Research &
Forecast Report

CANADA
CAP RATE REPORT

Second Quarter 2020

Colliers INTERNATIONAL

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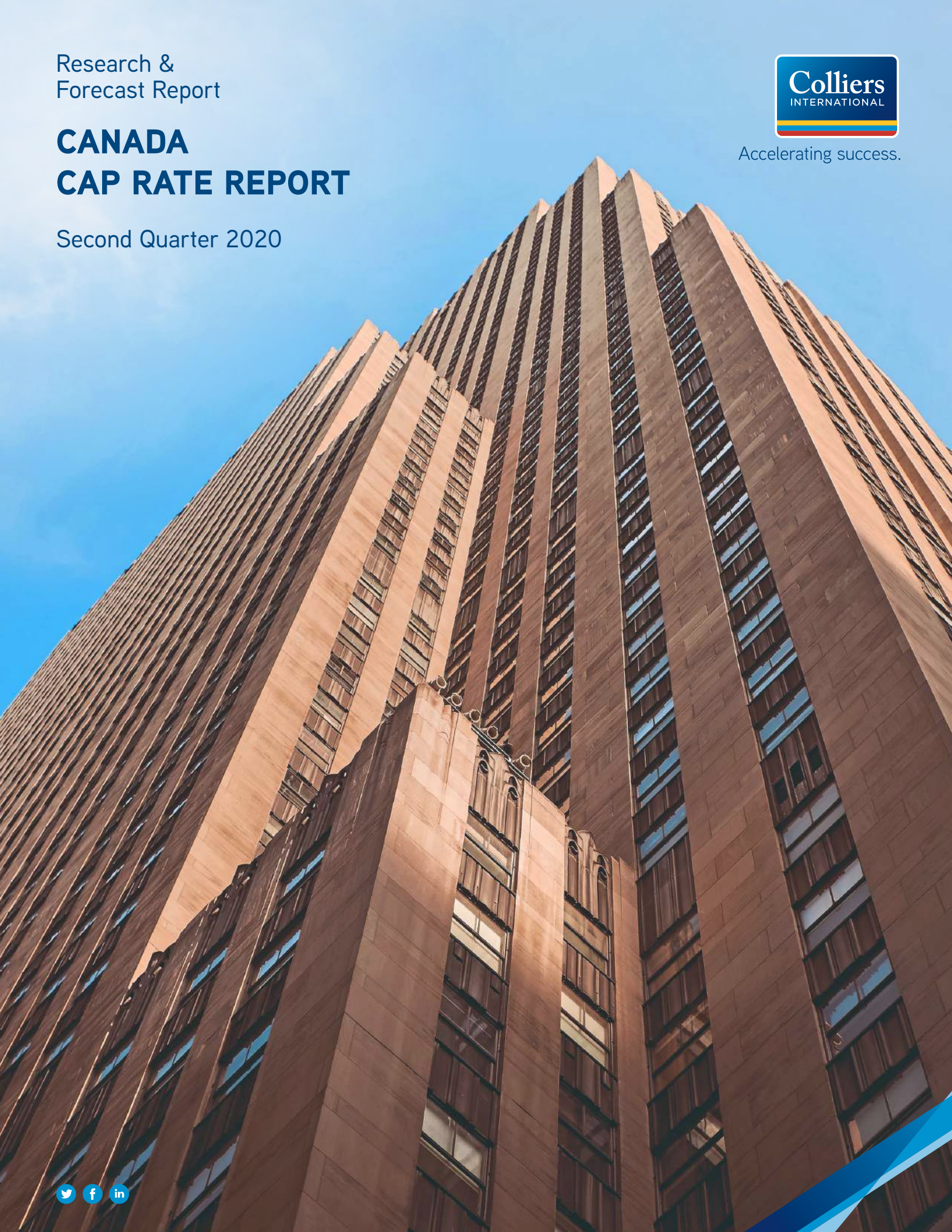

Remarks on COVID-19

At the start of the second quarter the global pandemic was still in its infancy within Canada, but it had already drastically altered our way of life with shutdowns and restrictions being implemented across the country. Throughout much of April and May the commercial real estate industry collectively struggled to make sense of what the pandemic meant for all forms of users, tenants, investors, lenders, service providers, and asset classes. As the quarter progressed the initial shock and fear of the pandemic slowly began to subside as we settled into our new normal and became accustomed to the widespread changes in daily life and throughout the industry.

At the start of the quarter there was considerable time and energy spent on cash flow and value preservation by owners and managers across the country. Retaining tenants was understandably high priority for most landlords, and as a result, many rent deferrals were reviewed and negotiated during April and May to get the hardest hit tenants over the initial hurdle. It was therefore no surprise that investment activities took a backseat to proactive management of existing assets by both sellers and buyers. Consequently, deal volumes across the entire country took a substantial dip during the quarter as overall sales activity declined by 43% from Q1 and a staggering 62%from the same quarter last year. We anticipate activity to diminish even further in Q3 as the market typically lags, and the effects from Q1 and Q2 start to appear.

Looking ahead, it's unlikely that markets will see any substantial pickup in 2020 and it may not be until 2021 by the time we see volumes escalate back towards pre-COVID levels. This will be a result of atypical sale logistics, financing, and depleted buyer pools presenting themselves as ongoing challenges to sellers at least in the short term. Furthermore, buyers who do come to the table will most likely require longer due diligence periods and place increased scrutiny on the assets and more importantly the existing tenant base. If an asset does still present a strong case, financing may remain an issue for buyers as more scrutiny is also placed on them by lenders. The one mitigating factor seems to be that buyers who do have strong existing relationships with lenders are seemingly able to lock in financing at pre-COVID rates, or in some cases even better. This should help keep values for core product relatively buoyant throughout the remainder of the year.

With so few transactions taking place it will be hard to define the new boundaries of pricing metrics (particularly on the low side) as there likely won't be enough sales in the short term to definitively identify this. Also, no two sales will be painted with the same brush as may have been the case previously to some extent. It is also clear that there remains a large gap in expectations from both buyers and sellers. While trades will still be completed during this unique time it will take very understanding and rational parties on both sides to navigate their way through the new transactions process.

HOTELS Q2 2020 CAP RATE REPORT

The hotel sector continues to be one of the most effected real estate classes from the current crisis however, the second quarter saw some early indicators of recovery alongside national easing of COVID-19 restrictions. With current market conditions, transaction activity in the traditional segment of the market was muted as sellers opted to hold assets. With the lack of normalized operating data and investment activity, hotel cap rate ranges will remain suspended in the interim. Colliers Hotels remains committed to supporting the lodging community with a variety of resources including our recently released webinar State of the Industry – 90 Days Later and upcoming INNvestment Canada Q2 Hotel Report.

TORONTO

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Q2 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
3.75%	4.75%	4.50%	5.50%	◆	◆

SUBURBAN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.50%	6.25%	6.00%	6.75%	◆	◆

INDUSTRIAL

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
3.75%	4.75%	4.50%	5.50%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY/COMMUNITY		NEIGHBOURHOOD/STRIP		Q3 2020 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
4.25%	5.00%	5.25%	6.00%	4.75%	5.75%	▲	▲	▲

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
3.50%	4.50%	3.00%	4.00%	◆	◆

WHAT'S TRENDING

The second quarter of 2020 likely saw the last batch of transactions close that were negotiated from earlier in the year. Overall, total sales volumes for the quarter were significantly off as there was a 48% decrease from the same quarter last year. Despite the slowdown there were still some notable deals completed during the three month period.

In the office sector, the 50% purchase of the Waterfront Innovation Centre by BentallGreenOak from Menkes represented one of the more significant transactions of the quarter. The roughly 475,000 square foot office building is currently under construction in the South Core and is 71% pre-leased to WPP and MaRS.

While the Toronto office market remains the strongest market in North America the amount of sublease space being brought online should be taken into consideration. In the three months from March to May the Toronto Downtown market doubled the amount of sublease space available. While it hasn't resulted in a material change in vacancy rates to this point it is expected that this trend will continue and could add pressure to rental rates moving forward.

In the apartment sector, Timbercreek closed on a nine building portfolio entirely located in Toronto. The aggregate purchase price was just over $143 million and consisted of 509 units with a weighted average price per unit of just over $280,000. Overall the resiliency of the apartment sector in the GTA has been quite strong and it is expected to remain a top performer among commercial real estate investments.

MONTREAL

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Q2 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
4.50%	5.50%	5.25%	6.00%	◆	▲

SUBURBAN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.00%	7.00%	6.75%	7.50%	▲	▲

INDUSTRIAL

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.00%	5.75%	5.50%	6.50%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY/COMMUNITY		NEIGHBOURHOOD/STRIP		Q3 2020 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
5.25%	6.50%	6.25%	7.00%	7.00%	7.75%	▲	▲	▲

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
3.00%	4.25%	4.00%	5.00%	◆	◆

WHAT'S TRENDING

With the second quarter behind us, the Montreal market is in the midst of a cautious yet optimistic return to business with the provincial government easing restrictions for most businesses and economic activity. In terms of the Montreal real estate market, it is anticipated that landlords/owners shall pull back from the market and take a wait and see approach to see what the market will bear in the near future.

On the retail side two notable sales occurred in the first half of 2020. A retail portfolio of three shopping centres with a capitalization rate of 6.25%, and a smaller community mall which traded at a 6.52% cap.

In the Industrial sector we saw continued activity in the first half of 2020, with the sale of a larger downtown loft-office portfolio of 279, 263 SF trading at a cap of 4.95% and a second portfolio transaction of 660,086 SF trading at a capitalization rate of 5.15%. In addition, a lager freestanding industrial building with 119,808 SF traded at a cap rate of 5.62%

The multi-family market saw a variety of transactions of smaller mid-market properties with capitalization rates in the low 4.00% range. The smallest segment of the market, low rise multi-family experienced even more compression with smaller sized transactions trading in the 3.00% to 3.75% range.

In the office market with most office buildings in lockdown, and non-essential services forced to tele-commute and work from home, very little new activity was evidenced. Two major sales were observed in the first quarter of 2020; notably Montreal's World Trade Centre, a 568,0623 SF project located in Old Montreal, as well as 1100-1150 Rene Levesque, a 567,722 SF downtown office building.

CALGARY

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Q2 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.00%	7.00%	7.00%	9.00%	▲	▲

SUBURBAN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.25%	7.00%	7.00%	8.50%	▲	▲

INDUSTRIAL

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.25%	6.25%	5.50%	7.00%	▲	▲

RETAIL

REGIONAL / POWER		GROCERY/COMMUNITY		NEIGHBOURHOOD/STRIP		Q3 2020 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
5.25%	6.00%	5.25%	6.00%	5.50%	6.50%	▲	▲	▲

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
4.00%	4.75%	4.25%	5.25%	◆	◆

WHAT'S TRENDING

Investments in Calgary real estate has been muted, and as expected no material trades have occurred in the past three months. Investors continue to be cautious about the health of the Oil & Gas industry and impact of COVID-19 and what that may mean to real estate values. On a brighter note, WTI pricing has steadily climbed since the historic lows experienced in April and Oil has been trading near $40 a barrel for most of June. As businesses start to slowly reopen and the broader economy begins to pick up, it is predicted that real estate transaction volume will increase. It is the general sentiment from the brokerage community that activity will pick up for the remainder of the year but pricing is still a big question mark.

In Calgary, both lender and investors are taking a much more thorough look at tenant composition and assets with higher exposure to the Oil & Gas market are much less desirable. As was the case at the end of Q1, the absence of any substantial real estate transactions leaves the impact of depressed economic conditions largely unknown however a clearer picture is likely to materialize as the year continues.

VANCOUVER

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Q2 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
3.50%	4.50%	3.75%	4.50%	◆	◆

SUBURBAN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.00%	6.25%	5.50%	6.50%	▲	▲

INDUSTRIAL

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
3.75%	4.75%	3.75%	5.00%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY/COMMUNITY		NEIGHBOURHOOD/STRIP		Q3 2020 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
4.00%	5.75%	4.00%	5.75%	3.50%	5.50%	▲	▲	▲

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
2.75%	3.50%	2.75%	4.25%	◆	◆

WHAT'S TRENDING

COVID-19 has been with us for the first full quarter, but things often move at a more measured pace in real estate relative to the broader economy and equity markets. There has been an impact to the Vancouver market to be sure, but it will take more than one quarter to truly show up.

Rent collection and business closures were the main story for the retail asset class. Large transactions were limited, continuing the trend over seen over the last several quarters. A sizeable deal of note is Trenant Park Square, which is reportedly firm. Further transactions may yet close this year, as Ivanhoe Cambridge's announced plans to speed up its shift away from traditional shopping centres.

Allied REIT completed the acquisition of The Landing, a heritage office building in Gastown for over $220 million. The suburban office market saw the sale of Crestwood Corporate Centre and Commerce Court III and IV from GWL to a local private investor. GWL also sold a Class A office building in south Burnaby fully occupied by Ritchie Bros Auctioneers on a long-term lease for $75 million and a yield over 6 percent.

Industrial sales remained relatively active through the quarter as many properties play a part in the production and distribution of goods either in high demand or not negatively impacted by the pandemic. Social distancing requirements are also easier to implement due to smaller employee counts spread over greater area than most office and retail. There were no sizeable deals of note, with approximately six sales at or over the $10 million mark.

Apartment activity was somewhat muted compared to previous quarters as the current moratorium on evictions and rent increases brings challenges to the asset class. The biggest transactions of note were the acquisition of three Downtown hotels by the Province for social housing. The only other transaction over the $10 million market was Sea Place Apartments in the West End, at a 2.8% cap rate.

EDMONTON

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Q2 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.00%	7.00%	6.50%	7.50%	▲	▲

SUBURBAN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.25%	7.25%	6.75%	7.75%	▲	▲

INDUSTRIAL

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.75%	6.75%	6.25%	7.25%	▲	▲

RETAIL

REGIONAL / POWER		GROCERY/COMMUNITY		NEIGHBOURHOOD/STRIP		Q3 2020 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
5.50%	6.25%	5.50%	6.25%	5.75%	6.50%	▲	▲	▲

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
3.75%	5.00%	5.00%	6.25%	▲	▲

WHAT'S TRENDING

As expected, sales activity during the second quarter of 2020 was extremely slow in Edmonton. Only two transactions over $5M closed, both of which are believed to have been negotiated prior to the implementation of social distancing measures in March.

The retail sector has obviously been impacted the most by COVID-19 and this trend is likely to continue. Centres with high vacancy and struggling tenants will be in low demand and may only trade if purchasers are receiving a perceived discount. Centres with low vacancy and strong covenants may weather the storm and perform reasonably over the short-term. Significant increases in the retail market vacancy and decreases in tenant demand would likely impact nearly all retail assets placing upward pressure on capitalization rates.

The industrial, multi-family and office markets have been less impacted than retail to date. The performance of these assets classes in Edmonton over the next several years will largely be tied to the economic strength of the Province which in turn relies heavily on investment and activity in the energy sector. While industrial assets are expected to continue performing well in many markets this may not be the case in Edmonton, where industrial vacancy is above 7% and climbing.

The impact of COVID-19 on capitalization rates will become clearer during the latter half of 2020 and into 2021 as the situation progresses and more transactions are completed. Market sentiment varies considerably however many real estate professionals are forecasting negligible to mild capitalization rate increases for good quality assets.

OTTAWA

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Q2 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.00%	6.00%	6.00%	7.00%	◆	▲

SUBURBAN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.25%	7.00%	7.00%	7.75%	▲	▲

INDUSTRIAL

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.00%	6.50%	5.50%	6.50%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY/COMMUNITY		NEIGHBOURHOOD/STRIP		Q3 2020 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
5.00%	6.00%	6.00%	6.50%	6.00%	7.00%	▲	▲	▲

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
4.25%	4.75%	4.25%	5.25%	◆	◆

WHAT'S TRENDING

The second quarter of the Ottawa commercial real estate market was one of uncertainty though was not absent of market activity. Though a large number of transactions were paused or dropped as a result of COVID-19 there are a number of examples of transactions which moved forward in the midst of the pandemic. These buyers, considered the risks and ultimately decided proceeding with the acquisition was prudent. The vast majority of transactions that did occur in Q2 were in fact negotiated and firm prior to the onset of the pandemic but there continues to be significant demand for high quality and or well tenanted office and industrial buildings throughout Ottawa. Further, demand for residential land and apartment buildings appears to have increased with the onset of the pandemic. With that, few new assets have been offered for sale in the last 3 months though it is expected that as the situation continues to stabilize some assets will be offered for sale in September of 2020.

The retail market will remain the greatest question mark in Ottawa. National retailers continue to close, while numerous restaurants have permanently closed as a result of the pandemic. It is our expectation that potential purchasers will become much more risk adverse as it relates to retail and office assets while demand for multi-family and industrial assets will increase as traditional office and retail owners look to diversify their holdings.

When looking at Ottawa commercial real estate with a medium term lens many are cautiously optimistic given the recent announcement of the $343 Billion deficit for 2020. Austerity measures are not expected to occur in the short term, though inevitably the federal government will have to scale back spending and this may negatively impact the Ottawa commercial real estate market.

WINNIPEG

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Q2 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.50%	6.25%	6.00%	6.75%	◆	◆

SUBURBAN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
-	-	6.00%	6.75%	◆	◆

INDUSTRIAL

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.25%	7.00%	6.25%	7.00%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY/COMMUNITY		NEIGHBOURHOOD/STRIP		Q3 2020 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
6.00%	6.50%	6.00%	6.75%	6.00%	6.75%	◆	◆	◆

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
5.00%	6.00%	5.00%	6.00%	◆	◆

WHAT'S TRENDING

When Winnipeg began to shut down due to COVID-19 the transaction volume of commercial real estate quickly came to a standstill. The uncertainty of the economy scared investors and deals that were in progress came to a halt. Fast forward to today and Winnipeg is experiencing very few new COVID-19 cases each week and transaction volume in commercial real estate is beginning to increase.

Industrial and multi-family sectors are handling the COVID-19 crisis the best with office and retail likely to experience increased vacancy rates in the coming quarters. In terms of cap rates few transactions, if any, have occurred over the last couple months to show where cap rates are currently.

With lower interest rates occurring due to COVID-19 we've seen a large amount of new construction projects occurring and our prediction is that cap rates will remain relatively stable. Increased vacancy rates for office and retail properties could lead to higher cap rates in those sectors; however it will take more time and more transactions to see how the rest of 2020 will play out.

HALIFAX

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Q2 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.25%	7.25%	7.25%	8.25%	◆▸	◆▸

SUBURBAN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.50%	7.25%	7.25%	8.25%	◆▸	◆▸

INDUSTRIAL

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.25%	6.75%	6.75%	7.50%	◆▸	◆▸

RETAIL

REGIONAL / POWER		GROCERY/COMMUNITY		NEIGHBOURHOOD/STRIP		Q3 2020 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
5.50%	6.25%	7.00%	8.00%	6.25%	7.50%	◆▸	◆▸	◆▸

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
4.50%	4.85%	4.50%	5.00%	◆▸	◆▸

WHAT'S TRENDING

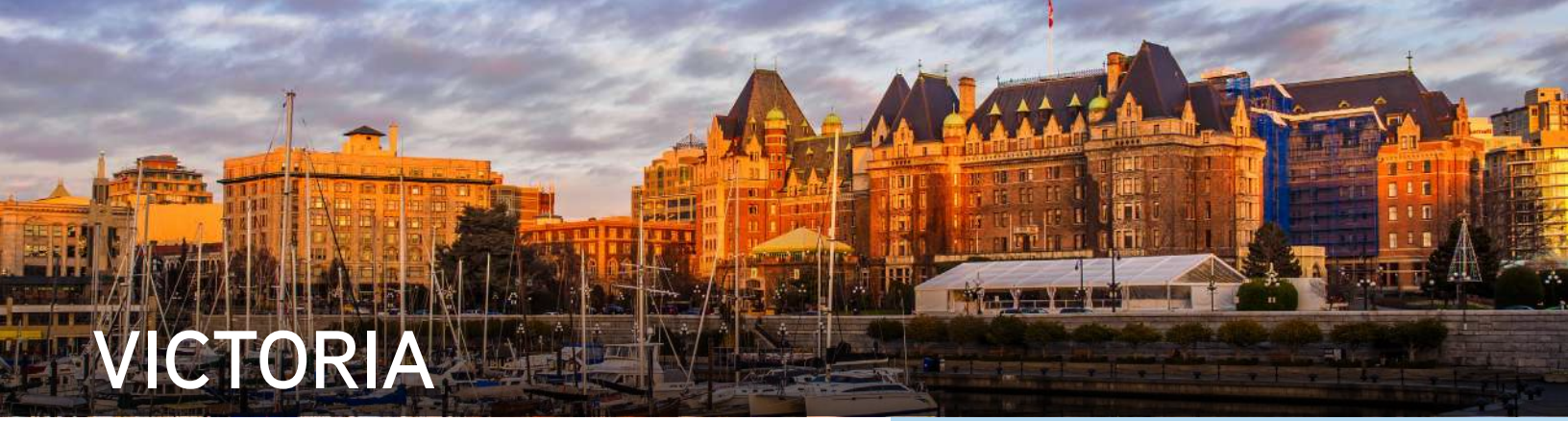
As of early July Atlantic Canada appears to have fared better than other parts of the country, as there are presently 8 active COVID-19 cases reported. On July 3rd, the region implemented the "Atlantic Bubble" permitting open travel between the four Atlantic Provinces, not requiring quarantine periods for travelers.

COVID-19 has been a game change and the results on financial and real estate markets will be felt for successive quarters. The impact on value multiples have yet to be established.

Predictably there haven't been many post-COVID sale transactions across all sectors. Markets remain largely idle – almost in a state of freeze. It is safe to say that liquidity has been impacted – but a material decline in asset values resulting from cap rate expansion, for quality real estate is not yet evident. Future data may show otherwise. It is hopeful that by Q3 we see a few post-COVID sales close. However, the threat of a second wave could inflict more damage on the economy and on some classes of real estate – most notably retail and hospitality.

We are monitoring rent deferrals carefully and are softening many of the variables in value models including bad debt allowances, vacancy in place vs. stabilized, turnover vacancy loss, and suspension of rent growth in the near term. All factors that in many cases can lead to some softening of values.

It is a poor time to take assets to market as the broadest exposure to potential buyers is not possible as many traditional investors will remain on the sidelines waiting this out. Public companies and REITs will remain cautious throughout the remainder of the year and into 2021, until such time that a vaccine is discovered. At some point private equity and pension fund activity will emerge as demand generators, potentially capitalizing on favourable acquisitions (higher cap rates) as some private and public owners shore up balance sheets in a defensive move to preserve capital for operations, including maintaining distributions.



VICTORIA

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Q2 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.00%	5.25%	5.25%	5.50%	▲	▲

SUBURBAN OFFICE

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.25%	5.50%	5.50%	5.75%	▲	▲

INDUSTRIAL

CLASS A		CLASS B		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.00%	5.25%	5.25%	5.50%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY/COMMUNITY		NEIGHBOURHOOD/STRIP		Q3 2020 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
5.25%	5.50%	5.25%	5.50%	5.25%	5.50%	▲	▲	▲

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q3 2020 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
4.00%	4.25%	4.25%	4.50%	◆	◆

WHAT'S TRENDING

During the second quarter of 2020, the COVID-19 pandemic continued to affect the Greater Victoria market. As cases of the pandemic peaked locally then began a slow decline confidence in the market reflected the general sentiment. As government controls on social distancing continue, a multiphase reopening of the local market is now in effect. Market capitalization rates may continually be adversely affected, with upward pressure on overall expected investment returns on some asset classes, depending on the consumer reaction of the phased approach of the reopening of the economy.

Several transactions were reported on hold; however the following were noted. At the beginning of the quarter, the $3.45M sale of the office property at 1609 Fort Street was purchased as an owner-occupier by an existing tenant thus the low 4% capitalization rate does not represent a market typical rate for this asset class. No significant industrial transactions are noted for this quarter. The sale of Pluto's restaurant at 1150 Cook Street was essentially a redevelopment play for a future condominium development currently in for rezoning by the City of Victoria.

As part of the City of Victoria strategy to address supportive housing shortages, and taking advantage of the impact COVID-19 has had on the hotel sector, two significant properties were acquired by the Province of BC during this quarter. 3020 Blanshard Street was purchased for $18.5M, and 1900 Douglas Street was purchased for $14M.

The most significant transaction this quarter is the $60M Ledcor sale of two five storey purpose built multifamily rental buildings totaling 156 units at Belmont Market to Halifax based Killam REIT. The buildings occupy an airspace parcel and have ground level retail that were not part the transaction. The capitalization rate was 4.65%, more or less.

The second quarter of 2020 indicates overall confidence in the Greater Victoria investment market, and also for the third quarter of 2020, pending the unknown impact of the current conditions relating to COVID-19.

SUMMARY

DOWNTOWN OFFICE

MARKET	CLASS A		CLASS B		Q3 2020 PREDICTION	
CITY	LOW	HIGH	LOW	HIGH	A	B
Vancouver	3.50%	4.50%	3.75%	4.50%	◆	◆
Calgary	6.00%	7.00%	7.00%	9.00%	▲	▲
Edmonton	6.00%	7.00%	6.50%	7.50%	▲	▲
Toronto	3.75%	4.75%	4.50%	5.50%	◆	◆
Ottawa	5.00%	6.00%	6.00%	7.00%	◆	▲
Montreal	4.50%	5.50%	5.25%	6.00%	◆	▲
Winnipeg	5.50%	6.25%	6.00%	6.75%	◆	◆
Halifax	6.25%	7.25%	7.25%	8.25%	◆	◆
Victoria	5.00%	5.25%	5.25%	5.50%	▲	▲

SUBURBAN OFFICE

MARKET	CLASS A		CLASS B		Q3 2020 PREDICTION	
CITY	LOW	HIGH	LOW	HIGH	A	B
Vancouver	5.00%	6.25%	5.50%	6.50%	▲	▲
Calgary	6.25%	7.00%	7.00%	8.50%	▲	▲
Edmonton	6.25%	7.25%	6.75%	7.75%	▲	▲
Toronto	5.50%	6.25%	6.00%	6.75%	◆	◆
Ottawa	6.25%	7.00%	7.00%	7.75%	▲	▲
Montreal	6.00%	7.00%	6.75%	7.50%	▲	▲
Winnipeg	N/A	N/A	6.00%	6.75%	◆	◆
Halifax	6.50%	7.25%	7.25%	8.25%	◆	◆
Victoria	5.25%	5.50%	5.50%	5.75%	▲	▲

SUMMARY

INDUSTRIAL

MARKET	CLASS A		CLASS B		Q3 2020 PREDICTION	
CITY	LOW	HIGH	LOW	HIGH	A	B
Vancouver	3.75%	4.75%	3.75%	5.00%	◆	◆
Calgary	5.25%	6.25%	5.50%	7.00%	▲	▲
Edmonton	5.75%	6.75%	6.25%	7.25%	▲	▲
Toronto	3.75%	4.75%	4.50%	5.50%	◆	◆
Ottawa	5.00%	6.50%	5.50%	6.50%	◆	◆
Montreal	5.00%	5.75%	5.50%	6.50%	◆	◆
Winnipeg	6.25%	7.00%	6.25%	7.00%	◆	◆
Halifax	6.25%	6.75%	6.75%	7.50%	◆	◆
Victoria	5.00%	5.25%	5.25%	5.50%	◆	◆

RETAIL

MARKET	REGIONAL / POWER		GROCERY / COMMUNITY		NEIGHBOURHOOD / STRIP		Q3 2020 PREDICTION		
CITY	LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
Vancouver	4.00%	5.75%	4.00%	5.75%	3.50%	5.50%	▲	▲	▲
Calgary	5.25%	6.00%	5.25%	6.00%	5.50%	6.50%	▲	▲	▲
Edmonton	5.50%	6.25%	5.50%	6.25%	5.75%	6.50%	▲	▲	▲
Toronto	4.25%	5.00%	5.25%	6.00%	4.75%	6.00%	▲	▲	▲
Ottawa	5.00%	6.00%	6.00%	6.50%	6.00%	7.00%	▲	▲	▲
Montreal	5.25%	6.50%	6.25%	7.00%	7.00%	7.75%	▲	▲	▲
Winnipeg	6.00%	6.50%	6.00%	6.75%	6.00%	6.75%	◆	◆	◆
Halifax	5.50%	6.25%	7.00%	8.00%	6.25%	7.50%	◆	◆	◆
Victoria	5.25%	5.50%	5.25%	5.50%	5.25%	5.50%	▲	▲	▲

SUMMARY

MULTIFAMILY

MARKET	HIGH-RISE		LOW-RISE		Q3 2020 PREDICTION	
CITY	LOW	HIGH	LOW	HIGH	H	L
Vancouver	2.75%	3.50%	2.75%	4.25%	◆	◆
Calgary	4.00%	4.75%	4.25%	5.25%	◆	◆
Edmonton	3.75%	5.00%	5.00%	6.25%	▲	▲
Toronto	3.50%	4.50%	3.00%	4.00%	◆	◆
Ottawa	4.25%	4.75%	4.25%	5.25%	◆	◆
Montreal	3.00%	4.25%	4.00%	5.00%	◆	◆
Winnipeg	5.00%	6.00%	5.00%	6.00%	◆	◆
Halifax	4.50%	4.85%	4.50%	5.00%	◆	◆
Victoria	4.00%	4.25%	4.25%	4.50%	◆	◆

16 offices
100 professionals

Across Canada

5,000+
Appraisals per year

1,500
Tax Appeals per year

71
Net Promoter Score ®

Colliers has certified NPS® professionals who ensure the right business processes and systems are in place to deliver real-time information to employees, so they can act on customer feedback and achieve results. Our current NPS score is 71. To put our score in context, the average score of a professional service company across North America is 10.

REGIONAL AUTHORS:

Toronto: Tim Loch | Senior Director, Greater Toronto
Montreal: James Gang | Managing Director, Montreal
Calgary: Mark Berestiansky | Managing Director, Calgary
Vancouver: James Glen | Vice President, Vancouver
Edmonton: Joel Andresen | Managing Director, Edmonton
Ottawa: Oliver Tighe | Managing Director, Ottawa
Winnipeg: Rob Preteau | Senior Associate, Winnipeg
Halifax: Mitch Wile | Managing Director, Halifax
Victoria: Andrew Buhr| Associate, Victoria

About Colliers Valuation & Advisory Group

The Colliers International Valuation & Advisory Services group in Canada combines extensive industry knowledge with advanced technology to provide you with highly efficient service and creative solutions. We have more than 90 professionals in 11 locations including Toronto, Montreal, Vancouver, Calgary, Edmonton, Ottawa, Winnipeg, Halifax, Niagra Falls, Victoria and Kelowna.

Colliers International Valuation & Advisory Services offers a full range of services including valuation, property tax consulting and advisory services. The team also offers customized valuations for specialty real estate including hotels, resorts and multi-residential developments. From a single commercial asset to a national portfolio of properties, we provide you with accurate and timely information that will help you better understand the value of your assets and make business decisions accordingly.

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