Research &
Forecast Report

CANADA CAP RATE REPORT

Fourth Quarter 2020

Colliers INTERNATIONAL

Accelerating success.

Remarks on COVID-19

The fourth quarter of 2020 brought a resurgence in COVID-19, resulting in a second round of increased restrictions to many parts of the country. While the COVID vaccine began being rolled out across Canada and the globe, uncertainty remains, specifically in relation to the office market and how work from home and hub and spoke workplace strategies will impact the future of office demand, but also in regards to the retail sector and the many suffering retailers and restaurants that have been forced to curtail operations once again. What is certain is that investors continue to search for yield and commercial real estate remains highly appealing, especially in today's low interest rate environment. As a result, commercial real estate investment activity saw a return in key markets, and we continue to see many players with significant capital sitting on the sidelines and searching for opportunities. At this point in the pandemic, commercial real estate assets can be split between the strong and in demand sectors of industrial and multifamily, and the uncertainty that prevails in the office and retail sectors.

In the office sector this uncertainty boils down to what the return to the office looks like. With so many companies realizing that they can remain relatively productive while working from home, they are now trying to balance employee desires to continue working from home and the cost savings of not dedicating office space for them, with the inefficiency of working from home as well as the desire of other employees to come back to the office. Ultimately the drive for efficiency will win out, but flexible work from home arrangements will allow companies to bring staff back to the office in a safe and more spaced-out manner. The future of the office market is also dependent on the acceleration of young professionals moving to the suburbs and smaller markets. With more people in the suburbs and avoiding public transit, a mass return to downtown offices will result in traffic and parking mayhem, which will fuel a desire for the hub and spoke workplace strategy. Early signs of this shift in fortunes is showing up in vacancy rates, with the national downtown vacancy now above national suburban vacancy due to an influx of downtown sublet space. This has already started to create some downward pressure on market rents, however, despite these changing dynamics, core office product will remain in high demand across key markets.

With many retailers and restaurants suffering under lockdown orders, the retail sector in general continues to struggle. While some markets and asset sub-types are still performing quite well, a lot of smaller stores and street front retailers continue to struggle, and with the second wave hitting right before the all important holiday shopping season, there is significant added pressure on this sector. There is limited transaction activity currently, and this is not expected to change until there is further certainty surrounding the trajectory of the pandemic and the economy, or landlord distress begins to take hold.

On the other end of the spectrum are the multifamily and industrial sectors. Despite rising vacancy and falling rents in downtown markets, multifamily assets continue to perform relatively well in general, and the outlook remains promising once immigration and household formation picks up again post-COVID. Furthermore, industrial assets continue to perform well, with demand fueled by e-commerce fulfillment tenants, dark kitchens, and even manufacturing. The biggest problem facing the industrial sector in most markets is the inability of new supply to keep up with demand. As a result, investment demand continues to increase in these sectors, specifically for assets that can be redeveloped or intensified, and this is being compounded by the shift in lender preference and lower overall interest rates for these asset types.

National average cap rates for these sectors has followed suit, with the retail average cap rate and downtown office average cap rate both up almost 25 basis points (bps) since year-end 2019, reaching 5.89% and 6.23%, respectively, at year-end 2020, whereas the suburban office average is up only 11 bps over the same period to 6.79%. The multifamily and industrial average cap rate are both down year-over-year, with multifamily down 10 bps to 4.10% at year-end 2020, and industrial down 20 bps to 5.29%. Yield-seeking investors continue to see the unique opportunity presented to them with commercial real estate, particularly because of the spread between the aforementioned cap rates and the relatively risk free government of Canada 10-year bond yield, which ended 2020 at 0.675%, and because commercial mortgage rates remain at historically low levels.

HOTELS Q4 CAP RATE REPORT

Challenging hotel operating conditions continued into Q4 as a second wave of COVID-19 brought renewed travel restrictions and shelter in place orders across the country. Hotel transaction volume reached approximately $865 million in 2020, cut in half from 2019 levels with 50% arising from acquisitions for alternate use. Given the lack of normalized operating data and investment activity, hotel cap rate ranges will remain suspended for Q4 2020.

Colliers Hotels will be releasing several new resources including the Q4 2020 edition of *INNvestment Canada* in late January showcasing a feature article from the **Hotel Association of Canada** on government liquidity programs as well as the *2021 Canadian Hotel Investment Report* in March.

TORONTO

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Q4 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
3.75%	4.75%	4.50%	5.50%	◆	◆

SUBURBAN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.75%	6.75%	6.25%	7.25%	◆	◆

INDUSTRIAL

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
3.75%	4.50%	4.50%	5.25%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY / COMMUNITY		NEIGHBOURHOOD / STRIP		Q1 2021 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
4.25%	5.25%	5.25%	6.25%	4.75%	6.00%	▲	▲	▲

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
3.00%	4.00%	3.00%	4.00%	◆	◆

WHAT'S TRENDING

- The continued negative absorption in the office market added further downward pressure to rental rates in the financial core during Q4 while suburban markets held relatively steady for the time being.
- Despite this, a number of office sale transactions occurred during the quarter in suburban markets across the GTA. However, overall pricing has indicated some softening in capitalization rates and prices per foot for this type of product which is to be expected as cash flows tighten up in the near term.
- Continued e-commerce reliance has further increased demand for warehousing and distribution space throughout the GTA. While this didn't directly translate into any substantial movement in rents or availability during the fourth quarter, average sales prices have increased substantially on a year over year basis. A combination of very strong investor demand and low interest rates for industrial assets has pushed the average sale price above $200 per square foot in the GTA.
- The multi-family sector has been relatively insulated from the overall effects of the pandemic compared to other assets, however there are likely tougher times ahead as vacancy increases and guideline rent increases are frozen in 2021.

MONTREAL

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Q4 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
4.50%	5.50%	5.25%	6.00%	◆	▲

SUBURBAN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.00%	7.00%	6.75%	7.50%	◆	◆

INDUSTRIAL

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
4.00%	4.50%	4.50%	5.00%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY / COMMUNITY		NEIGHBOURHOOD / STRIP MALL		Q1 2021 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
5.25%	6.50%	6.00%	7.00%	7.00%	7.75%	◆	◆	◆

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
3.00%	4.25%	4.00%	5.00%	◆	◆

WHAT'S TRENDING

- There has been a tendency towards short-term lease renewals for office tenants due to increased uncertainty in this sector. This has also led to limited sales volumes as owners are taking a wait and see attitude as well. Despite this, cap rates are anticipated to remain stable until sales volumes increase.
- Industrial product has continued to remain a favourite asset class among investors which has led to continued compression of cap rates due to a limited supply of assets for sale. Rents in this sector are continuing to experience growth due to extremely low vacancy rates.
- Retail assets are anticipated to encounter more headwinds after the fourth quarter and the possibility of additional bankruptcies and store closures may impact overall stability in the retail asset class.
- Multifamily properties are sought after, with sales volumes increasing quarter after quarter which is compressing cap rates further. New construction has also increased with several new projects anticipated to be delivered in 2021.

CALGARY

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Q4 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.00%	7.00%	7.00%	9.00%	▲	▲

SUBURBAN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.25%	7.00%	7.00%	8.50%	▲	▲

INDUSTRIAL

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.25%	6.25%	5.50%	7.00%	▲	▲

RETAIL

REGIONAL / POWER		GROCERY / COMMUNITY		NEIGHBOURHOOD / STRIP		Q1 2021 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		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
4.00%	4.75%	4.25%	5.25%	◆	◆

WHAT'S TRENDING

- As expected, transaction volume in Q4 was relatively muted as large investors were cautious about the health of the Alberta economy and the impact of COVID-19. There were no arm's length office, retail, or multi-family trades over $10 MIL in Q4, and only 2 industrial trades that exceeded that benchmark. The overall health of the Multi-family and Industrial market remained stronger than the office and retail sectors which were more greatly impacted by restrictive shut down measures.
- Discussions with market participants suggests that interest from investors had increased in Q4 and the expectation for 2021 was more optimistic.

VANCOUVER

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Q4 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
3.50%	4.50%	3.75%	4.50%	◆	◆

SUBURBAN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.00%	6.25%	5.50%	6.50%	◆	◆

INDUSTRIAL

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
3.75%	4.75%	3.75%	5.00%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY / COMMUNITY		NEIGHBOURHOOD / STRIP		Q1 2021 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		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
2.75%	3.50%	2.75%	4.25%	◆	◆

WHAT'S TRENDING

- Retail has continued to trade despite multiple stresses witnessed by fashion and full service restaurant tenancies – London Plaza sold for $57 million and a 5.3% cap, Delta Shoppers Mall sold for over $34 million and over a 5.0% cap and Penticton Plaza in the Okanagan also sold at a sub-6% cap rate
- Capital chases industrial assets – Northwoods Business Park 5 & 6 was acquired by Nicola Crosby for over $40 million and over $500 per square foot. South Surrey Business Park, a brand new 720,000+ square foot development was acquired by Crestpoint as part of a larger $300 million transaction.
- Notable office transactions include Willingdon Park Building Phase VI in Burnaby for over $108 million and a cap rate over 5.5%, and the Block Building in South Granville, acquired by Concord Pacific for $28.6 million.
- Despite a freeze on rent increases until at least July 2021, multi-family continues to trade. MC2 near Marine Skytrain station on Cambie sold for $48.5 million and a 3.6% cap rate. Aqua at Plaza 88 in New Westminster represented the largest apartment sale of Q4 at 398 units and was acquired by Starlight Investments.

EDMONTON

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Q4 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.50%	7.75%	7.00%	8.50%	◆▸	◆▸

SUBURBAN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.50%	7.50%	7.00%	8.25%	◆▸	◆▸

INDUSTRIAL

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.75%	6.75%	6.25%	7.50%	◆▸	◆▸

RETAIL

REGIONAL / POWER		GROCERY / COMMUNITY		NEIGHBOURHOOD / STRIP		Q1 2021 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
6.00%	7.00%	6.00%	7.00%	6.00%	7.50%	▲	▲	▲

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
4.00%	5.00%	4.75%	5.75%	◆▸	◆▸

WHAT'S TRENDING

- The office market experienced negative net absorption of approximately 300,000 square feet during 2020. This caused a mild rise in vacancy levels and a greater perception of risk in the market. The largest office transaction in the Fourth Quarter was the sale of the 30-storey Canadian Western Bank Place to the Redstone Group for $96.4 million.
- The industrial market was also subject to negative absorption and rising vacancy levels. This was most evident within the Southeast Edmonton and Leduc/Nisku sub-markets. Still, there was brisk activity for smaller properties and a sizeable overall dollar volume. Cap rates for industrial properties appeared to rise through the quarter but should level off in the coming year.
- Retail cap rates increased during the latest quarter. After nine months of lockdown and numerous retail closures, income stream security has declined for shopping centres and provisions for vacancy and tenant inducements have increased. There was only one sale over $10 million during the quarter (Tamarack North).
- The Edmonton multi-family market was relatively quiet during the quarter after numerous larger sales that transacted earlier in the year. No sales over $2 million were registered. Capitalization rates increased slightly despite low interest rates. However, migration remains strong despite the weak economy so vacancy levels should remain unchanged.

OTTAWA

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Q4 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.25%	6.50%	6.50%	7.25%	▲	▲

SUBURBAN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.50%	7.25%	7.00%	7.75%	▲	▲

INDUSTRIAL

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.00%	6.50%	5.50%	6.50%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY / COMMUNITY		NEIGHBOURHOOD / STRIP		Q1 2021 PREDICTION		
LOW	HIGH	LOW	HIGH	LOW	HIGH	R	G	N
5.75%	6.75%	6.00%	6.75%	6.00%	7.00%	▲	▲	▲

MULTIFAMILY

HIGH-RISE		LOW-RISE		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
4.00%	4.75%	3.75%	4.75%	◆	◆

WHAT'S TRENDING

- Ottawa is seeing increased activity of owner user style industrial and office assets throughout the City. Demand in this space has increased in recent months with prices increasing as a result. Well tenanted large scale industrial assets also remain in high demand.
- The office market continues to struggle in the current environment, leasing activity is stalled given government guidelines surrounding COVID-19. Investor demand for office assets particularly those with vacancy is very low, given significant risk around leasing up vacant space. Office capitalization rates have and will continue to increase as a result.
- The multi-family market which has historically been resilient to any type of economic downturn is now feeling the effects of COVID-19. New projects are experiencing longer lease up periods and rental rates have leveled off after increasing aggressively over the past 24 months. This is primarily being driven by a lack of post-secondary students in the City resulting in increased vacancy. Further, fewer individuals are seeking to live near the Downtown core as the majority of Ottawa office occupants still have their staff working from home. We anticipate the multi-family market will recover in the short term as students will hopefully return to the City in September 2021.
- As with most Canadian cities the retail market is also struggling, retail vacancy continues to rise and retail rents will continue to decrease in the near term. There has been little transaction activity in this space with most buyer demand focused on grocery anchored (or other essential business anchored) assets.

WINNIPEG

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Q4 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.50%	6.25%	6.00%	6.75%	◆▸	◆▸

SUBURBAN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
N/A	N/A	6.00%	6.75%	◆▸	◆▸

INDUSTRIAL

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.25%	7.00%	6.25%	7.00%	◆▸	◆▸

RETAIL

REGIONAL / POWER		GROCERY / COMMUNITY		NEIGHBOURHOOD / STRIP		Q1 2021 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		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
5.00%	6.00%	5.00%	6.00%	◆▸	◆▸

WHAT'S TRENDING

- Transaction volume in Q2 and Q3 2020 were low but sales have begun to increase throughout Q4. It's expected that sales volume will continue to increase as we begin 2021.
- Demand for industrial and multi-family product remains strong with transaction volume for these property types beginning to approach normal levels. Multi-tenant industrial is currently in high demand as vacancy rates remain relatively low.
- Office and retail transaction volume remains low with very few significant transactions occurring throughout 2020. Vacancy for these property types will be what drives cap rates on a case by case basis.

HALIFAX

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Q4 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.25%	7.25%	7.25%	8.25%	◆▸	◆▸

SUBURBAN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.50%	7.25%	7.25%	8.25%	◆▸	◆▸

INDUSTRIAL

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
6.25%	6.75%	6.75%	7.50%	◆▸	◆▸

RETAIL

REGIONAL / POWER		GROCERY / COMMUNITY		NEIGHBOURHOOD / STRIP		Q1 2021 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		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
4.40%	4.65%	4.50%	4.75%	◆▸	◆▸

WHAT'S TRENDING

- Demand is returning for investment class real estate – although still reduced given the difficulty for out of Province buyers viewing properties and conducting due diligence.
- Multi-family residential, industrial and defensive retail (drug, bank, grocery) have demonstrated the greatest resiliency and NOI stability of all of the asset classes over the past year. These groups remain in high demand and there is a case that values have benefited from the COVID-19 situation.
- It is apparent that overall cap rates for the most defensive assets have held up – and even compressed – supported by otherwise strong market fundamentals and continued ultra-low interest rates. The impact on less secure asset classes such as hotel, office and non-anchored retail is yet to be determined.
- Another positive has been the resiliency of assets in secondary and also tertiary markets – areas of lower population density that have been less impacted by the spread of Covid-19. It is reasonable to expect such locations – which have traditionally warranted higher cap rate spreads (often reflecting NOI growth risks relative to larger market areas) may experience some "narrowing of the spread" as such assets in the primary markets become highly coveted and become more difficult (and more expensive) to acquire.

VICTORIA

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Q4 2020 CAP RATES

DOWNTOWN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.00%	5.25%	5.25%	5.50%	▲	▲

SUBURBAN OFFICE

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.25%	5.50%	5.50%	5.75%	▲	▲

INDUSTRIAL

CLASS A		CLASS B		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	A	B
5.00%	5.25%	5.25%	5.50%	◆	◆

RETAIL

REGIONAL / POWER		GROCERY / COMMUNITY		NEIGHBOURHOOD / STRIP		Q1 2021 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		Q1 2021 PREDICTION	
LOW	HIGH	LOW	HIGH	H	L
4.00%	4.25%	4.25%	4.50%	◆	◆

WHAT'S TRENDING

- During the close of 2020, general investment sentiment continued to be positive with strong market activity in some asset classes.
- COVID-19 remains a concern with unknown expedience of vaccine development and distribution, and government restrictions in place for essential travel; however; most businesses remain open in Victoria.
- Notable office market investment transactions were two deals totaling $34.725 million and the purchase of the Dogwood building by Nicola Wealth at 1219 Wharf representing a market leading low 5% capitalization rate.
- Limited industrial market transactions, but with persistently low vacancy rates and increasing demand, users are seeking build-to-suit options.
- Limited activity in retail the market with the viability of tenancies remaining the concern for landlords.
- With strong demand in the multifamily market, investors see continued value in the acquisition of both existing assets at capitalization rates in the expected low 4% range for new-build product and in the mid-to-upper 3% range for older assets representing rental appreciation, with a significant number of acquisitions of zoned and ready to develop land assemblies.
- As a farewell to the tumultuous year 2020, the early signs in the first quarter of 2021 indicate overall confidence in the Greater Victoria investment market will remain strong, but will be somewhat dependent on the outcome of the COVID-19 vaccine roll outs and a measured reduction in government restrictions.

Canada Cap Rate Report

DOWNTOWN OFFICE

MARKET	CLASS A		CLASS B		Q1 2021 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	6.50%	7.75%	7.00%	8.50%	◀▶	◀▶
Toronto	3.75%	4.75%	4.50%	5.50%	◀▶	◀▶
Ottawa	5.25%	6.50%	6.50%	7.25%	▲	▲
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		Q1 2021 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	6.50%	7.50%	7.00%	8.25%	◀▶	◀▶
Toronto	5.75%	6.75%	6.25%	7.25%	◀▶	◀▶
Ottawa	6.50%	7.25%	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%	▲	▲

Canada Cap Rate Report

INDUSTRIAL						
MARKET	CLASS A		CLASS B		Q1 2021 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%	7.50%	◀▶	◀▶
Toronto	3.75%	4.50%	4.50%	5.25%	◀▶	◀▶
Ottawa	5.00%	6.50%	5.50%	6.50%	◀▶	◀▶
Montreal	4.00%	4.50%	4.50%	5.00%	◀▶	◀▶
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%	◀▶	◀▶

MULTIFAMILY						
MARKET	HIGH-RISE		LOW-RISE		Q1 2021 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	4.00%	4.75%	4.75%	5.75%	◀▶	◀▶
Toronto	3.00%	4.00%	3.00%	4.00%	◀▶	◀▶
Ottawa	4.00%	4.75%	3.75%	4.75%	◀▶	◀▶
Montreal	3.00%	4.25%	4.00%	5.00%	◀▶	◀▶
Winnipeg	5.00%	6.00%	5.00%	6.00%	◀▶	◀▶
Halifax	4.40%	4.65%	4.50%	4.75%	◀▶	◀▶
Victoria	4.00%	4.25%	4.25%	4.50%	◀▶	◀▶

Canada Cap Rate Report

RETAIL									
MARKET	REGIONAL / POWER		COMMUNITY		STRIP MALL		Q1 2021 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	6.00%	7.00%	6.00%	7.00%	6.00%	7.25%	▲	▲	▲
Toronto	4.25%	5.25%	5.25%	6.25%	4.75%	7.25%	▲	▲	▲
Ottawa	5.75%	6.75%	6.00%	6.75%	6.00%	7.00%	▲	▲	▲
Montreal	5.25%	6.50%	6.00%	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%	▲	▲	▲

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) which reflect high quality construction and amenities, large floor plates, modern efficient systems and very good accessibility. These buildings typically compete for larger top tier tenants, and achieve among the highest rental rates.

Downtown Class B:
Office buildings, commonly high-rise, in the CBD which offer average to good quality construction and amenities, but which tend to be somewhat 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 somewhat more economical rents.

Suburban Class A:
Office buildings, located outside of the CBD, reflecting 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 reflecting average to good quality construction and amenities appealing to smaller to mid-size tenants seeking peripheral locations and discounted rents.

RETAIL

Regional Shopping Centre:
Larger enclosed malls characterized by multiple anchors (typically including department stores and/or larger discount stores/mini-anchors) complimented by numerous smaller retailers (CRU's). The CRU's 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 free-standing 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 CRU's.

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.

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 somewhat less extensive features. These buildings are usually characterized by lower clear heights and fewer shipping doors.

MULTI-FAMILY

High-Rise:
Multi-family residential buildings with comparatively high densities, typically exceeding four stories in height and including elevators. These commonly reflect 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 multi-family residential buildings, typically comprising four stories or less, and with or without elevators. These can reflect concrete or wood frame construction and generally have surface parking with few building amenities.

HOTEL

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, 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.

16 offices
100 professionals

Across Canada

5,000+
Appraisals per year

1,500
Tax Appeals per year

71
NPS 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.

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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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