



CANADIAN CAP RATE & CAPITAL MARKETS REPORT

Q2 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.
- Cost and availability of capital has improved on the back of the rate cutting cycle and tightening in spreads.
- 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

YTD 2025

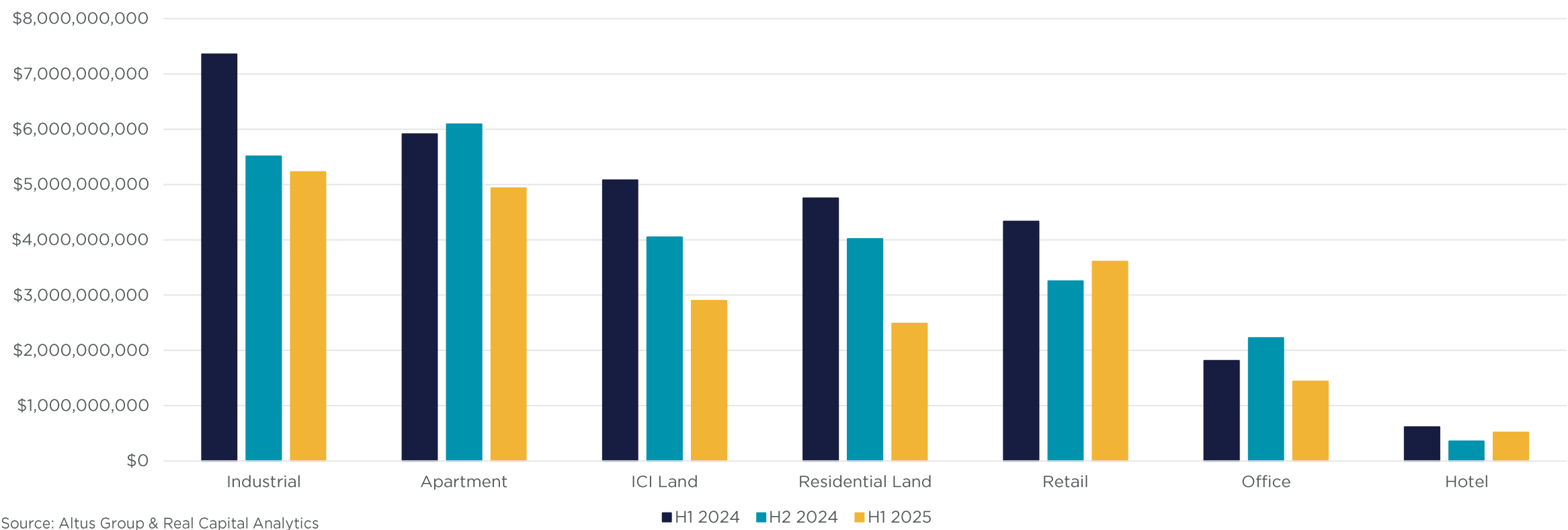
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OVERALL SALES VOLUMES BY ASSET CLASS

2024 – YTD 2025

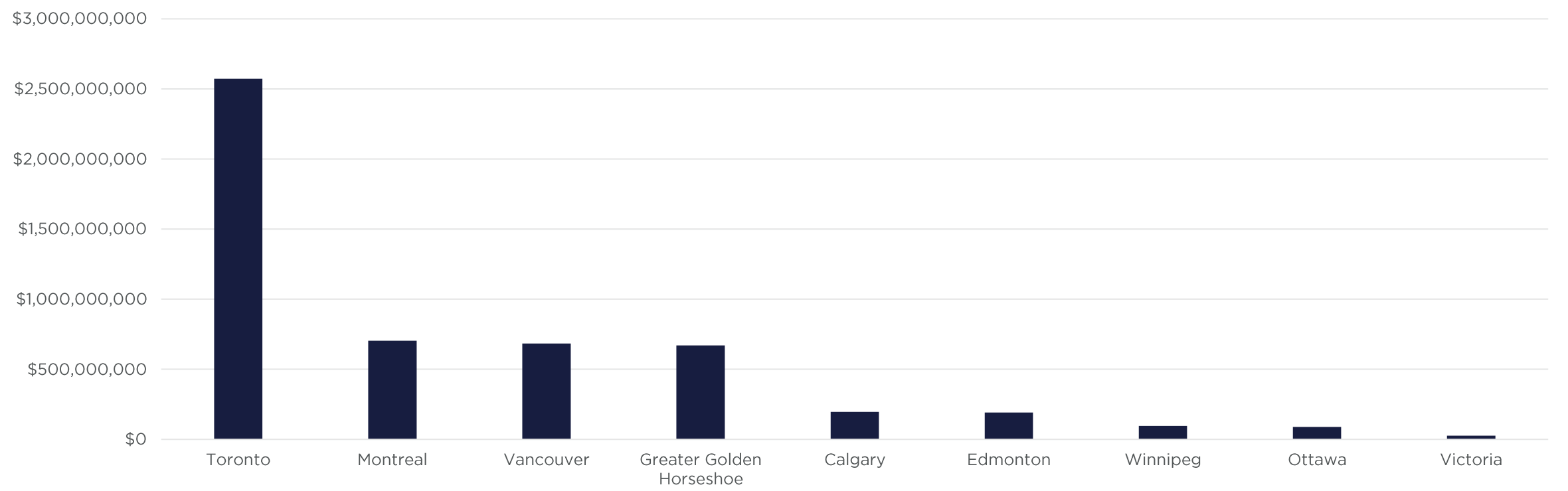
Canada’s commercial real estate investment market continued to face headwinds in the first half of 2025, with total sales volume declining 29% year-over-year from \$29.87 billion in H1 2024 to \$21.12 billion in H1 2025. While all major asset classes experienced reduced activity, the multifamily, retail, and office sectors showed relative resilience with less severe declines than the broader market average. Industrial performance, which led in total investment activity, aligned with the overall market decline. The most significant pullback was observed in the land market, with Residential Land and ICI land volumes down significantly, as elevated borrowing costs, development uncertainty, and tighter financing conditions continued to weigh heavily on investor sentiment.



OVERALL INDUSTRIAL SALES VOLUMES BY MAJOR MARKET

YTD 2025

Leading all asset classes, the industrial sector accounted for 25% of total investment activity in the first half of 2025, with over \$5.2 billion in transactions. Despite leading all asset classes, the sector is down 28.9% year-over-year which is in line with the broader Canadian market's overall drop. Softening market fundamentals, including a nationwide vacancy rate that rose to 5.5%, negative absorption of 1.9 million square feet, and continued declines in asking net rents, have begun to weigh on investor sentiment. While leasing activity has remained relatively stable, deal sizes have contracted, and new supply continues to arrive at a slower pace. Activity continues to be driven by both private investors and user purchasers, with capital concentrated in markets that offer scale, connectivity, and tenant stability. Toronto remains the country's most active industrial market, contributing nearly \$2.6 billion in sales, almost half of Canada's total and the most active asset class within the market.

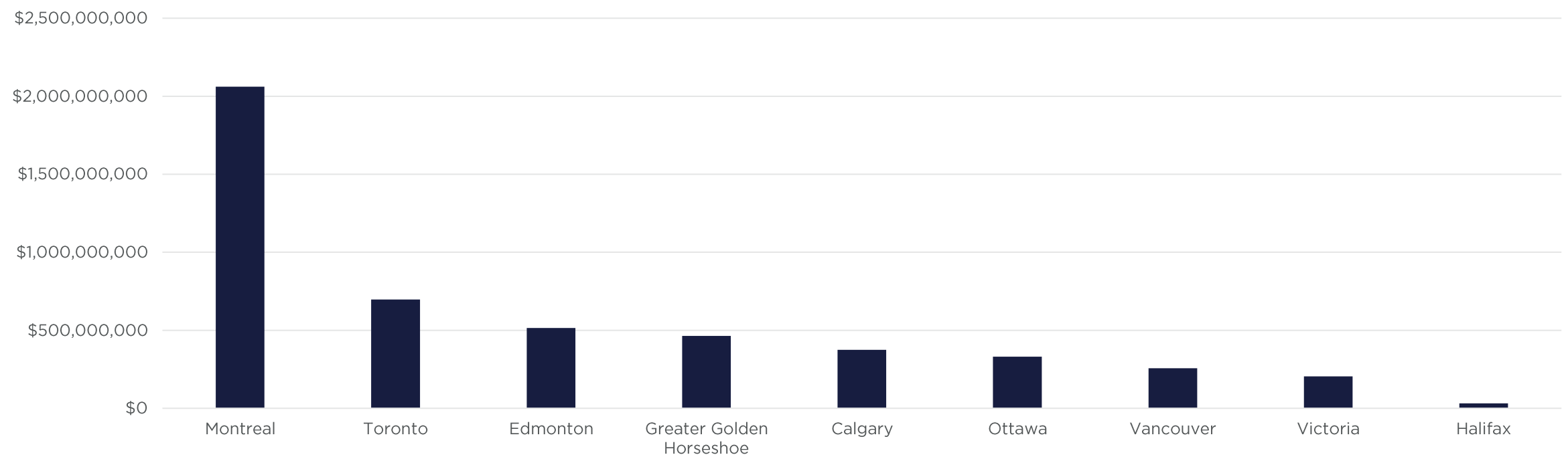


Source: Altus Group & Real Capital Analytics

OVERALL MULTIFAMILY SALES VOLUMES BY MAJOR MARKET

YTD 2025

The multifamily sector continued to draw steady investor interest, recording \$4.9 billion in sales during the first half of 2025, down approximately 16.5% from the \$5.9 billion transacted during the same period in 2024. While activity declined year-over-year, multifamily experienced the smallest drop among all major asset classes (excluding the hotel sector) and outperformed the broader Canadian market's 29% decline. The sector continues to benefit from its defensive characteristics and stable income profile, appealing to a wide range of investors. Montreal led the country in multifamily investment, with \$2.0 billion in sales, representing 42% of national volume, and solidifying multifamily as the most active asset class in that market. A total of 657 transactions were completed in Montreal so far this year, resulting in an average deal size of \$3.1 million, or 14 units. Multifamily also ranked as the top asset class in several other major markets, including Edmonton (\$515 million), Calgary (\$375 million), and Ottawa (\$331 million), reinforcing its broad-based appeal.

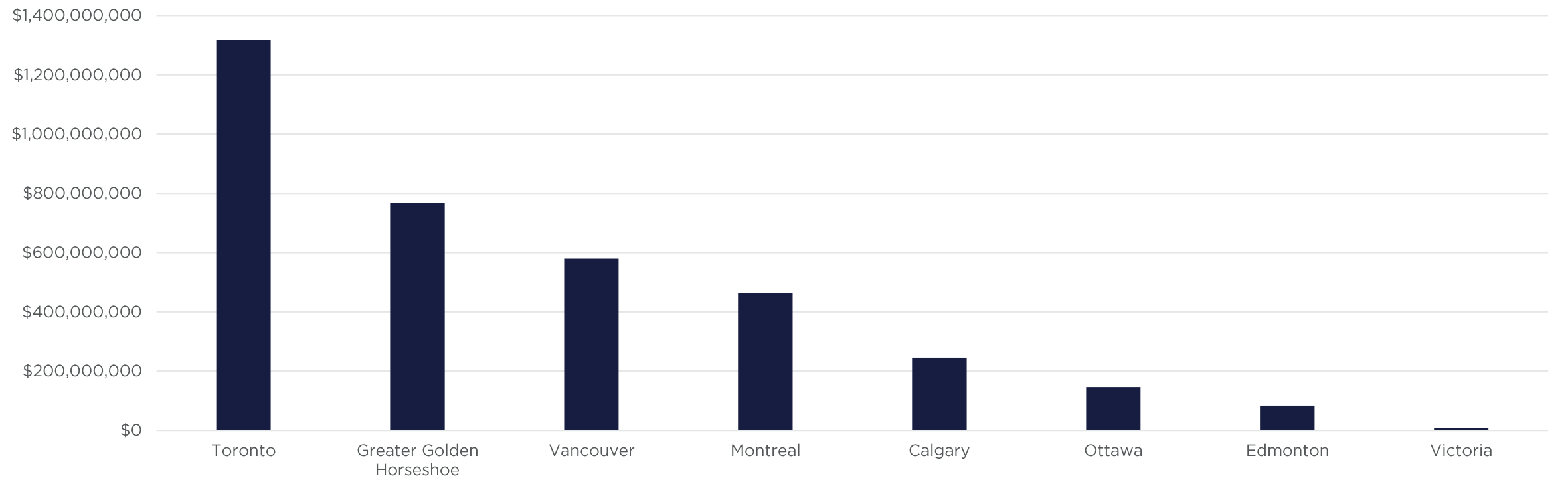


Source: Altus Group & Real Capital Analytics

OVERALL RETAIL SALES VOLUMES BY MAJOR MARKET

YTD 2025

Continuing to show its resilience remains the retail sector, which declined 16.7% year-over-year and outperformed the broader Canadian market’s 29% drop as purchasers gravitate towards stable, income producing assets. However, retail transaction volumes rose 11% between H2 2024 and H1 2025, underscoring renewed investor interest in the sector. Activity in the sector has largely been driven by private purchasers who are less impacted by institutional capital constraints. Demand is strongest for necessity-based and essential-service retail, such as grocery-anchored centres, pharmacies, medical users, 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, the Greater Golden Horseshoe, Vancouver and Calgary.

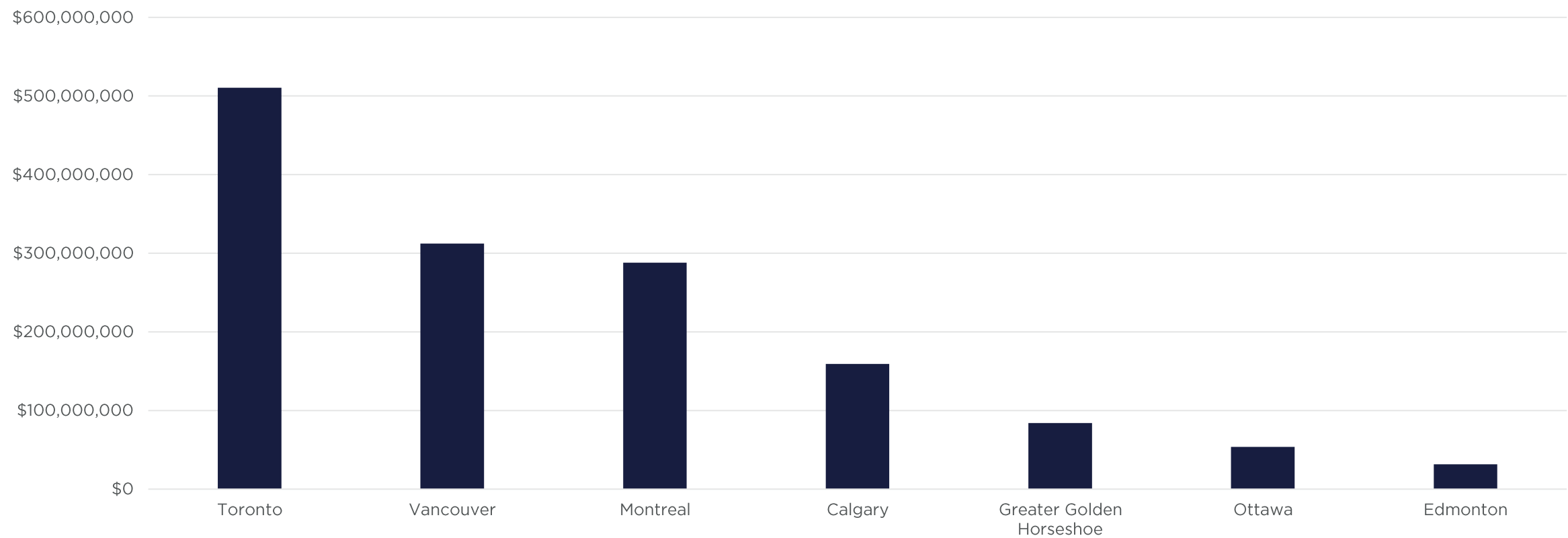


Source: Altus Group & Real Capital Analytics

OVERALL OFFICE SALES VOLUMES BY MAJOR MARKET

YTD 2025

The office sector saw a 20.7% year-over-year decline in investment activity, less severe than the broader Canadian market's 29% drop, highlighting relative resilience in the face of ongoing headwinds. Private buyers, accounting for over 60% of transaction volume, have played a key role in supporting transaction volume, stepping in where institutional capital has remained cautious. Demand continues to concentrate on well-located, stabilized assets with strong tenant covenants and long-term leases, particularly in core urban markets such as Toronto, Vancouver, and Montreal, which together represent 77% of total office investment volume.



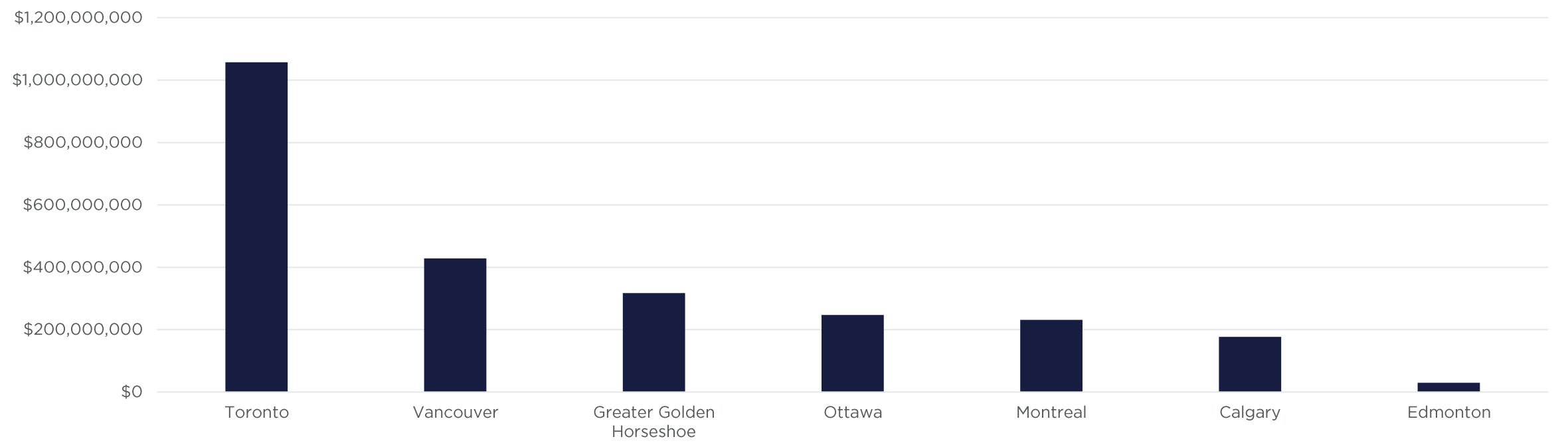
Source: Altus Group & Real Capital Analytics

OVERALL RESIDENTIAL LAND SALES VOLUMES BY MAJOR MARKET

YTD 2025

The land market has seen a more pronounced pullback in investment activity than other asset classes through the first half of 2025, with Residential Land and ICI Land sales volumes down 47.7% and 42.9% year-over-year, respectively. This decline is largely driven by elevated borrowing costs and growing uncertainty around project feasibility, pro forma viability, and development timelines.

Toronto, which remains the largest residential land market in Canada, accounting for 43% of national transaction volume, has experienced a significant slowdown in the new condominium sector. In Q2 2025, only 502 new condo units were sold across the GTHA, marking a 69% year-over-year decline and the lowest quarterly total since 1993. Amid record-low sales activity, unsold inventory has remained elevated at approximately 24,000 units over the past year, contributing to a drop in housing starts during the first half of 2025 to levels not seen in over 25 years.

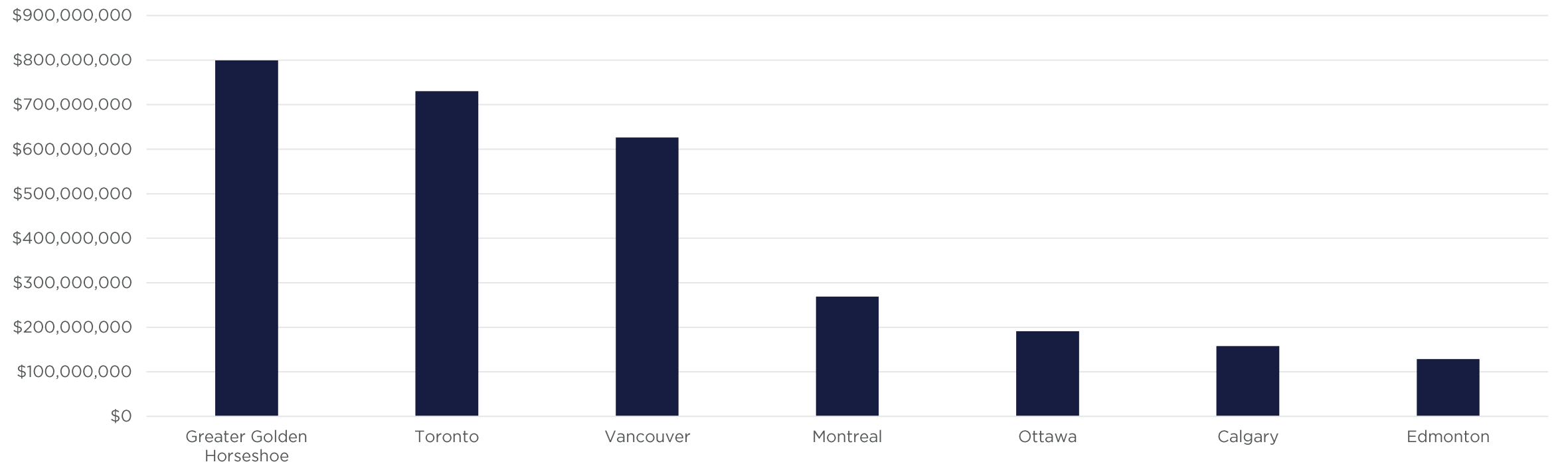


Source: Altus Group & Real Capital Analytics

OVERALL ICI LAND SALES VOLUMES BY MAJOR MARKET

YTD 2025

Toronto and the surrounding Greater Golden Horseshoe accounted for 53% of ICI land transactions so far this year, with Vancouver contributing an additional 22%. However, activity in the ICI land market has slowed considerably, largely due to a broader downturn in the industrial sector. As industrial land represents the most common land use within the ICI asset class, shifts in industrial market dynamics have had an outsized impact on overall land transaction volumes. Weaker demand for new development sites, driven by rising vacancy, negative absorption, and softening rental rates, has reduced the urgency for land acquisition, especially in core industrial markets. This has led to more selective purchasing behaviour, extended decision timelines, and a reassessment of pricing expectations. As a result, ICI land sales have moderated, particularly in regions that previously saw heightened activity from speculative or large-scale industrial development.



Source: Altus Group & Real Capital Analytics



INVESTMENT SALES VOLUMES BY MAJOR MARKET

YTD 2025

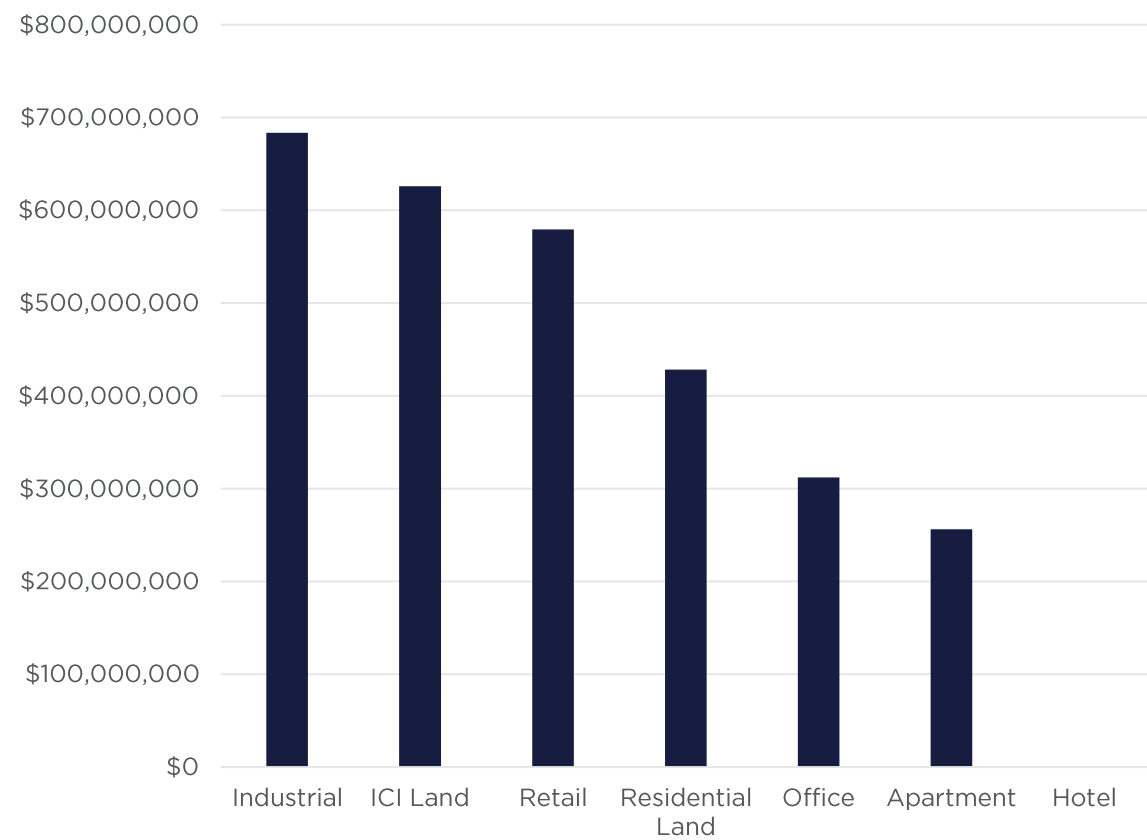
Better never settles



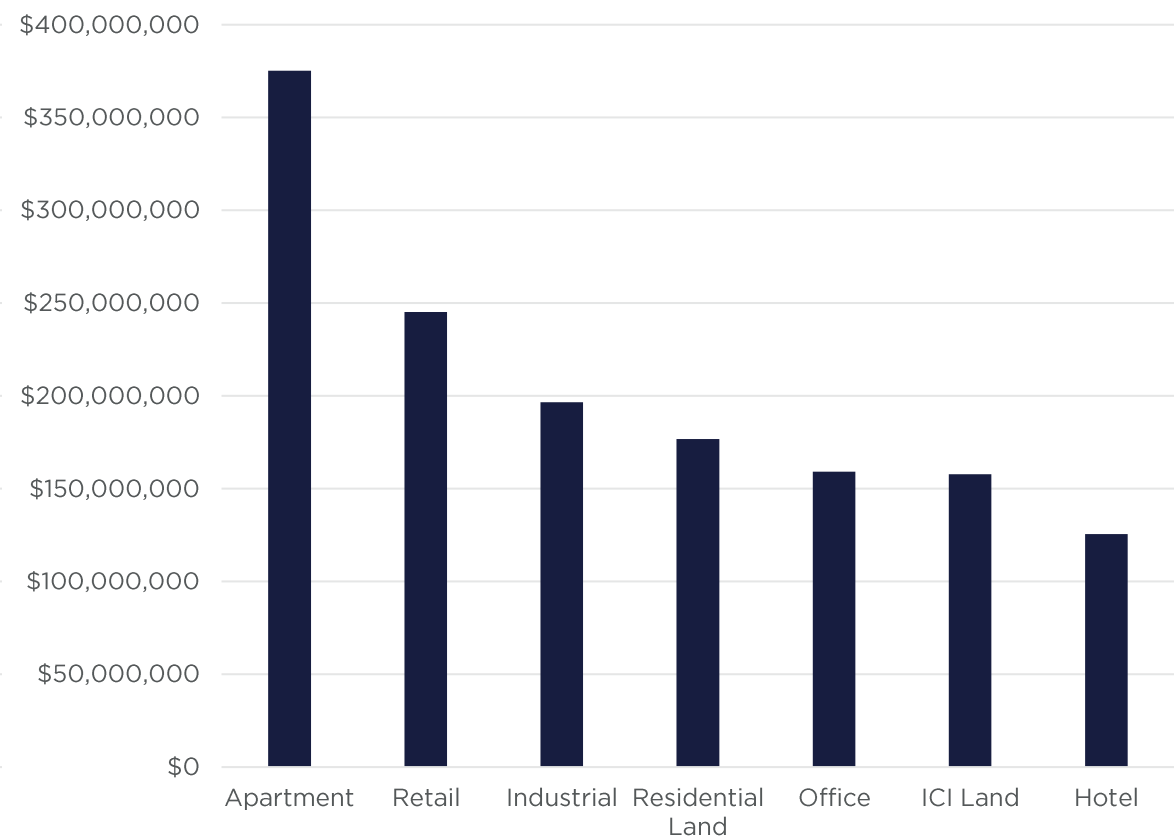
MAJOR CANADIAN MARKETS SALES VOLUME BY ASSET TYPE

YTD 2025

VANCOUVER



CALGARY

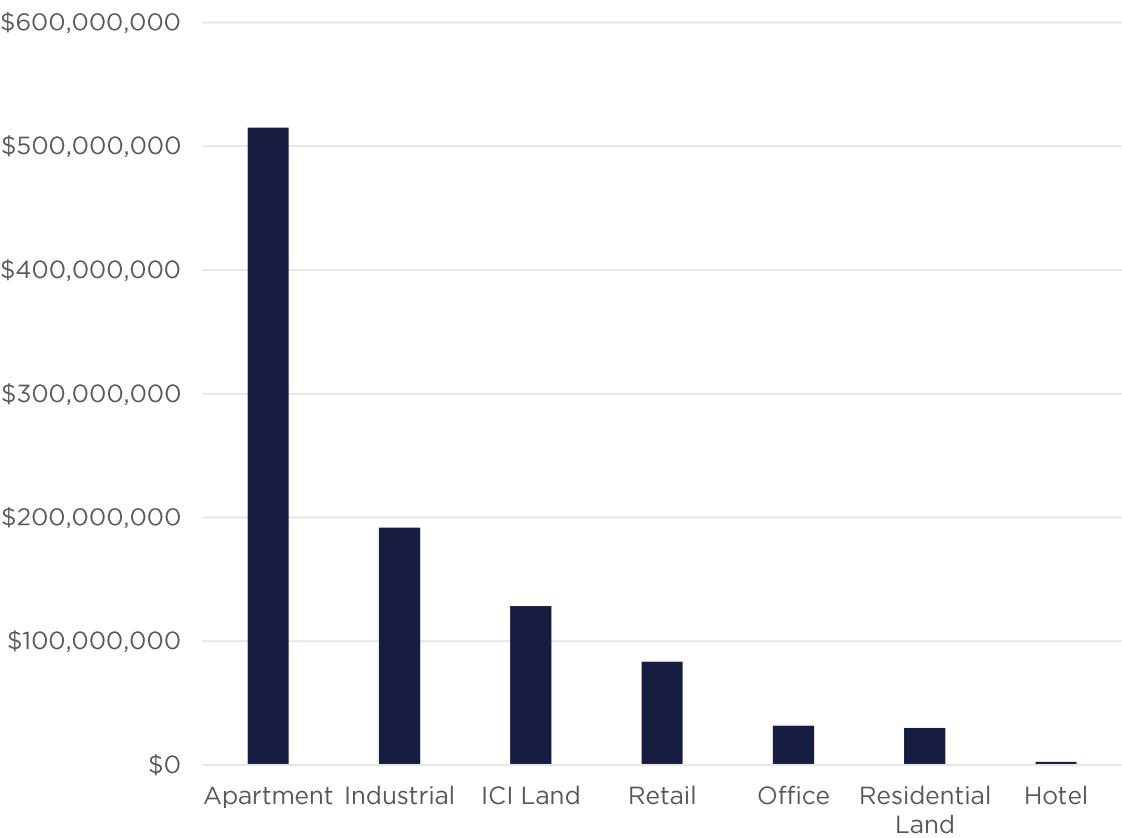


Source: Altus Group

MAJOR CANADIAN MARKETS SALES VOLUME BY ASSET TYPE

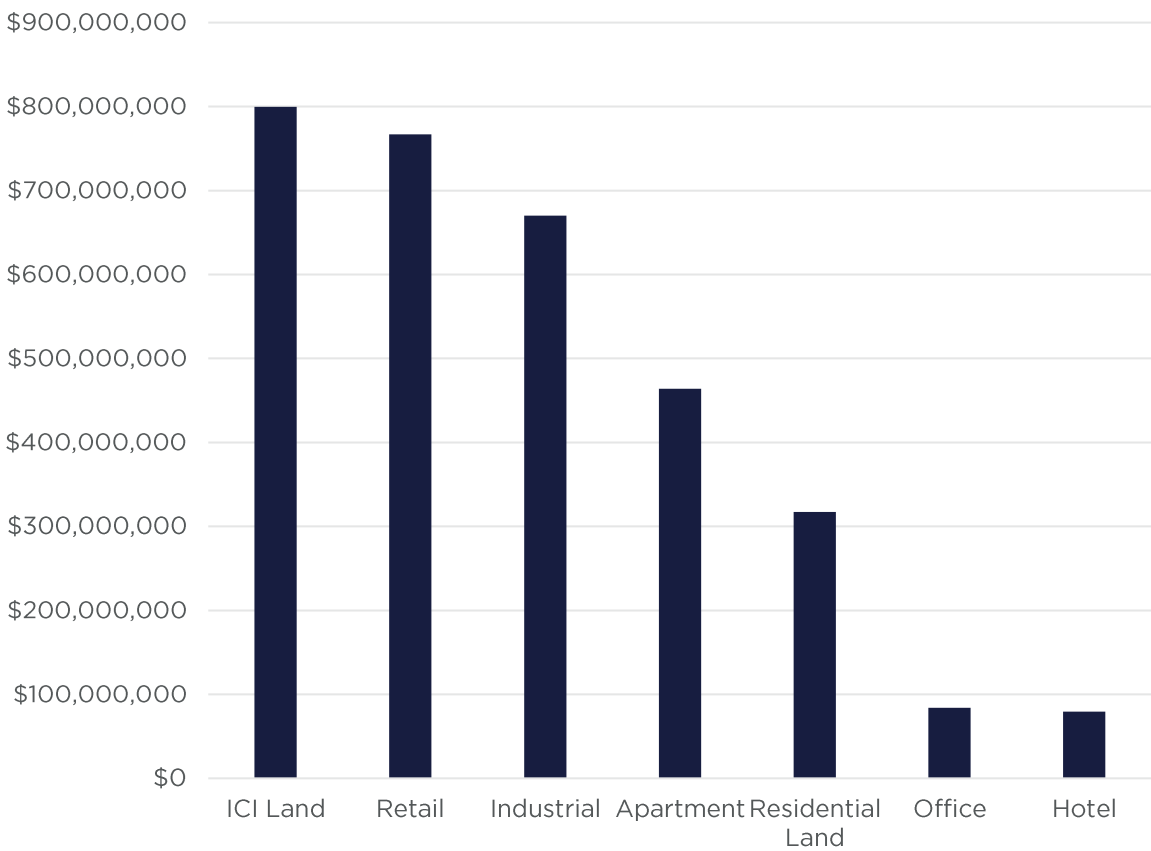
YTD 2025

EDMONTON



Source: Altus Group

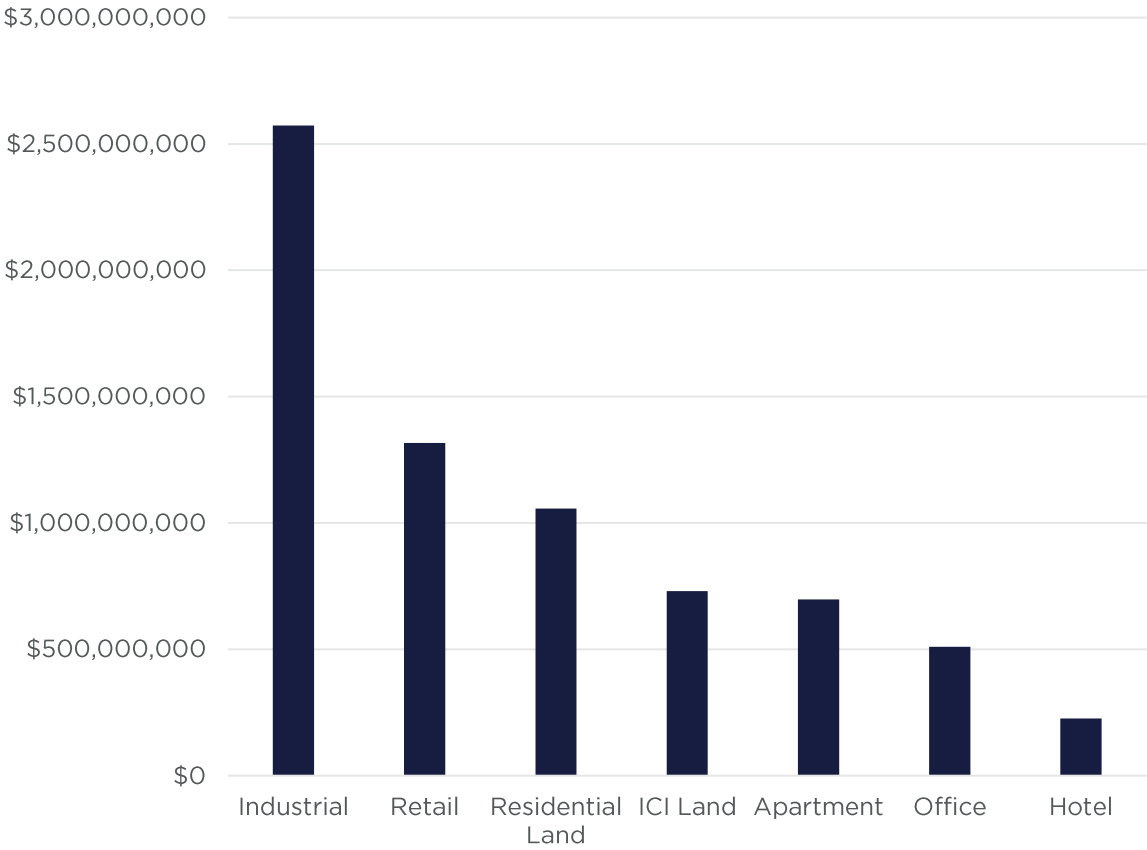
GREATER GOLDEN HORSESHOE



MAJOR CANADIAN MARKETS SALES VOLUME BY ASSET TYPE

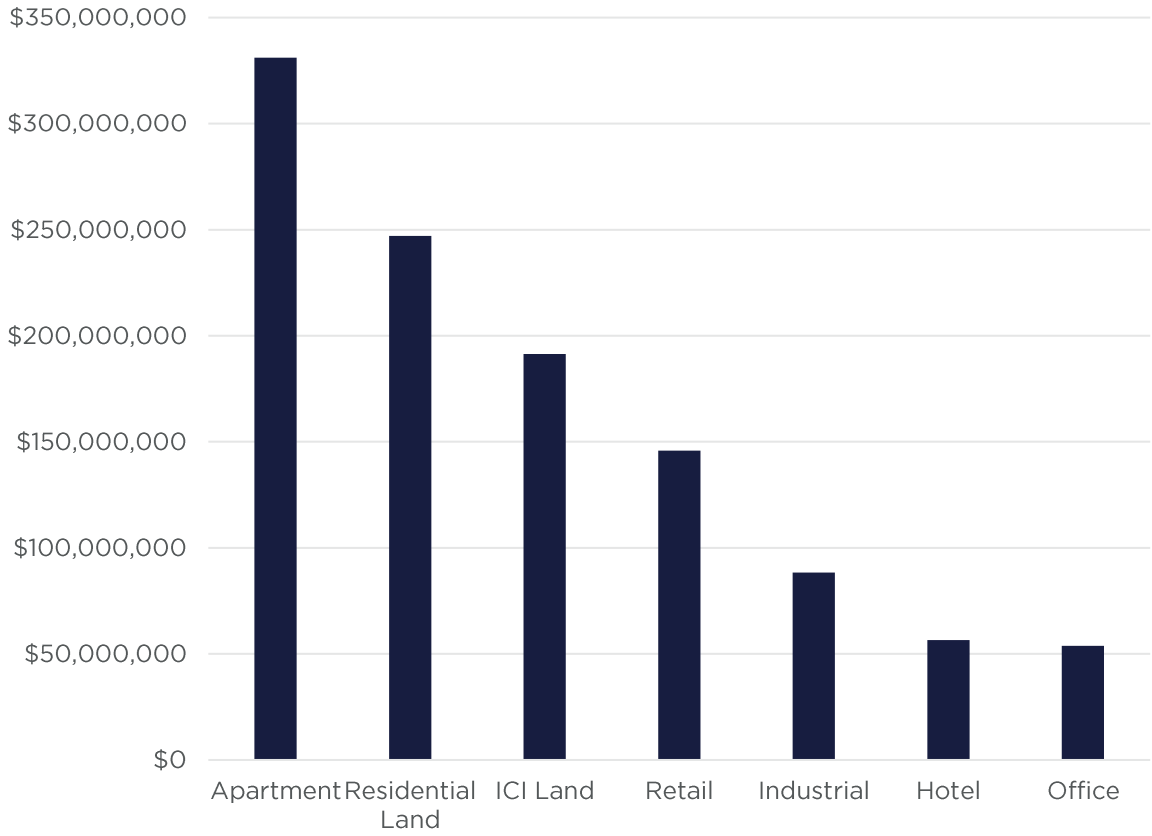
YTD 2025

TORONTO



Source: Altus Group

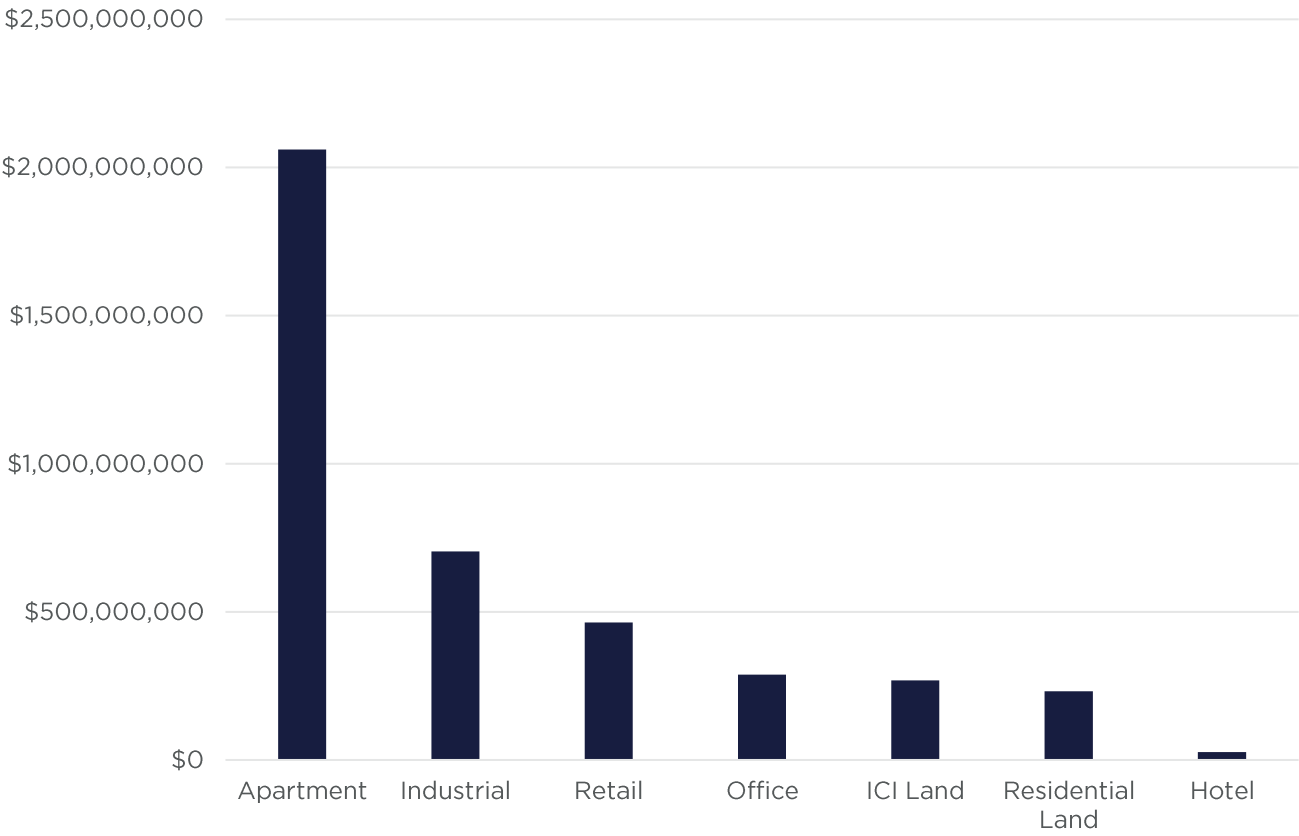
OTTAWA



MAJOR CANADIAN MARKETS SALES VOLUME BY ASSET TYPE

YTD 2025

MONTREAL



Source: Altus Group



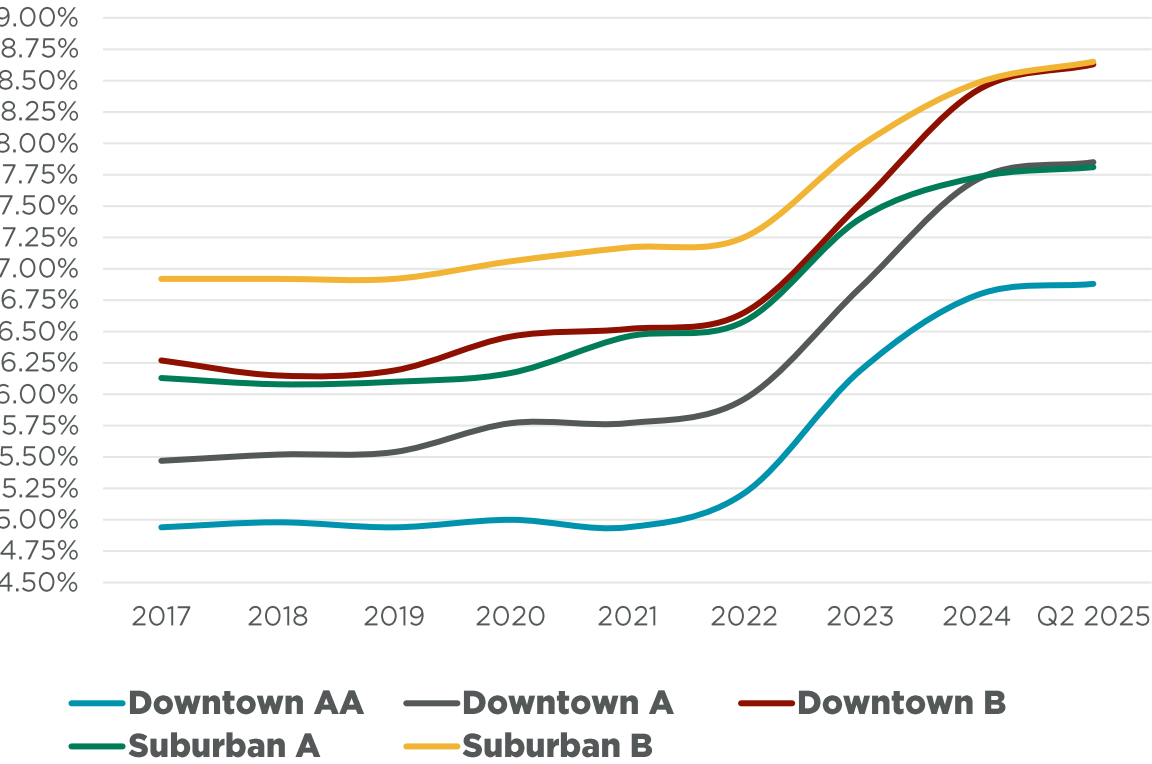
CAP RATES IN MAJOR CANADIAN MARKETS

Q2 2025

Better never settles



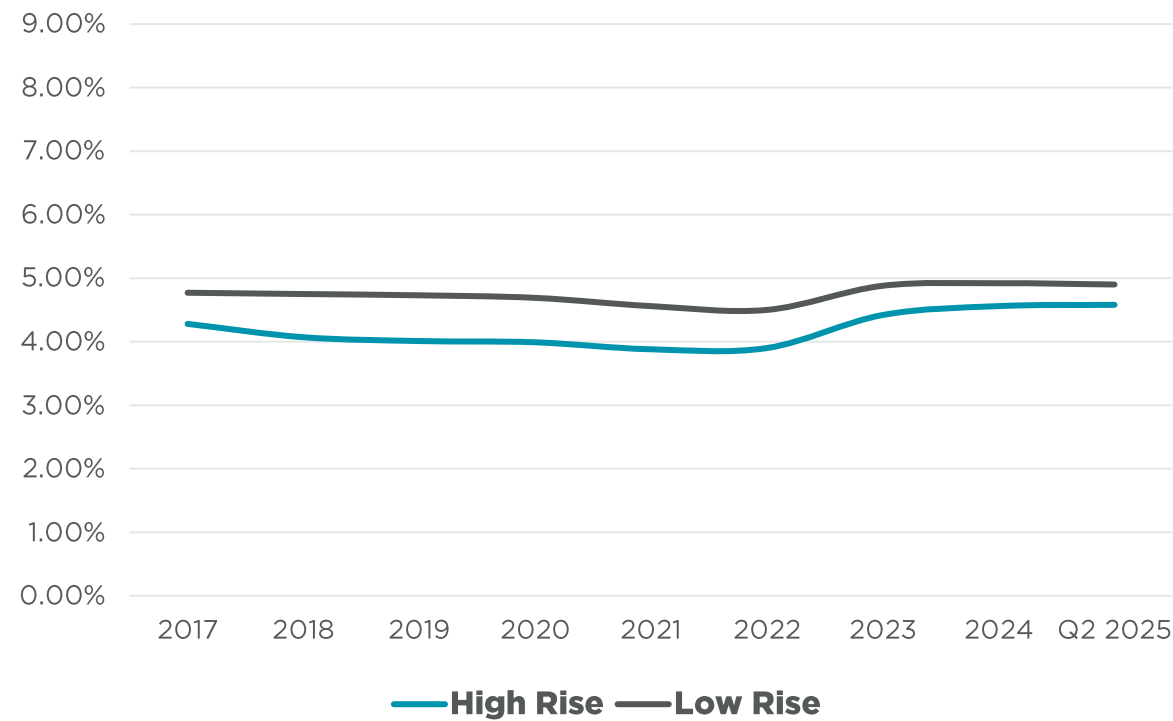
HISTORICAL OFFICE CAP RATES



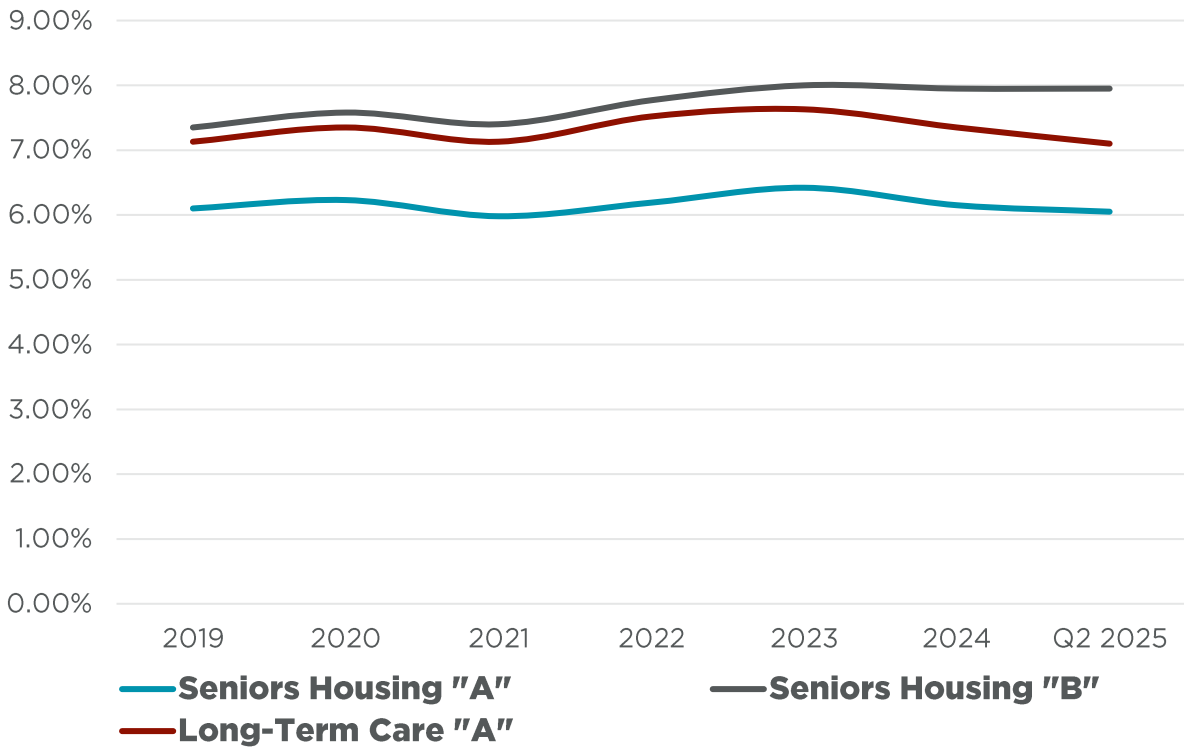
HISTORICAL INDUSTRIAL CAP RATES



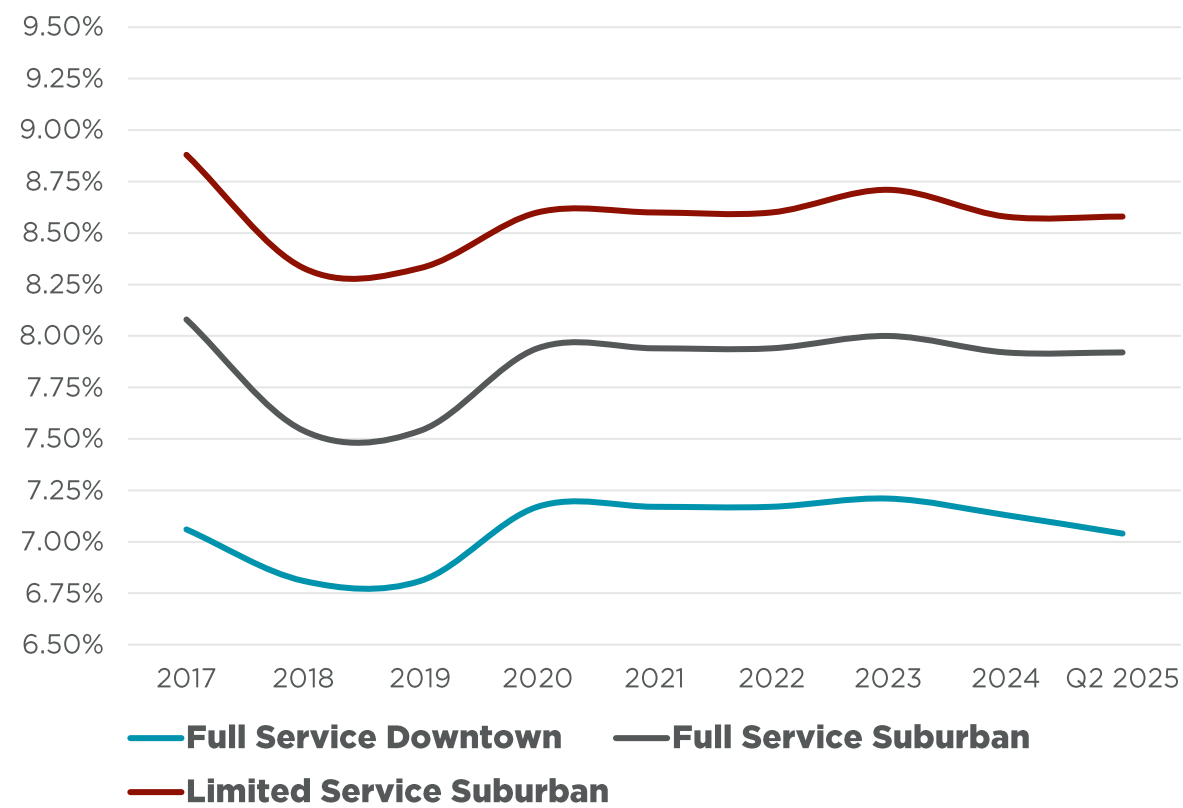
HISTORICAL APARTMENT CAP RATES



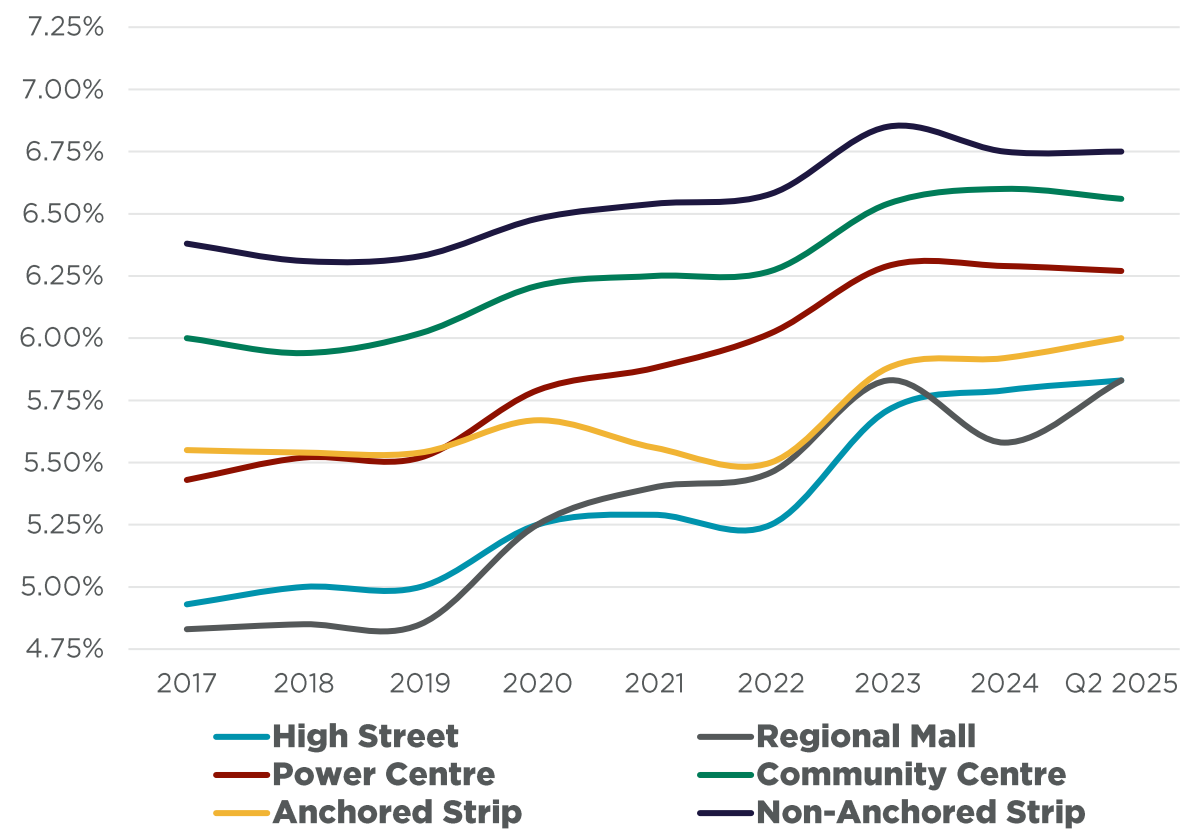
HISTORICAL SENIORS HOUSING & HEALTH CARE CAP RATES



HISTORICAL HOTEL CAP RATES

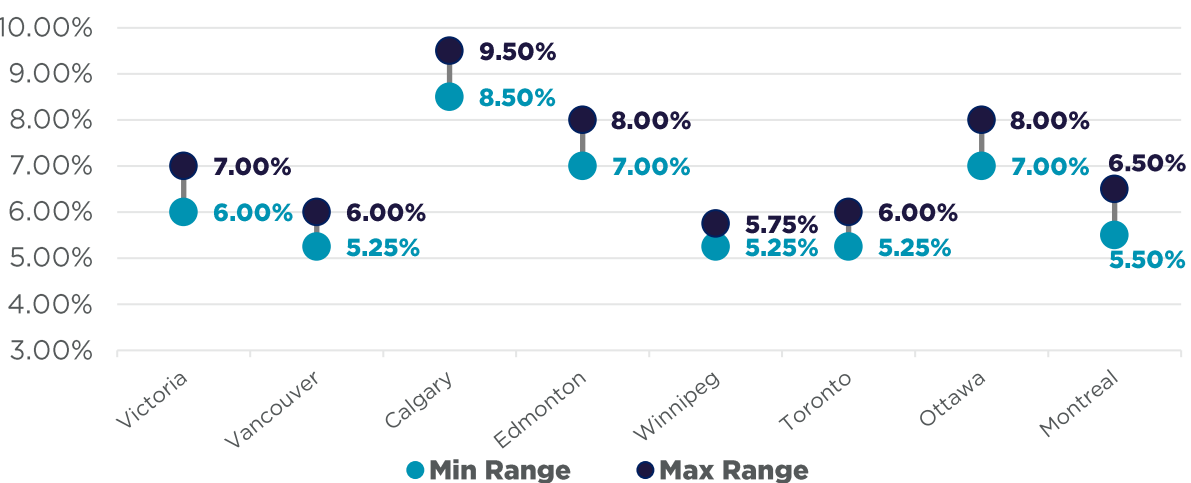


HISTORICAL RETAIL CAP RATES

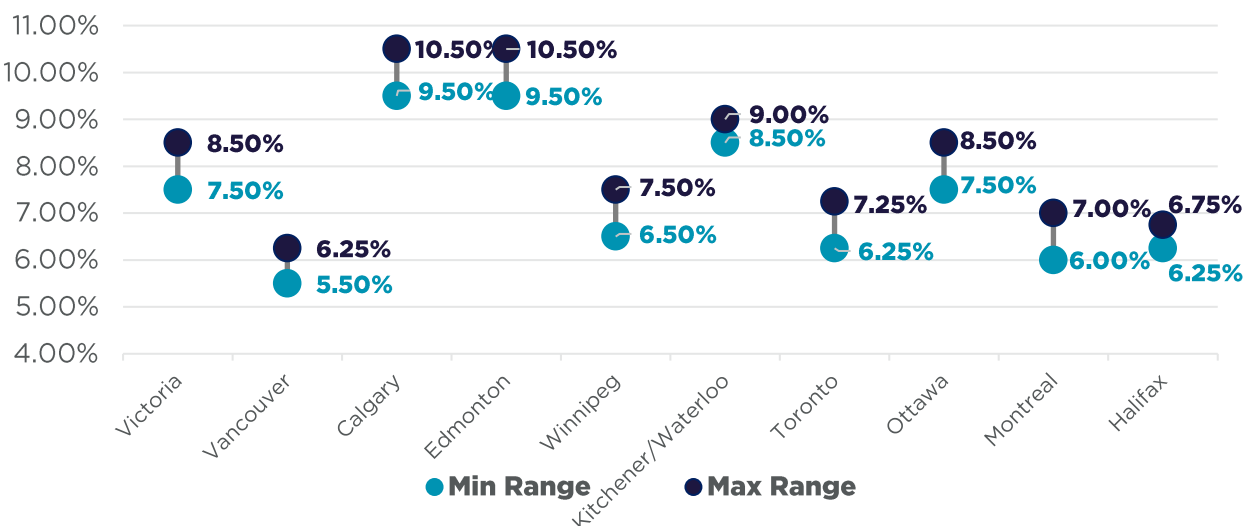


DOWNTOWN OFFICE CAP RATES

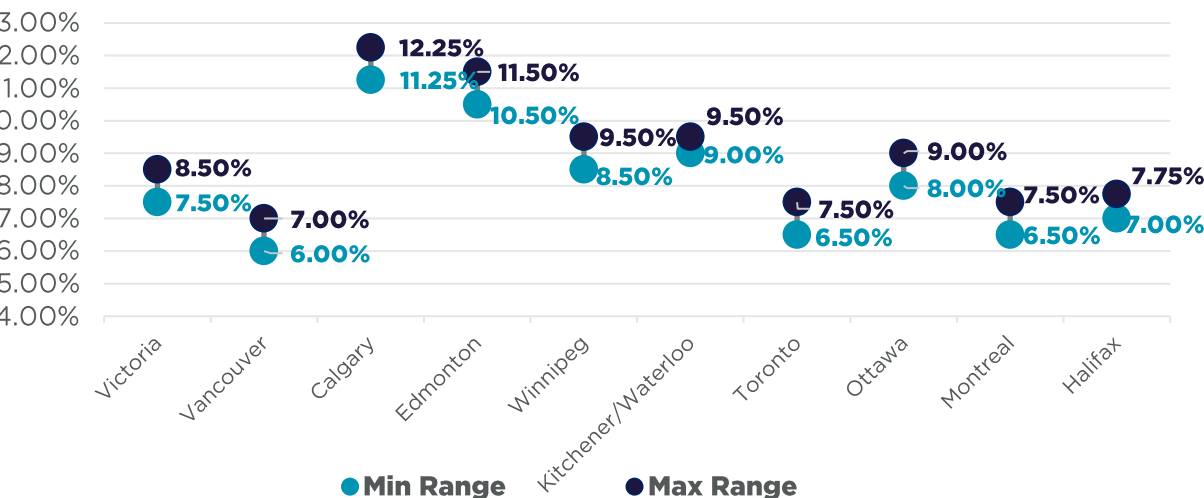
Downtown Office AA



Downtown Office A

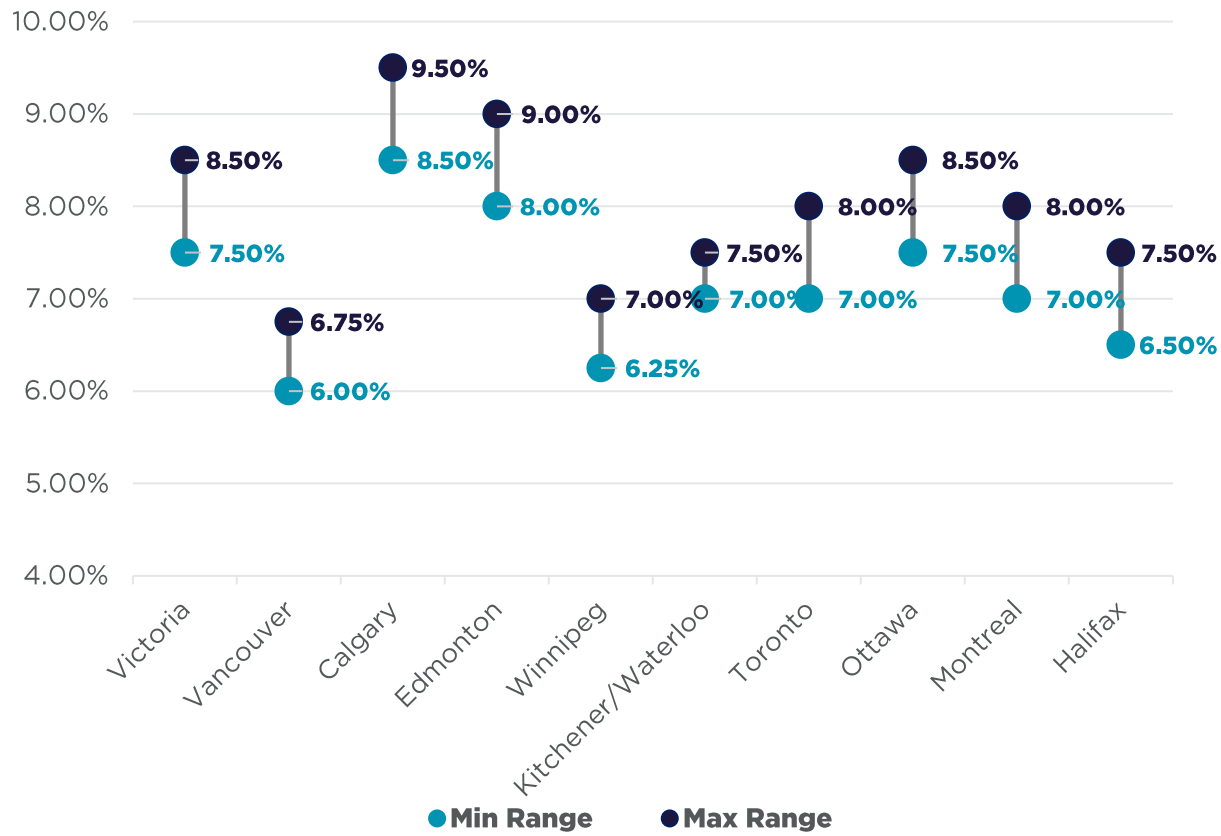


Downtown Office B

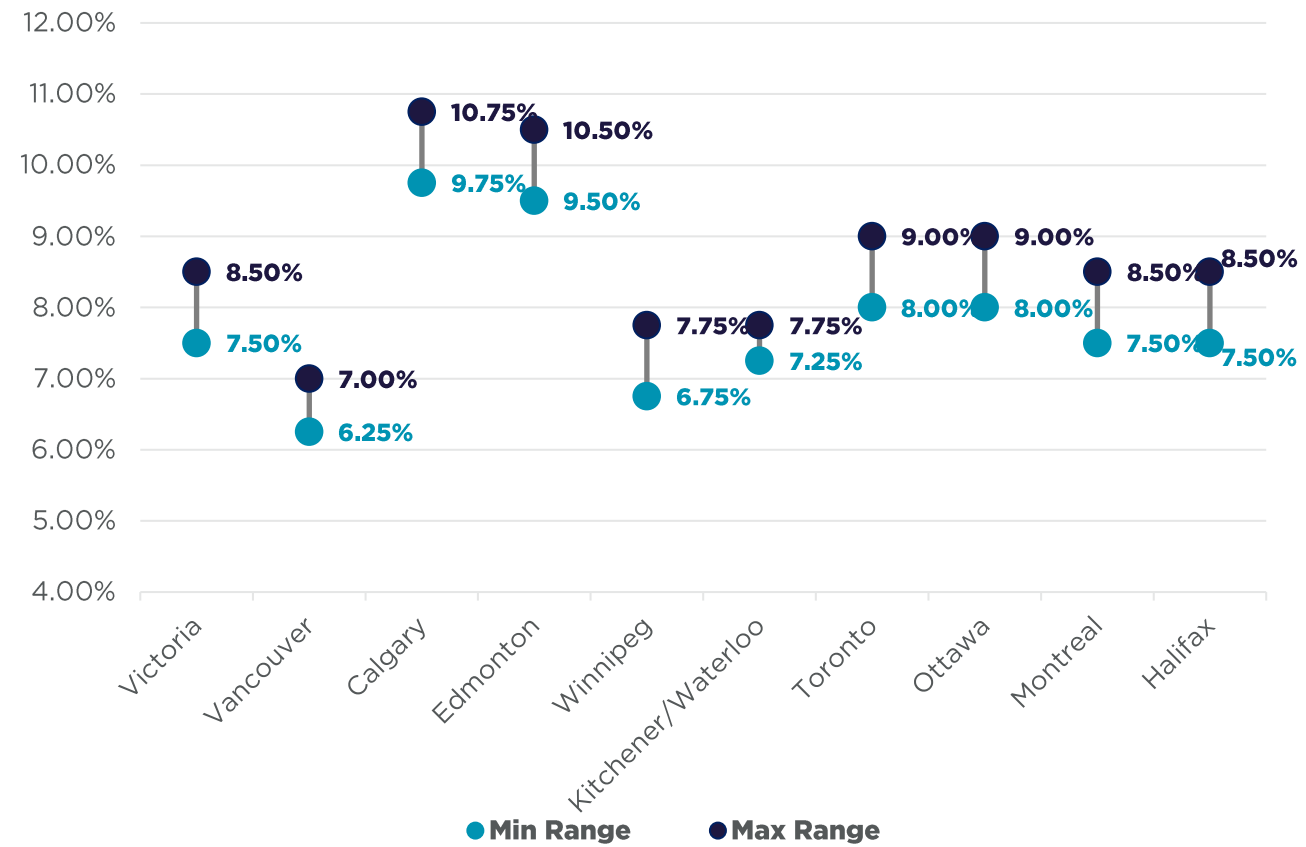


SUBURBAN OFFICE CAP RATES

Suburban Office A

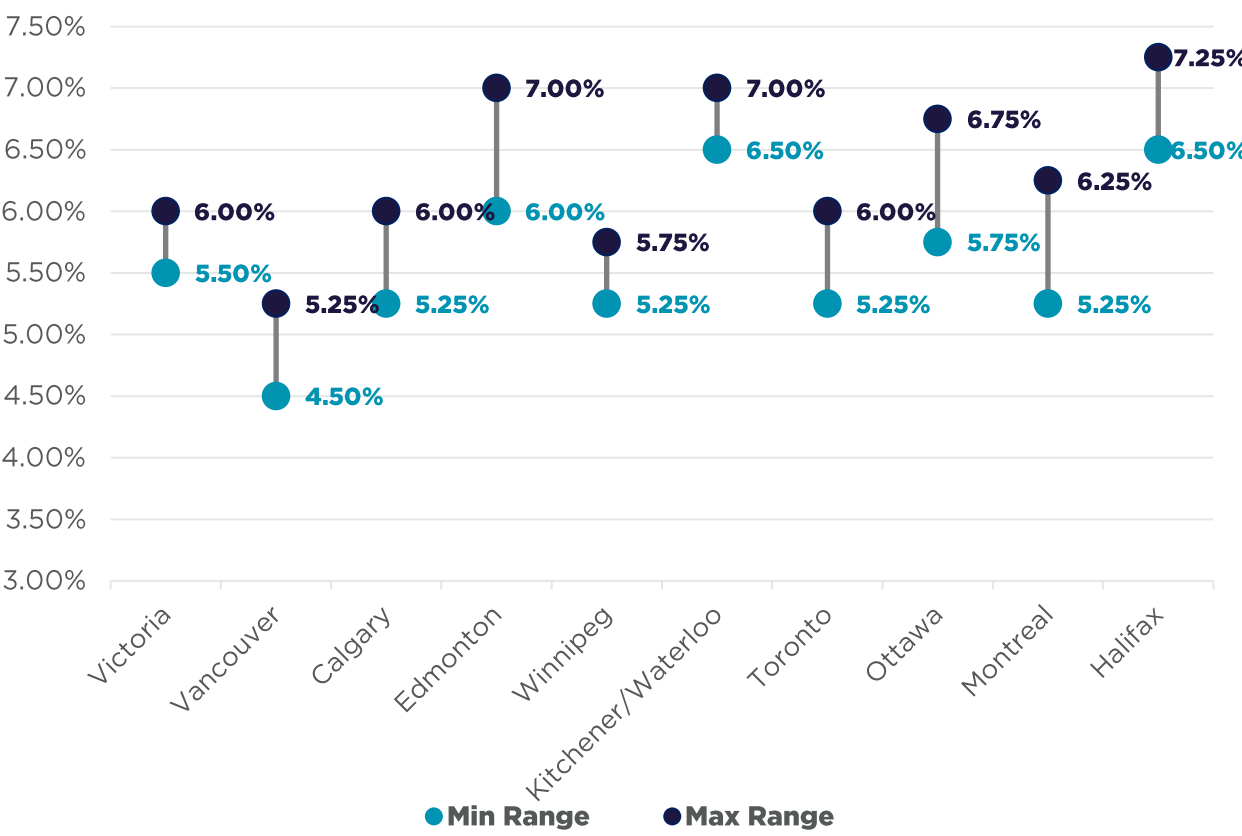


Suburban Office B

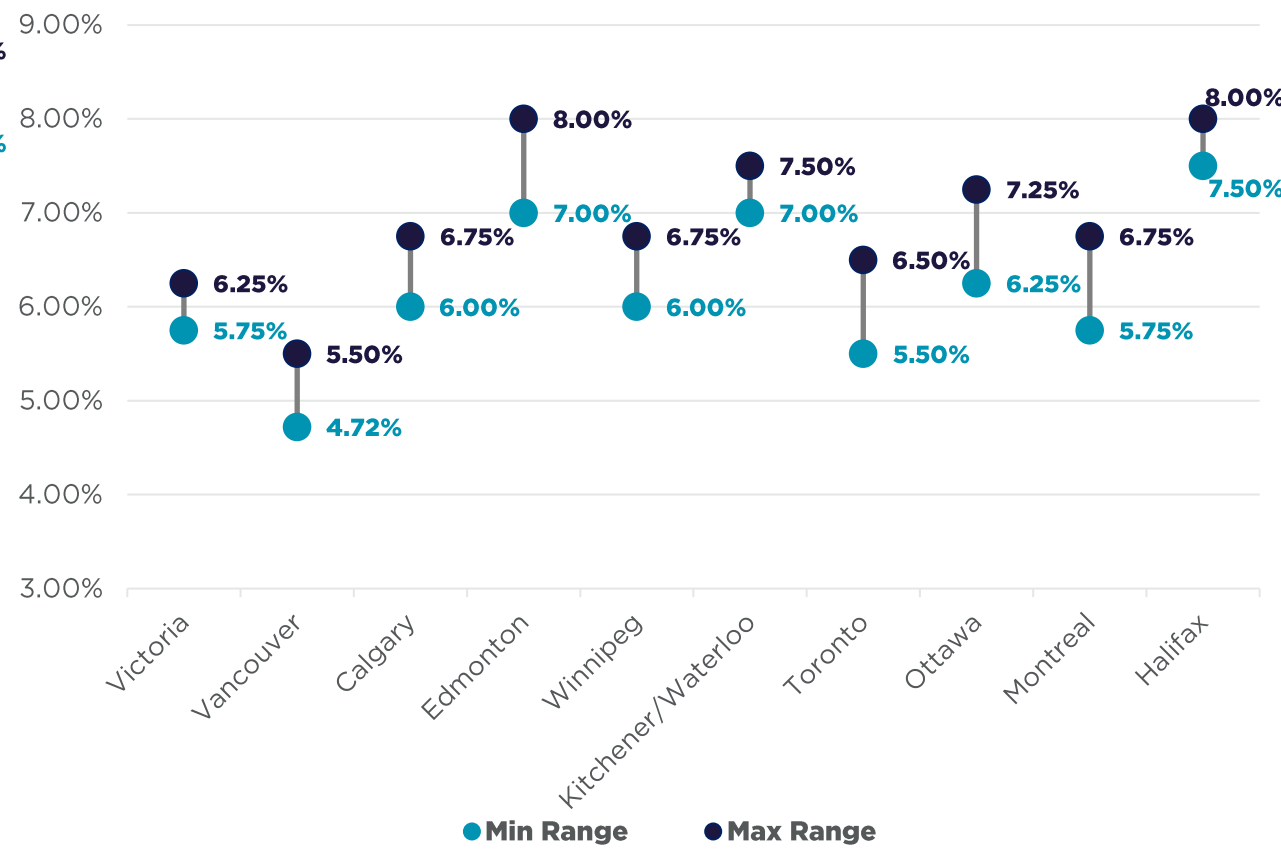


INDUSTRIAL CAP RATES

Industrial Class A

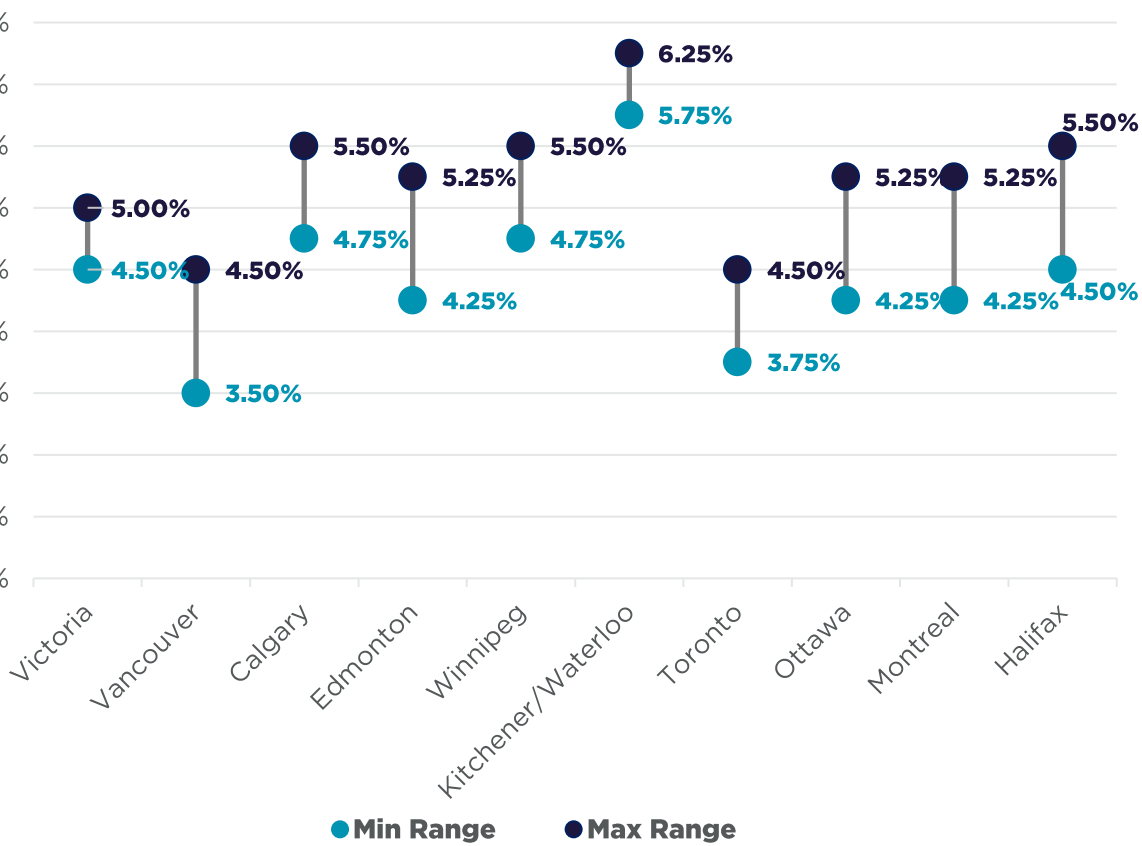


Industrial Class B

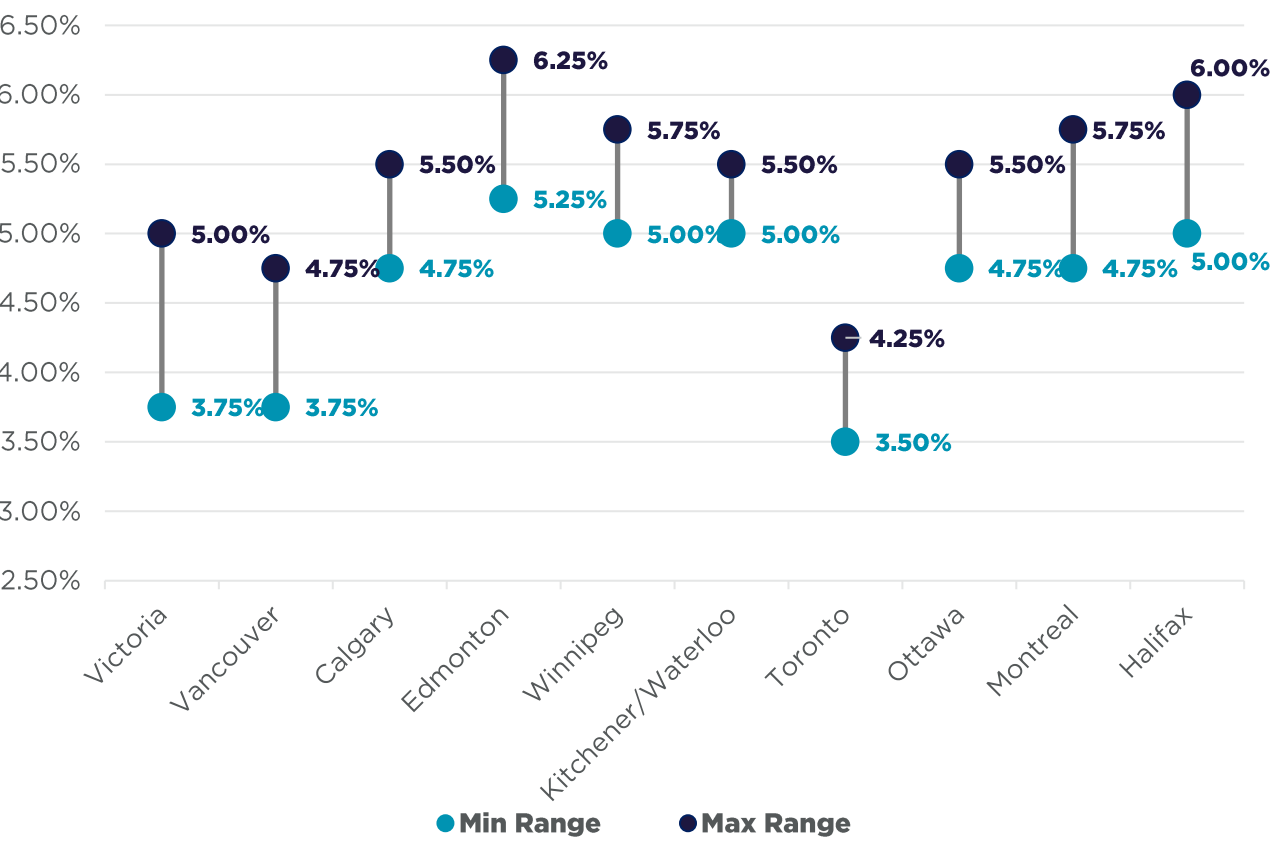


APARTMENT CAP RATES

High Rise

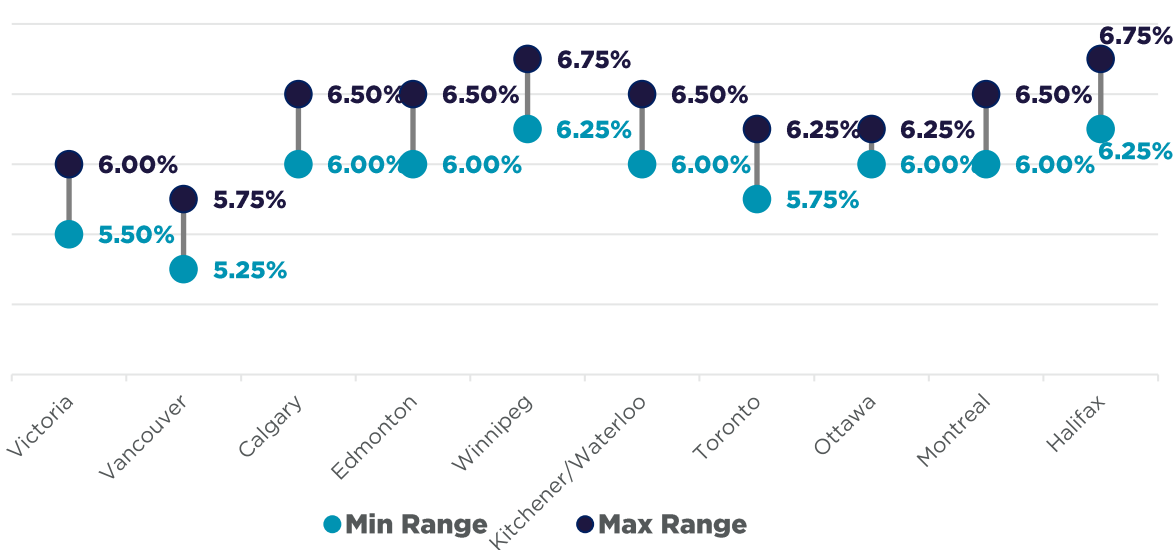


Low Rise

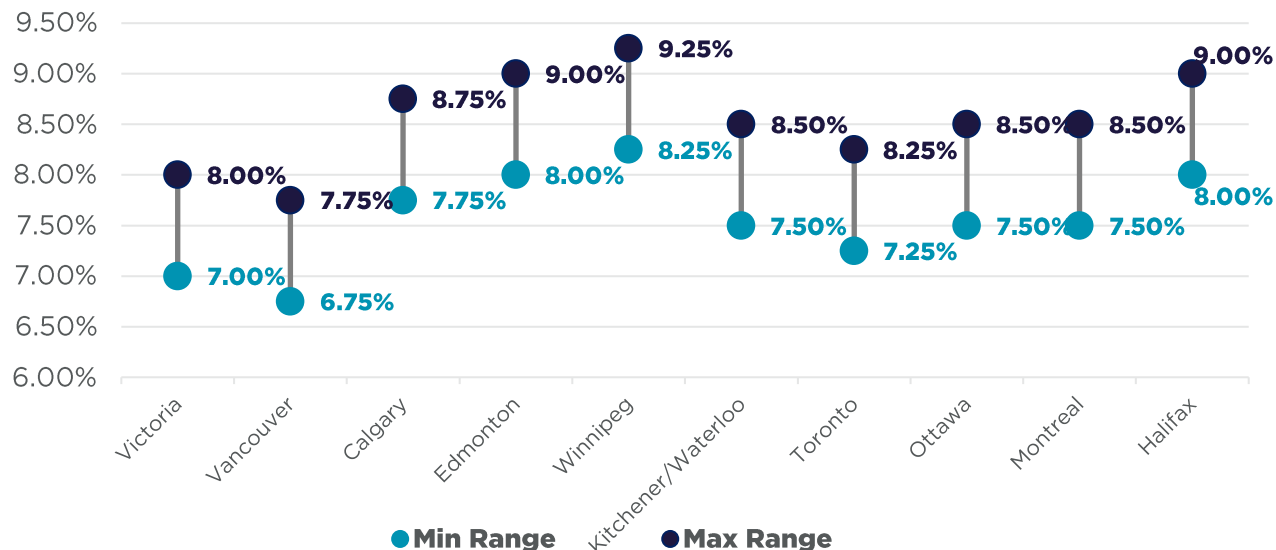


SENIORS HOUSING CAP RATES

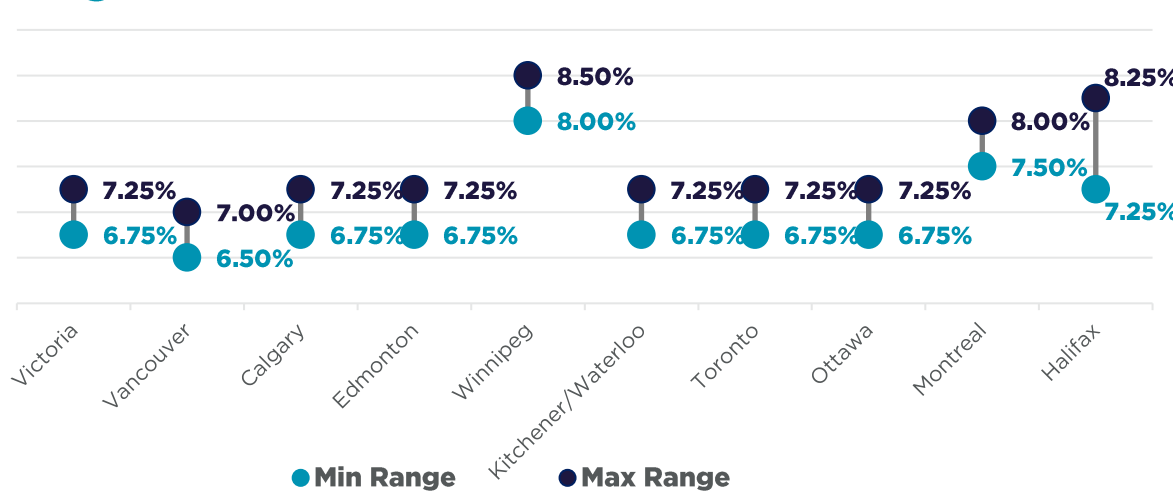
Seniors Housing “A”



Seniors Housing “B”

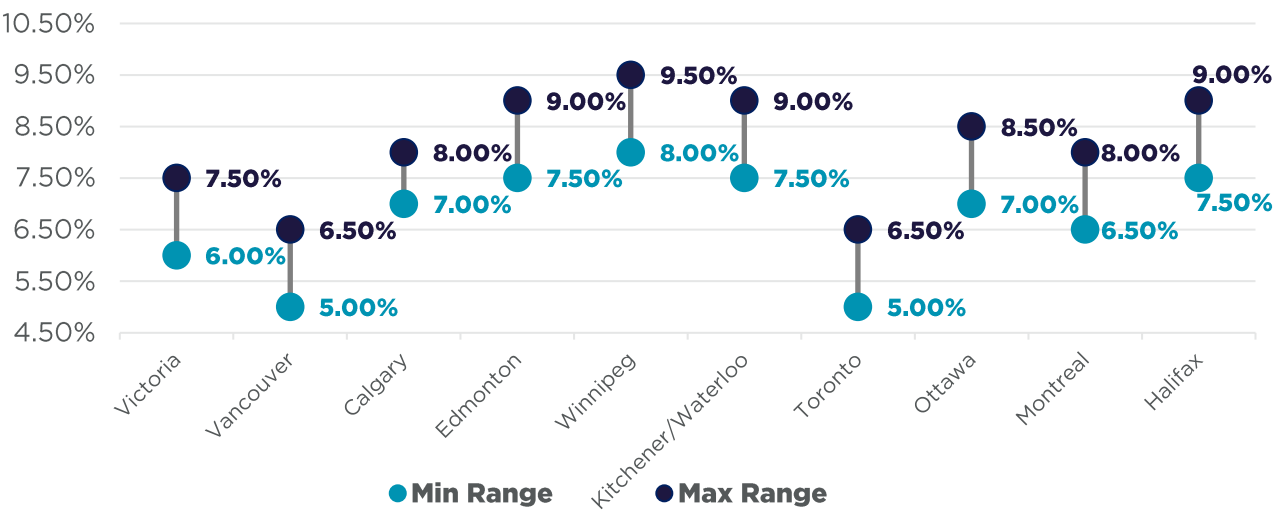


Long-Term Care “A”

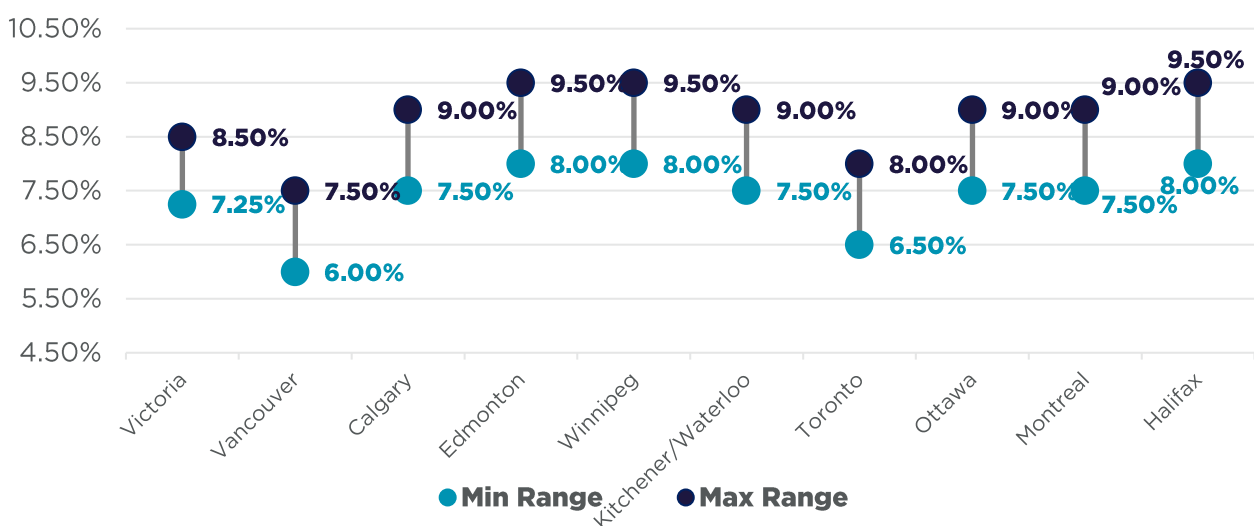


HOTEL CAP RATES

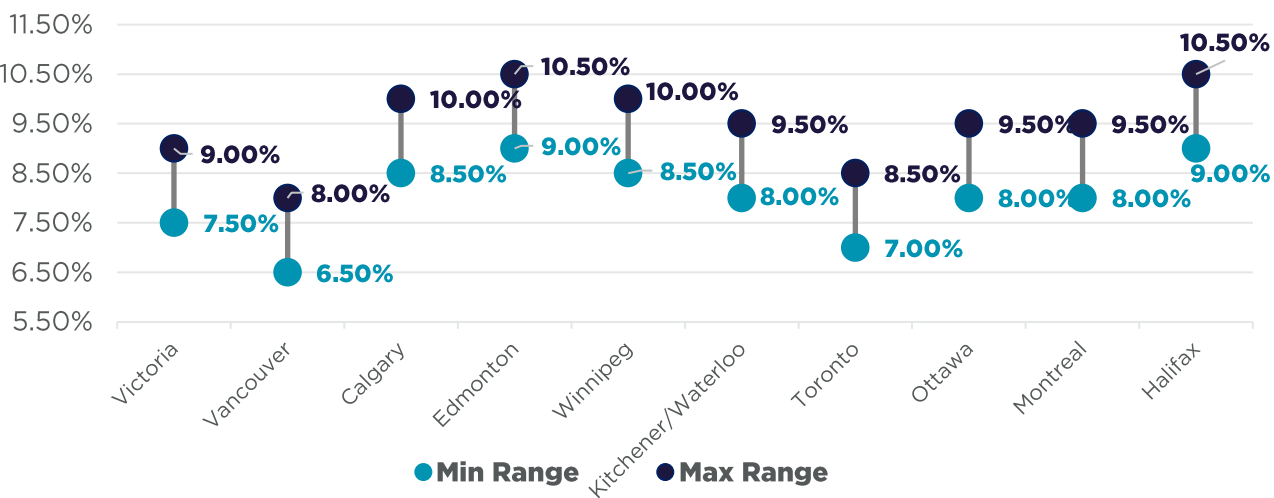
Full-Service Downtown



Select Service

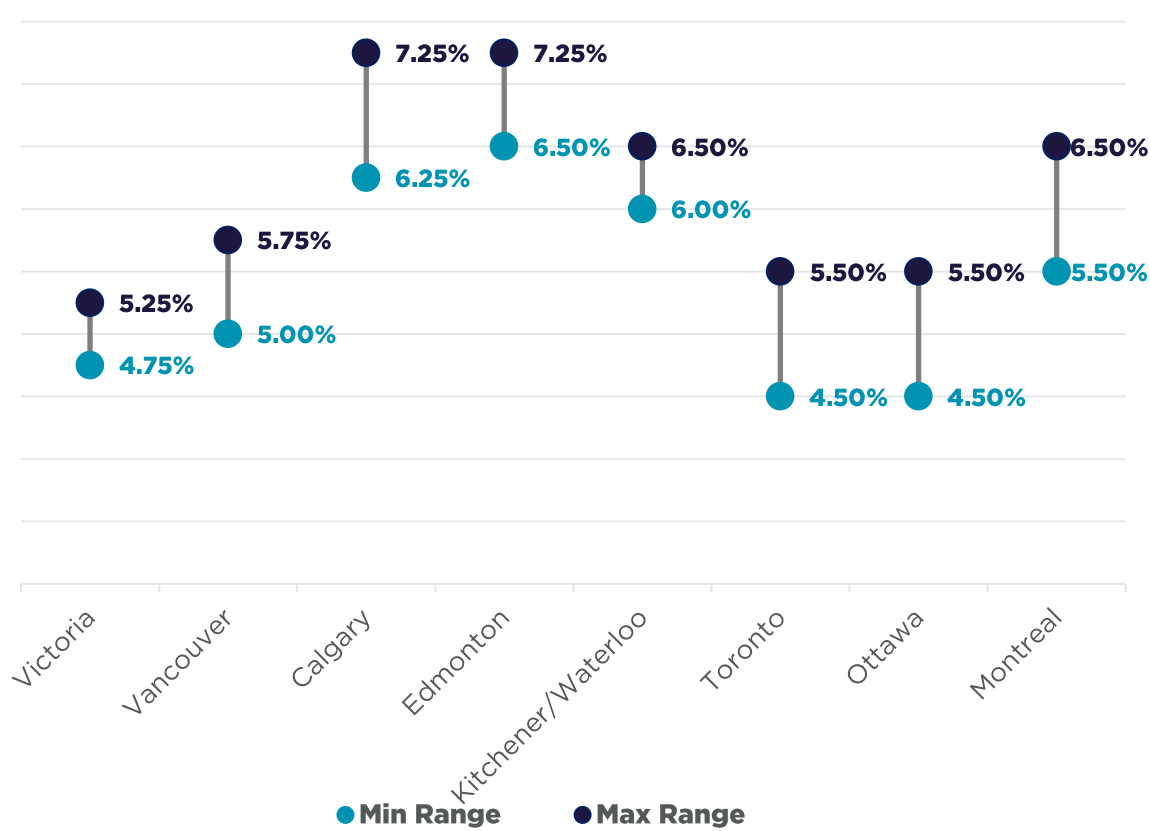


Limited-Service Suburban

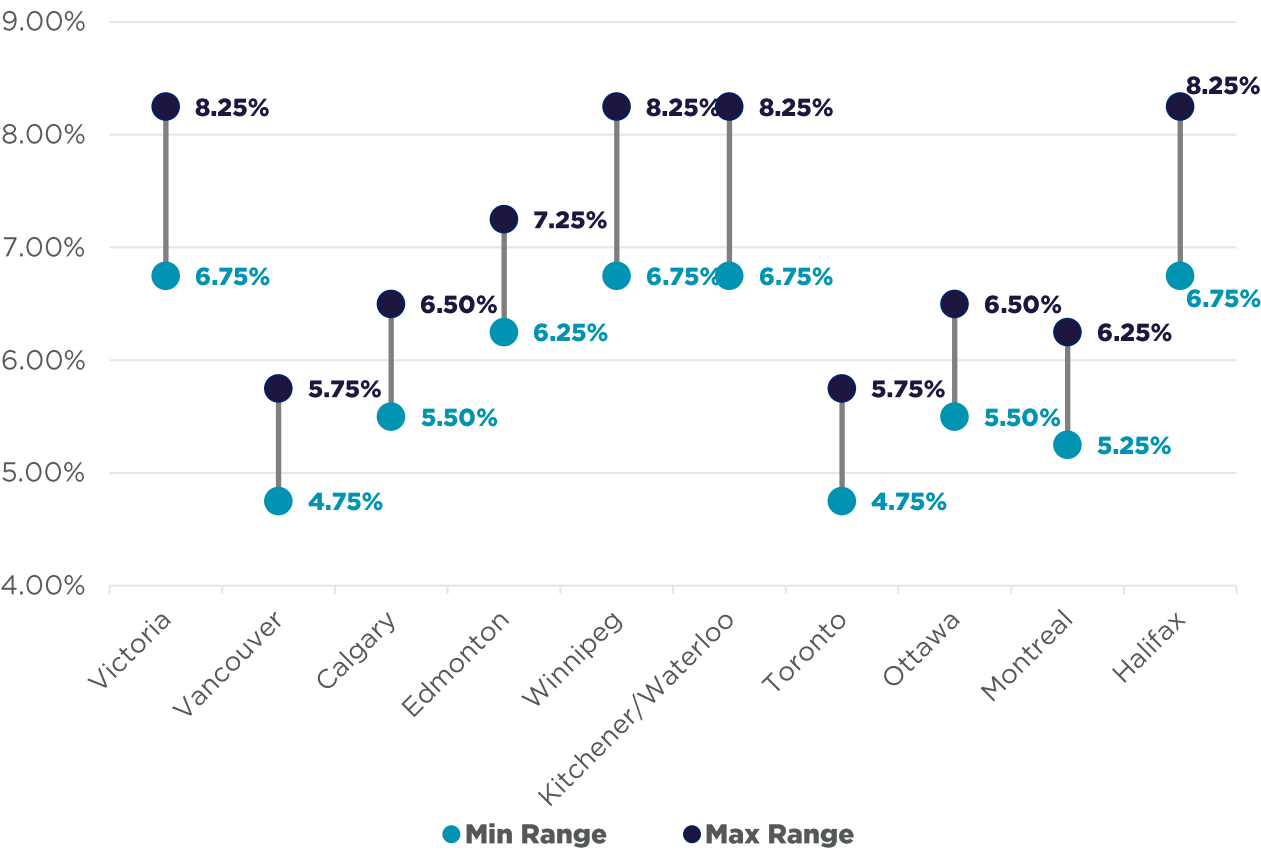


RETAIL CAP RATES

Street Front Top Performer

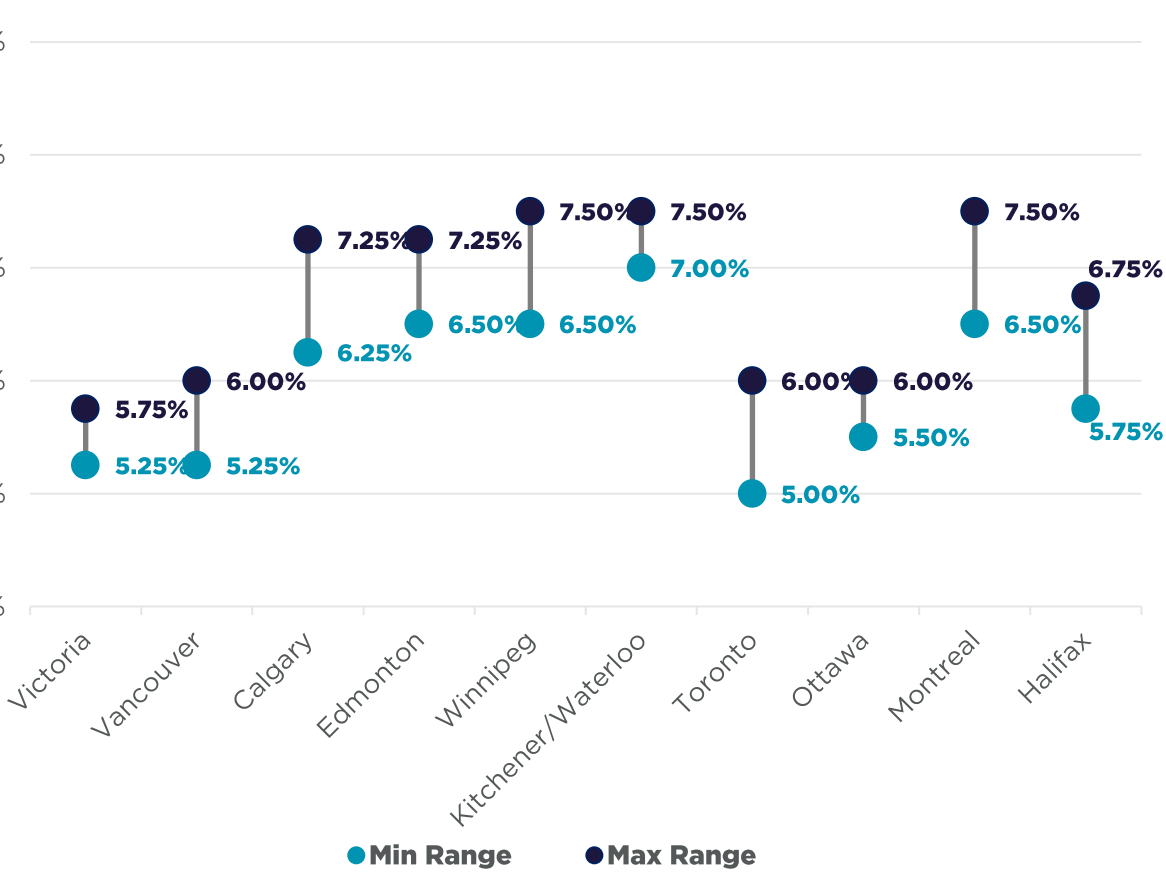


Regional Mall Top Performer

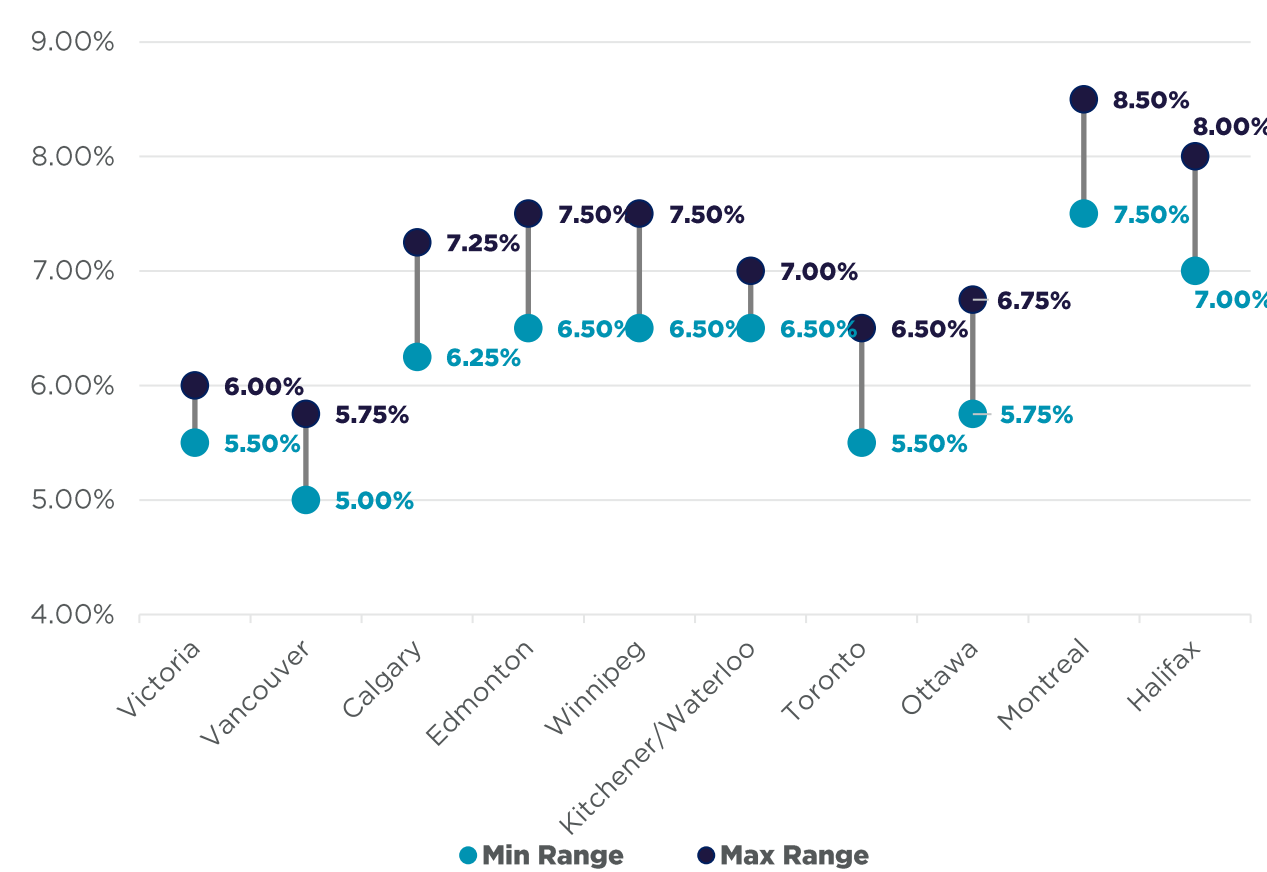


RETAIL CAP RATES

Power Centre

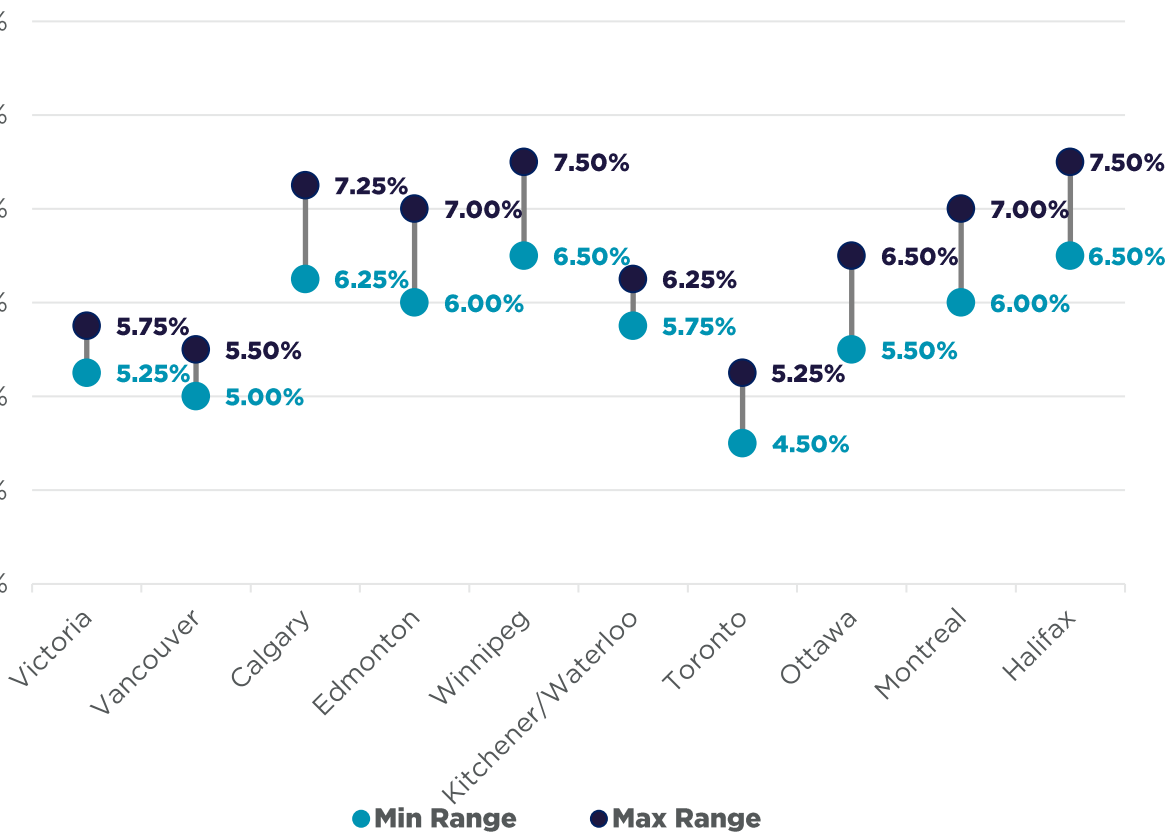


Community Commercial Centre

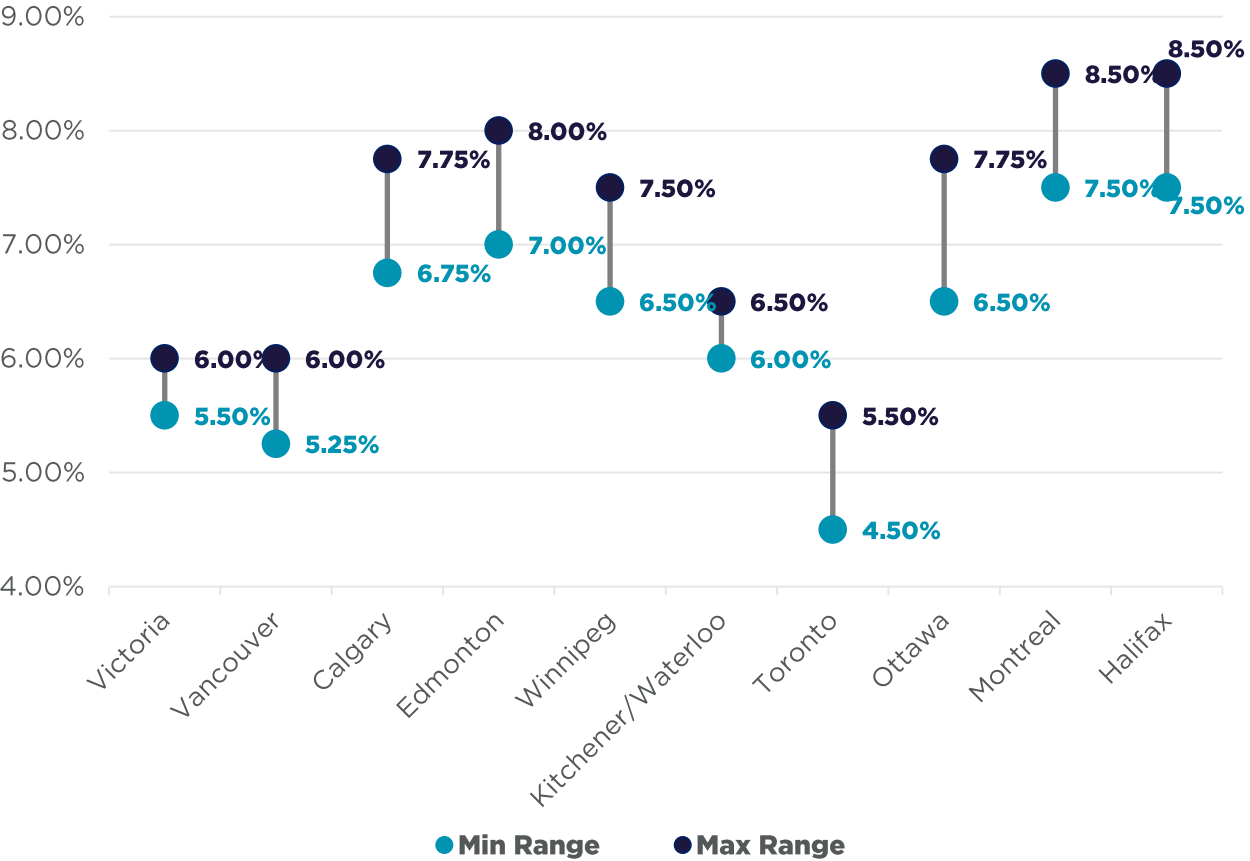


RETAIL CAP RATES

Strip Plaza Anchored



Strip Plaza Non-Anchored



Q2 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	↔	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%	▲	9.00%	9.50%	▲	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%	↔	6.50%	7.00%	↔	5.25%	6.00%	↔	5.75%	6.75%	↔	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%	↔	7.00%	7.50%	↔	5.50%	6.50%	↔	6.25%	7.25%	↔	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%	↔	5.75%	6.25%	▲	3.75%	4.50%	↔	4.25%	5.25%	↔	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%	↔	5.00%	5.50%	▲	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%	↔	6.00%	6.50%	↔	6.00%	6.50%	↔	6.25%	6.75%	↔	6.00%	6.50%	↔	5.75%	6.25%	↔	6.00%	6.25%	↔	6.00%	6.50%	↔	6.25%	6.75%	↔
Seniors Housing “B”	7.00%	8.00%	↔	6.75%	7.75%	↔	7.75%	8.75%	↔	8.00%	9.00%	↔	8.25%	9.25%	↔	7.50%	8.50%	↔	7.25%	8.25%	↔	7.50%	8.50%	↔	7.50%	8.50%	↔	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%	↔	7.50%	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%	↔	6.50%	7.50%	▲	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%	↔	6.50%	7.50%	↔	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%	↔	6.50%	7.50%	↔	6.00%	6.50%	↔	4.50%	5.50%	↔	6.50%	7.75%	↔	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, such as since the initial impact of COVID-19, 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.



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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.

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