

CANADIAN CAP RATE REPORT

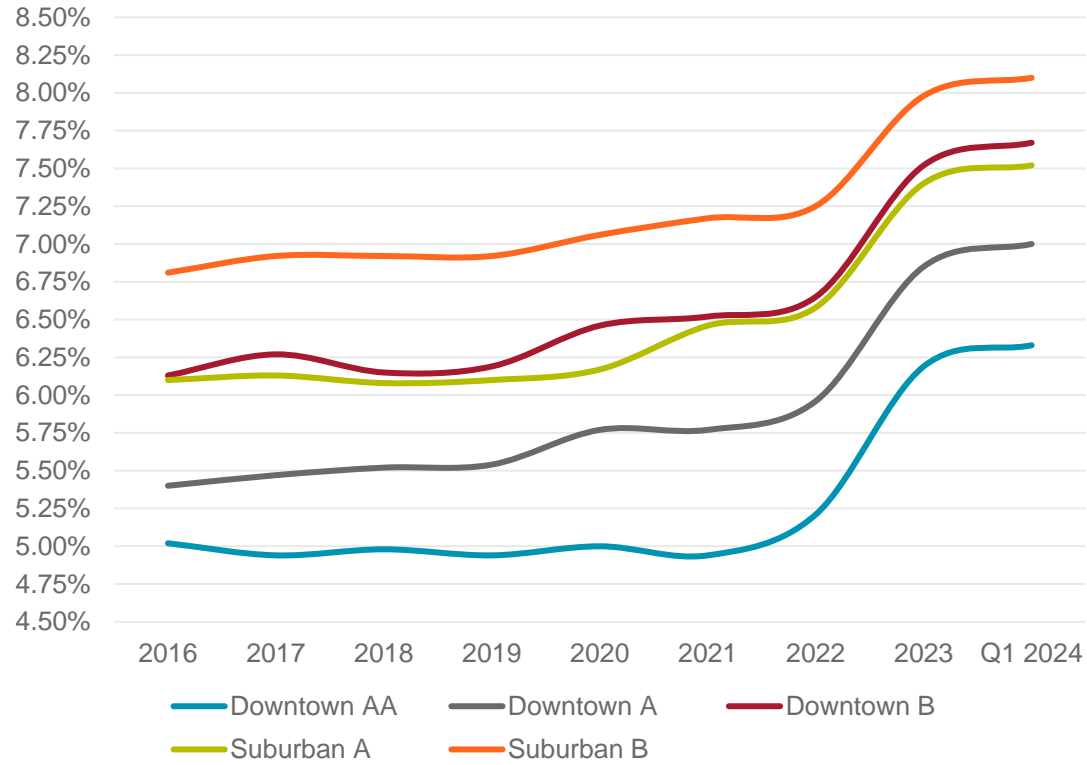
QUARTERLY REPORT ON
COMMERCIAL REAL ESTATE CAP
RATES IN MAJOR CANADIAN
MARKETS

Q1 2024

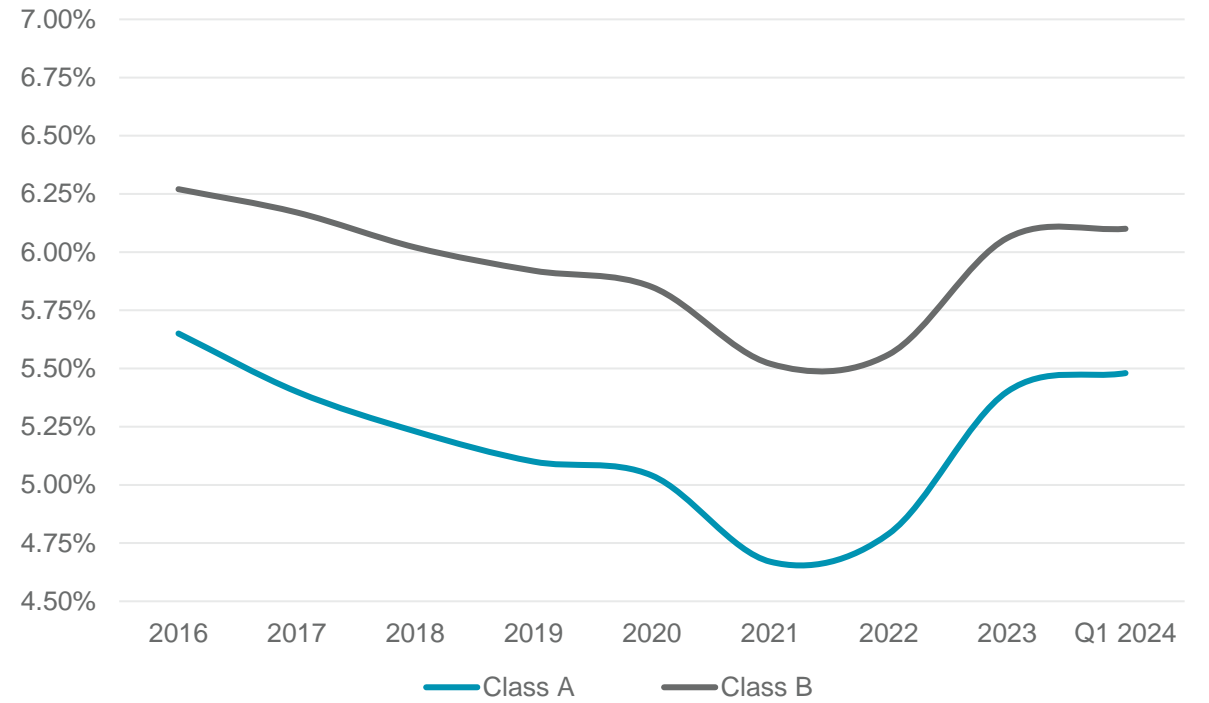
2024 REAL ESTATE INVESTMENT CONDITIONS & TRENDS

- Progress on inflation is evident, but central banks maintain a patient stance amid persistent price pressures and wage growth. Several key measures of inflation (including those linked to housing and core services) remain concerning to central banks.
- The inflection point in the commercial real estate (CRE) cycle will be when wage growth drops from around 5% to 3.5%. Slower wage growth leads to sustainably lower inflation, which leads to interest rate stabilization, which leads to cap rate stabilization, which leads to increased transaction volumes.
- A soft landing is still possible, but the softer-the-landing, the more hawkish central banks will be and a soft landing also does not equal no-landing.
- The correction in CRE started mid-2022 and this is not the first inning. Recovery speeds will vary based on product type, quality, and geography. There is significant differentiation by sector, ultimately defined by the best growth potential. Secular tailwinds continue to offer compelling medium and longer-term prospects for industrial and multi-family along with alternative sectors such as data centers, seniors housing and self storage. Historically, the best time to buy property is when central banks start to cut rates (this tends to coincide with a bottoming and inflection in property values).
- While many investors are reticent to acquiesce too soon, others also recognize that timing the “bottom” window of opportunity is fleeting. As certainty mounts, pent-up activity on both the sell and buy side will lead to more competitive conditions.
- CRE stacks up well against other asset classes on a cumulative-forward looking basis. Periods following times of dislocation are typically great vintage years for investment. Rent growth forecasts are lower than recent trends. However, the resiliency in contracted cash-flows and forward-looking NOI growth will help insulate values.

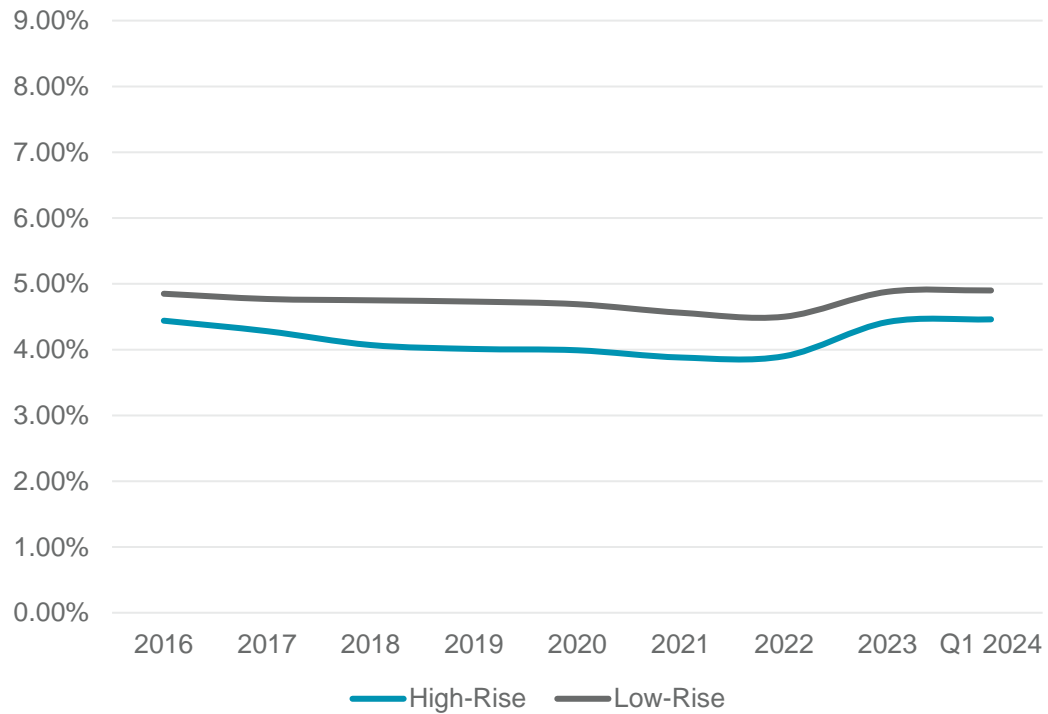
HISTORICAL OFFICE CAP RATES



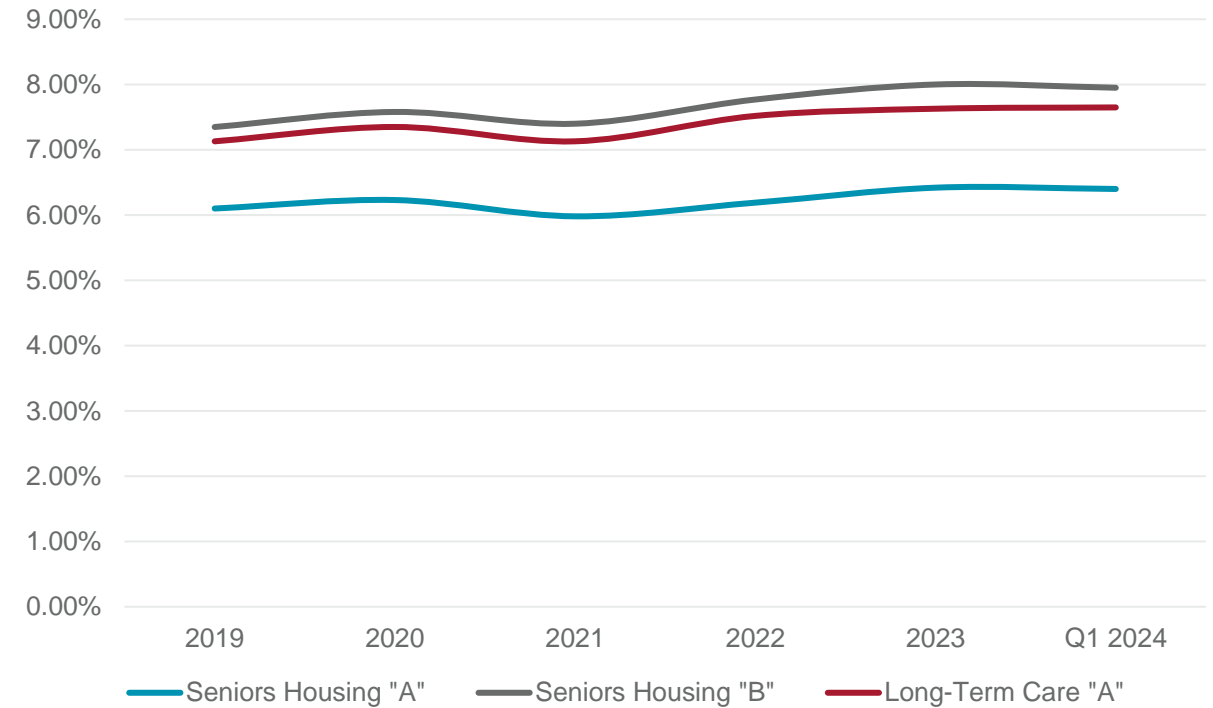
HISTORICAL INDUSTRIAL CAP RATES



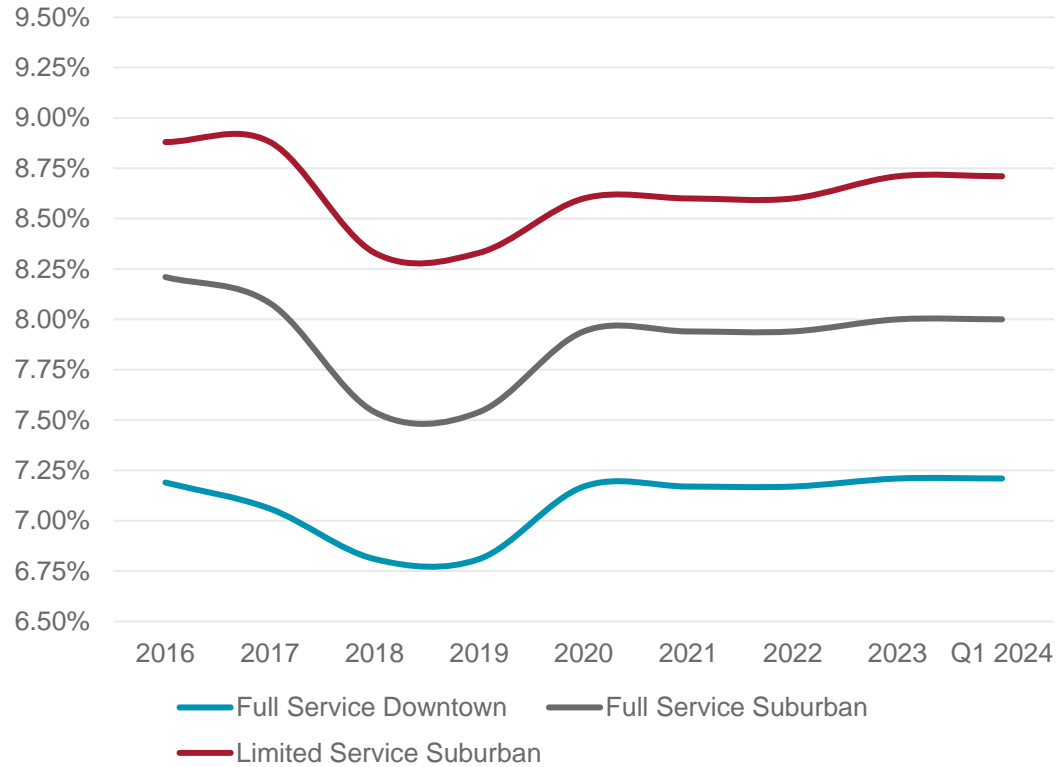
HISTORICAL APARTMENT CAP RATES



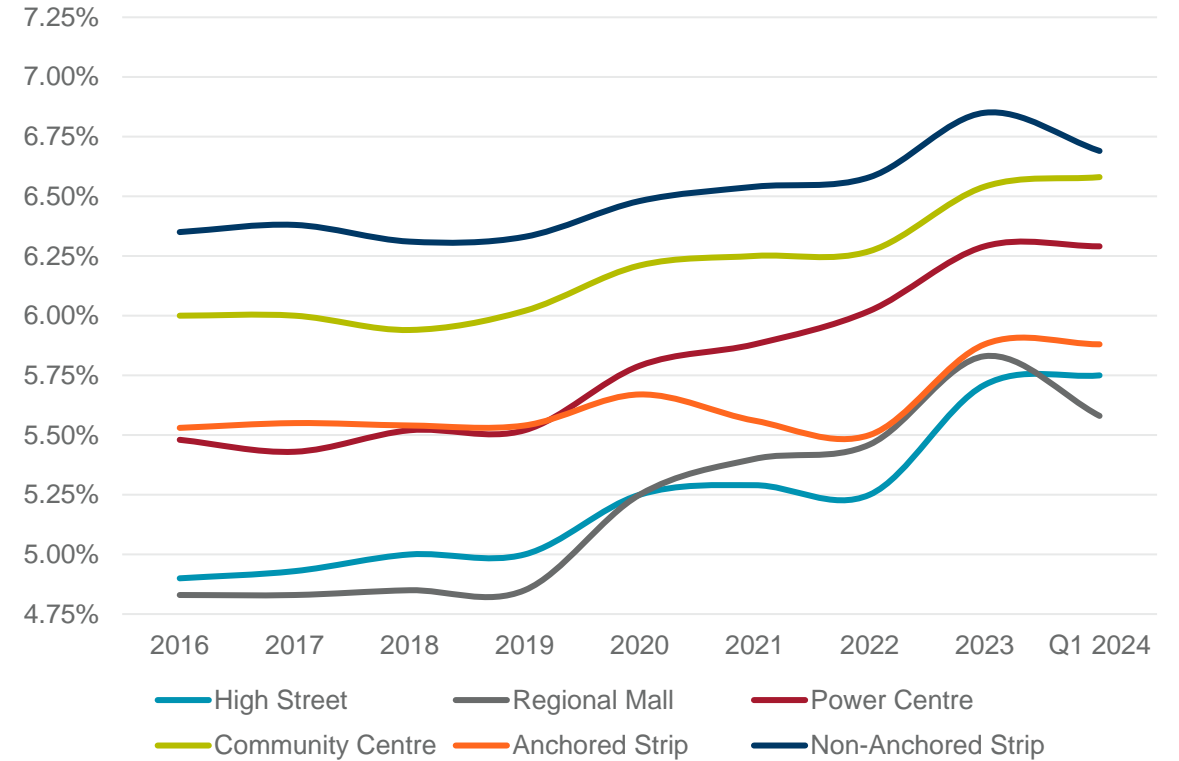
HISTORICAL SENIORS HOUSING & HEALTH CARE CAP RATES



HISTORICAL HOTEL CAP RATES

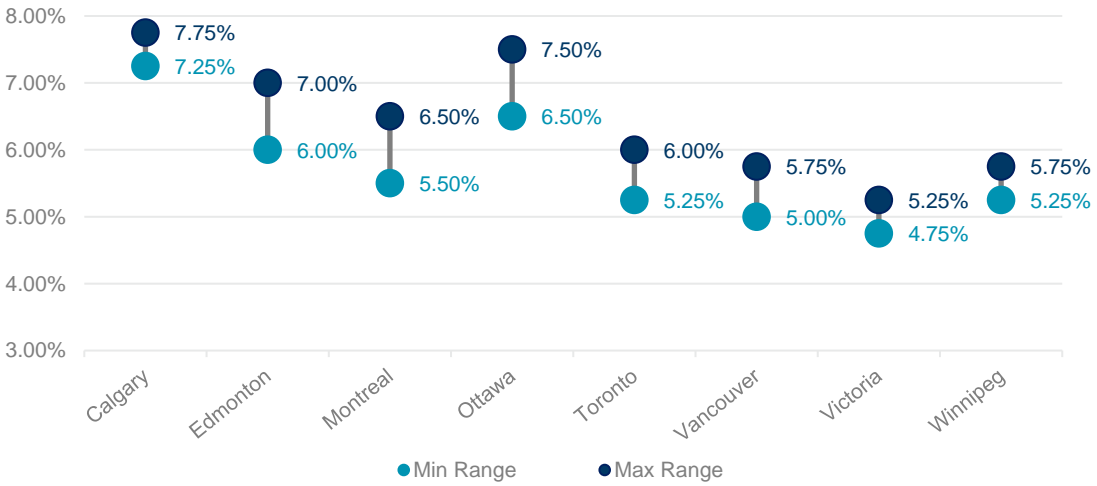


HISTORICAL RETAIL CAP RATES

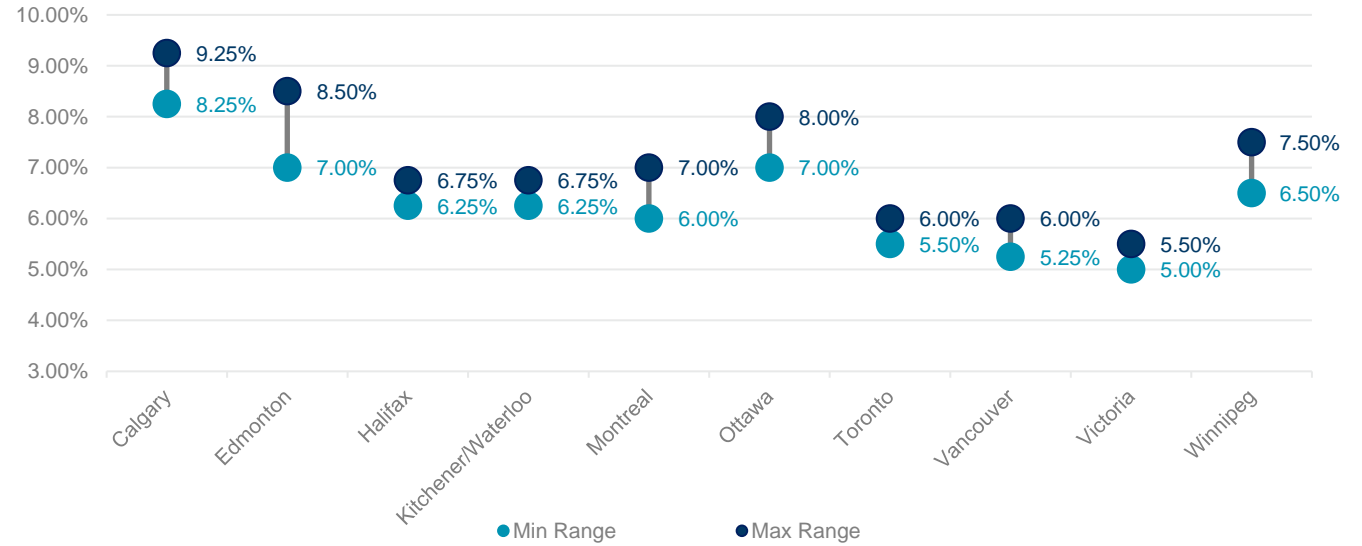


DOWNTOWN OFFICE CAP RATES

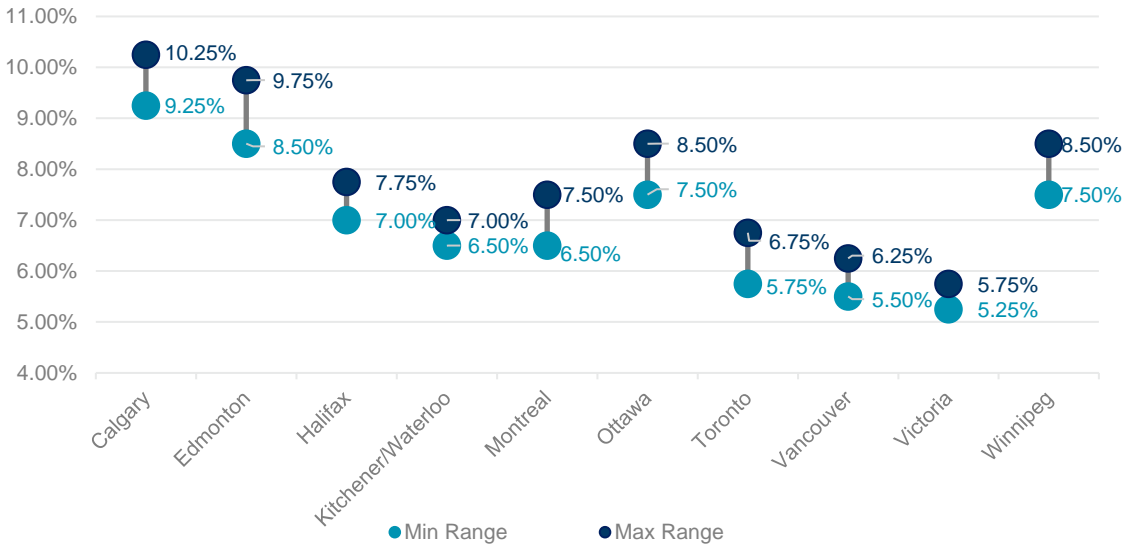
DOWNTOWN OFFICE AA



DOWNTOWN OFFICE A

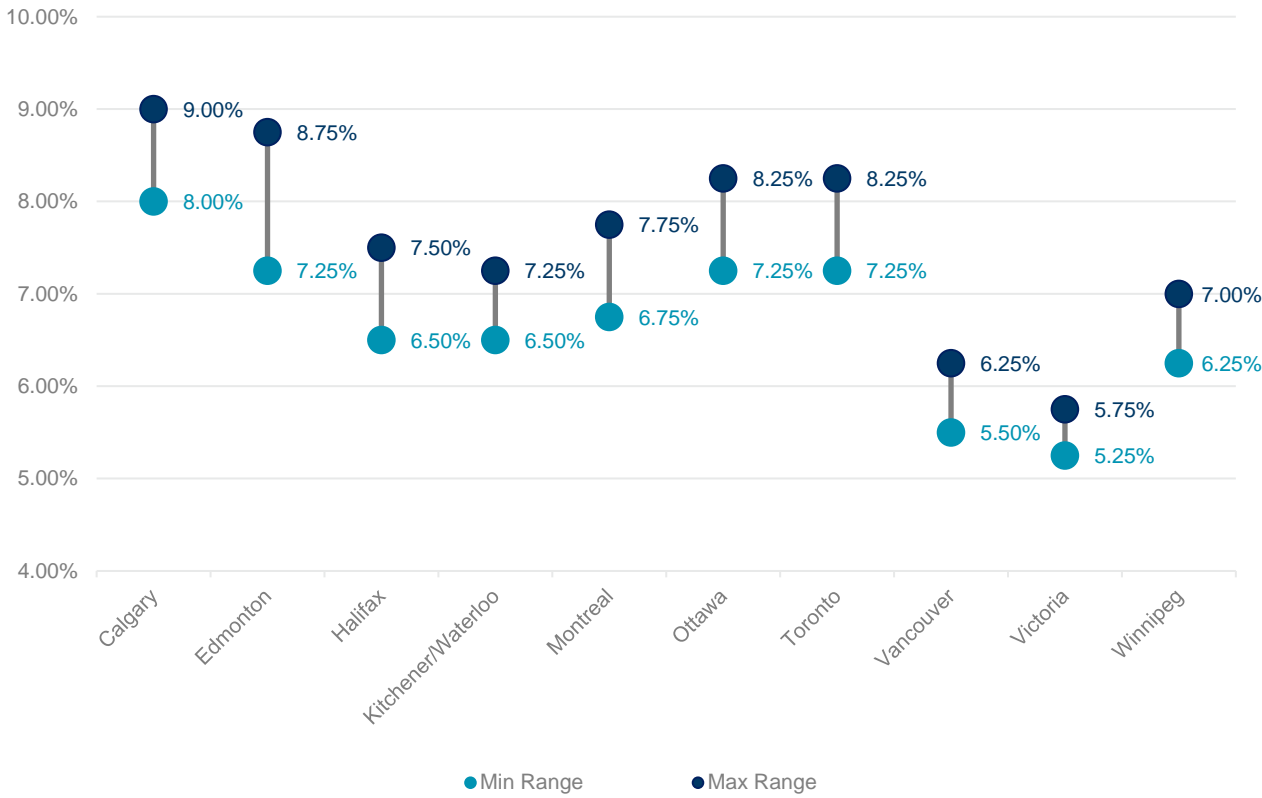


DOWNTOWN OFFICE B

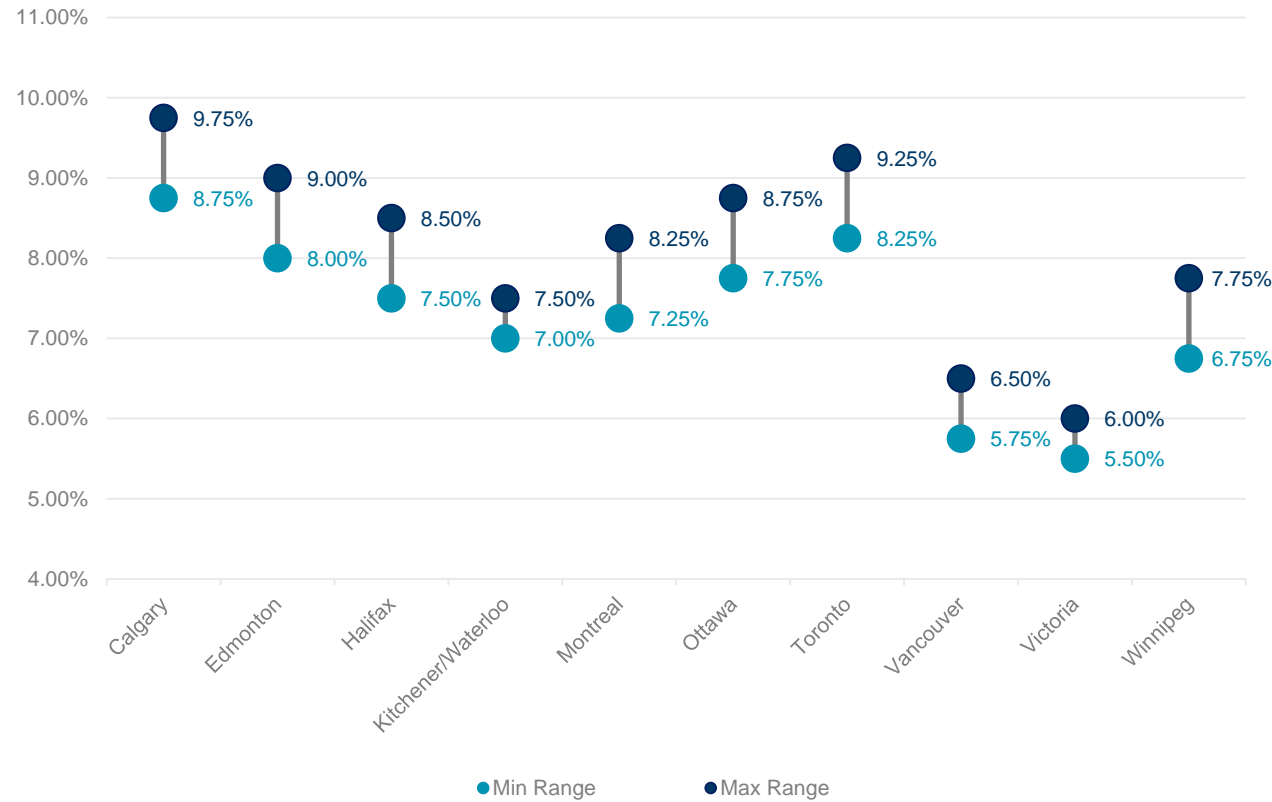


SUBURBAN OFFICE CAP RATES

SUBURBAN OFFICE A

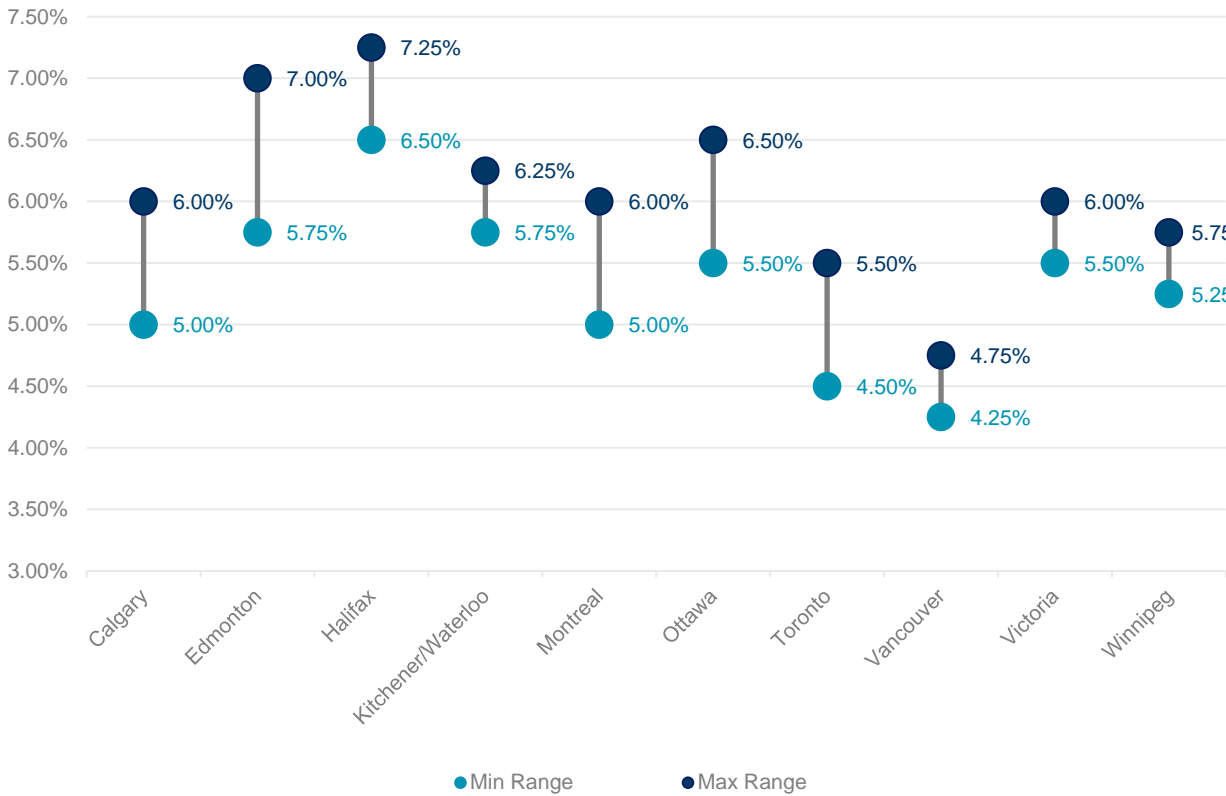


SUBURBAN OFFICE B

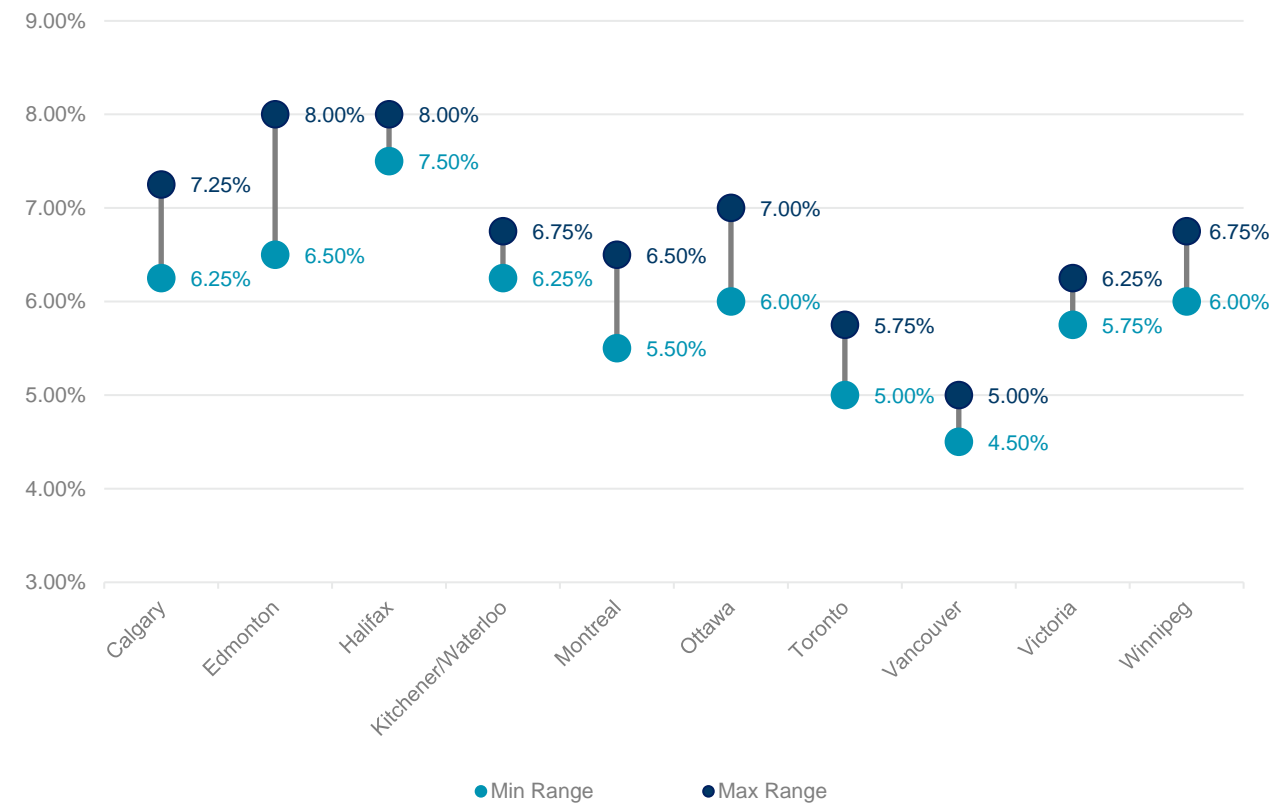


INDUSTRIAL CAP RATES

INDUSTRIAL CLASS A

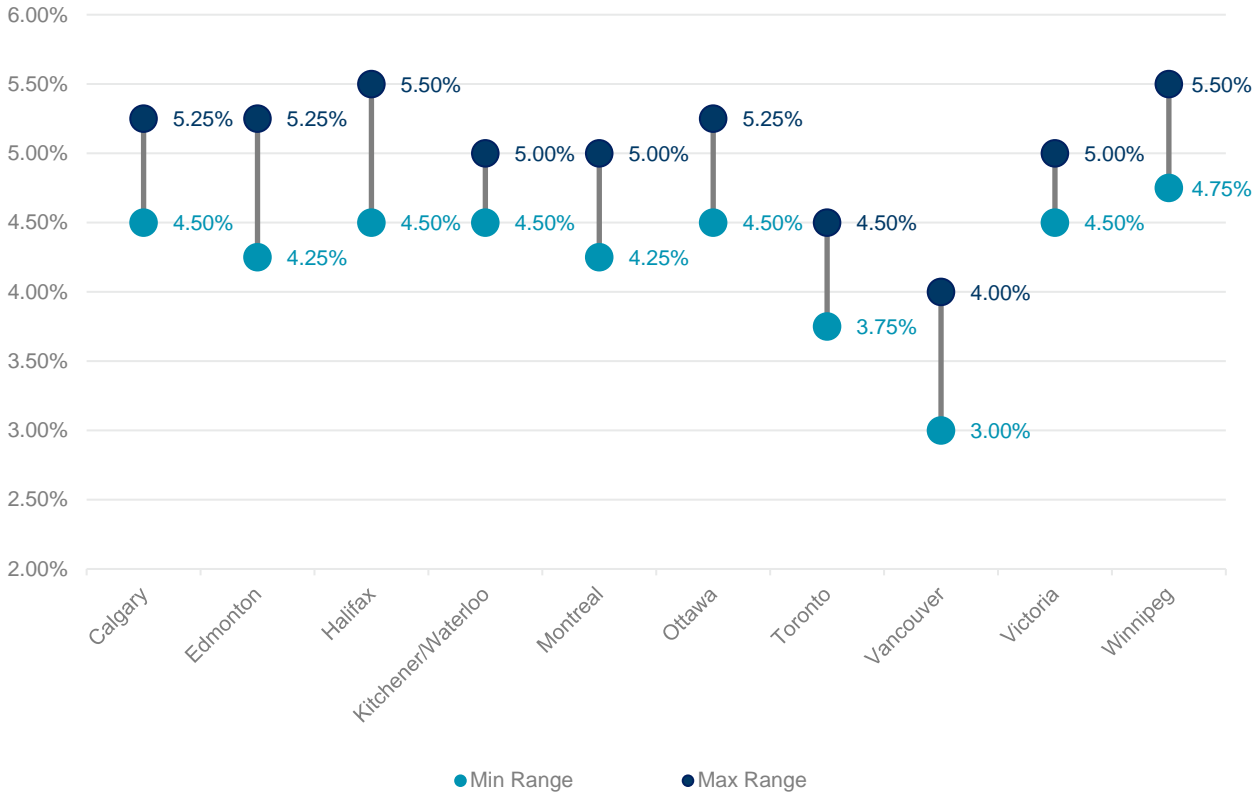


INDUSTRIAL CLASS B

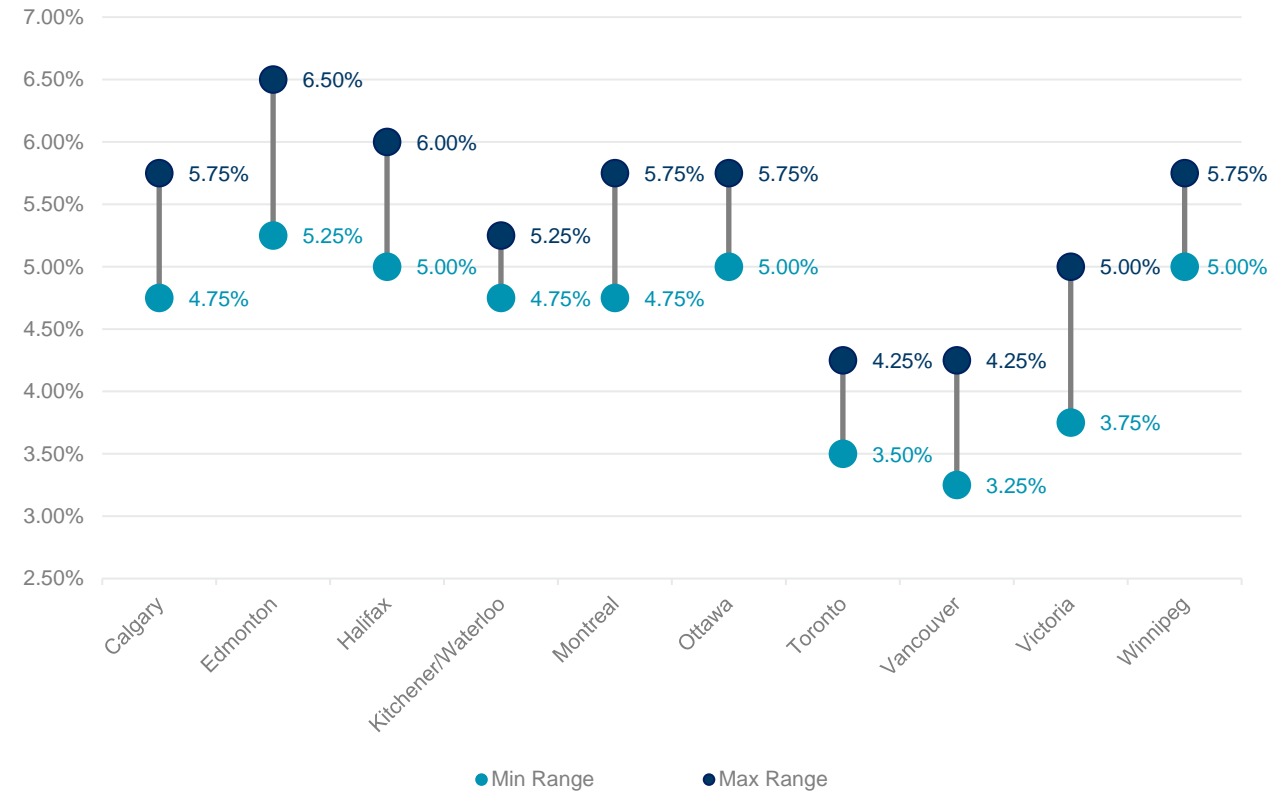


MULTI-RESIDENTIAL CAP RATES

HIGH RISE

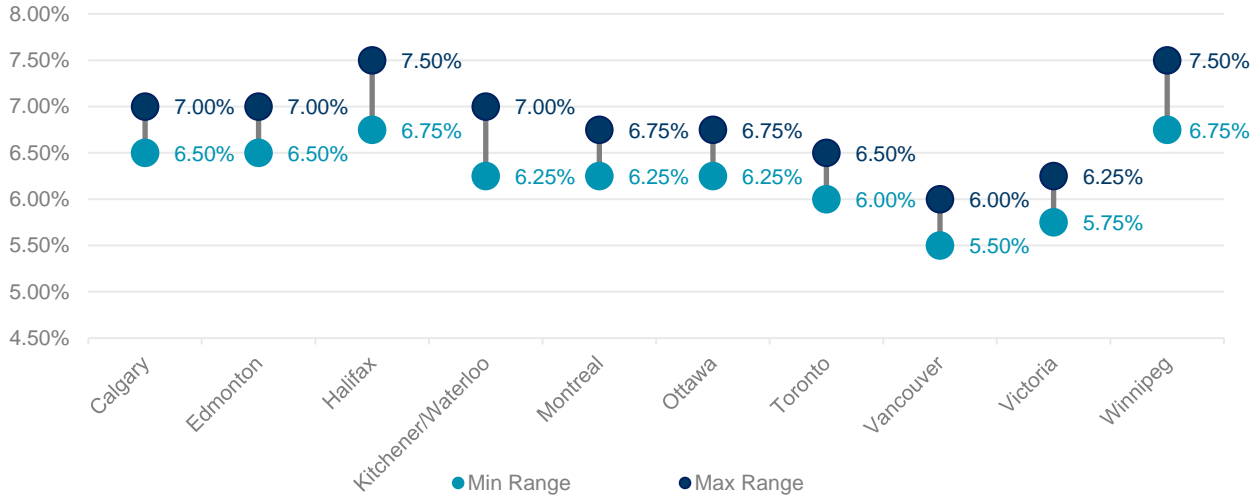


LOW RISE

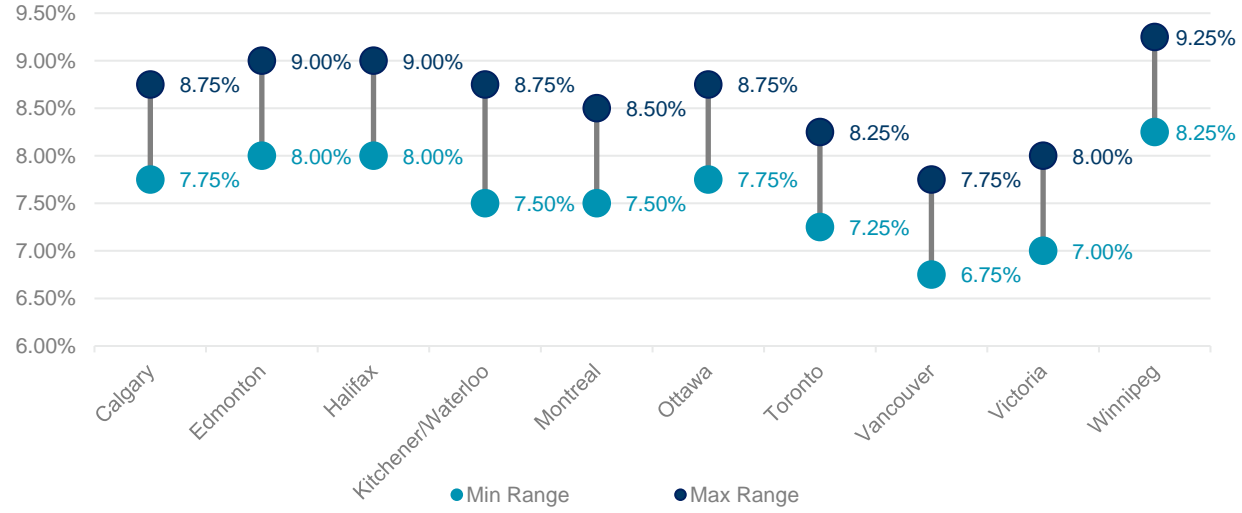


SENIORS HOUSING CAP RATES

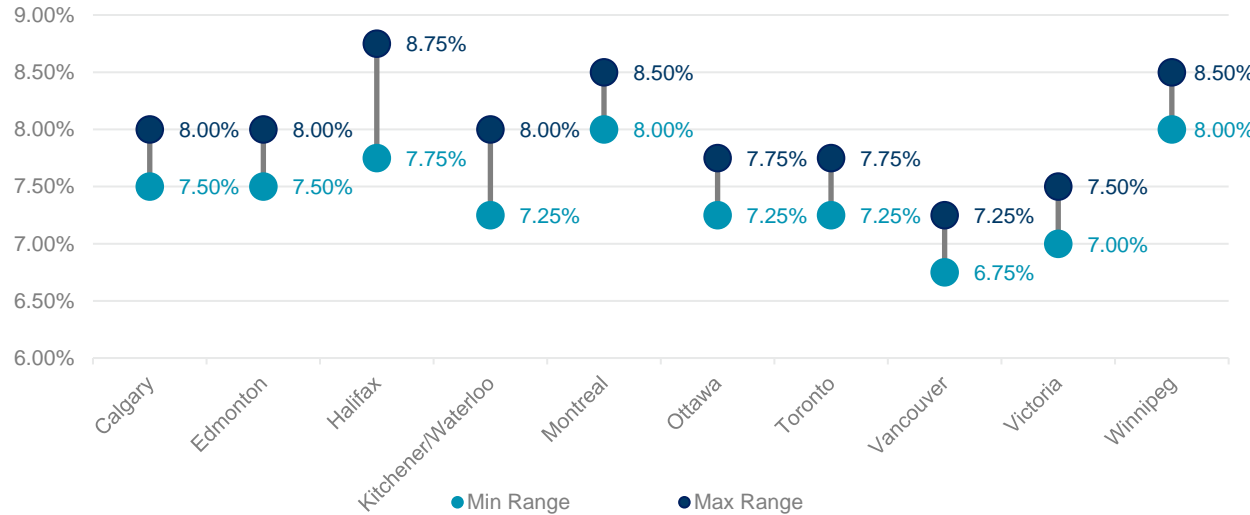
SENIORS HOUSING "A"



SENIORS HOUSING "B"

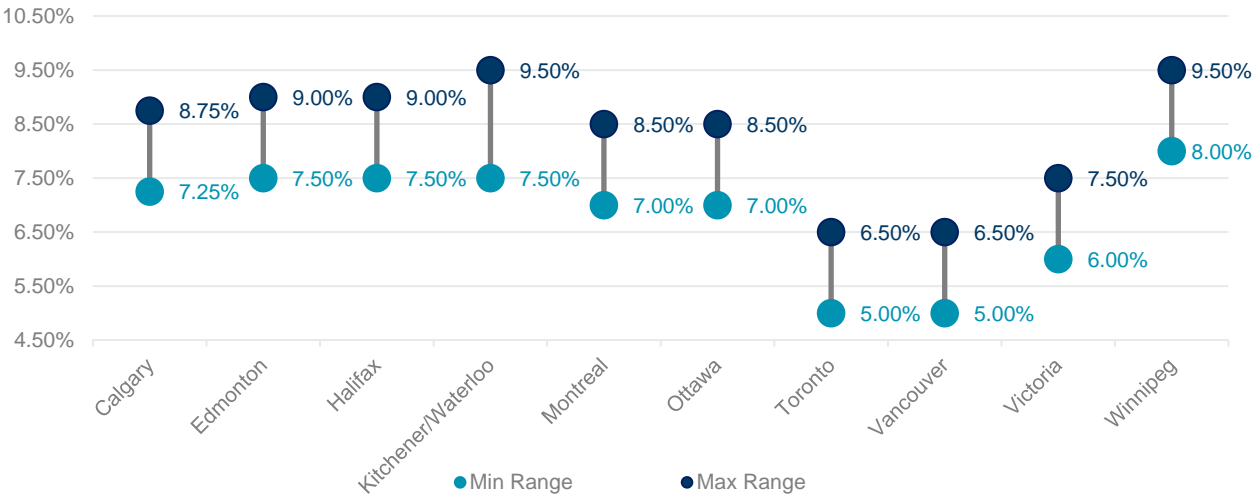


LONG TERM CARE "A"

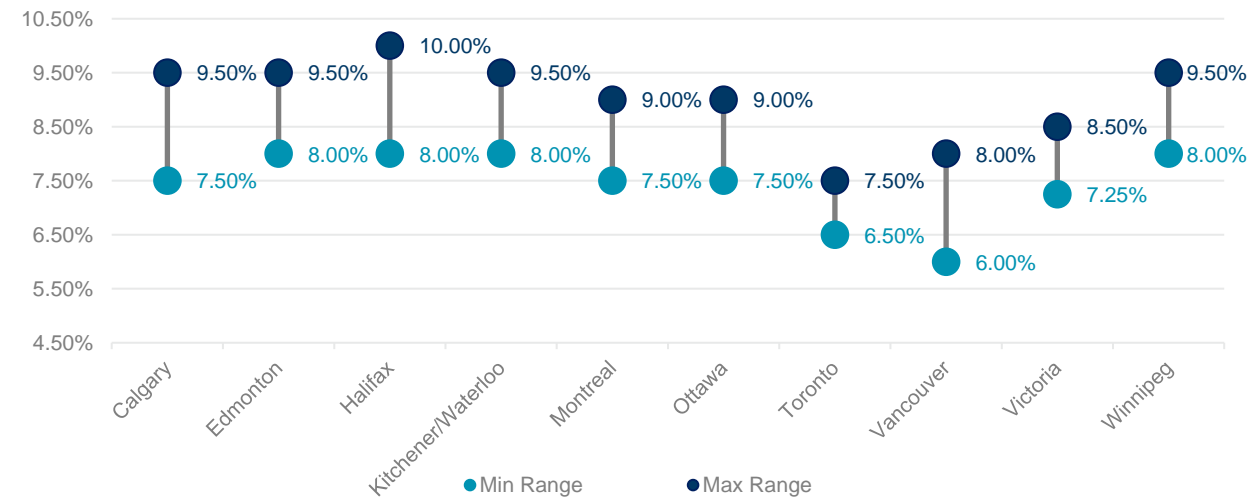


HOTEL CAP RATES

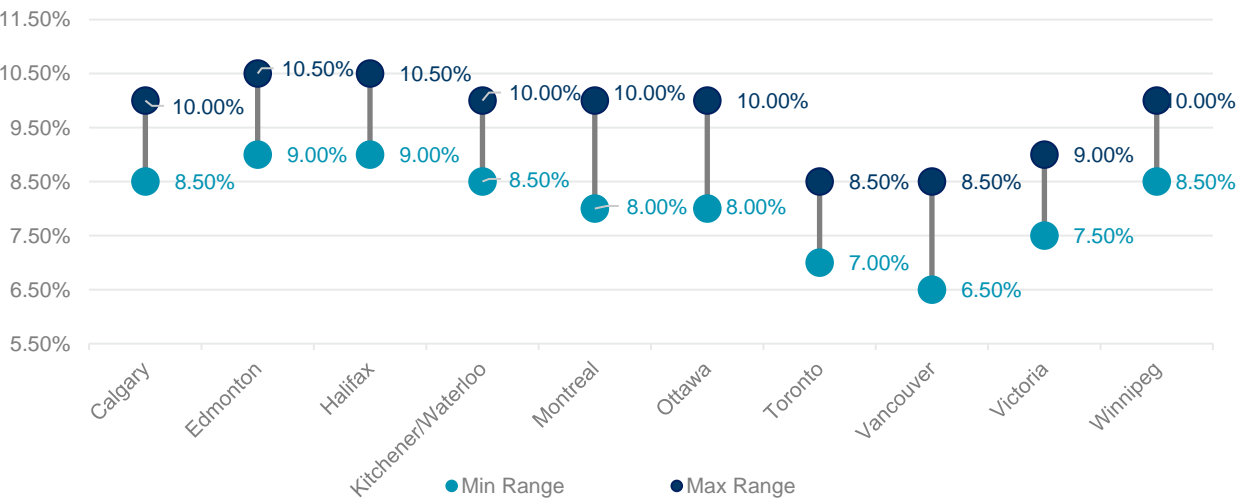
FULL-SERVICE DOWNTOWN



SELECT SERVICE

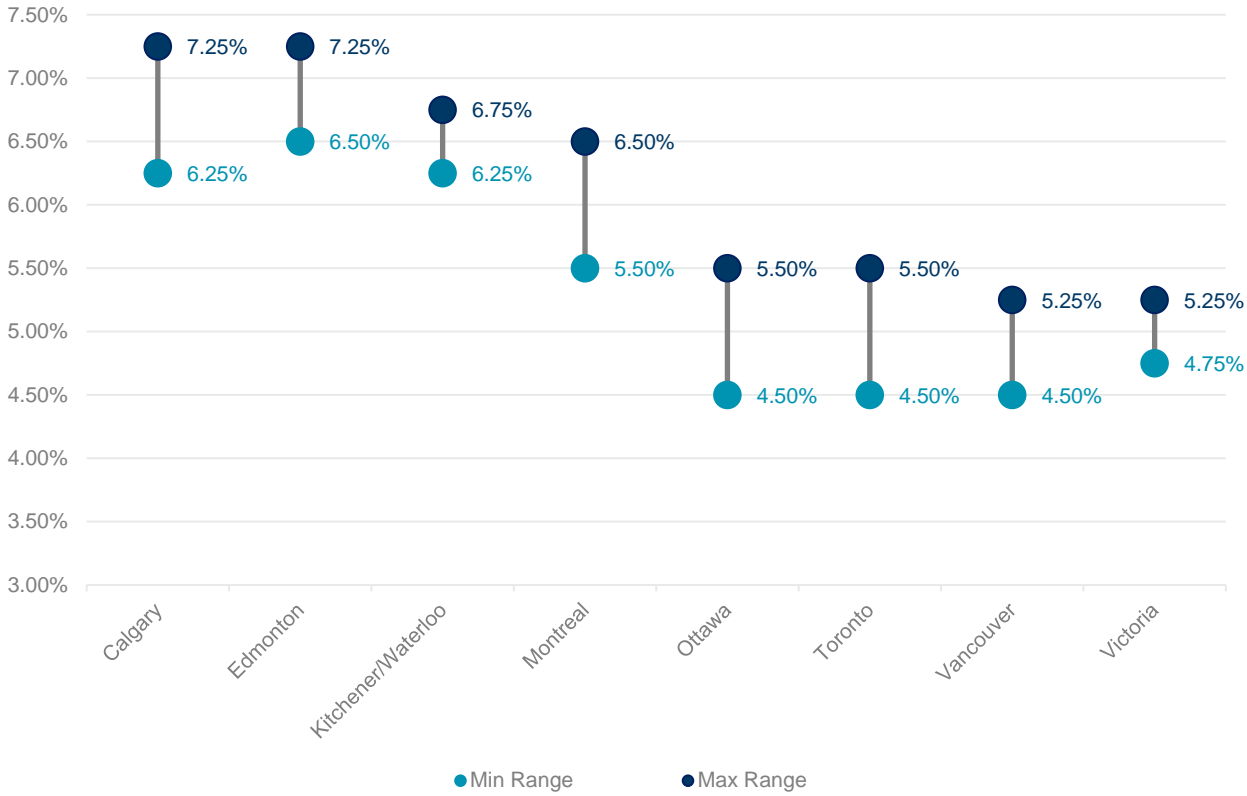


LIMITED-SERVICE SUBURBAN

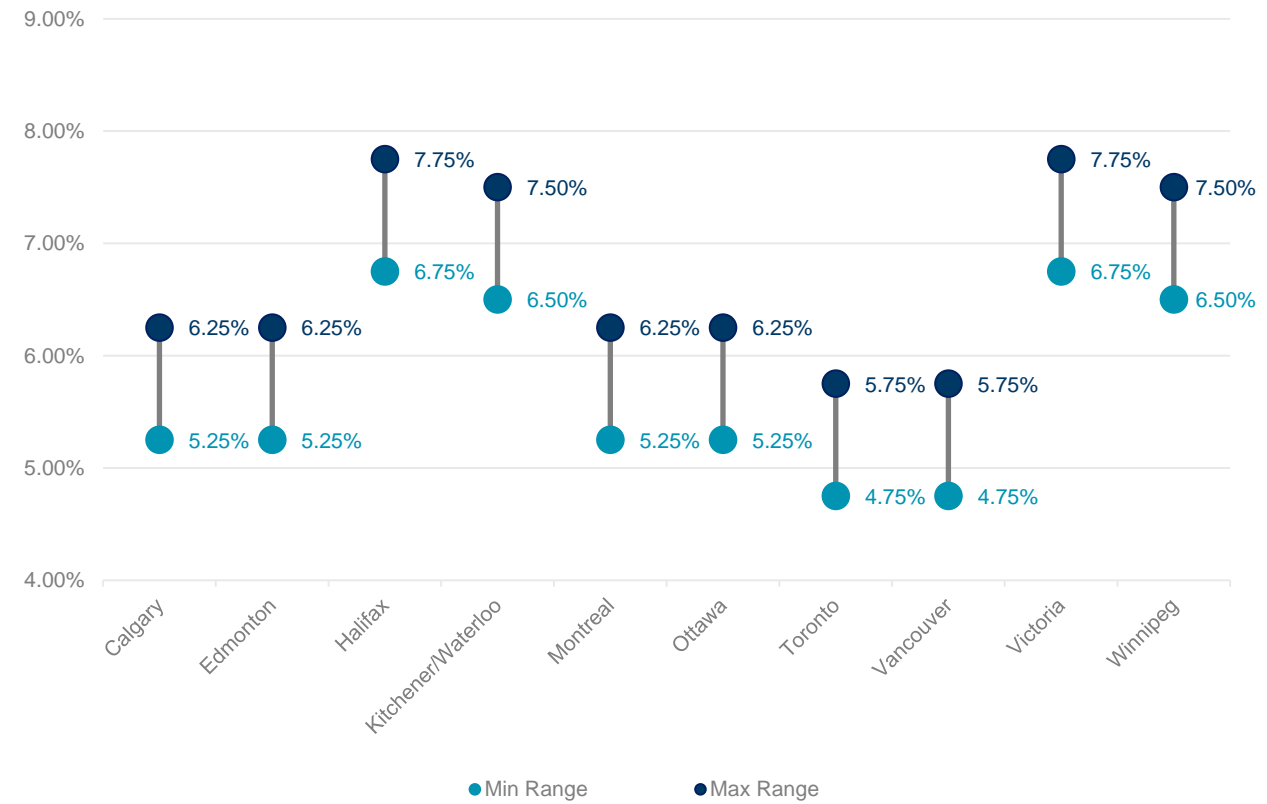


RETAIL CAP RATES

STREET FRONT TOP PERFORMER

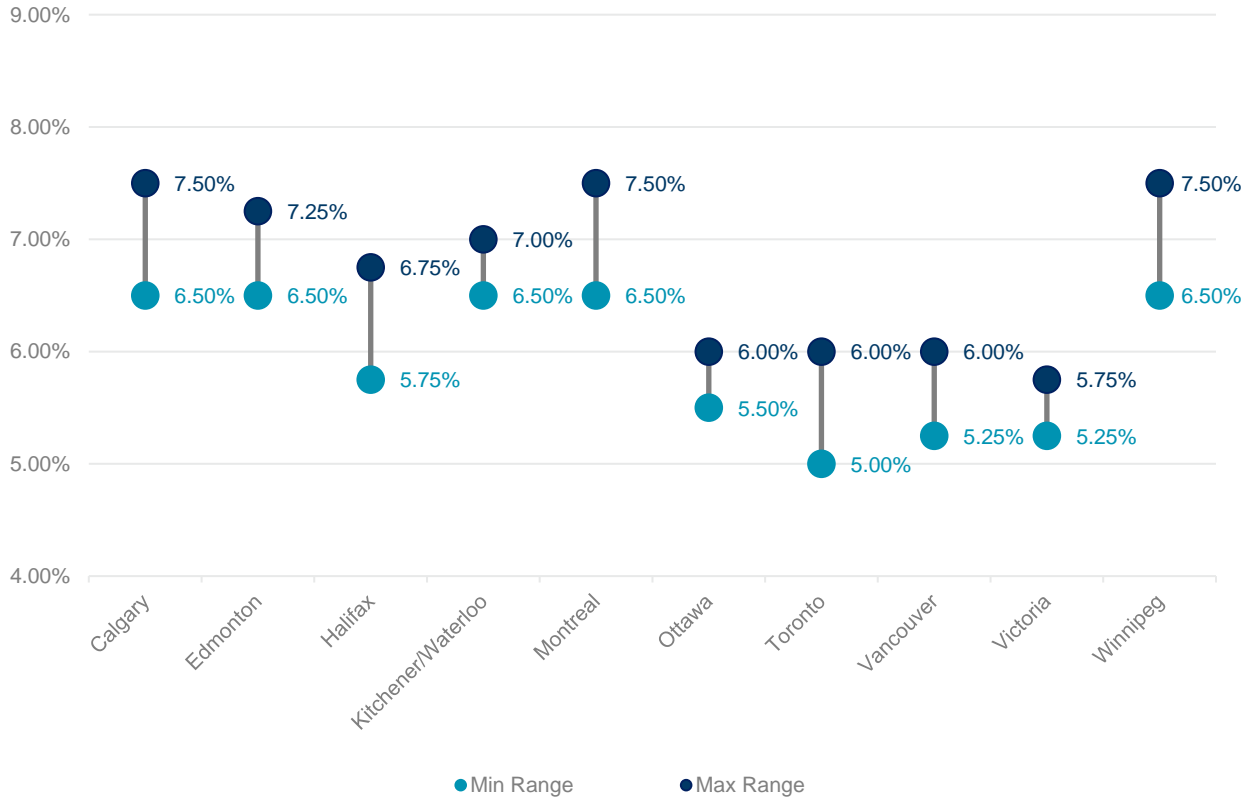


REGIONAL MALL TOP PERFORMER

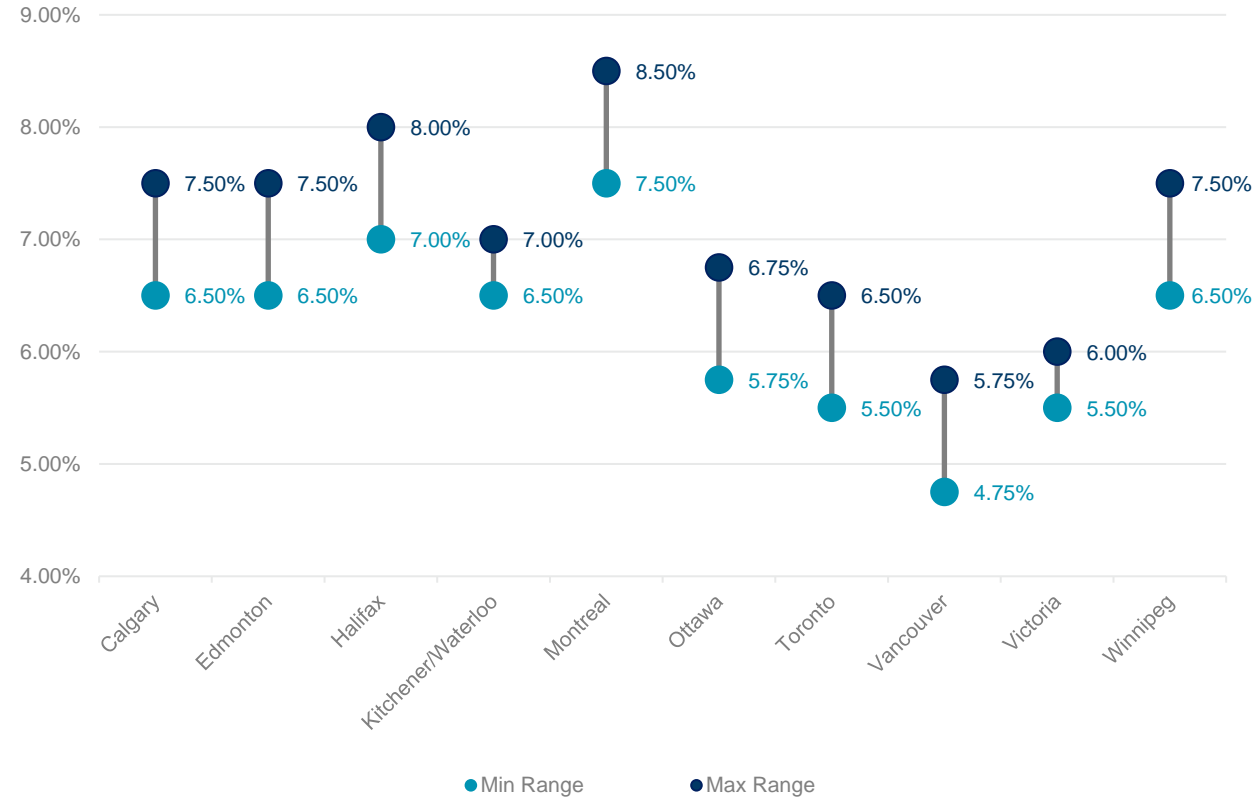


RETAIL CAP RATES

POWER CENTRE

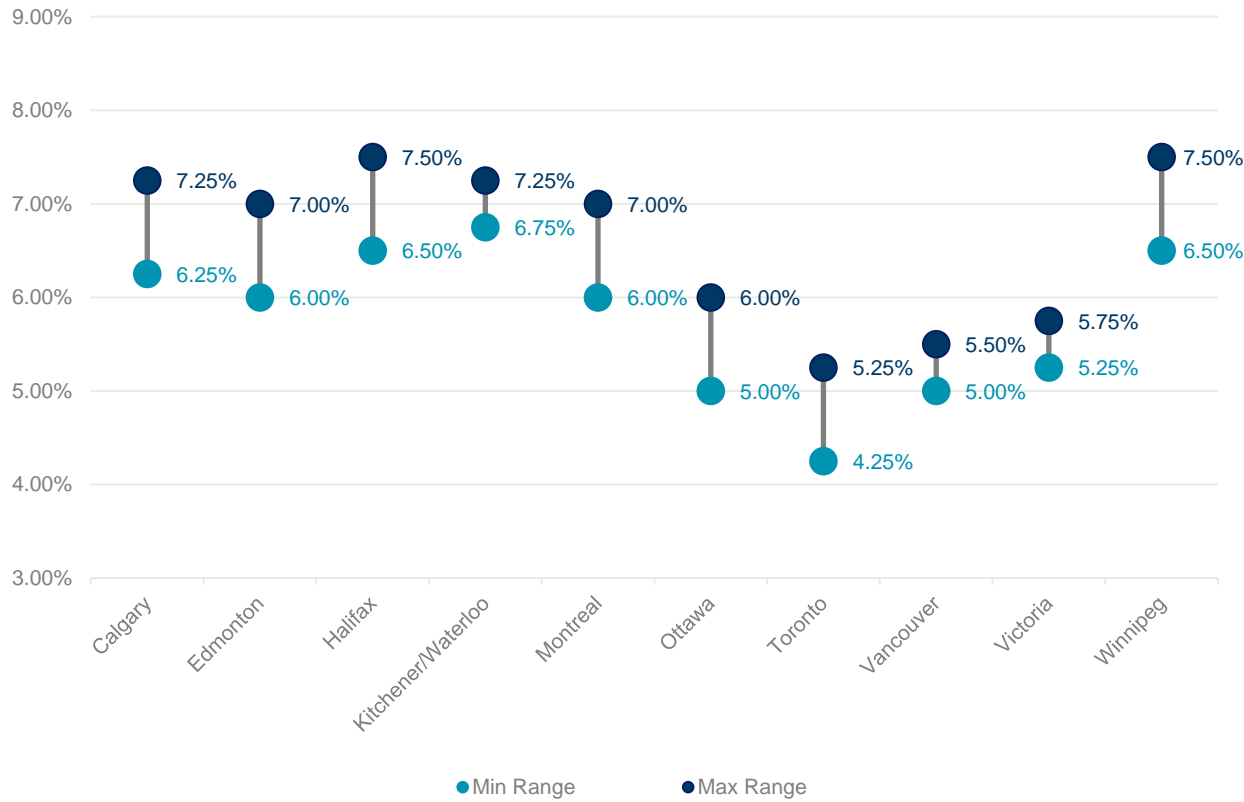


COMMUNITY COMMERCIAL CENTRE

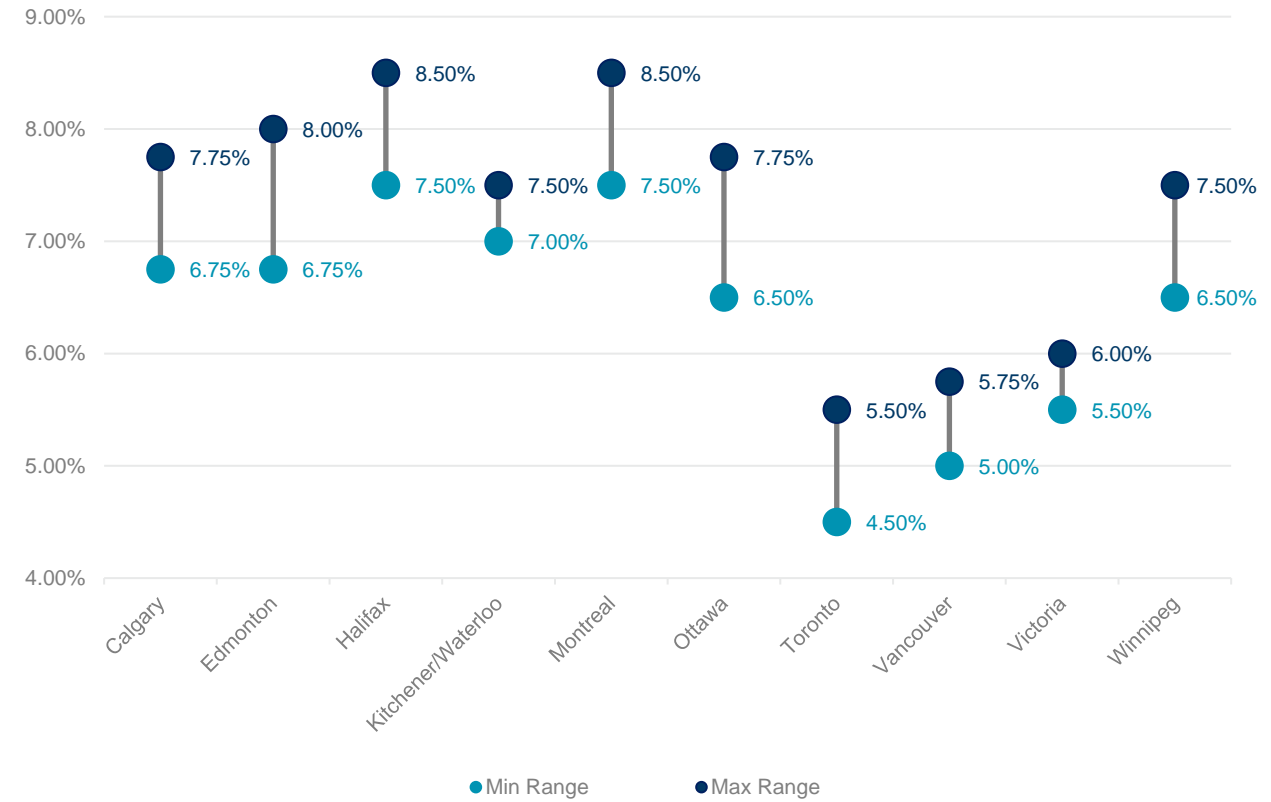


RETAIL CAP RATES

STRIP PLAZA ANCHORED



STRIP PLAZA NON-ANCHORED



Q1 2024 CAP RATE SURVEY REPORT

Commercial Real Estate Cap Rates Across Canadian Markets

	VICTORIA			VANCOUVER			CALGARY			EDMONTON			WINNIPEG			KITCHENER/WATERLOO			TORONTO			OTTAWA			MONTREAL			HALIFAX		
	RANGE:	LOW	HIGH	👁️	LOW	HIGH	👁️	LOW	HIGH	👁️	LOW	HIGH	👁️	LOW	HIGH	👁️	LOW	HIGH	👁️	LOW	HIGH	👁️	LOW	HIGH	👁️	LOW	HIGH	👁️		
DOWNTOWN OFFICE																														
AA	4.75%	5.25%	◀▶	5.00%	5.75%	▲	7.25%	7.75%	▲	6.00%	7.00%	◀▶	5.25%	5.75%	▲	N/A	N/A	N/A	5.25%	6.00%	▲	6.50%	7.50%	◀▶	5.50%	6.50%	▲	N/A	N/A	N/A
A	5.00%	5.50%	◀▶	5.25%	6.00%	▲	8.25%	9.25%	▲	7.00%	8.50%	▲	6.50%	7.50%	▲	6.25%	6.75%	◀▶	5.50%	6.25%	▲	7.00%	8.00%	◀▶	6.00%	7.00%	▲	6.25%	6.75%	◀▶
B	5.25%	5.75%	◀▶	5.50%	6.25%	▲	9.25%	10.25%	▲	8.50%	9.75%	▲	7.50%	8.50%	▲	6.50%	7.00%	◀▶	5.75%	6.75%	▲	7.50%	8.50%	◀▶	6.50%	7.50%	▲	7.00%	7.75%	◀▶
SUBURBAN OFFICE																														
A	5.25%	5.75%	◀▶	5.50%	6.25%	▲	8.00%	9.00%	▲	7.25%	8.75%	▲	6.25%	7.00%	◀▶	6.50%	7.25%	▲	7.25%	8.25%	▲	7.25%	8.25%	◀▶	6.75%	7.75%	▲	6.50%	7.50%	◀▶
B	5.50%	6.00%	◀▶	5.75%	6.50%	▲	8.75%	9.75%	▲	8.00%	9.00%	▲	6.75%	7.75%	◀▶	7.00%	7.50%	▲	8.25%	9.25%	▲	7.75%	8.75%	◀▶	7.25%	8.25%	▲	7.50%	8.50%	◀▶
INDUSTRIAL																														
A	5.50%	6.00%	◀▶	4.25%	4.75%	◀▶	5.00%	6.00%	▲	5.75%	7.00%	◀▶	5.25%	5.75%	◀▶	5.75%	6.25%	▲	4.50%	5.50%	▲	5.50%	6.50%	◀▶	5.00%	6.00%	◀▶	6.50%	7.25%	▲
B	5.75%	6.25%	◀▶	4.50%	5.00%	◀▶	6.25%	7.25%	▲	6.50%	8.00%	◀▶	6.00%	6.75%	◀▶	6.25%	6.75%	◀▶	5.00%	5.75%	▲	6.00%	7.00%	◀▶	5.50%	6.50%	◀▶	7.50%	8.00%	◀▶
APARTMENT																														
High Rise	4.50%	5.00%	◀▶	3.00%	4.00%	◀▶	4.50%	5.25%	◀▶	4.25%	5.25%	◀▶	4.75%	5.50%	◀▶	4.50%	5.00%	◀▶	3.75%	4.50%	◀▶	4.50%	5.25%	◀▶	4.25%	5.00%	▲	4.50%	5.50%	▲
Low Rise	3.75%	5.00%	◀▶	3.25%	4.25%	◀▶	4.75%	5.75%	◀▶	5.25%	6.50%	◀▶	5.00%	5.75%	◀▶	4.75%	5.25%	◀▶	3.50%	4.25%	◀▶	5.00%	5.75%	◀▶	4.75%	5.75%	◀▶	5.00%	6.00%	▲
SENIORS HOUSING																														
Seniors Housing "A"	5.75%	6.25%	◀▶	5.50%	6.00%	◀▶	6.50%	7.00%	◀▶	6.50%	7.00%	◀▶	6.75%	7.50%	◀▶	6.25%	7.00%	◀▶	6.00%	6.50%	◀▶	6.25%	6.75%	◀▶	6.25%	6.75%	◀▶	6.75%	7.50%	◀▶
Seniors Housing "B"	7.00%	8.00%	◀▶	6.75%	7.75%	◀▶	7.75%	8.75%	◀▶	8.00%	9.00%	◀▶	8.25%	9.25%	◀▶	7.50%	8.75%	◀▶	7.25%	8.25%	◀▶	7.75%	8.75%	◀▶	7.50%	8.50%	◀▶	8.00%	9.00%	◀▶
Long-Term Care "A"	7.00%	7.50%	◀▶	6.75%	7.25%	◀▶	7.50%	8.00%	◀▶	7.50%	8.00%	◀▶	8.00%	8.50%	◀▶	7.25%	8.00%	◀▶	7.25%	7.75%	◀▶	7.25%	7.75%	◀▶	8.00%	8.50%	◀▶	7.75%	8.75%	◀▶
HOTEL																														
Full-Service Downtown	6.00%	7.50%	▲	5.00%	6.50%	▲	7.25%	8.75%	▲	7.50%	9.00%	▲	8.00%	9.50%	▲	7.50%	9.50%	▲	5.00%	6.50%	▲	7.00%	8.50%	▲	7.00%	8.50%	▲	7.50%	9.00%	▲
Select Service	7.25%	8.50%	▲	6.00%	8.00%	▲	7.50%	9.50%	▲	8.00%	9.50%	▲	8.00%	9.50%	▲	8.00%	9.50%	▲	6.50%	8.00%	▲	7.50%	9.00%	▲	7.50%	9.00%	▲	8.00%	10.00%	▲
Limited-Service Suburban	7.50%	9.00%	▲	6.50%	8.50%	▲	8.50%	10.00%	▲	9.00%	10.50%	▲	8.50%	10.00%	▲	8.50%	10.00%	▲	7.00%	8.50%	▲	8.00%	10.00%	▲	8.00%	10.00%	▲	9.00%	10.50%	▲
RETAIL																														
Street Front - Top Performer	4.75%	5.25%	▲	4.50%	5.25%	◀▶	6.25%	7.25%	▲	6.50%	7.25%	▲	N/A	N/A	N/A	6.25%	6.75%	▲	4.50%	5.50%	◀▶	4.50%	5.50%	◀▶	5.50%	6.50%	▲	N/A	N/A	N/A
Regional Mall - Top Performer	6.75%	7.75%	◀▶	4.75%	5.75%	◀▶	6.25%	7.25%	◀▶	5.25%	6.25%	◀▶	6.50%	7.50%	◀▶	6.50%	7.50%	◀▶	4.75%	5.75%	◀▶	5.25%	6.25%	◀▶	5.25%	6.25%	◀▶	6.75%	7.75%	◀▶
Power Centre	5.25%	5.75%	▲	5.25%	6.00%	◀▶	6.50%	7.50%	▲	6.50%	7.25%	▲	6.50%	7.50%	◀▶	6.50%	7.00%	▲	5.00%	6.00%	◀▶	5.50%	6.00%	◀▶	6.50%	7.50%	▲	5.75%	6.75%	▲
Community Commercial Centre	5.50%	6.00%	▲	4.75%	5.75%	◀▶	6.50%	7.50%	▲	6.50%	7.50%	▲	6.50%	7.50%	◀▶	6.50%	7.00%	▲	5.50%	6.50%	▲	5.75%	6.75%	◀▶	7.50%	8.50%	▲	7.00%	8.00%	▲
Strip Plaza Anchored	5.25%	5.75%	▲	5.00%	5.50%	◀▶	6.25%	7.25%	▲	6.00%	7.00%	◀▶	6.50%	7.50%	◀▶	6.75%	7.25%	▲	4.25%	5.25%	◀▶	5.00%	6.00%	◀▶	6.00%	7.00%	◀▶	6.50%	7.50%	▲
Strip Plaza Non-Anchored	5.50%	6.00%	▲	5.00%	5.75%	◀▶	6.75%	7.75%	▲	6.75%	8.00%	◀▶	6.50%	7.50%	◀▶	7.00%	7.50%	▲	4.50%	5.50%	▲	6.50%	7.75%	◀▶	7.50%	8.50%	▲	7.50%	8.50%	▲

LEGEND

- 👁️ Outlook
- ▲ Up
- ▼ Down
- ◀▶ Flat

The arrow direction indicates if there was an outlook change &/or a cap rate ± bps change from the previous quarter

Outlook represents a forecast for the next 3-6 months

Green font indicates rising cap rate and/or range and/or outlook

CAPITALIZATION RATE

Cushman & Wakefield provides quarterly estimates of capitalization rates for the asset classes contained in this report based on our market expertise. The cap rate ranges are based on transaction data where possible, as well as demand and supply dynamics in the region. These estimates are meant to encompass the majority of assets within each class and may not represent outlier transactions or deals relating to assets with specific attributes that would significantly differentiate them. Particularly during periods of uncertainty, such as since the initial impact of COVID-19, transactions have been limited and best estimates of cap rates have been provided factoring in the expertise of local market participants.

Q1 2024 INVESTMENT GLOSSARY

DOWNTOWN OFFICE

CLASS AA

A best-in-class office product, with more elaborate common areas, modern construction and building efficiencies, that commands the highest rents and tends to attract stronger covenant tenants, such as banks, government, insurance companies, etc. These buildings tend to be situated close to the core within their respective markets and have excellent access to major public transit hubs. Buildings are typically larger than 750,000 SF, with 5 to 10-year tenancies and some 15-year leases for inbound tenants. Occupancy levels assumed to stabilize at close to 95% of comparable market net rates.

CLASS A

A strong-performing asset, typically between 400,000 and 700,000 SF, which is well located, and may have smaller floor plate sizes, solid amenities and less elaborate common areas. The majority of the tenants have 5 to 10-year lease commitments. Occupancy levels assumed to stabilize at close to 95% of comparable market net rates.

CLASS B

Older office product, typically in the range of 100,000 to 250,000 SF. Buildings tend to be occupied with a diversified tenant mix but lack a large anchor tenant. Shorter lease commitments occur in this asset class with the average term ranging between 5 and 10 years. Average floor plate size can be significantly smaller. Generally, not connected to the subway.

SUBURBAN OFFICE / INDUSTRIAL

CLASS A

Newer high-quality suburban product, typically between 100,000 and 300,000 SF. Attracts good covenant tenants for 5 to 10-year lease terms.

CLASS B

Older suburban product that attracts a wider range of tenants and covenants for lease terms ranging between 3 and 10 years.

APARTMENT

HIGH RISE

An apartment building greater than 4 storeys in height or having more than 80 units.

LOW RISE

Any apartment complex having fewer than 80 units.

SENIORS HOUSING

A retirement residence that provides independent, assisted living and/or memory care services and accommodation. As part of the monthly fee, access to meals and other services, such as housekeeping, transportation, and social and recreational activities, may be provided to residents. Assisted living and memory care service levels include assistance with activities of daily living and personal care support. Typically, 100% of the cost of accommodation and related service is paid for privately by the resident.

LONG-TERM CARE

Also referred to as nursing homes, long-term care homes provide accommodation and care services

for adults requiring access to 24-hour nursing and personal care. This includes help with most or all daily activities. Typically, long-term care homes in Canada receive reimbursement via government subsidies for the care services provided to residents. Residents are most often responsible for a co-payment to offset the cost of 'room and board'.

HOTEL

FULL-SERVICE

A hotel with extensive dining and meeting facilities. Quality ranges from upscale to luxury. Examples include Hilton, Westin, Hyatt, etc.

SELECT-SERVICE

A hotel that offers the fundamentals of limited-service properties blended with a selection of features found in full-service properties. Typically, this involves a limited presence of food, beverage and meeting space.

LIMITED-SERVICE

A room-focused hotel with minimal facilities. Quality ranges from economy to mid-scale. Examples include Comfort Inn and Super 8.

RETAIL

STREET FRONT – TOP PERFORMER

Typically considered the street or section thereof where the greatest dollar value psf is generated from street front retail stores within each market.

REGIONAL MALL – TOP PERFORMER

Top-performing fully enclosed mall. These buildings tend to be greater than 800,000 SF and have a

wide product offering, featuring destination retailers and 2 to 3 anchor tenants. Often located near large transit hubs and serve a trade area between 10 and 30 kilometres.

POWER CENTRE

Large format, category dominant retailers in an open-air configuration that may include "club" or discount department stores. Total GLA is typically between 100,000 and 1,000,000 SF.

COMMUNITY COMMERCIAL CENTRE

An enclosed centre anchored by a smaller department store, servicing a local community. Tenants may include general merchandise and convenience offerings, including a grocery store. Total GLA is typically between 100,000 and 400,000 SF.

STRIP PLAZA – ANCHORED

An open-air configuration of attached retail stores that may include retail PAD sites. They are often anchored by a food or drug store tenant. Tenants are generally servicing residents in the neighbourhood. These would include dry cleaners, take-out food stores, convenience stores, etc.

STRIP PLAZA – NON-ANCHORED

An open-air configuration of attached retail stores, not anchored by a grocer or drug store, that may include retail PAD sites. Tenants are generally servicing local neighbourhood residents.

LIFE IS WHAT WE MAKE IT

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About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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