

Colliers International Canada Cap Rate Report



NEW CONSTRUCTION

Across North America, High Tech firms are migrating to downtown, centralized regions rather than suburban areas.

Historically, technology firms across North America have tended to locate outside of the downtown core, particularly to more suburban regions. This stemmed from less expensive rental rates, lower taxes, large parcels of space, free parking and an industry that had an endless supply of workers more willing to commute. The 1990s saw the creation of technology regions, such as Silicon Valley (California), the Kanata North Business Park (Ontario) and Discovery Parks (British Columbia).

As technology has changed, the space requirements and talent working within the industry have evolved. In more recent years, technology companies, particularly web design, program design and e-commerce firms that rely less on hardware and more on software, have begun to move from suburban office parks to established downtowns or up and coming urban neighbourhoods. Although this trend is at quite different stages in various cities across North America, there are a few patterns that are consistently present. Most importantly, a shift has occurred in which the majority of business is conducted through the web, so space needs now focus predominantly on employees and company branding. Many high-tech firms are striving for stimulating, accessible spaces which promote creativity, inspiration and a good work life balance for its people. As such, many downtown locations provide stimulating spaces characterized by open concept layouts with common space and lounge areas allowing companies to brand themselves.



Secondly, Downtown locations are typically located in good proximity to public transit which helps attract younger talent who do not have cars. Most importantly, downtown locations attract young, creative and smart talent by offering employees a good balance between work and life. Downtowns are located close to amenities such as restaurants, bars and entertainment. Some firms are offering employees breakfast hubs, slides, mini-putt, yoga studios, rooftop gardens, arcades and skate ramps which appeal to the younger demographic.

Talent is everything in business and so it makes sense to do everything you can to get a slight edge over everyone else.

- Aydin Mirzaee, Co-CEO, Fluidware

Downtown districts in Seattle, Vancouver, Toronto, Montreal and New York have already become some of the largest technology regions in North America. Over recent years, Seattle has leased more than 650,000 square feet of office space to Amazon, First Isilon and Dendreon. Similar trends apply in Toronto, in light of recent deals involving Google and LinkedIn covering 89,000 and 40,000 square feet respectively. In Vancouver, HootSuite currently occupies 50,000 square feet in the eastern fringe of downtown. Two major high-tech companies, Sony Pictures Imageworks and Microsoft Research, will lease a total of 217,000 square feet within Class AAA office buildings in downtown Vancouver. This makes Vancouver the home of Microsoft's largest campus in Canada. Similarly, in Ottawa, Shopify is set to occupy 100,000 square feet of brand new Class A office space in the downtown core.

Cities such as San Francisco and Ottawa, which historically have had their high-tech sectors located in suburban Silicon Valley and Kanata respectively, illustrate that the shift to downtown is indeed happening. This shift is made apparent not just by companies moving downtown, but by companies that initially started in downtown regions staying put as they grow. Twitter's 465,000 square foot office in downtown San Francisco and Shopify's 100,000 square foot office in downtown Ottawa are clear examples of companies staying downtown post-growth.

DOWNTOWN OFFICE						
MARKET	A		B		TREND	
CITY	LOW	HIGH	LOW	HIGH	A	B
Vancouver	4.25%	5.25%	5.00%	6.00%	▲	▼
Calgary	5.50%	6.00%	6.25%	6.75%	▶	▶
Edmonton	5.50%	6.50%	6.00%	7.25%	▶	▶
Toronto	4.75%	6.00%	5.75%	6.50%	▶	▶
Ottawa	6.00%	6.25%	6.75%	7.25%	▶	▲
Montreal	5.75%	6.50%	6.00%	6.50%	▶	▲
Winnipeg	5.75%	6.50%	6.25%	7.25%	▶	▶
Halifax	6.25%	7.00%	7.00%	7.75%	▶	▶
Victoria	6.25%	6.50%	6.50%	7.00%	▲	▲

SUBURBAN OFFICE						
MARKET	A		B		TREND	
CITY	LOW	HIGH	LOW	HIGH	A	B
Vancouver	5.50%	6.25%	6.00%	6.75%	▶	▶
Calgary	5.75%	6.25%	6.75%	7.25%	▶	▶
Edmonton	6.00%	7.00%	6.50%	7.50%	▶	▶
Toronto	6.25%	7.25%	7.00%	7.75%	▶	▶
Ottawa	6.50%	7.00%	7.50%	8.00%	▶	▶
Montreal	6.75%	7.75%	7.25%	8.25%	▶	▶
Winnipeg	N/A	N/A	7.00%	7.75%	▶	▶
Halifax	6.50%	7.00%	7.00%	7.75%	▶	▶
Victoria	6.25%	6.75%	6.50%	7.00%	▲	▲

INDUSTRIAL						
MARKET	SINGLE-TENANT A		MULTI-TENANT B		TREND	
CITY	LOW	HIGH	LOW	HIGH	A	B
Vancouver	5.00%	6.00%	5.75%	6.00%	▶	▶
Calgary	5.75%	6.25%	6.00%	6.75%	▶	▶
Edmonton	5.50%	6.50%	6.00%	7.00%	▶	▶
Toronto	5.50%	6.00%	6.25%	7.25%	▶	▶
Ottawa	6.00%	6.50%	6.50%	7.00%	▶	▶
Montreal	6.75%	7.50%	7.00%	7.75%	▶	▶
Winnipeg	6.00%	7.00%	6.25%	7.25%	▶	▶
Halifax	6.50%	7.00%	7.25%	7.75%	▶	▶
Victoria	6.25%	6.75%	6.25%	6.75%	▲	▲



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RETAIL									
MARKET	REGIONAL / POWER		COMMUNITY		STRIP MALL		TREND		
CITY	LOW	HIGH	LOW	HIGH	LOW	HIGH	R	C	S
Vancouver	4.75%	5.50%	5.00%	6.00%	5.00%	6.00%	▶	▶	▶
Calgary	5.25%	6.00%	5.75%	6.50%	6.00%	6.75%	▶	▶	▶
Edmonton	5.50%	6.00%	5.75%	6.50%	5.75%	6.25%	▶	▶	▶
Toronto	4.75%	5.75%	6.00%	6.75%	5.75%	6.50%	▶	▶	▶
Ottawa	5.00%	5.50%	6.00%	6.50%	6.25%	6.75%	▶	▶	▶
Montreal	5.75%	6.75%	6.90%	7.75%	7.00%	7.75%	▶	▶	▶
Winnipeg	5.50%	6.25%	6.00%	6.75%	6.00%	7.00%	▶	▶	▶
Halifax	5.25%	6.25%	6.50%	7.50%	6.25%	7.50%	▶	▶	▶
Victoria	6.00%	6.50%	6.25%	6.75%	6.50%	7.00%	▲	▲	▲

MULTI-FAMILY						
MARKET	HIGH-RISE		LOW-RISE		TREND	
CITY	LOW	HIGH	LOW	HIGH	H	L
Vancouver	3.00%	3.50%	3.75%	4.75%	▼	▶
Calgary	4.25%	4.75%	4.50%	5.25%	▶	▶
Edmonton	5.00%	5.50%	5.25%	6.25%	▶	▶
Toronto	4.50%	5.00%	4.50%	5.00%	▶	▶
Ottawa	4.50%	5.00%	5.00%	5.50%	▶	▶
Montreal	5.00%	6.00%	6.00%	6.75%	▶	▶
Winnipeg	5.00%	5.75%	5.00%	6.00%	▶	▶
Halifax	5.00%	5.25%	5.25%	6.50%	▶	▶
Victoria	4.25%	4.50%	4.50%	5.25%	▶	▶

HOTEL									
MARKET	URBAN FULL SERVICE		SELECT SERVICE		LIMITED SERVICE		TREND		
CITY	LOW	HIGH	LOW	HIGH	LOW	HIGH	U	S	L
Vancouver	6.00%	7.00%	7.25%	8.50%	7.25%	8.50%	▶	▶	▶
Calgary	7.00%	8.50%	8.00%	9.25%	8.50%	10.00%	▶	▶	▶
Edmonton	7.50%	9.00%	8.00%	9.50%	9.00%	10.50%	▶	▶	▶
Toronto	6.75%	8.00%	7.00%	8.50%	9.25%	11.50%	▶	▶	▶
Ottawa	6.50%	8.00%	8.50%	9.50%	9.25%	11.25%	▶	▶	▶
Montreal	7.25%	9.00%	8.50%	9.75%	9.75%	11.50%	▶	▶	▶
Winnipeg	7.75%	8.75%	8.75%	10.50%	10.00%	11.75%	▶	▶	▶
Halifax	7.50%	8.50%	9.00%	10.00%	9.50%	11.00%	▶	▶	▶
Victoria	7.50%	8.50%	8.50%	10.50%	9.00%	11.50%	▶	▶	▶

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