Canadian cap rate and investment trends

April 2024

AVISON YOUNG

An active summer in sight

Over the past three months, dynamics among asset classes have shown little variation from previous quarters. Much like in late 2023, multi-residential and industrial respondents are largely aligned on market sentiment. The retail market has been active and trading at competitive cap rates, on the heels of substantial investor demand driving notable deals. In the office market, the gap remains widespread among participants and is expected to continue like this for the balance of the year, and likely beyond. It awaits to be seen if the recent uptick in office market activity will lead to a narrowing of the bid-ask spread.

Longer price discovery periods between the buyers and the sellers remain a key factor in the increased amount of time required to close transactions, and the lack of investment trades. When these trades occur, private investors continue to emerge as the most active participants. In Q1-2024, Canadian private investors dominated acquisitions of income-producing properties, representing 73% of transactions, while Canadian institutional investors made up a modest 8%.

As investors optimistically wait for some downward movement on interest rates and improved market fundamentals, they continue to explore alternative real estate investments driven by an increase in expected returns and risk management. This is creating opportunities in niche sectors, such as data centres, as investors look to diversify their portfolios amid market uncertainty.

In this report, we will once again identify the top three trends to watch for each asset class. Rental growth divergences, low vacancy rates and development prospects are trends to watch on the multi-residential market. Key industrial trends include stabilizing at a new market equilibrium, tenant incentives and changing demand. The office sector is impacted by the expanding bifurcation trend between building classes, the adaption of supply and increasing lease terms. Lastly, in the retail sector, our attention is on the shift in spending from goods to services, geographic divergences, and per capita spending trends.

As we look ahead, projections for stable to decreasing interest rates and an uptick in sale offerings has created some optimism amongst market participants. However, a decrease in interest rates in the second half of the year would likely spark further activity.

Matthew McWatters, AACI, P. App.
Principal, Managing Director &
Canadian Leader, Valuation,
Advisory & Property Tax Services

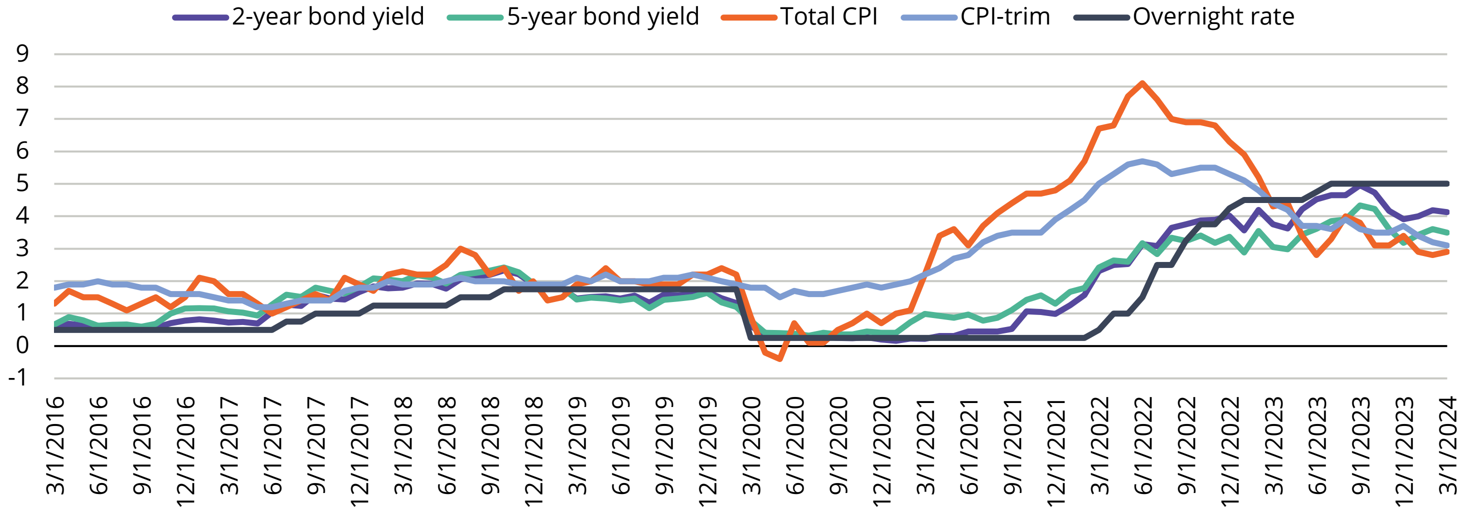
Investment market trends

Cap rate trends at a turning point

As expected, on April 10, the Bank of Canada maintained its key rate at 5%, turning all eyes towards a possible rate cut in June, provided that until then the Bank's key indicators, notably inflation, are still pointing in the right direction. Some inflationary pressures remain a concern for the Bank of Canada: high demand on the housing market, volatile energy prices, persistent inflation in the U.S. exacerbated by a weakening Loonie, and significant government spendings being publicised. The door is open for a rate cut this year, possibly as soon as this summer.

Economic forecasts point to a gradual return to the inflation target in 2025, with a return of the policy rate to 2.5% around April 2025. The debt market volatility that inhibited investors' confidence in the second half of 2023 is giving way to more predictability for 2024. As sales volume for income properties across Canada dropped by 20% between the first and the second half of 2023, capital that has been patiently waiting is now seeking for opportunities. Investors have begun to position themselves for what remains a complex but more favourable environment. Taking early action before the next rate cut can seem risky, but trying to jump on a speeding train too late in the game is just as risky, if not more so. Timing is key.

Inflation, interest rates and bond yields



Source: Bank of Canada

"The market is adjusting faster than anticipated while buyers and sellers are clearly adjusting to the reality of higher interest rates. This is evidenced by the larger than anticipated volume of office transactions across the country in Q1 2024."

Mark Fieder
Principal and President,
Canada

"Investors are coming to the conclusion that the current interest rates could endure past the summer months, and are revising their pricing expectation for acquisitions accordingly."

Robin White
Principal,
Capital Markets Group
Toronto, ON

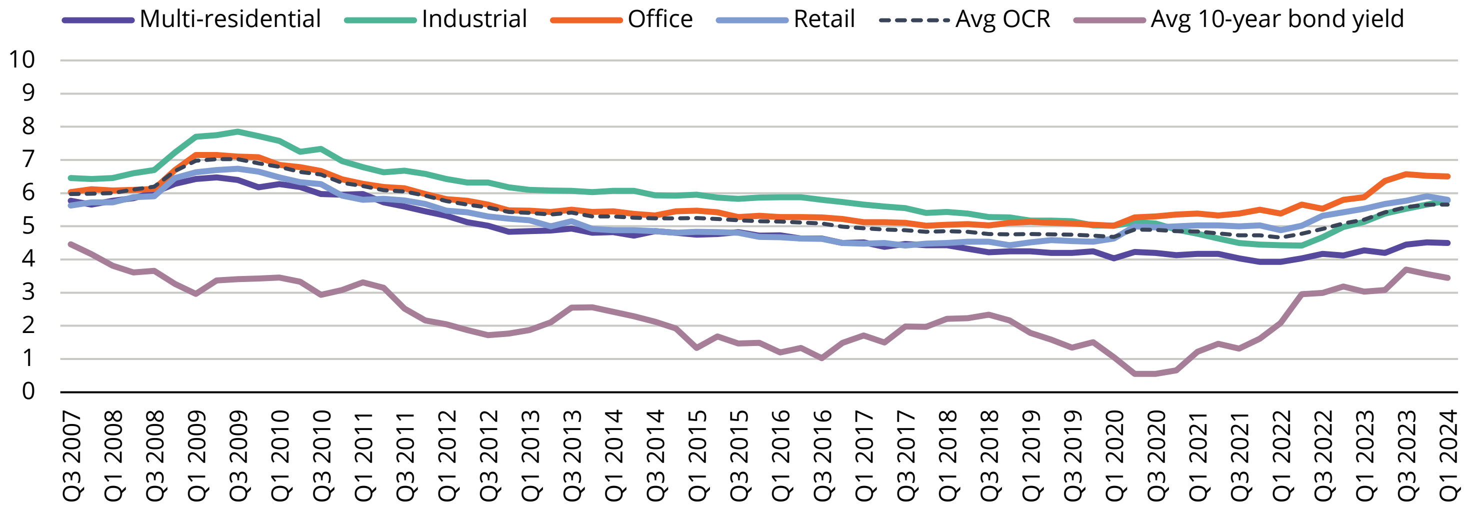
Investment market trends

Cap rate trends at a turning point

Tighter cap rate spreads to treasuries have exerted upward pressure on expected yields starting in 2022, even for the assets considered the safest, such as multi-residential. With rate cuts in sight, cap rates should continue to stabilise. Our Q1 2024 survey results show little or no change for most asset classes since Q4-2023 and going into Q2-2024. Moreover, based on a consensus of economists from 15 financial institutions, the 10-Year Canada bond rate should also remain stable in the next three months, at 3.45%, and sit at 3.14% in 12 months. Assuming spread to treasury close to the current 210-220 bps level, modest compression could be seen later in the year for the most favoured assets.

As we were finalizing this report, the Federal Government announced in the April 16 Budget of an increase in the capital gains tax rate effective June 25. This shockwave has prompted the investment community to rush to close transactions in progress prior to this date. Conversely, for future transactions, investors could take some time to reassess their options in the light of their tax situation. Each transaction is uniquely based on location, asset quality and timing for the buyers and sellers. Investor strategies and fiscal positions are unique, and it is still early to gauge the long-term impact of this additional fiscal deterrent for Canadian investment.

Historical rate of returns trends



Source: Altus ITS and Bank of Canada

Canadian cap rate trends*

Asset class	Benchmark cap rate Q1 2024
Multi-residential	
High density in urban centre	4.50%
Low density in urban centre	4.70%
High density suburban	4.75%
Low density suburban	4.90%
Industrial	
New single-tenant	5.90%
Mature single-tenant	6.35%
New multi-tenant	6.05%
Mature multi-tenant	6.50%
Office	
Downtown class A	7.00%
Downtown class B	7.60%
Suburban class A	7.45%
Suburban class B	8.15%
Retail	
Regional mall	6.30%
Enclosed community mall	6.65%
Neighbourhood strip mall	6.20%
Single-tenant retail	6.05%
Street-front retail	6.20%

*Unweighted average of benchmark cap rates across all markets surveyed.
Source: Avison Young Q1-2024 Cap Rate Survey

Debt market trends

	Multi-residential	Industrial	Office	Retail
Current first mortgage lending conditions				
Maximum LTV	**Conventional:** 75% **CMHC MLI:** 95%	70%	60%	70%
Spread over 10-year GoC bond yield	+85 bps	+175 bps	+250 bps	+200 bps
Preferred term	5 years	5 years	5 years	5 years
Longest amortization	50 years	30 years	30 years	30 years
Premium/discount to appraisal cap rates*	+25 bps	+25 bps	+50 bps	+25 bps
Cause of discrepancy from appraisal values	Cap rate	Rents	Vacancy	Cap rate
Cost of non-recourse debt	+0 bps	+75 bps	+100 bps	+50 bps
Change from previous quarter lending conditions				
Loan applications	=	▼	▼	▼
Mortgages in arrears	=	=	▲	=
Mortgages in default	=	=	▲	=
Expected next quarter lending conditions				
Debt cost outlook	▼	=	▲	=

Multi-residential Industrial Office Retail

*Average premium (+) or discount (-) applied by underwriters to the cap rates seen in appraisal reports completed by accredited appraisers.
Source: Avison Young Q1-2024 Cap Rate Survey

"Although entering 2024 with improved lender appetite, the commercial real estate debt market in Canada is not without challenges. Preferences on portfolio allocation across income-producing industrial, multi-family, and grocer-anchored retail has tightened spreads for core assets. CMHC-insured financing dominates the purpose-built rental construction space while the bid-ask spread and equity requirements across conventional financing for acquisitions, renewals, and construction test borrowers proformas daily. Presently, the aftereffects of borrowing from tomorrow to fund quality of life today are complicating the path to a more stable interest rate regime, which has influenced the current perception of value, underwriting approach, and development economics."

Reade Wolansky
Vice President,
Debt & Equity Finance
Vancouver, BC

Overall sales activity

Sales volume by buyer profile – income properties only

Canadian private investors
73%

End user
12%

Canadian institutional investors
8%

Other (developers, foreign, government)
7%

73%

of acquisitions were by private investors

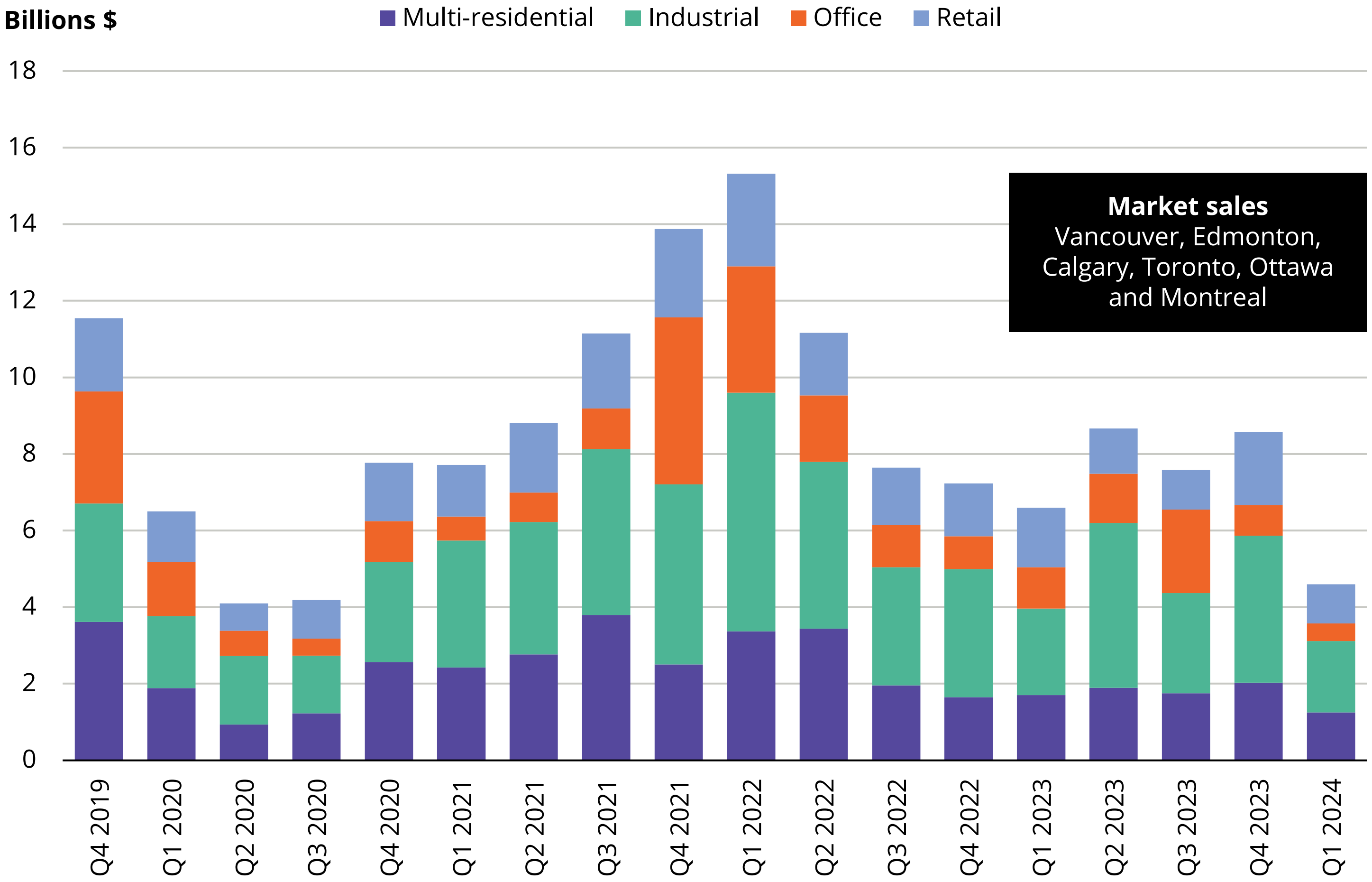
"As expected, transactions continue to be dominated by private domestic investors in Canada, although the majority of the largest deals we've seen in Vancouver this year have come from foreign investors. While transaction volume is down overall, Canada still remains attractive to foreign investors given our strong fundamentals and discipline, secure banking and a strong economic outlook in GDP, population growth and employment."

Jessica Toppazzini
Principal and
Managing Director
Vancouver, BC

Source: Altus Data Studio

Overall sales activity by real estate asset

National investment sales volumes



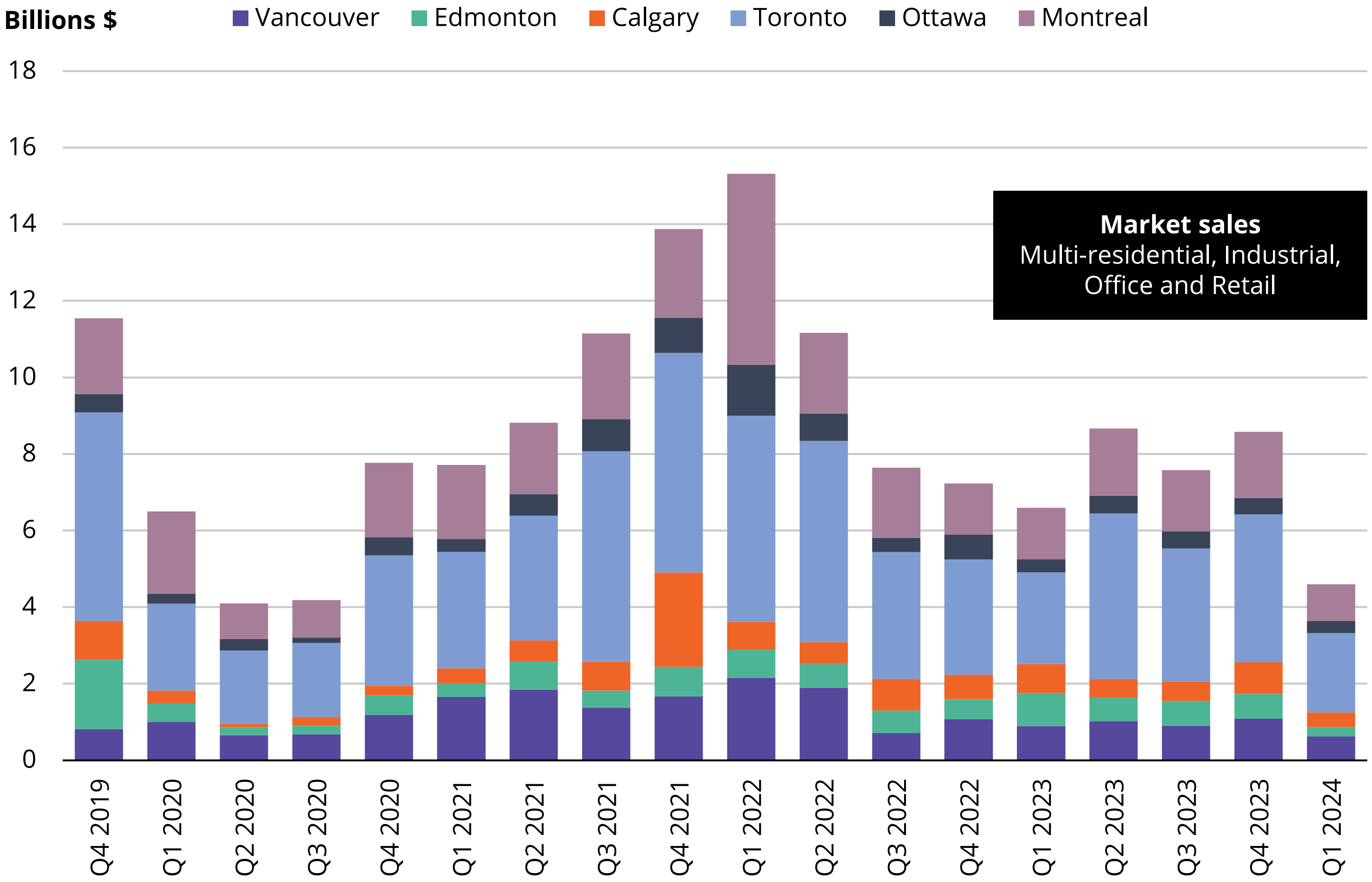
Source: Altus Data Studio

"The gaps in valuation metrics and cap rates between market participants has been a persisting challenge for sales since the series of interest rate increases. This is especially the case in the office sector, where there is not as much consensus around these figures compared to the other asset classes."

Tim Loch, AACI, P. App.
Principal, Senior Vice President and Practice Leader, Investment Valuation and Advisory, Toronto, ON

Overall sales activity by geography

National investment sales volumes



"

As private buyers have recently dominated the buyer pool, the highly anticipated future rate cuts decreased volumes in Q4 2023 and Q1 2024. Eager buyers may find the interest rate market remains higher for longer than hoped, while prices barely budge."

Amy Erixon
Principal and President, Avison Young Investment Management

Source: Altus Data Studio

Sector cap rate and investment trends

Analysis of benchmarks and drivers of cap rates for multi-residential, industrial, office and retail investment properties across Canada.

Multi-residential trends to watch

Rent growth divergences

Rent growth on short-term time frames (month-over-month) plateaued, while long-term time frames (year-over-year) have decelerated, in the large and expensive markets like Vancouver and Toronto. The relatively affordable markets which are experiencing net inflows from interprovincial migration or that have trailed the national rental boom are sustaining modest monthly rent growth and have the top annual growth. These include the primary markets in Alberta, Manitoba, Saskatchewan, Quebec and the Maritimes.

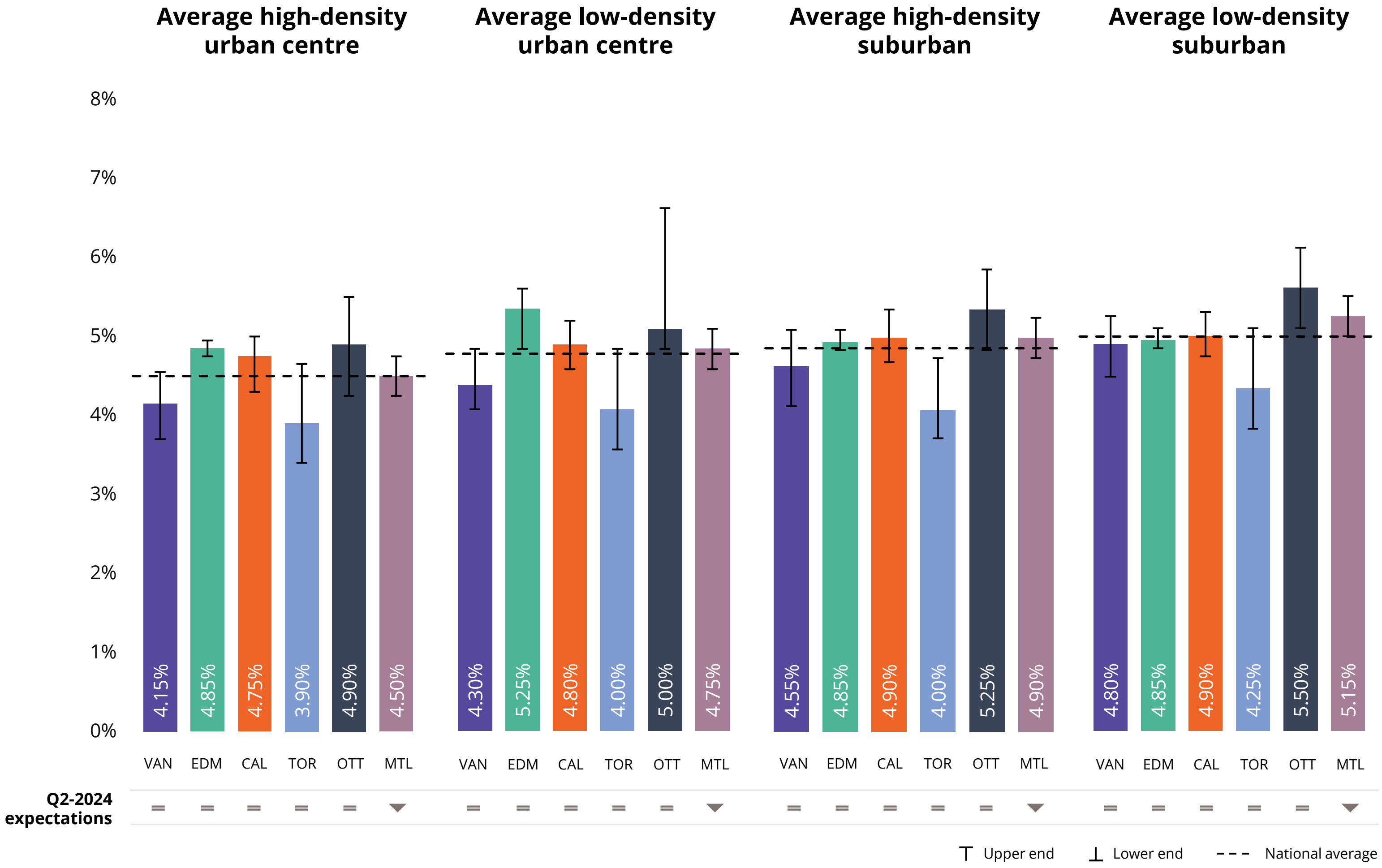
Low vacancy rates persist

Historically low vacancy rates are aggravated by the limited supply relative to population growth. This chronic shortage, which keeps pushing rental rates up, is prompting tenants to stay in place, in lack of better options. This leaves limited upside in mature markets and/or markets regulated by rent controls. New developments in growing markets are presenting the most imminent opportunities to break out of this stalemate, as shown by institutional investors' appetitive for purpose-built rental, leaving buyers opportunities in the mature market for private buyers.

Development prospects improving

CMHC data illustrates a prevailing national downtrend in new housing starts since 2021. Tailwinds to break from this trend include interest rate and construction cost stability, faster turnaround times on financing applications, and federal housing initiatives, including but not limited to new funding and the removal of GST on new rental supply. Multi-residential starts are higher year-to-date than last year. Nevertheless, headwinds to monitor include regional development cost policies, municipal planning timelines, rent controls, and finance/construction costs.

Multi-residential cap rate survey results

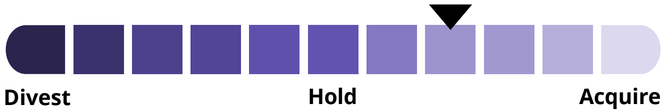


> Most multi-residential transactions are being concluded by private capital, who are taking advantage of the availability of high-leverage financing and the void left behind by institutional capital. Although the bond market remains volatile and there is uncertainty around the timing of potential rate cuts by the Bank of Canada, 2024 multi-family transactional volumes are already outpacing 2023 levels. This is the result of expanding cap rates, improved CMHC timelines, attractive financing programs, and overall strong rental market fundamentals.”

Sebastien Gatti
Principal,
Capital Markets Group
Montreal, QC

Multi-residential cap rate survey results

Market sentiment meter



Sale pitches compared to previous quarter

Active market participants

Top prospective buyers

1. Private individuals
2. Developers
3. Pension funds

Top active sellers

1. Private equity funds
2. REITs
3. Private individuals

Motivations of acquisitions

1. Speculating for future capital gain
2. Long-term income production
3. Gain on tenant lease renewals or expirations

Motivations for dispositions

1. Mortgage renewal/due
2. Liquidity
3. Reallocate capital for higher returns

Dealmakers and dealbreakers

General

Dealmakers:

1. Favourable financing (VTB)
2. Property-specific fundamentals
3. Motivated buyer/seller

Dealbreakers:

1. Obtaining financing
2. Regulation/bureaucracy
3. Inflated list price

Property fundamentals

Dealmakers:

1. Immediate and long-term rent growth potential
2. Recent capital upgrades and condition of the building
3. Property location

Dealbreakers:

1. Underperforming rents with low tenant turnover
2. Increasing operating expenses
3. Condition of the building

"The new debt program from CMHC continues to drive the market and is keeping cap rates stable. Rapidly increasing rental rates in the Alberta market, however, are putting pressure on value. We are seeing cap rates hold and values increase as a result. Any future downward movement in interest rates will surely cause further cap rate compression."

Amit Grover
Principal,
Multi-Residential Sales
Edmonton, AB

Industrial trends to watch

Finding equilibrium

Continuation of the upward trend in vacancy rates and the deceleration in absorption and pre-leasing levels has shifted some power from landlords to tenants towards a more balanced market. A notable factor was the record-high completions in 2023, which is expected to taper as the pace of construction decelerates. Market fundamentals have stabilized, while holding strong relative to longer-term historical averages.

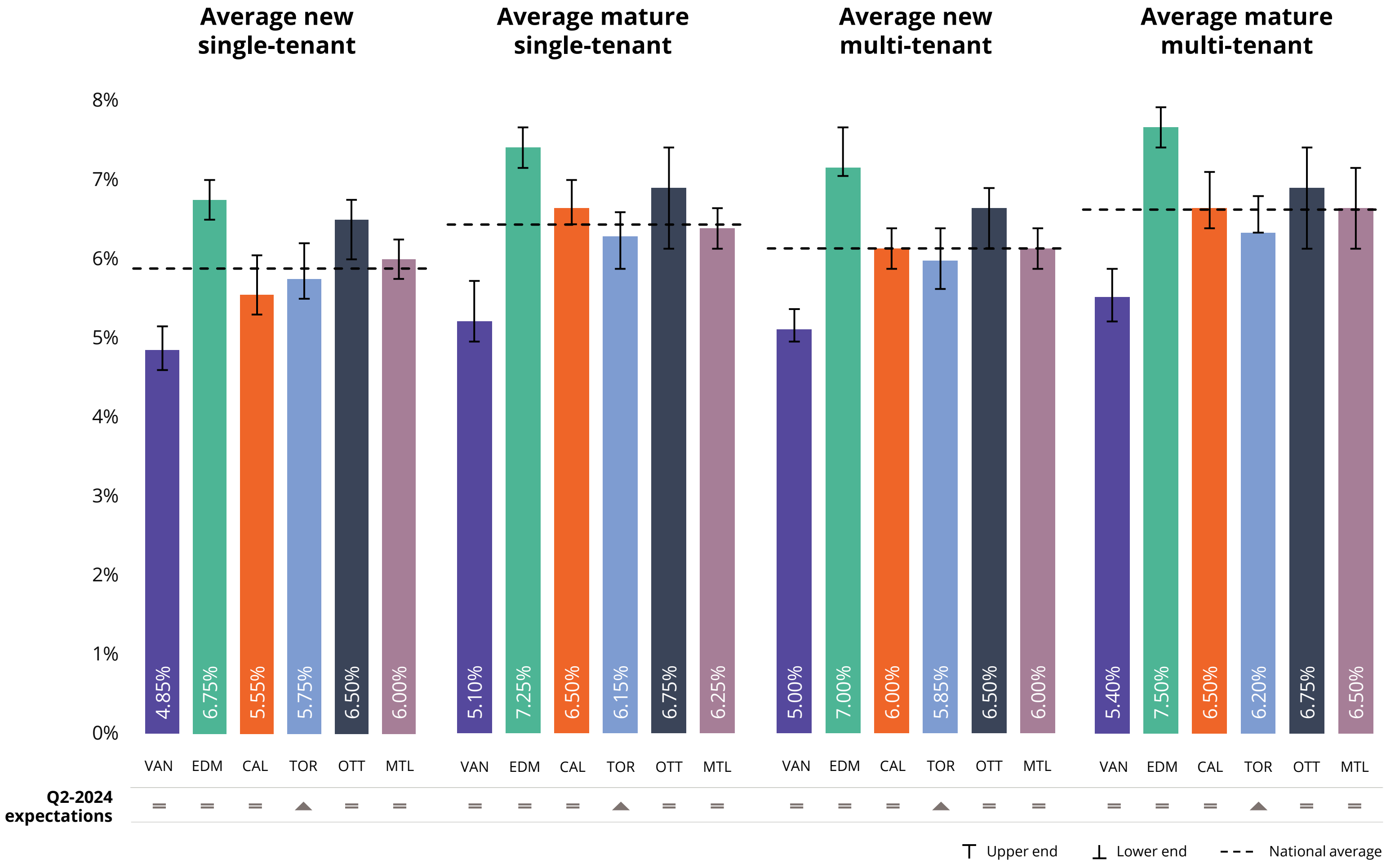
Tenant incentives

Face rates across the national industrial leasing market have generally peaked. As market conditions shift to favour tenants, landlords are offering more generous incentives to attract high-quality tenants. The extent of these incentives and the persistence of this trend is one to monitor as it may be indicative of overstated lease rate expectations or provide insights into the priorities of owner-investors of industrial properties.

Demand shifting

Demand for product related to the e-commerce supply chain, as well as large bay product, is declining from the pandemic highs. Small and mid-bay product types are garnering more interest from tenants, and tenants are more selective based on quality. A bifurcation in leasing fundamentals is setting in, favouring premium product.

Industrial cap rate survey results



"There is considerable investment demand for Calgary industrial mid-bay and small bay month-to-month income-producing investment product as a ±30% rent increase slowly works its way through the market. This product category is still seeing ongoing rental growth and declining vacancy, particularly in well-positioned assets and is priced considerably below replacement. Cost barriers to new development remain and are likely to keep new supply low and push asset values of existing product."

Tyler Wellwood
Principal,
Industrial Sales & Leasing
Calgary, AB

Industrial cap rate survey results

Market sentiment meter

Divest | Hold | Acquire

Sale pitches compared to previous quarter

Down | Unchanged | Up

Active market participants

Top prospective buyers

1. Private individuals
2. REITs
3. Private equity funds and pension funds

Top active sellers

1. Private individuals
2. REITs
3. Pension funds

Motivations of acquisitions

1. Gain on tenant lease renewals or expirations
2. Long-term income production
3. Speculating for future capital gain

Motivations for dispositions

1. Mortgage renewal/due
2. Liquidity
3. Portfolio rebalancing and reallocating capital

Dealmakers and dealbreakers

General

✓

1. Adjusting the list price
2. Motivated buyer/seller
3. Favourable financing (VTB)

✗

1. Inflated list price
2. Obtaining financing
3. Property-specific fundamentals

Property fundamentals

✓

1. Long-term market rent growth potential
2. Condition and specifications of the building
3. Credit rating of the tenant(s)

✗

1. Inflated list price
2. Property-specific fundamentals
3. Obtaining financing

"There is little to no available cap rate sales evidence in the marketplace for properties leased at market rates. Given the significant increase in rental rates over the last few years, many properties are leased below market rates, therefore warranting lower cap rates to account for the upside potential."

Steven Caldecott, AACI, P. App.
Senior Vice President,
Valuation and Advisory
Vancouver, BC

Office trends to watch

Bifurcation expands

The delta continues to expand for rent and vacancy rates between Trophy/AAA and inferior office buildings. This is catalyzed by the growing realization in the market that the return to office will prioritize best in-class availabilities, because prospective tenants will otherwise opt to stay remote.

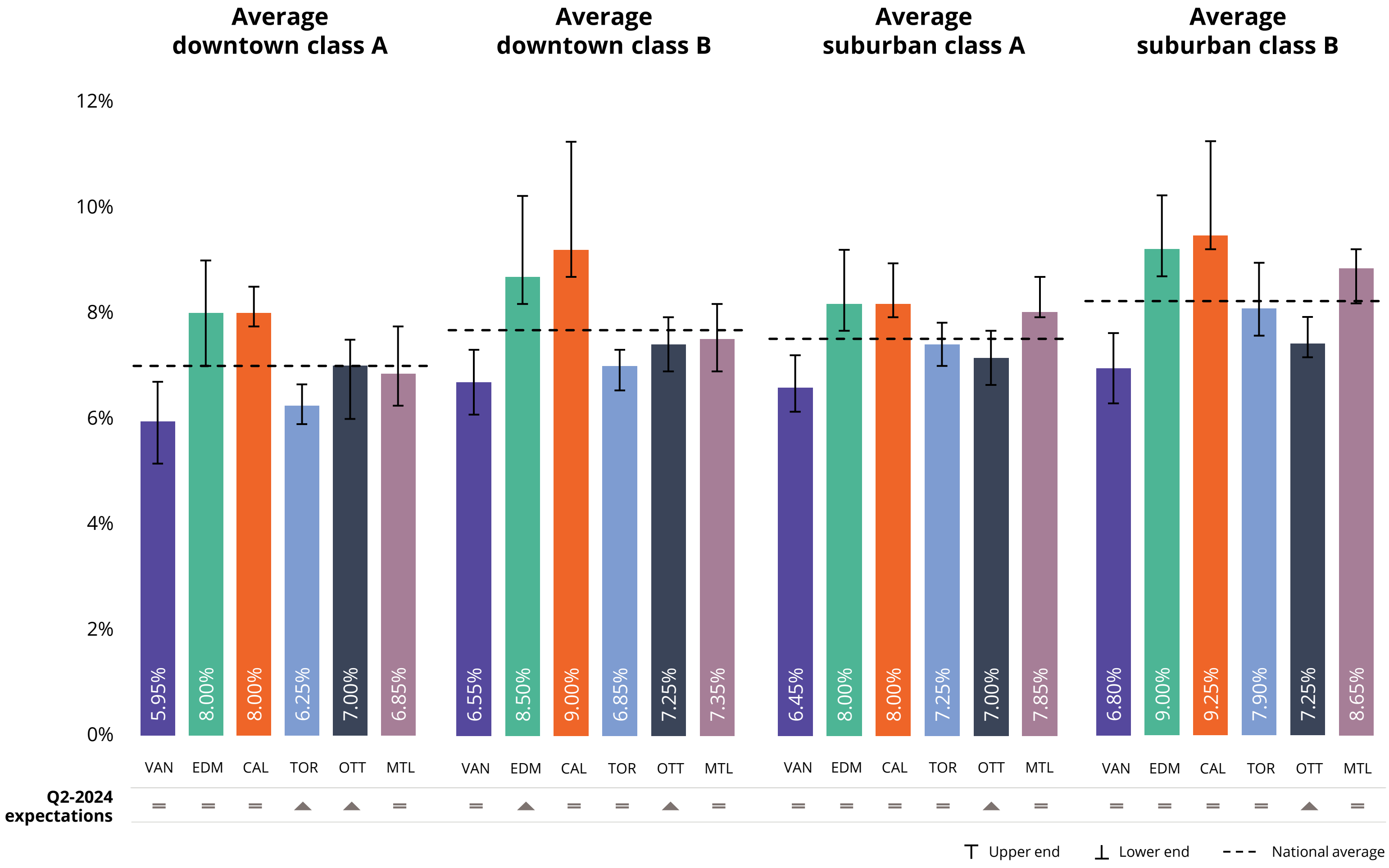
An adapting supply

Capital expenditures in office buildings are increasing as owners carry out upgrades, notably in assets that are challenged to sell or lease-up. Looking to the new product completed in 2020 and 2021, availabilities have decreased, resulting in a decline in tenant options for this quality of space. This typically favours the owners and investors, and given the softness in the general office market, the premium buildings stand to benefit the most under such conditions.

Increasing lease terms

There are early signs that average terms on office leases are increasing among best-in class buildings, after declining throughout the pandemic. This is a necessary step for buyers to achieve a successful financing on prospective acquisitions. This may give way to increased transaction volume in subsequent quarters. However, many buyers will remain sidelined by challenges to obtain financing.

Office cap rate survey results



“2024 is forecasted to be an interesting year in the office market. We expect the “flight to quality” trend to continue as tenants seek out the best-in-class assets that can attract and retain the top talent while the lower quality assets will continue to experience higher than average vacancy. With the expectation of interest rates lowering, the office market should continue to rebound and improve in back half of the year and into 2025.”

Glenn Gardner
Principal,
Office Sales & Leasing
Vancouver, BC

Office cap rate survey results

Market sentiment meter

Divest | Hold | Acquire

Sale pitches compared to previous quarter

Down | Unchanged | Up

Active market participants

Top prospective buyers

1. Private individuals
2. Private equity funds
3. Public sector

Top active sellers

1. Pension funds
2. REITs
3. Private individuals

Motivations of acquisitions

1. Hold for redevelopment or conversion to an alternative use
2. Speculating for future capital gain
3. Broader investment portfolio strategy

Motivations for dispositions

1. Inadequate asset performance (i.e., NOI)
2. Mortgage renewal/due
3. Portfolio rebalancing and reallocating capital

Dealmakers and dealbreakers

General

1. Favourable financing (VTB)
2. Adjusting the list price
3. Property-specific fundamentals

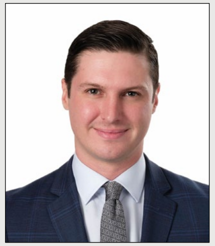
1. Office sentiment
2. Obtaining financing
3. Inflated list price

Property fundamentals

1. Class/quality of the building
2. Property location
3. Recent capital upgrades

1. Increasing vacancy rates
2. Decrease in market rents
3. Class/quality of the building

"The negative sentiment of lenders on office assets is continuing to make deals challenging, with investors and owners divesting. The office properties that are being sold have upside for developable land, ability for conversion or offer creative financing through VTB solutions."



Ben Burns
Senior Associate,
Capital Markets Group
Ottawa, ON

Retail trends to watch

Goods to services

Consumer spending data from Canadian banks indicate a consistent theme in Q1 2024 of households paring back purchases of discretionary physical merchandise in favour of discretionary services, notably recreation, travel and entertainment. Total consumer spending growth was slightly positive compared to last quarter, because of purchases of essentials and discretionary services. Discretionary goods purchases, however, are experiencing a short-term decline.

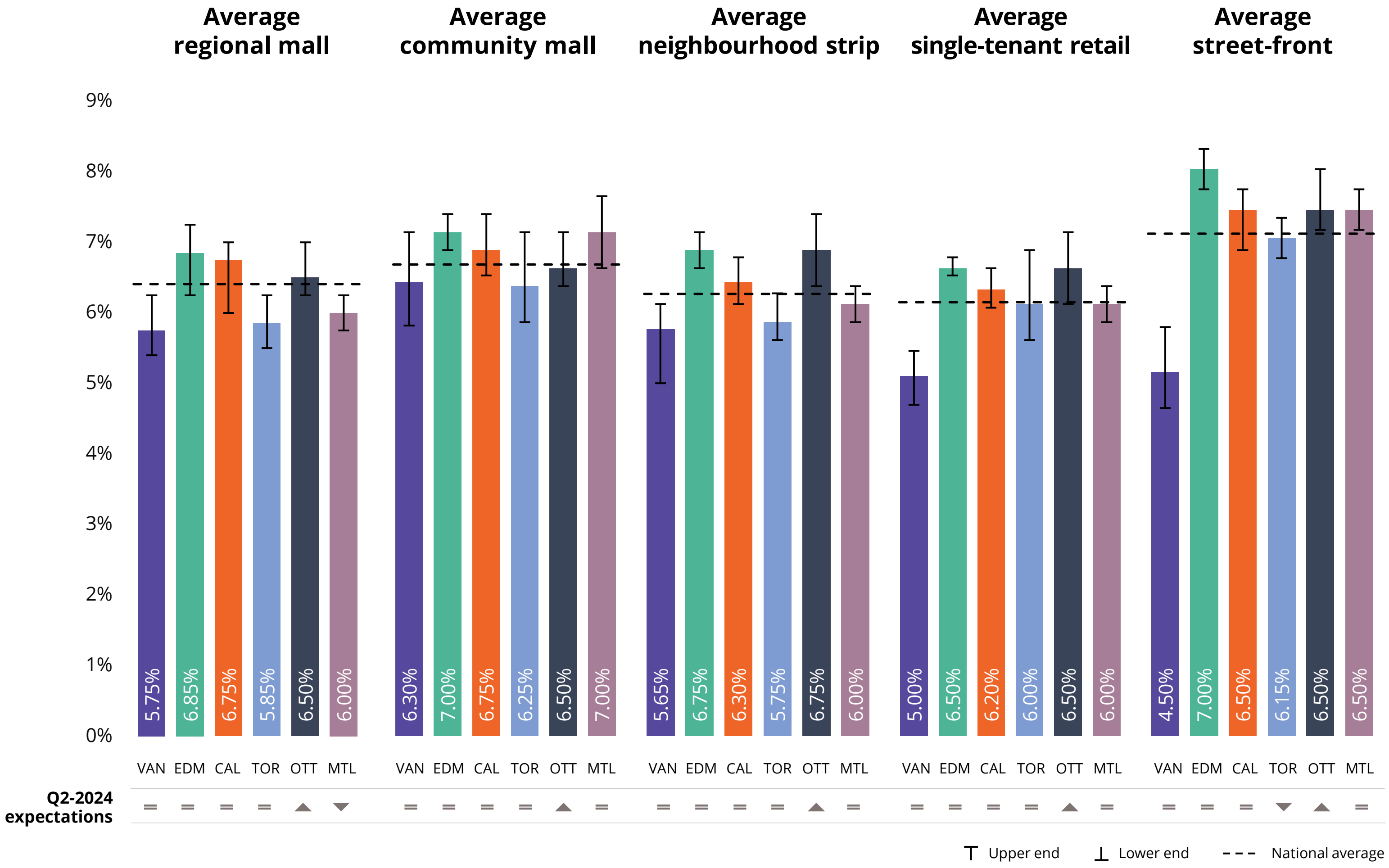
Geographic divergences

TD Economics reported that retail spending in Ontario, Manitoba, Quebec and the Atlantic provinces surpassed the national spending benchmark in Q1 2024. British Columbia and Saskatchewan have had muted growth, below the national benchmark, and Alberta has also fallen behind the national benchmark after previously outperforming in previous quarters.

Per capita spending

National real per capita retail sales are in the process of reversing the downtrend which began in 2021, after posting increases in Q4 2023 and Q1 2024. Drivers of this reversal include the stabilization of interest rates and inflation, the adjustment of households to higher interest and inflation rates, and the expectation for decreases in both variables. Nevertheless, headwinds remain, notably rising unemployment and persistently high costs of living. Sentiment among economists is for consumer spending to remain soft before an uptick in the second half of 2024.

Retail cap rate survey results



"

Despite the many economic challenges over the last few years, the retail leasing market has proven to be quite robust. Investors have recognized the resiliency of this market and are willing to pay strong prices for retail properties in the major Canadian markets.

Corey Gay
Principal,
Capital Markets Group
Edmonton, AB

Retail cap rate survey results

Market sentiment meter

Sale pitches compared to previous quarter

Active market participants

Top prospective buyers

1. Institutional investors
2. Developers
3. Private individuals

Top active sellers

1. Developers
2. Private Individuals
3. Institutional investors

Motivations of acquisitions

1. Long-term income production
2. Investment portfolio strategy
3. Speculative future capital gain on sale/redevelopment

Motivations for dispositions

1. Mortgage renewal/due
2. Capital reallocation
3. Liquidity

Dealmakers and dealbreakers

General

✓
1. Motivated seller
2. Favourable financing
3. Adjusting the list price

✗
1. Inflated list price
2. Obtaining financing
3. Transaction costs/delays

Property fundamentals

✓
1. Property location
2. Long-term market rent growth
3. Mixed-use (residential above-grade)

✗
1. Property location
2. Condition of building
3. Property design specifications

"Retail investments have remained relatively resilient, with the smallest cap rate expansion of all asset classes. With many retailers looking to expand, a dearth of new retail construction, and strong demographic growth, many investors are turning to this asset class to rebalance their portfolios and secure stable, cash-flowing assets with medium-term rental growth and long-term development potential."

Marie-Claire Laflamme-Sanders
Principal,
Capital Markets Group
Montreal, QC

Summary cap rates by asset class and geography

Asset class	Vancouver		Edmonton		Calgary		Toronto		Ottawa		Montreal	
	Q1 2024	▲Y/Y	Q1 2024	▲Y/Y	Q1 2024	▲Y/Y	Q1 2024	▲Y/Y	Q1 2024	▲Y/Y	Q1 2024	▲Y/Y
Multi-residential												
High density in urban centre	**4.15%**	+35 bps	**4.85%**	+25 bps	**4.75%**	+10 bps	**3.90%**	+25 bps	**4.90%**	+150 bps	**4.50%**	+65 bps
Low density in urban centre	**4.30%**	+65 bps	**5.25%**	+15 bps	**4.80%**	+15 bps	**4.00%**	+25 bps	**5.00%**	+200 bps	**4.75%**	+50 bps
High density in suburban area	**4.55%**	+65 bps	**4.85%**	+65 bps	**4.90%**	+65 bps	**4.00%**	+65 bps	**5.25%**	+55 bps	**4.90%**	+65 bps
Low density in suburban area	**4.80%**	+50 bps	**4.85%**	+25 bps	**4.90%**	+15 bps	**4.25%**	+25 bps	**5.50%**	-200 bps	**5.15%**	+65 bps
Industrial												
New single-tenant	**4.85%**	+50 bps	**6.75%**	+30 bps	**5.55%**	+0 bps	**5.75%**	+35 bps	**6.50%**	+50 bps	**6.00%**	+100 bps
Mature single-tenant	**5.10%**	+40 bps	**7.25%**	+60 bps	**6.50%**	+0 bps	**6.15%**	+35 bps	**6.75%**	+50 bps	**6.25%**	+100 bps
New multi-tenant	**5.00%**	+50 bps	**7.00%**	+80 bps	**6.00%**	+0 bps	**5.85%**	+65 bps	**6.50%**	+50 bps	**6.00%**	+100 bps
Mature multi-tenant	**5.40%**	+60 bps	**7.50%**	+75 bps	**6.50%**	+15 bps	**6.20%**	+65 bps	**6.75%**	+50 bps	**6.50%**	+100 bps
Office												
Downtown class A	**5.95%**	+185 bps	**8.00%**	+0 bps	**8.00%**	+5 bps	**6.25%**	+75 bps	**7.00%**	+75 bps	**6.85%**	+100 bps
Downtown class B	**6.55%**	+185 bps	**8.50%**	+0 bps	**9.00%**	+5 bps	**6.85%**	+90 bps	**7.25%**	+25 bps	**7.35%**	+100 bps
Suburban class A	**6.45%**	+165 bps	**8.00%**	+100 bps	**8.00%**	+5 bps	**7.25%**	+75 bps	**7.00%**	+0 bps	**7.85%**	+100 bps
Suburban class B	**6.80%**	+185 bps	**9.00%**	+100 bps	**9.25%**	+5 bps	**7.90%**	+90 bps	**7.25%**	+0 bps	**8.65%**	+100 bps
Retail												
Regional mall	**5.75%**	+115 bps	**6.85%**	+50 bps	**6.75%**	+50 bps	**5.85%**	+50 bps	**6.50%**	+25 bps	**6.00%**	+75 bps
Enclosed community mall	**6.30%**	+135 bps	**7.00%**	+0 bps	**6.75%**	+25 bps	**6.25%**	+90 bps	**6.50%**	+25 bps	**7.00%**	+50 bps
Neighbourhood strip mall	**5.65%**	+100 bps	**6.75%**	+75 bps	**6.30%**	+0 bps	**5.75%**	+50 bps	**6.75%**	+25 bps	**6.00%**	+25 bps
Single-tenant retail	**5.00%**	+100 bps	**6.50%**	+50 bps	**6.20%**	+0 bps	**6.00%**	+65 bps	**6.50%**	+25 bps	**6.00%**	+50 bps
Street-front retail	**4.50%**	+85 bps	**7.00%**	+50 bps	**6.50%**	+10 bps	**6.15%**	+50 bps	**6.50%**	+25 bps	**6.50%**	+50 bps

Source: Avison Young Q1-2024 Cap Rate Survey

Benchmark property descriptions

Multi-residential

High density urban centre: Downtown high-rise apartment building at the middle of its economic life with some renovations/modernizations. Typically, >6 storeys, in good condition with no deferred maintenance, and average finishing, amenities and tenant turnover for Downtown product. Considered based on a stabilized NOI.

High density suburban: High-rise apartment building at the middle of its economic life with some renovations/modernizations. Located in a major suburban municipality served by neighbourhood amenities and public transit. Typically, >6 storeys, in good condition with no deferred maintenance, and average finishing, amenities and tenant turnover for product in the same suburb. Considered based on a stabilized NOI.

Low density urban centre: Downtown low-rise apartment building at the middle of its economic life with some renovations/modernizations. Typically, ≤6 storeys, in good condition with no deferred maintenance, and average finishing, amenities and tenant turnover for Downtown product. Considered based on a stabilized NOI.

Low density suburban: Low-rise apartment building at the middle of its economic life with some renovations/modernizations. Typically, ≤6 storeys, in good condition with no deferred maintenance, and average finishing, amenities and tenant turnover for product in the same suburb. Considered based on a stabilized NOI.

Benchmark property descriptions

Industrial

New single-tenant: Concrete tilt-up warehouse ≤5 years old in a suburban industrial park 40 km from downtown and 10 km from rail, air and/or sea terminal(s). Access to a major highway. GLA of 100,000 sf, excess yard space, 32 ft clear height, 15% office buildout and several dock/grade doors. Considered based on a stabilized NOI.

Mature single-tenant: Concrete block warehouse >20 years old in a suburban industrial park 40 km from downtown and 10 km from rail, air and/or sea terminal(s). Access to a major highway. GLA of 30,000 sf, excess yard space, 22 ft clear height, 20% office buildout and a few grade doors. Considered based on a stabilized NOI.

New multi-tenant: Concrete tilt-up warehouse ≤5 years old in a suburban industrial park 40 km from downtown and 10 km from rail, air and/or sea terminal(s). Access to a major highway. Units 10,000-20,000 sf (160,000 sf total GLA). Clear height 28 sf, 20% office buildout and 1-3 doors/unit. Considered based on a stabilized NOI.

Mature multi-tenant: Concrete block warehouse >20 years old in a suburban industrial park 40 km from downtown and 10 km from rail, air and/or sea terminal(s). Access to a major highway. Units 2,000-8,000 sf (48,000 sf total GLA). Clear height 22 sf, 30% office buildout and 1-3 doors/unit. Considered based on a stabilized NOI.

Benchmark property descriptions

Office

Downtown class A: Located in the Downtown financial district, leased at above-average market rents to good covenant tenants. Typically, a newer and larger high-rise tower in good condition, with high-quality finish and amenities, reputable property management and in a premium location. Considered based on a stabilized NOI.

Downtown class B: Located in the Downtown financial district, leased at average or below market rents. Typically, an older mid- to high-rise tower in fair condition with few to no AAA-rated tenants. Tenants are typically seeking functional space at discounted rental rates. Considered based on a stabilized NOI.

Suburban class A: Located in the central business district of a major suburban municipality within 35 km of Downtown. Leased at above-average market rents to good covenant tenants. Typically, a newer low to mid-rise building in good condition, with high-quality finish and amenities, reputable property management and in a premium suburban location. Considered based on a stabilized NOI.

Suburban class B: Located in the central business district of a major suburban municipality within 35 km of Downtown. Leased at average or below market rents. Typically, an older low-to mid-rise building in fair condition and does not comprise AAA-rated tenants. Tenants are seeking functional space at discounted rental rates outside of the downtown core. Considered based on a stabilized NOI.

Benchmark property descriptions

Retail

Regional mall: Located in a high-density mixed-use residential and commercial neighbourhood in the urban core. Primary trade area of ±20 km with excellent parking and access via arterial road(s). Comprises 3 anchor tenants and a mix of national and local brands. Considered based on a stabilized NOI.

Community mall: Located at the intersection of 2 arterial roads in the central business district of a major suburban municipality. Primary trade area of ±10 km with excellent parking and good access via arterial road(s). Anchored by a major chain supermarket and at least one department/discount store with a mix of national and local brands. Considered based on a stabilized NOI.

Neighbourhood strip mall: Located at the intersection of 2 arterial roads in the central business district of a major suburban municipality. Primary trade area of ±5 km with good parking and access via arterial road(s). Anchored by a supermarket with a mix of regional and local brands. Considered based on a stabilized NOI.

Single-tenant retail: Fronting an arterial road within the urban core. Primary trade area of ±10 km with ample surface parking and multiple points of ingress/egress. The tenant is of investment grade covenant strength (e.g., Home Depot, Loblaws). Considered based on a stabilized NOI.

Street-front: Fronting a high street in a residential neighbourhood in the urban centre, but outside the Downtown core. Primary trade area of ±2 km with street parking and a few stalls at the rear via a laneway. Tenant is a local business (e.g., clothing boutique, café, salon). Considered based on a stabilized NOI.

For more market insights and information visit **avisonyoung.ca**

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