



COLLIERS INTERNATIONAL

National Cap Rate Summary

INVESTMENT | FIRST QUARTER | 2010



Return of Liquidity

The Canadian real estate investment market made an abrupt return to a vendor's market in the first quarter of 2010. After experiencing a lack of liquidity throughout the first three quarters of 2009, Canada benefited from a strong return of available capital (\$3.2 billion in Q3 and Q4 2009), attractive financing and a return of transparency of property market fundamentals. This resulted in a flurry of investment activity as REITs and funds committed to acquire assets known to be available in the marketplace. The sales numbers in late 2009 and the first quarter of 2010 provide an indication of a strong return of deal velocity. In reality, Colliers believes this flurry of activity is a stronger indication of the return of the demand side of the equation. The motivation of vendors throughout 2009 has, for the most part, disappeared in 2010 with the return of available capital and financing.

The dramatic increase in available financing from balance sheet lenders has resulted in a pullback from spreads in excess of 400 bps in Q2 2009 to current levels of less than 200 bps for prime Class A assets. The reduction of spreads is expected to temper the reaction to the anticipated increase in bonds rates, allowing the continuation of attractive financing in the 60% to 70% loan to value range.

The Colliers National Investment Team is consistently approached to assist in sourcing new investment assets due to the lack of current available sales listings. The vast majority of funds and REITs are not interested in disposing of assets until they have attained their acquisition targets. Combine this phenomenon with the cessation of new development activity in late 2008; the traditional merchant developer has significantly less product to sell.

A combination of the above factors will result in fewer trades in the 2nd and 3rd quarter of 2010. Owners testing the market during this time period who have quality assets with long-term tenant commitments will continue to be surprised at purchasers' aggressive pricing pushing down cap rates and in some cases, pushing investors outside their ideal asset criteria. With more positive sales examples, Colliers believes Q4 2010 may again exhibit a high level of sales activity as vendors seek to take advantage of investors' continued appetite.

The attached cap rate survey mirrors the demand exhibited by the investment community. The investor demand has a strong correlation to the return of tenant confidence to sign for mid- or long- term lease commitments. On a national basis, neighbourhood and community retail centres remain highly sought-after as national retailers were once again confident enough about the economic recovery to make new commitments in early 2010. Office assets, with Calgary as the notable exception, are experiencing better than expected tenant demand and rank high on investors' target lists.

The strong Canadian economic fundamentals have allowed a rapid return of liquidity driven by investor demand for income and availability of attractive financing. The effect of higher interest rates and potentially higher returns outside the Canadian borders may remove some of the excess demand but until that point, investors will need to be creative to meet their targets. Colliers projects a slight contraction in both volume and cap rates.





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Downtown Office Cap Rates

	A		B	
	LOW	HIGH	LOW	HIGH
Vancouver	5.75%	6.25%	6.25%	6.75%
Calgary	6.25%	7.00%	8.00%	9.00%
Edmonton	6.75%	7.25%	7.50%	8.00%
Toronto	6.75%	7.75%	7.50%	8.75%
Ottawa	7.25%	7.75%	8.00%	8.75%
Montreal	6.50%	7.50%	8.00%	9.00%
Winnipeg	7.25%	7.75%	8.00%	8.75%
Halifax	7.00%	7.75%	7.75%	8.50%

Suburban Office Cap Rates

	A		B	
	LOW	HIGH	LOW	HIGH
Vancouver	6.25%	6.75%	6.75%	7.25%
Calgary	7.00%	7.75%	7.75%	8.75%
Edmonton	7.25%	7.75%	8.00%	8.50%
Toronto	7.25%	8.50%	8.50%	9.25%
Ottawa	7.75%	8.50%	8.00%	8.25%
Montreal	7.50%	8.25%	8.50%	9.50%
Winnipeg	—	—	7.50%	8.00%
Halifax	7.75%	8.50%	8.25%	9.00%

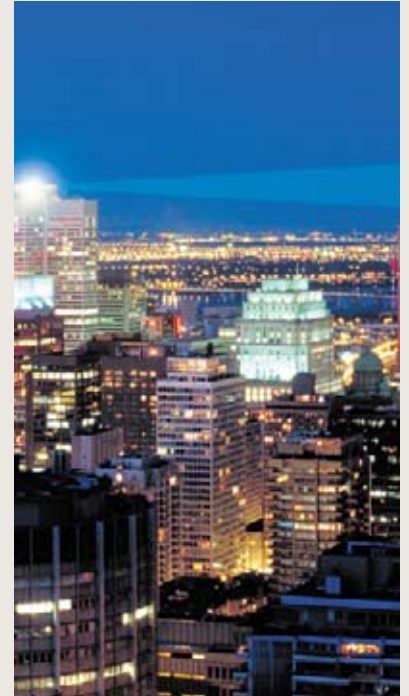


Industrial Cap Rates

	Multi-Tenant B		Single-Tenant A	
	LOW	HIGH	LOW	HIGH
Vancouver	6.20%	6.50%	6.70%	7.30%
Calgary	6.80%	7.30%	6.80%	7.30%
Edmonton	7.75%	8.25%	6.75%	7.25%
Toronto	7.75%	9.00%	7.25%	8.50%
Ottawa	8.00%	8.75%	7.75%	8.25%
Montreal	8.00%	8.75%	7.25%	8.25%
Winnipeg	7.75%	8.25%	7.50%	8.00%
Halifax	8.50%	9.00%	7.75%	8.50%

Retail Cap Rates

	Regional/Power		Community		Strip Mall	
	LOW	HIGH	LOW	HIGH	LOW	HIGH
Vancouver	5.75%	6.25%	6.50%	7.25%	6.00%	6.50%
Calgary	6.50%	7.00%	6.75%	7.25%	7.25%	8.00%
Edmonton	6.75%	7.25%	7.00%	7.50%	7.00%	7.50%
Toronto	6.25%	7.50%	6.75%	8.50%	7.25%	9.00%
Ottawa	7.25%	7.75%	6.75%	8.50%	7.00%	7.50%
Montreal	6.75%	8.00%	8.00%	9.00%	7.75%	8.50%
Winnipeg	6.75%	7.25%	7.75%	8.50%	7.50%	8.00%
Halifax	6.50%	8.25%	8.50%	9.00%	8.25%	8.75%



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Multifamily Cap Rates

	High Rise		Low Rise	
	LOW	HIGH	LOW	HIGH
Vancouver	4.00%	4.50%	4.50%	5.00%
Calgary	5.50%	6.00%	5.75%	6.25%
Edmonton	6.00%	6.75%	6.25%	7.25%
Toronto	5.50%	6.25%	5.75%	6.50%
Ottawa	5.75%	6.25%	6.25%	6.75%
Montreal	6.25%	7.00%	6.75%	7.75%
Winnipeg	5.50%	6.25%	5.50%	6.25%
Halifax	6.25%	6.75%	6.50%	7.00%

About the Survey

This report is based on interviews with brokers and appraisers active in each of the markets. Colliers has over 250 commercial property brokers and 26 registered commercial appraisers covering all major markets in Canada. These cap rates are based on survey results from our top investment brokers and property appraisers when asked about current market conditions.

294 OFFICES IN 61 COUNTRIES ON
6 CONTINENTS

USA 94
Canada 22
Latin America 17
Asia Pacific 64
EMEA 97

\$1.6 billion in annual revenue

1.1 billion square feet under management

12,749 professionals

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