | | **Grocery/Community** | | **Neighbourhood/Strip** | | **Q3 2023 Prediction** | | |
| **City** | **Low** | **High** | **Low** | **High** | **Low** | **High** | **R** | **G** | **N** |
| **Toronto** | 5.50% | 6.75% | 5.50% | 6.50% | 5.50% | 6.50% | ◀▶ | ◀▶ | ◀▶ |
| **Montréal** | 5.50% | 6.25% | 5.75% | 6.75% | 6.00% | 7.00% | ▲ | ▲ | ▲ |
| **Calgary** | 5.75% | 6.75% | 5.75% | 6.75% | 6.00% | 7.25% | ▲ | ▲ | ▲ |
| **Vancouver** | 4.75% | 6.50% | 4.50% | 5.75% | 4.25% | 5.50% | ▲ | ◀▶ | ◀▶ |
| **Edmonton** | 5.75% | 6.75% | 5.75% | 6.75% | 6.00% | 7.00% | ◀▶ | ◀▶ | ◀▶ |
| **Ottawa** | 6.25% | 7.00% | 6.25% | 7.00% | 6.25% | 7.25% | ▲ | ▲ | ▲ |
| **Winnipeg** | 6.00% | 7.00% | 6.00% | 7.00% | 6.00% | 7.00% | ◀▶ | ◀▶ | ◀▶ |
| **Halifax** | 6.00% | 6.75% | 6.00% | 7.50% | 6.25% | 7.50% | ▲ | ▲ | ▲ |
| **Victoria** | 5.75% | 6.25% | 5.50% | 6.00% | 5.50% | 6.00% | ▲ | ▲ | ▲ |
| **Waterloo** | 5.50% | 6.75% | 5.50% | 6.50% | 6.25% | 7.50% | ◀▶ | ◀▶ | ◀▶ |
| **Québec City** | 5.75% | 7.00% | 6.50% | 7.50% | 6.75% | 7.75% | ◀▶ | ◀▶ | ◀▶ |
| **Moncton** | NA | NA | NA | NA | 7.25% | 8.25% | | | ◀▶ |

# Canada Cap Rates

## Q2 2023

| Multi-Family Apartment | | | | | | |
|---|---|---|---|---|---|---|
| **Market** | **High-Rise** | | **Low-Rise** | | **Q3 2023 Prediction** | |
| **City** | **Low** | **High** | **Low** | **High** | **High-Rise** | **Low-Rise** |
| **Toronto** | 3.75% | 4.50% | 3.50% | 4.50% | ▲ | ▲ |
| **Montréal** | 4.50% | 5.00% | 4.00% | 4.50% | ◀▶ | ◀▶ |
| **Calgary** | 4.75% | 5.25% | 5.00% | 5.75% | ▲ | ▲ |
| **Vancouver** | 3.50% | 4.25% | 3.25% | 4.25% | ▲ | ▲ |
| **Edmonton** | 4.25% | 5.25% | 4.75% | 5.75% | ◀▶ | ◀▶ |
| **Ottawa** | 4.00% | 5.25% | 3.75% | 5.25% | ▲ | ▲ |
| **Winnipeg** | 5.00% | 6.00% | 5.00% | 6.00% | ◀▶ | ◀▶ |
| **Halifax** | 4.00% | 4.50% | 4.25% | 4.75% | ◀▶ | ◀▶ |
| **Victoria** | 3.75% | 4.50% | 3.50% | 4.25% | ▲ | ▲ |
| **Waterloo** | 3.50% | 4.25% | 3.75% | 4.50% | ▲ | ▲ |
| **Québec City** | 4.25% | 5.00% | 4.50% | 5.75% | ◀▶ | ◀▶ |
| **Moncton** | 4.25% | 4.75% | 5.00% | 6.00% | ◀▶ | ◀▶ |

| Hotel* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Market** | **Urban Full Service** | | **Select Service** | | **Limited Service** | | **Q3 2023 Prediction** | | |
| **City** | **Low** | **High** | **Low** | **High** | **Low** | **High** | **Urban Full Service** | **Select Service** | **Limited Service** |
| **Toronto** | 4.00% | 6.00% | 5.50% | 6.75% | 6.50% | 7.50% | ◀▶ | ◀▶ | ◀▶ |
| **Montréal** | 7.25% | 9.00% | 7.50% | 9.25% | 8.50% | 10.50% | ◀▶ | ◀▶ | ◀▶ |
| **Calgary** | 7.50% | 9.75% | 8.25% | 9.75% | 8.75% | 10.75% | ◀▶ | ◀▶ | ◀▶ |
| **Vancouver** | 4.50% | 6.50% | 5.50% | 6.75% | 7.00% | 8.50% | ◀▶ | ◀▶ | ◀▶ |
| **Edmonton** | 6.00% | 8.00% | 7.50% | 8.50% | 8.00% | 10.00% | ◀▶ | ◀▶ | ◀▶ |
| **Ottawa** | 6.00% | 7.50% | 7.25% | 8.50% | 8.00% | 9.75% | ◀▶ | ◀▶ | ◀▶ |
| **Winnipeg** | 7.75% | 9.25% | 8.50% | 9.75% | 9.50% | 11.00% | ◀▶ | ◀▶ | ◀▶ |
| **Halifax** | 6.50% | 8.50% | 7.50% | 9.00% | 8.00% | 10.00% | ◀▶ | ◀▶ | ◀▶ |
| **Victoria** | 5.50% | 7.00% | 6.50% | 8.50% | 7.00% | 9.50% | ◀▶ | ◀▶ | ◀▶ |

**completed by Hotels group*

# Glossary

## Cap Rate

A capitalization rate is a property's net operating income for the 12 months following the date of sale divided by the purchase price. Cap rate range estimates in this report are provided by appraisers in their respective markets and take into consideration recent transactions, as well as investor sentiment.

## Office

### Downtown Class A

Office buildings, predominantly high-rise, situated within the Central Business District (CBD), that offer high-quality construction and amenities; large floor plates; modern, efficient systems; and superior accessibility. These buildings typically compete for larger, top-tier tenants and command among the highest rental rates.

### Downtown Class B

Office buildings, commonly high-rise, in the CBD, that offer average to good-quality construction and amenities, but tend to be more dated, with fewer features and less prominent locations. These buildings tend to compete for smaller to mid-size tenants seeking average to good-quality space at more economical rent rates.

### Suburban Class A

Office buildings located outside of the CBD offering high-quality construction and amenities that appeal to mid-size to larger, upper-tier tenants seeking non-central locations

### Suburban Class B

Office buildings outside of the CBD offering average to good-quality construction and amenities appealing to smaller to mid-size tenants seeking peripheral locations and discounted rent rates

## Industrial

### Class A

Newer, fully-featured industrial buildings of high-quality steel and concrete construction, with modern, efficient mechanical and electrical systems; high ceilings; good loading capability; air-conditioned offices; and extensive yard storage/truck marshalling areas.

### Class B

Average to good-quality industrial buildings, typically of somewhat dated construction, providing good- quality functional space, but with less extensive features. These buildings are usually characterized by lower clear heights and fewer shipping doors.

## Retail

### Regional Shopping Centre

Larger enclosed malls characterized by multiple anchors (typically including department stores and/or larger discount stores/mini-anchors) complemented by numerous smaller retailers (CRUs). The CRUs are generally oriented inwardly with stores connected by internal walkways (malls) and with numerous common entrances. They tend to reflect a high proportion of national tenants, with a broad mix of categories.

### Power Centre

Larger "open air" centres, typically in arterial locations, comprising a cluster of mostly freestanding, large-format "big box" stores, with ample surface parking adjacent to the stores and throughout the centre. Tenant mixes tend to reflect anchors such as discount department stores, furniture/ home furnishings, home improvement/ hardware, electronics, office supplies, cinemas, fashion outlets, etc., with few smaller CRUs.

### Grocery or Community Centre

Mid-size to larger enclosed or unenclosed centres with a community-oriented focus, offering products and services for daily needs, but with an expanded soft goods and services component. Anchors often include supermarkets, drugstores, discount department stores and similar outlets, but can also include "big box" outlets in categories such as apparel, home improvements, electronics and others.

### Neighbourhood or Strip Centre

Smaller to mid-size unenclosed centres, intended for convenience shopping for the residents of the surrounding neighbourhood. These centres are often anchored by smaller supermarkets, drugstores, discount stores, etc., with a mix of smaller, attached retailers.

## Multi-Family

### High-Rise

Multifamily residential buildings with comparatively high densities, typically exceeding four stories in height and including elevators. These commonly offer concrete construction and can have amenities such as underground parking, fitness rooms, indoor or outdoor pools, tennis courts, social rooms, etc.

### Low-Rise

Lower-density multifamily residential buildings, typically comprising four stories or fewer, with or without elevators. These can offer concrete or wood frame construction and generally have surface parking with few building amenities.

## Hotels

### Urban Full Service

Fully-featured branded hotels offering an extensive suite of services and amenities, such as food and beverage services, conference centres/meeting rooms, fitness/ activity centres, and valet and concierge services

### Select Service

Hotels that offer mid-range accommodations with a selection of added services and amenities, but to a notably lower extent compared to full service facilities

### Limited Service

Hotels that offer affordable accommodation with comparatively limited additional features and amenities, typically excluding food and beverage services

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