



CANADIAN CAP RATE & CAPITAL MARKETS REPORT

Q3 2025

Better never settles

REAL ESTATE INVESTMENT CONDITIONS & TRENDS

- Interest rates remain volatile, with the CDN 10Y and U.S. 10YT fluctuating significantly. Despite daily movements, our base case is that the CDN 10Y and the U.S. 10YT will generally hover in the 3.25% and 4-4.5% range respectively, consistent with long-run equilibrium.
- Elevated financing costs and tighter construction lending have slowed speculative development, constraining new supply. For some asset classes, the price reset has also shifted the buy vs. build calculus, where there is clear focus on buying assets below replacement costs. Limited new supply will help reinforce future rent growth and insulate occupancy in key sectors like multifamily and industrial.
- Public REIT pricing has rebounded off its trough. Public discounts to NAV have improved (though still negative); such parity bodes well for eventual REIT growth and acquisitions.
- Institutional allocations to CRE in diversified cross-asset class portfolios are holding steady near 11%.
- Focus will remain on income stability and growth potential, as opposed to aggressive interest rate and cap rate compression.
- Industrial vacancy will be pressured through mid-2026 as the manufacturing and consumer sectors adjust to higher prices and weaker demand. Retail demand has remained resilient but rising costs may impact specific categories. Niche sectors (data centers, seniors housing and student housing) continue to capture a growing portion of volumes. Regarding office, the market is far from uniform, presenting a diverse and complex landscape. High performing, in demand office properties in prime locations continue to lead the pack. Multifamily residential is expected to remain stable.



INVESTMENT SALES VOLUMES BY MAJOR MARKET & ASSET TYPE

Q3 2025

Better never settles

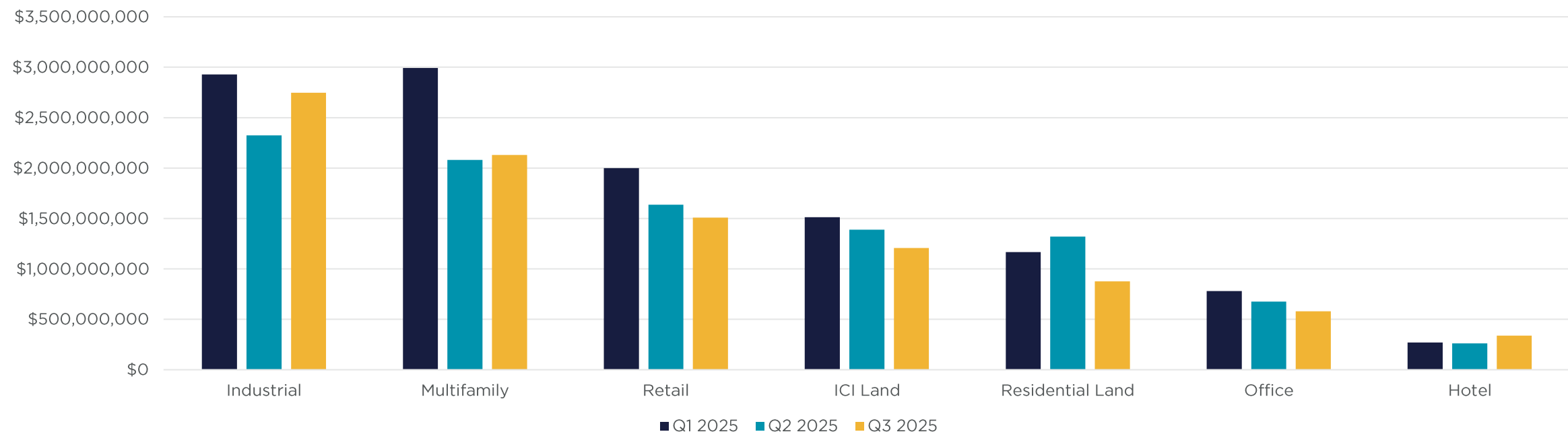


OVERALL SALES VOLUMES BY ASSET CLASS

Q1 – Q3 2025

Canada’s commercial real estate investment market showed early signs of stabilization in the third quarter of 2025, with total investment volume declining slightly by 3% compared to the previous quarter. With transaction activity remaining relatively steady, year-to-date investment volume was down 24% compared to Q1–Q3 2024. This marks an improvement over the first half of 2025, when investment volume fell 29% year-over-year.

Industrial continued to lead all asset classes, recording \$2.75 billion in total sales volume in Q3, a rise of 18% compared to the previous quarter. The multifamily sector also saw an increase as well, with sales volume reaching \$2.13 billion, up 2% quarter-over-quarter. Retail remained relatively steady, with Q3 volumes slightly below Q2 2025 but still ranking among the top three sectors. The land segment, particularly residential land, continued to adjust amid higher financing costs and development headwinds. Office investment remained measured, with sales volumes declining 14% quarter-over-quarter as investors monitor leasing fundamentals.

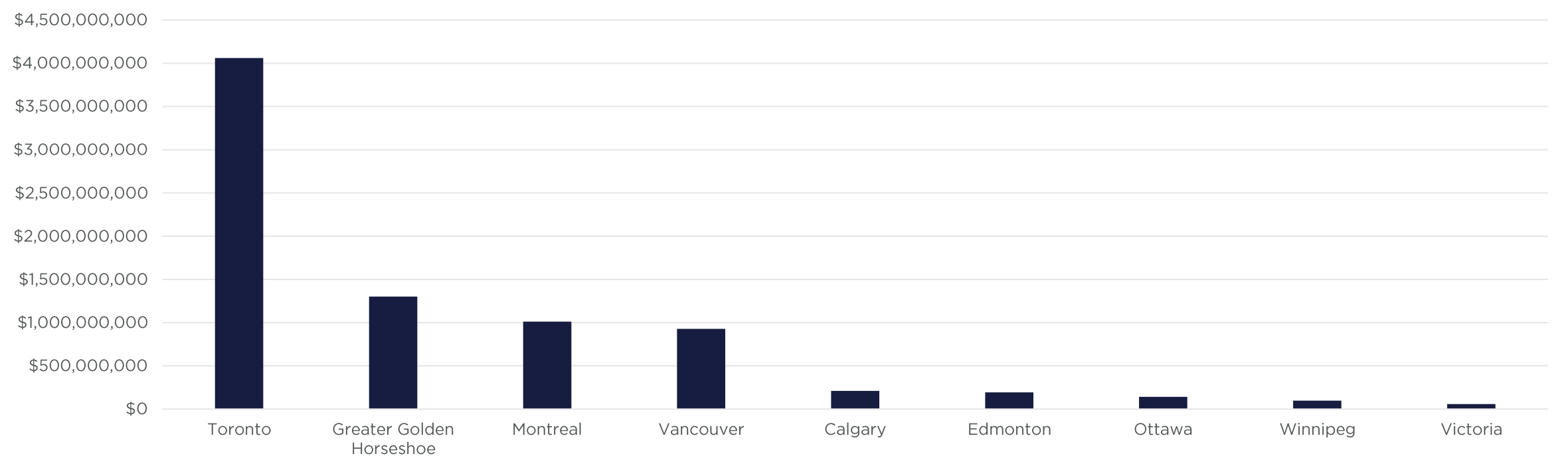


Source: Altus Group & Real Capital Analytics

OVERALL INDUSTRIAL SALES VOLUMES BY MAJOR MARKET

YTD 2025

Continuing to lead all asset classes, the industrial sector accounted for just over 29% of total investment activity in Q3 2025, with \$2.75 billion in transactions. The 18% quarter-over-quarter rebound in investment volume helped ease the sector’s year-to-date decline, which now sits at 16% compared to the same period in 2024, an improvement from the 29% contraction recorded in the first half of the year. A stabilization in market fundamentals, including a nationwide vacancy rate of 5.4% which ended a streak of 12 consecutive quarters of vacancy increases, has gradually begun to return confidence to the sector. Absorption, which reached 2.9 million square feet nationally, returned into the positive for the first time in 2025 with major strides in Toronto, Calgary and Edmonton. Toronto, which saw 3.6 million square feet of absorption in Q3 and 4.23 million square feet year-to-date, unsurprisingly made up 54% of total industrial activity or \$1.5 billion. The majority of this activity continues to be driven by both private investors and user purchasers, with privates contributing approximately half of activity both within Toronto and across Canada.

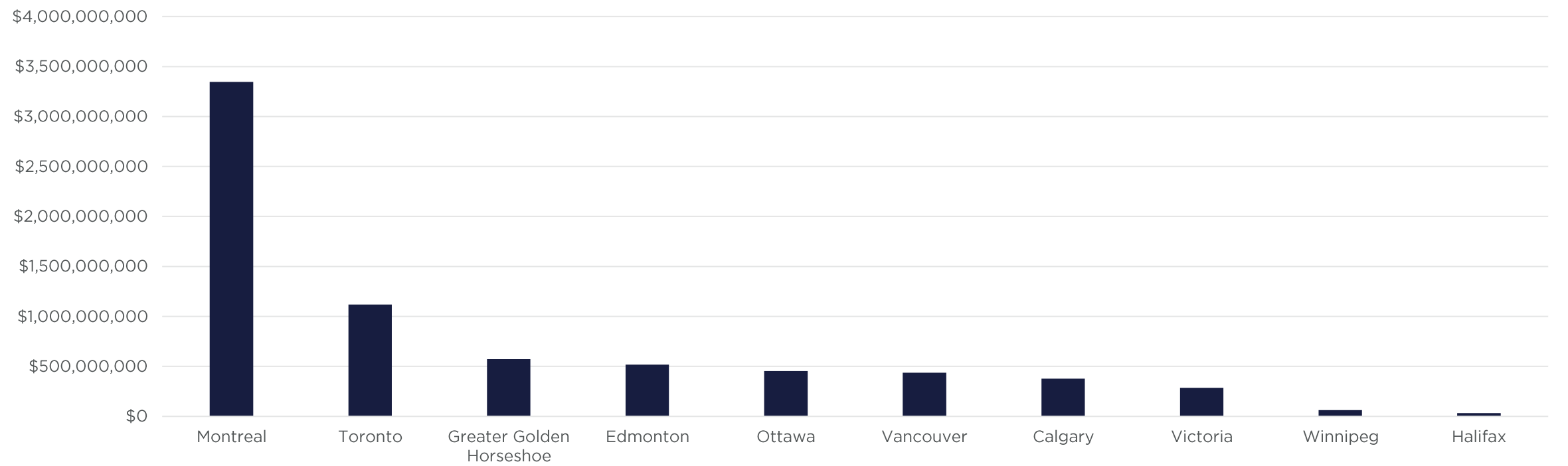


Source: Altus Group & Real Capital Analytics

OVERALL MULTIFAMILY SALES VOLUMES BY MAJOR MARKET

YTD 2025

The multifamily sector continued to draw steady investor interest, recording \$7.2 billion in sales through the first nine months of 2025, down approximately 18% from the same period in 2024. Despite the year-over-year decline, the sector demonstrated resilience, posting a 2% quarter-over-quarter increase and ranking as the second most active asset class in Q3, accounting for 23% of total investment volume. Multifamily continues to benefit from its defensive characteristics and stable income profile amid a softer market environment. Private buyers have remained particularly active, accounting for roughly two-thirds of total multifamily acquisitions so far this year, helping to sustain transaction activity. Montreal led the country in multifamily investment, representing 46% of national volume so far this year. Multifamily assets made up roughly half of all investment activity in that market, with 988 transactions completed year-to-date, resulting in an average deal size of \$3.4 million, or 14 units.

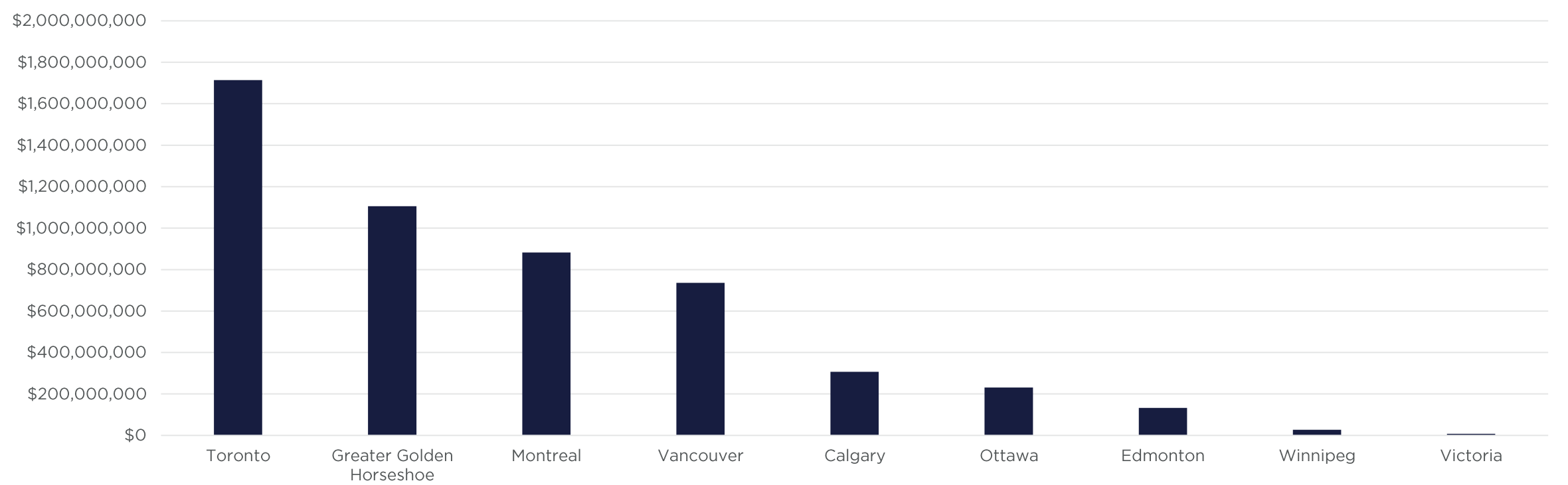


Source: Altus Group & Real Capital Analytics

OVERALL RETAIL SALES VOLUMES BY MAJOR MARKET

YTD 2025

Continuing to show its resilience, the retail sector remained stable in Q3 2025, recording only an 8% decline in investment volume quarter-over-quarter. On a year-to-date basis, the sector is now down 12% compared to the same period in 2024, an improvement from the 16% decrease recorded in the first half of the year. Private investors continue to dominate the market, accounting for just over two-thirds of all retail investment activity. Demand remains strongest for necessity-based and essential-service retail, such as grocery-anchored centres, pharmacies and quick-service restaurants, which continue to demonstrate consistent foot traffic and tenant durability. This resilience is evident across most of Canada’s major markets, where retail consistently ranks among the top three asset classes by investment volume including Toronto, Montreal and the Greater Golden Horseshoe.

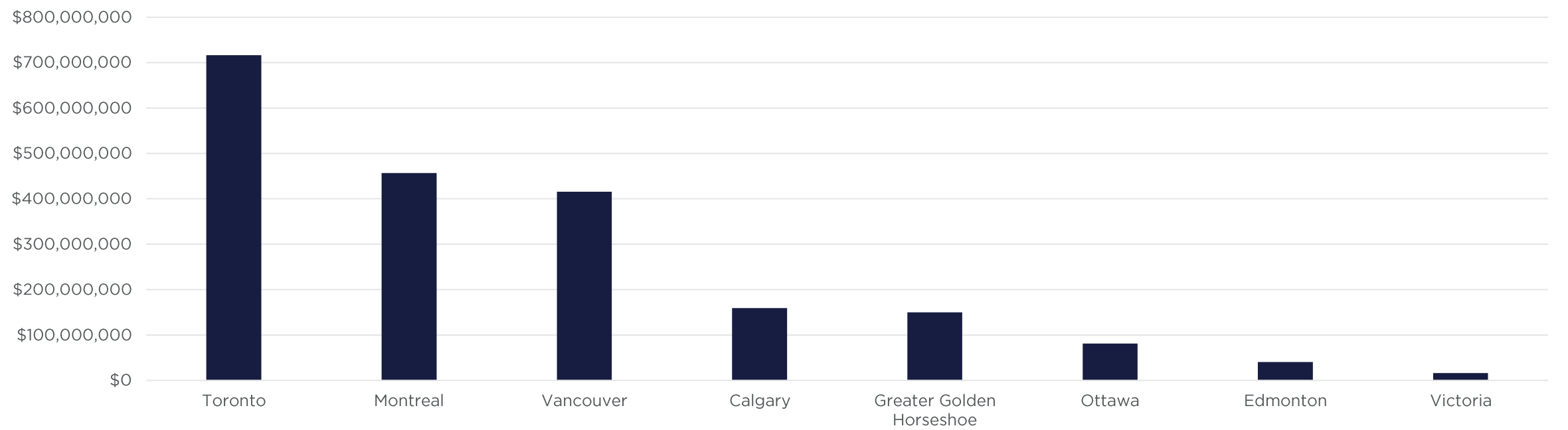


Source: Altus Group & Real Capital Analytics

OVERALL OFFICE SALES VOLUMES BY MAJOR MARKET

YTD 2025

The office sector experienced a 14% decline quarter-over-quarter in Q3 2025, while year-to-date investment activity remains down 20%, matching the contraction seen in the first half of the year. Positive market fundamentals are continuing to emerge, driven in part by clearer return-to-office mandates. Overall office vacancy edged down to 16.8%, its lowest level in over a year. Among all segments, the Central Class A market demonstrated the most consistent progress, recording a 50-basis point decline in vacancy since the beginning of the year. Year-to-date absorption for 2025 has now exceeded one million square feet, with all of this quarter’s absorption driven by Class A assets highlighting strong investor confidence in well-located, high-quality properties. This momentum has reinforced demand for stabilized assets with strong tenant covenants and long-term leases, particularly in core urban markets such as Toronto, Vancouver, and Montreal, which together represent 78% of total office investment volume year-to-date. Reflecting this confidence, private buyers continue to remain particularly active, accounting for nearly three-quarters of transaction volume and helping to sustain market activity amid continued institutional caution.



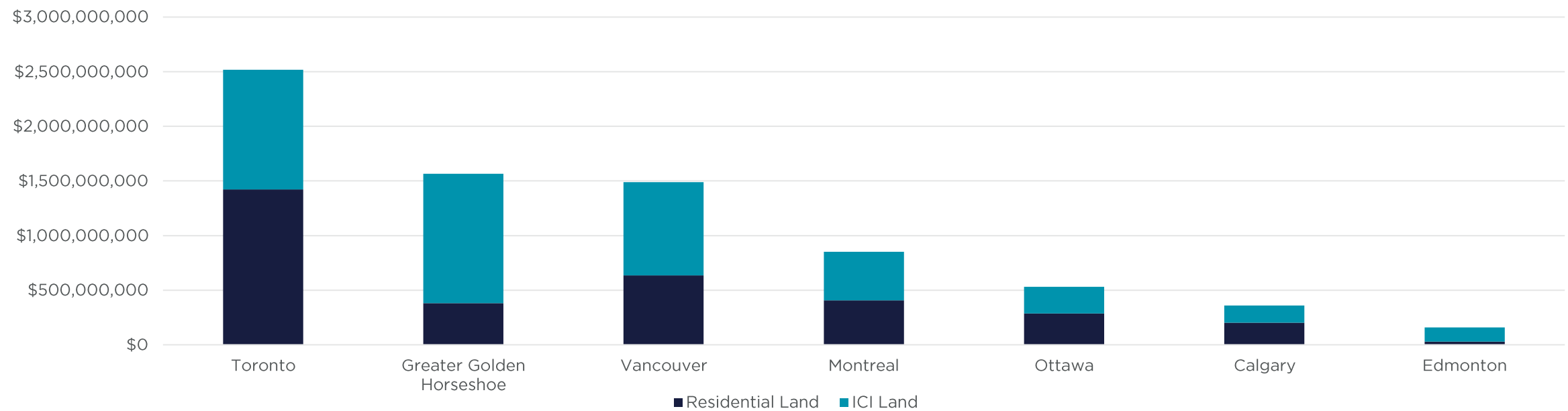
Source: Altus Group & Real Capital Analytics

OVERALL RESIDENTIAL & ICI LAND SALES VOLUMES BY MAJOR MARKET

YTD 2025

Toronto and the Greater Golden Horseshoe continued to lead Canada’s ICI land market in 2025, accounting for 56% of national transactions year-to-date, followed by Vancouver at 21%. While ICI land sales are down 39% year-over-year, volumes have improved slightly from the first half of the year, signaling early signs of stabilization. The industrial sector remains a key driver, with national absorption of 2.9 million square feet and a strong 3.6 million square feet in Toronto helping to support confidence in long-term fundamentals.

Residential land sales remain lower overall, but activity is holding steady as pricing adjusts and investors take a more selective approach. Toronto continues to anchor the market, representing 42% of national residential land volume. While new condominium launches have been limited, activity has been centered around purpose-built rental and smaller scale projects where fundamentals remain solid. Market participants are cautiously optimistic that easing interest rates and improving affordability will begin to support renewed demand into 2026, and fundamentals in purpose-built rental underpin the market.



Source: Altus Group & Real Capital Analytics



INVESTMENT SALES VOLUMES BY MAJOR MARKET

Q3 2025

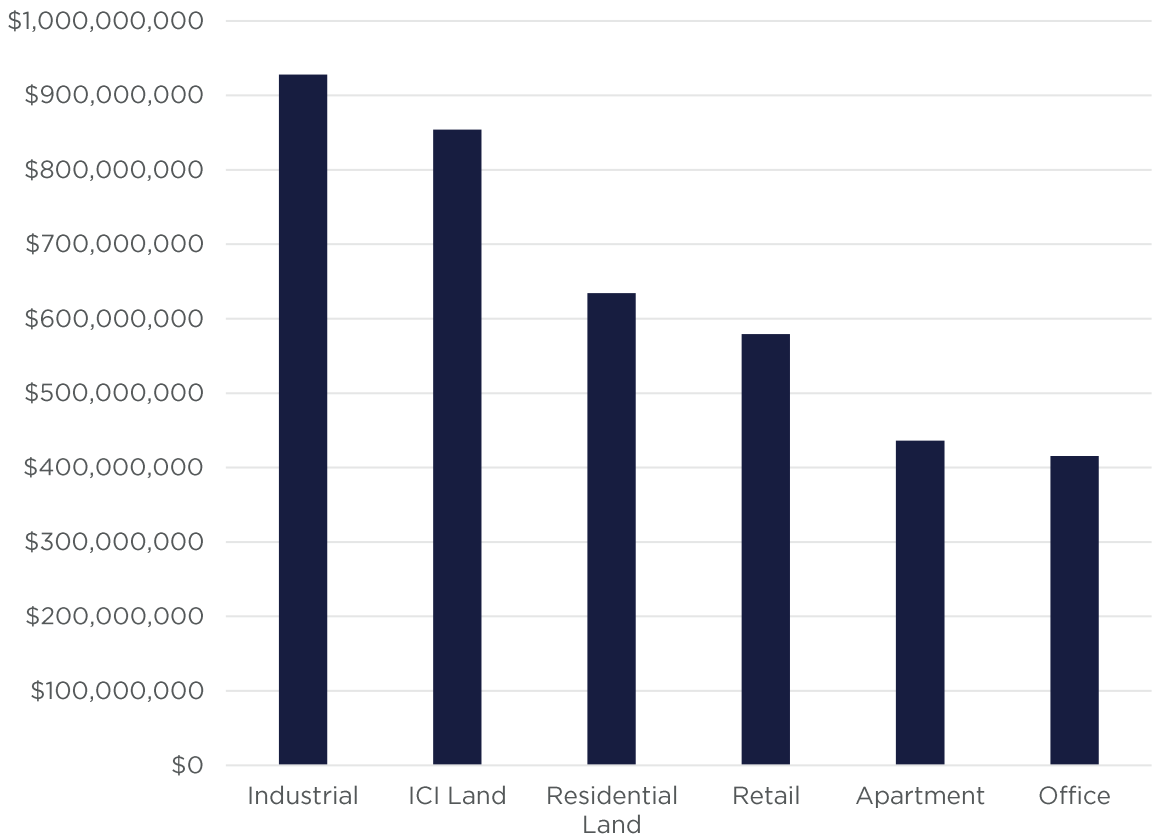
Better never settles



MAJOR CANADIAN MARKETS SALES VOLUME BY ASSET TYPE

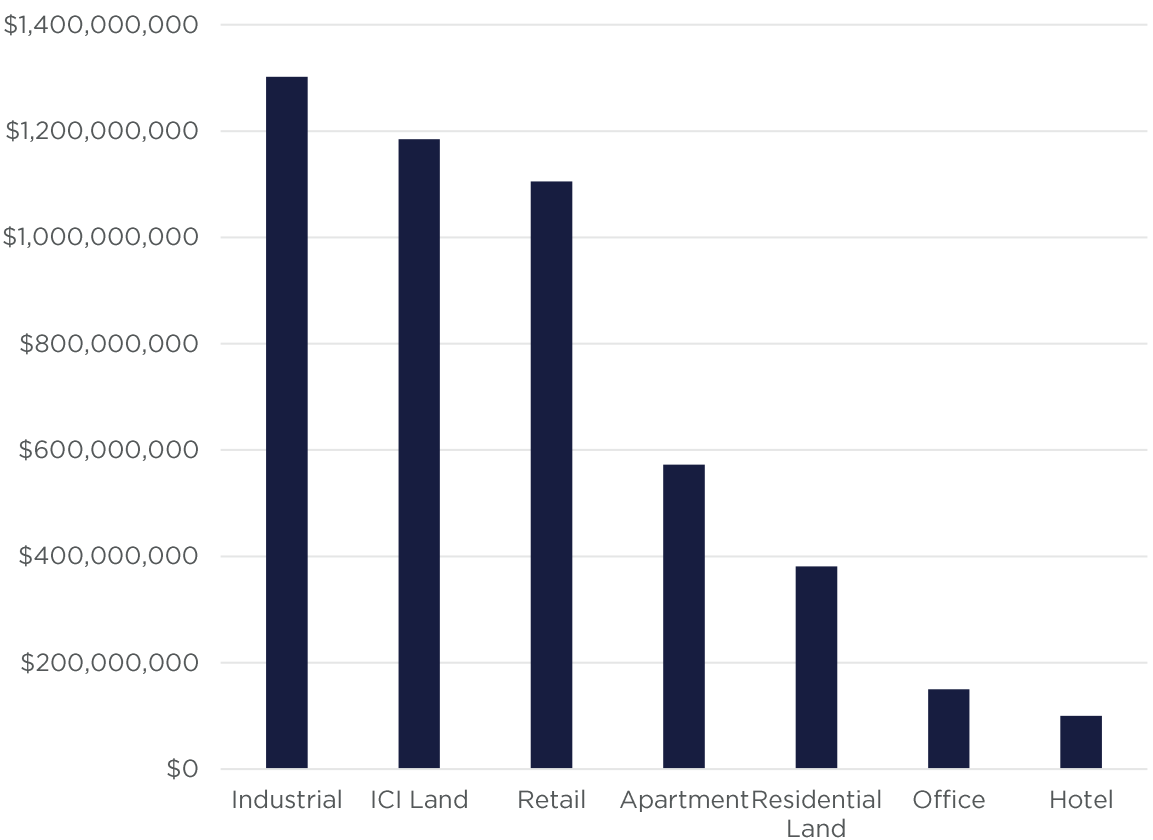
YTD 2025

VANCOUVER



Source: Altus Group

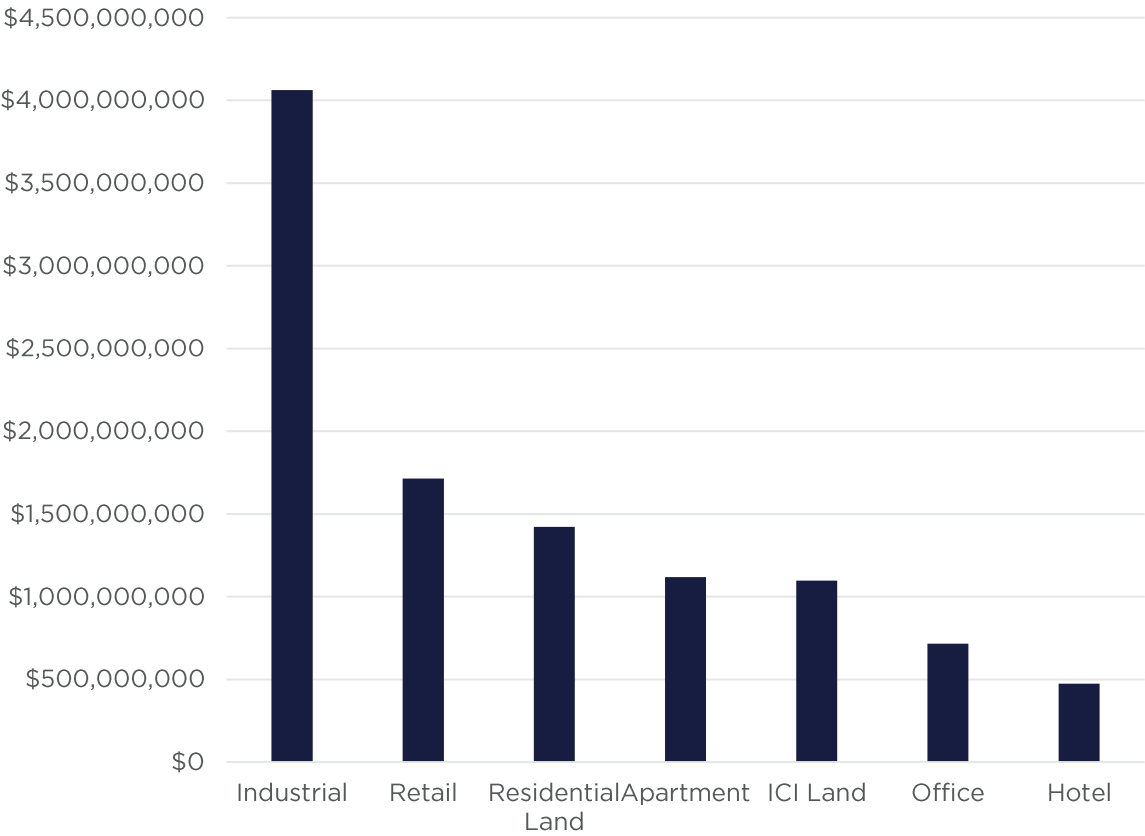
GREATER GOLDEN HORSESHOE



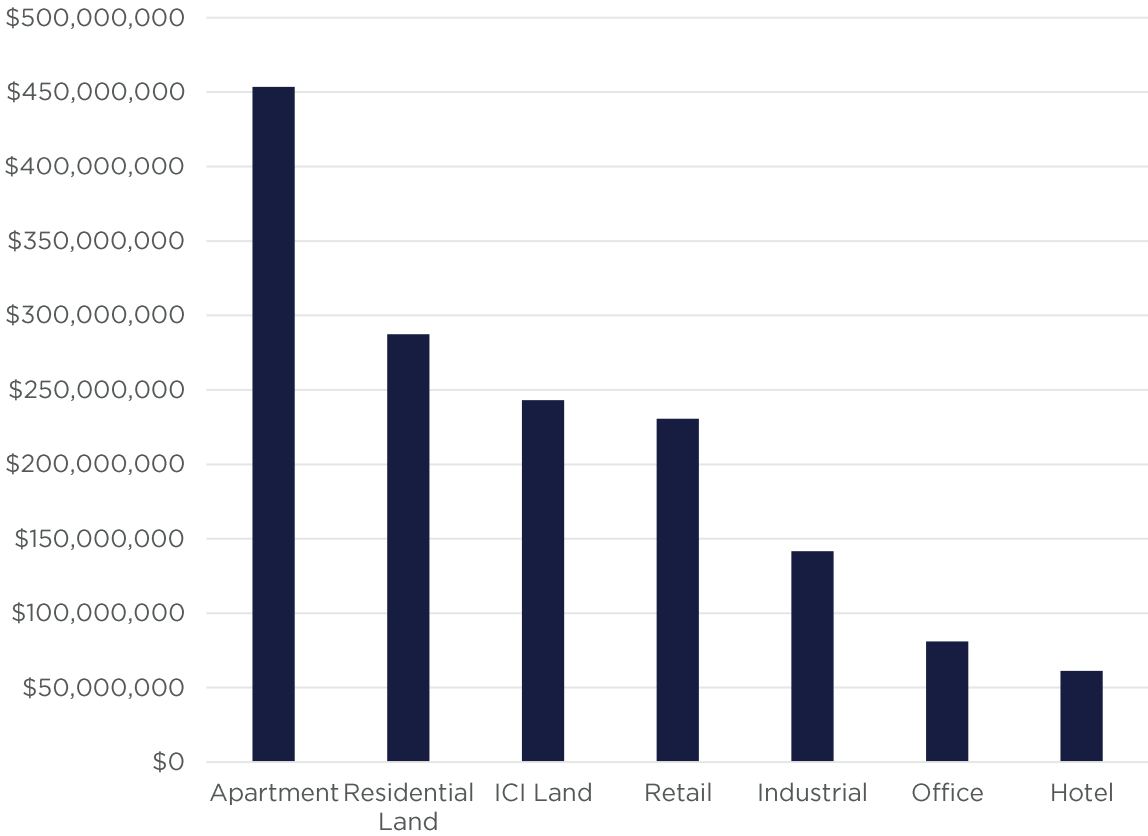
MAJOR CANADIAN MARKETS SALES VOLUME BY ASSET TYPE

YTD 2025

TORONTO



OTTAWA

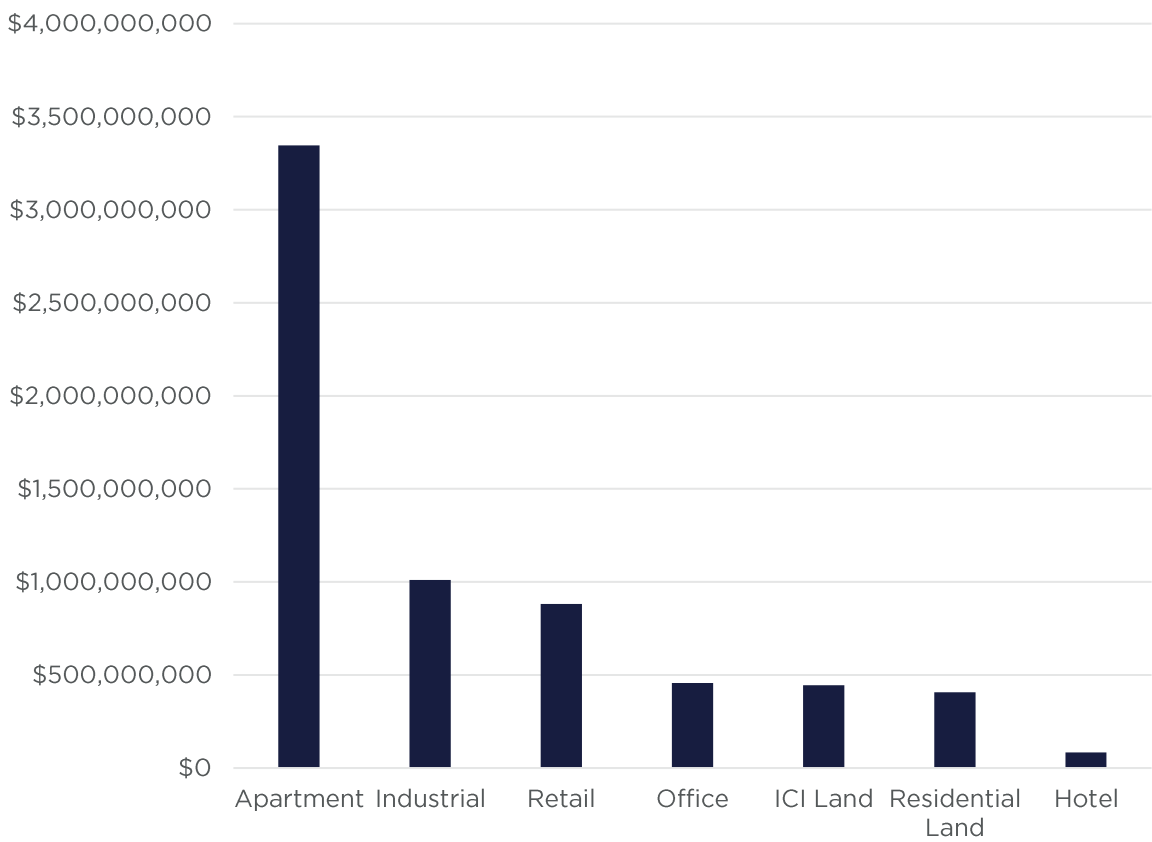


Source: Altus Group

MAJOR CANADIAN MARKETS SALES VOLUME BY ASSET TYPE

YTD 2025

MONTREAL



Source: Altus Group

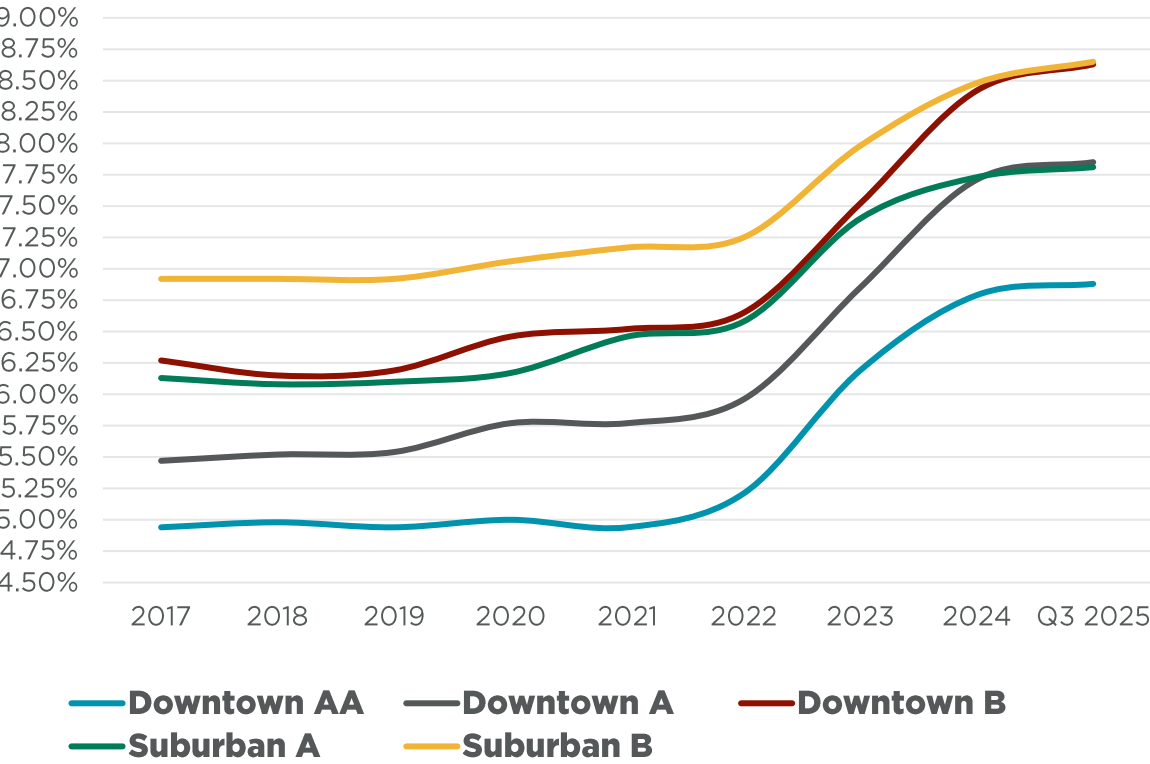
CAP RATES IN MAJOR CANADIAN MARKETS

Q3 2025

Better never settles



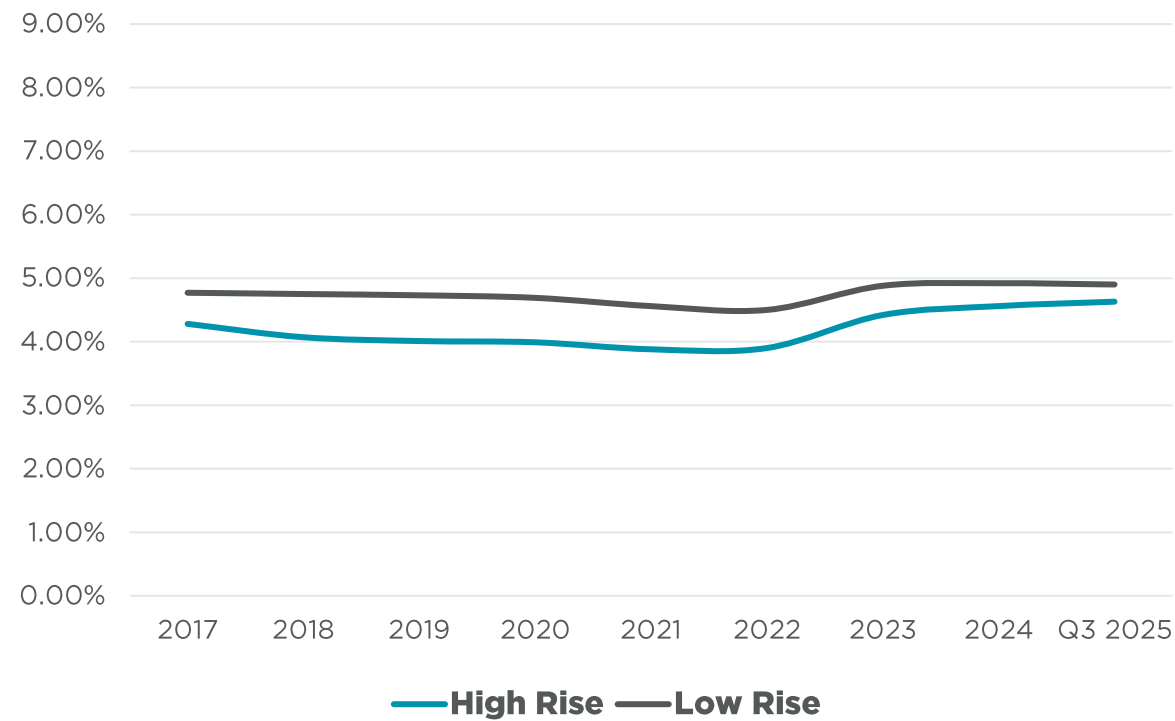
HISTORICAL OFFICE CAP RATES



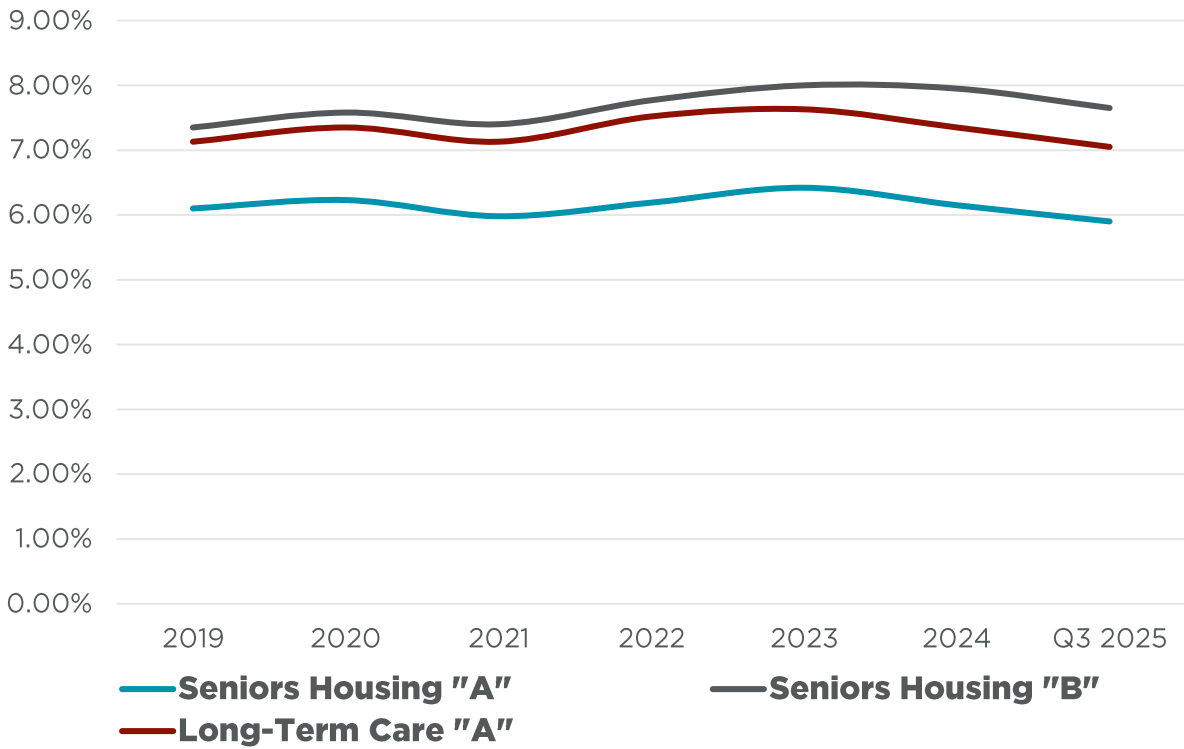
HISTORICAL INDUSTRIAL CAP RATES



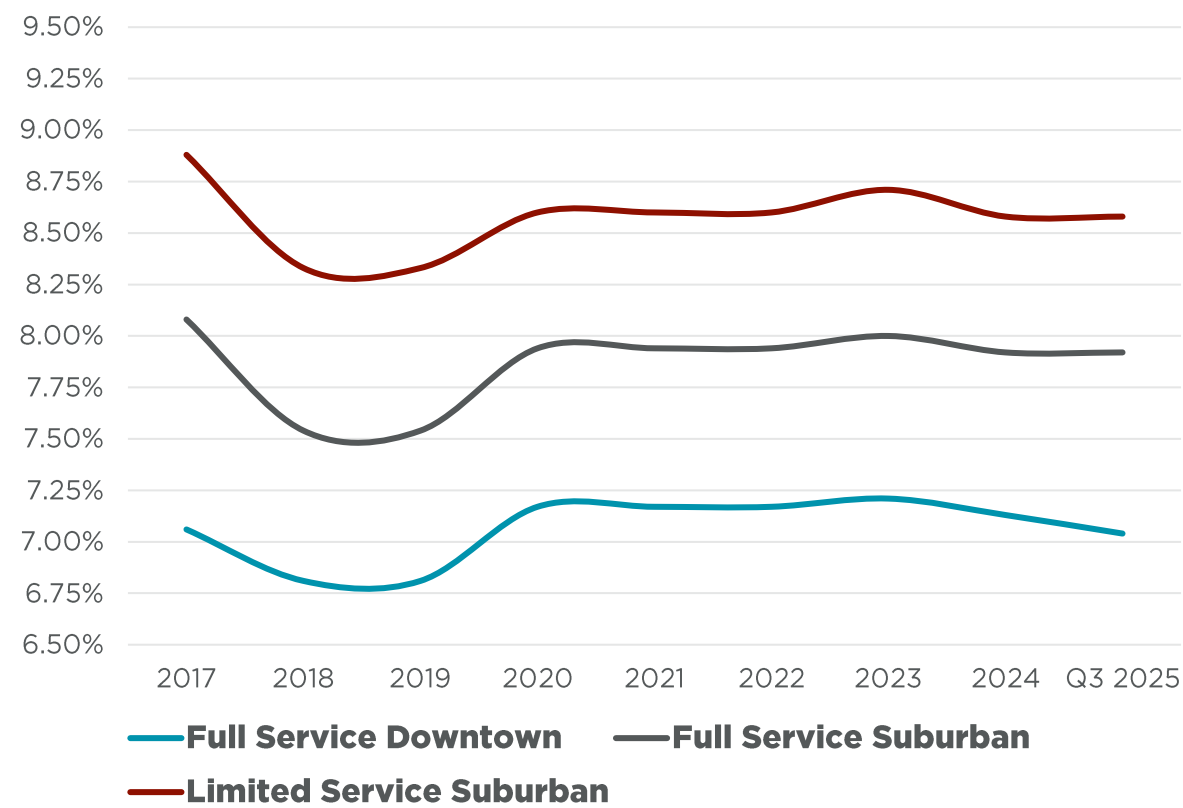
HISTORICAL APARTMENT CAP RATES



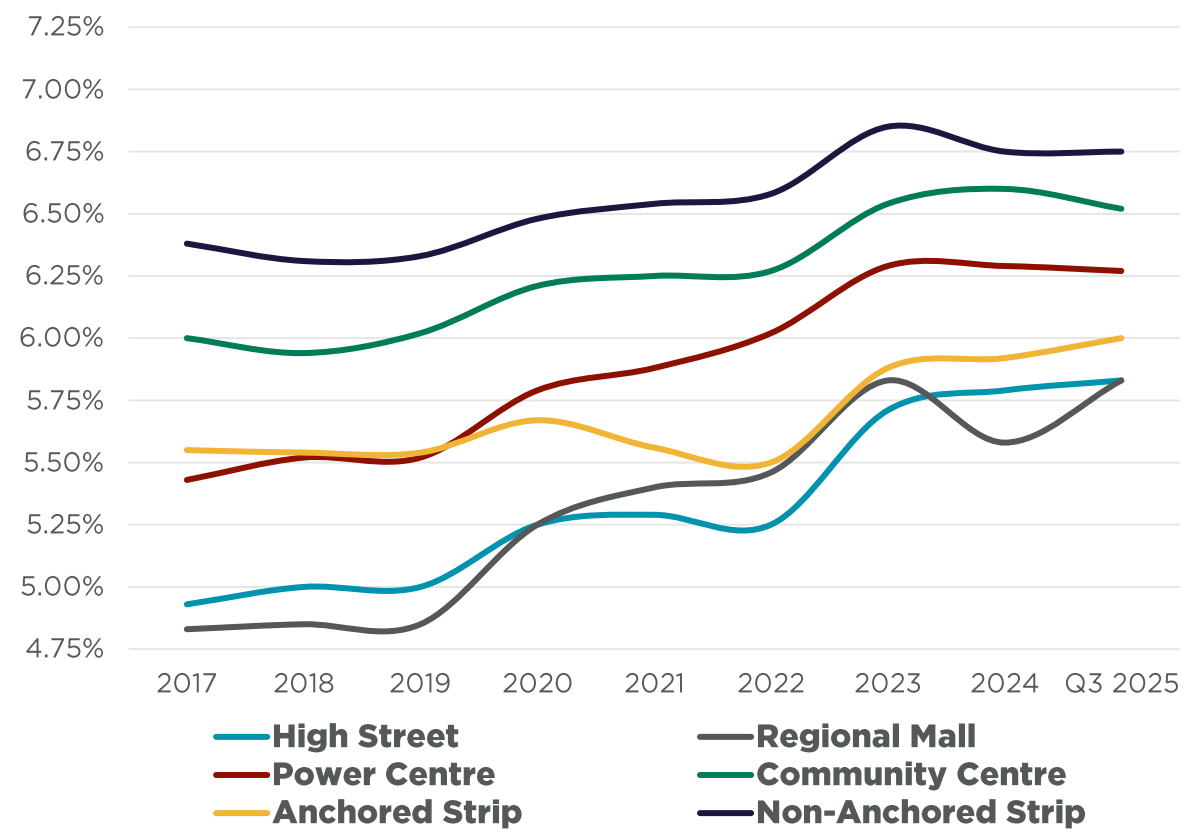
HISTORICAL SENIORS HOUSING & HEALTH CARE CAP RATES



HISTORICAL HOTEL CAP RATES

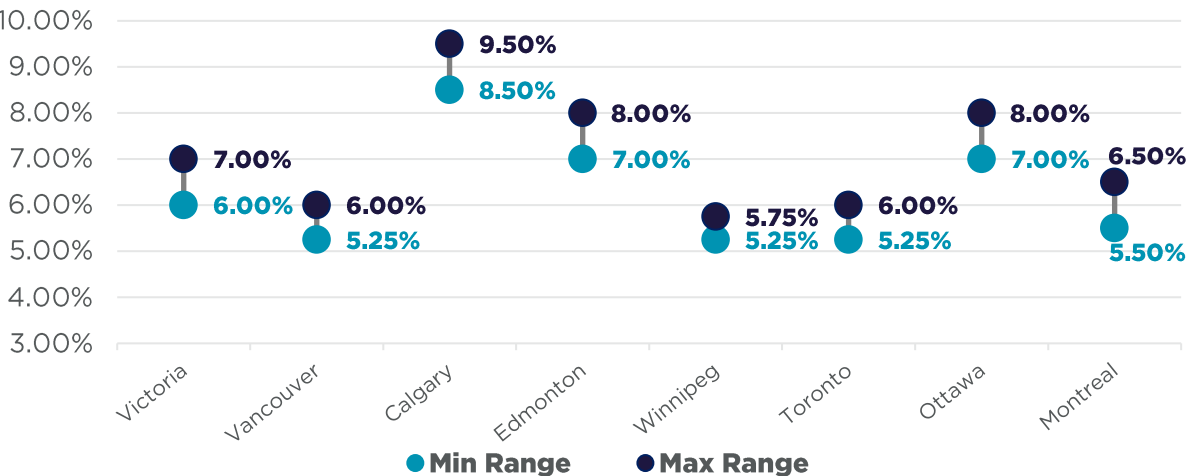


HISTORICAL RETAIL CAP RATES

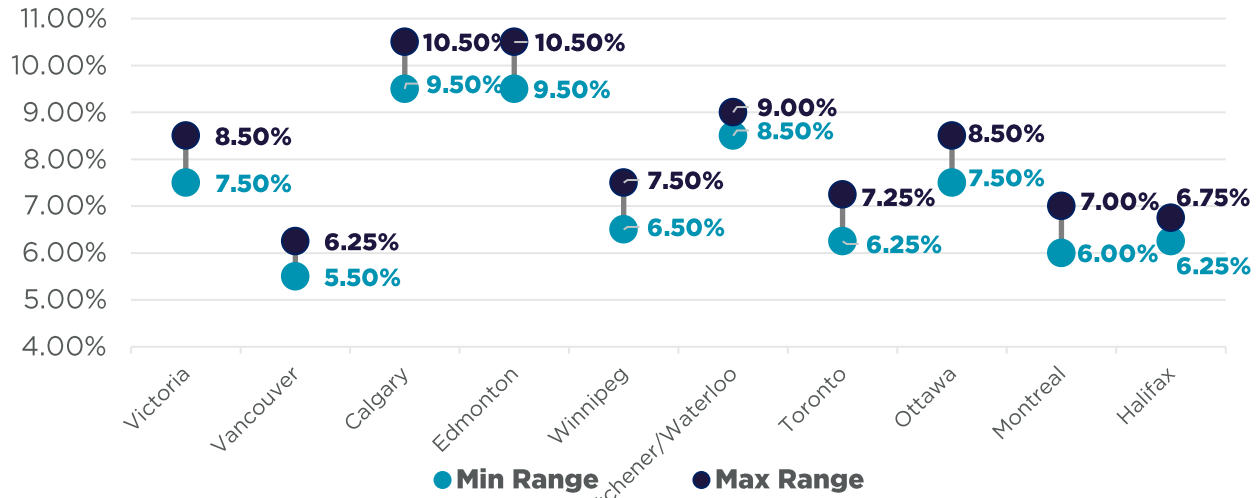


DOWNTOWN OFFICE CAP RATES

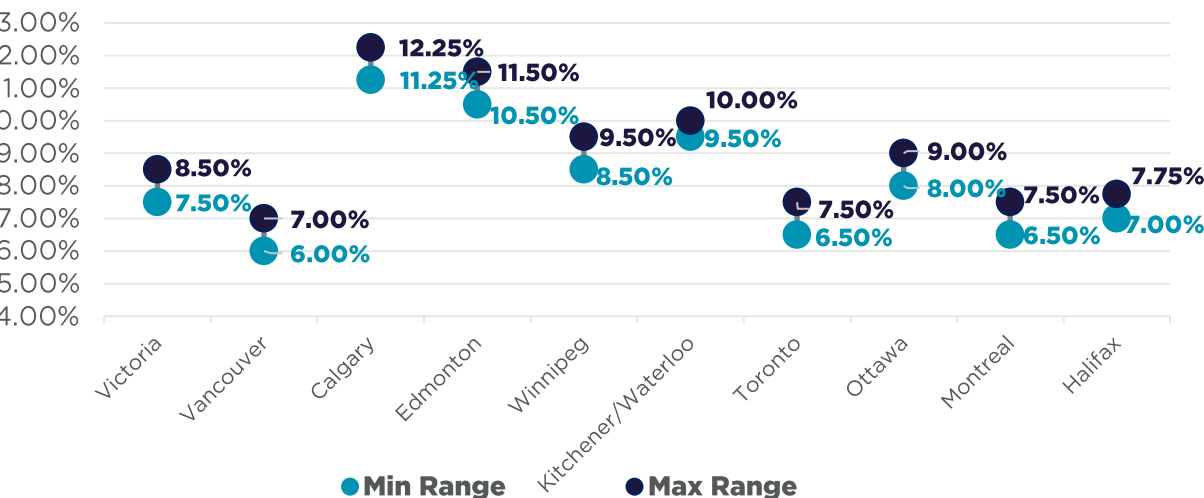
Downtown Office AA



Downtown Office A

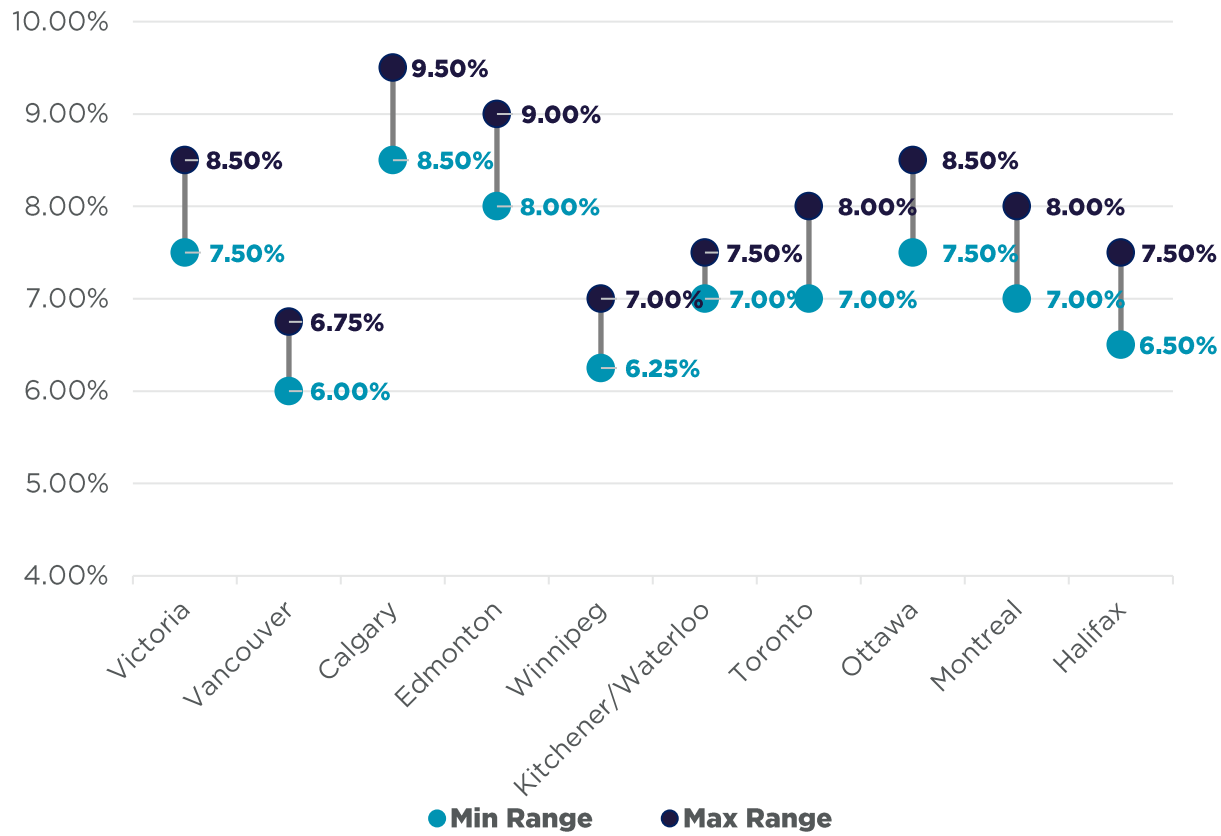


Downtown Office B

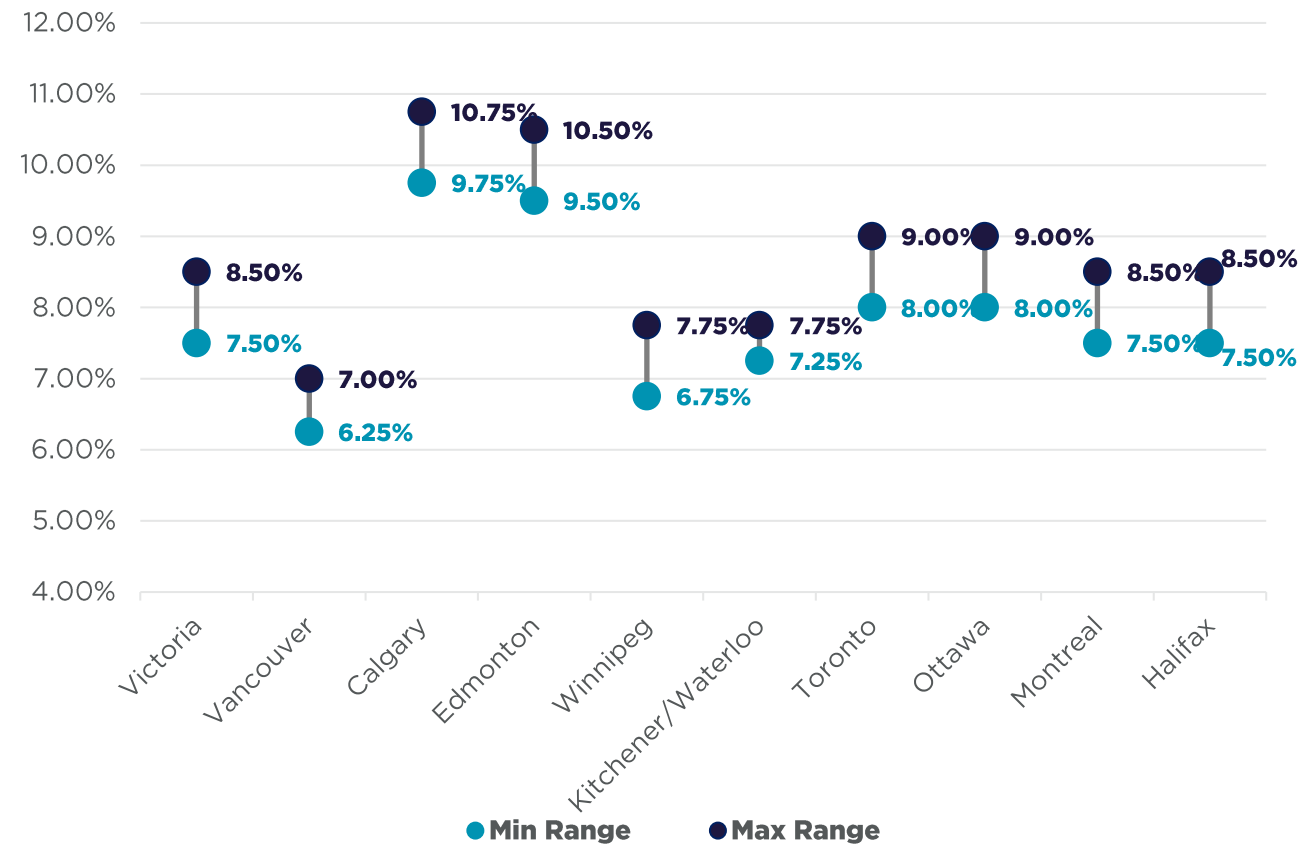


SUBURBAN OFFICE CAP RATES

Suburban Office A

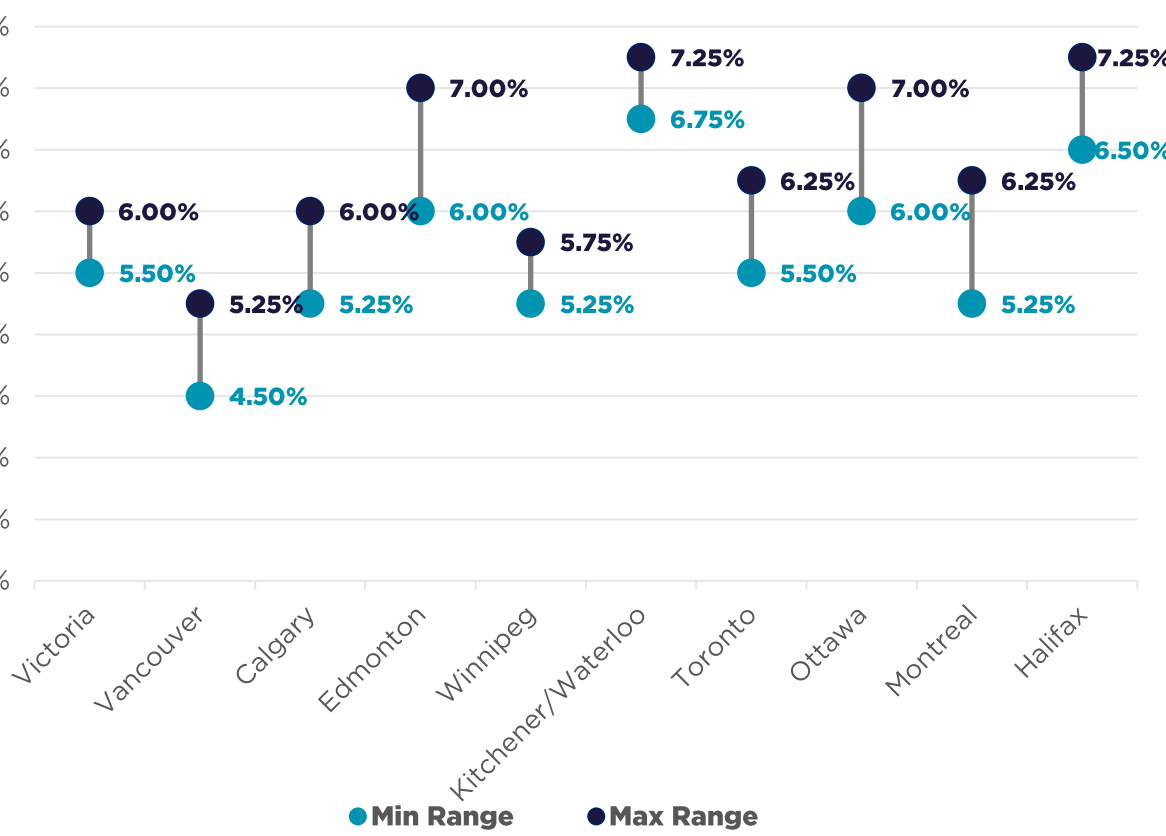


Suburban Office B

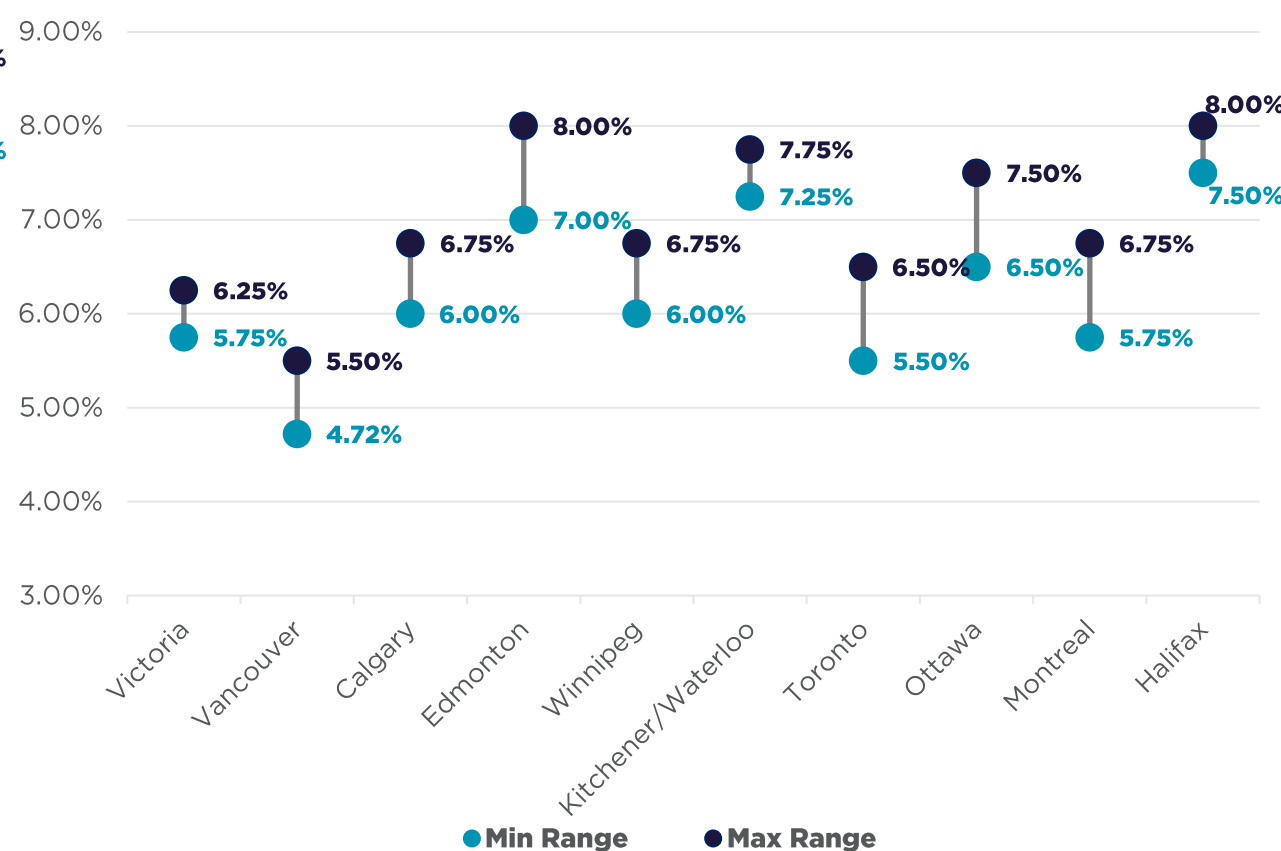


INDUSTRIAL CAP RATES

Industrial Class A

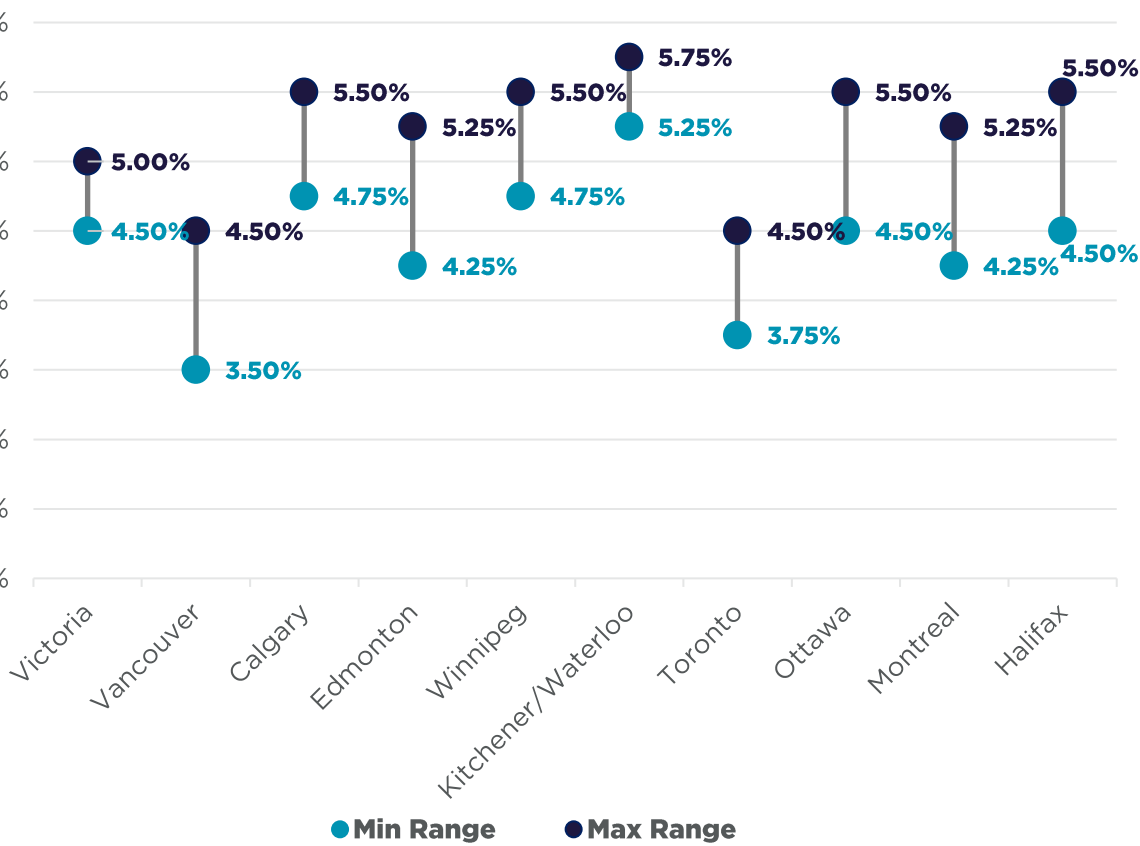


Industrial Class B

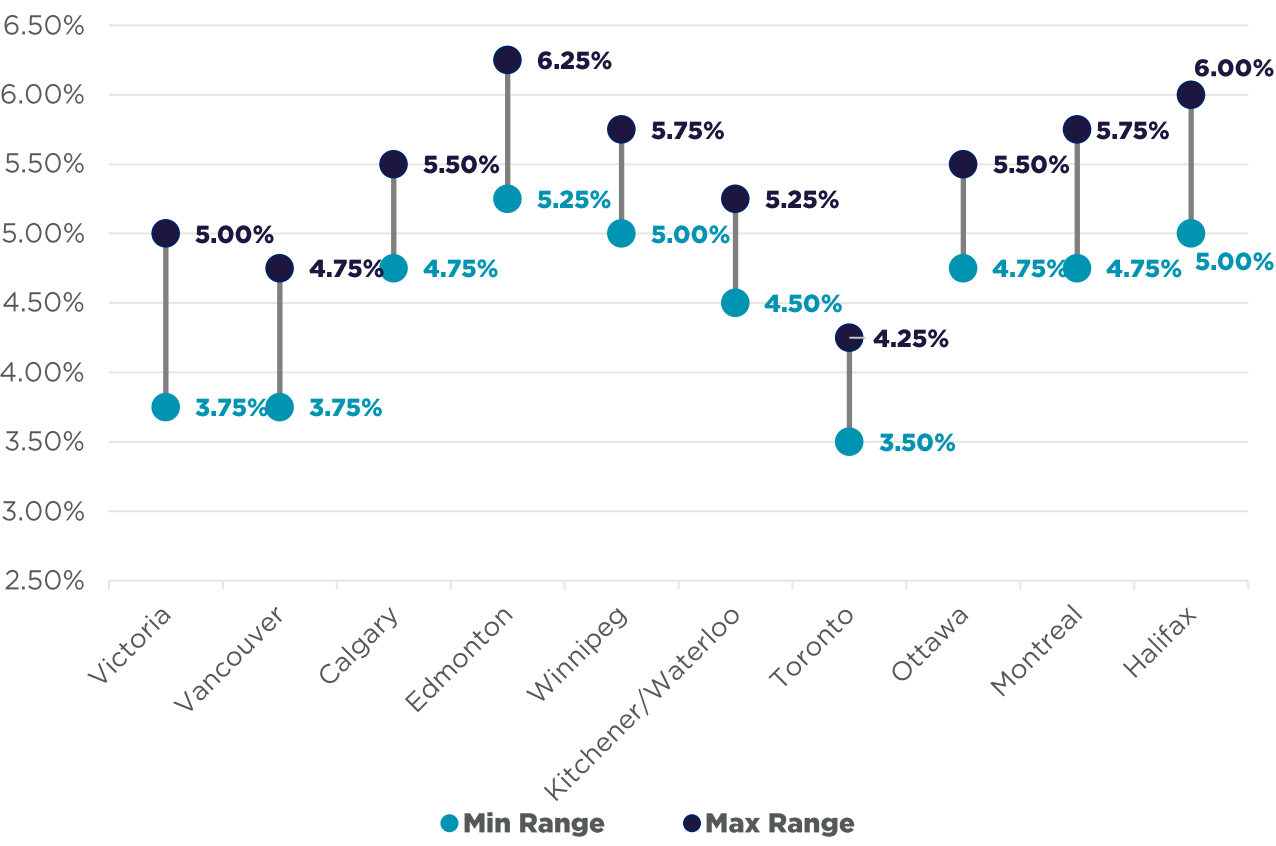


APARTMENT CAP RATES

High Rise

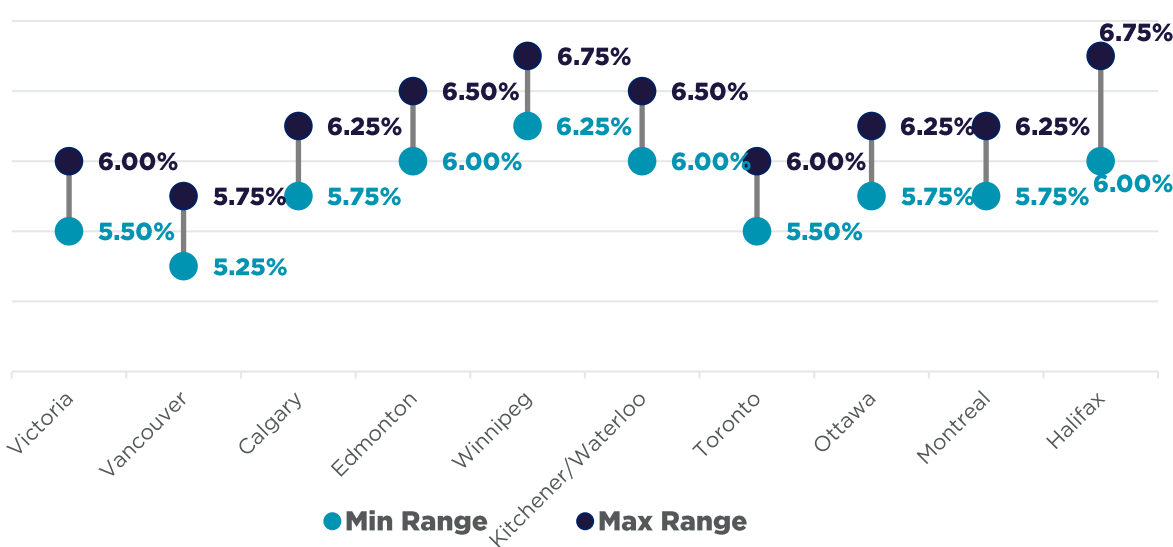


Low Rise

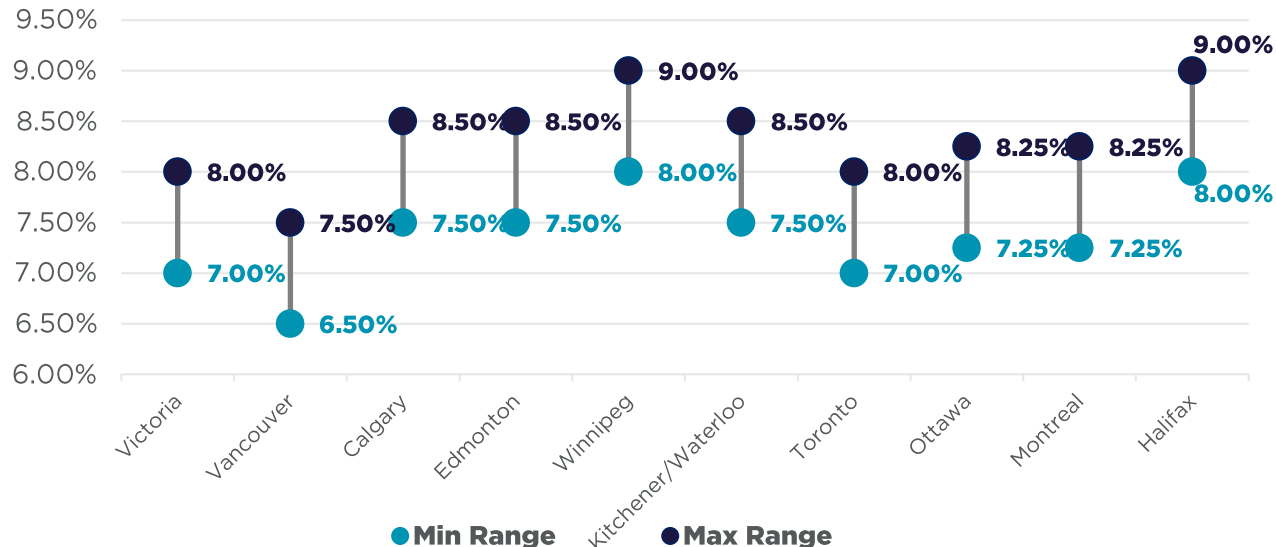


SENIORS HOUSING CAP RATES

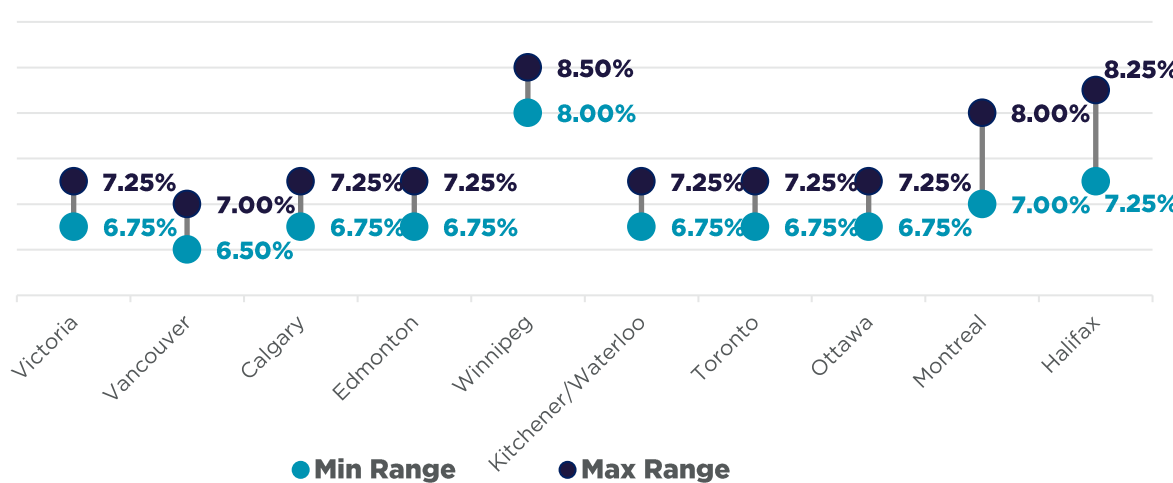
Seniors Housing “A”



Seniors Housing “B”

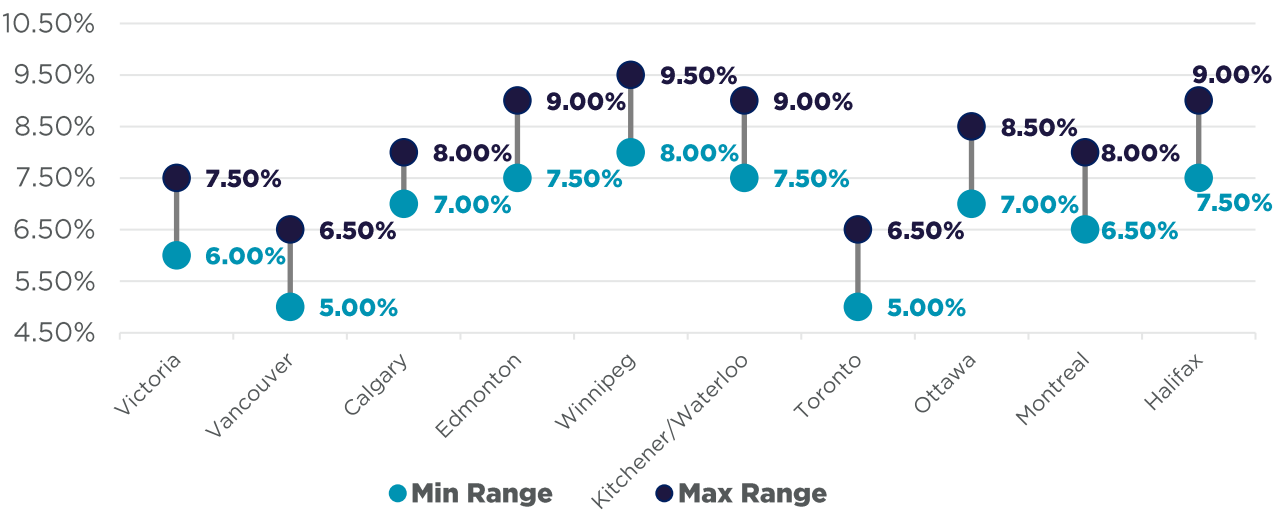


Long-Term Care “A”

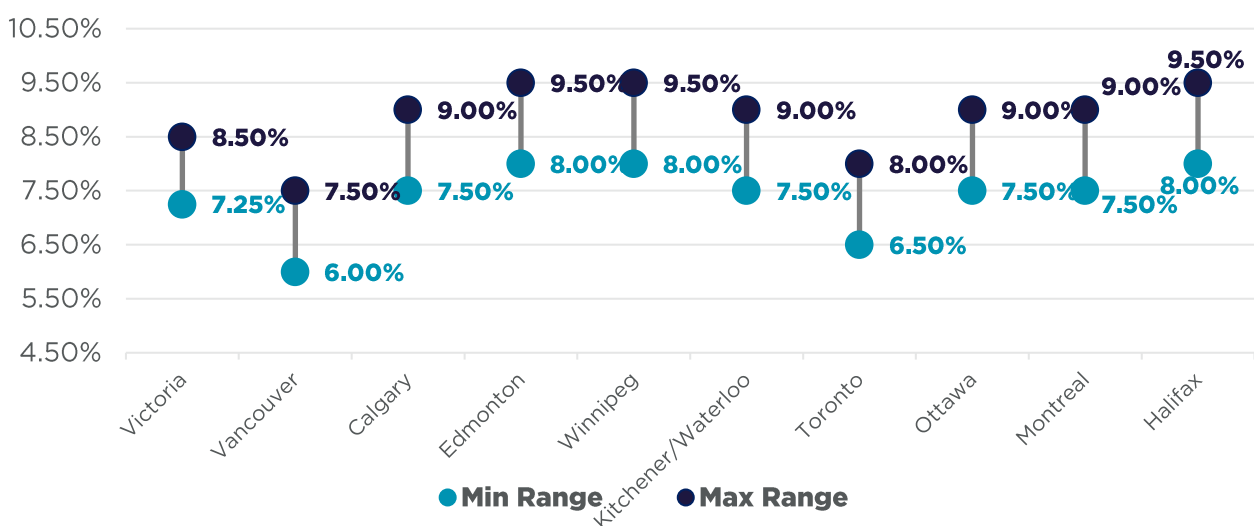


HOTEL CAP RATES

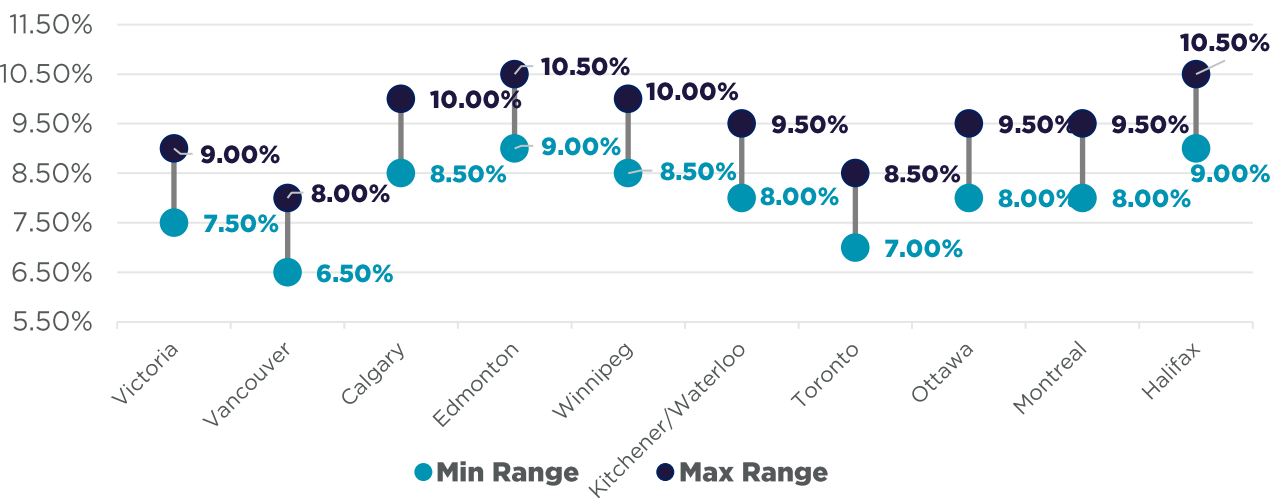
Full-Service Downtown



Select Service

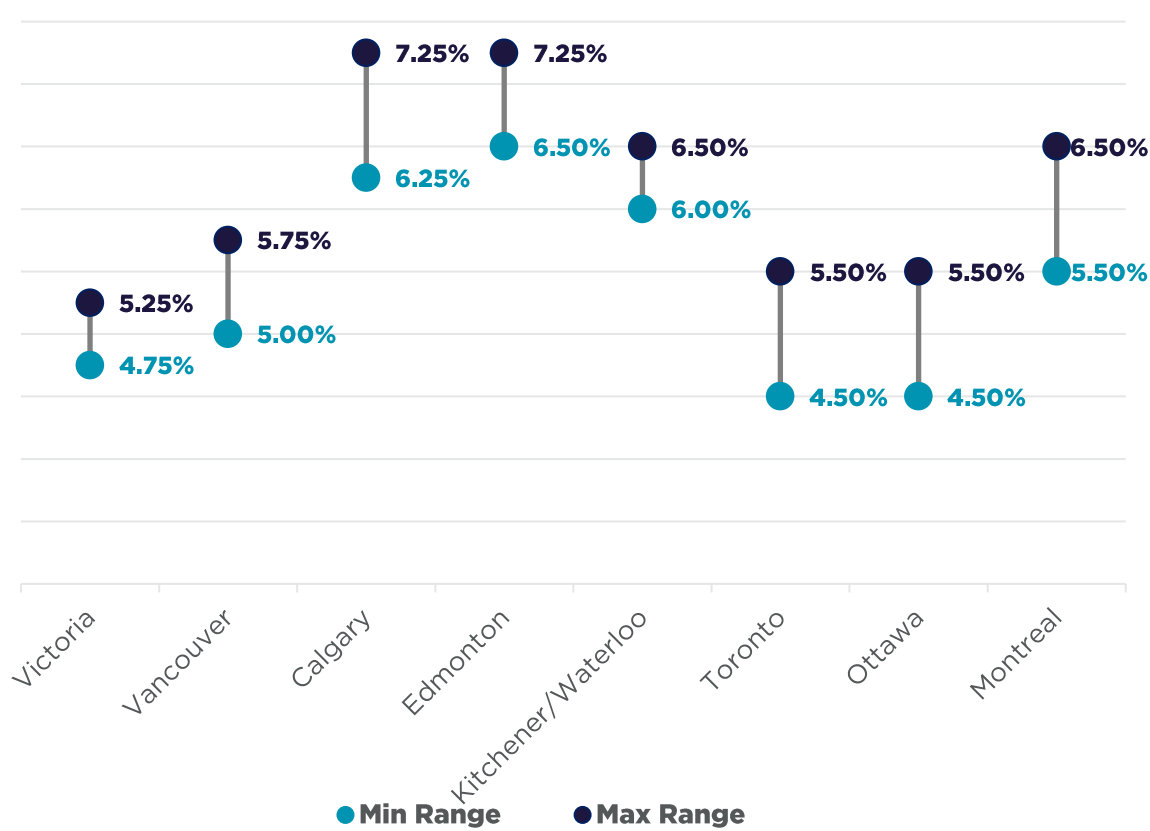


Limited-Service Suburban

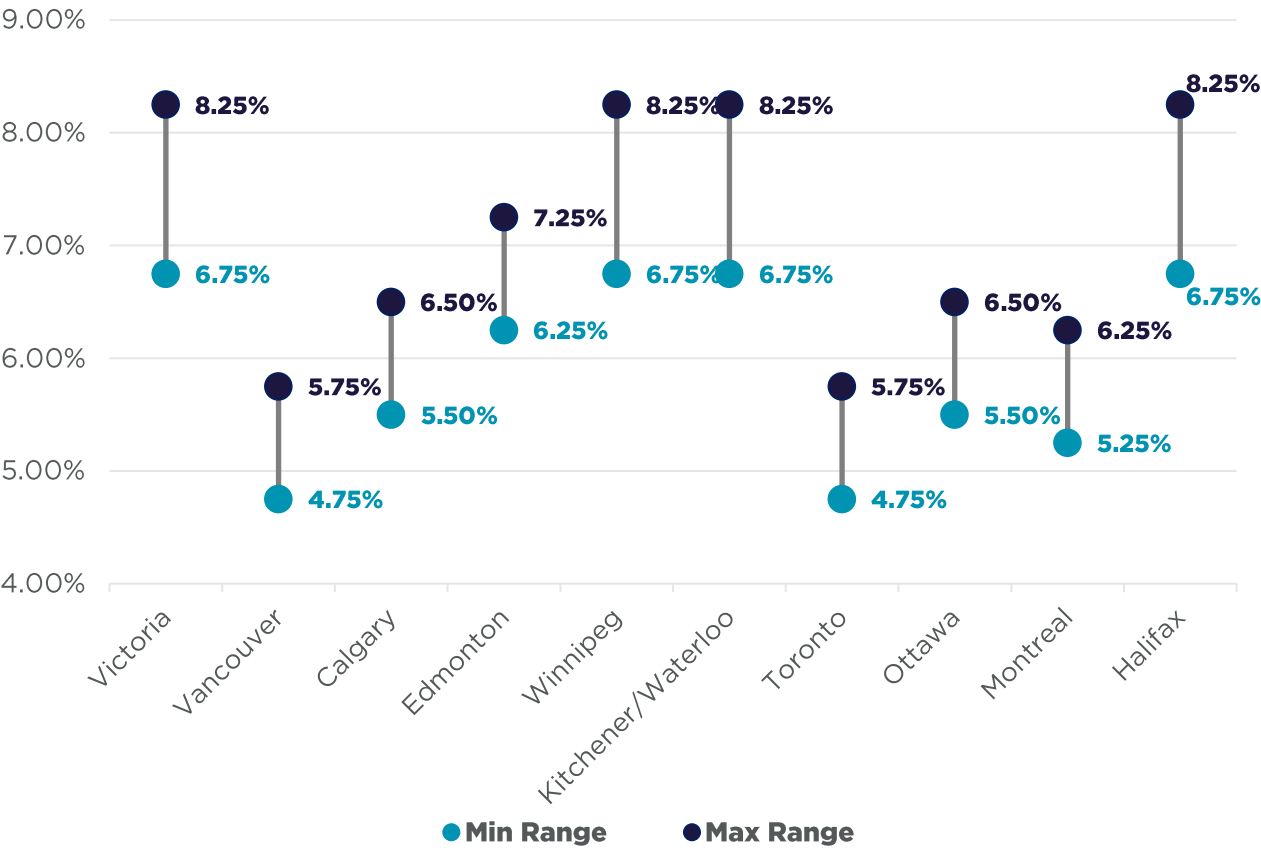


RETAIL CAP RATES

Street Front Top Performer

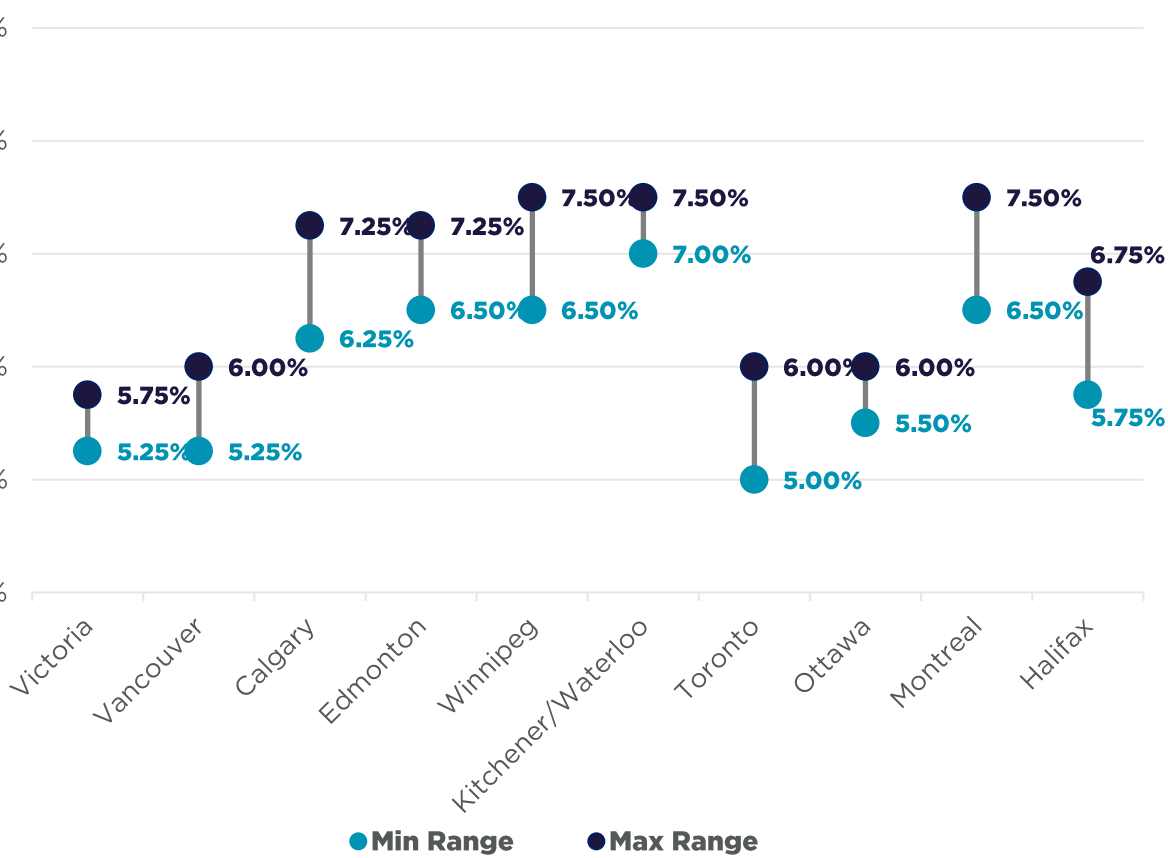


Regional Mall Top Performer

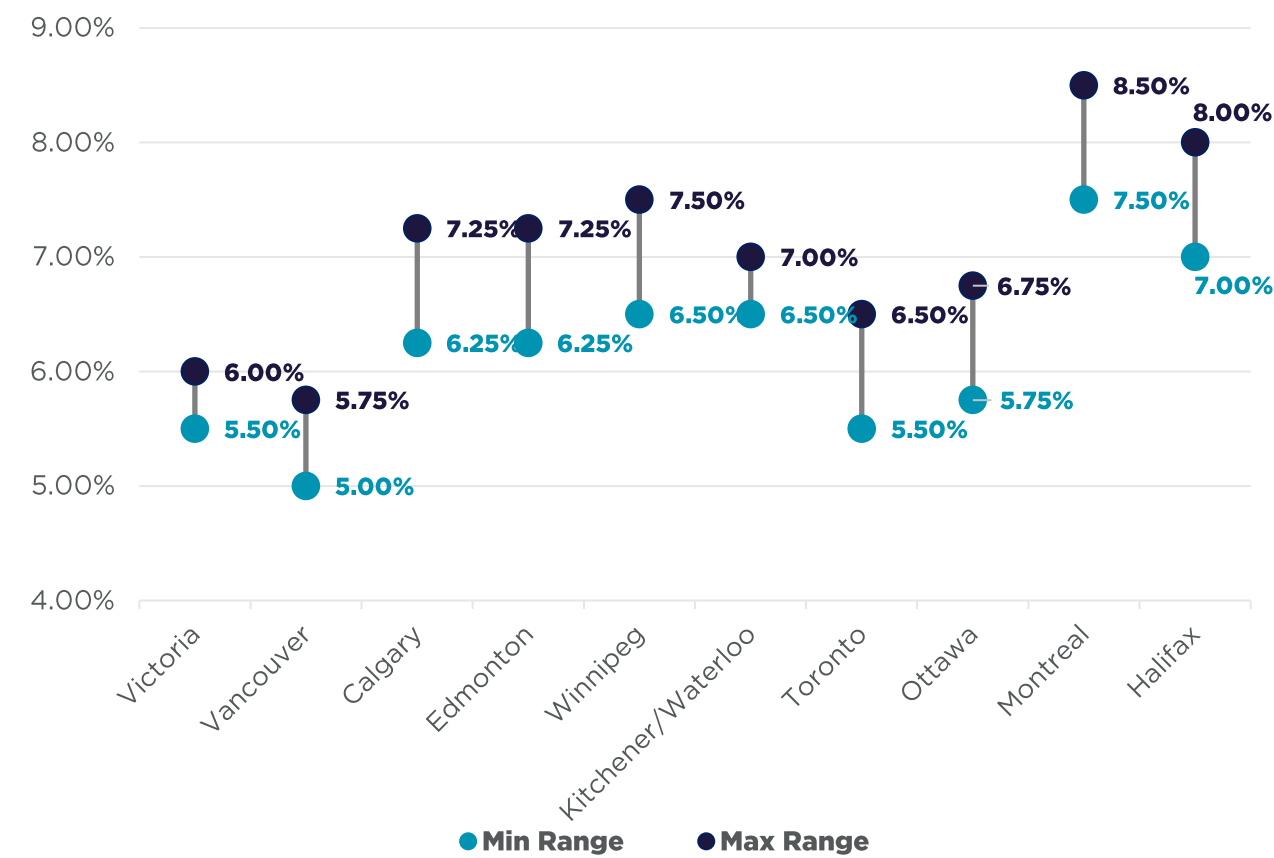


RETAIL CAP RATES

Power Centre

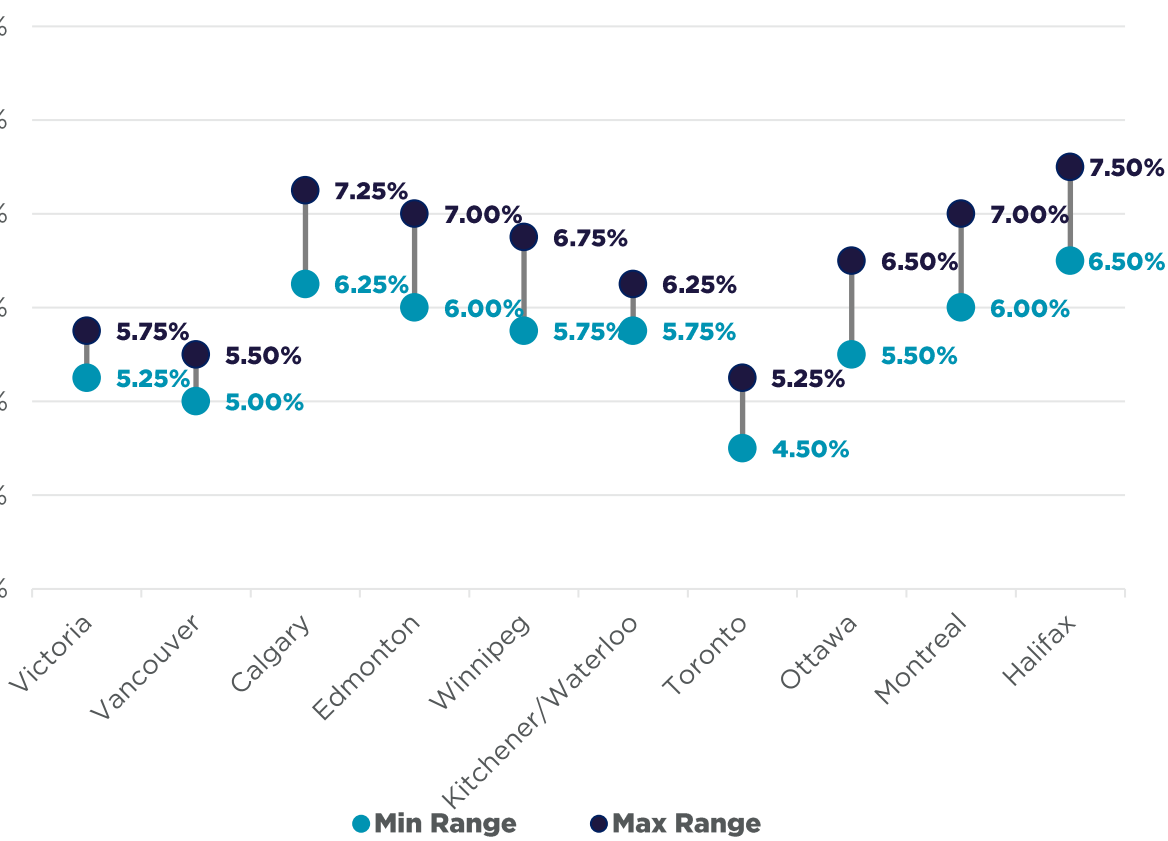


Community Commercial Centre

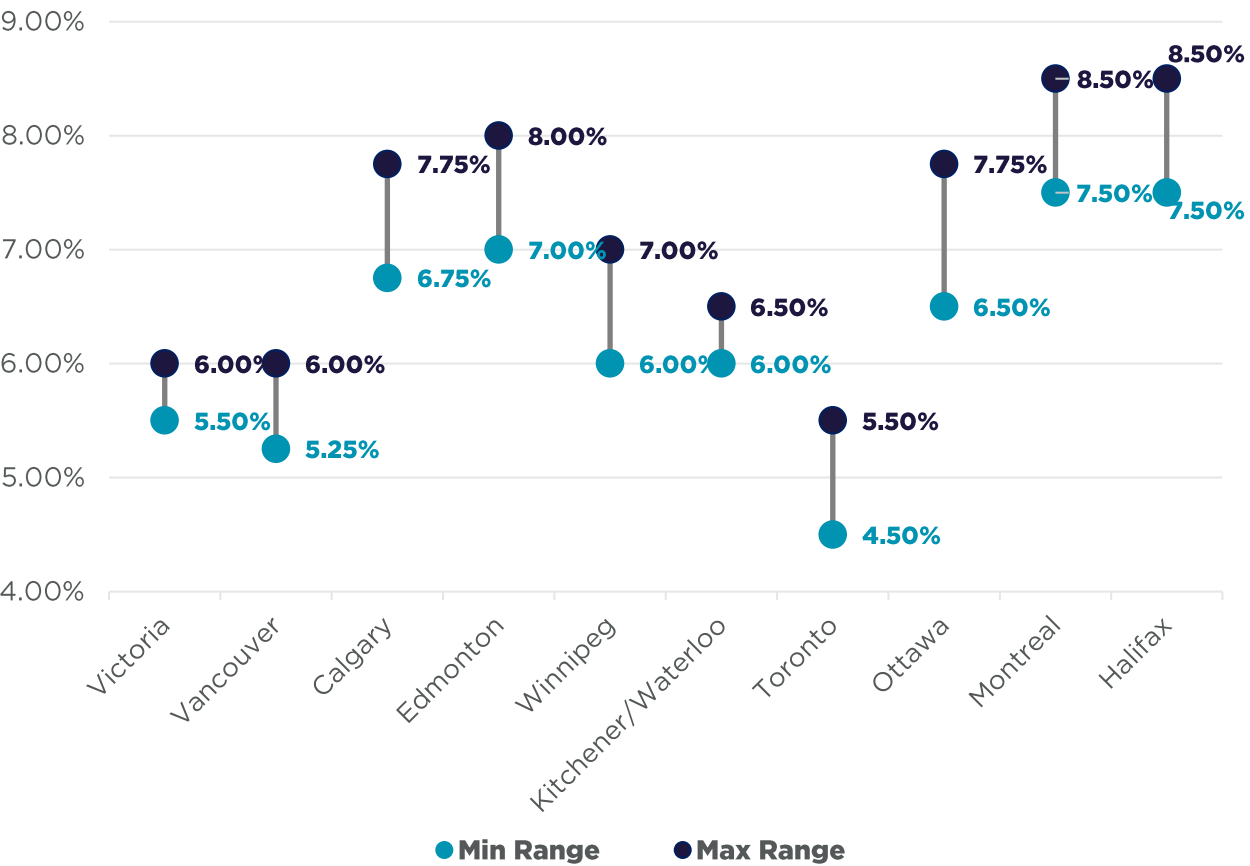


RETAIL CAP RATES

Strip Plaza Anchored



Strip Plaza Non-Anchored



Q3 2025 CAP RATE SURVEY REPORT

			VICTORIA			VANCOUVER			CALGARY			EDMONTON			WINNIPEG			KITCHENER/ WATERLOO			TORONTO			OTTAWA			MONTREAL			HALIFAX		
RANGE:			LOW	HIGH	↔	LOW	HIGH	↔	LOW	HIGH	↔	LOW	HIGH	↔	LOW	HIGH	↔	LOW	HIGH	↔	LOW	HIGH	↔	LOW	HIGH	↔	LOW	HIGH	↔			
DOWNTOWN OFFICE																																
AA			6.00%	7.00%	↔	5.25%	6.00%	↔	8.50%	9.50%	↔	7.00%	8.00%	↔	5.25%	5.75%	▲	N/A	N/A	N/A	5.25%	6.00%	▲	7.00%	8.00%	↔	5.50%	6.50%	↔	N/A	N/A	N/A
A			7.50%	8.50%	↔	5.50%	6.25%	↔	9.50%	10.50%	↔	9.50%	10.50%	↔	6.50%	7.50%	▲	8.50%	9.00%	▲	6.25%	7.25%	▲	7.50%	8.50%	▲	6.00%	7.00%	↔	6.25%	6.75%	↔
B			7.50%	8.50%	↔	6.00%	7.00%	↔	11.25%	12.25%	↔	10.50%	11.50%	↔	8.50%	9.50%	▲	9.50%	10.00%	▲	6.50%	7.50%	▲	8.00%	9.00%	▲	6.50%	7.50%	↔	7.00%	7.75%	↔
SUBURBAN OFFICE																																
A			7.50%	8.50%	↔	6.00%	6.75%	↔	8.50%	9.50%	↔	8.00%	9.00%	↔	6.25%	7.00%	↔	7.00%	7.50%	↔	7.00%	8.00%	↔	7.50%	8.50%	↔	7.00%	8.00%	↔	6.50%	7.50%	↔
B			7.50%	8.50%	↔	6.25%	7.00%	↔	9.75%	10.75%	↔	9.50%	10.50%	▲	6.75%	7.75%	↔	7.25%	7.75%	↔	8.00%	9.00%	↔	8.00%	9.00%	↔	7.50%	8.50%	↔	7.50%	8.50%	↔
INDUSTRIAL																																
A			5.50%	6.00%	↔	4.50%	5.25%	↔	5.25%	6.00%	↔	6.00%	7.00%	↔	5.25%	5.75%	↔	6.75%	7.25%	↔	5.50%	6.25%	▲	6.00%	7.00%	▲	5.25%	6.25%	↔	6.50%	7.25%	▲
B			5.75%	6.25%	↔	4.75%	5.50%	↔	6.00%	6.75%	↔	7.00%	8.00%	↔	6.00%	6.75%	↔	7.25%	7.75%	↔	5.50%	6.50%	↔	6.50%	7.50%	▲	5.75%	6.75%	↔	7.50%	8.00%	▲
APARTMENT																																
High Rise			4.50%	5.00%	↔	3.50%	4.50%	↔	4.75%	5.50%	↔	4.25%	5.25%	↔	4.75%	5.50%	↔	5.25%	5.75%	↔	3.75%	4.50%	↔	4.50%	5.50%	▲	4.25%	5.25%	↔	4.50%	5.50%	↔
Low Rise			3.75%	5.00%	↔	3.75%	4.75%	↔	4.75%	5.50%	↔	5.25%	6.25%	↔	5.00%	5.75%	↔	4.50%	5.25%	↔	3.50%	4.25%	↔	4.75%	5.50%	↔	4.75%	5.75%	↔	5.00%	6.00%	↔
SENIORS HOUSING																																
Seniors Housing "A"			5.50%	6.00%	▼	5.25%	5.75%	▼	5.75%	6.25%	▼	6.00%	6.50%	▼	6.25%	6.75%	▼	6.00%	6.50%	▼	5.50%	6.00%	▼	5.75%	6.25%	▼	5.75%	6.25%	▼	6.00%	6.75%	▼
Seniors Housing "B"			7.00%	8.00%	↔	6.50%	7.50%	↔	7.50%	8.50%	↔	7.50%	8.50%	↔	8.00%	9.00%	↔	7.50%	8.50%	↔	7.00%	8.00%	↔	7.25%	8.25%	↔	7.25%	8.25%	↔	8.00%	9.00%	↔
Long-Term Care "A"			6.75%	7.25%	↔	6.50%	7.00%	↔	6.75%	7.25%	↔	6.75%	7.25%	↔	8.00%	8.50%	↔	6.75%	7.25%	↔	6.75%	7.25%	↔	6.75%	7.25%	↔	7.00%	8.00%	↔	7.25%	8.25%	↔
HOTEL																																
Full-Service Downtown			6.00%	7.50%	↔	5.00%	6.50%	↔	7.00%	8.00%	↔	7.50%	9.00%	↔	8.00%	9.50%	↔	7.50%	9.00%	↔	5.00%	6.50%	↔	7.00%	8.50%	↔	6.50%	8.00%	↔	7.50%	9.00%	↔
Select Service			7.25%	8.50%	↔	6.00%	7.50%	↔	7.50%	9.00%	↔	8.00%	9.50%	↔	8.00%	9.50%	↔	7.50%	9.00%	↔	6.50%	8.00%	↔	7.50%	9.00%	↔	7.50%	9.00%	↔	8.00%	9.50%	↔
Limited-Service Suburban			7.50%	9.00%	↔	6.50%	8.00%	↔	8.50%	10.00%	↔	9.00%	10.50%	↔	8.50%	10.00%	↔	8.00%	9.50%	↔	7.00%	8.50%	↔	8.00%	9.50%	↔	8.00%	9.50%	↔	9.00%	10.50%	↔
RETAIL																																
Street Front - Top Performer			4.75%	5.25%	↔	5.00%	5.75%	↔	6.25%	7.25%	↔	6.50%	7.25%	↔	N/A	N/A	N/A	6.00%	6.50%	↔	4.50%	5.50%	↔	4.50%	5.50%	↔	5.50%	6.50%	↔	N/A	N/A	N/A
Regional Mall - Top Performer			6.75%	8.25%	↔	4.75%	5.75%	↔	5.50%	6.50%	↔	6.25%	7.25%	↔	6.75%	8.25%	↔	6.75%	8.25%	↔	4.75%	5.75%	↔	5.50%	6.50%	↔	5.25%	6.25%	↔	6.75%	8.25%	↔
Power Centre			5.25%	5.75%	↔	5.25%	6.00%	↔	6.25%	7.25%	↔	6.50%	7.50%	↔	6.50%	7.50%	↔	7.00%	7.50%	↔	5.00%	6.00%	↔	5.50%	6.00%	↔	6.50%	7.50%	↔	5.75%	6.75%	▲
Community Commercial Centre			5.50%	6.00%	↔	5.00%	5.75%	↔	6.25%	7.25%	↔	6.25%	7.25%	↔	6.50%	7.50%	↔	6.50%	7.00%	↔	5.50%	6.50%	▲	5.75%	6.75%	↔	7.50%	8.50%	↔	7.00%	8.00%	▲
Strip Plaza Anchored			5.25%	5.75%	↔	5.00%	5.50%	↔	6.25%	7.25%	↔	6.00%	7.00%	↔	5.75%	6.75%	▼	5.75%	6.25%	↔	4.50%	5.50%	↔	5.50%	6.50%	↔	6.00%	7.00%	↔	6.50%	7.50%	▲
Strip Plaza Non-Anchored			5.50%	6.00%	↔	5.25%	6.00%	↔	6.75%	7.75%	↔	7.00%	8.00%	↔	6.00%	7.00%	▼	6.00%	6.50%	↔	4.50%	5.50%	↔	6.50%	7.5%	↔	7.50%	8.50%	↔	7.50%	8.50%	▲

LEGEND

- ↔ Outlook
- ▲ Up
- ▼ Down
- ◀ Flat

The arrow direction indicates if there was an outlook change &/or a cap rate ± bps change from the previous quarter

Outlook represents a forecast for the next 3-6 months

Green font indicates rising cap rate and/or range and/or outlook

Red font indicates falling cap rate and/or range and/or outlook

CAPITALIZATION RATE

Cushman & Wakefield provides quarterly estimates of capitalization rates for the asset classes contained in this report based on our market expertise. The cap rate ranges are based on transaction data where possible, as well as demand and supply dynamics in the region. These estimates are meant to encompass the majority of assets within each class and may not represent outlier transactions or deals relating to assets with specific attributes that would significantly differentiate them. Particularly during periods of uncertainty transactions have been limited and best estimates of cap rates have been provided factoring in the expertise of local market participants.

INVESTMENT GLOSSARY

DOWNTOWN OFFICE

CLASS AA

A best-in-class office product, with more elaborate common areas, modern construction and building efficiencies, that commands the highest rents and tends to attract stronger covenant tenants, such as banks, government, insurance companies, etc. These buildings tend to be situated close to the core within their respective markets and have excellent access to major public transit hubs. Buildings are typically larger than 750,000 SF, with 5 to 10-year tenancies and some 15-year leases for inbound tenants. Occupancy levels assumed to stabilize at close to 95% of comparable market net rates.

CLASS A

A strong-performing asset, typically between 400,000 and 700,000 SF, which is well located, and may have smaller floor plate sizes, solid amenities and less elaborate common areas. The majority of the tenants have 5 to 10-year lease commitments. Occupancy levels assumed to stabilize at close to 95% of comparable market net rates.

CLASS B

Older office product, typically in the range of 100,000 to 250,000 SF. Buildings tend to be occupied with a diversified tenant mix but lack a large anchor tenant. Shorter lease commitments occur in this asset class with the average term ranging between 5 and 10 years. Average floor plate size can be significantly smaller. Generally, not connected to the subway.

SUBURBAN OFFICE / INDUSTRIAL

CLASS A

Newer high-quality suburban product, typically between 100,000 and 300,000 SF. Attracts good covenant tenants for 5 to 10-year lease terms.

CLASS B

Older suburban product that attracts a wider range of tenants and covenants for lease terms ranging between 3 and 10 years.

APARTMENT

HIGH RISE

An apartment building greater than 4 storeys in height or having more than 80 units.

LOW RISE

Any apartment complex having fewer than 80 units.

SENIORS HOUSING

A retirement residence that provides independent, assisted living and/or memory care services and accommodation. As part of the monthly fee, access to meals and other services, such as housekeeping, transportation, and social and recreational activities, may be provided to residents. Assisted living and memory care service levels include assistance with activities of daily living and personal care support. Typically, 100% of the cost of accommodation and related service is paid for privately by the resident.

LONG-TERM CARE

Also referred to as nursing homes, long-term care homes provide accommodation and care services for adults requiring access to 24-hour nursing and personal care. This includes help with most or all daily activities. Typically, long-term care homes in Canada receive reimbursement via government subsidies for the care services provided to residents. Residents are most often responsible for a co-payment to offset the cost of 'room and board'.

HOTEL

FULL-SERVICE

A hotel with extensive dining and meeting facilities. Quality ranges from upscale to luxury. Examples include Hilton, Westin, Hyatt, etc.

SELECT-SERVICE

A hotel that offers the fundamentals of limited-service properties blended with a selection of features found in full-service properties. Typically, this involves a limited presence of food, beverage and meeting space.

LIMITED-SERVICE

A room-focused hotel with minimal facilities. Quality ranges from economy to mid-scale. Examples include Comfort Inn and Super 8.

RETAIL

STREET FRONT – TOP PERFORMER

Typically considered the street or section thereof where the greatest dollar value psf is generated from street front retail stores within each market.

REGIONAL MALL – TOP PERFORMER

Top-performing fully enclosed mall. These buildings tend to be greater than 800,000 SF and have a wide product offering, featuring destination retailers and 2 to 3 anchor tenants. Often located near large transit hubs and serve a trade area between 10 and 30 kilometres.

POWER CENTRE

Large format, category dominant retailers in an open-air configuration that may include "club" or discount department stores. Total GLA is typically between 100,000 and 1,000,000 SF.

COMMUNITY COMMERCIAL CENTRE

An enclosed centre anchored by a smaller department store, servicing a local community. Tenants may include general merchandise and convenience offerings, including a grocery store. Total GLA is typically between 100,000 and 400,000 SF.

STRIP PLAZA – ANCHORED

An open-air configuration of attached retail stores that may include retail PAD sites. They are often anchored by a food or drug store tenant. Tenants are generally servicing residents in the neighbourhood. These would include dry cleaners, take-out food stores, convenience stores, etc.

STRIP PLAZA – NON-ANCHORED

An open-air configuration of attached retail stores, not anchored by a grocer or drug store, that may include retail PAD sites. Tenants are generally servicing local neighbourhood residents.



BRIAN KRITER

Executive Managing Director, Valuation & Advisory
brian.kriter@cushwake.com

NICK HARDTKE

Senior Financial Analyst, National Capital Markets Group
nicholas.hardtke@cushwake.com

KRISTINA BOWMAN

Senior Research Manager
kristina.bowman@cushwake.com

ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of \$9.4 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that *Better never settles*, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.

Better never settles