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22ND ANNUAL EDITION

2020 CANADIAN ECONOMIC OUTLOOK AND MARKET FUNDAMENTALS

THIRD QUARTER UPDATE

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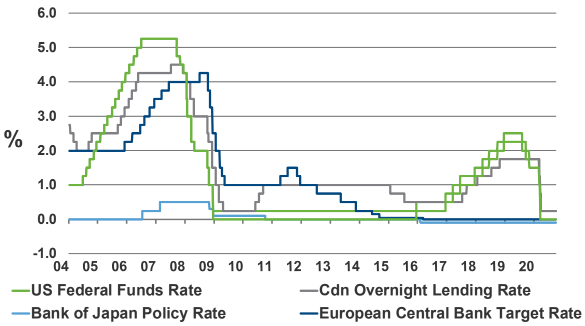
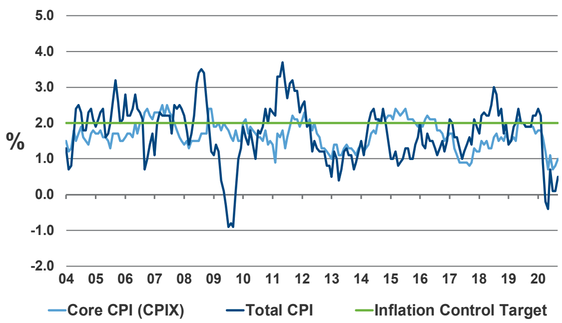
TABLE OF CONTENTS

Official Policy Rates
International Monetary Conditions



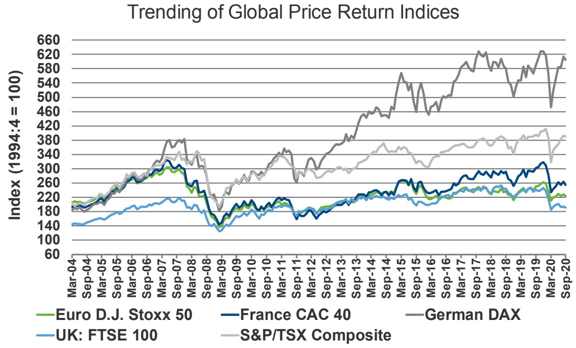
Source: Bank Of Canada, Federal Reserve Board, European Central Bank, Bank of Japan

National Inflation
CPI Measures, % Change Over 1 Year Ago



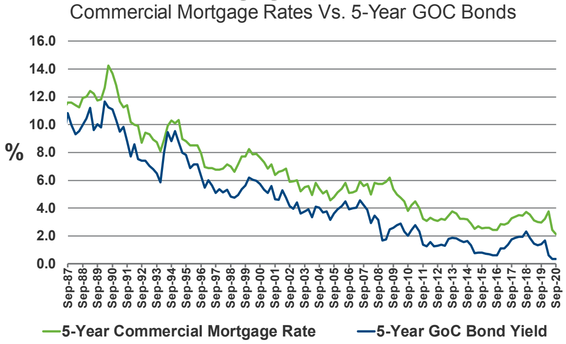
Source: Bank Of Canada, Statistics Canada

Global Indices
Trending of Global Price Return Indices



Source: RBC Capital Markets

Mortgage Spreads
Commercial Mortgage Rates Vs. 5-Year GOC Bonds



Source: RBC Capital Markets, Bank of Canada

BANK OF CANADA RESTATED ITS COMMITMENT TO ACCOMMODATIVE MONETARY POLICY

Canada's central bank restated its commitment to accommodative monetary policy during the third quarter. On September 9, 2020, the bank held its overnight rate at 0.25%. The bank indicated it would hold the rate at the same level until the nation's economic slack is absorbed. Additionally, the bank reiterated its desire to maintain an inflation target of 2.0%. At the same time, the bank also stated it would continue its asset purchasing program to the tune of at least $5.0 billion of Government of Canada (GofC) bonds. The commitment to accommodative policy followed the bank's quick response to the economic fallout of the COVID-19 pandemic and related market disruption. The large-scale purchase of GofC bonds was implemented to improve liquidity. Consequently, private sector bond supply would decrease, along with their relative yields. The purchase of GofC bonds was a signal to the market that interest rates would be lower for longer. In addition, the bank's commitment to quantitative easing was expected to make borrowing more accessible to consumers and businesses over the near term. The bank's commitment to providing accommodative policy was an indication that it would take some time for Canadian economy to recover.

MODERATE INCREASE IN CONSUMER PRICES REPORTED

Canada's Consumer Price Index (CPI) increased modestly during the third quarter, due largely to subdued domestic services demand. Consumer prices rose 0.2% month-over-month in September while total CPI was up 1.4% year-over-year. Core inflation increased to 0.2% month-over-month and was up 1.7% year-over-year, matching the August level. Services prices were flat in September, having risen by a record-low 0.5% in each of July and August. The COVID-19 pandemic has dampened price growth in the travel sector, especially for airfares, travel services and domestic travel. Conversely, goods prices rose 0.8% month-over-month. Upward goods pricing pressure was, excluding food and energy, driven fully by used car and truck sales. Energy prices remained 7.7% lower than a year ago, as of September. However, energy prices continued to rise, up 0.8% month-over-month. Food prices were unchanged, although consumers paid 4.1% more for a standard set of grocery items in September. In short, inflation levels were expected to remain muted over the next few months, as a result of excess economic capacity and a weak labour market. The outlook was in keeping with the moderate price inflation reported throughout the third quarter.

EQUITY MARKET PERFORMANCE WAS MIXED

The mixed global equity market performance of the third quarter was a reflection of the broader economic outlook. Initially, values roared back from losses racked up as a result of the negative effects of the COVID-19 pandemic. The MSCI ACWI was up 7.7% in early September, from the end of June. The U.S. and emerging economies were key contributors to the resurgence. The S&P 500, for example, had already surpassed its February record-high valuation in the first week of September. During the third quarter, all major sectors of the S&P/TSX registered strong gains, excluding Energy and Financials. To a large extent, the global equity market strength registered during the third quarter was a byproduct of an improved global economic outlook. Global manufacturing output began to rebound across the globe. Government supports in the U.S. and Canada drove household spending to near record-high levels, despite relatively weak labour market conditions. Eurozone spending patterns improved significantly during the third quarter. In the final few weeks of the third quarter, the positive global economic outlook began to erode, and equity performance softened. Equity market values rose once again in late September. This volatility was indicative of the mixed global equity market performance recorded during the third quarter.

INVESTMENT CAPITAL FLOW REMAINED MUTED

The flow of investment capital into the Canadian commercial property sector remained muted during the third quarter. A relatively small number of significant transactions were completed in the country's major urban centres between the beginning of July and the end of September. Using the Greater Toronto Area as a proxy, there were 19 transactions with a minimum sale price of $20.0 million in the office, industrial, multi-suite residential rental and retail sectors combined completed in the third quarter. Previously, 31 transactions were completed over the same time period a year earlier. Generally, institutional and private capital groups continued to source investment opportunities in the third quarter. Low-risk properties were most highly coveted, especially those with stable long-term leases in place. Demand for multi-suite residential rental and industrial properties has outdistanced the office and retail sectors since the unfolding of COVID-19 pandemic in early 2020. Purchasers were more selective in their assessment of office property acquisitions while the highest degree of caution was exercised for retail sector opportunities. For the most part, financing terms remained attractive during the third quarter, although an elevated level of underwriting scrutiny was observed. Looking ahead, Canadian commercial investment property capital flow was expected to remain muted over the near term, barring some form of resolution of the COVID-19 pandemic and a subsequent improvement in the economic outlook.

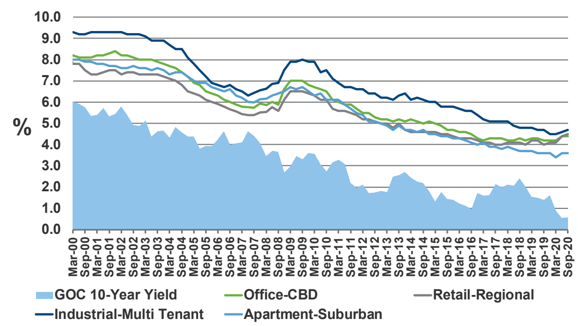
INDUSTRIAL DEMAND OUTSTRIPPED SUPPLY

Demand for industrial investment property outstripped supply during the third quarter, continuing the trend of the past few years. More than $1.0 billion in industrial property sales was tallied in the country's major markets combined, during the three-month period. Industrial sector transaction volume has surpassed the $1.0 billion mark in every quarter dating back to the first quarter of 2014. Capital continued to flow into the sector at a healthy rate during 2020 while sales activity levels declined significantly in the office and retail sectors. The only other sector to post strong sales activity has been the multi-suite residential rental. The brisk pace of industrial property sales was a byproduct of the sector's continued resilience during a period of heightened economic and financial uncertainty. For the most part, industrial leasing market conditions have been stable and healthy year-to-date. Consistently strong industrial leasing demand fundamentals during 2020 were a byproduct of increased e-commerce penetration. The combined effect of healthy demand and near record-low availability in most markets ensured rents ranged close to the cycle peak. In several regions, tenants were forced to look to the build-to-suit market in order to expand. The broad-based industrial sector's resilience continued to ensure investment demand outdistanced supply.

MINIMAL VARIATION IN INVESTMENT MARKET TRENDS FORECAST

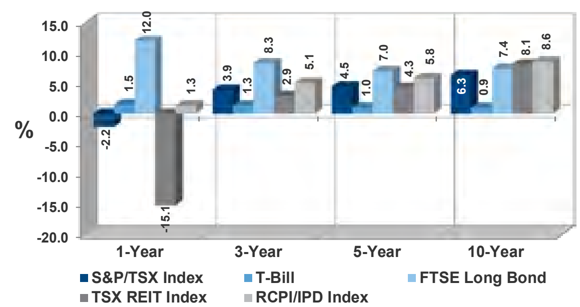
Minimal variation in Canadian commercial property investment market trends is forecast over the near term. Investment sales activity will remain well below the most recent peak level of 2019. Multi-suite residential rental and industrial sector demand will continue to outdistance the supply of available properties in most regions. Conversely, office and retail sector sales will fall short of the pre-pandemic period highs. Investors will selectively acquire properties in these two sectors, with heightened interest exhibited for those with financially stable tenants on longer-term leases. Institutional investors will target prime properties in Toronto, Montreal and Vancouver most aggressively, which will ensure property values hold firm. Generally, investors will continue to underwrite properties conservatively, given an uncertain and weak economic growth outlook. Despite the uncertainty, investors and vendors will continue to find common ground on pricing when properties are brought to market. In short, variation in investment market trends will be minimal over the near term, barring a significant change in the broader economic backdrop.

Yield Spreads
Cap Rates vs. 10-Year GOC Bonds



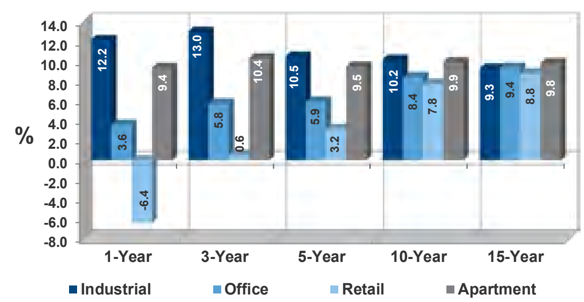
Source: AltusInSite, Bank of Canada

Relative Performance
Comparing Annualized Returns To June 2020



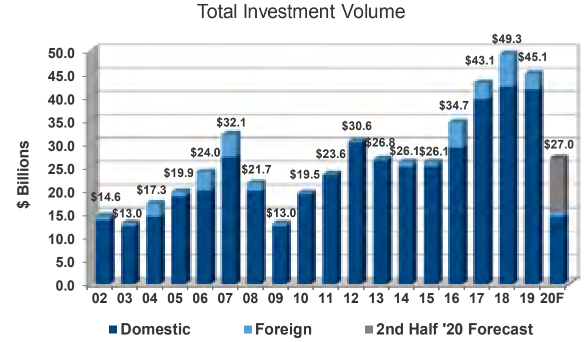
Source: © MSCI Real Estate; RBC CM; TSX Datalinx; SCM; PC Bond Analytics

RCPI/IPD Returns
Annualized Returns By Property Type To June 2020



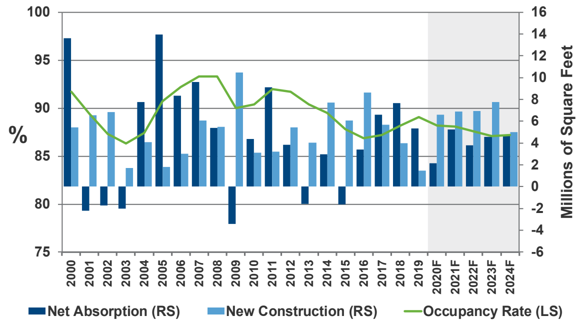
Source: RCPI; © MSCI Real Estate

Investment Activity
Total Investment Volume



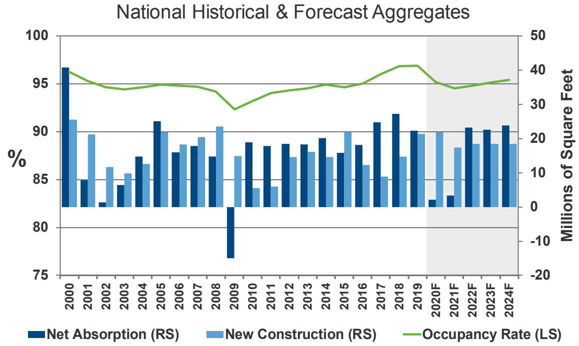
Source: CBRE Limited; Morguard

Office Demand & Supply
National Historical & Forecast Aggregates



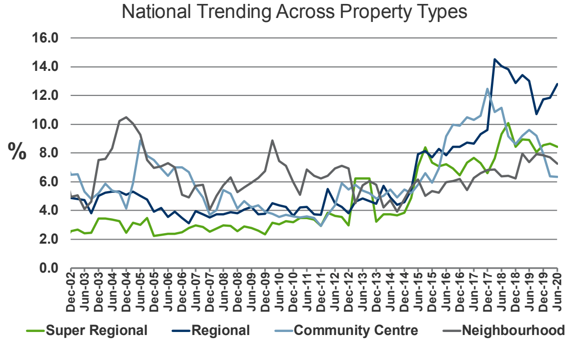
Source: CBRE Limited; CBRE Econometric Advisors

Industrial Demand & Supply
National Historical & Forecast Aggregates



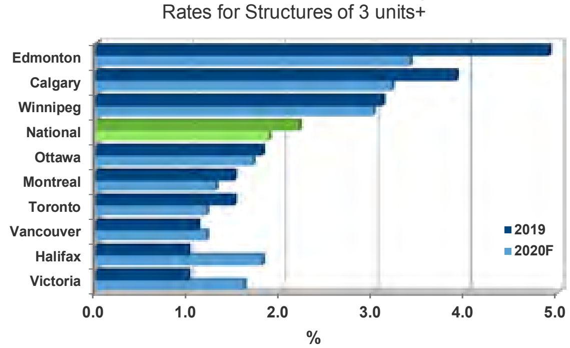
Source: CBRE Limited; CBRE Econometric Advisors

Retail Vacancy Rates
National Trending Across Property Types



Source: © MSCI Real Estate

CMA's Rental Vacancy
Rates for Structures of 3 units+



Source: CMHC, Housing Market Outlook Report (Jan 2020 release)

DOWNTOWN OFFICE VACANCY ROSE SHARPLY

The national downtown average vacancy rate rose significantly during the third quarter. The 11.5% downtown vacancy average reported at the end of September had risen 150 bps over the preceding three-month period and represented a three-year high according to CBRE data. There were two main drivers of the 150-bps increase. First, sublease availability spiked during the third quarter as downtown office users looked to offset revenue declines suffered as a result of the COVID-19 lockdown. More than 6.3 million square feet of sublease space was available in the downtown areas of the countries major urban centres at the end of the third quarter, which equated to 21.1% of total vacancy. Secondly, the volume of vacant downtown space available directly through landlords also increased significantly between July 1st and September 30th, 2020. More than 23.6 million square feet of space was available on a direct basis, up from 21.3 million square feet three months earlier. Downtown leasing activity ground to a virtual halt early in the second quarter, a trend which carried over into the third quarter as well. Generally, tenants looked to reduce their footprints in the country's most expensive submarkets, during a period of heightened economic and financial uncertainty. This activity drove absorption patterns firmly into negative territory and vacancy markedly higher.

INDUSTRIAL LEASING MARKET CONTINUED TO DEFY THE ODDS

The strength and resilience of Canada's industrial leasing market persisted during the third quarter, outperforming expectations. Demand for industrial space continued to outstrip supply in most major markets, driven in part by the continued emergence of e-commerce related businesses. In some cases, warehouse and distribution users had struggled to secure space to alleviate supply chain challenges. Generally, logistics and distribution centre space was in short supply, which continued to drive the design-build market. Leasing market resilience was reflected in recent availability patterns. The national availability rate rested at 3.5% as of the end of September 2020, unchanged quarter-over-quarter. Calgary, Edmonton and Halifax were the only three markets reporting availability rates of greater than 5.0%, as of the end of September. The addition of 16.3 million square feet of new supply year-to-date across the country has had minimal impact on availability. For the most part, demand has kept pace with supply during the past 12 months, while rents have gradually increased in several regions. Rents were generally stable with a few submarkets reporting increases, which was an indicator of the national leasing market's ongoing resilience and health.

RETAIL LEASING MARKET SOFTENING CONTINUED

The struggles of Canada's retail leasing market continued to unfold during the third quarter. Only 59.0% of retail tenants paid their rent in full in August of 2020, according to a recent REALPAC survey of major landlords. Survey respondents indicated an average of 27.0% of their tenants were on some form of rent deferral program while 14.0% did not pay any rent in August. To some extent, the survey results were indicative of the challenges tenants have faced in paying rent in the broader leasing market. The Federal Government launched the Canada Emergency Commercial Rent Assistance program to assist businesses to pay their rent. The program lasted from April 2020 to the end of the third quarter. The program primarily benefitted the independent, small chain and franchise network. The Feds subsequently introduced the Canada Emergency Rent Subsidy covering October 2020 to June 2021. The program was designed to provide a subsidy directly to tenants to cover expenses, on a sliding scale. In addition, a top up would be provided for businesses that were forced to shut down. The implementation of both programs coincided with a period of ongoing leasing market weakness that persisted through to the end of the third quarter.

ECONOMIC RECOVERY PACE SLOWED

The pace of Canada's economic recovery from the negative effects of the COVID-19 pandemic slowed during the third quarter, after an initial output surge. Gross Domestic Product (GDP) increased by 1.2% month-over-month in August, following a robust 3.0% gain in July. The August result was an indication that the recovery had entered a phase of more moderate an uneven growth, following an initial bounce back. At the end of August, GDP was still 5.0% below the February level, despite above-average growth through much of the summer months. Previously, GDP had plunged 11.5% in the second quarter after a more modest 2.1% decline between the start of 2020 to the end of March. On an annualized basis, GDP fell 38.7% in the second quarter, compared with 31.7% in the U.S. Measures implemented by various levels of Canadian government to combat the spread of the COVID-19 virus had a profoundly negative impact on certain sectors of the economy. Most notably, non-essential business sectors including accommodation and food services, entertainment and recreation and travel and tourism suffered significant revenue losses in March and April of 2020. By the third quarter, the pace at which these and most other sectors of Canada's economy recovered started to slow.

JOB MARKET CONTINUED TO BOUNCE BACK

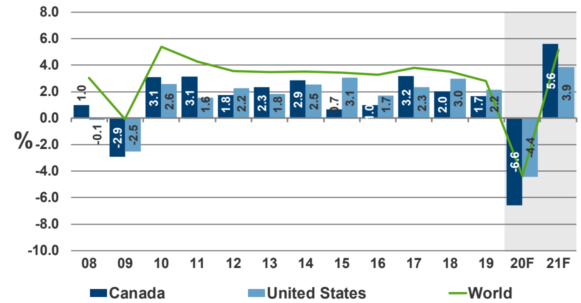
Canada's job market continued to bounce back from the unprecedented losses sustained as a result of the COVID-19 economic shutdown. In September, national employment increased by 378,000, following 267,000 in August and a 419,000 lift in July. Employment was just 3.7% below the pre-pandemic level reported in February at the end of September, having increased in five consecutive months. More than two-thirds of jobs lost during March and April have now been recouped. The unemployment rate fell 120 bps to 9.0% in September, marking a fourth consecutive monthly decline. The proportion of Canadians collecting the Canada Emergency Response Benefit, Canada Emergency Student Benefit or Employment Insurance fell to 13.5 per cent in September, down from 16.1 per cent in August, depicting a moderate improvement in Canada's economy, combined with a bounce back in the job market. Prior to the pandemic, Canadian employment had reached a record high. While the recovery of jobs lost during March and April has been swift, gains varied across the various sectors of the economy. High-touch industries, including accommodation and food, have underperformed and remain furthest from full recovery. Despite the underperformance, however, Canada's job market continued to bounce back during the third quarter from the unprecedented losses as a result of the negative effects of the COVID-19 economic lockdown.

RETAIL SALES GAINS HAVE MODERATED

The Canadian retail sales growth trend moderated in the third quarter, after a strong rebound from the losses suffered as a result of the COVID-19 pandemic physical store closures in May and June. Retail sales improved by 0.6% month-over-month in July, with Statistics Canada forecasting a slightly stronger but still modest 1.1% lift for August. July's progression was driven largely by increases in gasoline and cars and parts sales. Sales of furniture and clothing rose 5.0% and 11.2%, respectively. On aggregate, Canadian retail sales had increased by 2.6%, year-over-year as of July. Except for gasoline and clothing, sales were up for in spending categories year-over-year. Looking ahead, however, the retail sales outlook was expected to include a number of significant headwinds. After an initial surge, economic activity and job growth were expected to slow. Uncertainty surrounding various mortgage and other debt payment deferral programs was another significant threat. Lastly, Canada's still high employment rate could negatively impact spending patterns over the near term, following a period of retail sales growth moderation reported during the third quarter.

Economic Growth

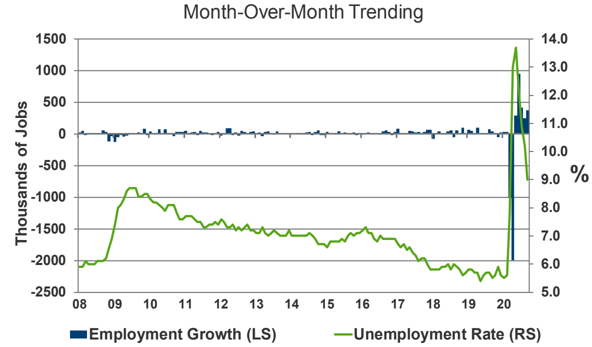
Real GDP Growth - Historical & Forecast



Source: Conference Board Of Canada (Sept 2020); International Monetary Fund (Oct 2020)

Labour Market

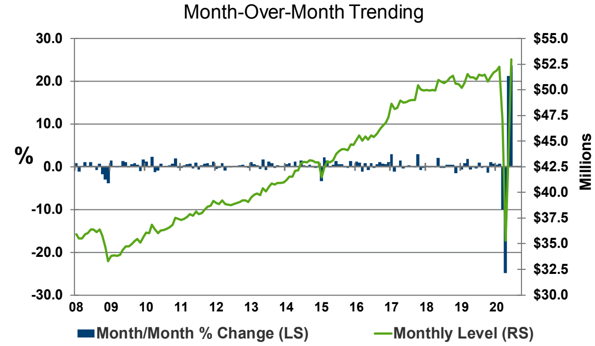
Month-Over-Month Trending



Source: Statistics Canada

Retail Sales

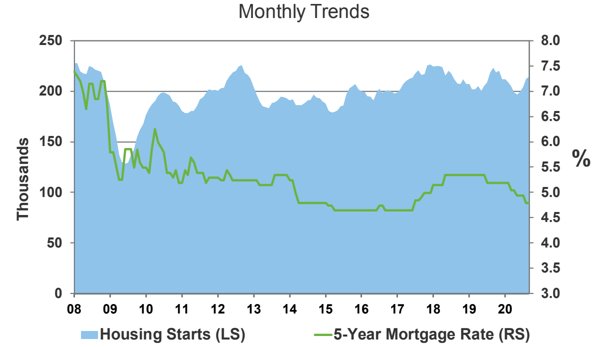
Month-Over-Month Trending



Source: Statistics Canada

Housing Market

Monthly Trends



Source: Statistics Canada, CMHC, Bank of Canada

OFFICE

Property	Date	Price	SF	PSF	Purchaser	City
277 Wellington St W	Sep-20	$78.5 M	100,076	$784	Reserve/Westdale	Toronto
Sun Life Place	Aug-20	$32.5 M	288,005	$113	Slate	Edmonton
3601 Victoria Park Ave	Jul-20	$13.4 M	69,000	$194	Private	Toronto

INDUSTRIAL

Property	Date	Price	SF	PSF	Purchaser	City
5600-5630 Timberlea Blvd	Sep-20	$19.5 M	119,356	$163	Granite REIT	Toronto
23-49 Coldwater Rd	Sep-20	$10.5 M	54,043	$194	Northbridge Capital	Toronto
555 Beck Cr	Sep-20	$15.4 M	99,600	$154	Granite REIT	Toronto
6701 Financial Dr	Sep-20	$23.9 M	115,693	$206	Dream Unlimited	Toronto
98 Norfinch Ave	Sep-20	$10.0 M	57,340	$174	Zentil Property Mgt.	Toronto
60 & 70 Summerlea Rd	Sep-20	$14.8 M	66,314	$224	White Owl Properties	Toronto
8995 Airport Rd	Sep-20	$22.2 M	126,000	$176	Granite REIT	Toronto
Vaughan Business Park	Aug-20	$25.0 M	106,707	$234	Vimica Investments	Toronto
Olymbec GMA Portfolio	Aug-20	$81.9 M	780,703	$106	Pure Ind. REIT	Montreal
10655 Henri-Bourassa Blvd W	Jul-20	$12.3 M	110,000	$112	Mondev	Montreal
Colonnade Rd	Jul-20	$22.0 M	143,000	$154	Fiera Properties	Ottawa

RETAIL

Property	Date	Price	SF	PSF	Purchaser	City
Trenant Park Square	Aug-20	$64.5 M	138,716	$465	Keltic Canada	Vancouver
88 & 94 Cumberland St	Aug-20	$16.5 M	5,280	$3,125	Prowinko Canada	Toronto
563 King St W	Aug-20	$13.8 M	14,750	$932	Northloop Developmt.	Toronto
818-858 West 15th St (50%)	Jul-20	$16.5 M	22,000	$750	Polygon Group	Vancouver
Faubourg Langelier GMA	Jul-20	$62.0 M	350,569	$177	Groupe Mach	Montreal
664 West Broadway	Jul-20	$10.0 M	6,000	$1,667	CCI Holdings	Vancouver

MULTI-SUITE RESIDENTIAL

Property	Date	Price	# Units	/Unit	Purchaser	City
122 Bronte St S	Sep-20	$58.5 M	163	$358,896	Park Property Mgt.	Toronto
200 Queen Mary Dr	Sep-20	$33.0 M	95	$347,368	Homestead	Toronto
4500 Jane St	Sep-20	$44.6 M	164	$271,768	Starlight Investments	Toronto
Brampton Portfolio	Sep-20	$54.0 M	205	$263,415	Golden Equity	Toronto
405 Sicard St	Aug-20	$19.0 M	73	$260,274	Skyline Group	Montreal
Signet Realty GTA Portfolio	Aug-20	$113.3 M	386	$294,357	Starlight Investments	Toronto
Arlington Court Apartments	Aug-20	$16.3 M	54	$301,852	Madison Pacific	Vancouver
Signet Realty GTA Portfolio	Aug-20	$80.4 M	289	$278,299	Timbercreek	Toronto
Westlawn Village	Jul-20	$22.5 M	144	$155,903	Oneka Land Company	Edmonton

* share sale

ACKNOWLEDGEMENTS & CITED RESEARCH RESOURCES

In the course of compiling the statistical information and commenting on real estate markets, national, regionally and across Canadian metropolitan areas, we acknowledge the assistance and feedback from the following parties in completing this report:

The Altus Group, Avison Young, Bank of Canada, Bank of Japan, BMO Economics, BMO Nesbitt Burns, British Bankers' Association, Brunsdon Martin & Associates, CBRE Econometric Advisors, CBRE Limited, CIBC World Markets, Canada Newswire, Canadian Mortgage and Housing Corporation (CMHC), Canadian Mortgage Loans Services Limited, The Canadian Real Estate Association (CREA), Colliers International, Conference Board of Canada, Cushman & Wakefield, Developers and Chains e-news, Economy.com, European Central Bank, The Federal Reserve Board, Frank Russell Canada (RCPI), The Globe and Mail, ICR Commercial Real Estate, International Council of Shopping Centres (ICSC), Insite-Altus Research, International Monetary Fund, The Johnson Report (Winnipeg), Jones Lang LaSalle, Monday Report on Retailers, MSCI, The Network, Ottawa Business Journal, PC Bond Analytics, PricewaterhouseCoopers, RBC Capital Markets, RBC Economics, RealNet Canada Inc., Rogers Media, Statistics Canada, Scotia Capital, TD Economics, Toronto Star, Torto Wheaton Research, Urban Land Institute, United States Department of the Treasury, York Communications

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