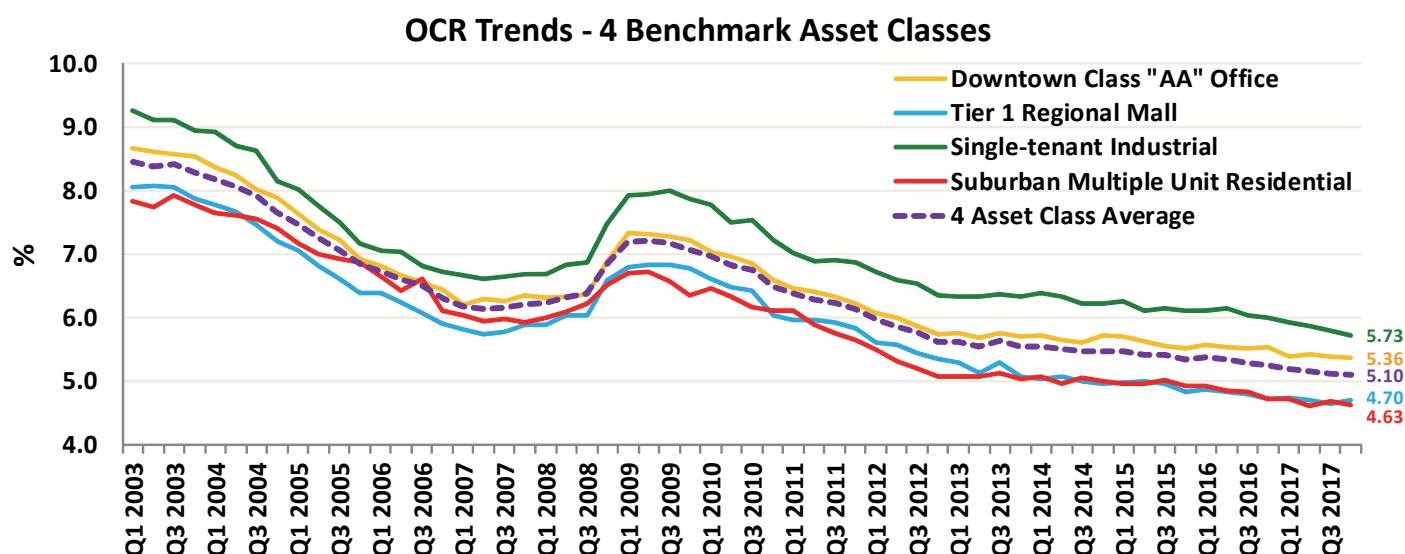


### No Bottom Yet in Overall Cap Rate Declines

The latest results from the Investment Trends Survey for the 4 Benchmark asset classes show the average Overall Capitalization Rate (OCR) at 5.10% in Q4 2017, down slightly from 5.13% in Q3 2017 and 13 basis points lower than a year ago. The cap rate for the benchmark retail property bumped up, while industrial, office and retail all posted quarter-to-quarter declines. With interest rates now moving up, the downward momentum will be more difficult to sustain.



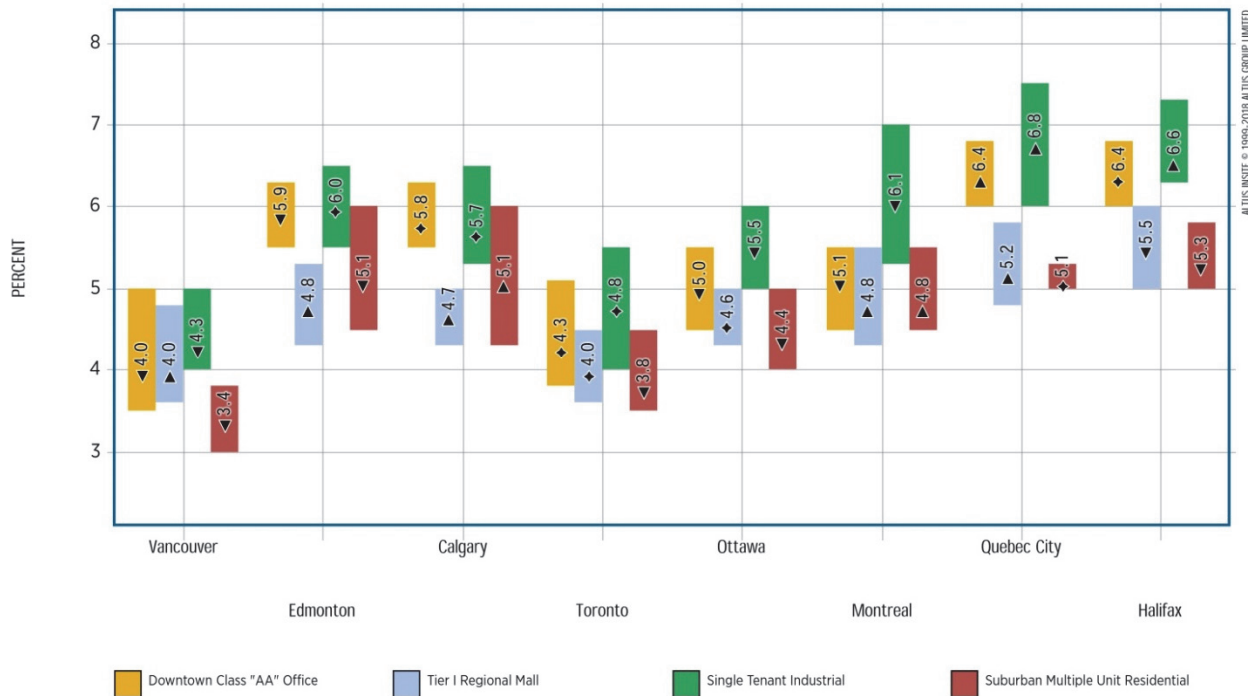
Source: Altus Group

Market highlights for the quarter include:

- **Vancouver's average cap rate for the 4 benchmark properties combined dropped below the 4% threshold for the first time.** A quarter-to-quarter increase for retail was more than offset by declines for office, residential and, in particular, industrial.
- **Calgary cap rates are no longer declining.** After posting declines from Q4 2016 through Q2 2017, the average cap rate for the benchmark properties held steady in Q3, then moved up slightly in Q4 on the heels of increases for retail and residential. Calgary and Quebec City were the only markets where the average overall cap rate was up on a quarter-to-quarter basis in Q4.
- **Vancouver industrial posted the largest year-over-year decline in cap rates** of the various market/asset class combinations – down 50 basis points. Toronto and Ottawa industrial were close behind (down 40 basis points).

## Overall Capitalization Rates

Q4 2017



Arrows indicate directional movement from previous survey  
Movement is defined as a change of more than 0.10 and due to rounding some arrows may not reflect actual movement.

Other highlights for Q4 2017 include:

- **Canadian investors remain on average in a “buy” mode.** Of the 128 combinations of products and markets covered, 85 had a positive momentum ratio (i.e. a higher percentage of respondents said they were more likely to be a buyer than a seller in that particular segment), 41 a negative momentum ratio and 2 were neutral. The overall momentum ratio was up from last year. Vancouver Multi-Tenant and Single Tenant Industrial showed the most positive momentum.
- **Development yields on downtown class AA office space were reported to be down from last year,** falling to the 6-7% range on average.
- **The retention rate for retail tenants was reported to be up this year,** in the 75%-80% range for various property types. However, tenant retention for multi-family residential properties was reported to be down (i.e. turnover rates were higher).

Every quarter, senior Altus Group professionals reach out to over 200 investors, managers, owners, lenders, analysts and other market stakeholders to survey their opinion on value trends and perspectives. Conducted with the same benchmark properties for more than 15 years, the survey provides valuable insights on investor preferences and valuation parameters for 32 asset classes in Canada's 8 largest markets. For more detailed survey results, please contact [datasolutionsinfo@altusgroup.com](mailto:datasolutionsinfo@altusgroup.com).