2025

Third Quarter Update

Morguard Canadian Economic Outlook and Market Fundamentals 27th Annual Edition

Canadian Real Estate: Investors Remain Confident

Morguard 50 YEARS

CONTENTS

Q3

ABOUT

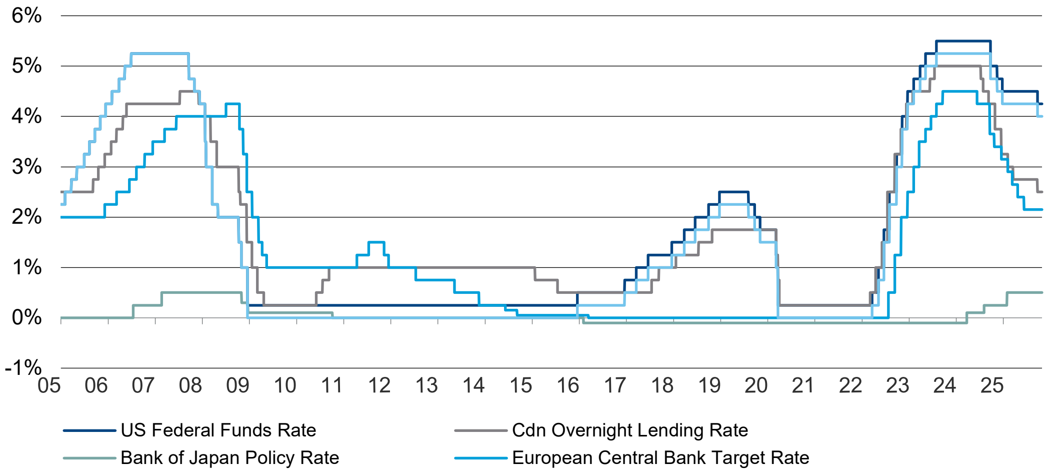
FINANCIAL REPORT

THIRD POLICY RATE CUT OF THE YEAR WAS ANNOUNCED

The Bank of Canada (BoC) announced its third overnight policy rate cut of the year in the third quarter. The target for the bank's overnight rate was lowered by 25 basis points (bps) to 2.5% on September 17. This lowering of the bank's target overnight rate represented a first dating back to March 2025.

OFFICIAL POLICY RATES

International Monetary Conditions



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

The bank's decision to cut the overnight policy rate was attributed to two main factors. The first factor was the impact of U.S. tariffs on Canadian economic performance. Real Gross Domestic Product (GDP) contracted 1.6% in the second quarter. In turn, job growth slowed substantially as economic uncertainty increased. Canada's manufacturing sector was most directly impacted by the imposition of tariffs on Canadian goods. The second factor was that inflation continued to rest within the bank's target range. The bank restated its intention to monitor inflation pressures going forward in its September 17 rate announcement. In addition, the bank stated its desire to "proceed carefully, with particular attention to the risks and uncertainties." The impact of U.S. tariffs on Canada's economic performance, labour market, and business investment will continue to factor into future rate cut decisions. We may see another rate cut by the end of 2025 in addition to the 25-bps cut in the third quarter.

INFLATION TICKED SLIGHTLY HIGHER

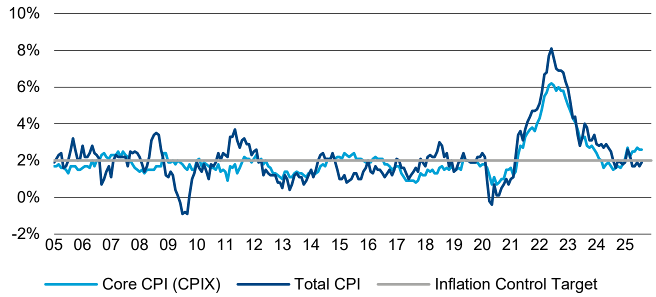
Canada's Consumer Price Index (CPI) reading ticked slightly higher in the third quarter. The CPI August all-items reading was 1.9%, 20 bps higher month-over-month (MoM) on a year-over-year (YoY) basis. Previously, the CPI had rested below the 2.0% mark dating back to March 2025. Headline inflation accelerated in August, due in large part to more modest downward pressure on gasoline prices. All-items inflation eased somewhat, due largely to lower prices charged for travel tours and fresh fruit. Meat prices grew at a faster rate in August than in July. Core inflation accelerated slightly in August to 2.5% from 2.4% in July. Excluding taxes, core inflation has surpassed the 2.0% YoY mark dating back to November of last year. Looking ahead over the near term, core price growth pressures are expected to ease. The cost of renting is projected to continue to decline as vacancy continues to rise. Rental prices, as defined in the CPI, were 4.5% higher YoY as of August 2025. Mortgage interest inflation is also expected to decline over the near term, having risen by 4.0% YoY. Consumer price growth is expected to continue to cool over the near term, having ticked slightly higher in the third quarter.

FIFTH CONSECUTIVE POSITIVE RETURN RECORDED

The S&P/TSX Composite Index registered a fifth consecutive positive return in the third quarter. The index generated a positive 11.8% return, pushing the year-to-date figure to 21.4%. The Materials sector was the main driver of the strong third-quarter performance. This sector posted a 37.4% return for the period. Within this sector, gold mining companies were the star performers. Gold prices rose by roughly 17.0% in the third quarter, which pushed share values markedly higher. Investors looked to the gold mining industry as a relatively safe investment during a period of elevated economic and geopolitical uncertainty. Nine of the 11 sectors contained in the S&P/TSX Composite in the third quarter registered gains. The Financials, Information Technology, and Energy sectors posted the strongest results, with returns of 9.7%, 9.0%, and 8.3%, respectively. In addition, the Communications Services, Real Estate, and Consumer Discretionary sectors posted solid performances over the same period. Consumer Staples and Industrials were the only two sectors to post negative returns, both of which were modest. In summary, the S&P/TSX Composite Index generated a fifth consecutive positive quarterly return in the third quarter.

NATIONAL INFLATION

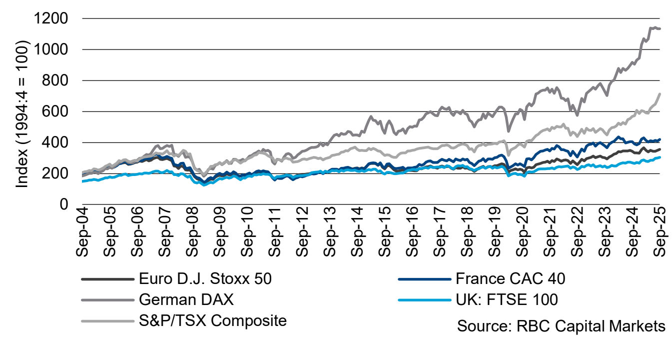
CPI Measures, % Change Over 1 Year Ago



Source: Bank of Canada, Statistics Canada

GLOBAL INDICES

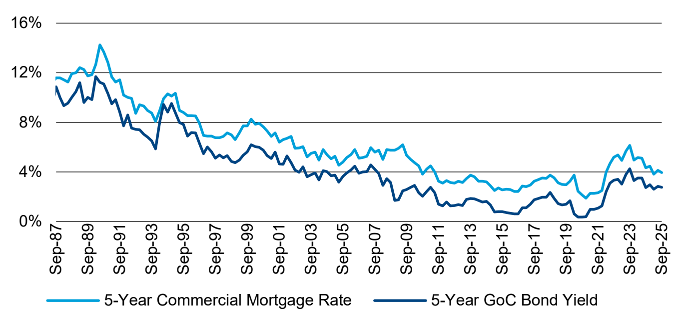
Trending of Global Price Return Indices



Source: RBC Capital Markets

MORTGAGE SPREADS

Commercial Mortgage Rates Vs. 5-Year GOC Bonds

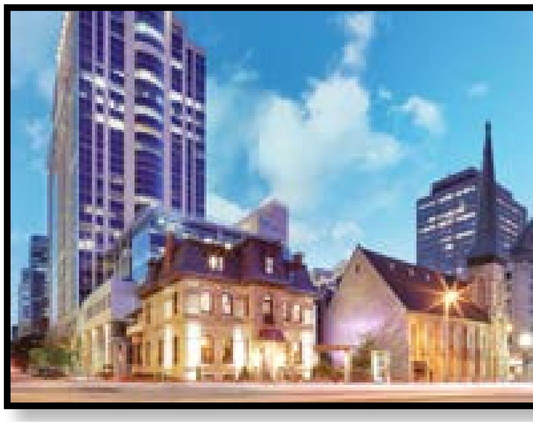


Source: RBC Capital Markets, Bank of Canada

Canada's Consumer Price Index reading ticked slightly higher in the third quarter.

INVESTMENT REPORT

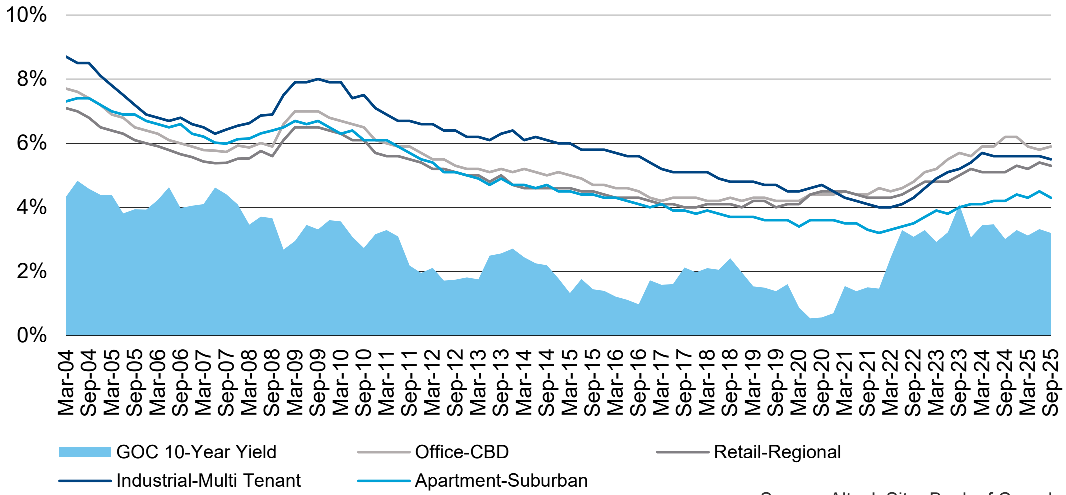
INVESTMENT TRANSACTION VOLUME TICKED HIGHER



Canadian investment property transaction volume ticked higher in the third quarter. Transaction volume of just under $3.8 billion was reported for the three-month period for properties sold for $10.0 million or higher across six major Canadian markets. Investment activity slowed considerably in the previous quarter when transaction volume fell to a near five-year low level.

YIELD SPREADS

Cap Rates vs. 10-Year GOC Bonds



Source: AltusInSite, Bank of Canada

Transaction volume increased in all four major property types, quarter-over-quarter (QoQ). The $1.3 billion multi-suite residential rental property investment sales volume exceeded the one-, three-, and five-year quarterly averages and was higher by 62.5% QoQ. The $1.4 billion of industrial property sales was 41.1% higher QoQ, but fell short of the three- and five-year quarterly averages. The $480.9 million of office property sales volume represented a relatively modest $145 million QoQ rise. Retail sales volume reached $532.7 million, up from $285.6 million over the previous period. This figure was less than the one-, three-, and five-year quarterly averages for the asset type. There was little change in investment demand patterns observed in the third quarter. Investors continued to focus on high-rise and/or recently built multi-suite residential rental property acquisitions. Functional warehouse and logistics space were also popular acquisition targets. Interest in office property acquisitions remained low by historical standards. However, investor confidence has risen with the increase in return-to-office mandates. Grocery anchored centres and properties with intensification potential were popular investor targets in the third quarter, a period during which overall investment sales volume ticked higher.

MULTI-SUITE RESIDENTIAL RENTAL PROPERTY SALES UPTICK RECORDED

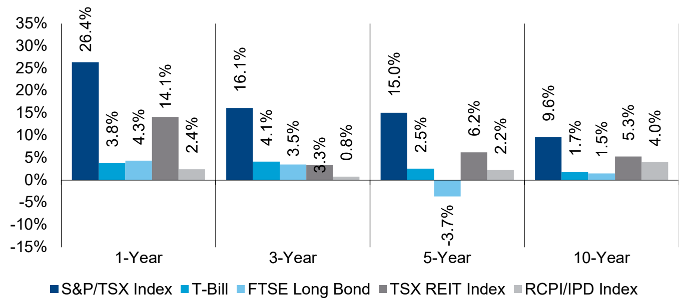
A multi-suite residential rental property investment sales uptick was recorded in the third quarter, representing an extension of the year-to-date trend. Investment sales volume rose to $1.3 billion, marking a third consecutive QoQ increase. The third-quarter sales uptick was fueled by several large transaction completions in Eastern Canada. In Montreal, Boardwalk REIT acquired Central Parc 1,2, and 3 in Laval for $249.0 million, Kejja Group purchased 99-101 Place Charles-Le Moyne for $98.5 million and Realstar Group picked up 5885 Marc-Chagall Avenue for $137.0 million. In Toronto, LaSalle Investment Management closed on its acquisition of 740 Dupont Street for $152.4 million at the end of the quarter. Investors continued to exhibit strong interest in acquiring large, high-rise properties in Canada's largest cities. Additionally, new mid-rise property offerings generated strong interest across the country. Buyers looked for investment opportunities in a sector with a healthy medium-to-long-term performance outlook. Investment demand continued to outpace available supply in support of largely stable valuations and capitalization rates. This stability helped drive multi-suite residential rental property investment sales volume higher in the third quarter and year-to-date.

INDUSTRIAL PROPERTY INVESTMENT SALES ACTIVITY REMAINED TEPID

Industrial property investment sales activity remained tepid in the third quarter, continuing the trend of the past few years. This tepidness is attributable to more than one factor. Investment sales activity continues to be limited by a sufficiently wide spread between vendor and purchaser acquisition pricing expectations. In addition, the still high cost of capital was an obstacle for some buyers. In some cases, buyers preferred to remain on the sidelines during a period of heightened economic and geopolitical uncertainty. Investors faced stiff competition from owner/users when bidding on assets for investment purposes. Owner/users accounted for the largest share of the 56 properties sold for $10 million or more. Product availability was a factor in the tepid investment sales environment. Relatively few large-scale properties were available, limiting investment sales activity. A relatively modest $1.4 billion of industrial property investment sales volume was reported for the third quarter. This investment sales volume total was in line with the annual quarterly average, but lower than the three- and five-year averages. In summary, industrial property investment sales activity remained tepid in the third quarter.

RELATIVE PERFORMANCE

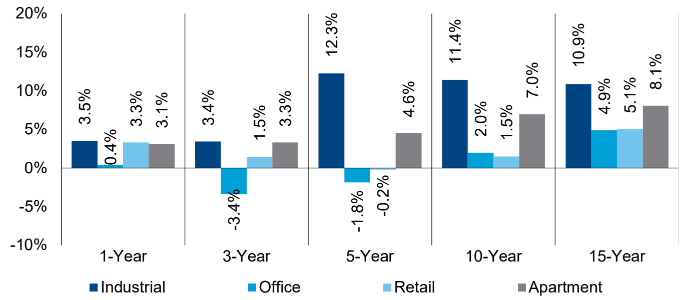
Comparing Annualized Returns To June 2025



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

MSCI RETURNS

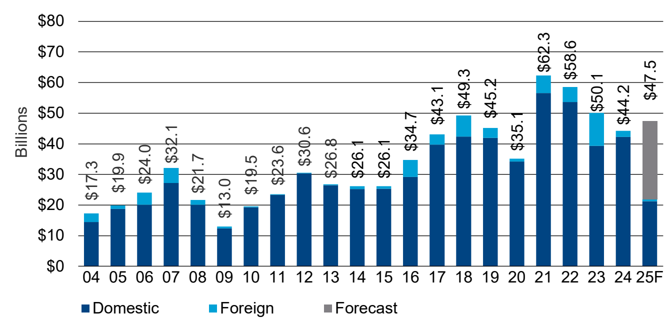
Annualized Returns By Property Type To June 2025



Source: © MSCI Real Estate 2025

INVESTMENT ACTIVITY

Total Investment Volume



Source: CBRE Limited; Morguard

Investors continued to exhibit strong interest in acquiring large, high-rise properties in Canada's largest cities.

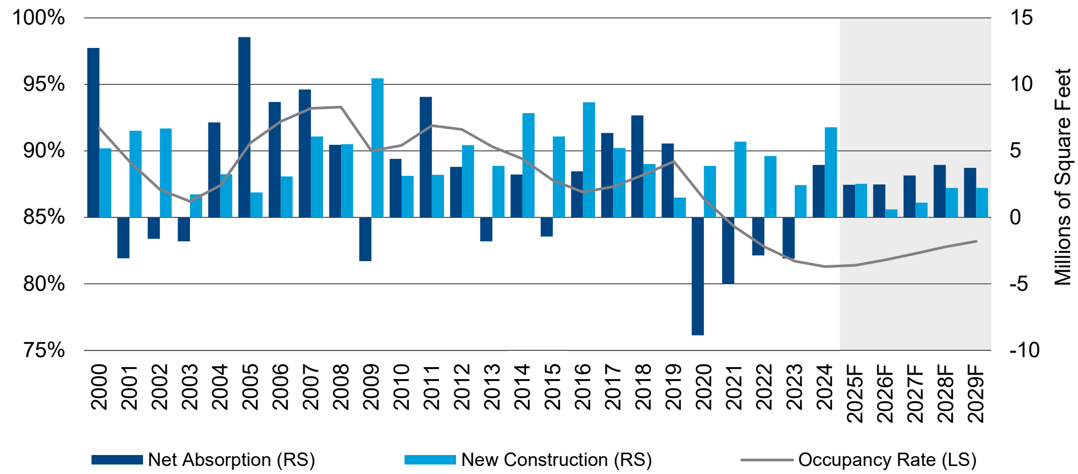
LEASING REPORT

TORONTO'S DOWNTOWN OFFICE LEASING MARKET SOARED

Toronto's downtown office leasing market soared in the third quarter with close to 1.5 million square feet of Class A space absorbed. This strong showing was attributed in large part to the return-to-office mandates of the nation's largest banks and public sector. Leasing demand surged during the period as the highest-quality downtown Class A space became increasingly scarce.

OFFICE DEMAND & SUPPLY

National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors (Q2 2025)

The national office leasing market picture improved in the third quarter, due primarily to a strong downtown Toronto performance. National net absorption totaled more than 1.1 million square feet. Calgary, London, and Halifax posted moderately positive third-quarter net absorption totals. Edmonton, Winnipeg, Ottawa, and Montreal saw the return of a significant volume of vacant space to their respective markets. Nationally, office leasing demand outpaced supply. Consequently, the nation's vacancy rate fell 30 bps in the third quarter to 18.4%. The nation's downtown Class A vacancy average fell 90 bps over the same period to a relatively healthy 16.1%. The suburban Class A average stood at 18.4% at the end of September, unchanged from the previous quarter. Looking ahead to the final few months of 2025 and into early next year, leasing demand is expected to strengthen as workers continue to return to their physical offices on a more frequent basis. In some cases, tenants will be forced to expand to accommodate their returning employees. Class A space availability will continue to decline, continuing the third quarter trend.

UNEVEN INDUSTRIAL LEASING MARKET PERFORMANCE RECORDED

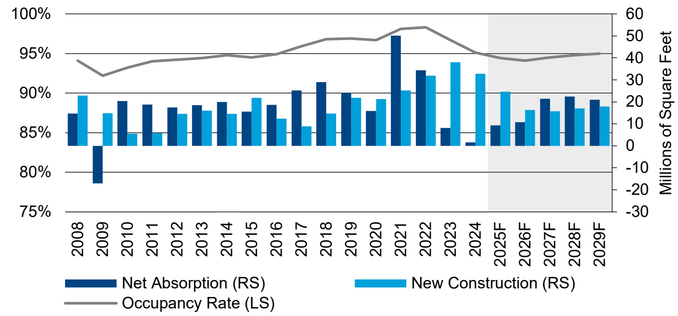
A somewhat uneven industrial leasing market performance was recorded in the third quarter. Absorption totals reflected this unevenness. Toronto, Edmonton, Calgary, and London posted positive absorption totals ranging from a low of 404,000 square feet to a high of just shy of 1.7 million square feet. These positive absorption totals were more than offset by materially negative results in Winnipeg, Waterloo, Ottawa, and Montreal. The national net absorption figure was negative at roughly 676,000 square feet according to CBRE figures. With industrial leasing demand falling short of supply in the third quarter, the national availability rate continued to rise. The 5.5% availability rate reported in the third quarter was 20 bps higher QoQ and 130 bps higher YoY. The availability rate has risen steadily since falling to a record low of 1.5% three years ago. The rising availability trend of the past three years was driven by a surge of new supply deliveries and demand moderation. The subsequent market rebalancing was evidenced in the uneven third quarter leasing performance.

PERSISTENT DOWNWARD PRESSURE ON ASKING RENTS REPORTED

Persistent downward pressure on multi-suite residential rental property posted asking rents was reported in the third quarter, continuing the trend of the past year. This persistent downward pressure is attributable largely to increased availability and a moderately weaker rental demand trend. The average posted rent for the nation's top 35 markets stood at $2,093 per month as of September 2025, according to Rentals.ca. This average declined over 12 consecutive months and was 2.1% lower YoY. The August average posted rent was only slightly higher at $2,095, but was 1.7% lower YoY. Additionally, the rate at which the average monthly rent has declined accelerated in the third quarter. By unit size, one-bedroom posted asking rents have fallen more quickly at 3.8% YoY. The average asking rent for studio units fell by a relatively modest 1.9% and the two-bedroom average by 2.4%. The three-bedroom size category has exhibited a measure resilience with the average posted asking rent rising 0.9% YoY as of September. This rent resilience is due largely to low tenant turnover rates. Fewer renters of three-bedroom units have moved into the home ownership market while interest rates are still high and economic uncertainty levels remain elevated. Despite this resilience, persistent downward pressure on posted asking rents remained the overriding multi-suite residential rental market theme in the third quarter.

INDUSTRIAL DEMAND & SUPPLY

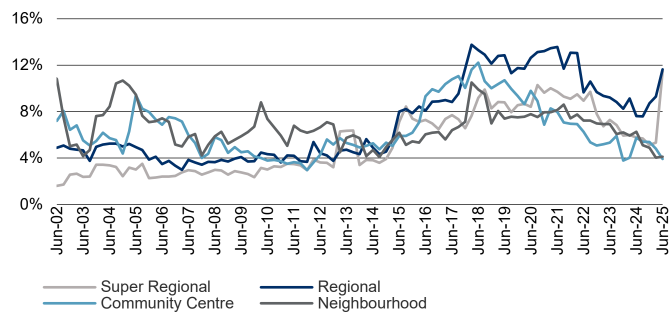
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors (Q2 2025)

RETAIL VACANCY RATES

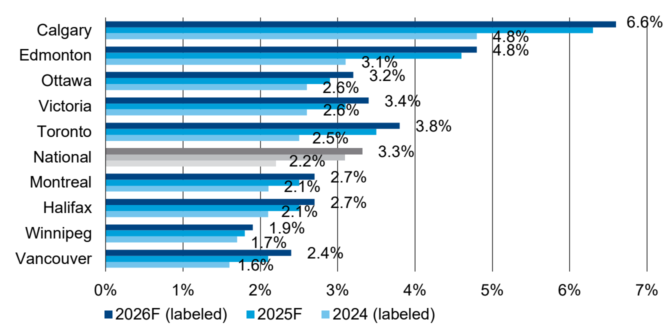
National Trending Across Property Types



Source: © MSCI Real Estate 2025

CMA'S RENTAL VACANCY

Rates for Structures of 3 units+



Source: CMHC (HMO Feb 2025 & Summer Update)

With industrial leasing demand falling short of supply in the third quarter, the national availability rate continued to rise.

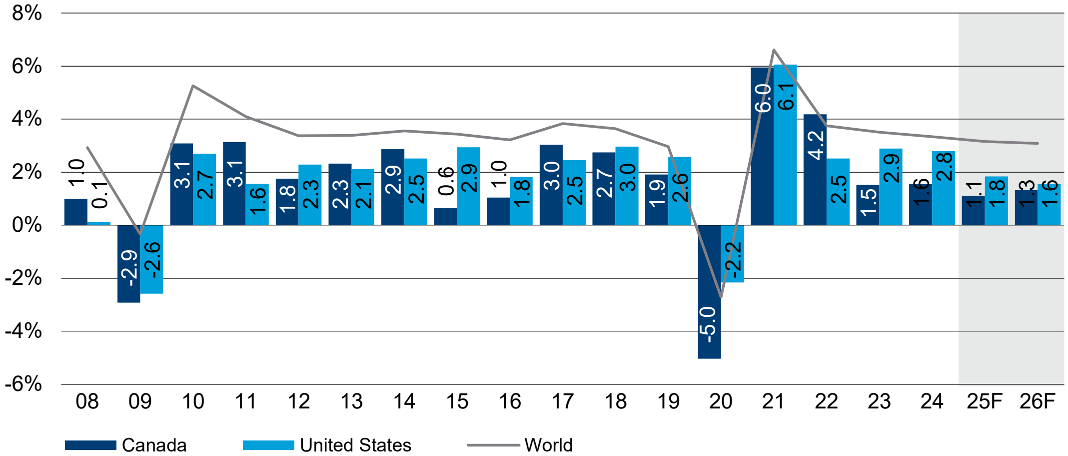
ECONOMIC REPORT

ECONOMY STABILIZED AFTER TARIFF-DRIVEN DECLINE

Canada's economy exhibited signs of stabilization in the third quarter, following the tariff-driven contraction in the previous quarter. Real Gross Domestic Product edged 0.2% higher in July, MoM. This increase partially offset the three previous monthly declines. Canadian exporters appeared to have adjusted to the negative impacts of U.S. tariffs.

ECONOMIC GROWTH

Real GDP Growth — Historical & Forecast



Source: Conference Board of Canada (Sept 2025); International Monetary Fund (Oct 2025)

Canada's economic outlook remained uncertain in the third quarter, despite a measure of stability. This uncertainty is due in large part to anticipated changes in U.S. trade policy over the final few months of this year and in 2026. The effects of U.S. tariffs on certain export-sensitive industries were already being felt in the third quarter. Output in the iron and steel mill and ferro alloy manufacturing industries was 24.8% below the February 2025 level in July, as reported by Statistics Canada. In March 2025, the U.S. imposed a 25.0% tariff on imported steel, which was subsequently doubled in June 2025. In July, Canadian steel industry activity fell 19.1%. Steel product manufacturing output fell by 2.9% in the same month. Exports of unwrought iron, steel, and ferro alloy were 25.5% lower in July than in February 2025. Canada's economy is projected to expand at a relatively slow pace over the near term due in large part to the negative impacts of U.S tariffs and economic uncertainty.

LABOUR MARKET REMAINED WEAK

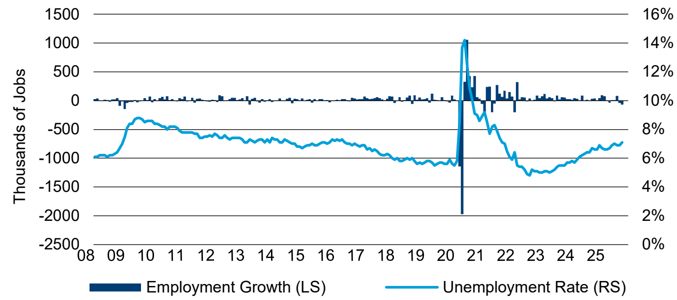
Canada's labour market remained relatively weak in the third quarter, continuing the year-to-date trend. More jobs were lost than created as employment declined in both July and August, with 41,000 and 66,000 job losses recorded, respectively. These losses were partially offset by a somewhat surprising 60,000 jobs created in September, more than half of which were in the public sector. Employment has increased by just 22,000 positions, or 0.1%, on a net basis between January and September 2025. The nation's unemployment rate edged 20 bps higher in the third quarter to 7.1% as Canada's labour force additions outpaced job growth. This rate has increased by more than 50 bps year-to-date and was the highest rate reported since May 2016 (excluding the 2020-2021 pandemic period). The unemployment rate for Canada's younger workers continued to rise in the third quarter. This rate had risen by 120 bps YoY and represented a high dating back to 2010 (excluding 2020-2021). Securing employment was challenging for all age cohorts of Canada's workforce in the third quarter. Only 15.2% of unemployed workers were able to find jobs in August. There has been little change in job market participation recorded over the past year. In summary, Canada's labour market remained weak in the third quarter.

UPWARD RESALE HOME SALES MOMENTUM CONTINUED

The upward resale home sales momentum of the recent past continued in the third quarter. This positive momentum was due largely to pent-up housing market demand and interest-rate normalization. Sales activity increased by a seasonally adjusted annualized rate of 6.7% in the third quarter, according to the Canadian Real Estate Association's (CREA) figures. Consecutive monthly increases were reported between April and July 2025. A modest decrease was recorded in September. However, sales reached the highest level since 2021 for the same month, according to the CREA. While upward sales momentum continued in the third quarter, the average sale price was relatively flat. The actual average price paid for a resale home in Canada increased by just 0.7% YoY in September. In addition, there was little change in the MLS Home Price Index national benchmark price reported in the second and third quarters of 2025. According to CREA, there were "more buyers in the market than at almost any other point in the last four years" in September. The third quarter upward sales momentum is, therefore, expected to continue through to the end of 2025 and into 2026.

LABOUR MARKET

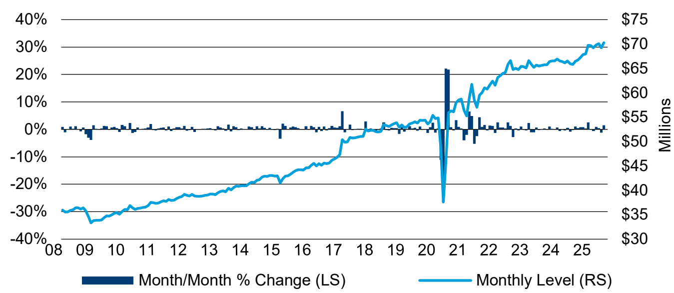
Month-Over-Month Trending



Source: Statistics Canada

RETAIL SALES

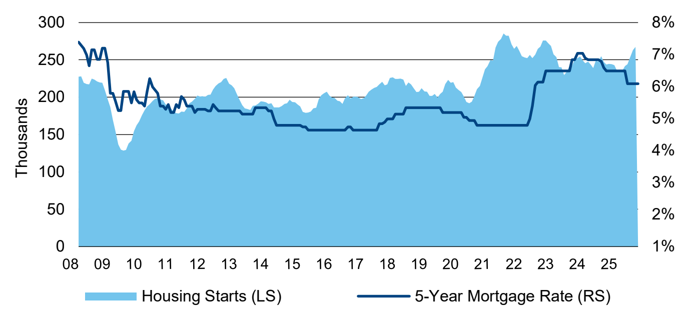
Month-Over-Month Trending



Source: Statistics Canada

HOUSING MARKET

Monthly Trends



Source: Statistics Canada, CMHC, Bank of Canada

The actual average price paid for a resale home in Canada increased by just 0.7% YoY in September.

INVESTMENT MARKET TRANSACTIONS

OFFICE

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER	MARKET
415 Yonge St	Sep-25	$59.2 M	192,036	$308	KingSett Capital	Toronto
700, 750 West Pender St*	Aug-25	$125.0 M	293,096	$426	KingSett Capital	Vancouver
2200, 2220 McGill College Ave	Jul-25	$35.2 M	127,000	$277	Optibec	Montreal

INDUSTRIAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER	MARKET
700 Clayson Rd	Sep-25	$134.5 M	458,512	$293	Pure Industrial REIT	Toronto
57, 63 Galaxy Blvd	Sep-25	$18.6 M	64,606	$287	Hazelview	Toronto
150, 190 Britannia Rd E	Sep-25	$26.5 M	81,152	$326	KOLT Investments	Toronto
11400 Steeles Ave E	Sep-25	$143.0 M	639,839	$223	Sun Life Assurance	Toronto
55, 61 Milne Ave, 67 Butterworth	Sep-25	$24.2 M	133,458	$181	Regency Capital	Toronto
197 Norseman St	Sep-25	$67.0 M	$251,394	$267	W.P. Carey Inc	Toronto
6325 Northam Dr	Jul-25	$20.0 M	80,444	$249	JDP Properties Inc	Toronto
20600 Clark-Graham Ave	Jul-25	$25.8 M	140,000	$184	Pure Industrial REIT	Montreal
35, 45 Staples Ave	Jul-25	$59.9 M	199,864	$300	Dream Industrial REIT	Toronto

RETAIL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER	MARKET
Meadowlands Mall	Sep-25	$44.4 M	207,690	$214	Salthill Capital	Ottawa
Plaza & Galeries Don Quichotte	Sep-25	$28.3 M	132,962	$212	Private	Montreal
Rockwood Mall	Aug-25	$90.0 M	303,059	$297	BentallGreenOak	Toronto
Centre Carnaval Lasalle	Aug-25	$62.0 M	221,747	$280	Canac	Montreal
Taylor’s Crossing*	Jul-25	$26.0 M	45,455	$572	Spire Development Corp.	Vancouver
Northpointe Town Ctr	Jul-25	$54.5 M	202,300	$269	CT REIT	Calgary
3933, 4491 Saint-Charles Blvd	Jul-25	$18.0 M	91,085	$197	KDM Realty	Montreal

MULTI-SUITE RESIDENTIAL

PROPERTY	DATE	PRICE	# UNITS	/UNIT	PURCHASER	MARKET
740 Dupont St	Sep-25	$152.4 M	210	$725,714	LaSalle Investment Mgt.	Toronto
5885 Marc-Chagall Ave	Sep-25	$137.0 M	286	$479,021	Realstar Group	Montreal
Central Parc 1,2,3	Sep-25	$249.0 M	541	$460,259	Boardwalk REIT	Montreal
3928 Green Falls Dr	Sep-25	$76.4 M	320	$238,594	CAPREIT	Regina
7400 Beaubien St E	Sep-25	$23.0 M	115	$200,000	Kitov Investments Inc	Montreal
495 Prince-Arthur St W	Sep-25	$16.8 M	74	$226,351	Montreal Capital Inc	Montreal
1741 West 10 Ave	Aug-25	$25.3 M	59	$427,966	Private	Vancouver
99-101 Place Charles-Le Moyne	Aug-25	$98.5 M	386	$255,181	Groupe Kejja	Montreal
Clanton Capital Portfolio	Aug-25	$37.0 M	155	$238,417	Dabcorp L.P.	Montreal
8770 Granville St	Aug-25	$12.2 M	48	$254,167	Welbec Properties	Vancouver
30 McEwen Ave	Aug-25	$53.0 M	227	$233,480	Saickley Properties	Ottawa
AVA Montreal	Aug-25	$54.5 M	121	$450,413	CAPREIT	Montreal
11350 128 St	Jul-25	$29.3 M	89	$328,708	Lankin Investments	Edmonton
5000 Clover Bar Rd	Jul-25	$49.0 M	208	$235,337	Oneka Land Company Ltd	Edmonton
Dancap/SiteLine Group Portfolio	Jul-25	$82.3 M	256	$321,289	Lankin Investments	Toronto
RioCan Ottawa Portfolio (50% int.)*	Jul-25	$136.0 M	604	$450,331	Killam Properties	Ottawa

*share sale

ABOUT

Morguard is a fully integrated real estate company with a diversified, high-quality portfolio of assets across North America. We have built our business with strong leadership, proven management and significant long-term growth for 50 years. As of September 30, 2025, Morguard had $19.1 billion of total assets under management and employed 1,100 real estate professionals in 11 offices throughout North America.

Publicly Traded Real Estate Company	Morguard Corporation
Publicly Traded Real Estate Investment Trusts	Morguard REIT
	Morguard North American Residential REIT
Real Estate Advisory Company	Morguard
Real Estate Brokerage	Morguard Investments Limited
Investment Management Company	Lincluden Investment Management Limited

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