

Q4 2016 
**CANADIAN
CAP RATES &
INVESTMENT
INSIGHTS**

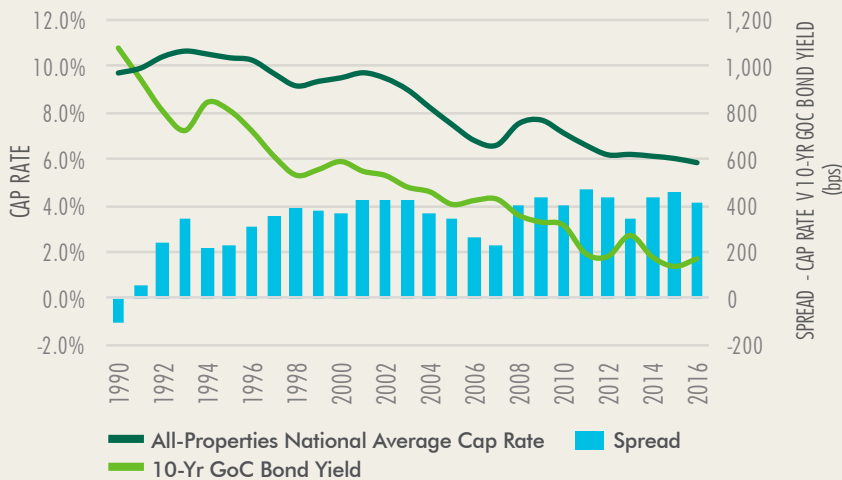
A quarterly snapshot of
Canadian commercial
real estate cap rates
and investment trends.

CBRE

INVESTMENT TRENDS

At a time of unprecedented global uncertainty, especially with respect to the new Trump Administration, Canada retains its reputation for relative stability as evidenced by cap rates generally remaining unchanged or, in some cases, tightening. While bonds yields spiked in Q4, there appears to have been no material impact on cap rates and the consensus is that Bank of Canada will refrain from raising rates in 2017.

RECORD LOW NATIONAL AVERAGE CAP RATE*



Paul Morassutti
 Executive Vice President
 Valuation & Advisory Services
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Q4 2016 CAP RATES

DOWNTOWN OFFICE		ΔQ/Q
AA	4.94%	▼
A	5.67%	▼
B	6.42%	▲
SUBURBAN OFFICE		
A	6.41%	◄►
B	7.16%	◄►
INDUSTRIAL		
A	5.66%	▼
B	6.73%	▼
RETAIL		
Regional	5.27%	◄►
Power	6.03%	◄►
Neighbourhood	6.23%	▼
Strip	5.91%	◄►
Strip (non-anchored)	6.86%	▼
Urban Streetfront	5.53%	◄►
High-Street	3.69%	▼
APARTMENT		
High Rise A	4.14%	▼
High Rise B	4.81%	▼
Low Rise A	4.61%	▼
Low Rise B	5.23%	▼
HOTEL		
Downtown Full Service	7.72%	◄►
Suburban Limited Service	9.03%	◄►
Focused Service	8.30%	◄►

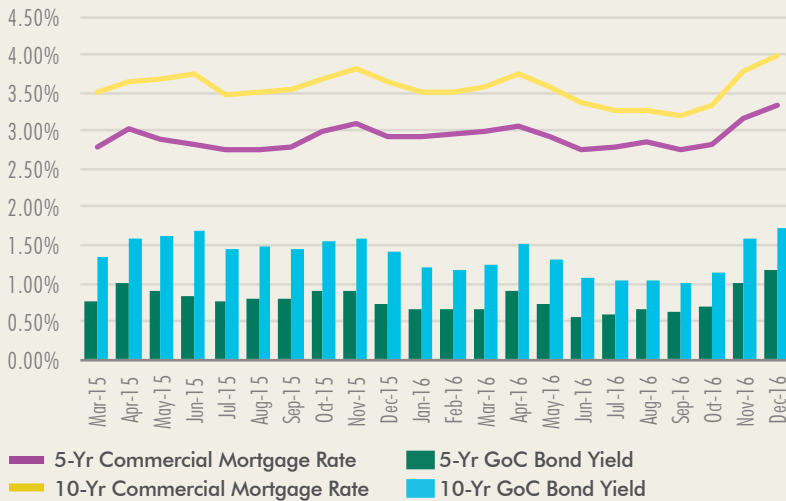
VIEW ALL CANADIAN CAP RATES
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* Source: CBRE Research, Q4 2016

DEBT MARKET TRENDS

Canadian economic growth is lagging the U.S., but the theory of relativity has driven bond yields in Canada up as much as 60 basis points since the U.S. election on expectations for higher inflation and a larger U.S. deficit. Lenders indicate that debt capital will be in abundance in 2017 to meet balanced market transactions, however, allocations to the sector will moderate since last year's allocations were considered excessive given unfulfilled use and the 'opportunity cost rub' exacerbated by a low yield environment.

MORTGAGE RATES TO GOVERNMENT OF CANADA BONDS



Carmin Di Fiore

Executive Vice President
Debt & Structured Finance

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MARKET MOVERS

CAD/USD

2015 Q4	2016 Q4	Change YoY (%)
\$0.72	\$0.74	▲ 3.03%

CANADA PRIME RATE

2015 Q4	2016 Q4	Change YoY (%)
2.70%	2.70%	◀▶ 0.00%

30-DAY CDOR

2015 Q4	2016 Q4	Change YoY (%)
0.88%	0.94%	▲ 6.82%

WEST TEXAS INTERMEDIATE (USD)

2015 Q4	2016 Q4	Change YoY (%)
\$37.04	\$53.72	▲ 45.03%

5-YEAR MORTGAGE SPREAD RANGE

2015 Q4	2016 Q4	Change YoY (%)
1.95%-2.45%	1.85%-2.50%	▼ -0.91%

10-YEAR MORTGAGE SPREAD RANGE

2015 Q4	2016 Q4	Change YoY (%)
1.90%-2.60%	1.95%-2.55%	◀▶ 0.00%

Source: CBRE Limited, Bank of Canada, Thomson Reuters Eikon, October 2016

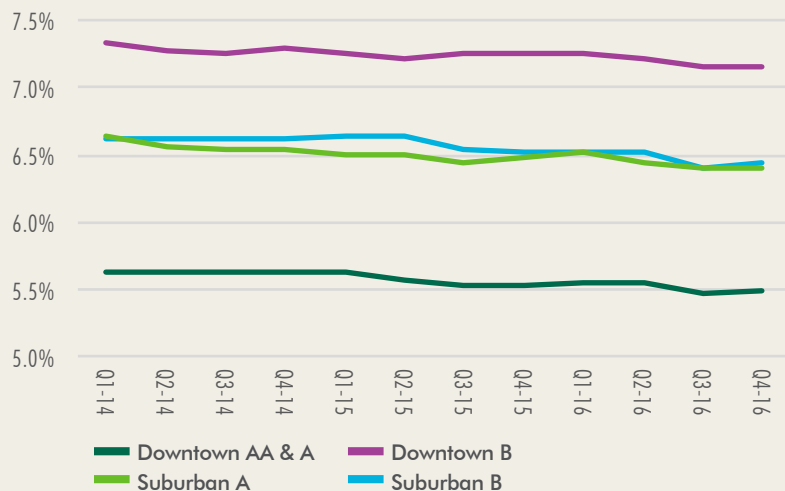
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OFFICE INVESTMENT TRENDS

Cap rates for Office assets continued to trend downward on a national basis dropping to new lows to end 2016. On a YoY basis, yield compression resulted from low levels reached in the leading gateway markets, as foreign and institutional investors centered on trophy assets. These were enough to overshadow upward yield trajectories in Alberta, whose lagging economy forced Office cap rates up from the prior year.

Vancouver and Toronto realized yield declines YoY in every category, coinciding with downtown vacancy rates. Yields in Vancouver Downtown-A class assets dipped to 3.94%, while Toronto settled at 4.38%. The sharpest YoY declines were seen in Toronto Downtown-B and Vancouver Suburban-B assets. Each compressing -100 bps YoY, reaching cap rates of 4.75% and 5.25% respectively. This contrasted with smaller markets that realized less yield movement, and Calgary and Edmonton, where yields grew across the board. Downtown-B assets in Alberta showed the greatest stress.

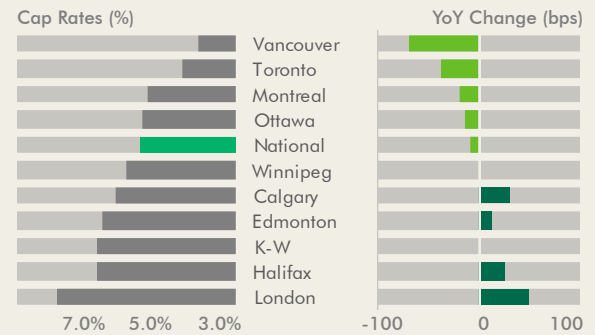
HISTORICAL OFFICE CAP RATES



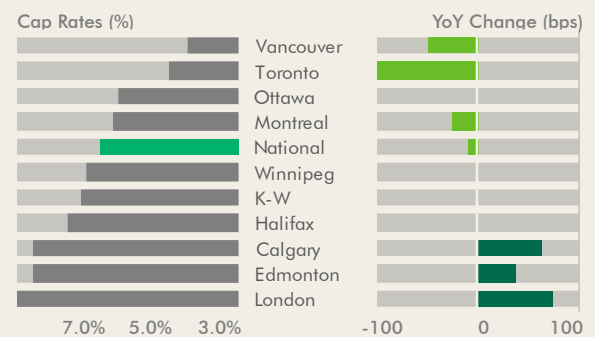
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REGIONAL RANKINGS

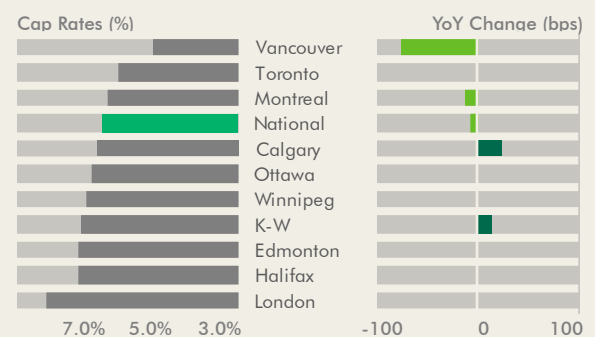
DOWNTOWN A



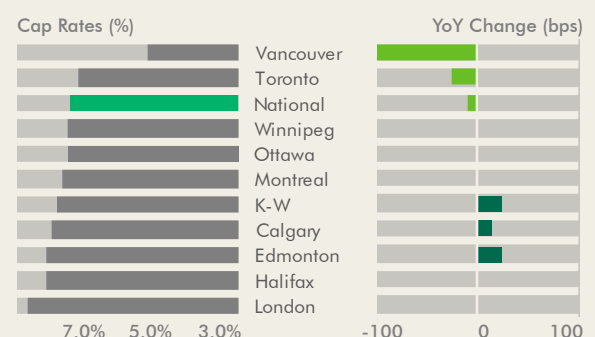
DOWNTOWN B



SUBURBAN A



SUBURBAN B

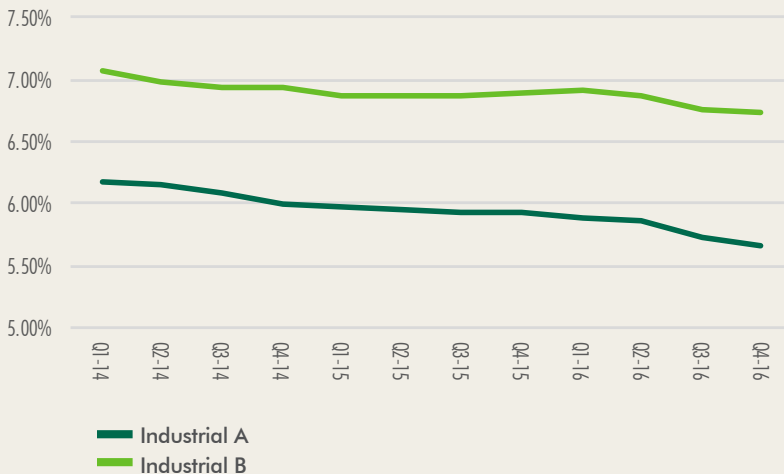


INDUSTRIAL INVESTMENT TRENDS

The Industrial sector was riding a wave of optimism and was considered the safest investment in Canada. As new supply tightened YoY, this paved the way for lower availability rates leading to increasing rents. This fueled investor demand, leading to consistent cap rate compression across all four quarters.

The Industrial sector's performance was balanced in 2016. However, a growing conflict between Industrial-A and B product emerged. The Industrial-A category realized no yield movement to the upside, as demand remained strong. This resulted in YoY yield compression by at least -25 bps in six out of ten markets. Vancouver and Toronto Industrial-A yields declined -63 bps and -50 bps respectively, to reach 4.75% each, and Calgary declined -50 bps to reach 5.25%. Less convincing was the Industrial-B category, which saw stress developing in Edmonton and yields inflating by +50 bps to 7.38%.

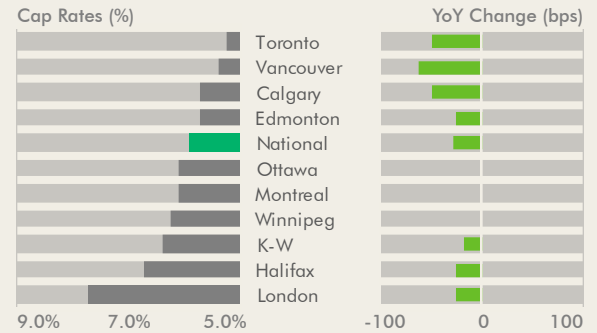
HISTORICAL INDUSTRIAL CAP RATES



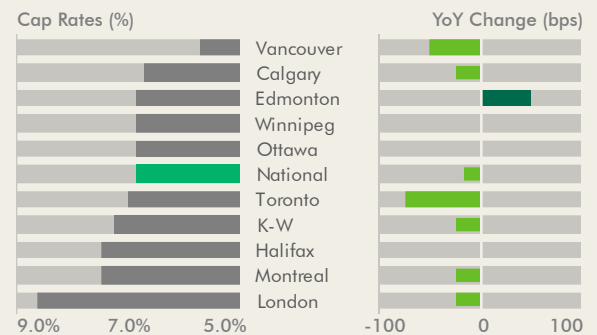
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REGIONAL RANKINGS

INDUSTRIAL A



INDUSTRIAL B



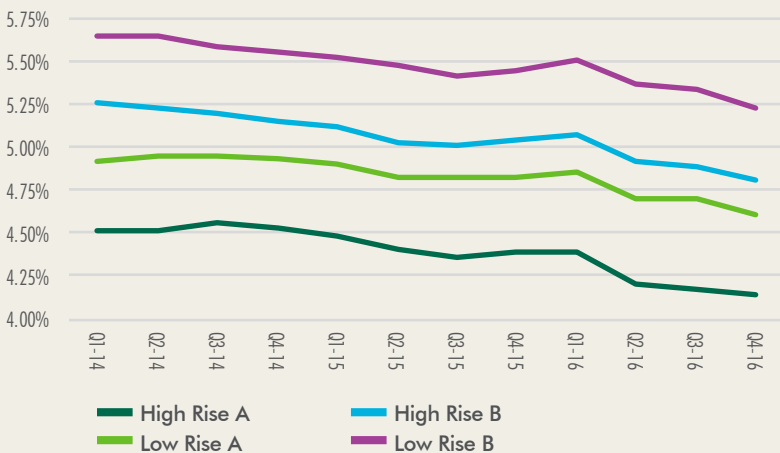
MULTIFAMILY INVESTMENT TRENDS

Every market but one reacted favorably when compared YoY. Low vacancy rates and climbing rental rates, compounded by soaring housing prices in select markets, drove yields lower.

In Vancouver, record housing prices guaranteed that Multifamily assets were to react in kind, resulting in yields across Vancouver classes compressing YoY by as much as -125 bps and no less than -75 bps. Vancouver High-Rise and Low-Rise A classes compressed by -100 bps each, reaching yields of 2.75% and 3.00% respectively. Also reacting positively was Alberta, and the Kitchener-Waterloo region. Yields declined in K-W as much as -62 bps to 5.00% for High-Rise B assets. This is closely tied to the region's young population, and rising residential ownership costs.

2016 was a strong year for Multifamily assets, as yields remain well below the national average. This has led to growing emphasis on new purpose-built developments in gateway markets, particularly from institutional investors.

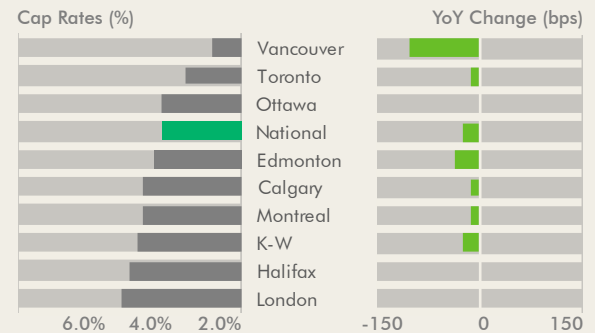
HISTORICAL MULTIFAMILY CAP RATES



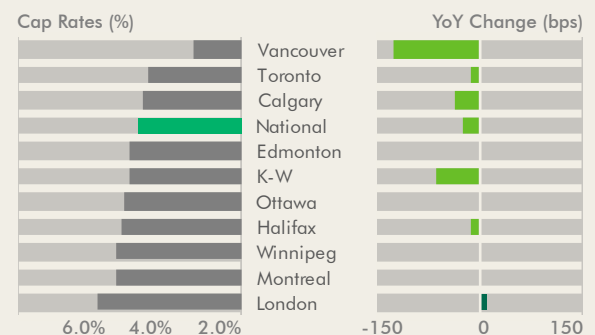
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REGIONAL RANKINGS

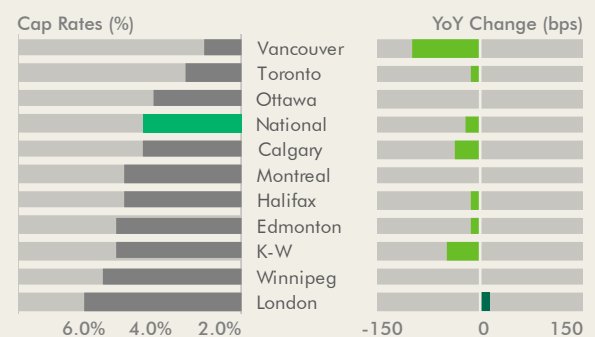
HIGH RISE A



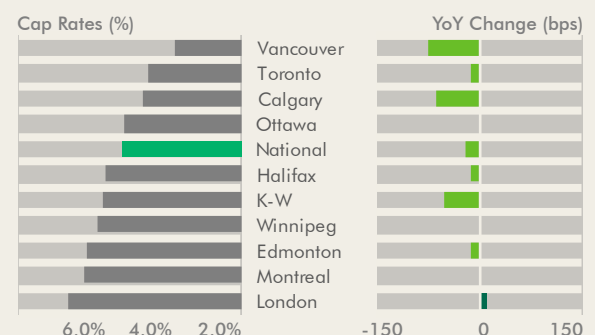
HIGH RISE B



LOW RISE A



LOW RISE B



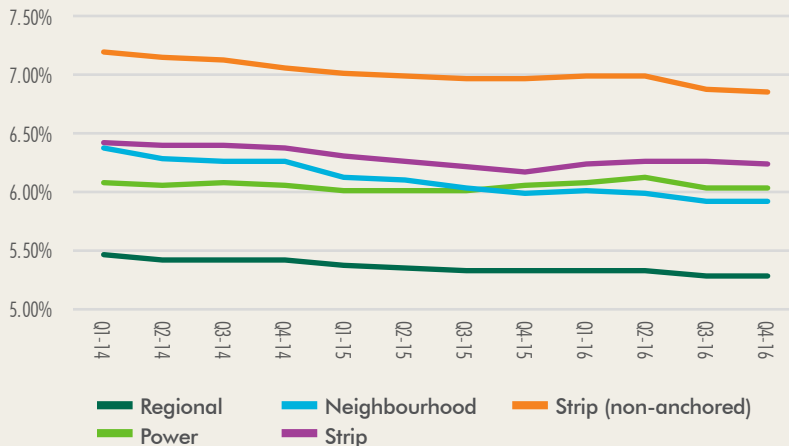
RETAIL INVESTMENT TRENDS

During a period where Retail entered a state of flux, Canadian property was tested by the growth of e-commerce. What emerged, were yields reacting with minimal change, as intensification drove yields in certain markets to compress.

Yields across cities and classes remained stable, however, Vancouver yields fell. Retail Power fell -75 bps to 5.00%, while Retail Strip Non-Anchored declined -62 bps to 5.25%. Retail Strip, Anchored and Non-Anchored, declined in five markets, the most of any Retail class. Montreal Retail Strip declined -50bps, the sharpest drop in the category. Calgary was conflicted, with Retail Strip falling -25 bps to 5.50%, and Strip Non-Anchored moving up +25 bps to 6.50%. In Halifax, demand focused on quality assets rather than smaller neighborhood strip, which climbed +75 bps.

Due to urbanization, Urban Streetfront yielded below 5.00% in Vancouver, Toronto and Montreal, while High-Street Retail in Vancouver and Toronto yielded below 4.00% to end 2016.

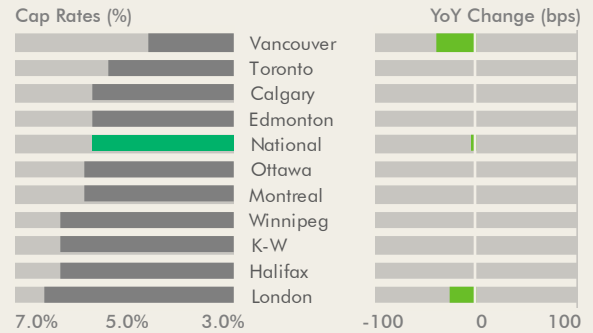
HISTORICAL RETAIL CAP RATES



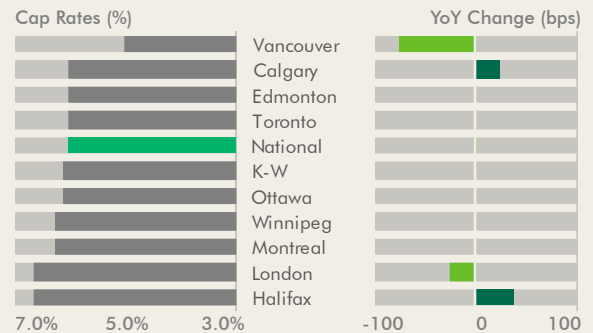
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REGIONAL RANKINGS

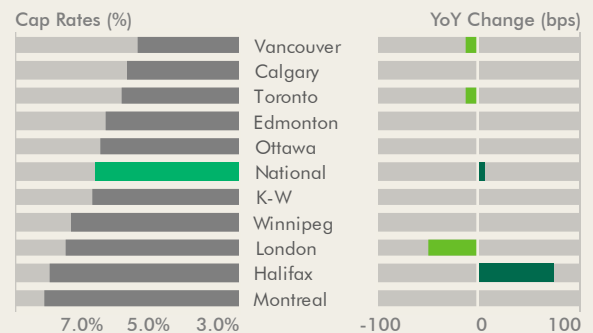
REGIONAL



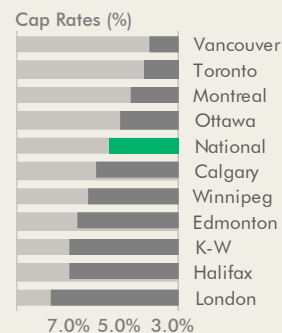
POWER



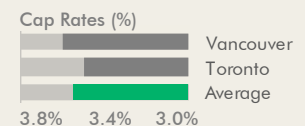
NEIGHBOURHOOD



URBAN STREETFRONT



HIGH STREET



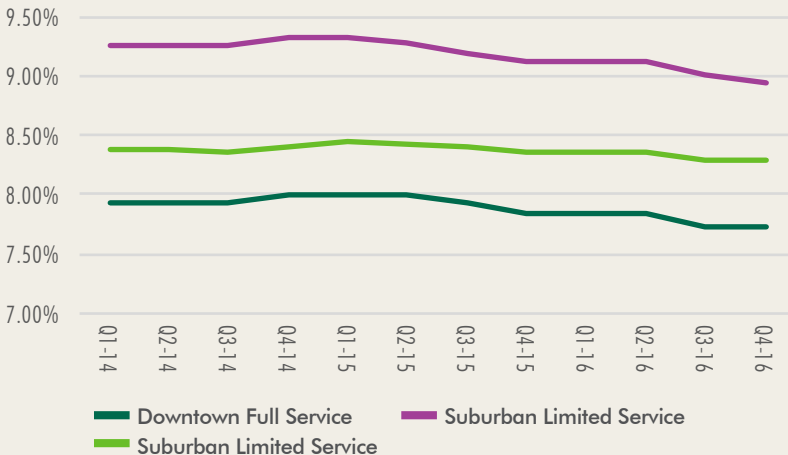
HOTEL INVESTMENT TRENDS

Canadian Hotels were impacted by foreign capital as much as any other sector, as tourism and increased foreign investment into this sector grew in 2016. Also, some of the year's largest transactions were hotels, thus yields in cities like Vancouver, Toronto, Ottawa and Montreal dropped.

Investors from China, Japan, Scotland and the United States acquired major Canadian hotels, with Bluesky Hotels investing almost \$2.2 Billion on its own. U.S., Japanese and Scottish investors purchased properties in gateway markets, leading Downtown Full-Service and Suburban Limited-Service hotel classes to decline by as much as -50 bps YoY.

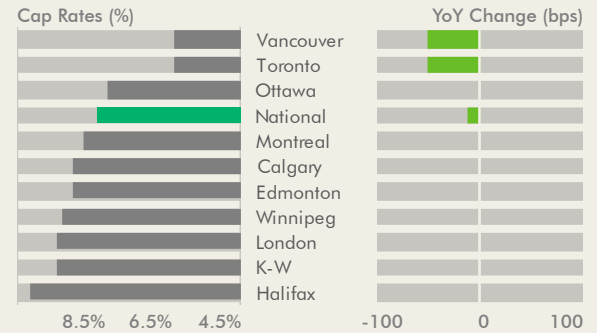
As occupancy levels and Revenue Per Available Room rates reach elevated levels in leading markets, and while the Canadian dollar is expected to remain at current levels, foreign investor demand for Canadian Hotel assets is expected to remain prevalent and bear influence on the sector's cap rates going into 2017.

HISTORICAL HOTEL CAP RATES

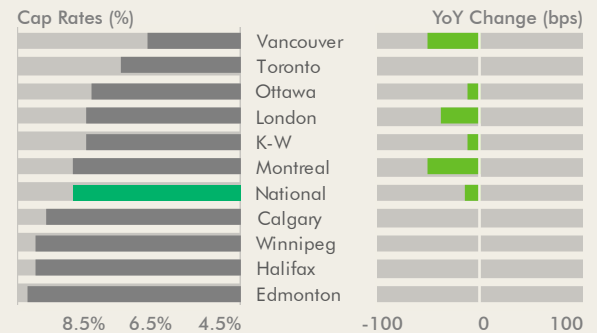


REGIONAL RANKINGS

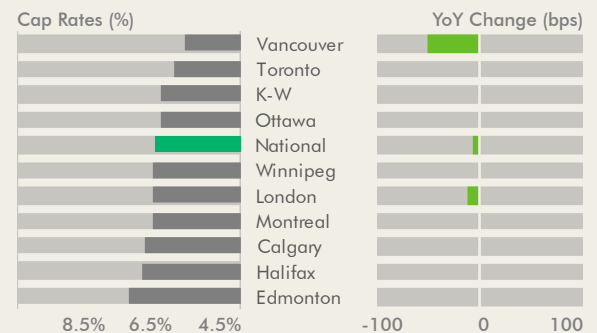
DOWNTOWN FULL SERVICE



SUBURBAN LIMITED SERVICE



FOCUSED SERVICE



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INVESTMENT TRENDS

While all asset classes are in demand, prices appear to have leveled off as investors are showing resistance to reach for values at cap rates beyond what has been reflected in recent trades.



Demand for Vancouver commercial real estate continues to be fueled by a constant flow of new entrants into the market, domestic and foreign, as well as a strong appetite from existing owners.

There is a good balance between vendors and purchasers at current cap rates and another strong year of investment activity is expected in 2017.



Tony Quattrin
 Vice Chairman
 National Investment Team
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Q4 2016 CAP RATES

DOWNTOWN OFFICE		△Q/Q
AA	3.75% - 4.00%	◀▶
A	3.75% - 4.25%	◀▶
B	4.00% - 4.50%	◀▶
SUBURBAN OFFICE		
A	4.75% - 5.50%	◀▶
B	5.00% - 5.50%	◀▶
INDUSTRIAL		
A	4.50% - 5.00%	◀▶
B	5.00% - 5.50%	◀▶
RETAIL		
Regional	4.00% - 4.75%	◀▶
Power	5.00% - 5.00%	◀▶
Neighbourhood	5.00% - 5.50%	◀▶
Strip	4.75% - 5.25%	◀▶
Strip (non-anchored)	5.00% - 5.50%	◀▶
Urban Streetfront	3.75% - 4.25%	◀▶
High Street	3.50% - 4.00%	◀▶
APARTMENT		
High Rise A	2.50% - 3.00%	◀▶
High Rise B	3.00% - 3.50%	◀▶
Low Rise A	2.75% - 3.25%	◀▶
Low Rise B	3.25% - 4.25%	◀▶
HOTEL		
Downtown Full Service	5.50% - 6.50%	◀▶
Suburban Limited Service	6.50% - 7.50%	◀▶
Focused Service	6.50% - 7.50%	◀▶

VIEW ALL CANADIAN CAP RATES
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INVESTMENT TRENDS

The recent uptick in investment activity is expected to be maintained in 2017 as energy prices and pipeline announcements boost optimism.



Investor interest broadened from retail, industrial and multifamily product to include more office assets this quarter.

Investment volume increased as investors have been drawn to higher returns and more available product compared to Vancouver and Toronto.



Garry Beres

Executive Vice President
National Investment Team

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Q4 2016 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	5.25% - 5.75%	◀▶
A	6.25% - 7.00%	◀▶
B	7.75% - 8.50%	◀▶

SUBURBAN OFFICE

A	6.25% - 6.75%	◀▶
B	7.25% - 8.00%	◀▶

INDUSTRIAL

A	5.00% - 5.50%	◀▶
B	6.25% - 6.75%	◀▶

RETAIL

Regional	5.00% - 5.50%	◀▶
Power	5.75% - 6.25%	◀▶
Neighbourhood	5.25% - 5.75%	◀▶
Strip	5.25% - 5.75%	◀▶
Strip (non-anchored)	6.25% - 6.75%	◀▶
Urban Streetfront	5.75% - 6.25%	◀▶
High Street	N/A	

APARTMENT

High Rise A	4.25% - 5.00%	▼
High Rise B	4.25% - 5.00%	▼
Low Rise A	4.25% - 5.00%	▼
Low Rise B	4.25% - 5.00%	▼

HOTEL

Downtown Full Service	7.75% - 8.75%	◀▶
Suburban Limited Service	9.25% - 10.25%	◀▶
Focused Service	8.25% - 9.25%	◀▶

VIEW ALL CANADIAN CAP RATES
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INVESTMENT TRENDS

Grocery anchored retail continues to be the most sought after real estate in the Edmonton market.



Active sales in the downtown office market will provide some much needed data for buyers and sellers considering their options.

Core industrial product remains in demand, while small bay product and quality covenant, single tenant industrial product is experiencing modest demand from investors.



Dave Young

Executive Vice President
National Investment Team

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Q4 2016 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	5.50% - 6.00%	◀▶
A	6.75% - 7.25%	◀▶
B	7.75% - 8.50%	◀▶

SUBURBAN OFFICE

A	6.75% - 7.25%	◀▶
B	7.50% - 8.00%	◀▶

INDUSTRIAL

A	5.25% - 5.75%	◀▶
B	6.75% - 8.00%	▲

RETAIL

Regional	5.00% - 5.50%	◀▶
Power	5.75% - 6.25%	◀▶
Neighbourhood	5.75% - 6.25%	◀▶
Strip	5.50% - 6.00%	◀▶
Strip (non-anchored)	6.50% - 7.00%	◀▶
Urban Streetfront	6.50% - 7.00%	◀▶
High Street	N/A	

APARTMENT

High Rise A	4.00% - 4.75%	▼
High Rise B	4.75% - 5.25%	◀▶
Low Rise A	5.00% - 5.75%	▼
Low Rise B	5.75% - 6.50%	◀▶

HOTEL

Downtown Full Service	7.75% - 8.75%	◀▶
Suburban Limited Service	10.00% - 10.50%	◀▶
Focused Service	9.00% - 10.00%	◀▶

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INVESTMENT TRENDS

Investors continue to pursue quality, cash flowing properties in all asset classes, as well as value-add projects that are fuelled by rental rate growth and intensification opportunities.

**RENT
GROWTH**
INTENSIFICATION



Cap rates remain stable across all asset classes despite upward movement in -year and 10-year bond yields since November.

Investors are regaining confidence in the office market following leasing activity in Kitchener and Waterloo, which is evidenced by the sale of the 1.0 million sq. ft. DREAM portfolio to Europro.



Peter Whatmore

Senior Vice President
National Investment Team

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Q4 2016 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	N/A	
A	6.00% - 7.00%	◀▶
B	6.50% - 7.25%	◀▶

SUBURBAN OFFICE

A	6.25% - 7.50%	◀▶
B	7.00% - 8.00%	◀▶

INDUSTRIAL

A	5.90% 6.50%	◀▶
B	6.75% 7.25%	◀▶

RETAIL

Regional	5.50% - 6.00%	◀▶
Power	5.75% - 6.50%	◀▶
Neighbourhood	6.00% - 6.50%	◀▶
Strip	5.25% - 6.50%	◀▶
Strip (non-anchored)	5.25% - 7.00%	◀▶
Urban Streetfront	6.50% - 7.50%	◀▶
High Street	N/A	

APARTMENT

High Rise A	4.50% 5.00%	◀▶
High Rise B	4.75% 5.25%	◀▶
Low Rise A	5.00% 5.75%	◀▶
Low Rise B	5.50% 6.00%	◀▶

HOTEL

Downtown Full Service	8.25% - 9.00%	◀▶
Suburban Limited Service	8.25% - 9.00%	▼
Focused Service	7.50% - 8.50%	◀▶

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INVESTMENT TRENDS

After a record trading year, capital is lining up and ready for deployment in 2017. The higher the quality of an asset and its cash flow, the stronger the market response.



Notable market dynamics in 2016 involved the rise of residential land volumes and increased foreign buyer activity.

Development or redevelopment is the strategy that all investors seem interested in pursuing for most asset classes.



Peter Senst

President, Canadian
Capital Markets
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Q4 2016 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	4.00% - 4.50%	◀▶
A	4.25% - 4.75%	◀▶
B	4.50% - 5.00%	◀▶

SUBURBAN OFFICE

A	5.75% - 6.25%	◀▶
B	6.75% - 7.25%	◀▶

INDUSTRIAL

A	4.50% - 5.00%	▼
B	6.00% - 6.50%	▼

RETAIL

Regional	4.50% - 5.50%	◀▶
Power	5.50% - 6.50%	◀▶
Neighbourhood	5.00% - 6.25%	▼
Strip	5.25% - 6.25%	◀▶
Strip (non-anchored)	6.25% - 7.25%	◀▶
Urban Streetfront	4.00% - 4.50%	◀▶
High Street	3.25% - 4.00%	▼

APARTMENT

High Rise A	3.25% - 3.75%	◀▶
High Rise B	4.00% - 5.00%	◀▶
Low Rise A	3.25% - 3.75%	◀▶
Low Rise B	4.00% - 5.00%	◀▶

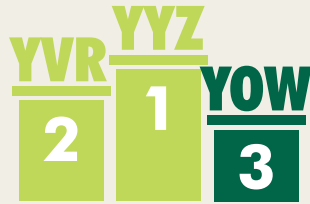
HOTEL

Downtown Full Service	5.50% - 6.50%	◀▶
Suburban Limited Service	7.00% - 8.50%	◀▶
Focused Service	7.00% - 8.00%	◀▶

VIEW ALL CANADIAN CAP RATES
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INVESTMENT TRENDS

Investors have indicated that commercial property in Ottawa is among their top targets following Vancouver and Toronto, and recent momentum is expected to continue through 2017.



2016 was a solid year for investment activity in Ottawa and was fuelled by some of the largest trades in the capital's recent history.

Land will account for a more significant contribution to overall investment volume in 2017, while cap rates are expected to remain steady.



Nico Zentil

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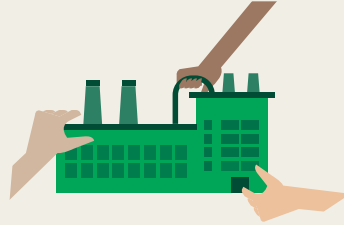
Q4 2016 CAP RATES

DOWNTOWN OFFICE		△Q/Q
AA	5.00% - 5.50%	▼
A	5.25% - 5.75%	▼
B	5.75% - 6.25%	▲
SUBURBAN OFFICE		
A	6.25% - 7.00%	◄►
B	7.00% - 7.50%	◄►
INDUSTRIAL		
A	6.00% - 6.25%	◄►
B	6.50% - 7.25%	◄►
RETAIL		
Regional	5.00% - 5.75%	◄►
Power	5.75% - 6.50%	◄►
Neighbourhood	5.75% - 6.50%	◄►
Strip	5.50% - 6.25%	◄►
Strip (non-anchored)	6.50% - 7.50%	◄►
Urban Streetfront	4.75% - 5.50%	◄►
High Street	N/A	
APARTMENT		
High Rise A	3.75% - 4.50%	◄►
High Rise B	4.75% - 5.50%	◄►
Low Rise A	4.00% - 4.75%	◄►
Low Rise B	4.75% - 5.50%	◄►
HOTEL		
Downtown Full Service	7.00% - 8.00%	◄►
Suburban Limited Service	8.00% - 9.00%	◄►
Focused Service	7.50% - 8.50%	◄►

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INVESTMENT TRENDS

Investors craving a piece of Montreal's high-performing industrial sector are being forced to sit on the sidelines as no product is for sale and construction is at decade lows.



A handful of landmark transactions put downward pressure on cap rates throughout 2016.

Despite record pricing across most sectors and classes, investors are increasingly diligent before setting new pricing records, particularly with office properties.



Serge Duval

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National Investment Team

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Q4 2016 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	4.75% - 5.25%	◀▶
A	5.25% - 5.75%	◀▶
B	5.75% - 6.50%	◀▶

SUBURBAN OFFICE

A	5.75% - 6.75%	◀▶
B	7.00% - 7.75%	◀▶

INDUSTRIAL

A	5.75% - 6.50%	◀▶
B	6.75% - 7.75%	◀▶

RETAIL

Regional	5.00% - 5.75%	◀▶
Power	5.75% - 6.75%	◀▶
Neighbourhood	7.00% - 7.75%	◀▶
Strip	5.25% - 6.00%	◀▶
Strip (non-anchored)	7.25% - 8.00%	◀▶
Urban Streetfront	4.50% - 5.00%	◀▶
High Street	N/A	

APARTMENT

High Rise A	4.25% - 5.00%	◀▶
High Rise B	5.00% - 5.75%	◀▶
Low Rise A	4.75% - 5.50%	◀▶
Low Rise B	5.75% - 6.75%	◀▶

HOTEL

Downtown Full Service	7.50% - 8.50%	◀▶
Suburban Limited Service	8.50% - 9.50%	◀▶
Focused Service	8.00% - 8.75%	◀▶

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INVESTMENT TRENDS

Retail accounted for the greatest proportion of investment trades in the Atlantic Region in 2016 and has done so for three of the last five years.



Fiera Properties completed the acquisition of HOOPP's five building, 400,000 sq. ft. industrial portfolio in December.

Halifax's apartment rental market tightened with vacancy dropping to 2.6% in 2016 from 3.4% in 2015.



Chris Carter

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National Investment Team

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Q4 2016 CAP RATES

DOWNTOWN OFFICE △Q/Q

AA	N/A	
A	6.25% - 6.75%	◀▶
B	7.00% - 7.50%	◀▶

SUBURBAN OFFICE

A	6.50% - 7.50%	◀▶
B	7.50% - 8.00%	◀▶

INDUSTRIAL

A	6.00% - 7.00%	▼
B	7.25% - 7.75%	◀▶

RETAIL

Regional	5.50% - 6.00%	◀▶
Power	6.25% - 7.00%	◀▶
Neighbourhood	6.75% - 7.75%	◀▶
Strip	6.50% - 7.50%	◀▶
Strip (non-anchored)	7.50% - 8.25%	◀▶
Urban Streetfront	6.50% - 7.50%	◀▶
High Street	N/A	

APARTMENT

High Rise A	4.75% - 5.25%	◀▶
High Rise B	5.00% - 5.50%	◀▶
Low Rise A	5.00% - 5.25%	◀▶
Low Rise B	5.25% - 6.00%	◀▶

HOTEL

Downtown Full Service	8.75% - 9.75%	◀▶
Suburban Limited Service	9.50% - 10.50%	◀▶
Focused Service	8.25% - 9.50%	◀▶

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Q4 2016 Canadian Cap Rates

△Q/Q	Vancouver	Calgary	Edmonton	Winnipeg	London-Windsor
Downtown Office					
AA	3.75% - 4.00% ◀▶	5.25% - 5.75% ◀▶	5.50% - 6.00% ◀▶	N/A	N/A
A	3.75% - 4.25% ◀▶	6.25% - 7.00% ◀▶	6.75% - 7.25% ◀▶	5.50% - 6.00% ◀▶	6.50% - 8.50% ◀▶
B	4.00% - 4.50% ◀▶	7.75% - 8.50% ◀▶	7.75% - 8.50% ◀▶	6.50% - 7.00% ◀▶	8.00% - 9.00% ◀▶
Suburban Office					
A	4.75% - 5.50% ◀▶	6.25% - 6.75% ◀▶	6.75% - 7.25% ◀▶	6.50% - 7.00% ◀▶	7.50% - 8.00% ◀▶
B	5.00% - 5.50% ◀▶	7.25% - 8.00% ◀▶	7.50% - 8.00% ◀▶	7.00% - 7.50% ◀▶	8.00% - 8.50% ◀▶
Industrial					
A	4.50% - 5.00% ◀▶	5.00% - 5.50% ◀▶	5.25% - 5.75% ◀▶	6.00% - 6.50% ◀▶	7.00% - 8.00% ◀▶
B	5.00% - 5.50% ◀▶	6.25% - 6.75% ◀▶	6.75% - 8.00% ▲	6.50% - 7.25% ◀▶	7.75% - 9.00% ◀▶
Retail					
Regional	4.00% - 4.75% ◀▶	5.00% - 5.50% ◀▶	5.00% - 5.50% ◀▶	5.50% - 6.00% ◀▶	5.50% - 6.50% ◀▶
Sector/Power	5.00% - 5.00% ◀▶	5.75% - 6.25% ◀▶	5.75% - 6.25% ◀▶	6.00% - 6.50% ◀▶	6.25% - 7.00% ◀▶
Neighborhood	5.00% - 5.50% ◀▶	5.25% - 5.75% ◀▶	5.75% - 6.25% ◀▶	6.50% - 7.00% ◀▶	6.25% - 7.50% ◀▶
Strip	4.75% - 5.25% ◀▶	5.25% - 5.75% ◀▶	5.50% - 6.00% ◀▶	6.50% - 7.00% ◀▶	6.00% - 7.00% ◀▶
Non-anchored Strip Mall	5.00% - 5.50% ◀▶	6.25% - 6.75% ◀▶	6.50% - 7.00% ◀▶	6.75% - 7.50% ▼	6.00% - 7.50% ◀▶
Urban Streetfront	3.75% - 4.25% ◀▶	5.75% - 6.25% ◀▶	6.50% - 7.00% ◀▶	6.00% - 6.75% ◀▶	7.00% - 8.50% ▼
High Street	3.50% - 4.25% ◀▶	N/A	N/A	N/A	N/A
Apartment					
High Rise A	2.50% - 3.00% ◀▶	4.25% - 5.00% ▼	4.00% - 4.75% ▼	N/A	5.00% - 5.50% ◀▶
High Rise B	3.00% - 3.50% ◀▶	4.25% - 5.00% ▼	4.75% - 5.25% ◀▶	5.00% - 5.75% ◀▶	5.25% - 6.50% ◀▶
Low Rise A	2.75% - 3.25% ◀▶	4.25% - 5.00% ▼	5.00% - 5.75% ▼	5.50% - 6.00% ◀▶	5.75% - 6.75% ◀▶
Low Rise B	3.25% - 4.25% ◀▶	4.25% - 5.00% ▼	5.75% - 6.50% ◀▶	5.75% - 6.00% ◀▶	6.00% - 7.25% ◀▶
Hotel					
Downtown Full Service	5.50% - 6.50% ◀▶	7.75% - 8.75% ◀▶	7.75% - 8.75% ◀▶	8.00% - 9.00% ◀▶	8.25% - 9.00% ◀▶
Suburban Limited Service	6.50% - 7.50% ◀▶	9.25% - 10.25% ◀▶	10.00% - 10.50% ◀▶	9.50% - 10.50% ◀▶	8.25% - 9.00% ▼
Focused Service	6.50% - 7.50% ◀▶	8.25% - 9.25% ◀▶	9.00% - 10.00% ◀▶	8.00% - 8.75% ◀▶	7.75% - 9.00% ▼

Q4 2016 Canadian Cap Rates

△Q/Q	Kitchener-Waterloo	Toronto	Ottawa	Montreal	Halifax
Downtown Office					
AA	N/A	4.00% - 4.50%	5.00% - 5.50%	4.75% - 5.25%	N/A
A	6.00% - 7.00%	4.25% - 4.75%	5.25% - 5.75%	5.25% - 5.75%	6.25% - 6.75%
B	6.50% - 7.25%	4.50% - 5.00%	5.75% - 6.25%	5.75% - 6.50%	7.00% - 7.50%
Suburban Office					
A	6.25% - 7.50%	5.75% - 6.25%	6.25% - 7.00%	5.75% - 6.75%	6.50% - 7.50%
B	7.00% - 8.00%	6.75% - 7.25%	7.00% - 7.50%	7.00% - 7.75%	7.50% - 8.00%
Industrial					
A	5.90% - 6.50%	4.50% - 5.00%	6.00% - 6.25%	5.75% - 6.50%	6.00% - 7.00%
B	6.75% - 7.25%	6.00% - 6.50%	6.50% - 7.25%	6.75% - 7.75%	7.25% - 7.75%
Retail					
Regional	5.50% - 6.00%	4.50% - 5.50%	5.00% - 5.75%	5.00% - 5.75%	5.50% - 6.00%
Sector/Power	5.75% - 6.50%	5.50% - 6.50%	5.75% - 6.50%	5.75% - 6.75%	6.25% - 7.00%
Neighborhood	6.00% - 6.50%	5.00% - 6.25%	5.75% - 6.50%	7.00% - 7.75%	6.75% - 7.75%
Strip	5.25% - 6.50%	5.25% - 6.25%	5.50% - 6.25%	5.25% - 6.00%	6.50% - 7.50%
Non-anchored Strip Mall	5.25% - 7.00%	6.25% - 7.25%	6.50% - 7.50%	7.25% - 8.00%	7.50% - 8.25%
Urban Streetfront	6.50% - 7.50%	4.00% - 4.50%	4.75% - 5.50%	4.50% - 5.00%	6.50% - 7.50%
High Street	N/A	3.25% - 4.00%	N/A	N/A	N/A
Apartment					
High Rise A	4.50% - 5.00%	3.25% - 3.75%	3.75% - 4.50%	4.25% - 5.00%	4.75% - 5.25%
High Rise B	4.75% - 5.25%	4.00% - 5.00%	4.75% - 5.50%	5.00% - 5.75%	5.00% - 5.50%
Low Rise A	5.00% - 5.75%	3.25% - 3.75%	4.00% - 4.75%	4.75% - 5.50%	5.00% - 5.25%
Low Rise B	5.50% - 6.00%	4.00% - 5.00%	4.75% - 5.50%	5.75% - 6.75%	5.25% - 6.00%
Hotel					
Downtown Full Service	8.25% - 9.00%	5.50% - 6.50%	7.00% - 8.00%	7.50% - 8.50%	8.75% - 9.75%
Suburban Limited Service	8.25% - 9.00%	7.00% - 8.50%	8.00% - 9.00%	8.50% - 9.50%	9.50% - 10.50%
Focused Service	7.50% - 8.50%	7.00% - 8.00%	7.50% - 8.50%	8.00% - 8.75%	8.25% - 9.50%

GLOSSARY OF TERMS:

Cap Rate: Estimates are provided by NIT members in respective markets based on market transactions and/or feedback from investors on their current yield expectations.

AA Downtown Office: The downtown's best office buildings, typically newer, larger than 800,000 sq. ft. with larger floor plates, attract larger, top quality tenants with 5 and 10-year leases.

Class A Suburban Office and Industrial: Best of class product, recently completed to a high-standard, leases to better quality tenants on 5 and 10-year leases, typically newer construction.

Class B Suburban Office and Industrial: Older product, mostly 5-year leases, typically previously owned.

Regional: Enclosed malls, are the top performers in sales per sq. ft., has strong anchors and high percentage of National Tenants in CRU space. Typically >500,000 sq. ft. and has a department store as one of the anchors.

Power Centres: Open-air retail centre comprised of larger, brand name tenants. Tend to be in a node with other anchor tenants. Limited CRU space and typically larger than 400,000 sq. ft. or in a node of that size.

Community/Neighborhood: Enclosed centre that serves a community and is generally anchored by some combination of a junior department store, supermarket, drug or sport store; supplies a wide range of apparel and soft goods. Can range from 150,000 sq. ft.–350,000 sq. ft.

Strip (Anchored): Open-air centre anchored by either food or drug.

Strip (Non-Anchored): Open-air centre typically not anchored by either food or drug.

Hotel: Rates indicated are based on normalized results after deduction of management fees and reserves for replacement.

Focused Service Hotel: Upper-midscale lodging focused on rooms operations with limited food and beverage and meeting facilities; examples include Hampton Inn, Residence Inn.

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