



# Canadian cap rate and investment trends

Q3 2024

**AVISON  
YOUNG**

# Monetary conditions drive momentum

The Bank of Canada cut its policy rate by 25 bps in both Q3 2024 announcements, lowering it to 4.25%. With inflation easing and reaching the BoC's 2% target in August, Governor Macklem hinted at further rate cuts, aligning with the market's expectations for continued monetary easing. The consensus among economists is for the policy rate to decline to 3.50% by year-end, with 10-year GoC bond yields stabilizing around 3.0%. Real GDP growth in 2025 is projected to slow to 1.8%, with stable inflation at 2.1%. With the easing of interest rates by the BoC, we expect real estate investments to become more attractive in relative terms.

With the expectation of more institutions re-entering the market, we focused on market transactions of \$5 million and up in our buyer profile analysis. Canadian private investors continued to account for the largest share of acquisitions. There was also a notable uptick in major acquisitions by REITs and select institutions for data centres, apartments and retail. Coming out of summer, activity and sentiment is expected to pick up in Q4, with 2025 likely to bring more deal flow as it is expected that more market participants will re-enter the marketplace.

Coast to coast momentum is building and there is renewed optimism. Some key market insights include:

- **Vancouver** – The expectation is foreign buyers will continue to be prominent, especially for quality office buildings at attractive cap rates.
- **Edmonton** – Small-bay industrial is out-performing other industrial assets, with cap rates compressing to be in line with large-bay due to strong fundamentals.
- **Calgary** – Strong demographics are driving investor demand for retail and multi-residential assets.

- **Toronto** – Sentiment is up on multi-residential, and cap rate projections are down for next quarter as more deals occur in the new, lower yield environment.
- **Ottawa** – The government return to office has done little to bolster the downtown core and investors remain skeptical. Retail and multi-residential remain the preferred asset class for investors.
- **Montreal** – Retail continues to demonstrate its resilience as an asset class, consistently attracting investors seeking stable, long-term cash flows.

This quarter, we are excited to introduce a new section: Featured Transactions by Avison Young. The section will highlight notable cap rate deals from our accomplished brokers across Canada. Insights on the sale, dealmakers, Avison Young brokers, transaction and property details will be provided. In this report, we will showcase a retail sale in Calgary, a multi-residential portfolio in Ottawa and an industrial sale in Montreal. The aim is to offer more in-depth insights, to better inform our readers.

While sentiment around office assets remains negative, a growing number of investors in the industrial, multi-residential, and retail sectors, armed with ready capital, suggests a promising outlook for the upcoming quarters.



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



## Investment market trends

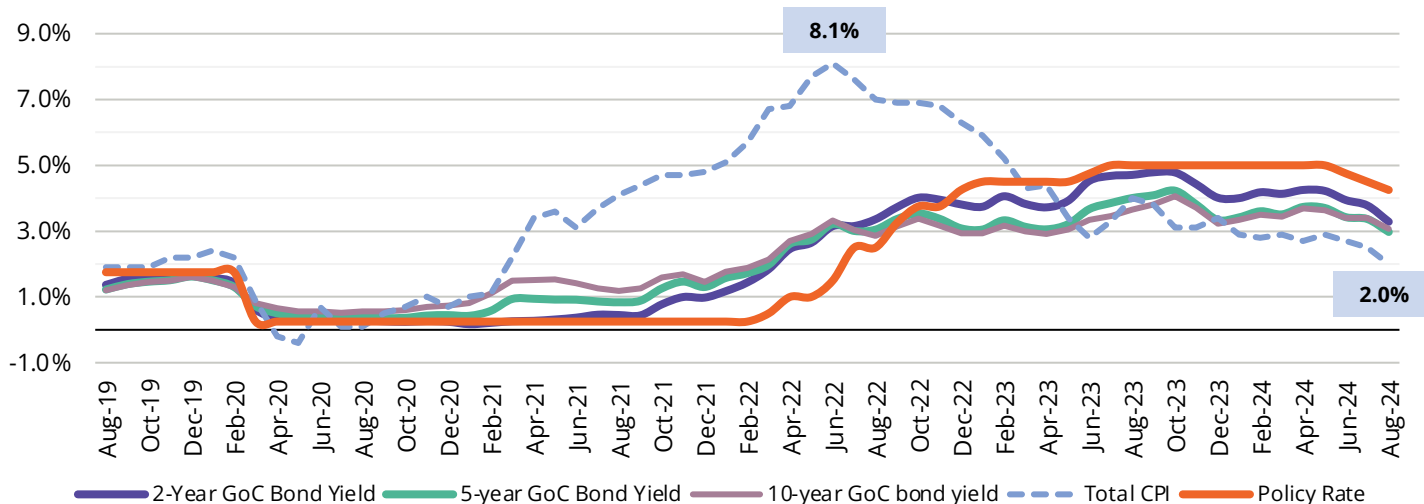
# Rate cuts continue to ease pressures

After being the first G7 country to cut its policy rate post-pandemic in Q2 2024, the Bank of Canada (BoC) stayed the course of monetary easing by cutting the policy rate by 25 bps on both of its Q3 2024 announcements. These decisions were generally expected and priced-in by markets. The policy rate now sits at 4.25%, and BoC Governor Macklem indicated in his most recent September 4<sup>th</sup> announcement that if inflation continues to ease, it would be reasonable to expect further rate cuts. A couple of weeks later, with the August 2024 inflation report showing total CPI inflation returning to the BoC target of 2%, the consensus of further cuts to come grew stronger.

All eyes are on the next October 23 announcement. And, like the lead-up to previous rate announcements, bond yields have been a good indicator of the market's prediction of the rate decision, as confidence to the direction of yields result in more lenders and capital market investors front-running the policy rate with their transactions.

According to Consensus Economics, economists are expecting the policy rate to decline in the years to come, with an average forecast of 3.50% by year-end and 2.95% one year from now. Similarly, the 10-year GoC bond yield is forecasted to end the year at an average of 3.1% and prevail at the 3.0% level for the year to come. The outlook for 2025 is for real GDP year-over-year growth to begin the year at 2.2% and decline to 1.8% by year-end. Inflation is forecasted to be stable at 2.1% with minimal volatility.

## Inflation, interest rates and bond yields



Since our last report, the markets continue to adjust. Buyer and Seller expectations have narrowed, setting new levels of market value across all asset classes. In some cases, values have become stronger, and in others, we continue to see decline. The downward trajectory of interest rates will help; however, lending sources continue to constrain those asset classes that are struggling. Multi-residential, industrial and retail continue to be the asset classes of choice and garner the most attention from lenders. Trading is taking place, but it is the lack of product to buy that has kept activity and trading below average. Having said this, office and residential land (especially high-density condo or rental) are struggling in the major markets except for Calgary and Edmonton. Migration into Alberta has ignited demand for residential land. As I have said before, the Bank of Canada cannot move fast enough to cut interest rates."



**Mark Fieder**  
Principal and President,  
Canada

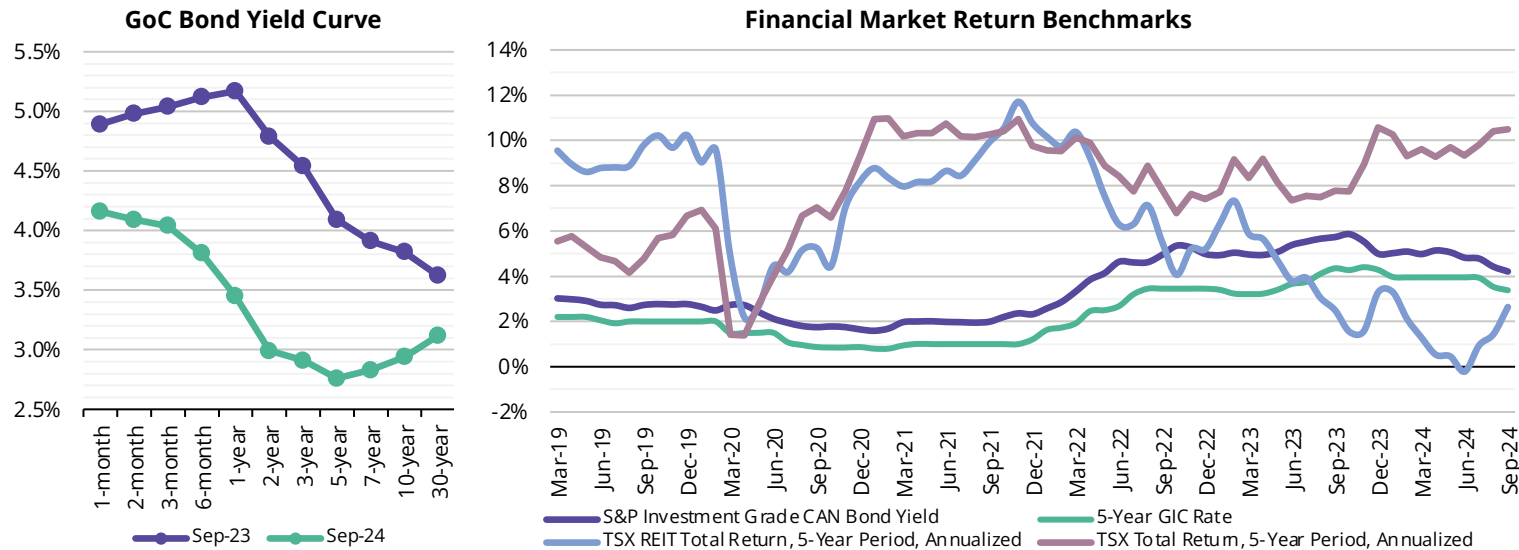
## Investment market trends

# Cap rate trends continue to emerge

As of Q3 2024, cap rates have remained generally steady, with specific trends unique to each asset category. For retail and multi-residential assets, investor sentiment is positive and consistently improving, and several of our brokers indicated marginal drops in cap rates and predictions of declines in quarters to come in select markets. For industrial assets, minor cap rate compression is occurring with small-bay assets on the heels of more attractive pricing and leasing fundamentals relative to large-bay. In the office sector, cap rate fluctuations depend on the market, building class and location. Overall, there are persistent challenges to office fundamentals and financing, and the recent interest rate cuts may have slowed or paused upward pressure on cap rates.

As financing conditions improve, the private investors who rely more on high leverage will be in better positions to compete on the small and mid-size deals, potentially compressing cap rates further for these deal sizes. However, especially in the case of real estate investment, more time is needed for cap rate transaction data to accumulate in the new interest rate environment, to build conviction among investors that a sustained period of lower yields has truly arrived.

## Rate of returns trends



## Canadian cap rate trends\*

Asset class	Benchmark cap rate
<b>Q3 2024</b>	
<b>Multi-residential</b>	
High density in urban centre	4.40%
Low density in urban centre	4.60%
High density suburban	4.50%
Low density suburban	4.70%
<b>Industrial</b>	
New single-tenant	5.95%
Mature single-tenant	6.35%
New multi-tenant	6.05%
Mature multi-tenant	6.45%
<b>Office</b>	
Downtown class A	7.20%
Downtown class B	8.15%
Suburban class A	7.95%
Suburban class B	8.60%
<b>Retail</b>	
Regional mall	6.00%
Enclosed community mall	6.80%
Neighbourhood strip mall	6.05%
Single-tenant retail	5.75%
Street-front retail	5.85%

# Debt market trends



Current first mortgage lending conditions				
Maximum LTV	<b>Conventional:</b> ≤70% <b>CMHC MLI:</b> 95%	≤70%	≤60%	≤70%
Spread over 5-year GoC bond yield	<b>Conventional:</b> +175 bps <b>CMHC MLI:</b> +85 bps	+175 bps	+250 bps	+170 bps
Preferred term	5 years	5 years	5 years	5 years
Longest amortization	<b>Conventional:</b> 30 years <b>CMHC MLI:</b> 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	<b>Conventional:</b> Trending Up <b>CMHC MLI:</b> Increasing	Trending Up	Trending Up	Trending Up
Mortgages in arrears	Stable	Stable	Stable	Stable
Mortgages in default	Increasing	Increasing	Increasing	Increasing
Expected next quarter lending conditions				
Debt cost outlook	Stable	Stable	Stable	Stable

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 Q3-2024 Cap Rate Survey



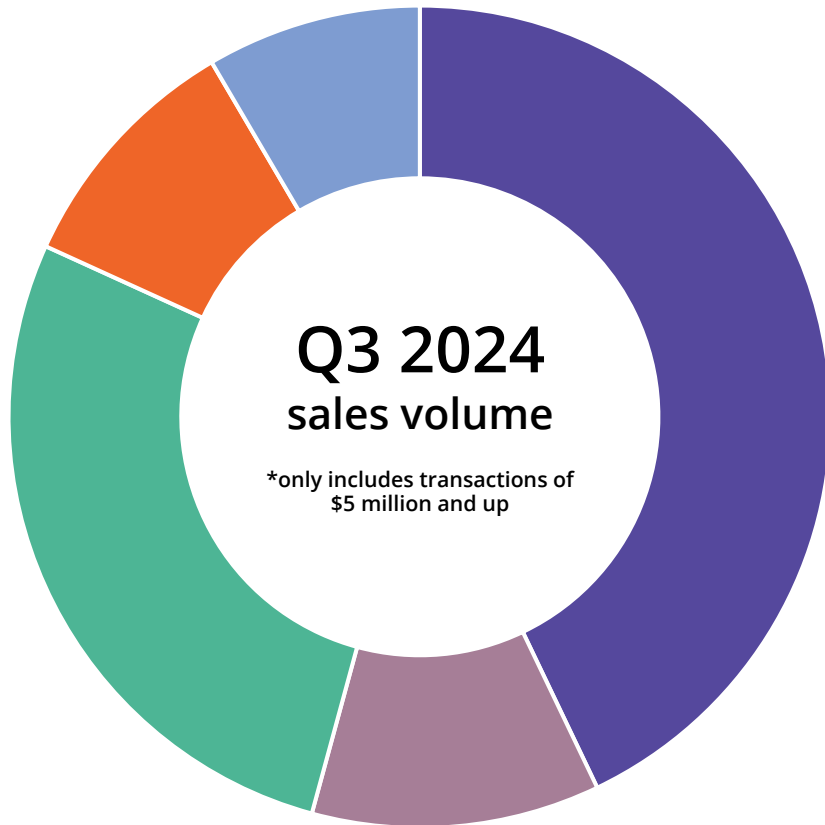
As we enter Fall 2024, there is a renewed optimism considering the drastic shift in bond rates over the course of the past six months. Financing on all asset classes is more palatable from the standpoint of an existing property and new construction term loan. The latter, coupled with a reduction in short-term borrowing costs has improved development proformas. We are, however, taking a prudent and strategic approach to our advisory practice as there are clear and recognizable weaknesses brewing in the broader economy. A well articulated business plan is a key component to each financing, which requires critical thought and sensitivity towards forecasted rent growth and top line expectations. The spread between cost and value has improved given the tailwinds of cost of capital. We are closely observing how revenue expectations mature into 2025."



**Reade Wolansky**  
 Vice President,  
 Debt and Equity Finance  
 Vancouver, BC

# Overall sales activity

Market sales volume by buyer profile – income properties only



Canadian private investors  
43%

Public investors (i.e., REITs)  
28%

Institutional investors  
11%

End users  
10%

Other (i.e., government, non-profit,  
private foreign investors, developers)  
8%

## 43%

of large acquisitions were by  
Canadian private investors

//

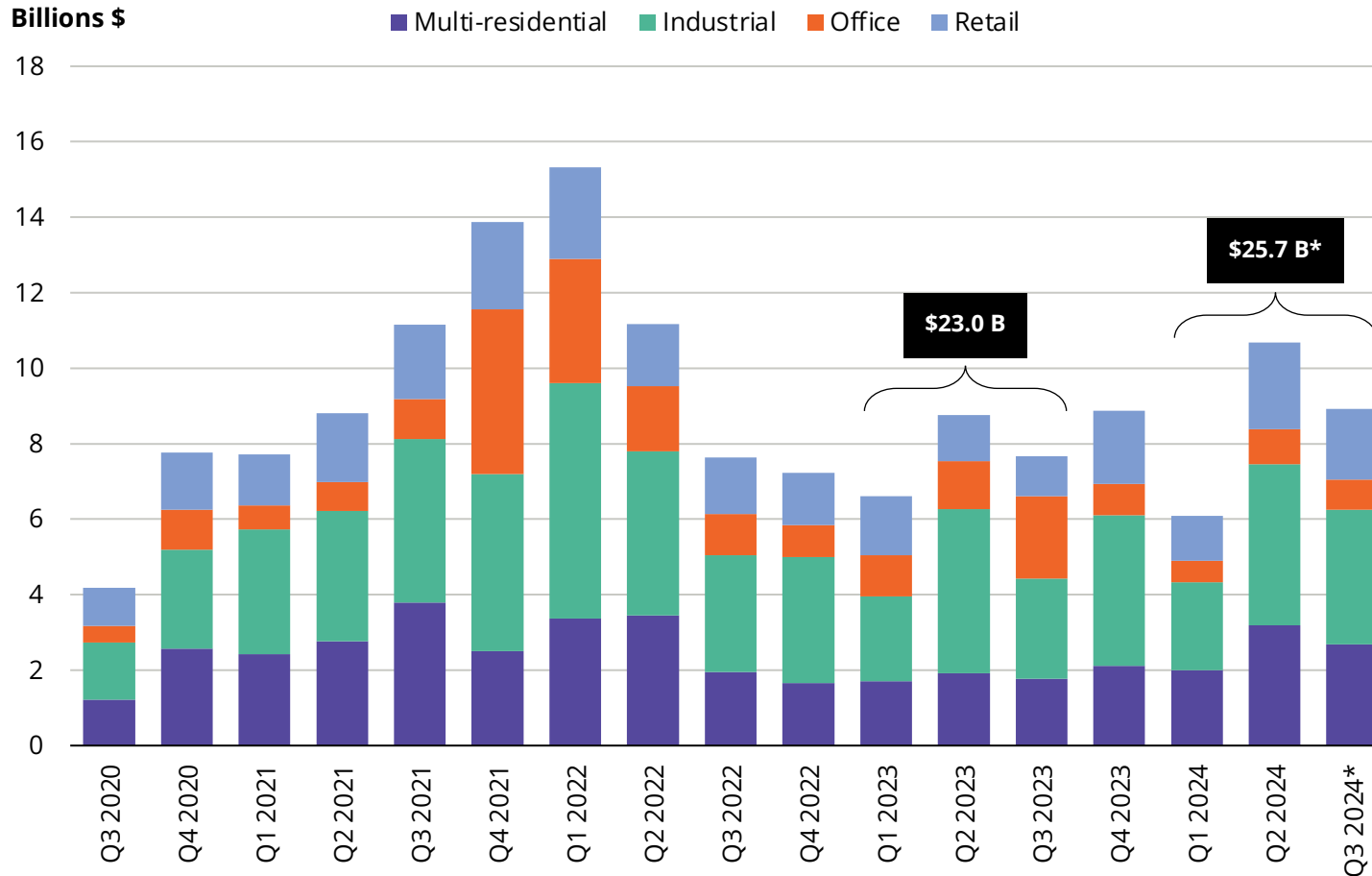
The trend continues of domestic private investors accounting for most of the acquisition volume nationally. While we saw more buying from REITs and investment managers for data centres and select industrial, apartment and retail properties – pension funds, private equity and financial institutions are net sellers. The gap in valuation strategy could price institutions out of most bid processes until rates come down even further.”



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

# Overall sales activity by real estate asset

## National investment sales volumes



\*Based on Avison Young's projections to the data available at the report's publishing, due to region-specific delays on the release of all the quarter's sales.



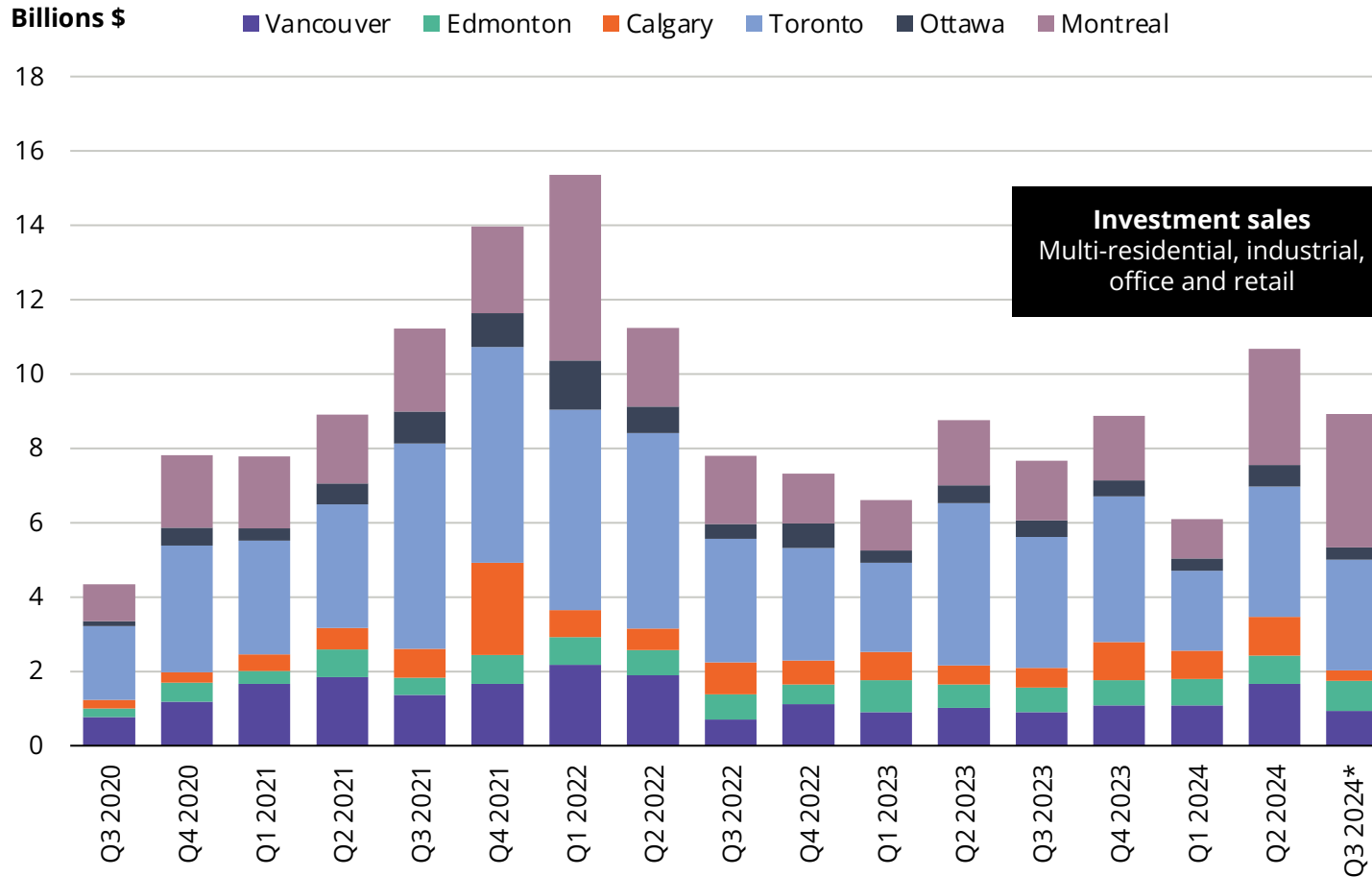
While most cap rates remain stable, downtown office rates are trending upwards. Deals are scarce and investors are looking for new benchmarks as we continue to operate in a price discovery phase of the market. The government return to office has done little to bolster the downtown core and investors remain skeptical. Multi-residential and retail remained the sweetheart assets, with few transactions in industrial."



**Graeme Webster**  
Principal,  
Capital Markets Group  
Ottawa, ON

# Overall sales activity by geography

## National investment sales volumes



\*Based on Avison Young's projections to the data available at the report's publishing, due to region-specific delays on the release of all the quarter's sales.



The market has seen increasing sales activity through 2024 which bodes well for the coming quarters. With the easing of interest rates by the Bank of Canada, we expect real estate investments to become more attractive in relative terms. Our team has noticed a strong increase in interest across all asset classes since Labour Day and a growing number of investors that have ready capital to deploy. We are optimistic that further market participants will re-join the marketplace leading into 2025."



**Richard Chilcott**  
Principal,  
Capital Markets Group  
Toronto, ON



# 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



## Starts adjusted for population

New home starts in the six largest CMAs grew 4% in H1 2024 from 2023, according to CMHC. After adjusting for population increases based on starts per 10,000, starts were at the historical average and insufficient to meet population growth trajectories. Purpose-built rental starts per 10,000 in H1 2024 fell in Toronto and Ottawa, modestly increased and decreased in Calgary and Vancouver, respectively, and doubled in Edmonton and Montreal. Edmonton surpassed Vancouver for the top spot of population-adjusted purpose-built rental starts, with Calgary and Montreal not far behind. Toronto and Ottawa have fallen further below the 6-CMA average.



## Emergence of forward sales

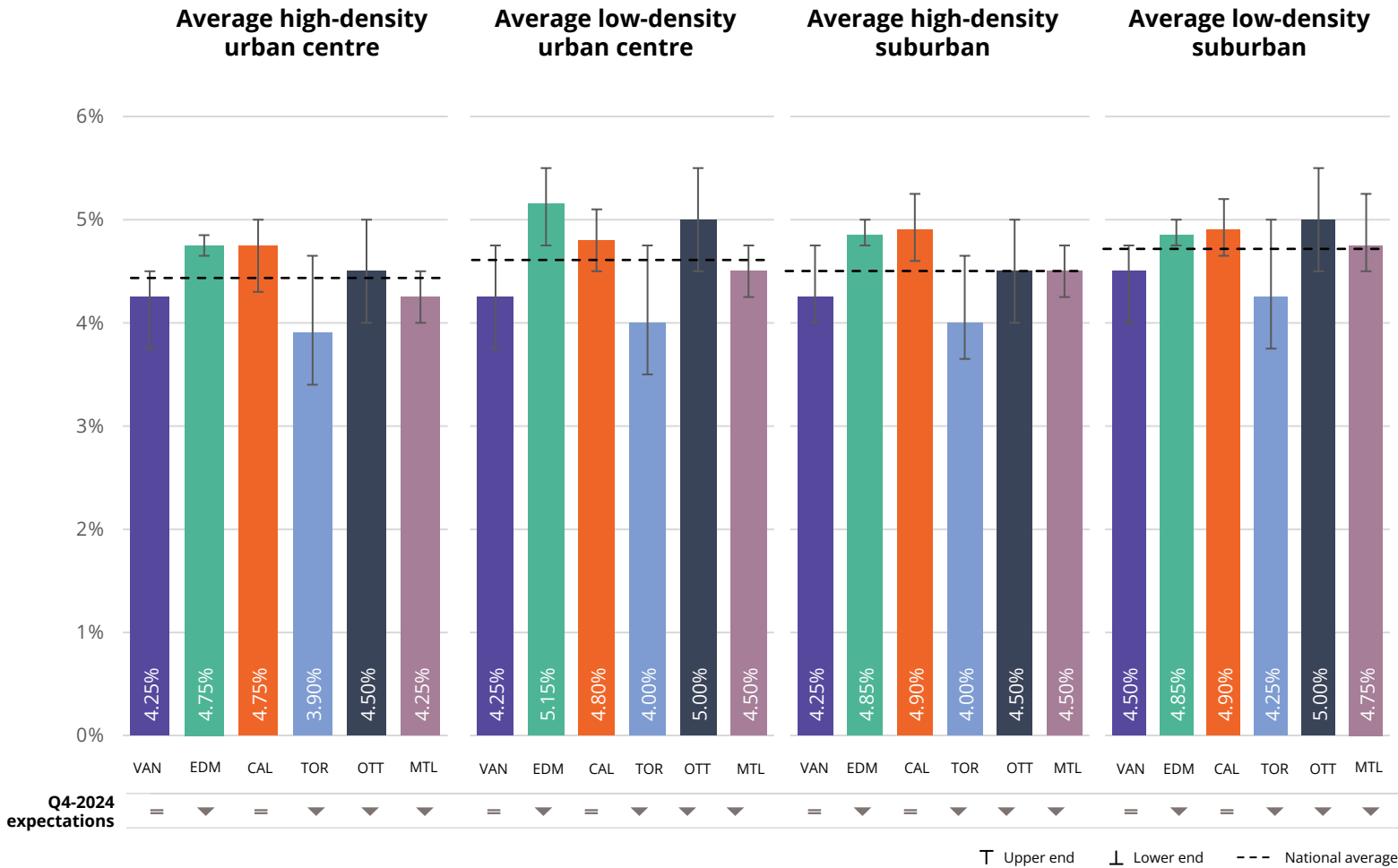
In markets where a high percentage of multi-residential product has already changed hands between investors, forward sales of pre-built or pre-leased buildings are emerging as a strategy for investors looking to add to their multi-residential portfolio late in the market cycle. This has especially emerged in markets like Edmonton where there is an ideal confluence of upside potential, a surge in development, and a low supply of tradeable existing stock. Noting the preference especially among institutional investors for new product, this strategy may emerge in other markets with lagging construction as investors compete for limited new product in areas with otherwise strong rental housing fundamentals.



## Completions are a result of backlog

The trend of backlogs and longer construction times for multi-residential product increased further since the pandemic, due to a tight construction labour market, decreasing labour productivity, rising construction costs and supply shortages. By the end of 2023, many markets peaked in units under construction. In 2024, developers' prioritized the under-construction backlog. This explains why apartment completions increased significantly in the 6 CMAs, and setting records in Toronto, Ottawa, Edmonton and Calgary. This implies that completions data should be used with caution when drawing any conclusions on the feasibility or developers' propensity to build new housing.

# Multi-residential cap rate survey results



//

Lower cap rate trades in multi-residential have yet to fully materialize from the recent decline in Canada Mortgage Bonds and resulting lower interest rates. However, there is a consensus that cap rates will see downward pressure in Q4 2024/Q1 2025 as investors adjust to the lower interest rate environment."



**Brennan Yadlowski**  
Principal  
Managing Director  
Calgary, AB



# Industrial trends to watch



## Labour and productivity constraints

Macroeconomic data highlights the challenges facing industrials in Canada. Years of declining productivity in manufacturing and construction have accentuated the year-over-year decline in real GDP for these sectors in 2024. Inflationary wages in these sectors drove up unit labour costs for businesses, increasing sensitivity to the contraction of aggregate demand in the economy, now leading to cuts in employment and output. Real GDP in transportation/warehousing managed to grow by 2-4% year-over-year in each month of 2024, despite stagnant productivity and, more recently, under-employment as job vacancies exceed the pool of unemployed labour.



## Shift to the peripheries

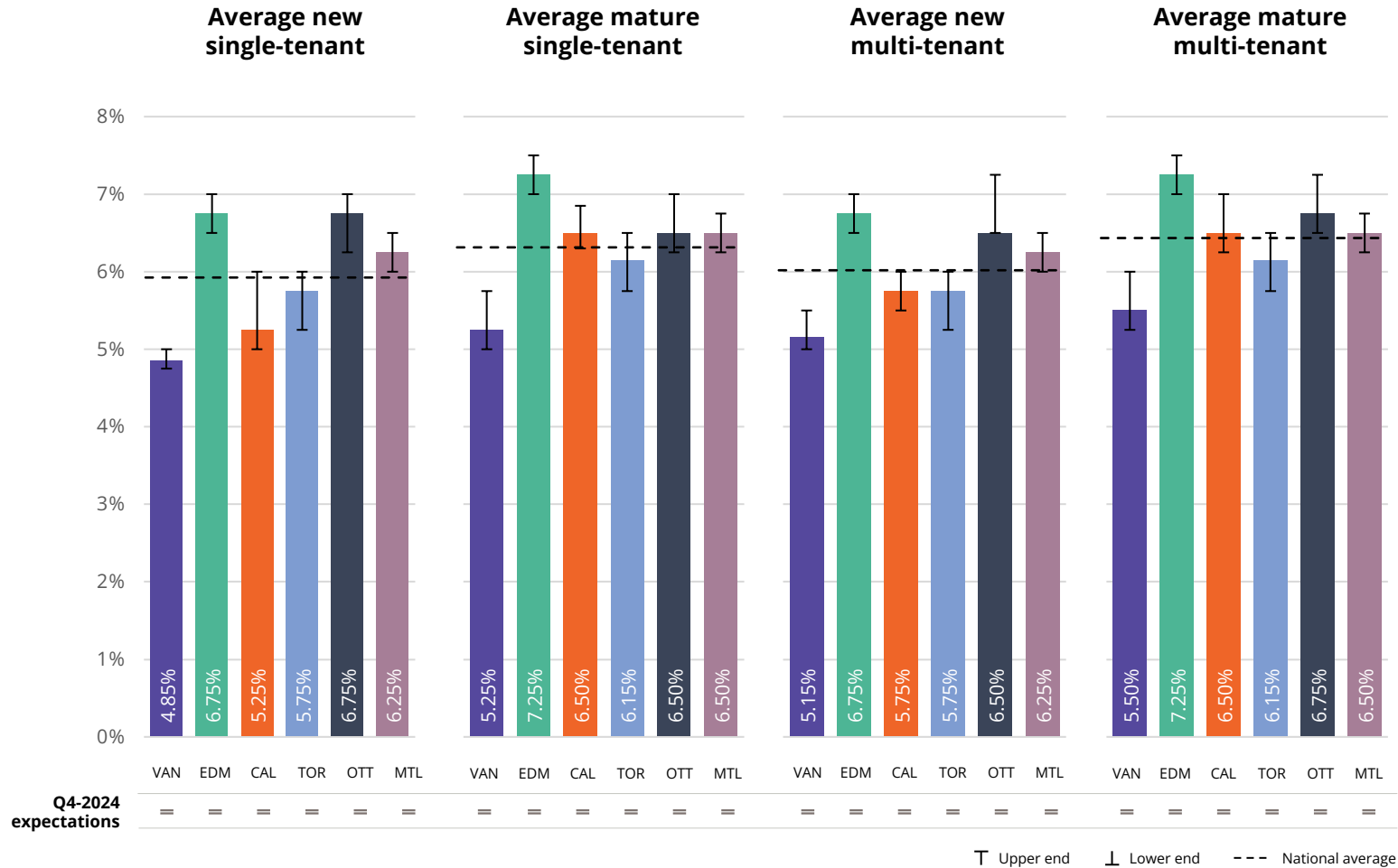
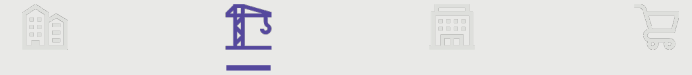
During the industrial market peak in 2022, focus for industrial developers and investors was starting to shift to peripheral industrial areas of major markets. At that time, vacancies were historically low, land was short in supply, and upside on rents were diminishing in the core areas. While market conditions have moderated, peripheral markets continue to present intriguing opportunities to developers and investors, particularly for those looking for larger tracts of land, property tax savings and upside on rents in strategic locations with relatively affordable rental rates compared to other hubs in the same, or even a neighbouring, market.



## Primary sector strength

Canada's primary sector has been a bright spot so far in 2024, with year-over-year real GDP growth increasingly outpacing the total economy since the start of the year. Positive factors for oil and gas include the opening of the Trans Mountain Pipeline extension in May, restart of the Terra Nova oil field in Atlantic Canada, and wave of LNG projects and supply deals. Demand for uranium is rising with the positive sentiment for nuclear energy as a feasible and sustainable energy solution. Potash demand has surged to fill the world's supply deficit of fertilizer. Canada's stable yield of crops and metals are benefiting from elevated prices due to sanctions, political unrest and climate affecting supply chains.

# Industrial cap rate survey results



”

We expect to see an uptick in transactions in H2 2024 and into 2025 as interest rates become favourable. We anticipate cap rates will remain stable for new-generation distribution center products. However, we may see cap rate compression in small- and mid-bay multi-tenant properties, driven by strong leasing fundamentals that favour owners, along with Calgary's growing population and business activity.”

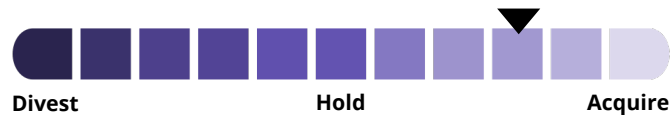


**Nathan Drury**  
Principal,  
Capital Markets Group  
Calgary, AB

# Industrial cap rate survey results



## Market sentiment meter



## Sale pitches compared to previous quarter



## Active market participants

### Top prospective buyers

1. Private owner, operator or developer
2. Public REITs
3. Owner-occupier

### Top active sellers

1. Pension funds
2. Investment/asset manager
3. Private equity fund

### Motivations of acquisitions

1. Long-term income production
2. Gain on tenant lease renewals or expirations
3. Owner-occupied for business use

### Motivations for dispositions

1. Rebalancing for investment portfolio strategy
2. Mortgage renewal/due
3. Take profit on property value

## Dealmakers and dealbreakers



1. Sentiment for asset sub-type (i.e., small-bay)
2. Long weighted average lease term
3. Covenant strength of tenant in-place
4. Adjusting the list price
5. Long-term sentiment for industrial real estate



1. Capital expenditure requirements
2. Existing or anticipated vacancy
3. Obtaining financing
4. Suitability of building specifications
5. Violations of updated building codes



Interest rates are starting to decline and in turn capitalization rates within the industrial market seem to be leveling off. Capitalization rates are expected to remain steady in Q4 2024 as the market adjusts. Looking into 2025, capitalization rates should start decreasing which will create an increase in market activity."



**Shannon Sawicky**, AACI, P. App.  
Director,  
Valuation and Advisory Services  
Toronto, ON

# Office trends to watch



## Nuances to office deals

Office transaction activity in Canada this year has been driven by specific factors to each market. These range from the entry of savvy local investors and end users, private foreign capital, conversion potential and deals off-market. Brokers are reporting more creative pricing strategies to seal the deal. This includes selling the occupied portion of the building at a cap rate, with the remaining vacant portion for free or a steep discount. What has been a consistent theme across markets are the upward pressure on cap rates to bring buyers to the table, a hyper-focus on occupancy and building quality, and the headwind posed to deals by financing and non-stabilized incomes.



## Status update on RTO

Remote/hybrid job postings in Canada have stabilized in 2024 at 14-15%, according to Indeed. The growth seen during the pandemic from the 3% level prevailing in 2019 has appeared to stabilize at a new equilibrium. Postings in sectors most reliant on office space such as banking, finance, insurance, accounting, engineering, legal, architecture and IT stand out as 30-50% remote or hybrid. Canada's Labour Force Survey illustrates a downtrend in the percentage of Canadians working most hours from home, indicating a trend swing away from remote and towards more hybrid models. As RTO mandates by the federal government and high-profile corporations continue to roll out, we are watching if occupancy rates can break above their recent plateau.

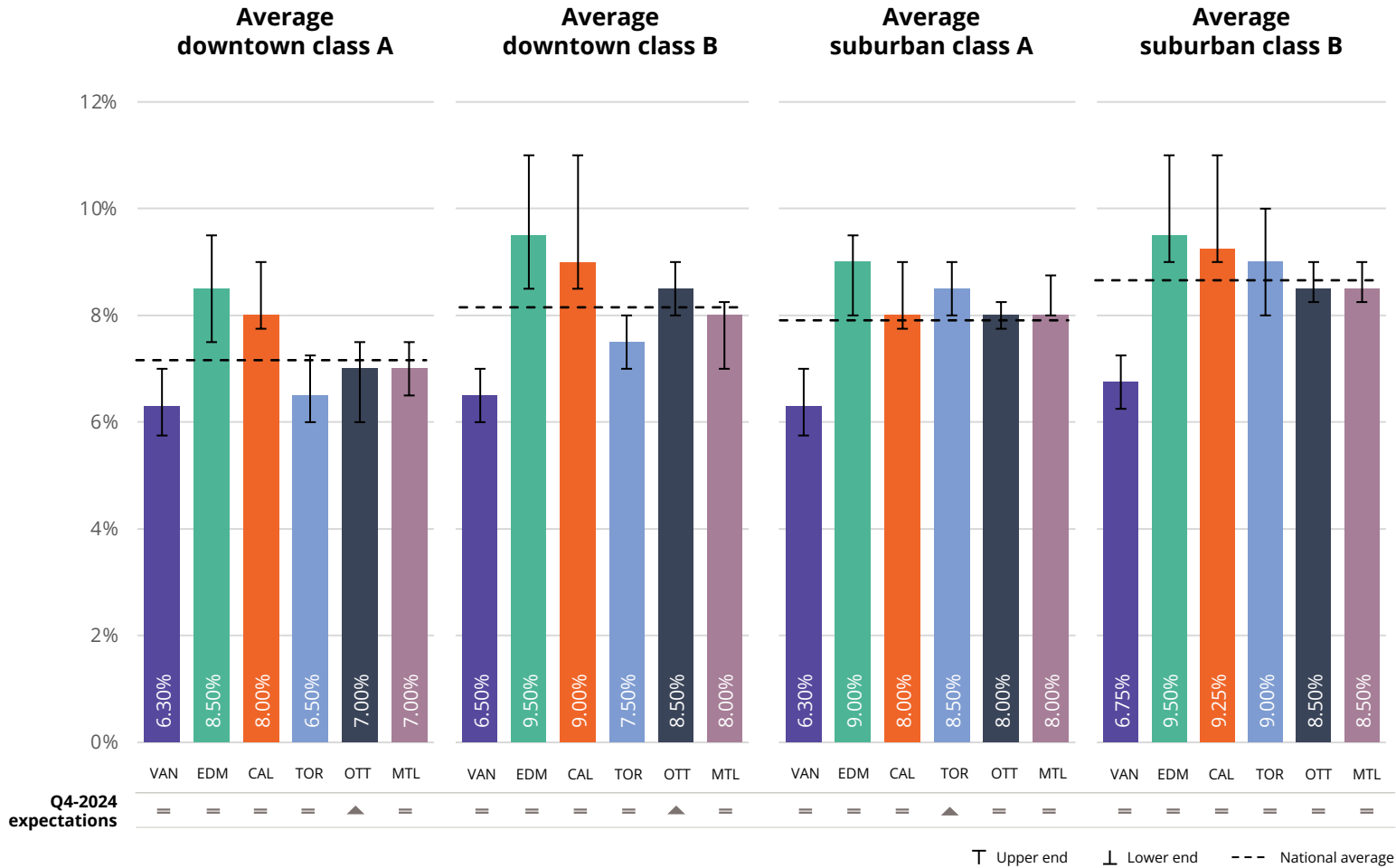
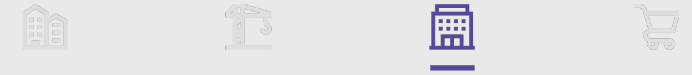


## The sub-lease story to come

A significant portion of available office space across the Canadian markets is on the sublease market. According to Avison Young's analytics, over the next three years nearly 6 million square feet of sublease space will change hands from sublandlord to landlord. This shift is expected to exert upward pressure on direct vacancy rates in some markets. An offsetting factor is the office construction starts which have plummeted to historic lows. This will tighten market conditions particularly in the higher quality segment. The interaction of these forces will be a major determinant of near-term office market fundamentals and therefore warrants a close look by market participants and analysts.

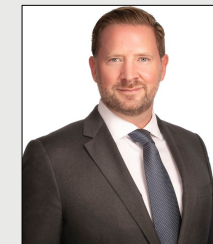


# Office cap rate survey results



“

We expect foreign buyers to continue to feature over the next 12 months, picking up quality office buildings at attractive cap rates. In Vancouver we have already seen Deka (Germany) make a significant acquisition, Spear Street (US) more recently. We continue to work with interest from Europe and the Middle East.”



**Michael Emmott**  
Principal,  
Capital Markets Group  
Vancouver, BC

# Office cap rate survey results



## Market sentiment meter



## Sale pitches compared to previous quarter



## Active market participants

### Top prospective buyers

1. Local private owner, operator or developer
2. Foreign private investors
3. Owner-occupier

### Top active sellers

1. Public REITs
2. Investment/asset manager
3. Corporations

### Motivations of acquisitions

1. Value-add opportunities (e.g., lease-up strategy, property management)
2. Hold for redevelopment or conversion
3. Owner-occupied for business use

### Motivations for dispositions

1. Mortgage renewal or due
2. Underperforming asset
3. Distressed sale

## Dealmakers and dealbreakers



1. High occupancy
2. Top-tier building class (i.e., AAA/Trophy)
3. Adjusting the list price/cap rate
4. Long weighted average lease term
5. Residential/flex industrial conversion potential



1. Sentiment to office real estate
2. Underperforming building occupancy
3. Obtaining financing
4. Short weighted average lease term
5. Capital expenditure requirements (i.e., including upgrading to a higher building class)



During renewal negotiations, office landlords increasingly need to offer high-value inducements to retain tenants. This is because the cost of vacant operating expense slippage is especially high for office buildings, and this is a tenant's market. These inducements mean investors are more focused on cashflow than NOI, which negatively impacts property values on sales. The degree of this impact roughly translates to average inducements per year divided by cap rate. This trend is expected to continue if vacancy rates remain stubbornly high."



**James Robertson**  
Principal,  
Capital Markets Group  
Edmonton, AB

# Retail trends to watch



## Bifurcation in spending priorities

National retail sales data indicates a trend of softening spending with the backdrop of rising unemployment and the burden from years of high costs of living and debt servicing. The evidence is in the diverging realities of consumer staples versus discretionary. Stats Can has reported increased sales by 2.0-5.5% year-over-year for grocery, convenience, health and personal care and general merchandise. Meanwhile, auto, building and furniture suppliers and electronics have trended down by 2-5%. Stripping out price inflation, the volume index for monthly sales has lagged with sub-1% growth year-over-year in 2024.



## Brick-and-mortar versus e-commerce

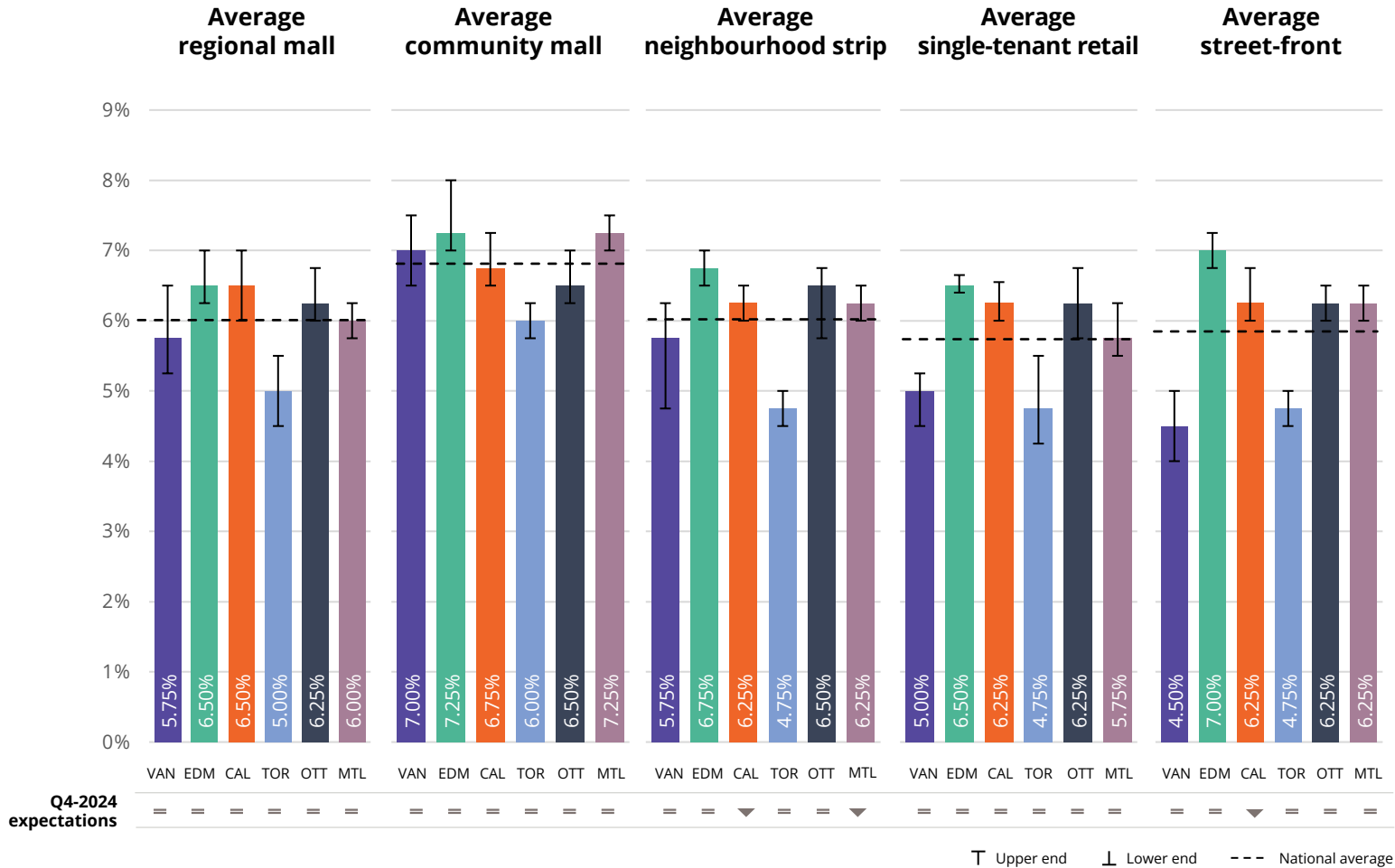
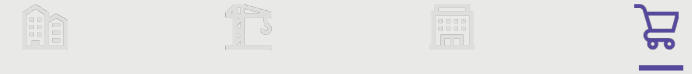
Monthly retail sales data from Stats Can illustrates that post-pandemic, the new equilibrium for the share of sales via e-commerce (excludes US-based pure players) is 5.5-6.0%. During the lockdowns, this range was 7.0-10.0% and leading up to the pandemic only 3.5-3.7% of sales. With e-commerce establishing a new equilibrium post-pandemic, brick-and-mortar retail is here to stay but must acknowledge the rapid rise of e-commerce as a competitor. This is especially important for retailers failing to offer “experiential retail” to customers with engaging and immersive customer experiences.



## Growth of limited-service eateries

Limited service-eateries have the highest sales growth among food and drinking places since pre-pandemic. These include coffee shops, fast food chains, salad bars and those providing food services to patrons who order at a counter, food bar or cafeteria line, or by telephone, and pay before eating. Interestingly, post-pandemic and lockdowns, limited-service eateries have increased the sales gap above full-service restaurants by over 6% compared to pre-pandemic when sales figures were roughly equal. This data indicates a paradigm shift in consumer preferences towards how and where they choose to eat, catalyzed by the behavioural and lifestyle adjustments made during the pandemic lockdowns.

# Retail cap rate survey results



Retail continues to demonstrate its resilience as an asset class, consistently attracting investors seeking stable, long-term cash flows. Recent interest rate cuts have been instrumental in reinvigorating market activity, leading to slight cap rate compression and an expanded pool of potential buyers. The combination of limited supply and an attractive financing environment has further enhanced the appeal of retail assets, positioning them as a compelling investment for a diverse range of capital sources."



**Yann Charles**  
Principal,  
Capital Markets Group  
Montreal, QC



# Featured transactions by Avison Young

Highlighting notable cap rate deals from our Avison Young brokers across Canada.



# 165 Hymus Boulevard

## 165 Hymus Boulevard, Pointe-Claire

165 Hymus Boulevard is a 219,837-square-foot multi-tenant industrial property ideally located along Highway 40 in the Montreal on-island suburb of Pointe-Claire. The warehousing property features 27 truck-level doors, 22-foot clear ceiling heights, and 131,000 square feet of exterior storage space. Fully leased to established covenants, the property generated strong interest given the long-term upside potential on rental values as well as the irreplaceable location in one of Montreal's most sought-after industrial submarket.

## Dealmakers

1. Strategic location
2. Rental upside
3. Strong covenants

## Avison Young Brokers (representing the seller)

**Mark Sinnett**, Principal, Executive Vice President  
**Yann Charles**, Principal, Executive Vice President  
**Sara Leblanc**, Associate Vice President

## Transaction highlights

Sale Price	<b>\$34,550,000</b>
Sale Date	April 2024
Vendor	Redbourne
Purchaser	Kingsett
Price per sf of GLA	\$157/sf
Cap rate	5.5%

## Property highlights

Location Description	West Island
Site area	590,086 sf
Building Type	Warehouse
Tenancy	Multi-tenant
Year of Construction	1968
Gross Leasable Area	219,837 sf
Exterior Storage Space	131,000 sf



# Chaparral Shopping Centre

803 Chaparral Drive SE, Calgary, Alberta

The sale of Chaparral Shopping Centre reflects key market conditions within the Calgary retail real estate sector, highlighting demand for well-positioned, income-producing assets with long-term tenants. The transaction illustrates the resilience of neighbourhood retail centres, especially those anchored by essential service tenants like TD Bank and medical/dental services. The cap rate of 5.81% and the price per square foot of \$651 indicate strong investor confidence and competitive pricing in a market that values stable cash flow and favorable financing terms.

## Dealmakers

The purchaser assumed existing financing, which had the following terms:

- 55% loan-to-value
- 2.76% interest rate
- Expiration in 2026

## Avison Young brokers (representing the seller)

**Ryan Swelin**, Principal  
**Nathan Drury**, Vice President  
**Walsh Mannas**, Principal  
**Kevin Morgans**, Principal

## Transaction highlights

Sale Price	<b>\$10,300,000</b>
Sale Date	June 17, 2024
Vendor	Vaav Holdings Ltd.
Purchaser	970742 Alberta Ltd.
Price per sf of GLA	\$651/sf
Cap rate	5.81%

## Property highlights

Location Description	Suburban with easy access to major roads and high visibility
Building Type	Neighbourhood retail centre
Tenants	TD Bank drive-thru, medical, dental, veterinary services, pharmacy
Gross Leasable Area	15,812 sf
Year of Construction	2007 (17 years old)
Weighted Average Lease Term	3.88 years





# Downtown Ottawa Apartment Portfolio

## 173 Cooper Street & 330 Metcalfe Street, Ottawa

The Avison Young Multi-Residential Group listed the portfolio in latter half of 2023 which closed in June 2024. The Portfolio was sold during a time of market volatility and fluctuating bond rates. Throughout the listing process, the team held over twenty tours and received 8 offers on the bid date.

### Dealmakers

1. Favourable financing – assumable debt
2. Rarely offered multi-generational assets
3. Excellent location

### Avison Young Brokers (representing the seller)

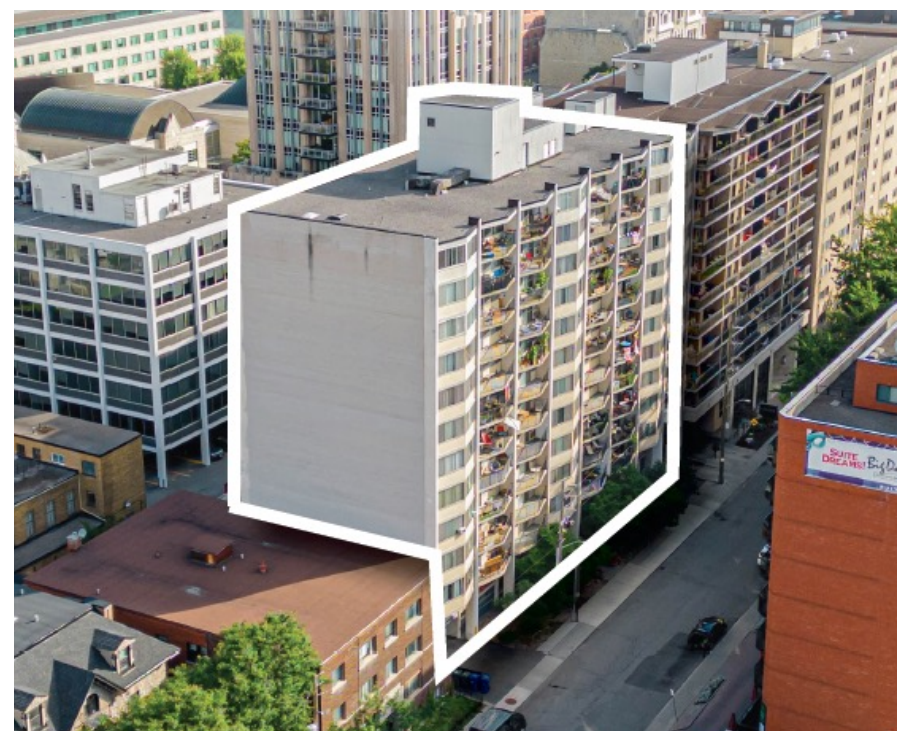
**Jonathan Hittner**, Principal  
**Neil Musselwhite**, Principal  
**David Lieberman**, MBA, Principal  
**Eamonn McConnell**, Senior Associate  
**Jonny Shaw**, Associate

### Transaction highlights

Sale Price	<b>\$48,000,000</b>
Sale Date	June 2024
Vendor	Private
Purchaser	CLV Group
Price per unit	\$200,000/unit
Cap rate	±4.0%

### Property highlights

Location Description	Downtown
Building Description	Two concrete high-rise buildings
Unit Count	240 units
Year(s) of Construction	173 Cooper Street: Circa 1966 330 Metcalfe Street: Circa 1959



# Summary cap rates by asset class and geography

Asset class	Vancouver		Edmonton		Calgary		Toronto		Ottawa		Montreal	
	Q3 2024	Q4 2024 Expectations	Q3 2024	Q4 2024 Expectations	Q3 2024	Q4 2024 Expectations	Q3 2024	Q4 2024 Expectations	Q3 2024	Q4 2024 Expectations	Q3 2024	Q4 2024 Expectations
<b>Multi-residential</b>												
High density in urban centre	4.25%	Stable	4.75%	Down	4.75%	Stable	3.90%	Down	4.50%	Down	4.25%	Down
Low density in urban centre	4.25%	Stable	5.15%	Down	4.80%	Stable	4.00%	Down	5.00%	Down	4.50%	Down
High density in suburban area	4.25%	Stable	4.85%	Down	4.90%	Stable	4.00%	Down	4.50%	Down	4.50%	Down
Low density in suburban area	4.50%	Stable	4.85%	Down	4.90%	Stable	4.25%	Down	5.00%	Down	4.75%	Down
<b>Industrial</b>												
New single-tenant	4.85%	Stable	6.75%	Stable	5.25%	Stable	5.75%	Stable	6.75%	Stable	6.25%	Stable
Mature single-tenant	5.25%	Stable	7.25%	Stable	6.50%	Stable	6.15%	Stable	6.50%	Stable	6.50%	Stable
New multi-tenant	5.15%	Stable	6.75%	Stable	5.75%	Stable	5.75%	Stable	6.50%	Stable	6.25%	Stable
Mature multi-tenant	5.50%	Stable	7.25%	Stable	6.50%	Stable	6.15%	Stable	6.75%	Stable	6.75%	Stable
<b>Office</b>												
Downtown class A	6.30%	Stable	8.50%	Stable	8.00%	Stable	6.50%	Stable	7.00%	Up	7.00%	Stable
Downtown class B	6.50%	Stable	9.50%	Stable	9.00%	Stable	7.50%	Stable	8.50%	Up	8.00%	Stable
Suburban class A	6.30%	Stable	9.00%	Stable	8.00%	Stable	8.50%	Up	8.00%	Stable	8.00%	Stable
Suburban class B	6.75%	Stable	9.50%	Stable	9.25%	Stable	9.00%	Stable	8.50%	Stable	8.50%	Stable
<b>Retail</b>												
Regional mall	5.75%	Stable	6.50%	Stable	6.50%	Stable	5.00%	Stable	6.25%	Stable	6.00%	Stable
Enclosed community mall	7.00%	Stable	7.25%	Stable	6.75%	Stable	6.00%	Stable	6.50%	Stable	7.25%	Stable
Neighbourhood strip mall	5.75%	Stable	6.75%	Stable	6.25%	Stable	4.75%	Stable	6.50%	Stable	6.25%	Down
Single-tenant retail	5.00%	Stable	6.50%	Stable	6.25%	Stable	4.75%	Stable	6.25%	Stable	5.75%	Stable
Street-front retail	4.50%	Stable	7.00%	Stable	6.25%	Stable	4.75%	Stable	6.25%	Stable	6.25%	Stable

# 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  $\leq 5$  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  $\leq 5$  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  $\pm 20$  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  $\pm 10$  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  $\pm 5$  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  $\pm 10$  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  $\pm 2$  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**

**Matthew McWatters**, AACI, P. App.

Principal, Managing Director & Canadian Leader  
Valuation, Advisory and Property Tax Services  
+1 416 937 6625  
matthew.mcwatters@avisonyoung.com

**Sheila Botting**

Principal & President Americas,  
Professional Services  
+1 416 673 4059  
sheila.botting@avisonyoung.com

**Marie-France Benoit**

Principal, Director  
Market Intelligence, Canada  
+1 514 392 5772  
mf.benoit@avisonyoung.com

**Tim Loch**, AACI, P. App.

Principal, Senior Vice President & Practice Leader,  
Investment Valuation and Advisory, Canada  
+1 416 673 4012  
tim.loch@avisonyoung.com

**Mark Fieder**

Principal, President, Canada  
+1 416 673 4051  
mark.fieder@avisonyoung.com

**Antonio Balogh**

National Market Intelligence Lead  
Valuation and Advisory Services  
+1 604 647 5064  
antonio.balogh@avisonyoung.com