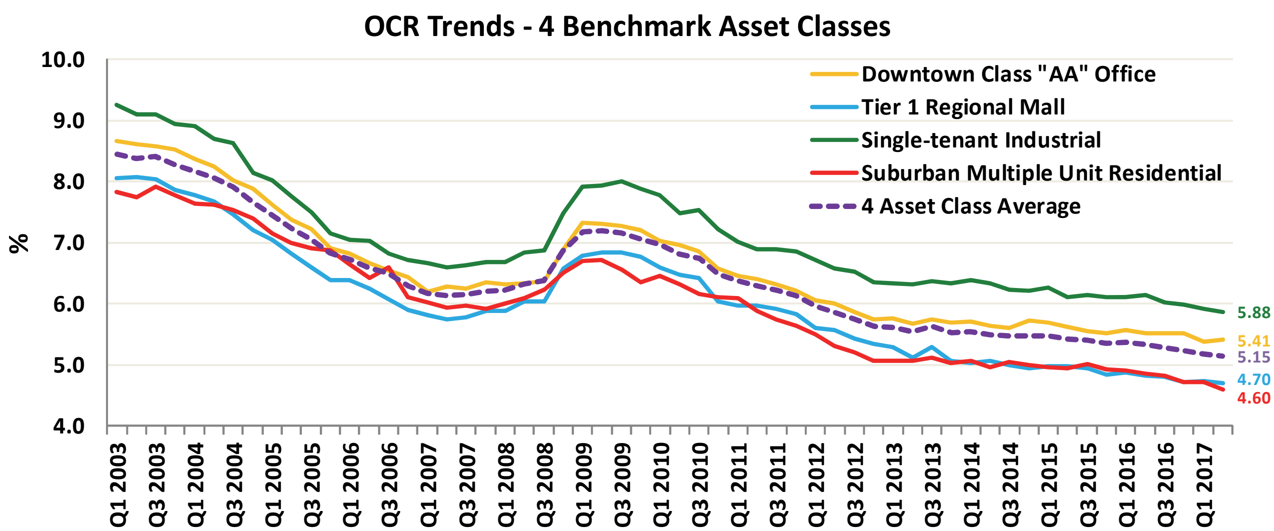
Cap Rates Down for All Benchmark Asset Classes Except Office

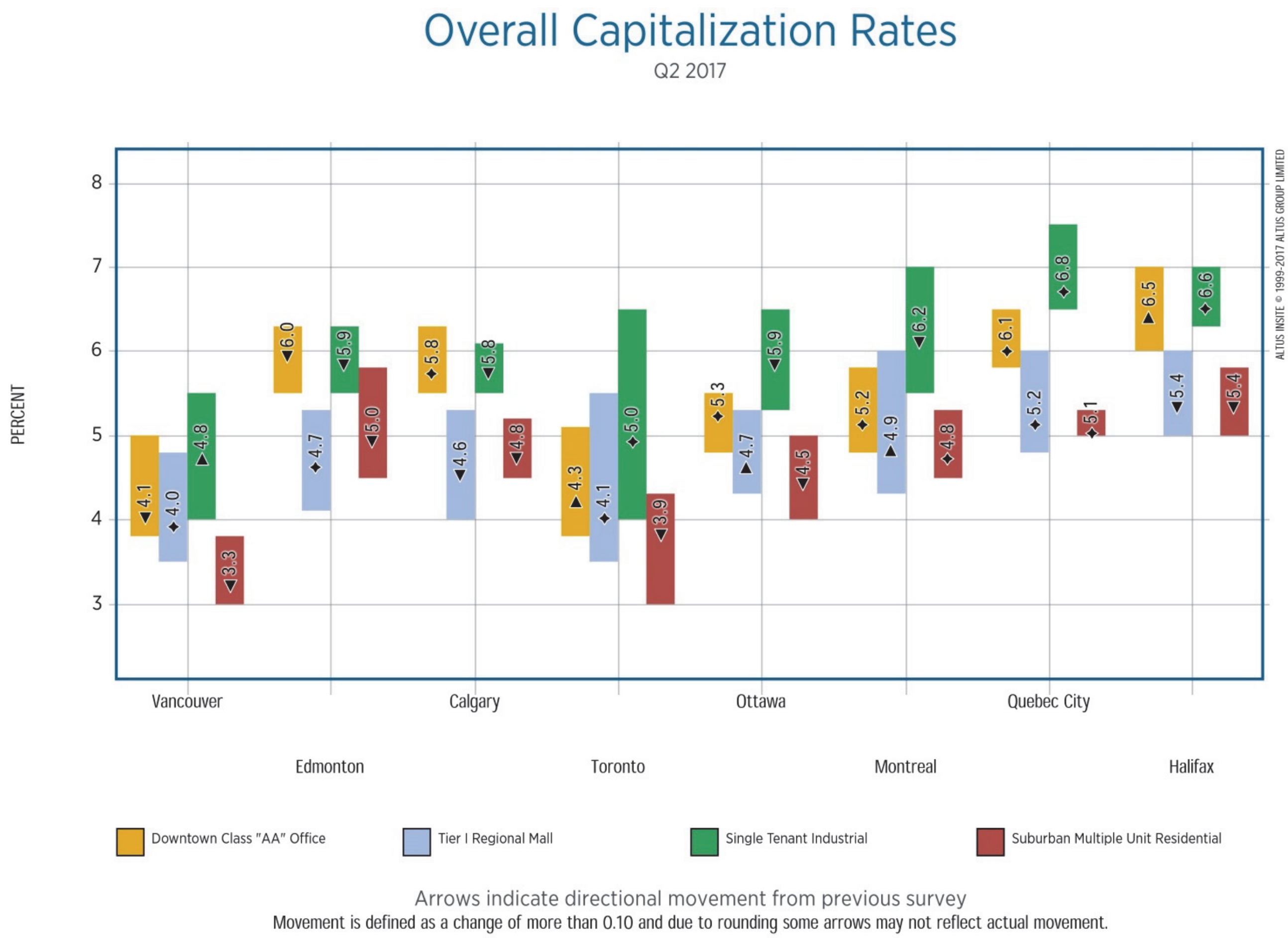
The latest results from the Investment Trends Survey for the 4 Benchmark asset classes show the average Overall Capitalization Rate (OCR) at 5.15% in Q2 2017, down slightly from 5.19% in Q1 2017 and 19 basis points lower than a year ago. The cap rate for the benchmark office property ticked up marginally, while multi-unit residential posted the largest quarter-to-quarter decline. The retail and industrial benchmark properties posted moderate declines.



Source: Altus Group

Market highlights for the quarter include:

- **Overall cap rates moved down in 6 of the 8 markets.** Montreal and Quebec City were the exceptions, with both markets holding steady.
- **The Calgary overall cap rate had its largest decline in 3½ years** (moving down 10 basis points to 5.25%).
- **The declines in the overall cap rate that had been occurring in Vancouver and Toronto came to a virtual halt in Q2 2017**, although overall cap rates are about 30 basis points lower in each market compared to a year ago. Quarter-to-quarter, cap rates were down for multi-unit residential (both markets) and office (Vancouver), but for other asset classes cap rates remained stable or were up slightly.



Other highlights for Q2 2017 include:

- **Canadian investors remain on average in a "buy" mode**. Of the 128 combinations of products and markets covered, 69 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), 57 a negative momentum ratio and 2 were neutral. Vancouver Tier 1 Regional Malls and Vancouver Industrial Land showed the most positive momentum.
- **The availability of equity for real estate has improved over the past year, according to ITS respondents**, with a larger proportion this year categorizing it as "very good" or "excellent".
- The **expected development yield to stimulate new rental construction was up in Toronto** compared to last year.

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.