2024 CANADIAN ECONOMIC OUTLOOK

AND MARKET FUNDAMENTALS REPORT

26TH ANNUAL EDITION

MORGUARD

CANADIAN REAL ESTATE:

POISED TO STRENGTHEN

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METROPOLITAN

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NATIONAL ECONOMIC & REAL ESTATE OUTLOOK

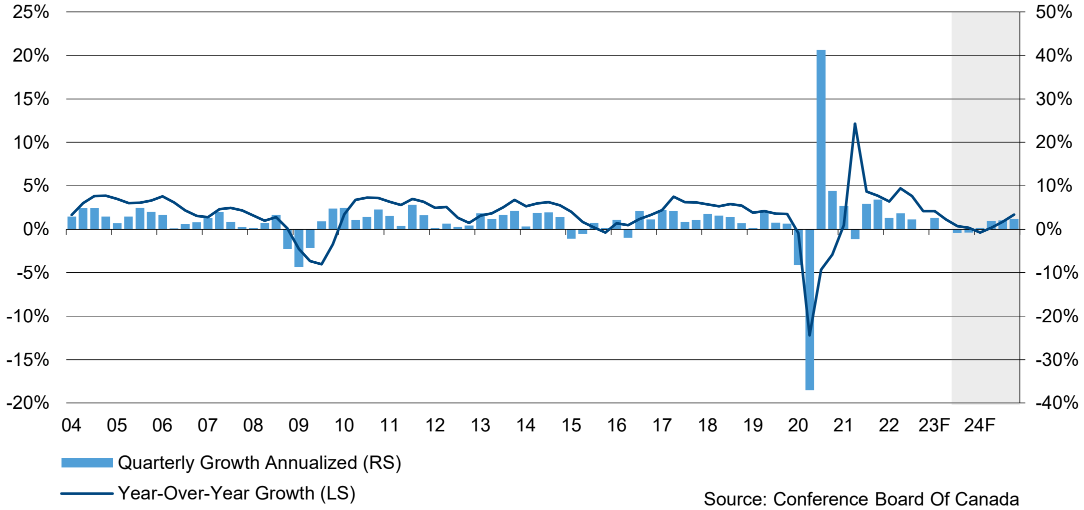
ECONOMIC REPORT

CANADA'S ECONOMY BEGAN TO GEAR DOWN

Canada's economy began to gear down during the first half of 2023, a trend that was expected to continue over the near term. Output contracted by 0.2% on an annualized basis in the second quarter of 2023, after a strong start to the year. Real Gross Domestic Product (GDP) expanded by an annualized rate of 2.6% in the first quarter, driven largely by a retail spending surge. A relatively weak economic growth pattern is forecast for the second half of 2023 and much of the first half of 2024.

CANADIAN REAL GDP GROWTH

% Change



Source: Conference Board Of Canada

A series of one-off events contributed to economic gearing down of the recent past. Labour disruptions had a negative impact on growth in several sectors of the nation's economy. In April, approximately 120,000 federal employees were on strike. British Columbia's porter strike disrupted $11.0 billion of trade during the second quarter, according to a TD Financial report. Oil and gas production was halted during much of the summer, due to out-of-control wildfires. Retail sales slowed during the second quarter, as higher interest rates eroded consumer spending power. Retail spending has been a key economic growth driver over the past several years. Real GDP was flat in July. Statistics Canada's advanced estimate called for a modest 0.1% month-over-month gain for August. Over the near term, Canada's economy is expected to either expand modestly or contract slightly over the near term, having slowed substantially during the first half of 2023.

LABOUR MARKET COOLED AFTER EXTENDED PERIOD OF RESILIENCE

Canada's labour market cooled over the recent past, after an extended period of resilience. Labour market demand slowed substantially, as higher borrowing costs and inflation eroded business confidence. The nation's employment growth trend softened, with an average of roughly 12,000 jobs created on a monthly basis between May and July 2023. The average had climbed as high as 80,000 earlier in the year. As hiring activity slowed, the nation's labour force expanded significantly. International migration drove Canada's labour market supply markedly higher. Labour supply outdistanced demand over the recent past, resulting in modest upward pressure on the unemployment rate. The national unemployment rate stood at 5.5% in August 2023, up 50 bps from the end of March. The unemployment rate rose in three consecutive months ending in July, which was a first dating back to the early months of the COVID-19 pandemic. Wage growth also began to slow recently, although the rate of increases exceeded inflation. In summary, Canada's labour market cooled during the first half of 2023, on the heels of an extended period of resilience.

RETAIL SALES GROWTH MODERATION RECORDED

Retail sales growth moderated recently, a trend that was not overly surprising. A slight increase in retail sales volume was recorded for the second quarter of 2023, following a robust 4.7% annualized gain over the first three months of the year. By the late summer, retail spending patterns had begun to soften substantially. Several factors contributed to the slowdown. A larger share of household income was allocated to non-discretionary spending. Higher borrowing rates took a significant bite out of Canadian household finances. Mortgage rates and consumer debt interest payments had increased substantially. As a result, consumer spending power had trended markedly lower. Although inflation has decreased significantly recently, pricing remained elevated. As a result, consumers were forced to cut back on spending. The threat of a recession eroded consumer confidence, resulting in fewer purchases. Spending on big-ticket items slowed, due in large part to higher borrowing rates. In addition, hiring activity began to slow recently, which also eroded consumer confidence. Over the near term, retail sales growth is expected to remain moderately positive, in keeping with the recent trend.

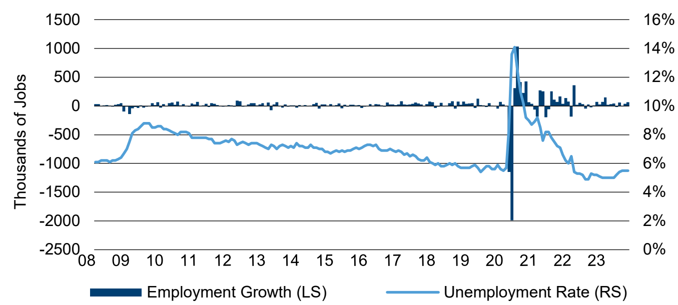
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
REAL GDP GROWTH*	▲	▼
UNEMPLOYMENT	▼	▲
RETAIL SALES GROWTH*	▼	—
HOUSING STARTS*	▼	▼
TRADE BALANCE*	▼	▼
TOTAL INFLATION	—	▼

* The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

LABOUR MARKET

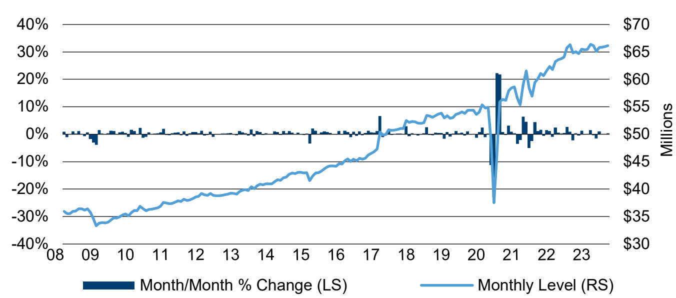
Month-Over-Month Trending



Source: Statistics Canada

RETAIL SALES

Month-Over-Month Trending



Source: Statistics Canada

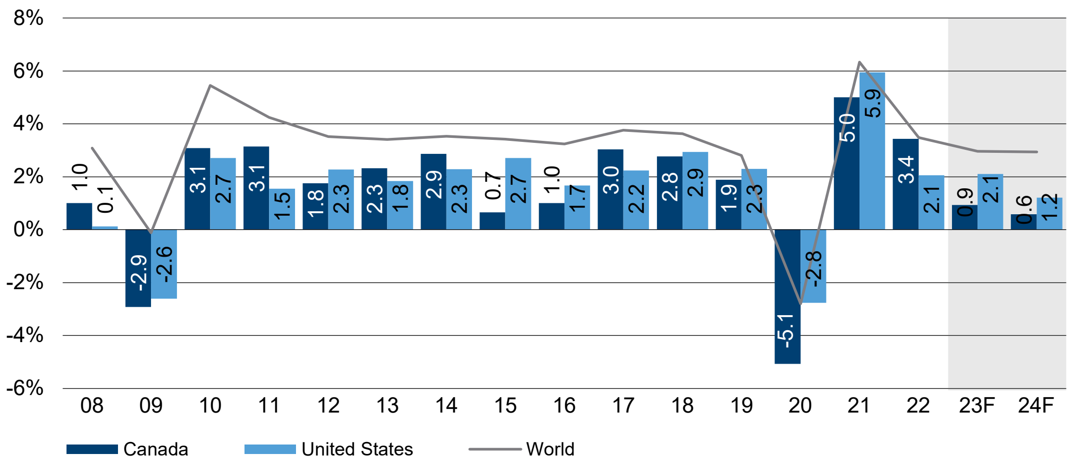
ECONOMIC OUTLOOK

GROWTH OUTLOOK IS MODEST

Canada's economic growth outlook is relatively modest when compared with much of the past few years. Real GDP is predicted to rise by between 1.0% and 1.5% in 2024, only marginally better than the 2023 gain. Canada's economic growth trend is expected to strengthen in 2025, with national output increasing by between 2.0% and 2.5%. The relatively modest economic growth outlook can be attributed to several factors in combination.

ECONOMIC GROWTH

Real GDP Growth — Historical & Forecast



Source: Conference Board Of Canada (Sept 2023); International Monetary Fund (Oct 2023)

Higher interest rates will limit economic activity over the near term. Businesses and consumers will hold off on spending while interest rates remain high. Consumers will continue to spend a disproportionately larger share of their total income on servicing debt while continuing to cut back on discretionary spending. The nation's labour market is expected to underperform in the latter half of 2023 and early 2024, which will erode business and consumer spending and confidence.

Ongoing inflation pressure will also have a negative impact on growth over the near term. Residential housing market activity and investment will remain muted over the near term. As a result, output in residential market-related sectors will fall short of expectations. Government subsidies for clean energy and infrastructure projects will wind down, thereby reducing output in certain industries. In short, Canada's economy is projected to expand at a relatively modest rate over the near term.

WEAKER LABOUR MARKET TRENDS EXPECTED

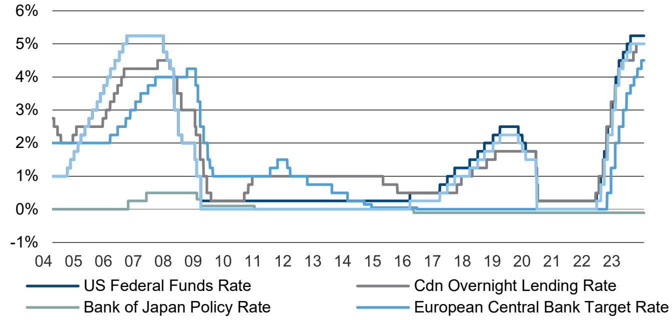
Weaker labour market trends are expected over the final few months of this year and through much of 2024, in keeping with the recent trend. The forecast softening is predicated largely on the continuation of a relatively weak economic growth trend. Canada's economy is projected to expand by between 1.0% and 1.5% in 2024, which is only slightly better than the 2023 performance. Canada's labour market is expected to loosen somewhat over the near term. Labour force growth will outstrip hiring volumes over the next several quarters. The recent raising of the federal government's international immigration targets will support a strong labour force growth trend. Labour force growth will outstrip hiring volumes over the next several quarters. As a result, the nation's unemployment rate will increase modestly from the three-year low 5.3% average forecast for 2023. The rate will rise by a relatively modest 1.3% in 2024, following the 2.2% rise expected this year. Employment growth is expected to slow significantly in Quebec and in the Maritime provinces in 2024. Western Canadian provinces and Ontario will largely outperform. Wage growth is expected to moderate in 2024, as economic and job market growth weaken. In summary, weaker labour market trends are forecast for the near term, in keeping with the recent trend.

RETAIL SALES GROWTH TREND TO BEGIN TO STRENGTHEN

Canada's retail sales growth trend will strengthen in the second half of 2024. Retail consumption is projected to increase by a solid 2.9% in 2024, following the modest 2.2% rise forecast for 2023. Subsequently, growth is projected to average 3.1% annually through to 2027. Several factors will contribute to the 2024 retail sales growth uptick. The positive-growth outlook is predicated to some extent on a modest lowering of borrowing rates. As interest rates begin to fall, consumer confidence is expected to rise. As a result, retail spending will increase as consumers spend less on debt-servicing costs. Inflation is expected to gradually decline next year, which will also have a positive impact on discretionary spending patterns. Lower borrowing rates will result in stronger housing demand and activity levels. The increase will boost spending on housing-related items. In short, several factors in combination will result in a stronger retail sales growth trend over the near term.

OFFICIAL POLICY RATES

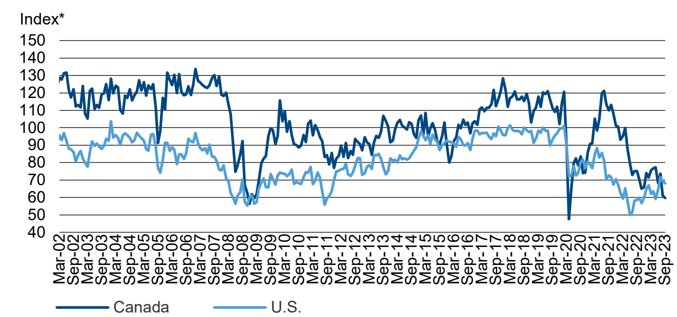
International Monetary Conditions



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

CONSUMER CONFIDENCE

Consumer Optimism About Economic Conditions

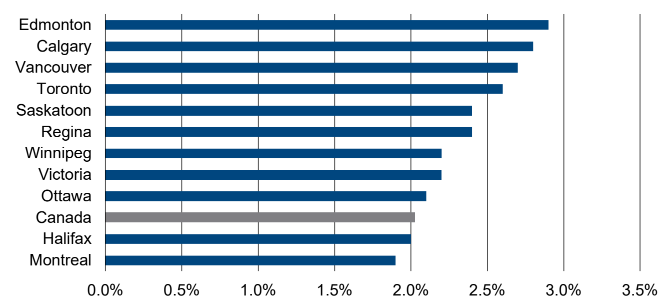


*Base year: Cdn = 2014, U.S. = 1966

Source: CBOC, University of Michigan

CMA REAL GDP GROWTH

2024 - 2027 Forecast



Source: Conference Board Of Canada

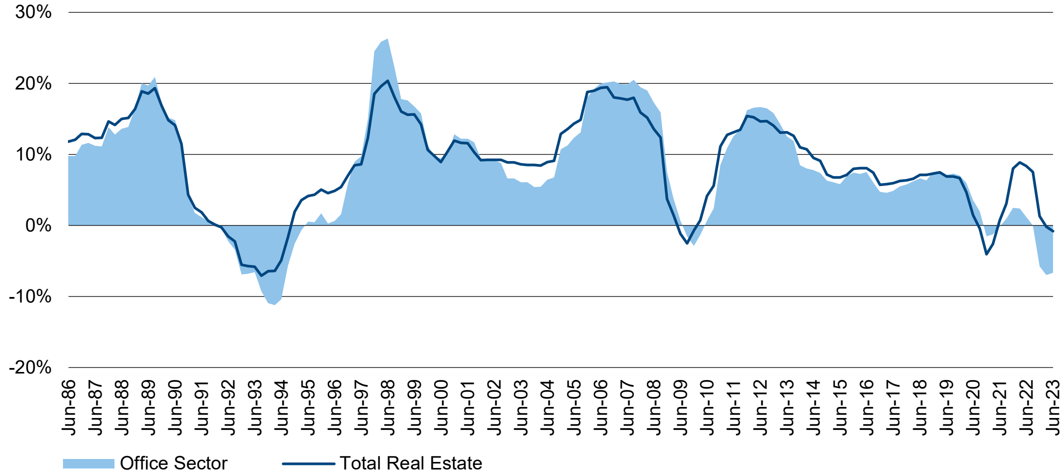
OFFICE OUTLOOK

LEASING MARKET DOWNTURN CONTINUED

Canada's pandemic-influenced office leasing market downturn continued through to the midway mark of 2023. The national vacancy rate stood at a 23-year high of 18.1% at the end of June, having increased by more than eight percentage points over the past three years. Leasing demand patterns have been relatively weak over the past three years, due largely to the changes in space utilization by Canada's businesses and government.

ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Office Performance



Source: RCPI, © MSCI Real Estate

Businesses and government continued to optimize their office space due in part to increased popularity of hybrid workplace models after the initial pandemic outbreak. In doing so, occupiers offloaded space when their leases expired or subleased unused space. Vacancy rates continued to rise, especially in the class B and C market segments. The volume of space placed onto the market exceeded volume of space space absorbed when tenants grew over the past three years.

Tenants exhibited a preference for short-term renewals and extensions, given an uncertain economic and market backdrop. As the market softened, downward rent pressure increased. Class A rents held up relatively well, due in part to an ongoing flight-to-quality. Downward rent pressure was strongest in the more challenged class B and C market segment. The downward rent pressure was indicative of the continued office leasing market downturn of the recent past.

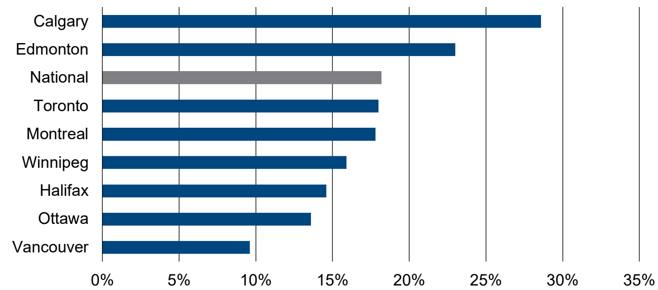
INVESTMENT PERFORMANCE WAS DECIDEDLY NEGATIVE

Canadian office property sector investment performance was decidedly negative over the past year, due in large part to the erosion of capital values. Office properties contained in the MSCI Index posted a negative total aggregate return of 6.7% for the year ending June 30, 2023. The negative result was a function of a cumulative capital decline of more than 11.0% over the same time-period. The income component of the performance was both positive and stable. The cumulative capital erosion was in part a reflection of the property valuation declines recorded in the broader market. Capitalization rates in Canada's major markets increased over the past year, due in large part to elevated levels of economic and office sector performance risk. Increases were relatively modest for lower-risk premium-quality assets. Upward pressure on yields was more pronounced for properties with riskier profiles, which were generally class B and C assets. More broadly, investors looked to achieve higher yields to offset higher borrowing costs and the increased risk. In some cases, vendors continued to command peak pricing when selling assets. As a result, purchasers and vendors were often unable to find common ground on pricing. In turn, investment sales activity declined sharply. There were very few significant asset sales reported during the latter half of 2022 and first half of 2023. The activity slowdown coincided with a period of decidedly negative investment performance.

Capitalization rates in Canada's major markets increased over the past year, due in large part to elevated levels of economic and office sector performance risk.

OFFICE VACANCY RATES

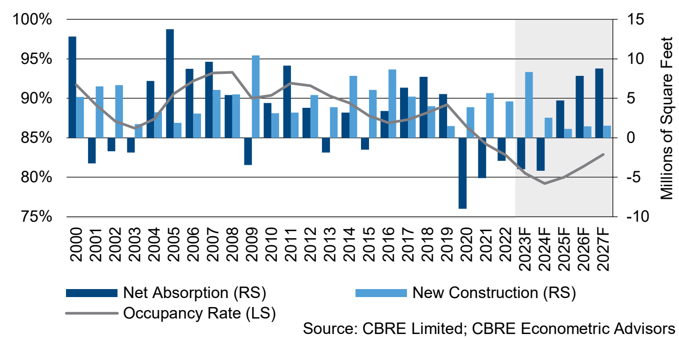
To Third Quarter - 2023



Source: CBRE Limited

OFFICE DEMAND & SUPPLY

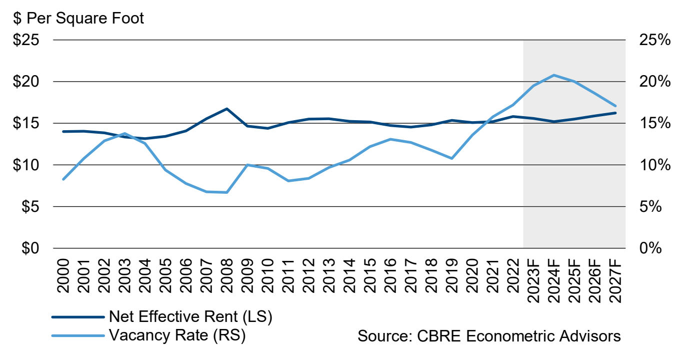
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

National Historical & Forecast Aggregates



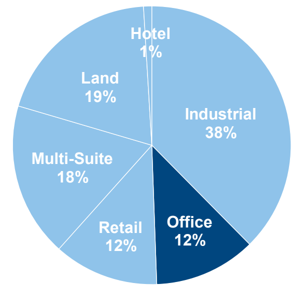
Source: CBRE Econometric Advisors

INVESTMENT SALES ACTIVITY SLOWED SIGNIFICANTLY

Investment sales activity in Canada's office property sector slowed significantly recently, with few significant transactions recorded. Just under $2.4 billion of investment sales volume was reported for the first six months of 2023. The total represented a 57.3% decline from the same time-period a year earlier. Sales of office property in the country's leading office markets began to slow in the second half of 2022, when aggregate transaction volume totalled $2.3 billion. The slowdown was a byproduct of the recent increase in office sector, economic, and financial market risk. As risk levels increased, investors focused on lower-risk acquisitions, which were primarily high-profile, premium-quality, and often stabilized assets. Investors exhibited higher levels of confidence in class AA and A assets in the country's largest downtown cores and in prime suburban nodes. Institutional groups and pension funds looked to reduce their exposure to the office sector by selling higher-risk and non-core assets. Private capital groups were the most active of the major buyer groups. In some cases, investors acquired properties for conversion to residential uses. In summary, office sector investment sales activity slowed significantly recently, in keeping with the broader investment property market trend.

TOTAL SALES BY PRODUCT

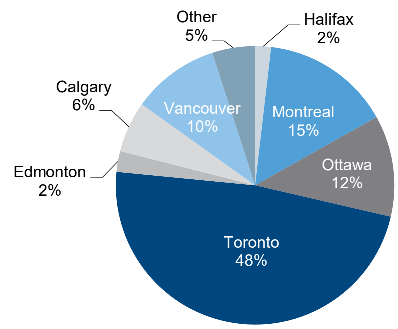
18 Months To June 2023



Source: CBRE Limited

OFFICE SALES BY CMA

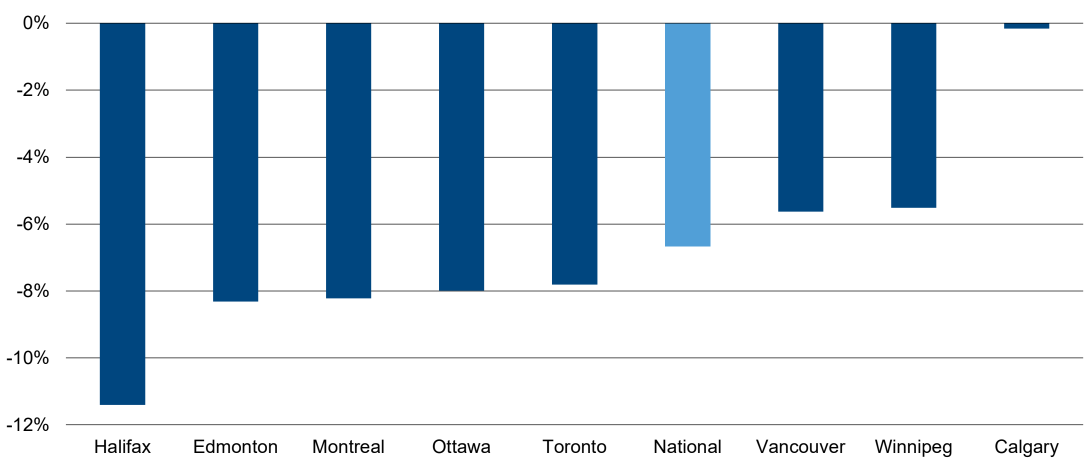
18 Months To June 2023



Source: CBRE Limited

OFFICE TOTAL RETURNS

For The 1-Year Period Ending June 2023



Source: © MSCI Real Estate 2023

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
4855-4885 Marc Blain St	Oct-23	$23.0 M	75,464	$305	Brasswater
625 Rene Levesque Blvd W	Sep-23	$16.2 M	120,000	$135	Groupe Mach
9200-9300 Transcanadienne	Aug-23	$121.5 M	575,795	$211	Equinix REIT
1245-1289 Greene Ave	Aug-23	$22.0 M	39,974	$550	Groupe Jesta
8851 Route Transcanadienne	Jul-23	$12.5 M	53,000	$236	Alexandria Equities
1245 Sherbrooke St W**	Jun-23	$49.9 M	217,377	$229	Nexarm Investments
Cominar GMA Portfolio	Jun-23	$63.5 M	433,595	$146	HS Properties
Cominar Portfolio Laval	Apr-23	$67.5 M	503,977	$134	Caracal Investments
4707-4787 Levy St	Feb-23	$16.5 M	105,560	$156	Alexandria Equities
Nexus Core Portfolio	Feb-23	$84.0 M	379,285	$222	Groupe Mach

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
66, 130 Slater St**	Aug-23	$72.5 M	382,906	$189	Katasa Gr/ARG Devco
St Laurent Crt	Aug-23	$12.5 M	63,248	$198	Capital City Asset Mgt.
360 Laurier Ave W**	Jul-23	$17.5 M	107,067	$163	CLV Group
340 Terry Fox Dr	May-23	$12.6 M	68,982	$183	SGC Enterprises Inc.
160 Elgin St	Apr-23	$277.0 M	973,611	$285	Groupe Mach
Camelot Business Ctr	Apr-23	$14.3 M	71,601	$199	First Bay Properties

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
6605 Hurontario St	Oct-23	$22.9 M	60,053	$381	RSG Holdings Ltd.
8200 Warden Ave	Sep-23	$83.0 M	563,000	$147	Veyron Global
1835 Yonge St	Sep-23	$20.8 M	66,828	$311	Regency Yonge Hldgs
3190 Steeeles Ave E	Aug-23	$18.5 M	58,464	$316	Meritus Holdings Inc
30, 30A Hazelton Ave	Aug-23	$11.3 M	13,646	$824	Andiamo Prop. Hldgs
2225-2255 Sheppard Ave E	Jul-23	$165.0 M	921,834	$179	Groupe Mach/Sarees
1 Valleybrook Dr	Jun-23	$13.9 M	67,171	$207	Private
1950 Mississauga Rd	Jun-23	$41.5 M	160,650	$258	SOTI Inc
7070 Mississauga Rd	May-23	$72.3 M	244,128	$296	Binscarth Holdings LP
HOOPP Miss. Portfolio	Apr-23	$74.5 M	230,941	$323	Soneil Investments
125 Commerce Valley Dr W	Mar-23	$48.3 M	189,045	$256	Soneil Investments
1235-1295 North Service Rd	Mar-23	$55.0 M	223,730	$246	Private
4475 North Service Rd	Mar-23	$12.0 M	71,672	$167	IAD Capital Corp.
1908 Colonel Sam Dr	Feb-23	$100.0 M	284,524	$351	O.P.G.
163 Queen St E	Feb-23	$29.3 M	37,412	$784	The Community Hub
720 Bay St	Jan-23	$135.0 M	247,700	$545	Alexandria Equities
1075 North Service Rd W	Jan-23	$22.2 M	107,854	$206	Regency Property

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
800 6th Ave SW**	Feb-23	$13.5 M	207,544	$65	Peoplefirst Devpts.
639 5th Ave SW	Jan-23	$22.0 M	280,425	$78	TriVan Capital

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Manulife Portfolio	May-23	$23.4 M	241,835	$97	Simplex Investment
Broadmoor Pl VII, VIII	May-23	$21.2 M	163,705	$130	Rohit Group

VANCOUVER

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
211 Columbia/80 Powell St	Sep-23	$11.5 M	26,826	$429	Pursuit Capital

**conversion

Investors exhibited higher levels of confidence in class AA and A assets in the country's largest downtown cores and in prime suburban nodes.

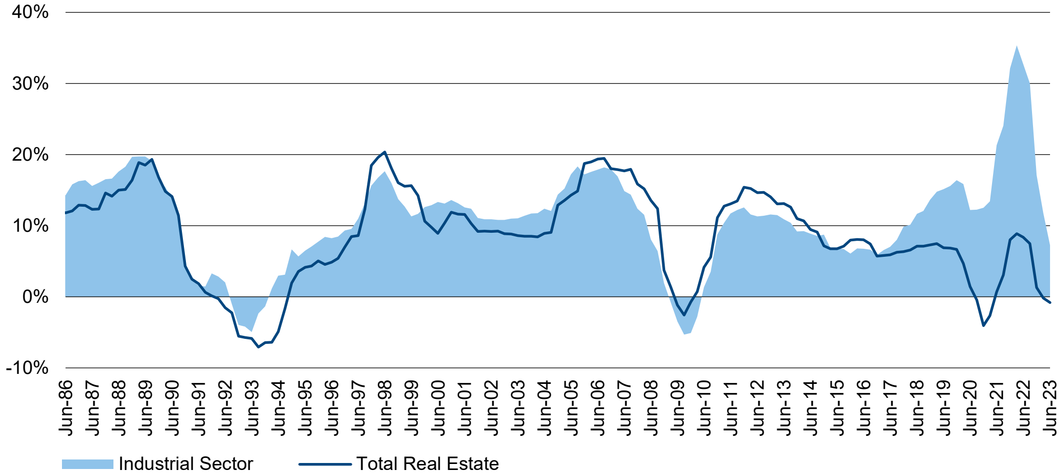
INDUSTRIAL OUTLOOK

LEASING MARKET'S PEAK PHASE MATURED

The peak phase of Canada's industrial leasing market cycle matured recently. Supply constraints eased slightly, although the market remained tight. The national availability rate stood at 2.1% at the midway mark of 2023, having risen 50 bps year-over-year. The national availability rate eclipsed the 2.0% mark for the first time since the third quarter of 2021. The availability increase was due to a modest demand-softening and a new-supply spike.

ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Industrial Performance



Source: RCPI, © MSCI Real Estate

Industrial leasing demand moderated slightly across the country in the last few months of 2022 and the first half of 2023. Roughly 4.7 million square feet of space was absorbed in the nation's top 10 markets combined over the first six months of 2023. More than 16.0 million square feet of space was absorbed over the same time-period a year earlier. Just shy of 14.5 million square feet of new supply was completed across the nation in the first half of 2023. The total was more than three times the volume of space absorbed over the same time-period. Rents continued to rise across the country. However, rents increased more modestly recently when compared with 2021 and early 2022 market peak when rents rose more rapidly. Tenants looking to relocate or expand were faced with relatively few options and higher rents. Landlords continued to hold the upper hand in lease negotiations, as the leasing market peak began to mature.

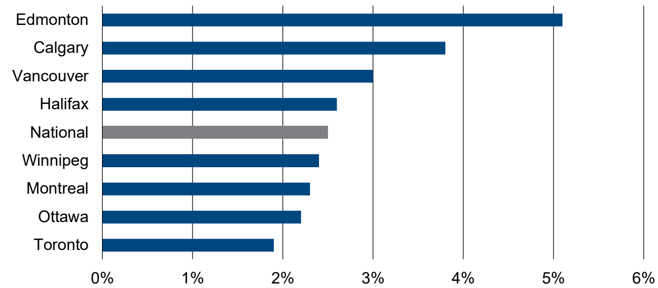
ANOTHER SOLID INVESTMENT PERFORMANCE POSTED

Another solid industrial property sector investment performance was posted recently. Industrial assets tracked in the MSCI Index generated an aggregate average total return of 7.3% for the year ending June 30, 2023. The attractive result was comprised of equally positive income and capital component performances. By the second half of 2022, the run-up of industrial property valuations of the past couple of years began to lose steam. Investors looked for discounts on acquisition pricing to offset rising levels of economic risk and higher borrowing costs. In some cases, vendors were unwilling to meet the pricing demands of buyers. However, capitalization rates began to decompress and values declined modestly in the second half of 2022. As property values declined, investment performance moderated. Previously, industrial property values had increased steadily between 2020 and early 2022, resulting in significant capitalization rate compression. Rates dipped to record-low levels across the country in all space categories. During roughly the same time-period, industrial rents rose sharply. Increases were more modest in the late stages of 2022 and the first half of 2023. Coincidentally, property values began to stabilize. As values stabilized, the industrial property sector posted another solid investment performance.

By the second half of 2022, the run-up of industrial property valuations of the past couple of years had begun to lose steam.

INDUSTRIAL AVAILABILITY RATES

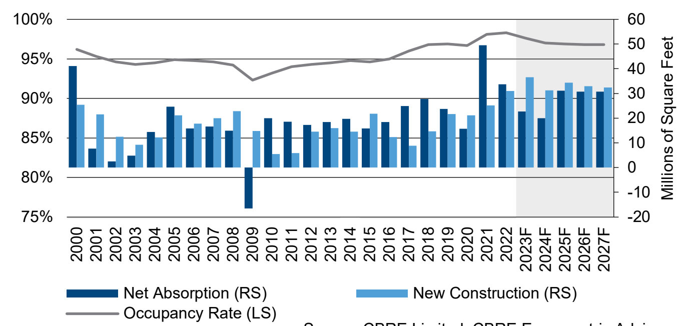
To Third Quarter - 2023



Source: CBRE Limited

INDUSTRIAL DEMAND & SUPPLY

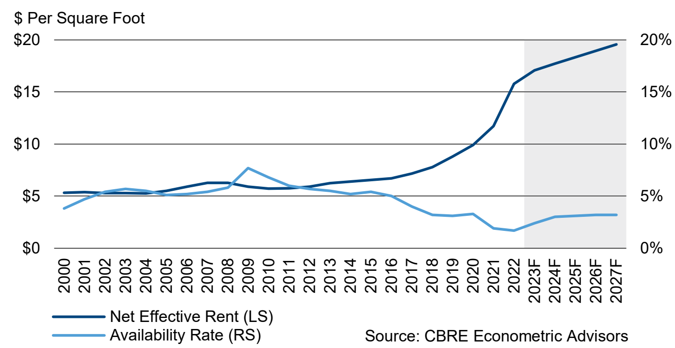
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

National Historical & Forecast Aggregates



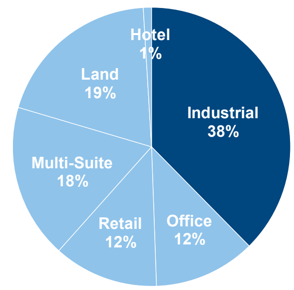
Source: CBRE Econometric Advisors

LEASING MARKET OUTLOOK IS GENERALLY STABLE AND HEALTHY

Canada's industrial leasing market outlook is generally stable and healthy, following the record-setting performance of the past couple of years. Supply will remain constrained over the final few weeks of 2023 and in the first half of 2024. Availability will increase slightly with the ongoing delivery of new supply. However, the national availability rate will subsequently stabilize as construction activity slows. Tenants will continue to find it challenging to source available space in which to expand or relocate. New supply will offer relief for some tenants. Newly built space will be absorbed prior to or shortly after completion. The warehouse and logistics sector will continue to lead the way in terms of expansion across the country. Manufacturer sector expansion will also be reported in certain markets. In some cases, users will be forced to look to the build-to-suit market to meet their operational needs. Leasing market conditions will remain tight over the near term, which will result in continued upward pressure on rents. Rents will continue to rise, although the rate of increase will be markedly lower than during the 2021 to early 2022 market peak. Landlords will remain in the driver's seat when negotiating new leases and renewals. In summary, the nation's industrial leasing outlook is generally stable and healthy, in keeping with the post-pandemic trend.

TOTAL SALES BY PRODUCT

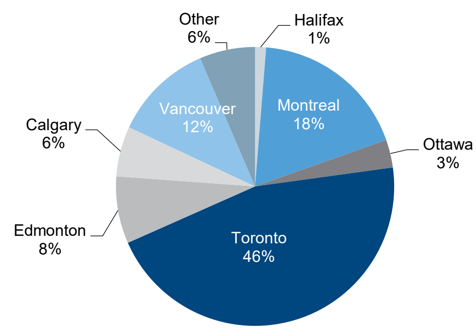
18 Months To June 2023



Source: CBRE Limited

INDUSTRIAL SALES BY CMA

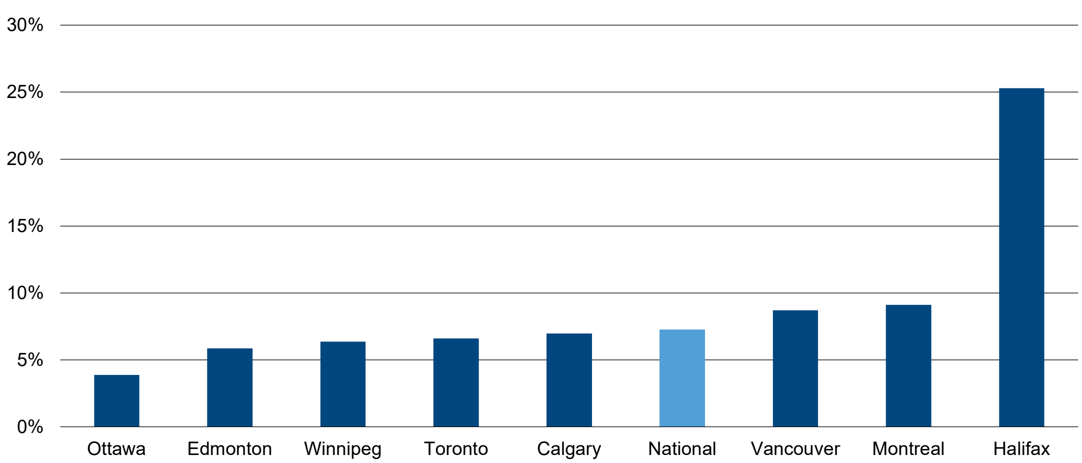
18 Months To June 2023



Source: CBRE Limited

INDUSTRIAL TOTAL RETURNS

For The 1-Year Period Ending June 2023



Source: © MSCI Real Estate 2023

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
201 Armand-Frappier Blvd	Sep-23	$21.0 M	220,000	$95	Alexandria Equities
Thimens Blvd Portfolio	Sep-23	$43.6 M	235,889	$185	BentallGreenOak
4855-4875 des Grandes Pr.	Jul-23	$24.6 M	130,370	$188	Brookfield Asset Mgt
2501 Route Transcanadienne	Jun-23	$60.0 M	274,044	$219	Brasswater
3701 Gaumont Rd	Jun-23	$64.7 M	191,878	$337	Nobel REIT
210-250 Jean Coutu St	Mar-23	$23.4 M	94.957	$246	GWL Realty Advisors
3400 Raymond Lasnier St	Feb-23	$108.5 M	474,463	$229	Montoni/AimCo
9900 Irenee Vachon St	Feb-23	$28.0 M	176,819	$158	BTB REIT
8500, 8760 Place Marien	Feb-23	$42.0 M	234,093	$179	Brasswater/Forgestone

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
65 Denzil Douye Crt*	Sep-23	$14.5 M	54,850	$264	3T Equity Partners

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
1 Woodslea/5 Intermodal Dr	Oct-23	$62.6 M	198,026	$316	GIC/Dream Ind REIT
20, 30 Royal Group Cres	Oct-23	$120.7 M	442,931	$273	Dream Industrial REIT
33 Eric T Smith Way	Oct-23	$28.2 M	110,099	$256	Fiera Real Estate
5680-5700 Ambler Dr	Sep-23	$24.6 M	73,367	$335	Panattoni
36 Simpson Rd	Sep-23	$22.7 M	65,649	$345	Interbuild
6415 Northwest Dr	Jul-23	$20.0 M	69,382	$288	Northbridge Capital
1840-1842 Clements Rd	Jul-23	$40.3 M	170,302	$236	Groupe Mach
250 Chrysler Dr	Jul-23	$44.0 M	149,789	$294	GIC/Dream Ind REIT
BGO Vaughan Portfolio	Jul-23	$80.5 M	262,922	$306	Woodbourne Capital
7525-7535 Financial Dr	Jun-23	$76.6 M	270,016	$284	DH Property Mgt.
Morguard Portfolio	Jun-23	$108.0 M	362,317	$298	BMO Life Assurance
45 Di Poce Way	Jun-23	$198.2 M	433,433	$469	Pontegadea
70 Esna Park Dr	Jun-23	$28.0 M	75,203	$372	Wu Family Holdings
1100 Thornton Rd S	Jun-23	$24.1 M	129,432	$186	Crux Capital
2600 John St	Jun-23	$42.8 M	153,000	$280	Berkshire Axis
270-330 Esna Park Dr	Jun-23	$35.5 M	101,532	$350	Kolt Investments
8574 Boston Church Rd	May-23	$176.0 M	754,704	$233	Pure Ind REIT
BGO Peel Portfolio	May-23	$138.5 M	442,008	$313	Pure Ind REIT
3040 Universal Dr	May-23	$22.7 M	66,424	$342	Landeal Group
8020 Fifth Line	May-23	$73.0 M	286,881	$254	Canada Post Pension
50 Precidio/100 Corporation	Apr-23	$44.3 M	139,120	$318	Genesis Wealth
Dixie/Fewster Portfolio	Apr-23	$61.0 M	221,729	$275	Soneil Investments
1040 Martin Grove Rd	Apr-23	$24.5 M	77,864	$315	Forgestone/Takol
273 Bowes Rd	Mar-23	$14.5 M	64,534	$225	Shelborne Capital
1001 Corporate Dr	Feb-23	$51.8 M	231,311	$224	Crux Capital
750-760 Birchmount Rd	Feb-23	$17.8 M	66,151	$268	Soneil Investments

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
2500-2700 61st Ave SE	Mar-23	$42.5 M	407,665	$104	Bosa Development
Foothills North Phase II	Feb-23	$61.3 M	617,821	$99	Slate Asset Mgt

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
2710 51 Ave	Jun-23	$55.7 M	358,860	$155	OpTrust

VANCOUVER

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
590-598 Ebury Place	Mar-23	$62.8 M	177,049	$354	Beedie Group
2325 190th St*	Feb-23	$178.0 M	428,215	$416	Crestpoint

*share sale

Canada's industrial leasing market outlook is generally stable and positive, following the record-setting performance of the past couple of years.

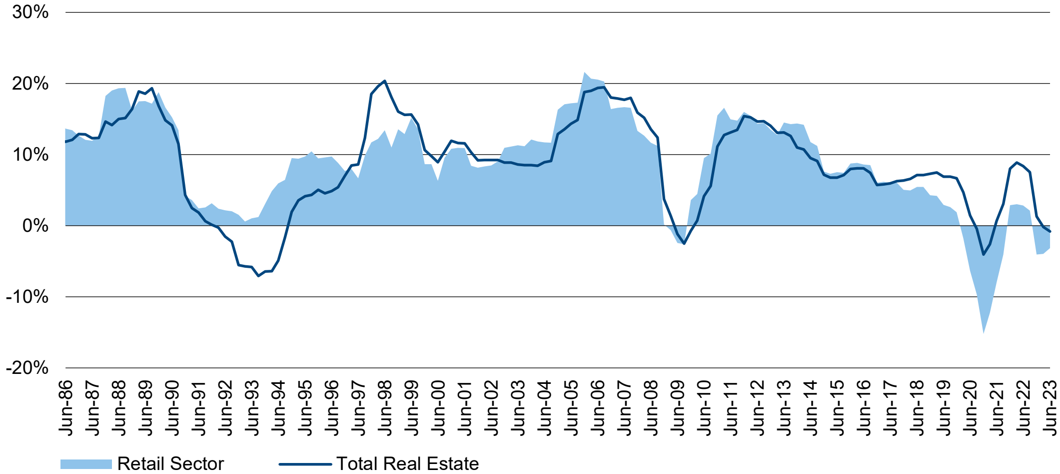
RETAIL OUTLOOK

LEASING MARKET RECOVERY PROGRESSED

Canada's retail leasing market recovery progressed through to the midway mark of 2023. Stronger-than-expected retail spending growth was supportive of the ongoing recovery. Consumers continued to spend relatively freely on discretionary and non-discretionary items. In addition, increased foot traffic in shopping centres and major shopping streets has a positive impact on the national leasing market over the recent past.

ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Retail Performance



Source: RCPI, © MSCI Real Estate

Leasing market demand characteristics were moderately positive. Expansion activity was comprised largely of small and medium-sized outlets. New concepts and portfolio reconfigurations were also key leasing activity drivers. Discounters and stores selling essentials continued to expand. Growth and positive momentum was reported in the luxury market over the past year, especially on high streets in major cities. Expansion activity was offset to some degree by store closures. However, vacancy decreased modestly in most regions. The national retail vacancy rate for properties tracked in the MSCI Index rested at 7.6% at the midway mark of 2023, 90 bps lower than a year earlier. Vacancy remained elevated in the regional centre market segment. Rental rates increased modestly for space in the country's landmark centres and in new developments. Downward pressure on rents was recorded for space in non-anchored strips.

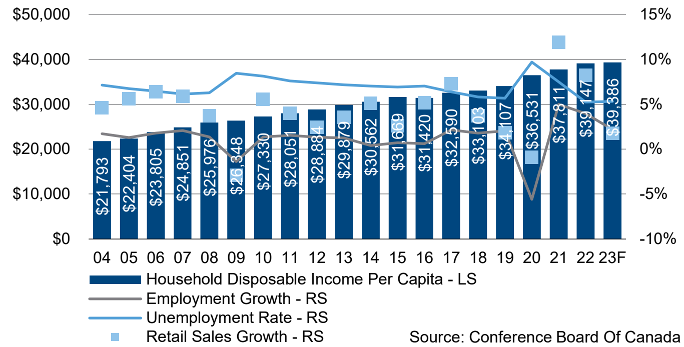
INVESTMENT MARKET TRENDS WERE BEARISH

Largely bearish retail investment property market trends were reported over the recent past. Investment performance was decidedly bearish recently. Properties contained in the MSCI Index posted a negative aggregate total return of 3.1% for the year ending June 30, 2023. A moderately positive 3.1% return was posted in the previous year. The negative result was entirely capital erosion-driven. Retail property values decreased over the past year while capitalization rates decompressed. Investors looked for acquisition pricing discounts to offset higher borrowing costs and heightened economic risk. In some cases, vendors chose to hold on to assets while values fluctuated. Others were unwilling to lower their pricing expectations. Increasingly, vendors and purchasers were unable to come to an agreement on pricing. Consequently, sales activity slowed substantially. Just shy of $2.7 billion of investment sales volume was reported for the first half of 2023 in the nation's top 10 markets combined. The total was down 68.3% from the same time-period a year earlier, according to CBRE figures. There were very few large-scale or portfolio sales recorded recently, which was in keeping with the medium-term trend. Investors exhibited confidence in low-risk properties, which included grocery-anchored centres, centres with strong and stable tenant rosters, and properties with excess land. The risk-off sentiment of investors was indicative of the bearish investment market backdrop of the recent past.

Properties contained in the MSCI Index posted a negative aggregate total return of 3.1% for the year ending June 30, 2023.

CONSUMER STRENGTH

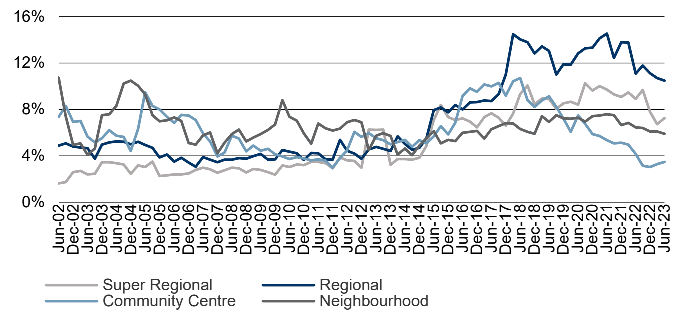
Measuring Canadian Purchasing Power



Source: Conference Board Of Canada

RETAIL VACANCY RATES

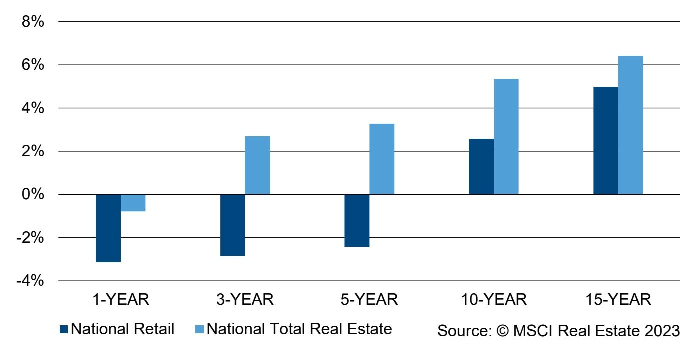
National Trending Across Property Types



Source: © MSCI Real Estate 2023

HISTORICAL PERFORMANCE

For the period ending June 2023



Source: © MSCI Real Estate 2023

LEASING MARKET STABILIZATION FORECAST

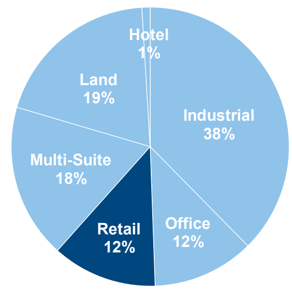
Canada's retail leasing market will stabilize over the near term, following a period of modest progression. The forecast is predicated on weaker economic and consumer spending growth. The nation's economy is projected to expand by less than 1.0% in 2023, down sharply from 3.4% in 2022. Higher borrowing costs and inflation will weigh more heavily on the nation's economy and consumer spending. As a result, retailer revenues will decline. Store expansion activity will slow, as retailer confidence levels decline. Leasing demand, vacancy, and rents will level off. In short, the nation's retail leasing market will stabilize over the near term.

INVESTMENT TRENDS WILL REMAIN BEARISH

Retail investment property market trends will remain largely bearish over the near term. Investment performance will continue to disappoint. Property values may decline further, if bond yields and interest rates continue to rise. The capital erosion will likely be at least partially offset by income growth. Investment transaction activity will rest below the long-term average, given continued economic and financial market uncertainty. The relatively high cost of debt will also limit activity over the near term. Investors will continue to gravitate to lower risk property acquisitions. Private capital groups will target properties with value-add attributes more often. In short, the bearish investment market trends observed over the recent past will persist over the near term.

TOTAL SALES BY PRODUCT

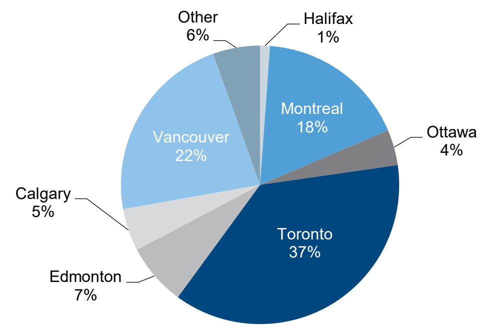
18 Months To June 2023



Source: CBRE Limited

RETAIL SALES BY CMA

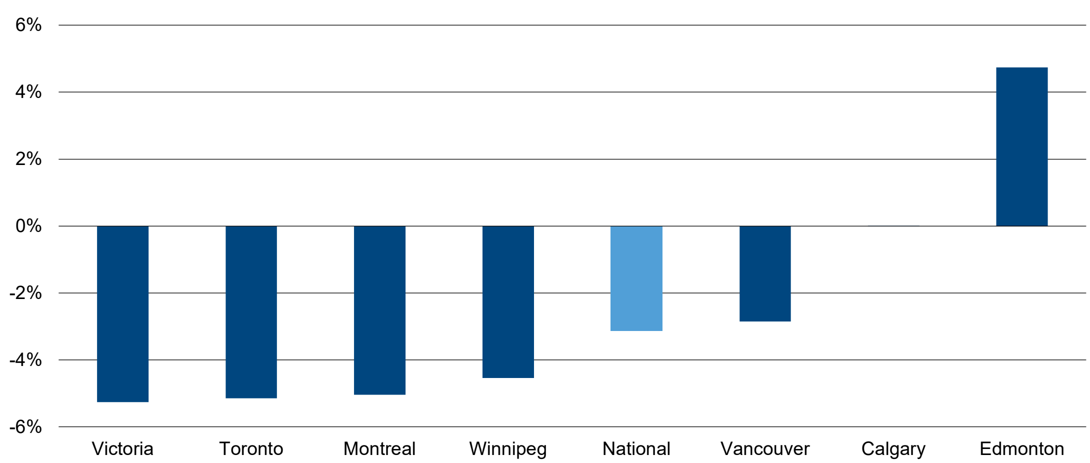
18 Months To June 2023



Source: CBRE Limited

RETAIL TOTAL RETURNS

For The 1-Year Period Ending June 2023



Source: © MSCI Real Estate 2023

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
75A, 97 d'Anjou Blvd	Aug-23	$9.0 M	39,000	$231	Chelsea S.E.C.
H&R REIT Portfolio	Jul-23	$50.8 M	330,000	$154	Rainbow Capital
2925, 3025 Sherbrooke St E	May-23	$53.0 M	114,400	$463	First Capital
6654-6710 Sherbrooke St E	May-23	$17.0 M	52,411	$324	Bertone Development
1431-1461 Victoria Ave	May-23	$9.1 M	41,000	$223	Comterra Investments
Galeries Terrebonne (50%)	Apr-23	$25.0 M	392,600	$127	Belsize Development
1085 de l'Industrie St	Mar-23	$10.9 M	46,000	$237	Private
2217-2251 Gascon Rd	Mar-23	$9.5 M	43,775	$217	DKJ Gascon Inc
8250-8300 Maurice Dupless.	Feb-23	$10.5 M	38,000	$276	Private
GWL Portfolio	Feb-23	$21.5 M	94,844	$227	Strathallen

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
795-799 Wilfrid Lavigne Gat.	Feb-23	$13.0 M	48,224	$279	S. Kelly Inc

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
2-20 Warren Ave	Sep-23	$16.8 M	34,202	$491	King (Oshawa) Centre
1125 Dundas St E	Sep-23	$13.1 M	26,350	$495	Private
1211 Kingston Rd	Jul-23	$12.9 M	39,646	$325	Private
5328 Highway No 7	May-23	$26.5 M	26,539	$999	Realtrium Realty Ltd
126 Wellington St W	Apr-23	$16.0 M	51,673	$309	Wellington Group
Queens Common Ctr	Mar-23	$17.5 M	46,512	$376	Choice REIT
278 Dundas St E	Mar-23	$20.0 M	65,000	$307	Sigma Group
3757 Keele St	Mar-23	$23.1 M	93,910	$246	Private
642-648 Dixon Rd	Feb-23	$13.0 M	23,471	$552	Private
390 Steeles Ave W	Feb-23	$26.3 M	41,887	$627	AWIN Group
9025 Torbram Rd	Feb-23	$16.4 M	36,720	$446	The Williams Way Inc
Erin Mills Town Ctr	Jan-23	$272.0 M	898,578	$303	EMTC Holdings Inc

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Westmount Ctr (401-445)	May-23	$10.5 M	20,999	$500	Westmount Prop. Ltd
Sierra Springs Ctr	Apr-23	$22.5 M	298,460	$76	OpTrust
560 69th Ave SW	Feb-23	$9.9 M	30,029	$331	Rockstone Homes Ltd.
Southland Crossing	Jan-23	$42.0 M	133,559	$314	Lansdowne Equity

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Heritage Village Ctr	Nov-23	$30.7 M	86,755	$354	KingSett Capital
Mission Hill Plaza	Sep-23	$29.1 M	106,377	$274	Salthill Capital
Namao South	Jul-23	$52.0 M	108,011	$481	Strathallen Capital
Genesis Ctr	Jun-23	$9.7 M	23,260	$415	Genesis Centre Ltd
Belmont Town Ctr	Apr-23	$20.4 M	56,416	$362	Synergy Properties
Capital Centre Mall	Apr-23	$9.7 M	47,974	$201	Dickinsfield Mall AB Ltd
Millwoods Town Ctr	Mar-23	$69.0 M	455,701	$151	Maclab Development
Village Park Mall	Feb-23	$9.3 M	39,816	$234	Brookestone Investmts.
The Shops at Boudreau	Feb-23	$24.8 M	52,585	$471	Narland

VANCOUVER

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
2-12 Powell, 200 Carrall St	Sep-23	$10.2 M	10,022	$1,018	Low Tide Properties
15350 34th, 3388 Rosemary	May-23	$16.1 M	26,126	$617	Private
18789 Fraser Hwy	Apr-23	$10.7 M	9,478	$1,132	Mate is Great 11 Hldgs
2242-2262 West 4th Ave	Mar-23	$18.9 M	9,648	$1,954	Low Tide Properties

*share sale

Just shy of $2.7 billion of investment sales volume was reported for the first six months of 2023, in the nation's top 10 markets combined.

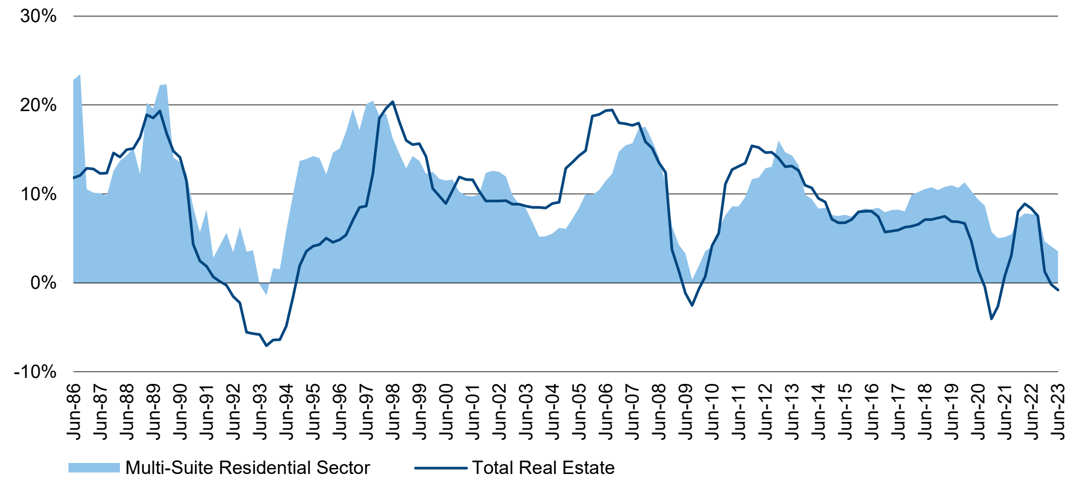
MULTI-SUITE RESIDENTIAL OUTLOOK

RENTAL DEMAND EXCEEDED SUPPLY

Multi-suite residential rental demand exceeded supply over the recent past, which was in keeping with the trend of the past few years. Demand increased substantially with the arrival of more than 1.0 million international migrants in 2022. Arrival volume surpassed the long-term average in the first quarter of 2023. Stronger-than-anticipated job growth over roughly the same time-period added to the labour demand pressure.

ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Multi-Suite Performance



Source: RCPI, © MSCI Real Estate

The rising cost of home ownership acted as a demand-stabilizer. Fewer existing renter households were able to purchase homes, while interest rates and inflation remained elevated. The supply of available rental units steadily dwindled in 2022 and early 2023. The average vacancy rate for the country's 10 largest markets combined had dropped below the the 2.0% by early 2023, despite marked increase in new construction completions. Rental market conditions were even tighter in Vancouver and Victoria, where vacancy rested below the 1.0% mark. As the nation's available supply of rental units dwindled, asking rents increased substantially. Double-digit increases were reported by Rentals.ca for all unit size categories, year-over-year as of the end of June 2023. Rent increases were higher when a unit was leased to a new tenant relative to when the existing tenant renewed. Over the near term, rental demand will continue to outdistance supply.

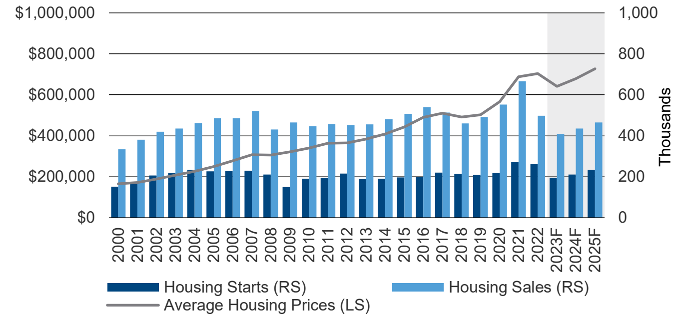
INVESTMENT DEMAND WAS RELATIVELY STABLE

Multi-suite residential investment property demand was relatively stable over the recent past, against a backdrop of heightened uncertainty. Investors exhibited confidence in an asset class that boasted a solid near-term performance track record and healthy fundamental outlook. Access to attractive CMHC financing helped buyers rationalize acquisitions in this sector. Recent transaction volume totals provided evidence of the relatively stable investment demand patterns of the recent past. Close to $4.0 billion of transaction volume was reported for the first half of 2023 in the nation's 10 largest markets combined. The total was down roughly 45.0% from the same time-period a year earlier. However, the decline was due largely to a shortage of large portfolio offerings, rather than a demand-softening. While investment demand remained relatively stable, the same cannot be said for investment performance. Properties tracked in the MSCI Index generated a modest aggregate total return of 3.1% for the year ending June 30, 2023. The return was almost entirely income-driven. A small capital return was tallied, which was indicative of the sector's recent valuation stability. Multi-suite residential rental property values were relatively stable in the first half of 2023. Values had trended modestly lower in the second half of 2022, as interest rates increased along with financial market and economic risk. After a brief decline, investment demand has been relatively stable over the recent past.

Investors exhibited confidence in an asset class that boasted a solid near-term performance track record and a healthy fundamental outlook.

CANADIAN HOUSING MARKET

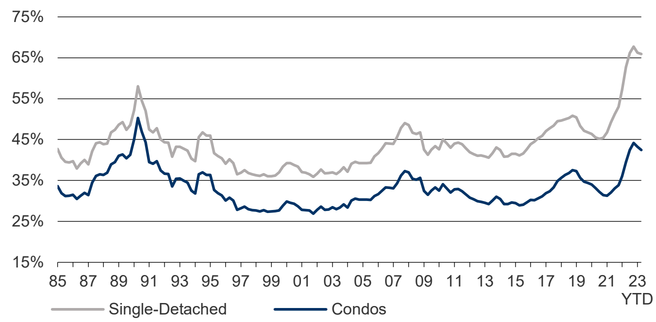
Pricing Vs. Demand



Source: Conference Board Of Canada, CREA, CMHC

AFFORDABILITY INDICATOR

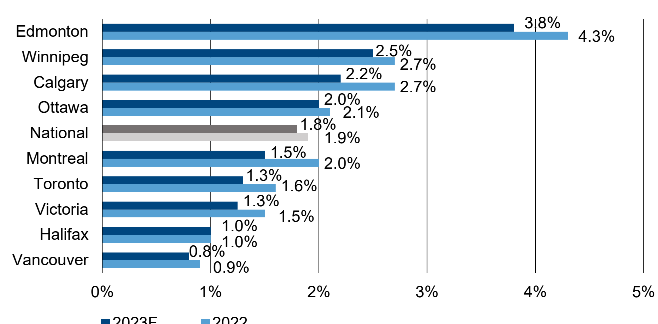
% Of Income To Service Home Ownership Costs



Source: RBC Economics - RBC Housing Affordability Measure

CMA'S RENTAL VACANCY

Rates for Structures of 3 units+



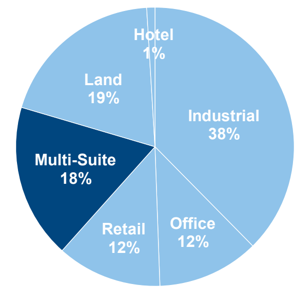
Source: CMHC, Morguard Forecast

PERSISTENT DEMAND SUPPLY IMBALANCE FORECAST

Persistent demand supply imbalance is forecast for Canada's multi-suite residential rental market over the near term. Rental demand will outdistance the nation's supply of existing and newly built units available to rent, resulting in a significant level of imbalance. Supply will become increasingly constrained across the country. Vacancy will continue to decline and fall below 1.0% in several regions. As a result, rents will continue to climb. Rents will rise more sharply in provinces that do not have rent controls. Morever, rents will rise more sharply when a unit is rented to a new tenant. Increases will be more modest when leases are renewed or extended. Rental demand will remain relatively robust over the near term, while supply dwindles. The federal government's international migration targets were increased recently. As a result, international arrivals totalled more than 1.0 million in 2022, resulting in a sharp increase in rental demand. More than 500,000 arrivals are projected for 2023, ensuring rental demand will continue to exceed supply. In addition, the cost of home ownership will remain high across the country. Therefore, many renter households will be forced to stay in their existing rental units. Construction activity will likely slow over the near term while interest rates remain high. The construction slowdown may exacerbate the market's persistent demand supply imbalance forecast for the near term.

TOTAL SALES BY PRODUCT

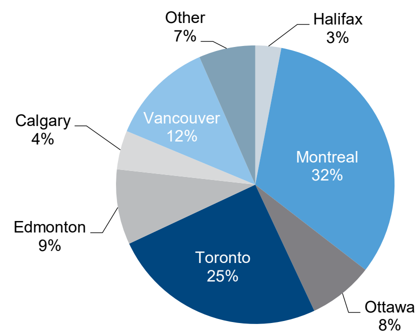
18 Months To June 2023



Source: CBRE Limited

MULTI-SUITE SALES BY CMA

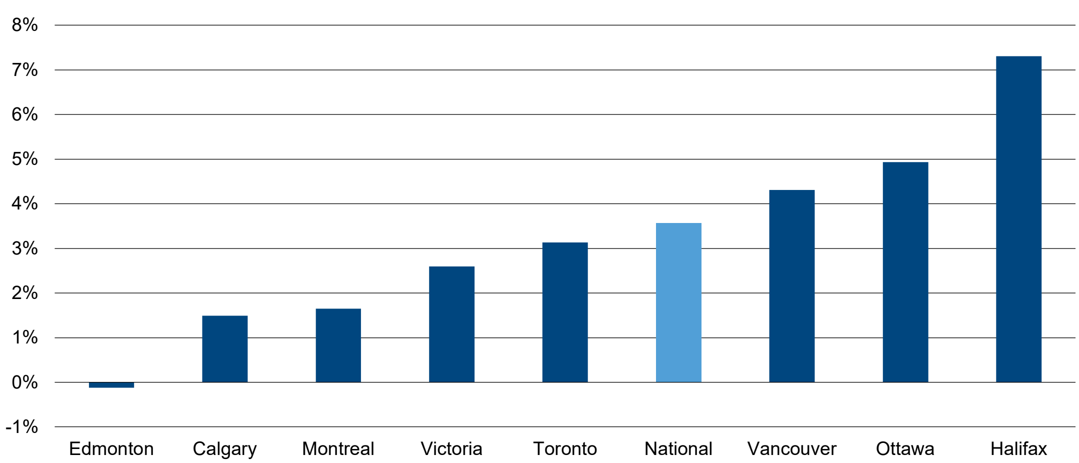
18 Months To June 2023



Source: CBRE Limited

MULTI-SUITE TOTAL RETURNS

For The 1-Year Period Ending June 2023



Source: © MSCI Real Estate 2023

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
4875-4905 des Erables St	Sep-23	$20.3 M	123	$165,041	LE 4875 INC
335 Deguire Blvd	Aug-23	$32.5 M	180	$180,556	Greyspring Apartments
2077-2093 Bulmer Ave	Jun-23	$16.9 M	100	$169,000	Woodland Capital
135, 145-155 Deguire Blvd	Jun-23	$68.9 M	393	$175,318	Greyspring Apartments
255, 265 Brock Ave S	May-23	$53.3 M	120	$444,000	RioCan Living
465 Sicard St	May-23	$35.9 M	106	$338,742	Skyline Group
200 Saint Marc St	Mar-23	$29.3 M	160	$180,619	Greyspring Apartments
1200-1220 Provencher Blvd	Mar-23	$19.0 M	123	$154,472	Mastermind Realty Grp
1330 Le Corbusier Blvd	Feb-23	$83.3 M	240	$347,167	Centurion Apt REIT

OTTAWA

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
50 Laurier Ave St	Sep-23	$96.0 M	212	$452,830	Homestead
40-60 Marguerite-Maille St	Jul-23	$57.1 M	158	$361,604	Centurion Apt REIT
1090 Kristin Way	May-23	$17.9 M	102	$175,000	YAD Investments
800 Eagleson Rd	Feb-23	$61.0 M	143	$426,573	CAPREIT
NOX Apartment Phase 1	Jan-23	$102.2 M	277	$369,061	Centurion Apt REIT

TORONTO

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
161 Athol St E	Aug-23	$39.0 M	185	$210,811	Forum Asset Mgt
1225 York Mills Rd	Jul-23	$84.7 M	140	$605,345	Realstar Group
Salpam Investments Portfolio	Jun-23	$170.2 M	594	$286,498	Starlight Investments
246 Cosburn Ave	May-23	$10.6 M	40	$265,750	Colonia Treuhand
38 Dixington Cr	May-23	$30.5 M	111	$274,775	Pulis Investments
709 Kennedy Rd	Apr-23	$20.0 M	79	$253,165	Gowan Properties
23-33 Glen Everest Rd	Apr-23	$19.8 M	66	$300,348	Altree Investments
335 College St	Apr-23	$13.0 M	26	$500,000	Punia Group
2, 4 Hanover Rd	Mar-23	$185.5 M	605	$306,612	Crestpoint/InterRent
40 Delisle Ave	Mar-23	$44.5 M	100	$445,000	Homestead
3141 Jaguar Valley Dr	Feb-23	$12.0 M	41	$292,683	Reserve Properties
City of Toronto Portfolio	Jan-23	$27.2 M	94	$289,362	Hazelview Investments

CALGARY

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
3470 18th Ave SW	Mar-23	$26.8 M	51	$525,490	Porte Communities
1710 Radisson Dr SE	Jan-23	$22.0 M	130	$169,231	Mainstreet Equity Corp
1310 14th Ave SW	Jan-23	$34.0 M	179	$190,000	Unitii Corp

EDMONTON

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
2105, 2109 68 St NW	Oct-23	$25.6 M	125	$205,000	Yorkton Equity Group
9825 103 St	May-23	$33.0 M	204	$161,765	Valko Properties Inc
7930 95 Ave	May-23	$27.2 M	89	$305,899	CAPREIT
10001 Bellamy Hill	Mar-23	$23.8 M	158	$150,316	Equiton Living
3149 151 Ave	Mar-23	$13.8 M	99	$138,989	Mainstreet Equity Corp
8015 102 St	Mar-23	$13.6 M	36	$377,778	Private Pension Prtnrs
8155 105 St	Feb-23	$51.0 M	95	$536,842	Auctus Property Fund

VANCOUVER

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
1142 Granville St	Sep-23	$48.0 M	106	$452,830	Concert Properties
120 East Keith Rd	Aug-23	$18.1 M	42	$431,857	FDG Property Mgt
5335 200A St*	Jun-23	$51.1 M	92	$555,598	CAPREIT
20449 Park Ave*	May-23	$53.7 M	93	$577,419	CAPREIT
130 West 12th St	Jan-23	$16.8 M	33	$507,576	FDG Property Mgt

*share sale

Close to $4.0 billion of transaction volume was reported for the first half of 2023 in the nation's 10 largest markets combined.

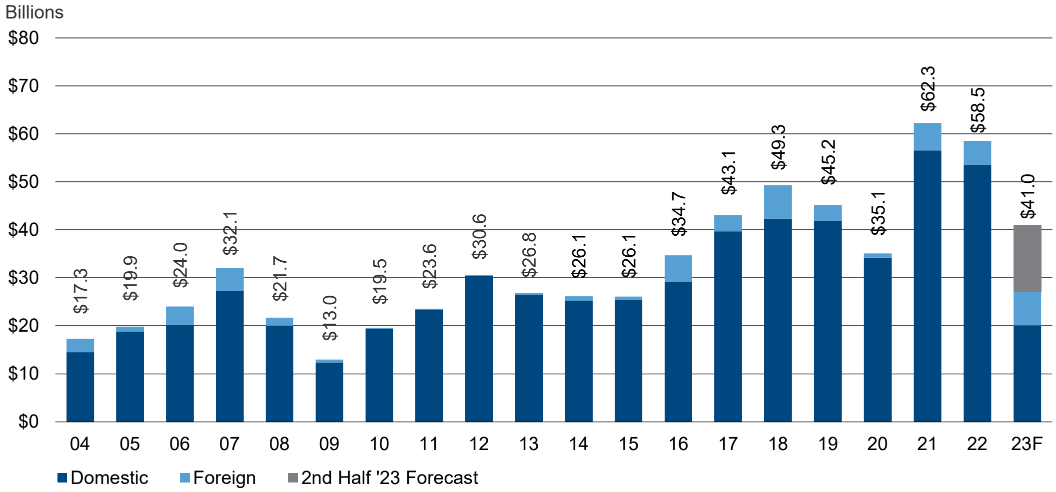
INVESTMENT OUTLOOK

CONFIDENCE VARIABILITY PERSISTED

Investor confidence varied significantly in Canada's investment property sector during the latter half of 2022 and first half of 2023. Confidence was highest for core-quality and landmark properties in the country's major markets during the period. Investors exhibited confidence in downtown class A and AA office towers with stable tenants on longer-term leases. Warehouse and logistics properties in prime business parks were also in demand.

INVESTMENT ACTIVITY

Total Investment Volume



Source: CBRE Limited; Morguard

Retail properties with grocery store anchors and strong performance track records were of interest to a range of investment groups. Pension funds and institutional investment groups attempted to reduce their exposure to the office and retail sectors by selling non-core and higher risk assets. More broadly, investors were unwilling to acquire properties with riskier profiles. Private groups targeted smaller properties in regions where they possessed more intimate market knowledge. As a result, sales of smaller properties accounted for a large share of investment sales across the country. Private groups looked to take advantage of lower levels of competition. Institutional and pension fund buyers remained on the sidelines, awaiting a more stable lending and economic environment. Buyers that have historically relied on positive leverage were relatively inactive. In short, investor confidence levels varied significantly over the recent past.

INVESTMENT CAPITAL FLOW SLOWED SUBSTANTIALLY

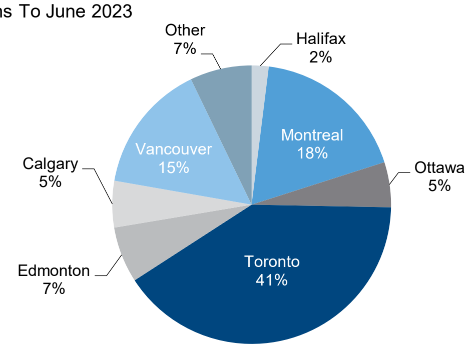
The flow of investment capital into Canada's investment property sector slowed substantially over the recent past. The slowdown unfolded in the second half of 2022 and continued in 2023. A total of $22.6 billion of transaction volume was reported for the second half of 2022, which represented a 64.5% drop from the same time-period a year earlier. The first-half 2023 total was 32.9% lower than the same six-month period a year ago. The main cause of the activity slowdown was markedly higher borrowing costs and increased economic and financial market uncertainty. Institutions and pensions funds retreated to the sidelines in the second half of 2022, as borrowing costs continued to rise. At the same time, investor confidence decreased with the increased threat of a recession. Increasingly, buyers looked for discounts on acquisition pricing to offset rising levels of sector and macro-economic risk. In some cases, vendors and purchasers were unable to agree on pricing when negotiating sale terms. Subsequently, the flow of investment capital into Canada's investment property sector slowed substantially.

INVESTMENT PERFORMANCE WEAKENED

Canadian property sector investment performance weakened considerably recently, following a relatively brief period of stronger results. Properties contained in the MSCI Index registered a negative aggregate total return of 0.8% for the year ending June 30, 2023. An attractive 8.4% positive return was posted for the previous 12-month period. The performance-weakening was due largely to capital erosion in the retail and office sectors and the weakening of capital growth trends in the industrial and multi-suite residential rental asset classes. Retail properties tracked in the index registered a cumulative capital decline of 8.0% over the year ending June 30, 2023. The aggregate value of the office properties contained in the index fell by 11.3% on a cumulative basis over the same time-period. The industrial sector generated an attractive overall total return of 7.3%, which was comprised of modest capital growth and income growth. The multi-unit residential rental sector posted a modest 3.6% return, driven solely by its income component. Capitalization rates decompressed in all asset classes in 2022. At the same time, rent growth in the industrial sector slowed. Signs of capitalization rate stabilization were observed during the first half of 2023. Investment performance, however, was expected to remain relatively weak over the near term, having weakened substantially over the recent past.

NATIONAL SALES BY CMA

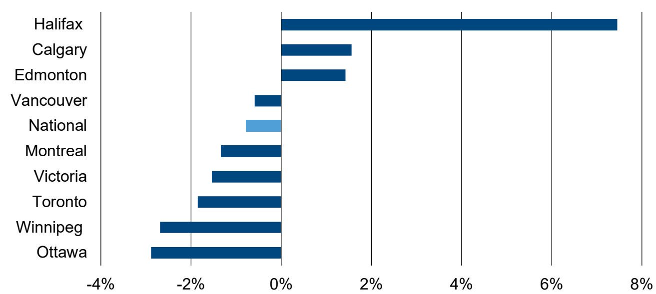
18 Months To June 2023



Source: CBRE Limited

ALL PROPERTY TOTAL RETURNS

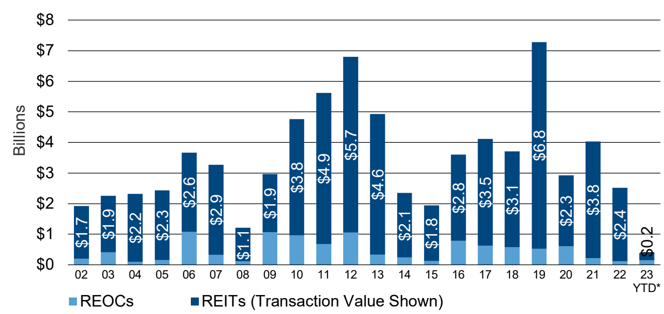
For The 1-Year Period Ending June 2023



Source: © MSCI Real Estate 2023

REIT CAPITAL ACTIVITY

Public Equity Issuance

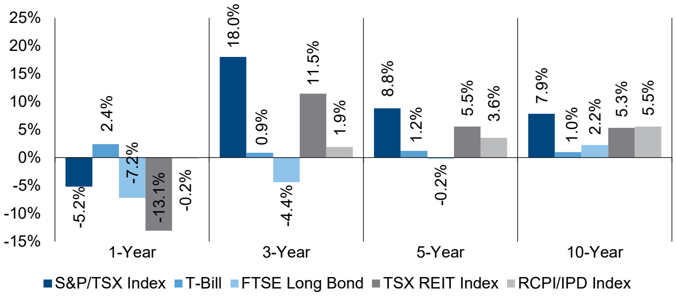


*To September 2023

Source: RBC Capital Markets

RELATIVE PERFORMANCE

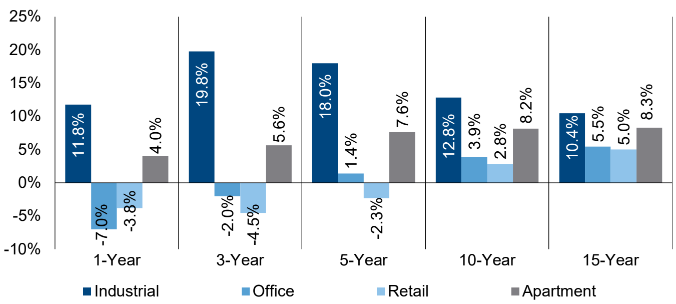
Comparing Annualized Returns To June 2023



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

MSCI RETURNS

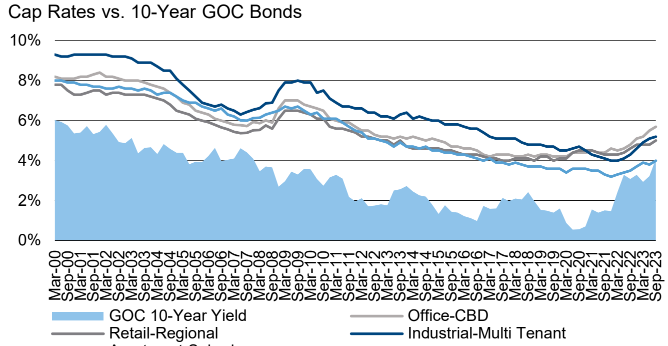
Annualized Returns By Property Type To June 2023



Source: © MSCI Real Estate 2023

YIELD SPREADS

Cap Rates vs. 10-Year GOC Bonds



Source: AltusInSite, Bank of Canada

INVESTMENT PROPERTY MARKET RISK WILL REMAIN ELEVATED

Canadian investment property market risk will remain elevated over the near term. A measure of near-term risk will be asset-class specific. Investors will continue to approach the office sector cautiously, given a weak fundamental outlook. The increased popularity of hybrid workplace strategies will continue to negatively impact sector performance across the country. Performance risk will be highest for owners of class B and C assets. Retail property sector risk will also be somewhat elevated over the near term. Retail sales growth is expected to slow substantially over the near term, which will erode retailer revenues. At the same time, changing consumer behaviour will continue to erode mid-market retailer sales revenue. Elevated levels of macro-risk will be sustained over the near term. The main near-term macro risks include the threat of a recession, monetary policy tightening, inflation, and global geopolitical tension. Another source of macro risk was the increased threat of a Chinese economic slump. In short, Canadian investment property market risk will remain elevated over the near term.

HEIGHTENED INVESTOR CAUTION TO PERSIST

Investor caution will remain heightened over the near term. Institutional and pension-fund buyers will target low-risk property acquisitions in established nodes, while sector and macro risk levels remain elevated. Downtown class AA and A office towers will garner interest, along with premium-quality class A suburban assets. Tenant rosters and income security will be scrutinized closely. Investment groups in some cases will look to sell non-core and riskier office properties in their portfolios. Interest in class B and C office property acquisitions will remain limited. Similarly, interest in properties with significant leasing risk will remain relatively low. In the industrial sector, large-scale warehouse and logistics properties with long-term leases will continue to sell relatively easily. Multi-tenant properties with stable tenant rosters will also be of interest to a range of buyers. Grocery-anchored retail assets will continue to attract buyers, both local and national. Private capital groups are expected to exhibit interest in centres with extra land and other value-enhancement opportunities. Community and neighbourhood centres with national tenants and operators selling necessities will garner interest, as will assets with strong performance track records. Multi-suite residential rental property will be a popular target, given a healthy fundamental and rent growth outlook. In general, a heightened level of caution will be exercised by investors in Canada's property sector over the near term.

METROPOLITAN ECONOMIC & REAL ESTATE OUTLOOK

METROPOLITAN

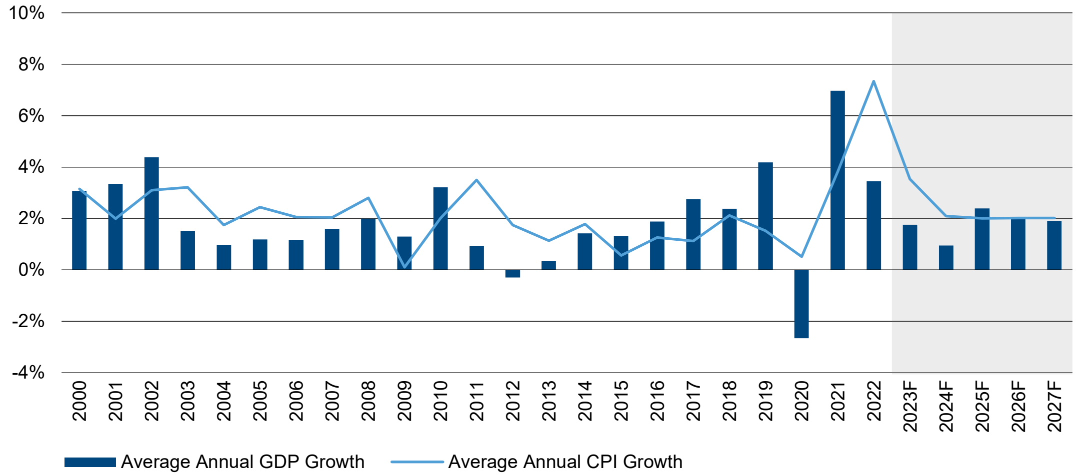
HALIFAX, NS

ECONOMIC SNAPSHOT

The Halifax Census Metropolitan Area (CMA) economy is expected to expand by less than 1.0% in 2023, following a solid 2.2% advance in the previous year. Subsequently, output will increase by an annual average of 2.2% in 2024/2025. Employment will rise gradually over the medium term, with growth averaging 1.0% or less annually through to 2027. Nominal retail sales will rise by a modest 2.4% in 2023, following last year's 8.2% consumption surge.

ECONOMIC GROWTH

Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET TIGHTNESS TO PERSIST

Tightness will persist in the GHA CMA labour market over the next few years, continuing the recent trend. The unemployment rate is projected to hold close to the 5.0% mark through to 2027. Employment growth will cool over the next few years, along with labour force expansion. The regional labour market will continue to operate at or near full capacity over the next few years. Employment growth will be strongest in the region's lower-paying sectors, including accommodation and food services, entertainment, and recreation services. Employment levels will decline in the region's goods-producing sectors. By early 2022 the jobs lost as a result of the pandemic had been recouped. At the same time, labour market conditions tightened substantially, which helped drive wages markedly higher. Wages will continue to rise over the next few years, while labour market conditions remain relatively tight.

RETAIL CONSUMPTION TO STRENGTHEN

Retail sales growth will strengthen next year, having moderated substantially in 2023. Nominal retail sales will advance by a healthy 4.8% in 2024, as forecast by Oxford Economics. A modest 2.4% rise is predicted for 2023, on the heels of a much healthier 8.2% advance in 2022. Several factors contributed to the 2023 sales growth moderation. The BofC's interest rate hikes drove borrowing costs markedly higher during 2022 and 2023. As a result, the spending power of Halifax CMA residents was eroded substantially. In addition, the inflation pressure of the recent past forced many families to cut back on discretionary spending. The housing market correction that began in 2022 and lasted through much of 2023 also eroded spending across the GHA. Retail sales growth will strengthen considerably in 2024, having slowed substantially over the recent past.

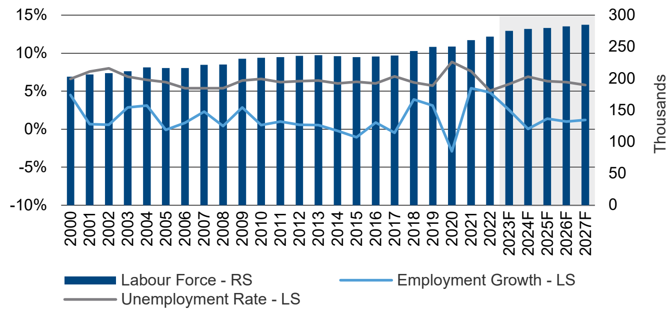
ELEVATED HOUSING DEMAND FORECAST

Housing demand will remain elevated in the Halifax CMA over the next few years. The main driver of the elevated housing demand will be international and interprovincial migration. The volume of international and interprovincial migrants arriving over the next few years is expected to exceed the historic average, continuing the 2023 trend. The region's population rose by a record-high of roughly 20,000 in 2022 driven largely by migration. Migration patterns over the next few years will continue to support above-average residential construction activity levels. Construction will begin on approximately 4,000 units annually between 2024 and 2027. Most of the units will be housed in multi-unit projects. Over the same time-period, housing demand will remain elevated.

Migration patterns over the next few years will continue to support above-average construction activity levels in this region.

LABOUR MARKET

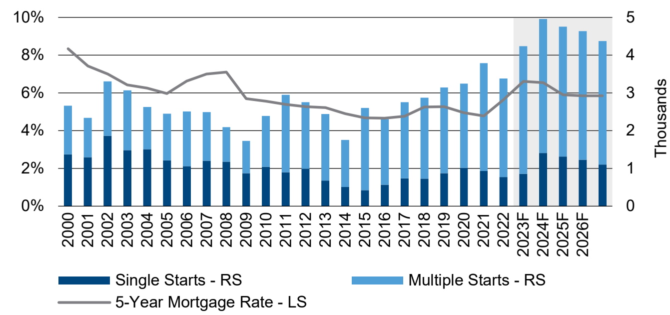
Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

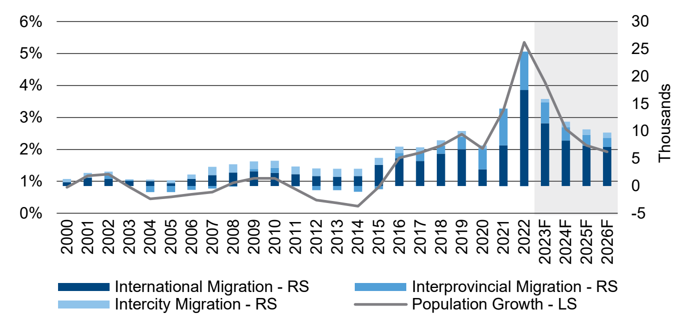
Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET WAS RELATIVELY STABLE

The Greater Halifax Area office leasing market was relatively stable over the past year when compared with much of the rest of the country. Vacancy ranged in the mid-teens through to the midway mark of 2023. The market's average vacancy rate rested at 14.7% at the end of June, down 100 bps year-over-year. Demand characteristics were relatively stable over the past year. Leasing activity remained muted. There were relatively few expansions recorded, as tenants chose to hold off on long-term leasing decisions during a period of increased economic uncertainty. The popularity of various remote or partially remote workplace strategies forced companies to reassess their space requirements. Improved and furnished space was popular with tenants looking to offset the increased cost of construction. Asking rents were relatively stable over the past year. However, some landlords offered incentives to lure tenants to their buildings, resulting in lower effective rents. Some tenants were able to secure higher-quality space at a reasonable price. In short, the GHA leasing market was relatively stable over the recent past.

INVESTORS WERE CAUTIOUS

Investors were cautious in their approach to GHA office property acquisitions recently, in keeping with the national sector trend. The cautious stance was a direct result of the sector's increasingly uncertain outlook. Buyers remained on the sidelines having retreated as borrowing costs increased. Overall, investment activity was relatively muted during the latter half of 2022 through to the midway mark of 2023. Despite the cautious investor sentiment, two of the market's larger towers were acquired by a single investor in 2023. Groupe Mach acquired 1801 Hollis Street in downtown Halifax and Metropolitan Place in Dartmouth. The two properties were acquired for more than $70.0 million. Capitalization rates edged higher in the past year, as sector risk increased. At the same time, investors exercised a heightened level of caution which lasted through much of 2023.

LEASING MARKET STABILITY TO PERSIST

The GHA leasing market will stabilize over the near term. We may see vacancy rise slightly over the next 12 to 18 months, as employers continue to adopt hybrid work models. Expansion activity will be somewhat limited, given higher borrowing costs and inflation pressure. A measure of downward pressure on rents will persist, allowing some users to upgrade their premises. On balance, however, the GHA's leasing market will remain relatively stable over the near term.

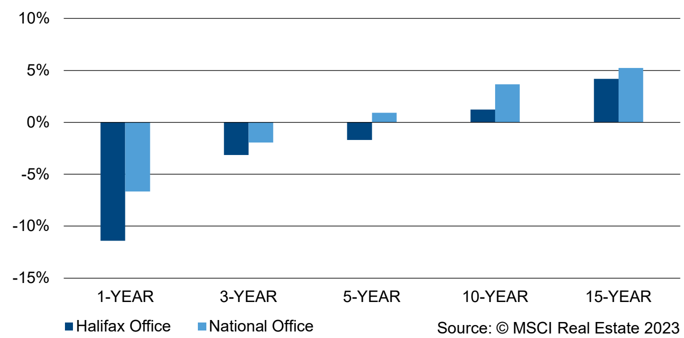
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	—
NET ABSORPTION	—	—
LEASE RATES	▼	▼
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

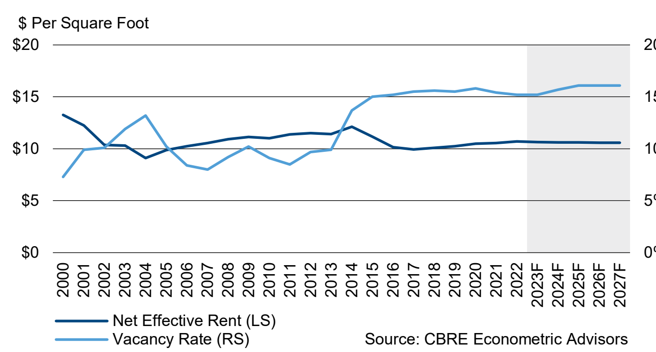
For the period ending June 2023



Source: © MSCI Real Estate 2023

OFFICE RENT & VACANCY

Halifax Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Overall, investment activity was relatively muted during the latter half of 2022 through to the midway mark of 2023.

SUPPLY CONSTRAINTS PERSISTED

Supply constraints persisted in the GHA industrial leasing market over the recent past, in keeping with the national trend. Just 378,000 square feet or 2.6% of the market's industrial building inventory was available at the midway mark of 2023. Market conditions were even tighter a year earlier, when the availability rate stood at just 1.7%. Landlords continued to command record-high rents for available space over the past year. Rents climbed to record-high levels over the past few years, although the rate of increase has slowed in the past year along with demand. However, leasing demand outdistanced supply, resulting in persistent upward rent pressure. New supply delivered to this market over the recent past has been leased relatively quickly. Supply constraints continued to characterize the GHA industrial leasing market over the recent past, despite a modest new supply increase.

INVESTMENT ACTIVITY SLOWDOWN CONTINUED

The investment activity slowdown in the GHA's industrial property sector continued over the recent past, mirroring the national trend. A total of $18.1 million of transaction volume was reported for the first half of 2023. The total was down from the $31.4 million of sales volume reported for the same time-period a year ago and below the five-year average. Investment sales activity had slowed significantly in the second half of 2022, as borrowing costs increased substantially. As rates increased investors retreated to the sidelines. Owner/occupiers have been the market's most active buyer grouping. As investment activity slowed, performance patterns have been relatively bullish. Properties contained in the MSCI Index registered an aggregate total return of 25.3% for the year ending June 30, 2023, due largely to capital appreciation. Lower interest rates are forecast by the end of 2024. As a result, investment activity will pick up, having slowed considerably over the recent past.

SECTOR OUTLOOK IS GENERALLY POSITIVE

The outlook for the GHA industrial property sector is generally positive. Leasing demand will outpace supply with landlords reaping the benefits of cycle-high rents, low vacancy, and increased income. Investment performance will remain bullish and capitalization rates relatively stable. Investment activity will fall short of the long-term average until interest rates begin to decline. Overall, the near-term outlook for the GHA industrial market is stable and positive.

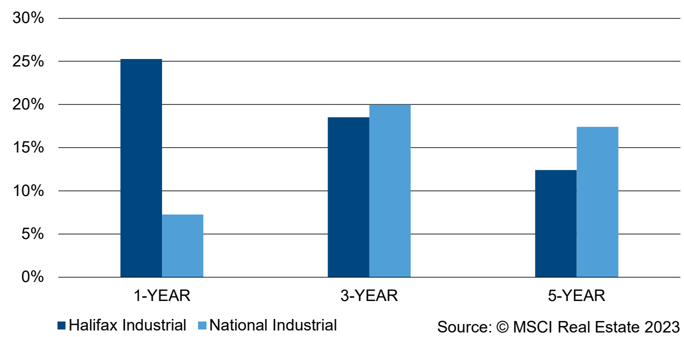
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	—
NET ABSORPTION	—	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

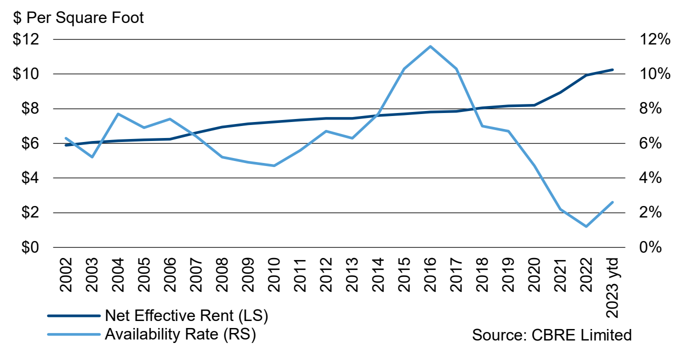
For the period ending June 2023



Source: © MSCI Real Estate 2023

INDUSTRIAL RENT & AVAILABILITY

Halifax Historical Aggregates



Source: CBRE Limited

Properties contained in the MSCI Index registered an aggregate total return of 25.3% for the year ending June 30, 2023, due largely to capital appreciation.

LEASING MARKET TRENDS WERE MIXED

GHA retail leasing market trends reported in the second half of 2022 and first half of 2023 were mixed. Positive demand characteristics were reported for centres with grocery store anchors and other tenants selling necessities. More broadly, positive leasing momentum was observed across the region, especially in open-air and recently built centres. Restaurants and quick service retail continued to expand in the GHA, in keeping with the national trend. Unfortunately, several store closures were reported over the recent past, which partially offset the volume of space absorbed as a result of expansions in this market. As a result, vacancy remained elevated, especially in the market's class B and C centres and in less desirable locations. On a net basis, retail rents in this market were relatively stable. Increases were reported for premium locations in the market's highest quality centres. However, downward rent pressure was observed for less desirable space in this market, a period during which leasing market trends were mixed.

INVESTMENT ACTIVITY SLOWED CONSIDERABLY

Retail investment property sales activity slowed considerably recently. There was just $14.2 million of sales volume reported for the first six months of 2023, down from $62.9 million over the same time-period a year ago. Investment sales had peaked in 2021 when $199.1 million of transaction volume was tallied. Investor sentiment was largely unchanged year-over-year, as buyers remained on the sidelines while borrowing costs remained elevated. Moreover, buyers were willing to hold off on acquisitions until pricing stabilized. In some cases, vendors continued to look for peak pricing when disposing of assets, while buyers looked for discounts to offset the rising cost of debt. As a result, GHA retail investment property sales slowed considerably, which was in keeping with the national trend.

MORE OF THE SAME EXPECTED

Trends observed in the GHA's retail property sector over the past year will be repeated over the near term. Leasing market conditions will continue to gradually strengthen. However, vacancy will remain elevated. Centres with anchors selling necessities will continue to outperform. Investment market activity will remain muted while interest rates remain high. In short, there is little change in GHA retail property market conditions expected over the near term.

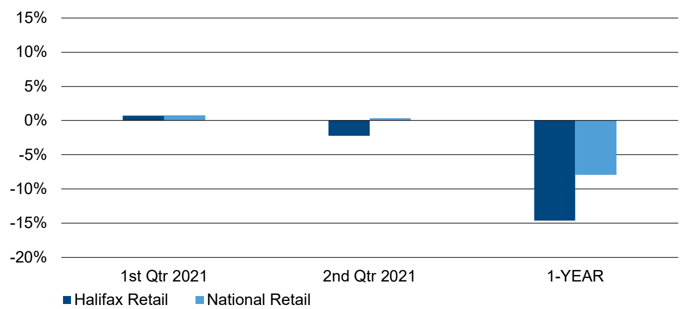
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	—	—
LEASE RATES	—	—
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

For the period ending June 2021*

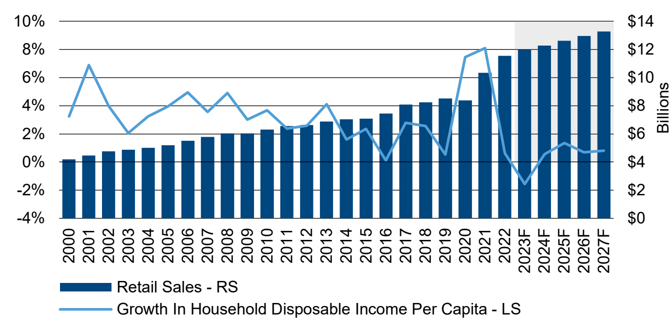


*Current data unavailable

Source: © MSCI Real Estate 2023

RETAIL CONDITIONS

Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

More broadly, positive leasing momentum was observed across the region, especially in open-air and recently built centres.

AVAILABLE SUPPLY WAS CRITICALLLY LOW

Available supply was critically low in the GHA multi-suite residential rental market during the latter half of 2022 through to the midway mark of 2023. Options for renters looking to upgrade or relocate were extremely limited. Vacancy ranged close to the 1.0% market in 2022 and early 2023. As a result, there was significant upward pressure on rents in all market segments. In 2022, the CMHC's same-sample GHA rent rose by a record 8.9%, which was four times the historical average. In some cases, tenants were priced-out of the market and were forced to relocate to less expensive regions of the GHA like Truro and Kentville. Rental demand outdistanced both new and existing supply. Post-secondary students and young workers were the market's key demand-drivers over the recent past. At the same time, many renter households stayed in their existing units, as the cost of home ownership rose sharply. Available supply is expected to remain critically low in the GHA over the near term, in keeping with the recent trend.

INVESTMENT MARKET WAS ACTIVE

The GHA's multi-suite residential rental investment market was relatively active recently. Transaction volume totalled $186.4 million for the first six months of 2023, down modestly from the $218.4 million reported for the same time-period a year ago. Recently built properties were popular with investors. Buyers were drawn to this market by its strong overall fundamentals, including record-low vacancy and benchmark-high rents. Rent growth was expected to continue to offset higher borrowing costs over the near term.The market's long track record of healthy investment performance was also a draw. Recent performance rationalized property acquisitions in this market. Properties tracked in the MSCI Index generated an attractive annual average aggregate return of 7.3% for the year ending June 30, 2023. Much of the return was income-driven, which was in keeping with the broader market trend. Over much of the same time-period, the market remained relatively active.

MARKET WILL BE RELATIVELY LIQUID

The GHA's multi-suite residential rental property sector will remain relatively liquid over the near term. Investors will continue to source recently built product, in keeping with the recent trend. An expectation of strong rent growth, stable rental demand and critically low supply will remain a draw. Private groups will be the dominant buyer category over the near term, in keeping with the historical trend. Institutional and pensions funds will also look for opportunities on a limited basis while the market remains relatively liquid.

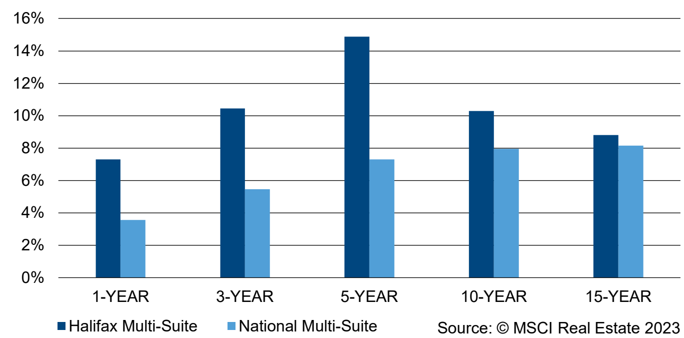
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	—	—
NET ABSORPTION	—	—
LEASE RATES	▲	▲
NEW SUPPLY	—	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

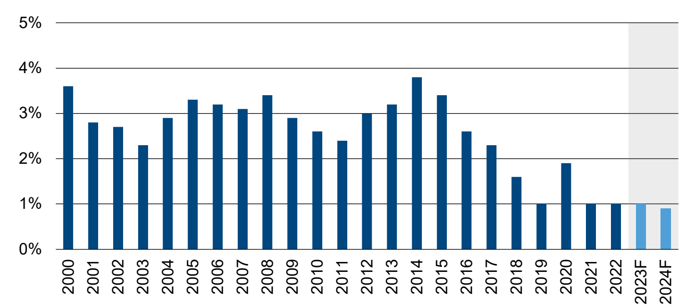
For the period ending June 2023



Source: © MSCI Real Estate 2023

AVERAGE RENTAL VACANCY

Halifax Multi-Suite Residential



Source: CMHC; Morguard

Available supply is expected to remain critically low in the GHA over the near term, in keeping with the recent trend.

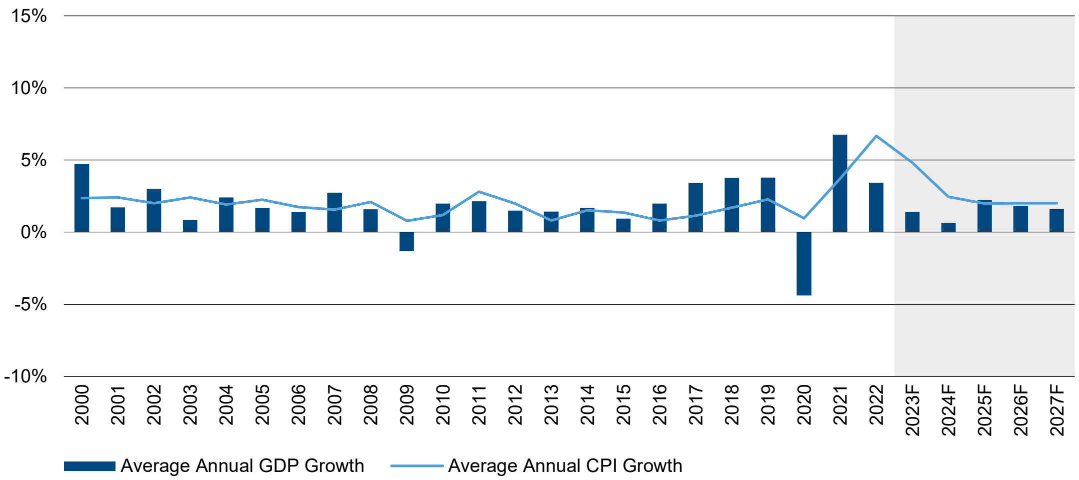
MONTREAL, QC

ECONOMIC SNAPSHOT

The Greater Montreal Area (GMA) economy will gear down over the near term, following a two-year period of strong growth. Output is expected to rise by just 0.7% in 2023, following advances of 6.7% and 3.3% in 2021 and 2022, respectively. The main causes of the weaker economic performance include higher interest rates and below-average immigration volume. Job growth will also slow over the near term, although labour market conditions will remain tight.

ECONOMIC GROWTH

Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB GROWTH SLOWDOWN EXPECTED

GMA job growth activity is expected to slow down over the near term, which is in keeping with the national trend. Employment will rise by just 0.3% this year, with a slightly better 0.6% gain forecast for 2024. Despite the relatively weak job growth trend, labour market conditions will remain tight over the next few years. The unemployment rate is projected to rest below the 5.0% mark over the medium term. Labour force participation will trend lower, which will help ensure the labour market remains tight. Over the near term, the healthcare and social services sector will see steady job growth activity, given rising demand. The sector is expected to add roughly 30,000 new jobs in 2023. The accommodation and food services industry will see employment rise by roughly 12,000. Job growth is expected to ease substantially over the near term, after the jobs lost as a result of the pandemic were recouped.

RETAIL SALES GROWTH TREND TO FIRM

Retail sales growth is expected to firm in 2024, having softened this year. Nominal retail sales volume is projected to increase by a healthy 4.4% in 2024. Subsequently, growth will average 2.6% annually in 2025/2026. Nominal retail sales are expected to rise by a modest 1.8% in 2023. Consumers began to cut back on spending in the latter half of 2023, a trend that was replicated across much of the country. Higher interest rates and elevated inflation eroded the consumer spending power of GMA households. Previously, discretionary spending surged following the removal of pandemic restrictions. Retail sales advanced by 10.0% in 2022, driven largely by pent-up demand, strong wage growth and a healthy economy. Visits to the GMA increased significantly recently, which also had a positive impact on spending patterns. The GMA retail sales growth trend is expected to firm in 2024, following a relatively weak 2023 performance.

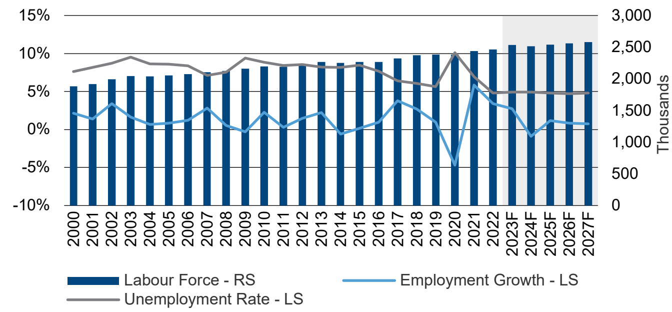
RESIDENTIAL STARTS TO SLOW

Residential housing starts will slow considerably over the near term. Roughly 25,000 housing starts are forecast for 2023, well below the 33-year high of 32,000 in 2021. Starts are projected to continue to slow over the next few years, according to Oxford Economics. Residential demand softened significantly recently, as mortgage rates increased. As demand softened sales of resale homes also slowed. Previously, housing market activity and pricing had peaked in early 2021. However, as demand softened activity dipped sharply. Developer confidence declined while construction costs increased. By the second half of 2022, the rebalancing of the region's housing market had commenced. At the same time, residential housing starts began to slow, a trend that will persist over the next few years.

Consumers began to cut back on spending in the latter half of 2023, a trend that was replicated across much of the country.

LABOUR MARKET

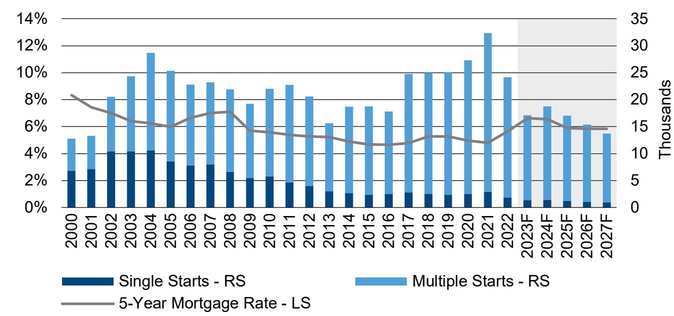
Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

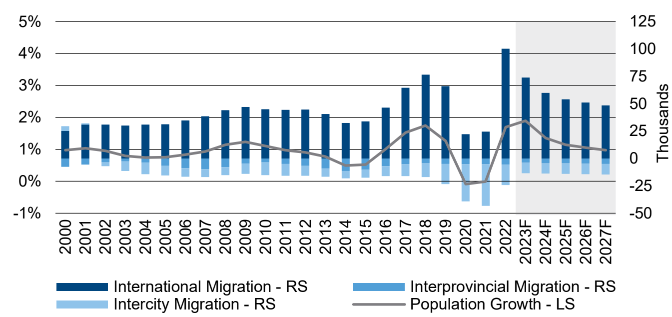
Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

VACANCY CONTINUED TO RISE

GMA office leasing market vacancy continued to rise over the past year, a trend that began after the onset of the pandemic. The GMA's average vacancy rate for all building classes rested at a 23-year high of 17.4% at the midway mark of 2023. Several factors contributed to the market's rising vacancy trend of the past few years. In some cases, tenants chose not to renew lease upon expiry and transitioned their employees to fully remote work. Others downsized or subleased space as they moved to a hybrid workplace model. Tenant expansions have been limited when compared to the pre-pandemic era, given an elevated level of economic and financial uncertainty. The rising vacancy trend was more pronounced in the class B and C inventory. As a result, owners have offered incentives including free rent to entice tenants. Some tenants have secured higher-quality space to draw their employees back to the office. As vacancy continued to rise recently rents were driven lower, especially for class B and C space.

INVESTMENT SALES SLUMP PERSISTED

The GMA office investment property sales slump persisted over the recent past. A modest $393.5 million of GMA office property was reported for the first half of 2023. Transaction volume had averaged just shy of $1.2 billion annually between 2020 and 2022. The downward sales trajectory was due in large part to the higher cost of and reduced access to debt capital. As a result, value-add and owner/users were the leading buyer groups in this market in the latter half of 2022 and first half of 2023. Pension funds and institutions were less active, choosing instead to remain on the sidelines until interest rates decline and leasing market conditions improve. Investment performance weakened as the investment sales slump unfolded. Properties contained in the MSCI Index posted a negative aggregate total return of 8.2% for the year ending June 30, 2023. The result was a function solely of capital depreciation. The capital decline coincided with the market's continued investment sales slump.

NEAR-TERM PERFORMANCE TO UNDERWHELM

The GMA office property sector's near-term performance pattern will be generally underwhelming. Vacancy will rise to a new benchmark high, resulting in continued downward pressure on rents. Downward pressure on valuations will continue, which will have a negative impact on returns. Investment activity will remain below average, given limited access to debt capital. In short, GMA office sector performance will continue to underwhelm over the near term.

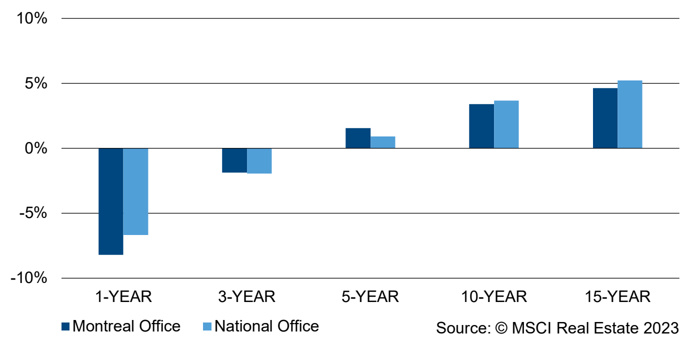
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	—	—
LEASE RATES	▼	▼
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

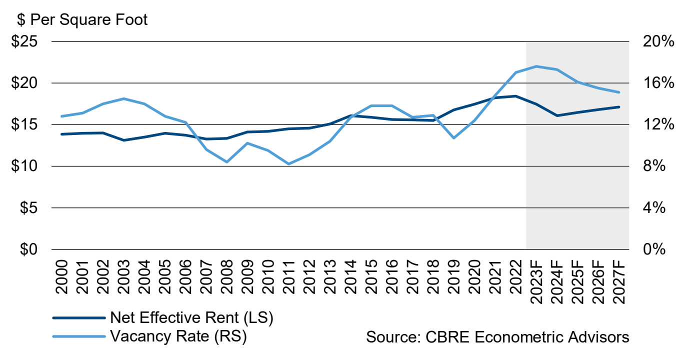
For the period ending June 2023



Source: © MSCI Real Estate 2023

OFFICE RENT & VACANCY

Montreal Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The GMA's average vacancy rate for all building classes rested at a 23-year high of 17.4% at the midway mark of 2023.

LEASING MARKET ACTIVITY SLOWED

GMA industrial leasing market activity slowed recently, which matched the national trend. As a result, a total of 752,000 square feet of negative net absorption was recorded for the first six months of 2023. Roughly 1.7 million square feet of space was absorbed over the final two quarters of 2022, capping off a 15-quarter run of positive performance. Supply remained highly constrained, despite the leasing activity slowdown. The market's average availability rate stood at just 1.8% as of the end of June 2023, up a relatively modest 50 bps year-over-year. Rent growth also began to slow during the first half of 2023. Previously, rents had increased relatively quickly and reached an all-time high in all market segments following the onset of the pandemic. The rent growth moderation of the first half of 2023 was indicative of the leasing market activity slowdown of the recent past in this market.

BULLISH INVESTMENT TRENDS REPORTED

Largely bullish GMA industrial investment property market trends were reported over the recent past. Properties tracked in the MSCI index posted a relatively bullish aggregate total return of 9.1% for the year ending June 30, 2023. The result was driven by a stable and positive income component and modest capital appreciation. A return of 39.6% was registered for the previous year, when values and rent growth peaked. Investors continued to target high-quality warehouse and logistics product in this market, as rent growth and performance moderated. Just over $2.0 billion of transaction volume was posted for the first half of 2023. During this period, private capital groups and owner/users were the most active purchaser groups. Institutional and pension fund buyers have been relatively inactive over the recent past, choosing instead to wait for borrowing costs to decline. Although investment activity slowed somewhat over the past year, investment market trends were largely bullish.

OUTLOOK IS GENERALLY POSITIVE

The outlook for the GMA industrial property sector is generally positive. Leasing demand will moderate somewhat as economic growth slows. However, despite the moderation, supply will remain constrained. Rents will rise at a sustainable rate than during the most recent peak. Investors will continue to place capital into the sector at an above-average rate. In short, the near-term outlook for this market is largely positive.

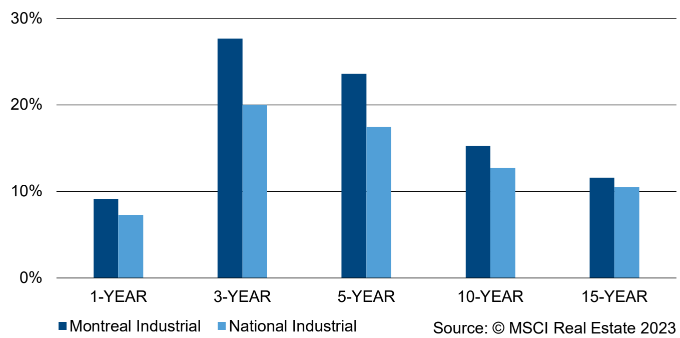
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	▼
LEASE RATES	▲	▲
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

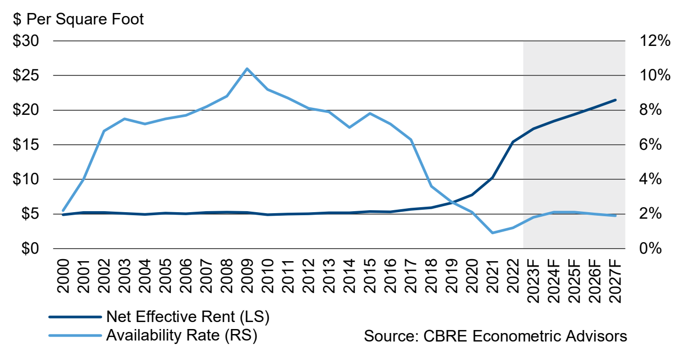
For the period ending June 2023



Source: © MSCI Real Estate 2023

INDUSTRIAL RENT & AVAILABILITY

Montreal Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The market's average availability rate stood at just 1.8% as of the end of June 2023, up a relatively modest 50 bps year-over-year.

LEASING MARKET PROGRESS RECORDED

Progress was recorded in the GMA's retail leasing market over the past year, which represented an extension of the recovery phase of the cycle. Increases in sales and foot traffic were reported in the second half of 2022 and first half of 2023, which bolstered the bottom lines of retailers. Vacancy fell modestly over the same time-period but remained above the pre-pandemic level. The aggregate vacancy average for properties contained in the MSCI Index was 9.8% at the midway mark of 2023, down from 14.2% a year earlier. Vacancy began to decline in the downtown core, despite benchmark-low office building occupancy. Some GMA landlords were able to raise rents for new leases and renewals. Modest increases were achieved most often for newly constructed space and in open-air centres with tenants selling necessities. Growth in the restaurant and broader food services industry was also a driver of modest rent increases in some centres. In summary, progress was reported in the GMA leasing market over the past year, in keeping with the national trend.

DEMAND WAS SPOTTY

GMA retail property investment demand remained spotty over the past year, extending the medium-term trend. Demand for properties with necessities-based tenants was relatively strong. Centres with strong performance characteristics were also coveted. Interest levels were markedly lower for class B and C centres and strips and downtown properties adversely impacted by low office market occupancy levels. Despite spotty demand, $505.3 million of retail investment property sales volume was posted for the first half of 2023. During the past year, private capital groups accounted for larger share of investment sales, while some buyers retreated as borrowing costs increased. Property values have declined modestly while buyers looked to offset the higher cost of capital and heightened economic and financial market uncertainty. As values declined, investment performance weakened. Properties tracked in the MSCI Index posted an aggregate total negative return of 5.0% for the year ending June 30, 2023. The negative outcome was driven entirely by capital erosion. The erosion occurred during a period of uneven demand.

RECOVERY PHASE TO CONTINUE

The recovery phase of the retail leasing market cycle will continue over the near term. Vacancy will edge lower while rents stabilize. Consumer spending patterns are projected to weaken over the near term, which will hamper progress to some extent, as the recovery phase of the cycle continues.

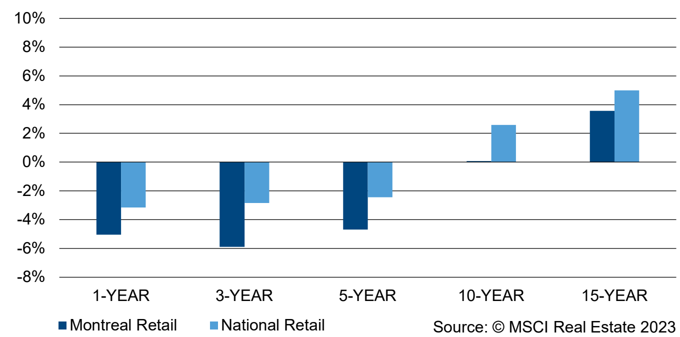
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	▲	▲
LEASE RATES	▲	—
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

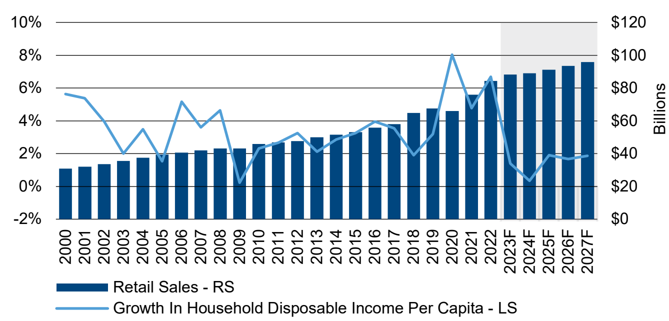
For the period ending June 2023



Source: © MSCI Real Estate 2023

RETAIL CONDITIONS

Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

GMA retail property investment demand remained spotty over the past year, extending the medium-term trend.

RENTAL DEMAND OUTSTRIPPED SUPPLY

GMA multi-suite residential rental market demand outstripped supply recently, resulting in markedly tighter conditions. More than one factor contributed to the recent demand supply imbalance. International migration patterns strengthened considerably over the past year, a trend that carried through to the midway mark of 2023. At the same time, fewer renter households were able to afford to purchase a home, given five-year-high interest rates and elevated inflation levels. Demand was stronger in suburban submarkets, where rental market conditions were tightest. Downward vacancy pressure continued in the first half of 2023. Vacancy had dropped to 2.0% by the end of 2022, down 100 bps year-over-year. Suburban vacancy rested at or slightly below the 1.0% mark dating back to 2019. Rents rose sharply as the market tightened, with Rentals.ca reporting asking rents had increased by 15.3% year-over-year as of August 2023. The upward rent trajectory of the past year was not overly surprising, given demand had outstripped supply by a significant margin.

INVESTMENT MARKET SOFTENED

The GMA multi-suite residential rental investment property market softened recently, having peaked in 2021 and the first half of 2022. Weaker investment performance was recorded over the past year. Properties contained in the MSCI Index posted an aggregate total return of 1.6% for the year ending June 2023, down from the 6.4% average over the previous period. Investment demand softened significantly, as certain buyers chose to hold off on acquisitions in this market until borrowing costs decreased and the economic outlook improved. Others looked for values to stabilize, having declined modestly in the past year. Transaction volume trended markedly lower recently, as the buyer pool thinned. A total of $1.3 billion of transaction volume was reported for the first half of 2023. Investment activity had peaked in 2021/2022 when average annual sales peaked at $3.8 billion. The transaction volume plunge was in keeping with the broader investment market softening of the past year.

INVESTMENT MARKET TO STABILIZE

The GMA multi-suite residential rental investment property market will stabilize over the near term. Some buyers will remain relatively inactive, given a somewhat uncertain economic and financial market outlook. However, buyers with a longer-term outlook will continue to look for opportunities to invest. We may see values edge lower if interest rates continue to rise, while the broader market stabilizes.

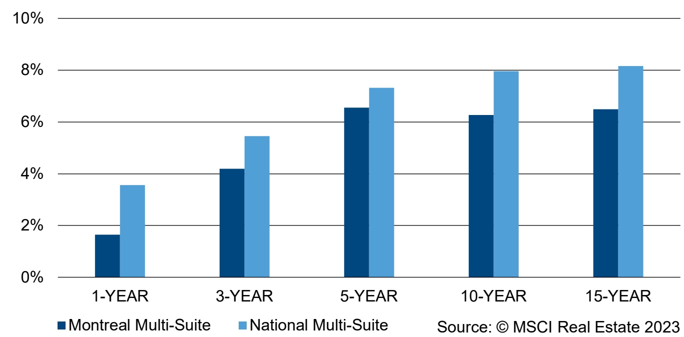
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	—	—
LEASE RATES	▲	▲
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

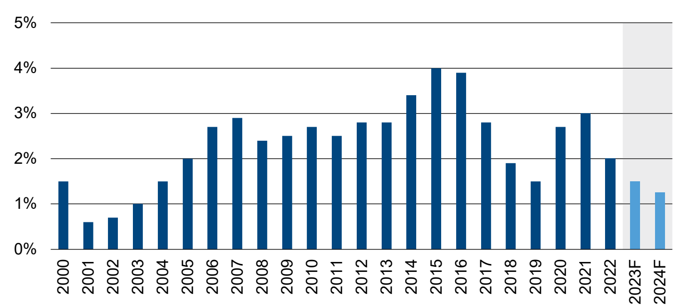
For the period ending June 2023



Source: © MSCI Real Estate 2023

AVERAGE RENTAL VACANCY

Montreal Multi-Suite Residential



Source: CMHC; Morguard

International migration patterns strengthened considerably over the past year, a trend that carried through to the midway mark of 2023.

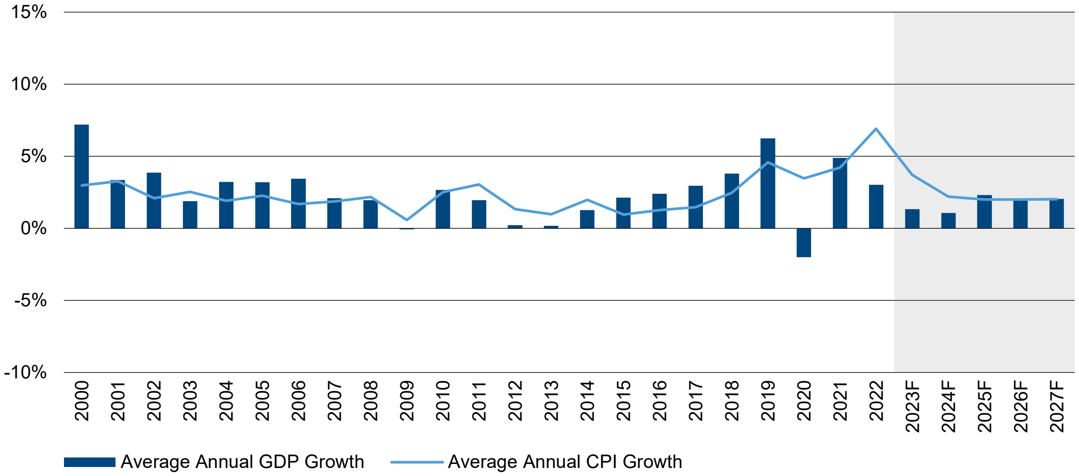
OTTAWA, ON

ECONOMIC SNAPSHOT

Greater Ottawa Area (GOA) economic output is forecast to rise by a modest 0.8% this year. Economic activity will pick up considerably in 2024, with output rising by a solid 2.0%. The near-term job market outlook is generally positive, with total employment rising by an average of 1.5% annually in 2023/2024. Retail spending will increase significantly next year, given an expectation of lower interest rates and inflation.

ECONOMIC GROWTH

Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET OUTLOOK IS GENERALLY POSITIVE

The GOA labour market outlook is generally positive. The region's economy is expected to drive employment significantly higher in 2023 and 2024. Employment increases of 14,000 and 10,000 are forecast for 2023 and 2024, respectively. The region's public sector will continue to lead in terms of job creation. Public sector employment will expand by 8,000 positions in 2023, following the 10,000 additional jobs created in 2022. As GOA employment levels rise, the unemployment rate will remain relatively low. The unemployment rate is expected to hover close to the 4.5% mark in 2023/2024. As a result, labour market conditions will remain tight. Worker shortages will persist in some sectors. Labour market tightness will continue to drive wages significantly higher. The wage growth is a reflection of the positive labour market outlook.

RETAIL SPENDING PICKUP FORECAST

A retail spending pickup is forecast for the GOA over the near term. Retail sales volume is projected to rise by a solid 4.2% in 2024, after a modest 0.6% increase this year. The pickup in sales can be attributed to more than one factor. In 2024, inflation is expected to gradually decline, resulting in additional spending power for GOA residents. Additionally, tourist traffic is expected to steadily rise, which will support increased spending volume over the near term. Mortgage rates are expected to decrease next year. As a result, residents will have more funds available for discretionary purchases. Job growth will also help driver spending growth over the near term. Spending will also increase as a result of the anticipated population growth over the near term. In short, a retail spending pickup is forecast for the GOA next year, a trend that is expected to unfold across much of the country in 2024.

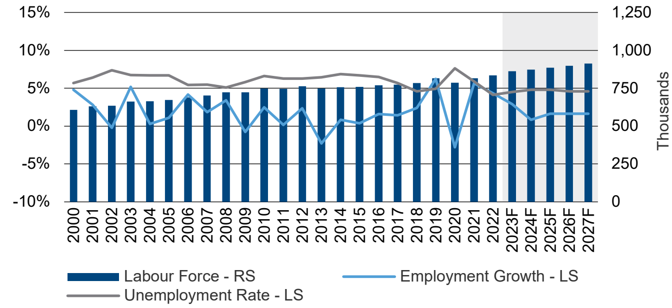
HOUSING STARTS WILL EXCEED THE HISTORIC AVERAGE

The volume of new home housing starts forecast for the GOA over the near term will exceed the historic average. Roughly 13,400 housing starts are forecast for 2024, up from the 12,300 total predicted for 2023. Both figures are markedly higher than the GOA's long-term average. Population growth will support increased demand for new housing across the GOA. Additionally, the GOA's suburbs have become increasingly popular over the past few years. Families and individuals have looked increasingly to relocate to the GOA's suburbs since the onset of the pandemic. Mortgage rates are expected to fall at some point during 2024, resulting in increased demand for new housing. Developers will try to meet the increased demand by building out more lots. Consequently, housing starts volume will rise and exceed the long-term average for this market.

The volume of new home starts forecast for the GOA over the near term will exceed the long-term average.

LABOUR MARKET

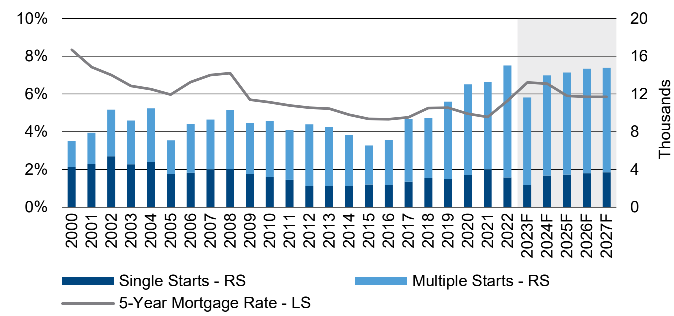
Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

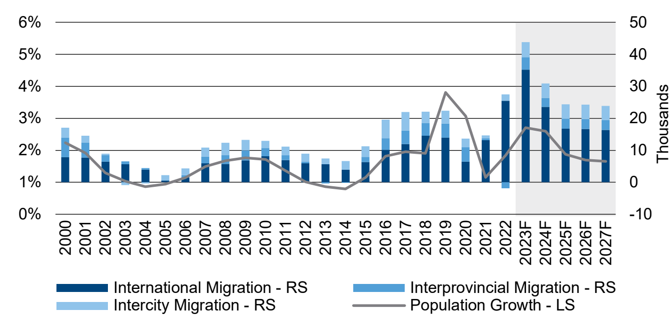
Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

SUPPLY RISK INCREASED SUBSTANTIALLY

Supply risk increased substantially in the GOA office leasing market over the past year. The market average vacancy rate rose 210 bps and 460 bps year-to-date and year-over-year, respectively. Tenants continued to optimize their space when transitioning to various hybrid and remote workplace models, often resulting in reduced footprints. In some cases, tenants vacated space upon lease expiry while others placed space onto the sublease market. Space reductions were more common in class B and C buildings in both the suburbs and downtown. In a few cases, the public sector chose to vacate space when their lease expired, resulting in additional upward vacancy pressure. Landlords offered incentives including free rent and extended fixturing periods to lure tenants to their buildings. As a result, effective rents decreased, particularly for class B and C space. The downward pressure on effective rents was a byproduct of increased near-term supply risk.

SALES ACTIVITY AND PERFORMANCE DECLINED

GOA office property sector investment sales activity and performance declined recently, mirroring the national trend. Investment sales volume totalled $371.4 million for the first six months of 2023, down from $475.4 million over the same time-period a year earlier. The decline can be attributed in part to product availability. The increased cost and limited availability of debt capital and an uncertain leasing market outlook were also factors in the sales activity slowdown. Some buyers chose to remain on the sidelines until yields were high enough to offset the increased acquisition risk. Investment performance weakened in the past year. Assets contained in the MSCI Index posted a negative aggregate total return of 8.0% for the year ending June 30, 2023, down from the previous year's positive 0.3% return. The negative result was due entirely to capital erosion. Office property values edged lower over the past year while investment sales activity and performance weakened.

LEASING RISK TO REMAIN ELEVATED

GOA office leasing market risk will remain elevated over the near term. The forecast is predicated largely on the continued transition of businesses to various remote and hybrid workplace models and a weaker economic performance outlook. As a result, vacancy will continue to rise. The rising trend will be mitigated by the conversion of buildings to residential and minimal new supply additions. In short, leasing market will remain elevated over the near term.

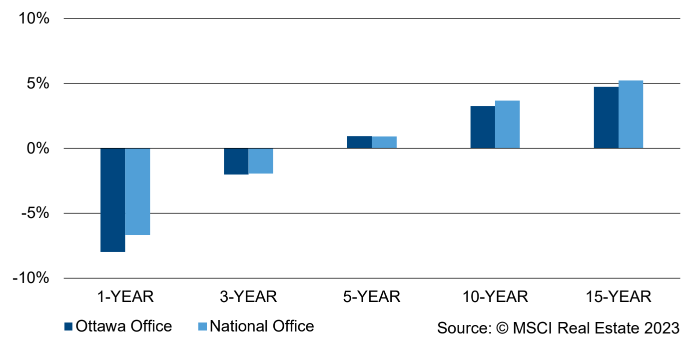
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	—
LEASE RATES	▼	—
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

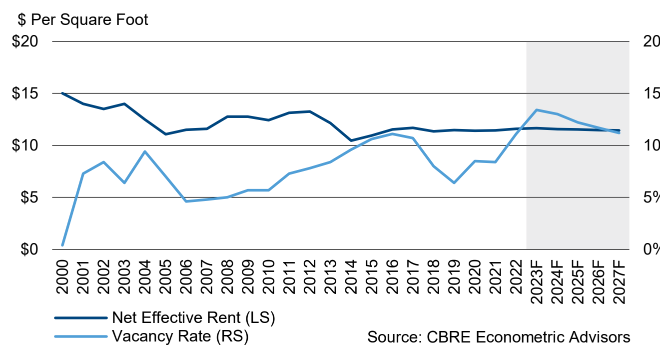
For the period ending June 2023



Source: © MSCI Real Estate 2023

OFFICE RENT & VACANCY

Ottawa Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Assets contained in the MSCI Index posted a negative aggregate total return of 8.0% for the year ending June 30, 2023.

LEASING RISK WAS LOW

Leasing risk in the GOA's industrial property sector remained low over the past year, in keeping with the national trend. The GOA leasing market continued to be characterized by supply constraints. The markets' average availability rate rested at just 2.5% at the midway mark of 2023, up just 5 bps year-to-date. The rate edged higher over the past year, due in large part to a slightly weaker demand trend. There was just over 651,000 square feet of new supply added to the market over the 12-month period ending at the midway mark of 2023. Most of the space was pre-leased, resulting in minimal relief for tenants looking to expand or relocate. Options for tenants measuring 30,000 square feet or greater were very limited. Leasing demand patterns were generally stable and healthy over the past year, particularly in the small-bay market segment. At the same time, rents held at the cycle and record-high level in this market. Rent growth eased slightly in the past year. Despite the rent growth easing, leasing market risk remained low.

SUPPLY SHORTFALL REPORTED

The supply of available high-quality warehouse investment property fell short of demand recently, despite rising interest rates and economic and financial market uncertainty. Investors were attracted to the market's solid track record of performance and rent growth outlook. However, relatively few properties were offered for sale. Some of the market's owners were reluctant to sell as values declined and when the buyer pool contracted. A total of $194.0 million of transaction volume was reported for the first six months of 2023, down sharply from $773.6 million posted for the same time period a year earlier. Stabilized high-quality warehouse product attracted buyers with relative ease. Investors targeted properties with leases expiring in the next few years, after which higher rents could be achieved. As investors targeted this market, investment performance softened significantly, due in large part to the erosion of capital values. Despite the performance downdraft, investment demand outdistanced supply.

OUTLOOK IS STABLE AND POSITIVE

The GOA industrial sector's near-term outlook is generally stable and positive. Leasing market conditions will remain tight. Demand will keep pace with new supply, resulting in near cycle-low availability. Availability will edge higher in the second half of 2023 and subsequently stabilize as economic activity picks up. Rents will begin to slowly rise by 2025, as demand patterns improve. In short, the near-term outlook for the GOA industrial property sector is generally stable and positive.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	—

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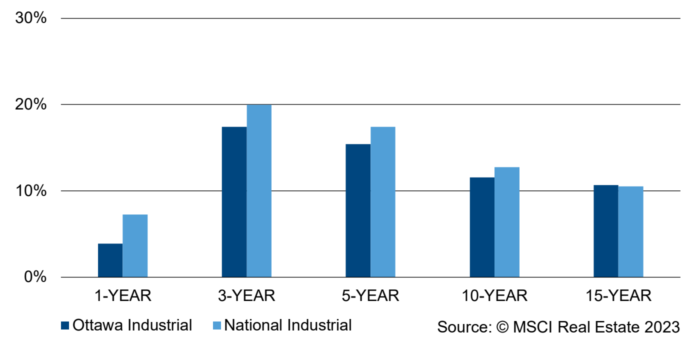
HISTORICAL PERFORMANCE

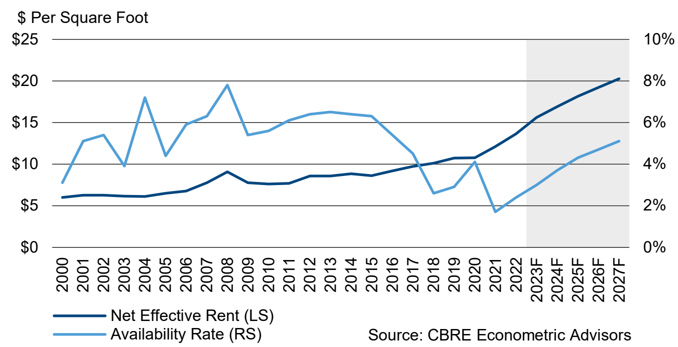
For the period ending June 2023



Source: © MSCI Real Estate 2023

INDUSTRIAL RENT & AVAILABILITY

Ottawa Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

There was just over 651,000 square feet of new supply added to the market over the 12-month period ending at the midway mark of 2023.

SUPPLY WAS SOMEWHAT CONSTRAINED

Supply constraints continued to characterize the GOA's retail leasing market over the past year. Vacancy rested in the low single-digit range during 2022 and the first half of 2023, having steadily declined over the past few years. Conditions were particularly tight in the suburbs. Supply constraints were a function of a slowdown in development activity combined with stable and positive leasing demand patterns. With demand outstripping supply, rents edged higher. Owners of centres and strips with tenants selling necessities were able to command higher rents. Rents for less desirable space were largely flat over the past year. The closures of Bed Bath & Beyond and Nordstrom added roughly 250,000 square feet of vacant space to the GOA market in the past year, providing a modicum of relief from the supply constraints of the past year.

INVESTMENT ACTIVITY SLOWED

Investment activity began to slow in the latter half of 2022 in the GOA retail property sector, a trend that persisted through to the midway mark of 2023. A total of $67.9 million of retail property transaction volume was reported for the first half of 2023, down from $205.8 million for the same time-period a year earlier. The transaction pace was markedly slower than the 2021 peak when $576.8 million of annual sales was posted. The investment market slowdown was attributed to several factors. As interest rates and financial and economic uncertainty increased over the past year, some investors retreated to the sidelines. Purchasers looked to achieve higher returns to offset the rising cost of debt and increased risk. However, some vendors were initially unwilling to lower their pricing expectations. However, by the end of 2022, capitalization rates had increased and values had declined. Despite the adjustment, investment activity remained muted, having slowed significantly over the past year.

OUTLOOK IS MODERATELY POSITIVE

The GOA retail leasing market outlook is moderately positive. The market will remain relatively tight, with few construction completions scheduled over the near term. At the same time, leasing demand characteristics are expected to remain positive. Retailers will continue to target this market for growth opportunities, given its large public sector presence and solid job market outlook. Necessities-based retailers will continue to expand in this market as new trade areas form. In short, the outlook for the GOA retail leasing market is moderately positive, which is in keeping with the national sector forecast.

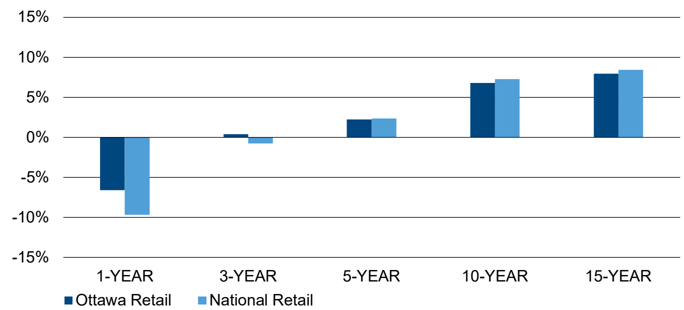
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	—
NET ABSORPTION	▲	▼
LEASE RATES	—	—
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

For the period ending Sept 2020*

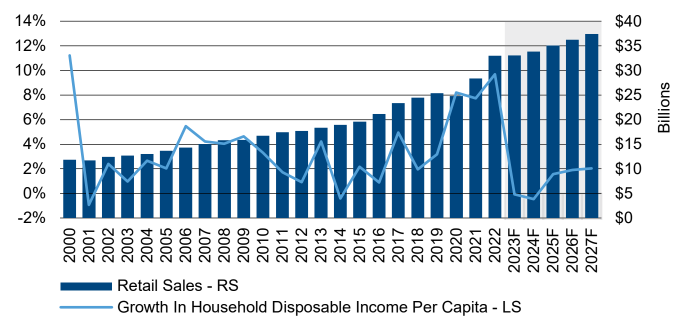


*Current data unavailable

Source: © MSCI Real Estate 2023

RETAIL CONDITIONS

Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

Investment activity began to slow in the second half of 2022 in the GOA retail property sector, a trend that persisted through to the midway mark of 2023.

RENTAL DEMAND EXCEEDED SUPPLY

Demand exceeded supply on an aggregate basis in the GOA's multi-suite residential rental market over the recent past. This dynamic was evidenced in the market's recent vacancy trend. Vacancy in the GOA's purpose-built inventory of buildings averaged 2.1% at the beginning of 2023, down from 3.4% a year earlier. Much of the decline was centred in central neighbourhoods, driven by the return of post-secondary students to in-person classes. Students had previously attended online classes following the onset of the pandemic in 2020. As rental market conditions tightened, upward rent pressure increased. The average rent for a two-bedroom unit had increased by 17.0% year-over-year for new tenants, as of the end of 2022. The upward pressure on rents was due in large part to healthy rental demand that exceeded supply.

INVESTMENT SALES SLOWDOWN UNFOLDED

Sales of investment-grade multi-suite residential rental property slowed significantly over the past year, in keeping with broader market trend. The $188.4 million of investment property sold over the first six months of 2023 represented a 64.0% decline year-over-year for the same time period. The initial cause of the slowdown was a marked increase in the cost of debt and heightened economic and financial market uncertainty. In turn, investors looked for discounts on acquisitions to offset the added risk and uncertainty. In some cases, vendors were unwilling to compromise on price when disposing of assets. Increasingly, vendors and purchasers were unable to agree on pricing, resulting in fewer sales. Capitalization rates have risen modestly, as valuations have declined. As investment sales slowed, investment performance softened. Properties contained in the MSCI Index registered a moderately attractive aggregate total return of 4.9% for the year ending June 30, 2023. However, this was less than half of the return posted for the previous year. The weaker result was generated during a period when investment sales slowed significantly.

INVESTMENT ACTIVITY WILL REMAIN MUTED

Investment activity will remain muted in the multi-suite residential rental sector over the second half of 2023 and into 2024. Buyers requiring access to low-cost debt will be relatively inactive while interest rates range at a five-year high. Private capital groups will continue to acquire smaller properties with upside rent potential. Cash buyers will continue to look for opportunities in a market that boasts a stable labour market and strong public sector presence. However, on balance, investment activity will remain muted over the near term.

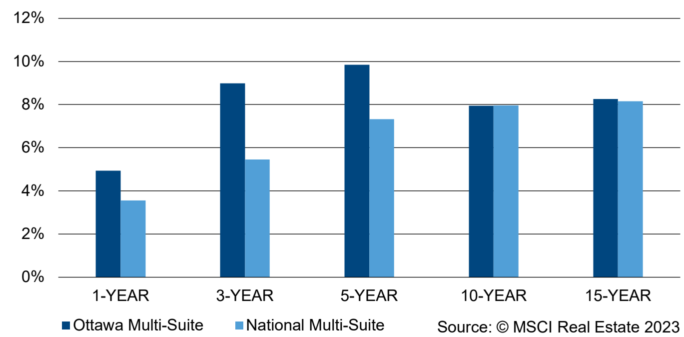
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	▲	–
LEASE RATES	▲	▲
NEW SUPPLY	▲	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

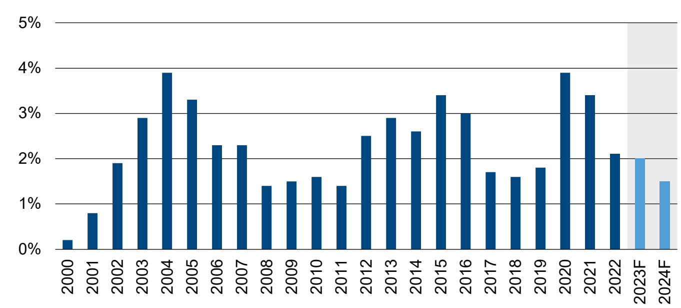
For the period ending June 2023



Source: © MSCI Real Estate 2023

AVERAGE RENTAL VACANCY

Ottawa Multi-Suite Residential



Source: CMHC; Morguard

Properties contained in the MSCI Index registered a moderately attractive aggregate total return of 4.9% for the year ending June 30, 2023.

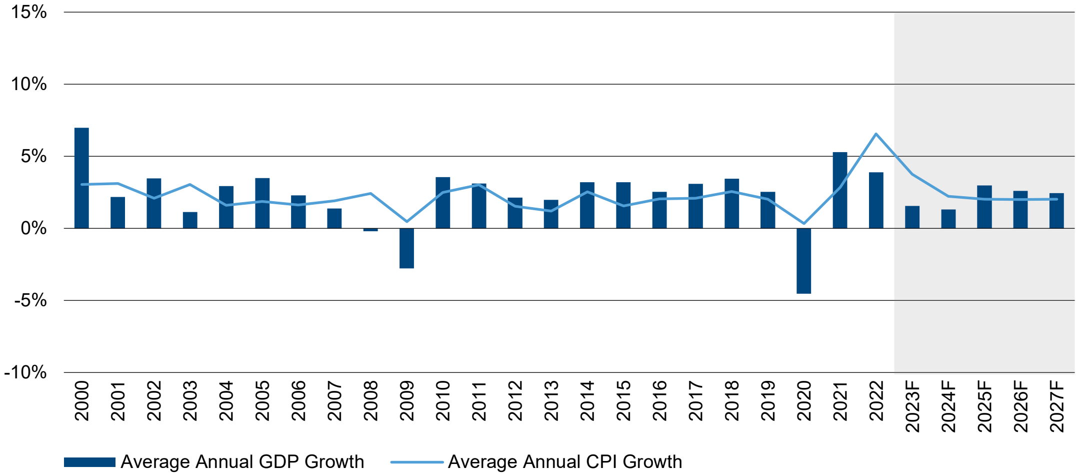
TORONTO, ON

ECONOMIC SNAPSHOT

The Greater Toronto Area (GTA) economy will slow considerably over the near term, having expanded by a solid 3.7% last year. GDP will expand by just 0.6% in 2023, which is in line with the national average rate of expansion. Economic growth will boost employment by a modest 1.1% in 2023 and a further 1.9% next year. GTA households will cut back on spending over the near term while interest rates and inflation remain elevated.

ECONOMIC GROWTH

Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET WILL STRENGTHEN NEXT YEAR

The GTA labour market will strengthen next year, having slowed substantially in the second half of 2023. The GTA economy is expected to generate roughly 68,000 new jobs in 2024 up from the tepid 38,000 this year, as forecast by the CBOC. In 2022, 148,000 new jobs were created, due in large part to a strong first-half economic performance. Labour market tightness will persist in 2023/2024, which is in line with much of the rest of the country. The GTA unemployment rate will hold steady at 6.1% in 2024, having dropped 30 bps this year. Employment in the wholesale and retail trade sector is projected to decline relatively sharply over the near term, as consumer spending slows. GTA economic activity is projected to increase substantially at some point during 2024. As a result, the GTA labour market will strengthen.

RETAIL SALES GROWTH WILL MODERATE

GTA retail sales growth is expected to moderate over the near term. The CBOC is projecting retail sales will rise by just 0.4% on an annualized basis in 2023, following the pent-up demand driven 16.5% increase in 2022. Several factors will have a negative impact on retail spending growth over at least the second half of 2023. The cost of mortgage and consumer debt is expected to remain high. As a result, consumers will be less inclined to spend on big ticket discretionary items. At the same time, core and non-core inflation will continue to erode consumer spending power. Additionally, weaker job growth patterns will have a negative overall effect on spending in this region. Looking ahead to 2024, retail sales will increase at a healthy rate, following a period of moderate growth.

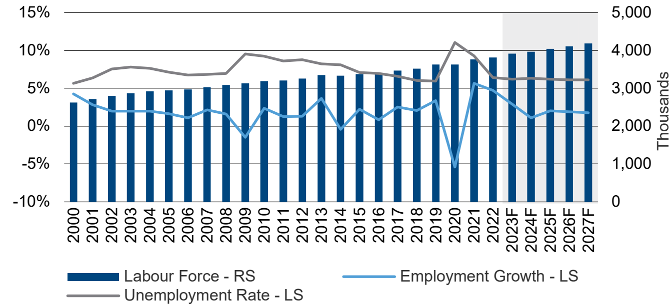
HOUSING MARKET RECOVERY FORECAST FOR NEXT YEAR

The GTA housing market recovery is expected to commence sometime next year, following a prolonged period of weakness. The recovery is predicated on the expectation of lower interest rates at some point during 2024. As borrowing costs decline, housing starts will increase. The CBOC is projecting 39,300 housing starts for 2024, most of which will be in multi-unit projects. Housing start volume dropped by 8.0% this year, following a modest 3.6% increase to 45,100 units in 2022. Positive momentum is also projected for the resale home market in 2024. Resale housing activity also declined substantially during 2022/2023, as interest rates rose steadily. Many of the region's families and individuals were unable to afford to purchase homes even as prices began to fall. Interest rates are expected to decrease sometime during 2024, which will be a catalyst for the GTA's housing market recovery.

The CBOC is projecting 39,300 housing starts for 2024, most of which will be in multi-unit projects.

LABOUR MARKET

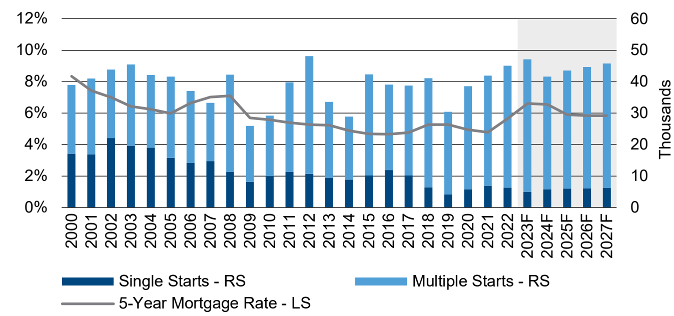
Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

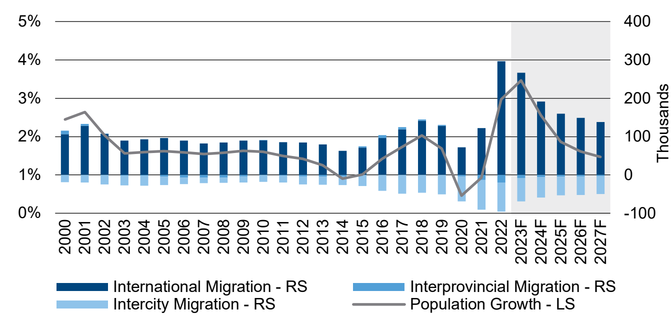
Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET SLUMP WAS EXTENDED

The GTA's pandemic-influenced leasing market slump was extended recently. Demand patterns underwhelmed during 2022 and the first half of 2023, with relatively few expansions reported. GTA businesses look for cost certainty, given an elevated level of economic and financial market uncertainty. The ongoing shift to remote and hybrid workplace models by some tenants drove vacancy levels steadily higher. Sublease availability continued to rest at an all-time high in the GTA's downtown core. GTA vacancy for all building classes combined rested at a 23-year high of 17.9% at the midway mark of 2023. Vacancy climbed steadily over the past few years, resulting in downward rent pressure. This dynamic was more pronounced in older class A and class B buildings. Some tenants took advantage of market conditions to secure higher-quality space at a reasonable cost. This trend was indicative of market slump that was extended over the recent past.

INVESTOR CONFIDENCE LEVELS VARIED

Investor confidence levels in the GTA's office sector varied significantly over the recent past. Investors exhibited confidence in the market's class A properties. The confidence was rooted in the perception that the market's highest quality buildings had outperformed during the pandemic-influenced leasing market downturn. Moreover, investors were confident that the class A buildings would continue to perform relatively well over the long term. Investors exhibited lower levels of confidence in the market's riskier and often older class A and class B properties. Leasing fundamentals were eroded more significantly in the market's older class A and class B market segment of the market over the past few years. The class A inventory was more liquid over the past year. Sales of GTA office property slowed in the second half of 2022 and remained well below the 2021 and first-half 2022 peak through to the midway mark of 2023. Over the same time-period, values and performance declined, a period during which investor confidence levels varied.

MORE OF THE SAME ON TAP

Leasing markets trends forecast over the near term will mirror those of the recent past. Vacancy will edge higher, due largely to weak demand trend. Relatively few tenants will expand, given heightened economic and financial market uncertainty. Tenants will continue to offload excess space when transitioning to hybrid formats. In short, leasing market trends forecast over the near term will match those observed over the past few years.

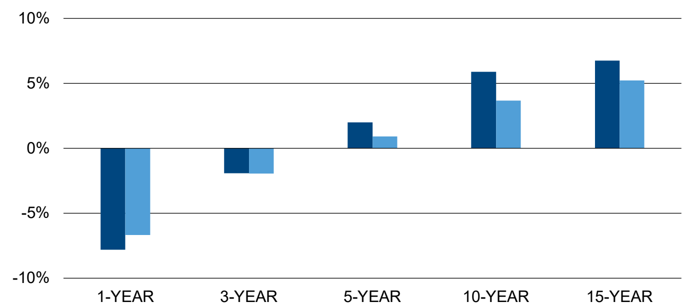
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	—
LEASE RATES	—	—
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

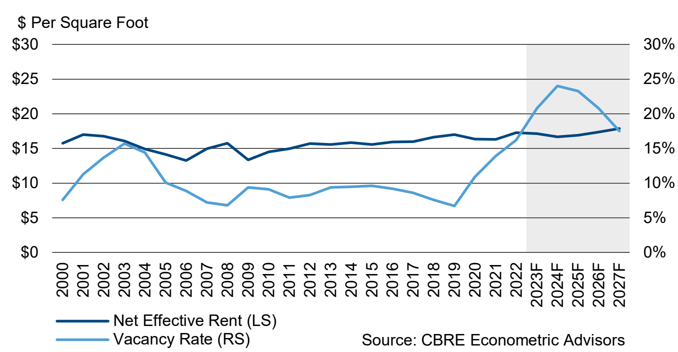
For the period ending June 2023



Source: © MSCI Real Estate 2023

OFFICE RENT & VACANCY

Toronto Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Investors exhibited lower levels of confidence in the market's riskier and often older class A and B properties.

GROWTH PHASE OF CYCLE BEGAN TO MATURE

The growth phase of the GTA's industrial leasing market cycle began to mature recently. Just shy of 1.8 million square feet of space was absorbed during the first six months of 2023, down sharply from the almost 4.9 million square feet reported for the same time-period a year earlier. Leasing demand was relatively stable and healthy, despite the decrease. Rent growth had begun to ease by the beginning of 2023, a trend that carried through to the second half of the year. Previously, rents had increased rapidly, driven by robust pent-up demand after the onset of the pandemic. Net rents had risen to an all-time high by 2022, reaching into the high-teens and low 20s for new leases. The pace at which new construction was leased also hinted at the maturation of the growth phase of the cycle. Over the past few years, new supply was mostly leased up prior to completion or shortly after. In the first half of 2023, new supply was taking longer to lease up. The GTA leasing market continued to perform relatively well recently, as signs of the maturing of the growth phase of the cycle were observed.

INVESTORS WERE CONFIDENT

Investors continued to exhibit confidence in the GTA industrial property sector over the recent past. As a result, GTA warehouse and logistics properties continued to sell at a relatively brisk pace. A total of $7.0 billion of investment transaction volume was reported for the first half of 2023. Buyers increased their holdings in a market where rents were expected to continue to rise over the near term. Rent growth was expected to at least partially offset rising borrowing costs. Additionally, investors were keen to acquire properties in a sector that had performed extremely well after the onset of the pandemic. During this time-period rents and values had risen to a record high. Capitalization rates stabilized and increased modestly in the late stages of 2022 and early 2023. Investment performance moderated, as values declined. Properties contained in the MSCI Index posted an aggregate total return of 6.6% for the year ending June 30, 2023. The result was down sharply from the previous period, due largely to a weaker capital growth trend. Despite the weaker performance trend, investors exhibited confidence in this market and sector.

OUTLOOK IS POSITIVE

The outlook for the GTA leasing market is generally positive. The market will remain tight, as supply becomes slightly less constrained. Rents will rise at a more sustainable rate, rather than the sharp increases recorded during the 2021/2022 peak.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	—
LEASE RATES	▲	▲
NEW SUPPLY	▼	—

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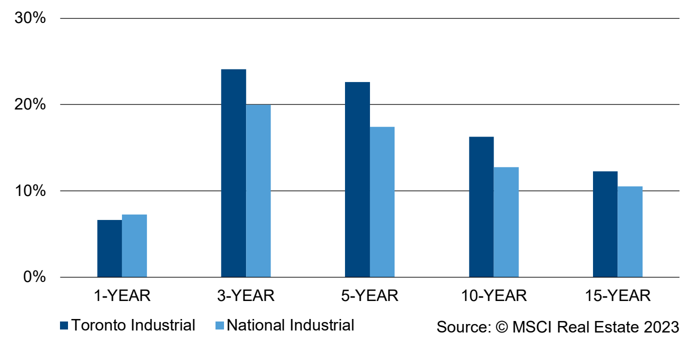
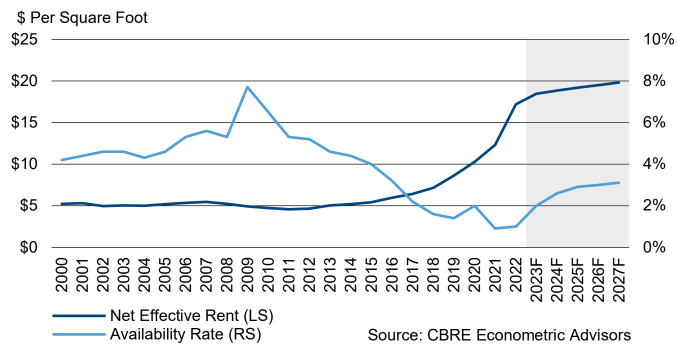
HISTORICAL PERFORMANCE

For the period ending June 2023



INDUSTRIAL RENT & AVAILABILITY

Toronto Historical & Forecast Aggregates



Over the past few years, new supply was mostly leased up prior to or shortly after completion.

LEASING FUNDAMENTALS STRENGTHENED

GTA retail leasing market fundamentals strengthened considerably over the past. Retail foot traffic continued to steadily rise amid healthy retail spending patterns during 2022 and early 2023. As a result, retailers continue to expand in both enclosed and open-air centres. Store closures drove vacancy in some centres markedly higher. However, the market tightened overall. The aggregate vacancy rate for properties tracked in the MSCI Index rested at an eight-year low of 5.7% at the midway mark of 2023. Vacancy remained elevated in the GTA's enclosed-centre market segment. Modest rent growth was recorded during 2022 and early 2023, particularly for space in the malls with strong performance track records. GTA retail leasing fundamentals strengthened considerably recently, in keeping with the trend of the past few years.

INVESTORS WERE SELECTIVE

Investors continued to target GTA retail property acquisitions on a selective basis recently, in keeping with the medium-term trend. Centres with grocery anchors or with a strong necessities-based tenants were an attraction for a range of buyer groups. Centres that had performed well in the aftermath of the onset of the pandemic also generated interest. Riskier assets with repositioning potential were of interest to smaller private capital groups. Buyer selectivity was reflected in recent transaction volume totals. There was a total of $1.1 billion of GTA retail property sold in the first half of 2023, down significantly from the same time-period a year earlier and from the most recent peak in 2021. Activity slowed while investment performance also declined. Properties tracked in the MSCI Index posted a negative aggregate total return for the year ending June 30, 2023. Capital depreciation was the main cause of the negative result. Capitalization rates have decompressed over the recent past, a period during which investors acquired GTA retail property selectively.

LEASING MARKET WILL STABILIZE

The GTA leasing market will stabilize over the near term, having largely recovered from the pandemic-influenced downturn. The forecast stabilization is predicated on weaker economic, job market, and retail sales growth performance trends. The recent interest rate hikes and inflation will fhamper progress over the near term. As retail sales slow, leasing activity will follow suit. In turn, vacancy and rents will stabilize. Some operators will hold off on expanding in this market until the economy and discretionary spending improve. Until then, the GTA leasing market will stabilize.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	—	▲
NET ABSORPTION	—	▼
LEASE RATES	▲	▼
NEW SUPPLY	—	—

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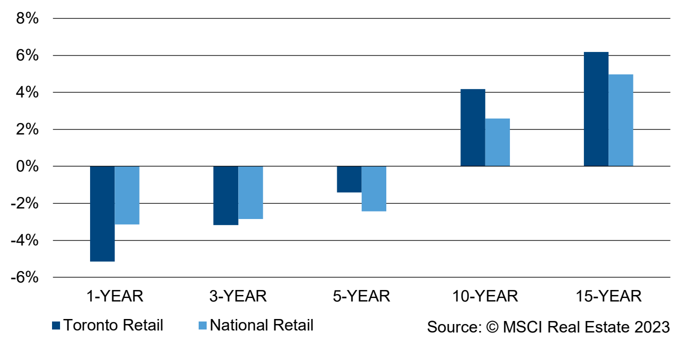
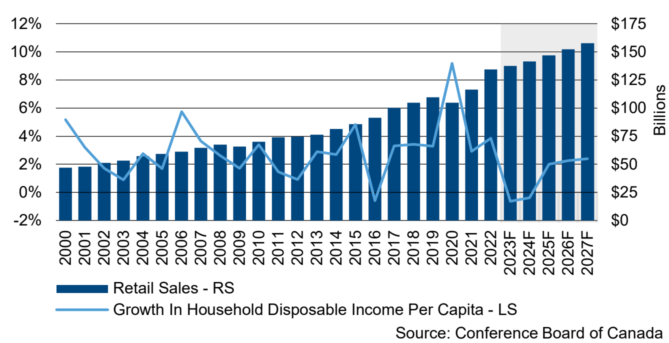
HISTORICAL PERFORMANCE

For the period ending June 2023



RETAIL CONDITIONS

Toronto Historical & Forecast Aggregates



The aggregate vacancy rate for properties tracked in the MSCI Index rested at an eight-year low of 5.7% at the midway mark of 2023.

RENTAL DEMAND SURGED

GTA's multi-suite residential rental demand surged recently, resulting in markedly tighter market conditions. Demand rose sharply with the removal of pandemic restrictions. International migration hit a record high and students returned to in-person classes, which drove to a benchmark high level. Surprisingly strong job growth in the latter half of 2022 and early 2023 added to the demand-pressure. The demand rebound drove vacancy down sharply. Conditions tightened considerably, with vacancy falling below the 2.0% mark by the fall of 2022. Rents rose to a record-high level in all unit-size categories. Rents increased more sharply when units were vacated and rented to new tenants. The persistent upward pressure on rents in the past year, was due to a rental demand surge.

INVESTORS EXHIBITED CONFIDENCE

Investors continued to exhibit confidence in the GTA's multi-suite residential rental sector recently, despite persistent headwinds. Buyers looked to acquire properties in a market with low-single-digit vacancy and record-high rents. Moreover, rents were expected to continue to rise over the near term. Investment offerings were generally well received, despite significant sector headwinds. The main causes of the headwinds were the increased cost of debt capital, elevated inflation levels, and an uncertain economic outlook. Capitalization rates edged higher in the latter half of 2022, as buyers looked to offset increased sector risk. However, by early 2023, rates had stabilized. The value stabilization was evidenced in recent MSCI performance data. GTA properties contained in the index posted an aggregate total return of 3.1% for the year ending June 30, 2023, which was income driven. The moderately positive return was generated when investors continued to exhibit confidence in this sector and market.

DEMAND SUPPLY IMBALANCE TO PERSIST

The multi-suite residential rental market demand supply imbalance will persist over the near term. Rental demand will exceed supply. Many renters will stay put, as rents for vacant units continue to rise at a record rate. International migrants and students will have relatively few options when looking to rent accommodation, resulting in continued upward pressure on rents. Supply will remain constrained in this market over the near term, despite a surge of new supply completions over the past few years. Investors will continue to look to this market as a source of attractive yields and rent growth. Rents will continue to rise over the near term, as the market demand supply imbalance persists.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	—	—
LEASE RATES	▲	▲
NEW SUPPLY	—	—

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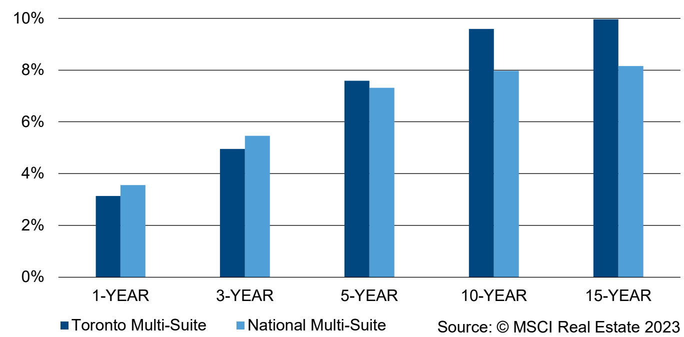
HISTORICAL PERFORMANCE

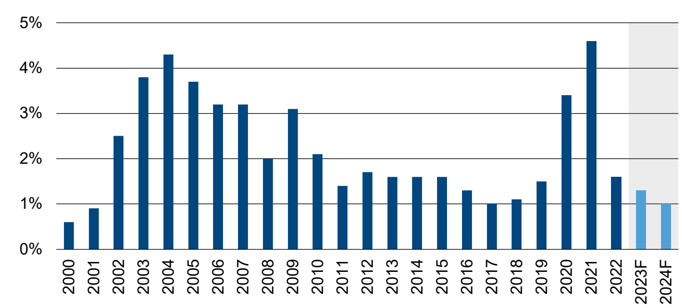
For the period ending June 2023



Source: © MSCI Real Estate 2023

AVERAGE RENTAL VACANCY

Toronto Multi-Suite Residential



Source: CMHC; Morguard

Investment offerings were generally well received, despite significant sector headwinds.

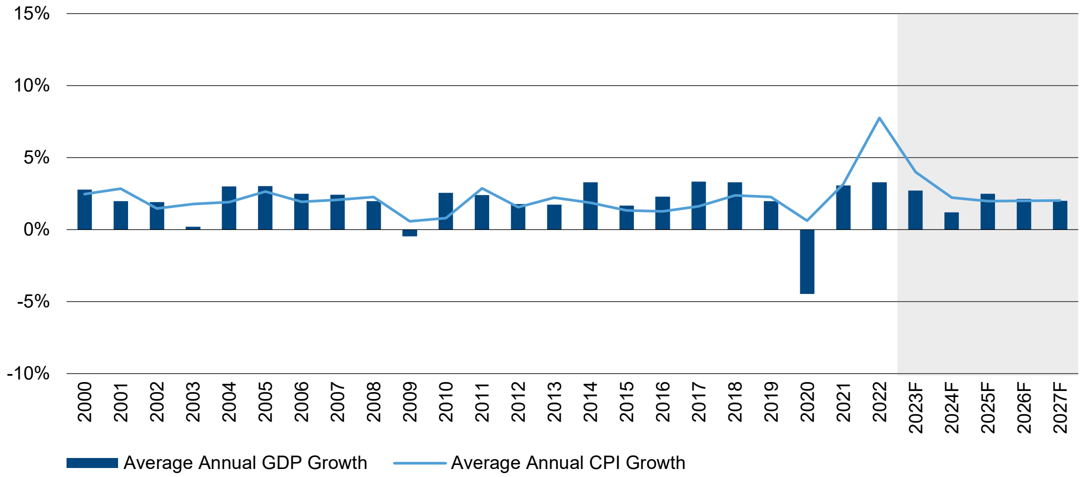
WINNIPEG, MB

ECONOMIC SNAPSHOT

The Greater Winnipeg Area (GWA) economy will grow relatively slowly over the near term, a pattern that will be repeated across much of the country. Economic output will increase by a modest 0.9% this year, after which annualized growth will average 2.4% in 2024/2025. Employment will contract slightly in 2023 and subsequently increase by a solid 1.7% next year. Weaker retail consumption patterns are forecast over the near term, given a relatively weak economic growth outlook.

ECONOMIC GROWTH

Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

EMPLOYMENT TO RISE STEADILY AFTER BRIEF DECLINE

GWA employment will rise steadily over the next couple of years, having contracted slightly over the recent past. Total employment will rise by a solid 1.7% in 2024 and an average just over 1.4% annually through to 2027. Employment will contract slightly in 2023, due in part to the negative impact of higher interest rates on business investment. Labour market conditions will remain relatively tight over the next few years, despite rising vacancy levels. The CBOC is predicting the unemployment rate will hover close to the 4.5% mark in 2024/2025. Job vacancies and employment will increase substantially in the GWA's healthcare and social services sector, as the region's population ages. More broadly, GWA employment will rise steadily over the next few years, having constracted slightly in 2023.

RETAIL SPENDING OUTLOOK IS HEALTHY

The GWA retail spending outlook is relatively healthy. The CBOC's forecast calls for retail sales to increase by a moderately positive 2.2% in 2023. Subsequently, annual sales will increase by a robust 3.5% in 2024 and subsequently range close to the 3.0% mark through to 2027. Retail sales will strengthen as interest rate and inflation pressures ease. Inflation is expected to moderate and edge closer to the BofC's preferred range in 2024/2025. As a result, GWA consumers will spend more on discretionary items. Interest rates are expected to have begun to decline by the end of 2024, which will result in a spending surge. Economic and labour market growth is expected to firm next year, which will also positively impact spending. In short, the GWA retail spending outlook is generally healthy.

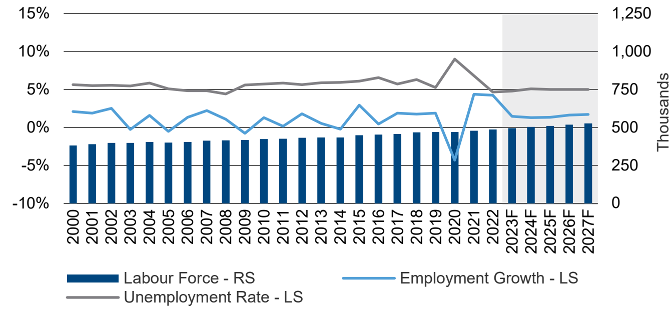
RESIDENTIAL CONSTRUCTION STARTS TO GRADUALLY INCREASE

The volume of residential construction starts in the GWA will increase modestly over the next few years. Beginning in 2024, construction starts will increase at a modest pace. Interest rates are expected to begin to fall by the end of 2024, resulting in an uptick in housing market activity and construction starts. A total of approximately 5,500 residential housing starts are predicted for 2023, down from 5,900 last year. Residential demand dropped sharply in the second half of 2022, as mortgage rates climbed to a five-year high. At the same time, investors retreated to the sidelines. As demand softened, several condominium projects were postponed while sales slowed significantly. In 2024, residential demand patterns are expected to improve, resulting in a modest increase in construction starts. Construction start volume will continue to rise at a modest rate over the next few years.

Inflation is expected to moderate and edge closer to the BoC's preferred range in 2024/2025.

LABOUR MARKET

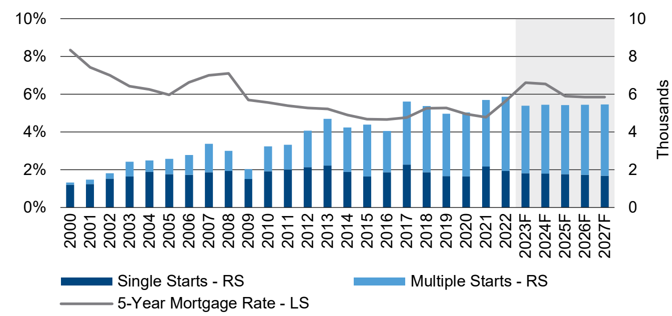
Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

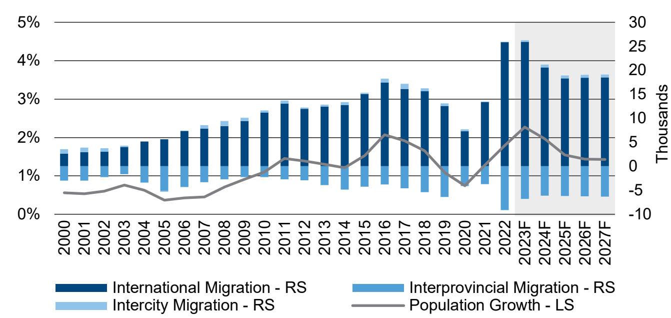
Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

SUPPLY OUTSTRIPPED DEMAND

GWA office leasing market supply continued to outstrip demand recently, in keeping with the national trend. Vacancy continued to rise. The market average vacancy rate rested at a 20-year high of 14.9% at the midway mark of 2023, up 60 bps year-over-year. Downtown vacancy stood at 17.0% and the suburban average was 9.7%, up 60 bps and 30 bps year-over-year, respectively. Some tenants were able to move to higher-quality space over the past year to entice their employees to return to their offices. Others reduced their footprints as they transitioned to various hybrid and remote workplace configurations. Face rents were relatively stable, although effective rents remained at the cycle low as landlords offered incentives to prospective tenants. Incentives were offered more frequently by owners of class B and C buildings in the downtown area. Class B and C vacancy levels had increased more sharply since the onset of the pandemic. Supply was expected to continue to outstrip demand over the near term, in keeping with the trend of the past year.

INVESTORS WERE CAUTIOUS

Investors were relatively cautious in their approach to acquiring investment properties in the GWA over the recent past. The cautiousness was a byproduct of heightened sector risk. The relatively high cost and limited availability of debt capital was one source of the heightened sector risk. The ongoing shift in how companies use office space presented another significant sector risk. Tenants were expected to continue to optimize their space while transitioning to hybrid workplace models. The ongoing recession threat and financial market uncertainty represented significant macro-economic risk. Institutional investors were relatively inactive over the past year, while private capital was the most active buyer group. On aggregate, however, investors were cautious in their approach to acquiring office property in this market.

SUPPLY-SIDE EROSION WILL CONTINUE

The erosion of GWA office market supply-side fundamentals will continue over the near term. Wawanesa Insurance's relocation to a new building at True North Square will result in the delivery of roughly 300,000 square feet of class A backfill space in the downtown core. As a result, vacancy will rise by between 100 and 200 bps by the end of 2023. The rising trend will ensure market rents hold at the cycle low. Landlords will be forced to compete for tenants by offering incentives including free rent and longer fixturing periods. In short, the supply-side erosion of the past few years will continue over the near term.

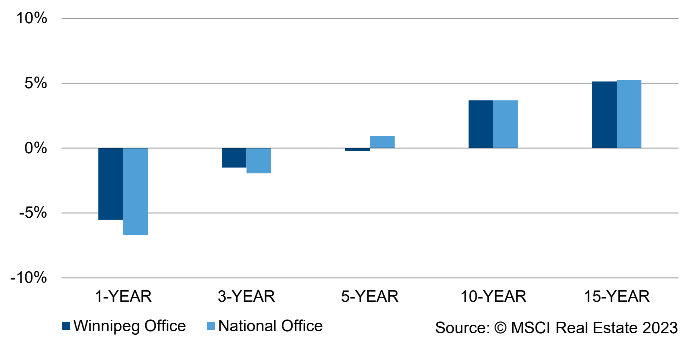
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	—	—
LEASE RATES	—	▼
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

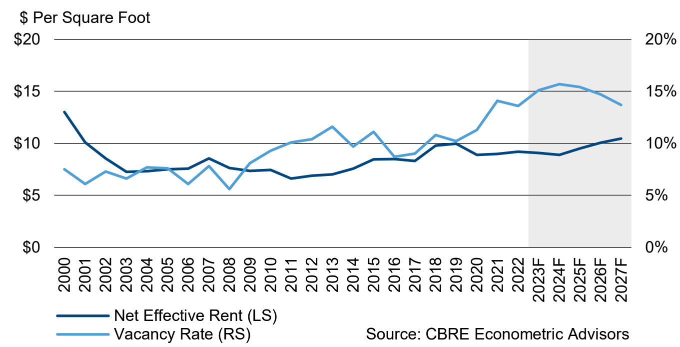
For the period ending June 2023



Source: © MSCI Real Estate 2023

OFFICE RENT & VACANCY

Winnipeg Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Incentives were offered more frequently by owners of class B and C buildings in the downtown area.

STRONG PERFORMANCE REGISTERED

A strong leasing market performance was registered in the GWA's industrial sector recently. Demand characteristics remained stable and healthy. Warehouse and logistics users continued to look for available opportunities in which to expand, relocate and/or upgrade their space. As a result, just shy of 1.3 million square feet of space was absorbed in 2022 alone. Available space was highly constrained throughout 2022 and the first half of 2023. The market's average availability rate for all classes of space stood at 2.1% at the midway mark of 2023, up just 20 bps year-over-year. Supply remained constrained despite the delivery of 451,000 square feet of new supply over the same time-period. With demand outdistancing supply over the past 12 to 18 months, rents rose to an all-time high. The rent growth was symptomatic of the strong GWA industrial leasing market performance of the recent past.

INVESTMENT ACTIVITY SLOWED

GWA industrial investment property market activity slowed during the past year. The cause of the activity downdraft was largely two-fold. The first was the increased cost of debt capital. In some cases, institutional and leverage buyers retreated to the sidelines as borrowing costs rose steadily in 2022 and early 2023. The second cause of the slowdown in investment sales activity was the heightened level of macro-economic and financial market risk. Increasingly, investors looked to offset the higher cost of debt and economic uncertainty with discounts on asset pricing. However, in some cases vendors were initially unwilling to lower their pricing expectations. Capitalization rates began to decompress in the latter half of 2022 and values declined. Investment performance reflected the downward valuation trend. MSCI Index properties generated an income-driven 6.4% total aggregate return for the year ending June 30, 2023. The performance downdraft coincided with a period of reduced investment market activity.

LEASING MARKET WILL SOFTEN SLIGHTLY

The GWA industrial leasing market will soften slightly over the near term. The softening will be caused by the delivery of new supply. At the same time, leasing demand will moderate as the economy slows. Rent growth will ease during this period, despite ongoing supply constraints. The investment market will stabilize, with the private buyer group continuing to account for the largest share of sales. By the end of 2024 leasing market conditions will strengthen, having softened slightly over the near term.

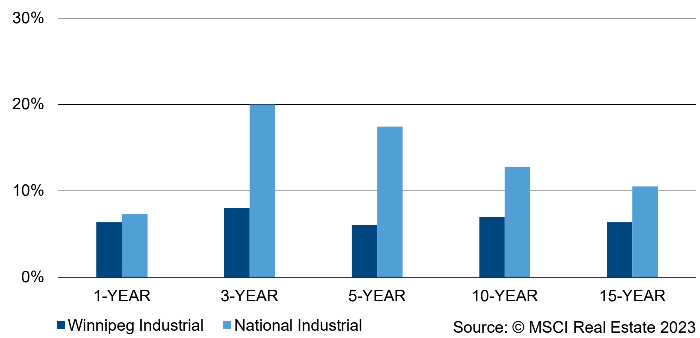
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	—	▲
NET ABSORPTION	▼	—
LEASE RATES	—	—
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

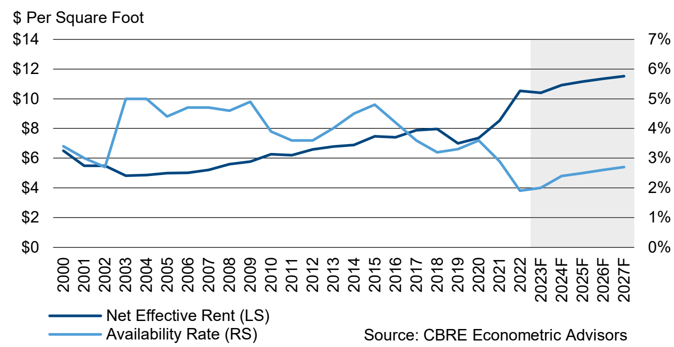
For the period ending June 2023



Source: © MSCI Real Estate 2023

INDUSTRIAL RENT & AVAILABILITY

Winnipeg Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The market's average availability rate for all classes of space stood at 2.1% at the midway mark of 2023, up just 20 bps year-over-year.

LEASING MARKET TIGHTENED

The GWA retail leasing market tightened significantly recently, continuing the trend of the past few years. The tightening was a byproduct of positive leasing demand patterns and a marked slowdown in the development market. The market average vacancy rate stood at just 3.1% at the beginning of 2023, having fallen 100 bps year-over-year. Vacancy levels decreased in both the Power and Neighbourhood centre segments of the market. Regional centre vacancy, however, remained elevated. Space was absorbed by traditional and non-traditional uses. Fitness, entertainment, and medical/ professional tenants have opened new locations in this market over the past year. Discount stores and quick-serve restaurant stores have moved into infill spaces across the region. As vacant space options dwindled, rents increased at a modest pace. Landlords were able to make up for some of the losses incurred as a result of the pandemic. Retail leasing market conditions are expected to stabilize over the near term, having tightened significantly over the past few years.

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INVESTMENT TRENDS WERE MIXED

GWA retail property investment market trends were somewhat mixed over the recent past. Investors exhibited strong interest in lower risk stabilized properties with solid near-term performance track records. Assets with grocery store and other necessities-based tenants were also popular. However, there were few properties available that fit these criteria. An exception was the 280,981 square foot mixed-use Pembina Crossing, which sold in May 2023. Most properties sold in this market were relatively small. Investment activity was relatively muted, due in part to the high cost of debt capital. Investment performance softened substantially over the recent past, due in large part to capitalization rate decompression. Properties contained in the MSCI Index generated a negative aggregate return of 4.5% for the year ending June 30, 2023. Capital depreciation more than offset the stable and positive income performance. The negative result was posted for a period when investment market trends were generally mixed.

LEASING MARKET STABILIZATION FORECAST

GWA leasing market conditions are expected to stabilize over the near term. Expansion activity will likely slow, given the forecast economic and retail sales slowdowns. Landlords will concentrate on the health of their tenants, as leasing activity slows. Vacancy will level off and rent growth will ease substantially. In short, a period of stabilization is forecast for the GWA retail leasing market over the near term.

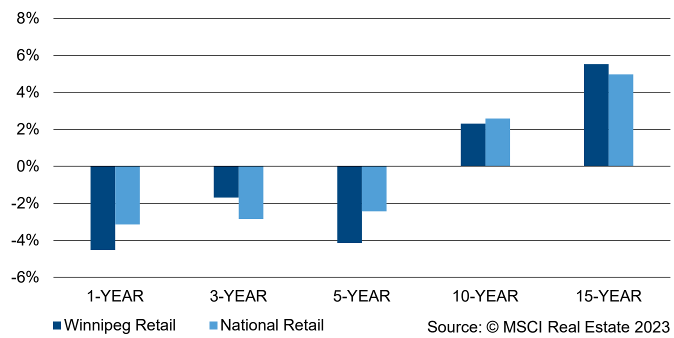
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	—
NET ABSORPTION	—	—
LEASE RATES	—	—
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

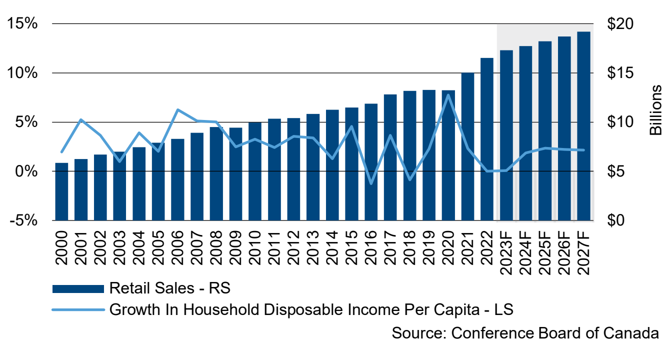
HISTORICAL PERFORMANCE

For the period ending June 2023



RETAIL CONDITIONS

Winnipeg Historical & Forecast Aggregates



Retail leasing market conditions are expected to stabilize over the near term, having tightened significantly over the past few years.

RENTAL MARKET STRENGTHENED

The GWA's multi-suite residential rental market strengthened substantially over the past year. Rental demand increased significantly when pandemic restrictions were removed. The return of students to in-person classes and job creation activity supported stronger demand patterns. At the same time, many renter families were forced to continue to rent, as mortgage and inflation rates climbed. As rental demand strengthened, market conditions tightened considerably. The market's average vacancy rate stood at a three-year low of 2.7% at the start of 2023, down 240 bps year-over-year. Rents continued to rise at a relatively modest rate. New supply completed over the past year had a moderating effect on rent growth. Overall, the GWA leasing market conditions improved over the recent past, in keeping with the national trend.

INVESTOR SENTIMENT WAS POSITIVE

Investor sentiment toward the GWA multi-suite residential rental property sector remained positive over the recent past. Various groups looked for acquisition opportunities in this market, given a solid performance track record and attractive prevailing yields. Despite the positive sentiment, however, institutional buyers remained on the sidelines in 2022 and much of 2023, as sector risk increased. For some buyers, forecast rent growth helped rationalize potential acquisitions in this market. The acquisition of smaller properties by private capital groups accounted for much of the acquisition activity in this market over the recent past. Capitalization rates edged higher in the latter half of 2022 and subsequently stabilized. Yields remained attractive when compared to larger Canadian markets. In short, Investors continued to exhibit confidence in this market recently, despite an increase in sector risk.

RENTAL MARKET IMBALANCE FORECAST

A measure of demand supply imbalance is predicted for the GWA multi-suite residential rental market over the near term. Demand will continue to outstrip supply, which will drive vacancy down from the 2.7% average posted at the end of 2022. The resulting imbalance will push rents steadily higher. Many renters will be unable to transition to home ownership, while interest rates remain high. Landlords will reap the benefits of rising rents and low vacancy. Investors will continue to exhibit confidence in this market, given its solid rent growth forecast. The rent growth will be driven to some extent by the market's near-term demand supply imbalance.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	—	—
LEASE RATES	▲	▲
NEW SUPPLY	—	—

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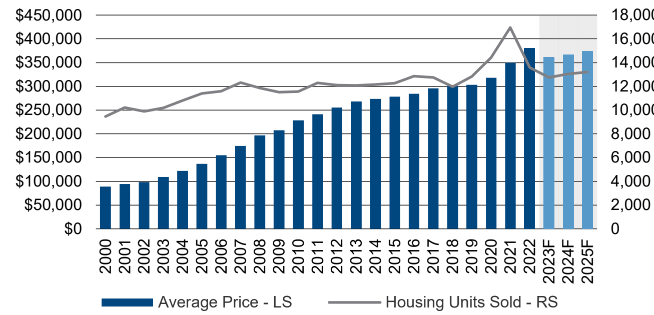
HOUSING MARKET

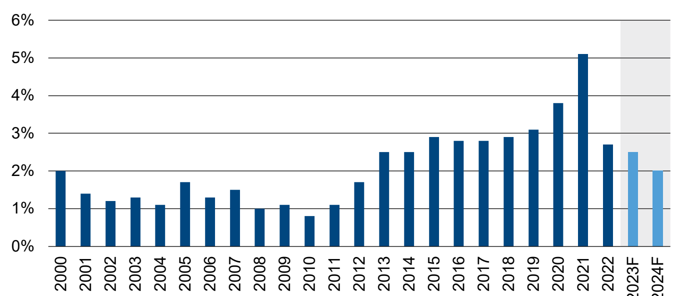
Winnipeg Pricing Vs. Demand



Source: CREA (MLS®); CMHC

AVERAGE RENTAL VACANCY

Winnipeg Multi-Suite Residential



Source: CMHC; Morguard

The market's average vacancy rate stood at a three-year low of 2.7% at the start of 2023, down 240 bps year-over-year.

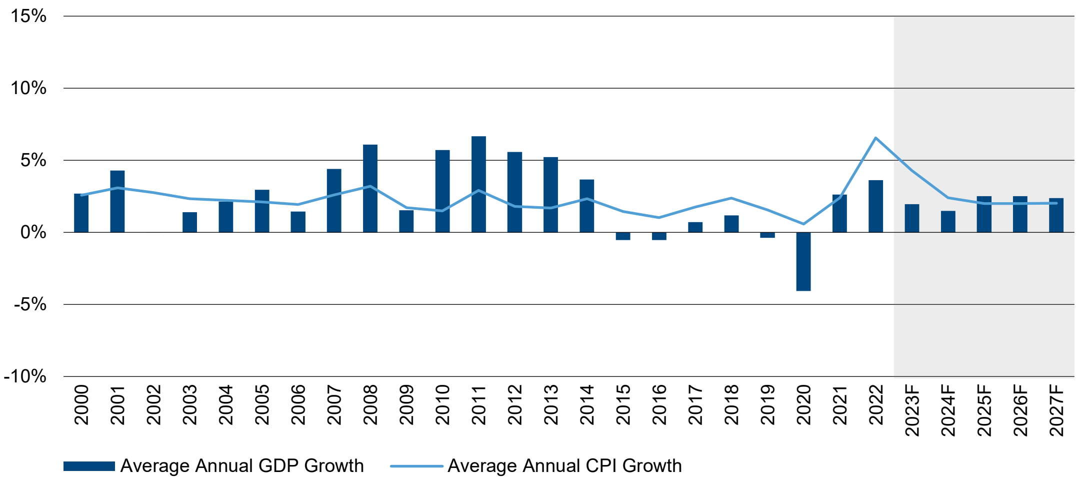
REGINA, SK

ECONOMIC SNAPSHOT

The Greater Regina Area (GRA) economy will expand modestly over the near term. Economic output is projected to advance by just 0.8% this year, with a healthier 2.4% gain forecast for 2024. The region's commodities sector will continue to account for a significant share of GDP over the next few years. Inflation will have a negative impact on growth in the late stages of 2023 and early 2024. Labour market performance will improve substantially next year, after a modest 2023 advance.

ECONOMIC GROWTH

Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET WILL STRENGTHEN

GWA employment wThe GRA labour market will strengthen significantly over the near term, following the modest advancement expected in 2023. GRA total employment is forecast to rise by a relatively healthy 1.7% in 2024, on the heels of a modest 0.4% increase this year. Employment will rise in eight of the main industrial sectors in this market during 2024. A levelling of employment is projected for the region's largest employer, wholesale and retail trade. The 2024 employment increase will drive the region's unemployment rate slightly lower to 4.8%, as forecast by Oxford Economics. Previously, the unemployment rate had climbed to a three-decade high in 2020. The labour market will remain tight over the medium term, in keeping with the national trend. In summary, GRA labour market conditions will strengthen significantly over the near term.

SOLID RETAIL SALES GROWTH PATTERN FORECAST

A solid retail sales growth pattern is forecast for the GRA over the near-to-medium term. GRA retail sales will advance by a solid 2.1% this year, followed by a markedly stronger 5.6% surge in 2024. Subsequently, the CBOC is predicting average annualized growth of 4.0% in 2025/2026. The solid retail consumption outlook is predicated on a relatively strong economic performance and record-high total employment. In addition, the healthy spending outlook is partially attributable to an expected easing of inflation pressure and lower interest rates. Housing market activity is expected to increase over the forecast period, given lower mortgage rates. The housing market recovery will fuel spending on household items. At the same time, employment in the finance, insurance and real estate sector will rise having contracted in 2023. The increased employment will be supportive of the GRA's solid near-to-medium term sales growth outlook.

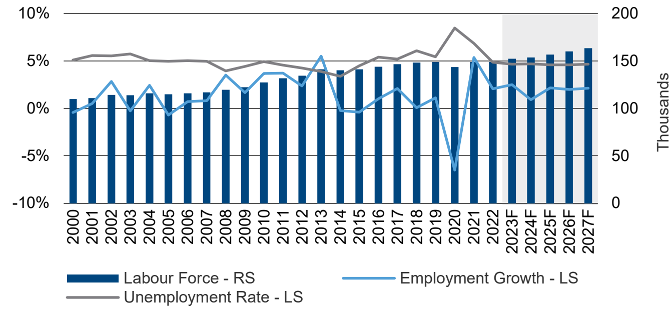
HOUSING MARKET ACTIVITY TO SLOWLY RISE

Housing market activity will slowly rise over the next couple of years, having trended markedly lower over the recent past. The rise in activity levels is predicated on lower mortgage rates and above-average population growth. Existing home sales will increase steadily in 2024/2025 having decreased significantly in the second half of 2022. The slowdown was a byproduct of rising interest rates and elevated inflation levels. Over the near term, housing starts will trend moderately higher, despite higher levels of unsold inventory. Roughly 1,400 housing starts are projected for 2023, with more than 1,700 and roughly 1,800 starts forecast for 2024 and 2025, respectively. Housing activity will rise slowly over the next couple of years, a period during which market conditions will be largely balanced.

GRA retail sales will advance by a solid 2.1% this year, followed by a markedly stronger 5.6% surge in 2024.

LABOUR MARKET

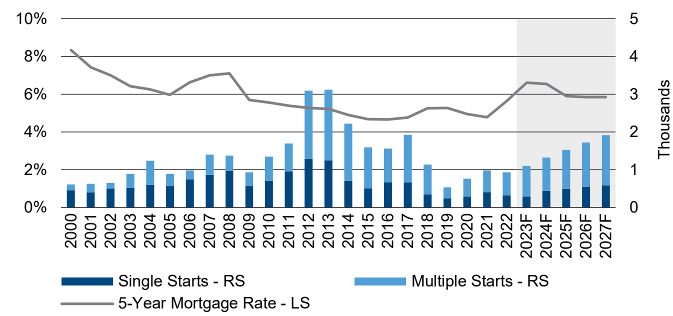
Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

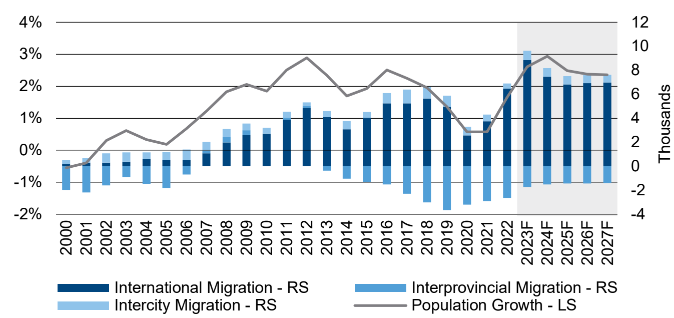
Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET TIGHTNESS PERSISTED

GRA industrial leasing market conditions remained tight over the recent past, in keeping with the post-pandemic trend. The market's average availability rate stood at 2.4% at the midway mark of 2023, according to ICR Commercial figures. Availability had increased by 90 bps year-over-year. Despite the increase, options for tenants looking to expand their operations or relocate remained very limited. Available space was in short supply in all space size and use categories. Functional space was particularly hard to find. Modest upward rent pressure was reported for industrial space across the region. However, the pressure was modest when compared to the 2021/2022 market peak. As market conditions tightened in 2021 and the first half of 2022, rents climbed to a benchmark high for the cycle. Landlords held the upper hand when negotiating new leases, renewals, and extensions. New supply offered minimal relief for tenants in this market over the recent past. Nexus Industrial REIT had pre-leased 205,000 square feet of its 312,000 square foot project scheduled for completion in 2024 to one tenant. Leasing market conditions are expected to remain tight over the near term, in keeping with the recent trend.

INVESTMENT MARKET STABILIZED

The GRA's industrial investment property market stabilized recently. Investors continued to exhibit interest in acquiring properties in this market, despite the rising cost of debt and a somewhat uncertain economic outlook. Private groups with intimate knowledge of the market continued to look for acquisition opportunities. Institutional and pension fund buyers remained on the sidelines. Availability remained limited, in keeping with the historic trend. At the same time, investors competed with owner/users for a limited number of offerings. Properties with secure tenants on long-term leases were attractive to buyers. The most significant transactions reported recently was Parkit's acquisition of three GRA properties as part of an 800,000 square foot portfolio in early 2023. The acquisition was indicative of the confidence investors have exhibited over the recent past, a period during which investment market conditions stabilized.

LEASING RISK WILL REMAIN LOW

Leasing risk is expected to remain low over the near term. The GRA economy is expected to outperform, which will drive positive leasing market demand patterns. Consequently, market conditions will remain tight. Low levels of leasing risk will draw investment capital into the industrial asset class.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	—
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	—	—

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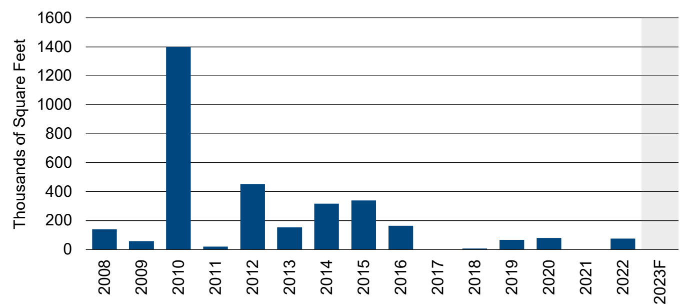
INDUSTRIAL NEW SUPPLY

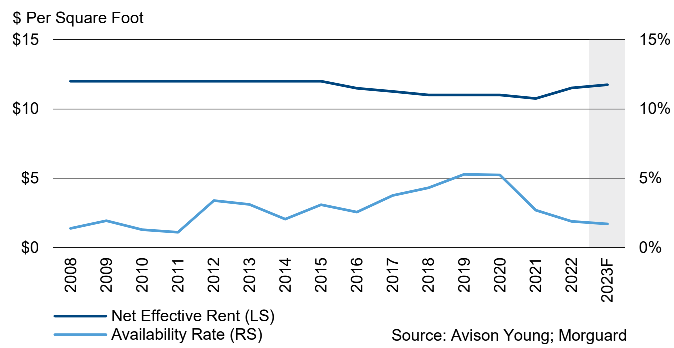
Regina Historical & Forecast Aggregates



Source: Avison Young; Morguard

INDUSTRIAL RENT & AVAILABILITY

Regina Historical & Forecast Aggregates



Source: Avison Young; Morguard

Landlords held the upper hand when negotiating new leases, renewals, and extensions.

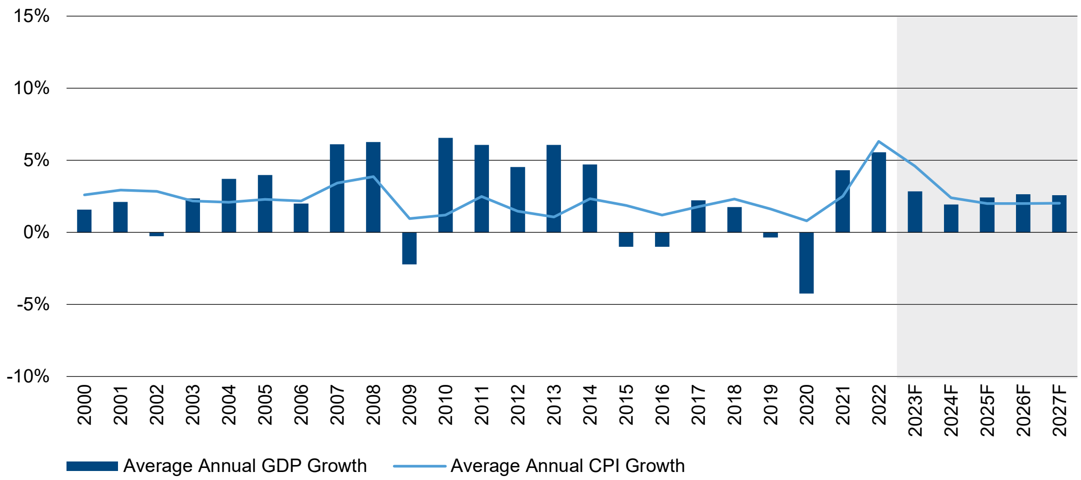
SASKATOON, SK

ECONOMIC SNAPSHOT

The Greater Saskatoon Area (GSA) economic growth outlook is moderately positive. Real GDP is projected to expand by a modest 1.2% in 2023, outpacing most other major Canadian cities. A solid 2.2% advance is projected for 2024, as the negative impacts of high interest rates and inflation decrease. The GSA job market will pick up steam in 2024, having slowed substantially this year. Consumer spending growth will stabilize over the medium term, after a four-year period of volatility.

ECONOMIC GROWTH

Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB GROWTH WILL STABILIZE

Job growth is projected to stabilize over the next few years, in keeping with the national trend. GSA total employment is forecast to rise by a modest 0.4% in 2023, following an unprecedented 9.6% spike in 2022. Subsequently, employment is expected to increase by an annual average of close to 1.5% between 2024 and 2026. Exports of the region's agricultural and mining products will remain elevated over the near term, which will positively impact other industries. Therefore, we will see employment growth in several of the region's industrial sectors. The GSA labour market will remain tight over the near-to-medium term. In 2023, the rate is expected to increase by 50 bps and subsequently stabilize. The unemployment rate will range just shy of the 5.0% mark between 2023 and 2026. The forecast unemployment-rate stabilization will be in keeping with the GSA's medium-term job growth trend.

RETAIL SALES WILL RISE AT A HEALTHY RATE

Retail sales volume will continue to rise at a relatively healthy rate over the near-to-medium term. The CBOC forecast calls for sales to increase by a relatively modest 2.1% this year. However, a stronger 5.4% rise is predicted for 2024. Consumer spending power will increase next year, as interest rates begin to fall and inflation pressure eases. Subsequently, annual spending increases will average between 3.0% and 4.0% through to 2027. Job growth and increased housing market activity will drive retail spending growth to some degree over the next few years. Consumers are expected to exercise a degree of caution with respect to spending on big ticket items, given the relatively high cost of debt and inflation pressure. In short, retail sales will rise at a healthy rate in this market over the near-to-medium term.

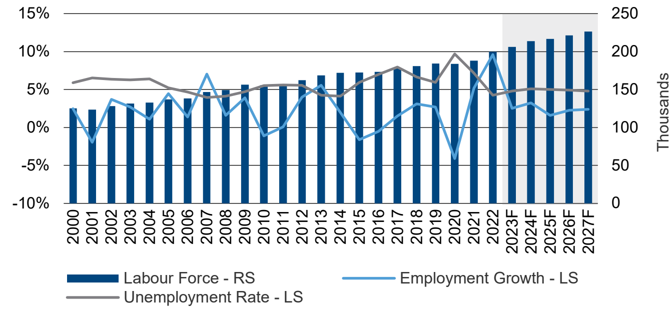
INCREASED CONSTRUCTION SECTOR OUTPUT FORECAST

Construction sector output is projected to increase modestly over the near term. Output will increase by an annual average of approximately 1.8% in 2024/2025, according to the spring 2023 CBOC forecast. The combination of an increase in housing starts and ongoing non-residential investment project construction will boost sector output over the two-year period. Approximately 3,000 housing starts are forecast for 2024, which will be a high mark dating back 10 years. Construction sector output will increase as a result of the ongoing development of Saskatoon's new $134.0 million central library. However, labour shortages and the recent interest rate hikes will continue to limit construction activity in the GSA. Despite these headwinds, construction sector output is expected to continue to rise over the near term.

Job growth and increased housing market activity will drive retail spending growth to some degree over the next few years.

LABOUR MARKET

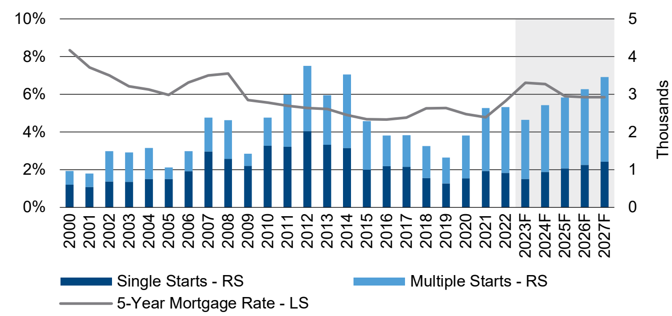
Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

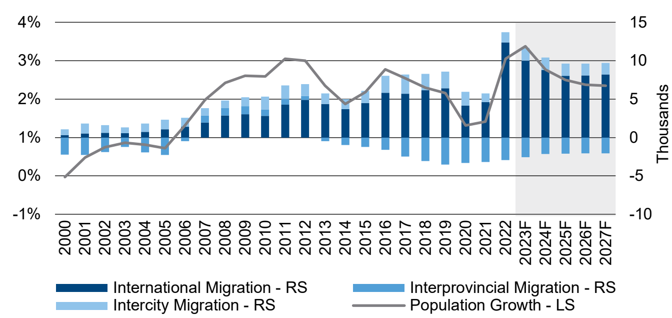
Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET WAS GENERALLY STABLE AND HEALTHY

The GSA retail leasing market was generally stable and healthy over the recent past. Demand outstripped supply, resulting in a downward vacancy trajectory. An average vacancy rate of 3.7% was reported by ICR Commercial at the end of the first quarter of 2023, down from 4.6% a year earlier. Asking rents rose modestly over the past year, as the market tightened. Options for tenants looking to expand or relocate were increasingly limited. New supply offered some relief, although much of the newly constructed space was leased prior to completion. Developers exhibited confidence in this market over the recent past, despite rising construction costs and labour shortages. Commodities demand and pricing increased substantially in 2022, as the ongoing Ukraine/Russia crisis cut-off supply from the region. As a result, the GSA posted strong job, wage, and discretionary spending growth. Retailers looked to capitalize on this by expanding in this market, which supported the generally healthy and stable leasing market trends of the recent past.

SECTOR OUTLOOK IS LARGELY POSITIVE

The GSA retail property sector outlook is largely positive. Leasing market conditions will remain relatively healthy. Retail sales will rise at a relatively steady rate, driven by above-average economic and job growth. Demand and pricing for the region's commodities will boost output and spending. As a result, retailers will continue to expand in this market. Expansion activity will be limited, given limited supply. In addition, retailers may postpone expanding in this market until the national economic outlook improves. We may see some retailers consolidate or right size over the near term, having expanded rapidly over the past couple of years. The GSA retail property investment outlook is also largely positive. Investors will continue to exhibit a preference for centres and strips with tenants selling necessities. Properties with grocery store anchors will continue to be highly coveted. Private capital groups will be the most active buyer segment in this market, in keeping with the long-term trend. Investment activity will remain muted compared to other larger Canadian cities, due in part to the relatively small inventory of retail assets in this market. The high cost of debt capital will also reduce investment activity over the near term. Property values will stabilize, continuing the recent trend. Returns will be largely income driven. In short, the near-term outlook for the GSA's retail property sector is largely positive.

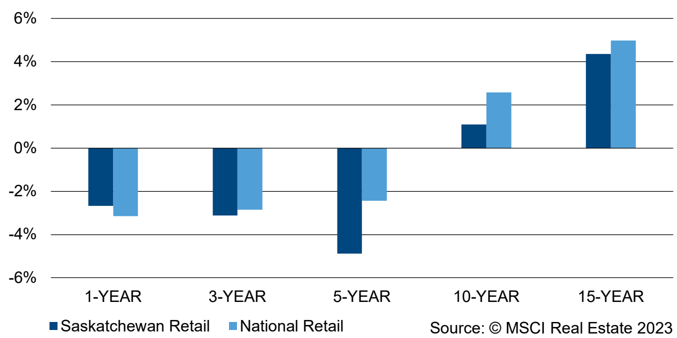
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	–
NET ABSORPTION	–	–
LEASE RATES	–	–
NEW SUPPLY	–	–

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

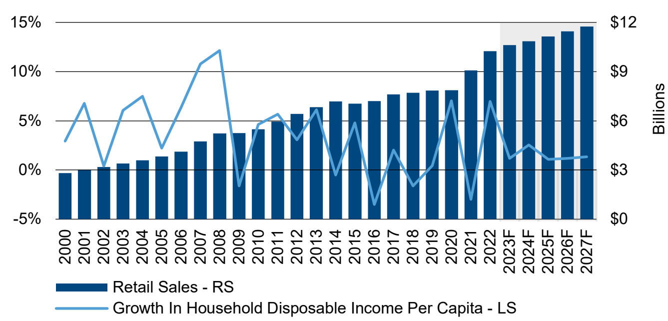
For the period ending June 2023



Source: © MSCI Real Estate 2023

RETAIL CONDITIONS

Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

Developers exhibited confidence in this market over the recent past, despite rising construction costs and labour shortages.

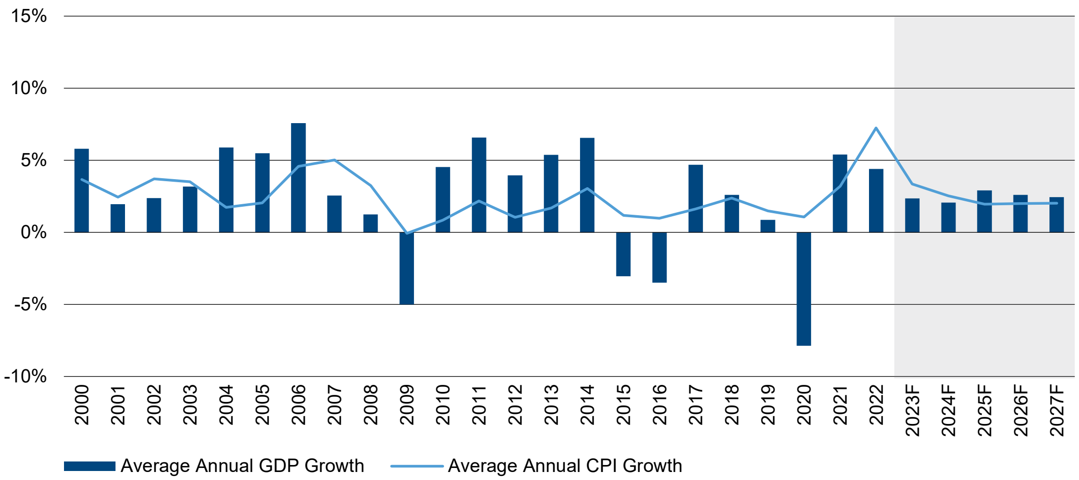
CALGARY, AB

ECONOMIC SNAPSHOT

The Greater Calgary Area (GCA) economy will continue to outperform over the near term, due in part to above-average pricing and demand for the region's oil deposits. Economic output will increase by roughly 2.4% in 2023, exceeding the 0.7% national average. Subsequently, output will increase by 2.8% and 3.0% in 2024 and 2025, respectively. Economic growth will drive GCA employment higher by an annual average of just over 2.2% in 2024/2025, more than double the 2023 advance.

ECONOMIC GROWTH

Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB MARKET RECOVERY TO MODERATE

The GCA job market recovery will moderate over the near term, following a two-year period of strong performance. The regional economy is expected to generate a modest 9,400 new jobs in 2023, resulting in record-high total employment. Next year, job creation activity will increase, with 19,700 new jobs created. In 2022, a record 58,725 jobs were created. As a result, employment surpassed the pre-pandemic peak of more than 834,000 jobs. Total GCA employment will eclipse the 900,000-threshold during 2024. Job growth will be strongest in the GCA's service-producing industries, which is in keeping with the post-pandemic trend. The job market will remain tight over the next few years, with the unemployment rate holding close to the 6.0% mark through to 2027. The GCA job market recovery will moderate over the near term, following the 2022 record-setting performance.

RETAIL SALES OUTLOOK IS LARGELY POSITIVE

The GCA retail sales near-term outlook is largely positive. Retail sales volume is expected to jump by a healthy 4.8% in 2024, after a relatively modest 1.9% gain this year. The CBOC is projecting another strong performance in 2025, with sales rising 4.5%. In 2024, economic activity and job growth will increase substantially, which will also boost spending. As interest rates begin to decline, housing market activity and investment will pick up. Spending on furniture and other household items will also support stronger retail sales patterns. As borrowing costs begin to fall, discretionary spending will make up a larger share of income. Spending on big ticket items, including automobiles and vacations, will rise. In short, the GCA's retail sales growth outlook is generally positive.

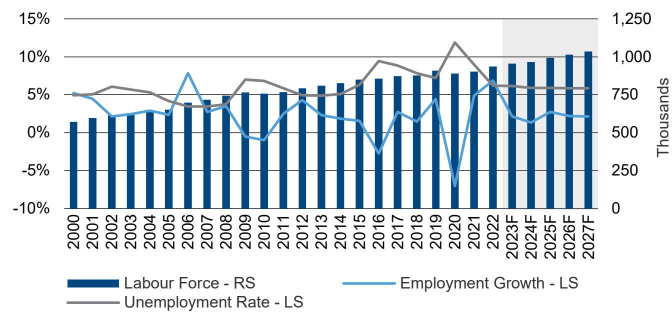
HOUSING DEMAND WILL CONTINUE TO EXCEED SUPPLY

GCA housing demand will continue to exceed supply over the next few years. International migration to the area will boost demand significantly in 2024/2025. Migrants will be drawn to the region's job opportunities and relatively low cost of living. At the same time, the region's oil industry will continue to support a relatively strong economic growth trend and resulting job creation activity. Approximately 21,000 new international arrivals are projected for each of 2024 and 2025, which is well above the 20-year average. The demand supply imbalance will by markedly more acute in the region's rental market. Typically, most international migrants rent for at least the first year upon arrival. Therefore, rental demand will increase substantially over the next couple of years. Rental supply will become increasingly constrained, and rents will steadily rise over the next couple of years, as housing demand exceeds supply.

Retail sales volume is expected to jump by a healthy 4.8% in 2024, after a relatively modest 1.9% gain this year.

LABOUR MARKET

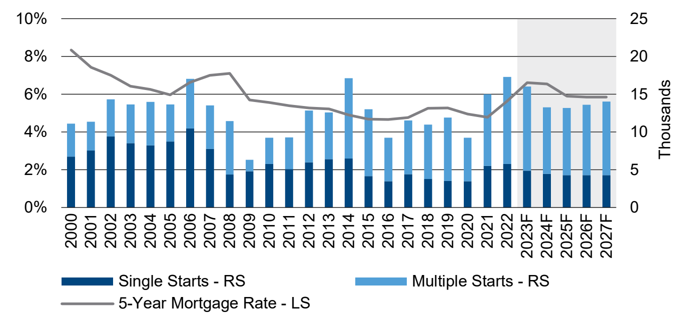
Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

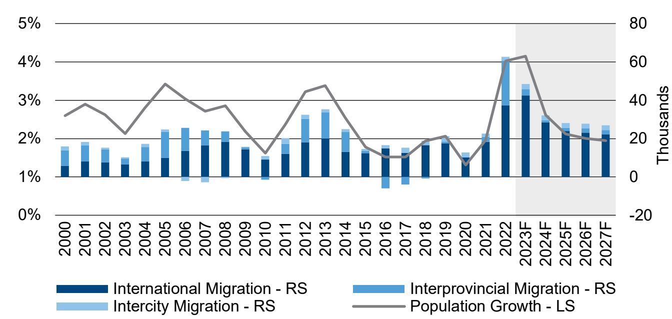
Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

FLIGHT-TO-QUALITY TREND CONTINUED TO UNFOLD

The GCA office leasing market's flight-to-quality trend continued over the past year. Increasingly, tenants looked to secure space in the market's newest, most flexible and efficient buildings. Additionally, amenity-rich buildings were often targeted by companies looking to entice their employees back to their physical space. Leasing activity has been strongest in the GCA's class AA and A market segment during 2022 and the first half of 2023. Improved high-quality space has become relatively scarce. Class AA rents have edged slightly higher in the downtown core with vacancy resting at 16.6% at the midway mark of 2023. The class AA downtown vacancy rate was 15.0% lower than the market average for all classes of space combined. The struggles of the market's class B and C building inventory continued over the past year. However, the City's funding of office-to-residential conversions may translate into increased demand for well-positioned class B space. The oversupply of class B and C space was exacerbated to some extent by the flight-to-quality trend of the recent past.

ELEVATED INVESTOR CAUTION LEVELS OBSERVED

An elevated level of caution was exercised by investors when assessing acquisition opportunities in this market over the recent past. Buyers were keenly aware of the challenges the market has faced over the past several years. The cautious sentiment extended to the market's premium properties, despite modest rent growth and relatively low vacancy levels over the recent past. Investment transaction activity remained muted recently, which reflected the increased investor caution. A modest $188.8 million of transaction volume was posted for the first six months of 2023, up modestly from the $126.3 million reported for the same time-period a year earlier. In the past year, investors have acquired properties for conversion to residential uses. However, sales activity has been generally below par, given limited access to debt capital and high financing costs. Property values in this market have declined recently, a trend that was reflected in recent MSCI Index return data. GCA properties tracked in the index generated a slightly negative average aggregate total return for the year ending June 30, 2023. Capital erosion more than offset a strong income component performance. The downward capital trend in this market was justification for the elevated levels of caution exercised by investors over the past year.

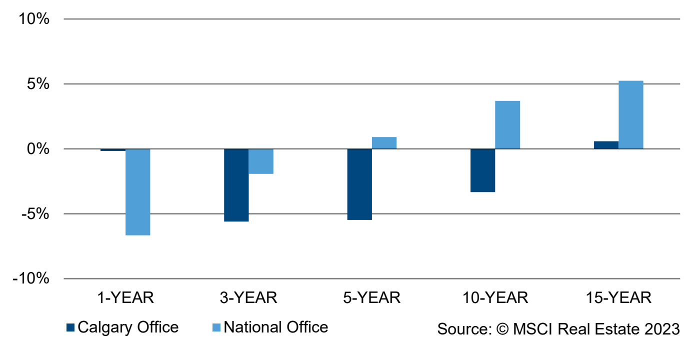
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	—	—
LEASE RATES	—	—
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

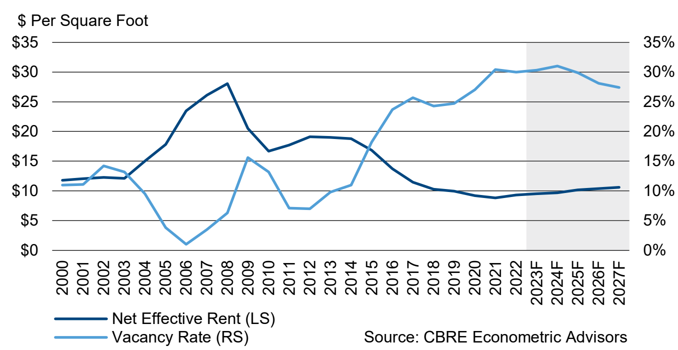
For the period ending June 2023



Source: © MSCI Real Estate 2023

OFFICE RENT & VACANCY

Calgary Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Class AA downtown vacancy rate was 15.0% lower than the GCA average for all classes of space combined.

GROWTH PHASE OF CYCLE BEGAN TO MATURE

The growth phase of the GCA's industrial leasing market cycle began to mature recently, a trend that was repeated across the country. Recent absorption patterns were indicative of the market's growth phase maturation. Just shy of 300,000 square feet of space was absorbed during the first six months of 2023. Close to 4.0 million square feet of space was absorbed over the same time-period a year earlier. Moreover, 10.1 million square feet of space was absorbed in 2022, which marked a 20-year annual high. New supply exceeded demand during the first half of 2023, which was another indication that the growth phase of cycle the had matured. As a result, the market's average availability rate increased by 80 bps over the first half of 2023 to 3.8%. Rent growth slowed significantly during the same time-period, also indicating the growth phase of the cycle had begun to mature. The growth phase of the GCA industrial leasing market cycle is expected to continue to mature over the near term, in keeping with the recent trend.

INVESTOR CONFIDENCE STABILIZED

Investor confidence levels in the GCA's industrial sector stabilized recently. A range of buyer groups targeted the market's prime warehouse and logistics properties for acquisition. Buyers were attracted by the market's forecast rent growth and improved overall fundamentals. As a result, sales of industrial product were relatively brisk. A total of $772.4 million of transaction volume was reported for the first half of 2023. The total was up from the $610.7 million of sales posted for the same time-period a year earlier. Buyers looked for yield premiums to offset higher borrowing costs and heightened economic uncertainty. Capitalization rose slightly in the late stages of 2022 and early 2023. The downward value trend had a negative impact on performance. Properties contained in the MSCI Index posted an aggregate total return of 7.0% for the year ending June 30, 2023, despite a weaker capital growth trend. Despite the performance downdraft, investor confidence was relatively stable.

LEASING CYCLE WILL CONTINUE TO MATURE

The leasing market cycle will continue to mature over the near term, following a prolonged period of strong growth. Leasing demand will be moderately positive in the second half of 2023, as economic growth slows. Availability will edge higher and rent growth will fall short of the 2021/2022 peak until demand rebounds. In short, the growth phase of the cycle will continue to mature over the near term.

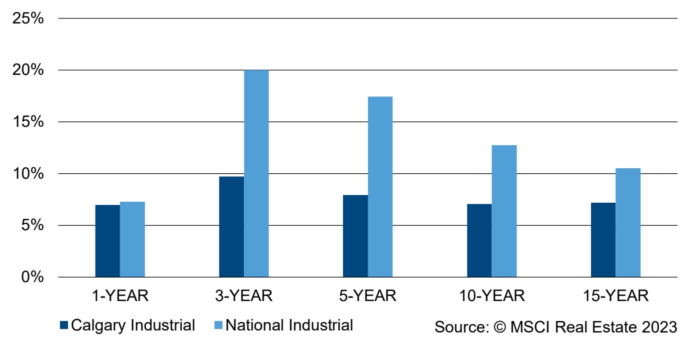
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	–
LEASE RATES	▲	–
NEW SUPPLY	▼	–

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

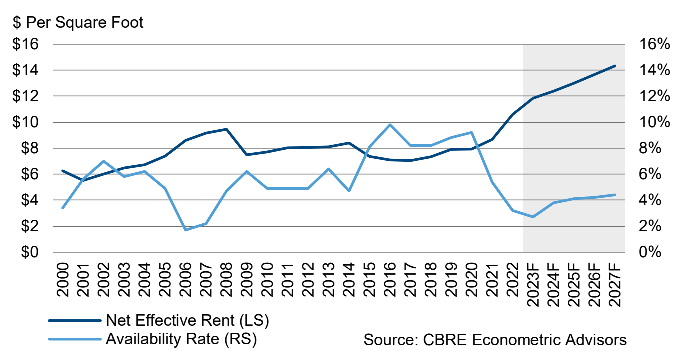
HISTORICAL PERFORMANCE

For the period ending June 2023



INDUSTRIAL RENT & AVAILABILITY

Calgary Historical & Forecast Aggregates



New supply exceeded demand during the first half of 2023, which was another indication that the growth phase of the cycle had matured.

HEALTHY DEMAND TRENDS WERE REPORTED

Healthy demand trends were reported in the GCA's retail leasing market over the recent past. Leasing demand increased substantially during 2022, a trend that carried over into early 2023. There were two main drivers of the demand uptick. The first was the winding down of COVID restrictions in early 2022. The second was the positive impacts of population growth on retail sales and foot traffic. Leasing demand strengthened considerably across the region in 2022. Strong pre-leasing activity was reported in new projects, which were often built to service newly formed residential trade areas. Leasing activity also increased in the market's existing centres. As market conditions tightened, rents increased for both new leases and renewals. Tenants were willing to pay higher rents when renewing, given the rising cost of construction and dwindling availability. Vacancy ranged in the low-to-mid single digits through to the midway mark of 2023. Leasing demand is expected to moderate over near term, having increased substantially over the recent past.

INVESTOR APPROACH REMAINED MEASURED

Investors were measured in their approach to the GCA's retail property sector over the recent past. Properties with anchors selling necessities were relatively liquid. The GCA's high profile centres with stable tenant rosters also generated interest. Institutional and pension fund buyers found properties with an elevated risk profile less attractive. Owners focused on increasing or maintaining the value of their existing assets, rather than expanding their portfolios. Generally, buyers looked for pricing discounts to offset higher borrowing costs and sector risk. Investment transaction volume was relatively muted over the recent past. A total of $166.1 million of transaction volume was posted for the first half of 2023. Investment transaction volume and activity has trended progressively lower since the 2021 peak. Investment activity may dip even lower if the measured approach taken by investors to this market over the recent past persists.

LEASING ACTIVITY WILL SLOW

Leasing market activity will slow over the near term. Retailers are expected to exercise an increased level of caution, given uncertain economic and retail sales outlook. Economic activity is expected to slow, along with retail sales growth. As a result, retailers will focus increasingly on operational efficiency and driving sales rather than growth. We may see retailers selling necessities and discounters expand. As leasing activity slows, rent growth will ease and the broader market will stabilize.

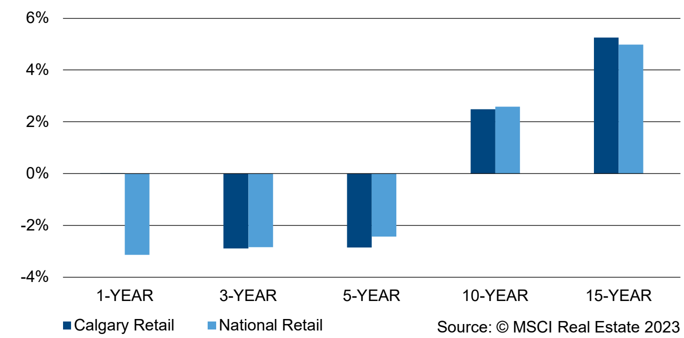
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	–
NET ABSORPTION	–	–
LEASE RATES	▲	–
NEW SUPPLY	–	▼

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

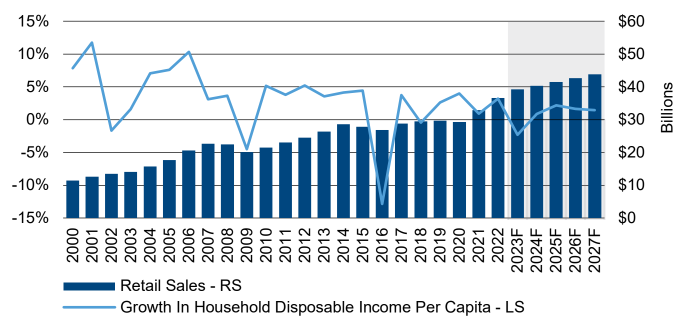
For the period ending June 2023



Source: © MSCI Real Estate 2023

RETAIL CONDITIONS

Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

Strong pre-leasing activity was reported for new projects built to service newly created residential trade areas.

RENTAL MARKET SOARED

GCA multi-suite residential rental market conditions have improved significantly, mirroring the national trend. The improvement was driven primarily by a marked increase in rental demand. Demand surged as a result of record-high population growth due to rising levels of international and inter-provincial migration. Strong labour market trends had a positive impact on rental demand. At the same time, rising interest rates and inflation ensured many renters remained in their existing units. Demand outpaced supply, despite an uptick in new supply completions. Vacancy declined sharply during 2022, a trend that continued into the first half of 2023. According to CMHC figures, vacancy dropped from 5.1% to 2.7% between October 2021 and October 2022. The downward vacancy pressure continued in 2023. During the same time-period, the CMHC's same-sample average rent rose by 6.0%, which was the highest recorded increase since 2014. Rental market conditions improved substantially recently, a trend that is expected to continue over the near term.

INVESTOR SENTIMENT WAS POSITIVE

Investor sentiment toward the GCA's multi-suite residential rental sector was largely positive over the recent past. Multi-suite residential rental has been the most highly sought-after asset class next to industrial over the past few years. Institutions and pension funds focused on the market's concrete high-rises, along with private capital groups. A total of $113.5 million of transaction volume was reported for the first half of 2023, which was down from $389.9 million over the same six-month period a year ago. While the buyer pool has thinned out, properties were sold with relative ease. However, product availability was limited. Buyers acquired properties at a discount relative to when pricing peaked in 2021. Valuations have declined recently, a trend that was noticeable in recent MSCI Index returns. Properties tracked in the index generated a 1.5% average total return for the year ending June 30, 2023. Capital erosion wiped out much of the positive income performance. Despite the performance downdraft, investors continued to view this market in a positive light.

RENTAL MARKET WILL STRENGTHEN

The GCA multi-suite residential rental market will strengthen over the near term. The catalyst for the strengthening will be a robust demand trend. Job creation activity and migration patterns will boost demand over the near term. Demand will outstrip supply over the near term, resulting in stronger multi-suite residential rental market fundamentals.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	▲

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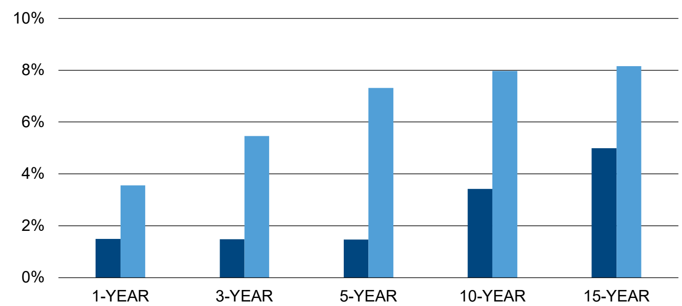
HISTORICAL PERFORMANCE

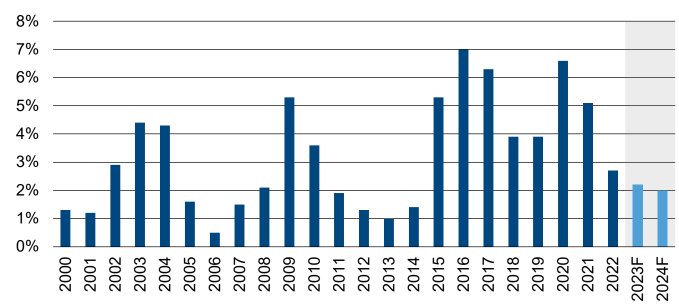
For the period ending June 2023



Source: © MSCI Real Estate 2023

AVERAGE RENTAL VACANCY

Calgary Multi-Suite Residential



Source: CMHC; Morguard

Rental market conditions improved substantially recently, a trend that is expected to continue over the near term.

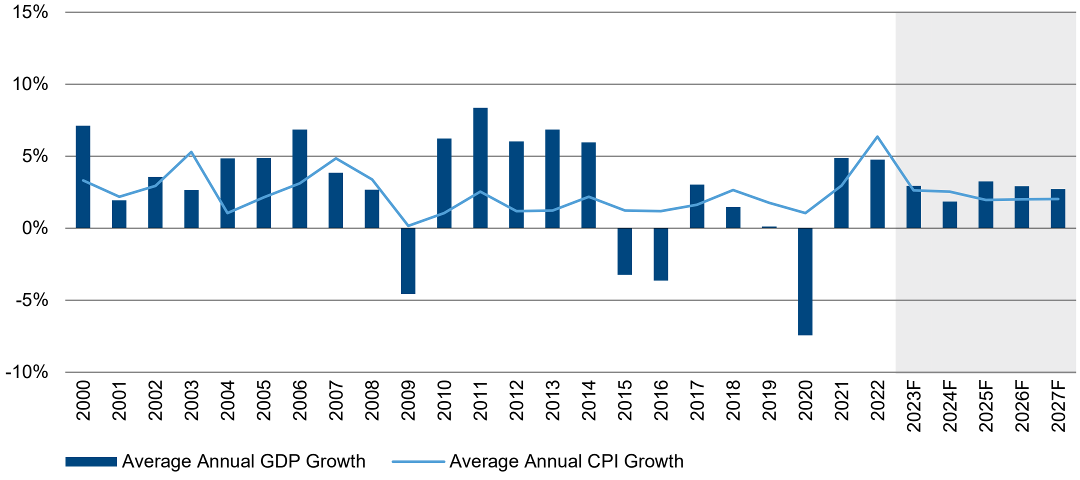
EDMONTON, AB

ECONOMIC SNAPSHOT

An accelerated rate of economic expansion is forecast for the Greater Edmonton Area (GEA) over the next few years. In 2024/2025, economic output will rise by a healthy annual average of 3.0%. Growth will exceed the national average by a significant margin, continuing the 2022/2023 trend. As economic output increases over the next few years, labour market conditions will improve substantially.

ECONOMIC GROWTH

Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB MARKET STRENGTHENING EXPECTED

The GEA job market is expected to strengthen considerably in 2024/2025, in keeping with the national trend. Employment will rise by a healthy 4.0% in 2022, according to the CBOC's spring 2023 forecast. Regional employment will rise by approximately 2.0% in both 2024 and 2025, following a modest 1.1% lift this year. Over the same time-period, the GEA unemployment rate will hold firm at 6.0%, having dipped slightly in 2023. By the end of 2022, the 117,600 jobs lost as a result of the COVID-19 pandemic had been recouped. Employment is expected to rise most sharply in the GEA's construction and arts and entertainment sectors. Job creation activity is expected to pick up in the retail trade sector. Store closures reduced employment in the sector significantly in 2021/2022. In short, the GEA labour market is expected to strengthen considerably during 2024 and 2025, in keeping with the national trend.

RETAIL SALES GROWTH REBOUND PREDICTED

Retail sales growth will rebound next year, having moderated substantially in 2023. Retail sales will advance by a strong 4.4% in 2024, which will be followed up with a 4.3% gain in 2025. In 2023, sales are expected to increase by a modest 1.7%, as consumers cut back on spending while interest rates and inflation remain high. GEA consumers will drive sales markedly higher at some point during 2024, as interest rates begin to decline. At the same time, inflation is expected to moderate gradually. In turn, discretionary spending will increase. Lower mortgage rates will support a recovery in the region's housing market. Sales will rise substantially, driven in large part by pent-up demand. In turn, sales of housing-related items will increase substantially. The uptick will coincide with the retail sales growth rebound forecast for 2024.

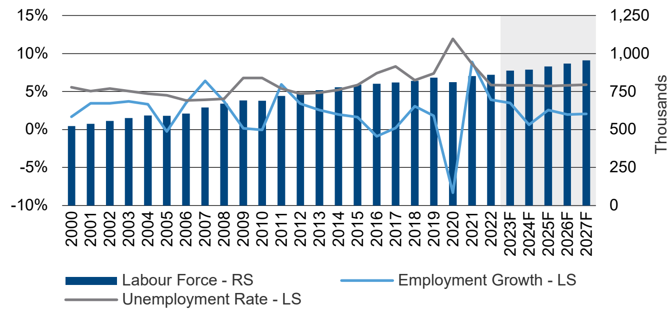
RESIDENTIAL CONSTRUCTION TO STABILIZE AFTER BRIEF DECLINE

GEA residential construction activity will stabilize in 2024/2025, following a modest decline this year. The CBOC is forecasting a total of 12,200 residential housing starts across the GEA in 2024 and a slightly stronger 12,600 in the following year. Residential construction starts will drop to 12,300 units in 2023, having peaked at 14,586 in 2022. Housing demand softened during the latter half of 2022 and much of 2023 as interest rates continued to rise. As demand slowed, the inventory of unsold units steadily climbed. In the resale home market, sales plunged by more than 40.0% between March 2022 and January 2023. The average resale home price dropped 6.6% year-over-year as of January 2023. Residential demand is expected to strengthen in 2024/2025, as housing construction starts stabilize.

The CBOC is forecasting a total of 12,200 residential housing starts across the GEA in 2024, and a slightly stronger 12,600 in the following year.

LABOUR MARKET

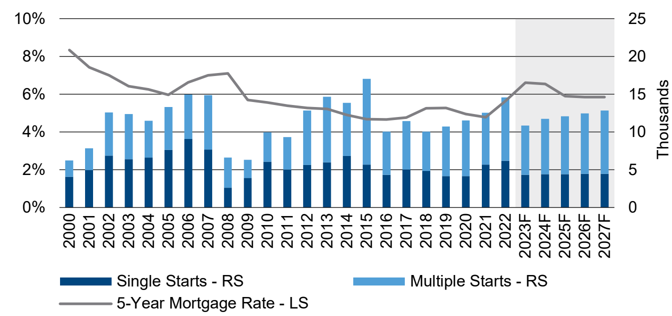
Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

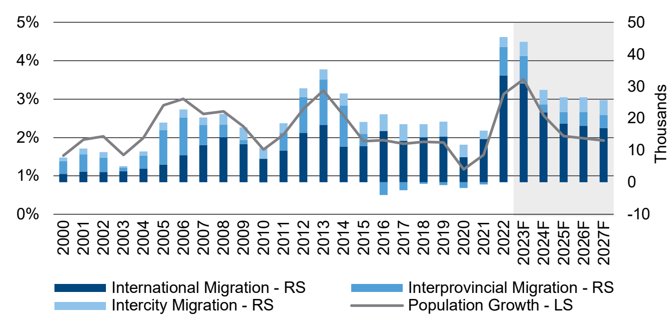
Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING PERFORMANCE UNDERWHELMED

The GEA's office leasing market performance of the recent past was largely underwhelming. Leasing demand was relatively weak during 2022 and the first half of 2023. There were few expansions recorded during this period. Substantially more space has been vacated in this market since the onset of the pandemic than was absorbed. In some cases, tenants transitioned to hybrid or remote workplace models and reduced their office footprints. Others chose to sublease all or part of their space to reduce costs. Still others looked to upgrade their space and moved to the region's more efficient and amenity-rich buildings. Vacancy rested at a 20-year high of 22.9% at the midway mark of 2023, having risen 150 bps year-over-year. With plenty of excess vacancy market wide, rents remained at the cycle low. Landlords offered incentives to try to lease vacant space in their portfolios, resulting in downward effective-rent pressure. The downward pressure on effective rents was emblematic of the GEA's underwhelming office leasing performance of the recent past.

INVESTMENT SALES SLUMP CONTINUED

The GEA office property investment sales slump continued through to the midway mark of 2023. Transaction volume totalled just $113.3 million for the first six months of 2023, spread over 41 sales. Sales of small properties accounted for much of the activity reported during this period, which was in keeping with the trend of the past few years. Buyers were reluctant to acquire large-scale assets while borrowing costs were high and the availability of debt was limited. Institutions and pension funds focused on properties with stable tenants and long-term leases. Buyers looked for pricing discounts to minimize the financial impact of higher interest rates. Capitalization rates increased and values declined. The capital erosion was evidenced in recent MSCI Index returns. GEA properties contained in the index posted a negative aggregate total return of 8.3% for the year ending June 30, 2023. The weak performance coincided with the market's ongoing investment sales slump.

LEASING MARKET WILL STABILIZE

The GEA leasing market will stabilize over the near term. The forecast is predicated on a modest economic slowdown. The popularity of hybrid workplace strategies will offset gains made in this market. Economic growth is expected to firm some time in 2024, after which leasing activity will increase. Over the near term, the GEA leasing market will stabilize.

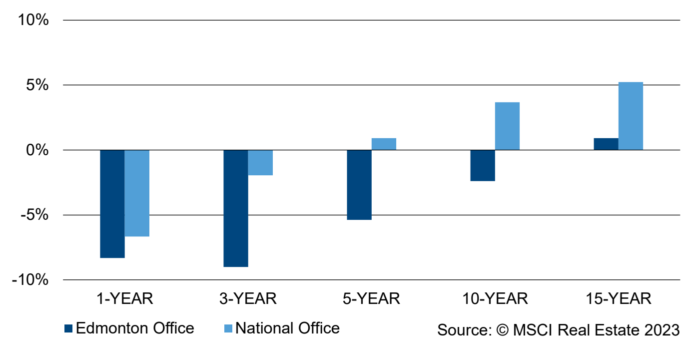
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▬	▬
LEASE RATES	▬	▬
NEW SUPPLY	▬	▬

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

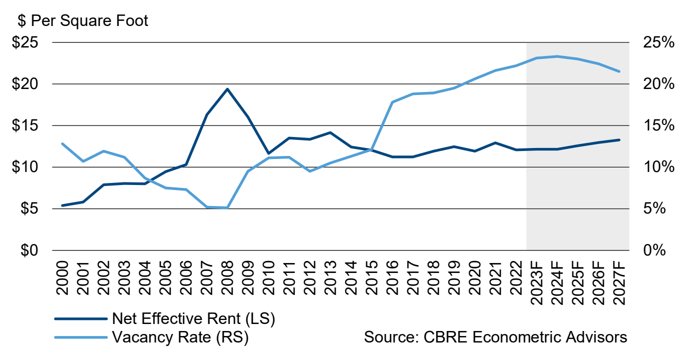
HISTORICAL PERFORMANCE

For the period ending June 2023



OFFICE RENT & VACANCY

Edmonton Historical & Forecast Aggregates



Vacancy rested at a 20-year high of 22.9% at the midway mark of 2023, having risen 150 bps year-over-year.

LEASING ACTIVITY MODERATED

GEA industrial leasing activity moderated recently, having peaked over the recent past. The moderation was evidenced in recent absorption totals. Approximately 1.6 million square feet of industrial space was absorbed over the first six months of 2023. Just shy of 4.9 million square feet of space was absorbed over the same six-month period a year earlier. Absorption began to slow in the second half of 2022, when 3.4 million square feet of net absorption was reported. Pre-leasing activity has also moderated recently. Roughly 80.0% of the more than 1.0 million square feet of new supply delivered in the second quarter of 2023 was pre-leased. However, just 20.5% of the third-quarter new supply had been pre-leased as of the end of June 2023. The GEA industrial availability rate stood at an eight-year low of 5.4% at the midway mark of 2023, despite the leasing activity moderation. In addition, asking rents remained at the cycle high. Market conditions remained stable and healthy over the recent past, as leasing activity moderated.

INVESTMENT MARKET RISK INCREASED

GEA industrial investment property market risk increased recently, in keeping with the national sector trend. Risk increased significantly in 2022, as borrowing costs continued to rise. Economic and financial market risk increased recently, which eroded investor confidence levels. Rent growth was expected to offset the rising cost of debt capital. However, as risk levels continued to rise, buyers looked for discounts on acquisition pricing. In some cases, vendors were unwilling to offer discounts to prospective buyers. However, capitalization rates began to rise with each interest rate hike. Investment sales activity declined, as a period of price-discovery ensued. As capitalization rates decompressed, investment performance softened. Properties tracked in the MSCI Index generated an aggregate total return of 5.9% for the year ending June 30, 2023, down from 12.0% a year earlier. The weaker performance trend unfolded during a period of increased investment market risk.

LEASING OUTLOOK IS STABLE AND HEALTHY

The near-term GEA industrial leasing market outlook is stable and healthy. The outlook is predicated on the continuation of positive demand patterns. The region's energy sector and population growth will continue to drive demand for warehouse and logistics space. Availability will rise modestly, due in large part to an increase in new supply deliveries. Much of this space will be leased by the end of the year. In short, the GEA leasing market outlook is generally stable and healthy.

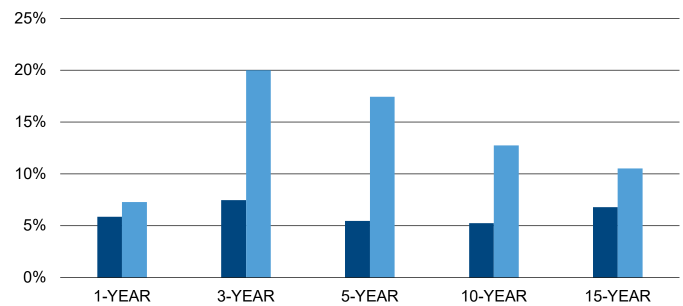
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	—	▲
NET ABSORPTION	▼	—
LEASE RATES	▲	—
NEW SUPPLY	▼	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

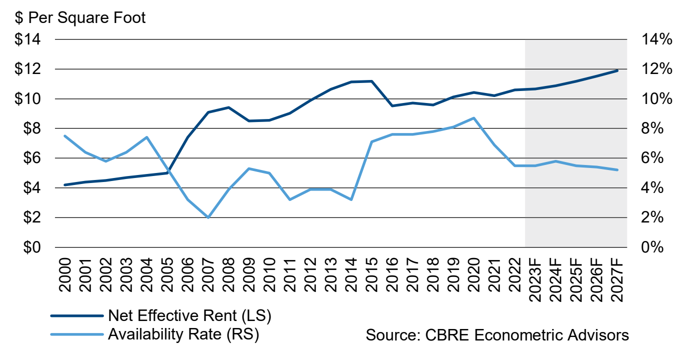
For the period ending June 2023



Source: © MSCI Real Estate 2023

INDUSTRIAL RENT & AVAILABILITY

Edmonton Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Approximately 1.6 million square feet of industrial space was absorbed over the first six months of 2023.

POSITIVE LEASING MOMENTUM REPORTED

Positive leasing market momentum was reported in the GEA's retail property sector recently. Largely positive demand characteristics were observed during 2022, a trend that continued through to the midway mark of 2023. A range of domestic and international brands and alternative uses have entered or expanded in this market recently, including Sporting Life at Southgate Centre, Balenciaga at West Edmonton Mall, and Radio Control Racers at Bonnie Doon. The volume of space leased recently exceeded space vacated as a result of store closures and downsizing activity. Downtown leasing activity increased modestly recently, as foot traffic increased. Vacancy levels have decreased across the GEA area over the recent past. As a result, modest upward pressure on market rents has been recorded. The rent growth was an indicator of the positive retail leasing market momentum of the recent past.

INVESTMENT TRENDS UNDERWHELMED

GEA retail property investment market trends were largely underwhelming over the recent past. Investment sales activity remained muted. A modest $245.5 million of transaction volume was posted for the first six months of 2023. The total was well below the most recent market peak of 2018/2019. The acquisition of smaller properties by private capital groups accounted for a significant share of investment activity in this market over the recent past. In some cases, buyers were reluctant to acquire properties in this market while interest rates remained high. Investors looked increasingly for yield premiums to offset higher borrowing rates. Capitalization rates increased in the second half of 2022, a trend that was evidenced in recent MSCI Index return data. GEA retail properties posted an aggregate return of 4.7% for the year ending June 30, 2023. Capital erosion partly offset a strong income performance. The downward valuations trend was one of the several underwhelming market trends of the recent past.

LEASING RECOVERY WILL BE EXTENDED

The GEA's retail leasing market recovery will be extended over the near term. Economic expansion and wage growth will drive retail sales. Retailers will continue to expand in this market, though at a slower rate than in 2022 and early 2023. Some operators will hold off on expanding in this market given an uncertain economic and interest rate outlook. Despite these concerns, the GEA leasing recovery of the past couple of years will continue over the near term.

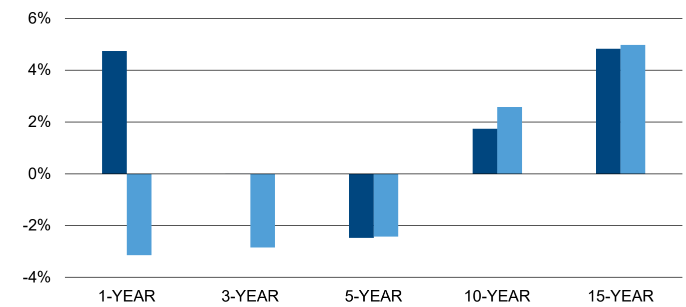
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	—
NET ABSORPTION	▲	—
LEASE RATES	—	—
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

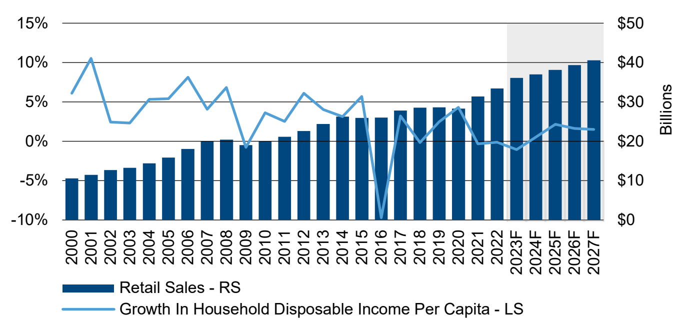
For the period ending June 2023



Source: © MSCI Real Estate 2023

RETAIL CONDITIONS

Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

Retailers will continue to expand in this market, though at a slower rate than in 2022 and early 2023.

RENTAL MARKET CONDITIONS IMPROVED SUSTANTIALLY

Conditions in the GEA multi-suite residential rental market improved substantially during 2022 and the first half of 2023. Significant downward vacancy pressure began with the removal of pandemic restrictions. The GEA vacancy average dropped three percentage points between October 2021 and October 2022. The market continued to tighten through to the midway mark of 2023. As the market tightened, rents began to rise modestly, having stabilized in early 2022. Rental demand increased considerably, outstripping new supply. The increase was driven by job market growth and record-high international migration. Interprovincial migration bested the 10-year average, resulting in additional rental demand pressure. The cost of home ownership rose steadily over the past year, as mortgage rates increased. As a result, many renter households were forced to stay put. The uptick in rental demand factored into the GEA's recent and significant rental market improvement.

CAPITAL FLOW STEADIED

The flow of capital into the GEA multi-suite residential rental investment property market steadied recently, having increased substantially over the past two years. Roughly $571.0 million of transaction volume was reported for the first half of 2023. The total was in line with average for the same six-month period during the most recent market peak. Private capital was the most active of purchaser groups in the second half of 2022 and first half of 2023. Institutional and pension fund buyers were less active, given heightened investment and economic risk. Investors looked to achieve higher risk-adjusted returns to offset the impact of higher borrowing costs. Capitalization rates increased modestly, as valuations dipped. The valuation downdraft was reflected in MSCI Index results. The aggregate value of assets tracked in the index fell by more than 3.0% in the year ending June 30, 2023. However, the flow of capital into this market stabilized, despite the capital decline.

RENTAL MARKET WILL STRENGTHEN

The GEA multi-suite residential rental market will continue to strengthen over the near term. Demand will outpace new supply, driven in large part by positive migration patterns and the prohibitively high cost of home ownership. Vacancy will continue to decline. As the market tightens, rent growth will firm. Rent growth will continue to draw investment capital to the region. In short, rental market conditions will strengthen over the near term, continuing the recent trend.

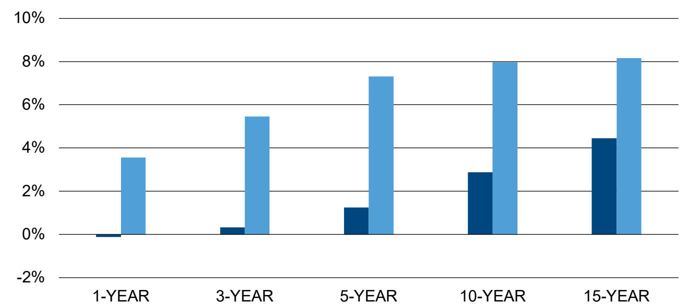
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

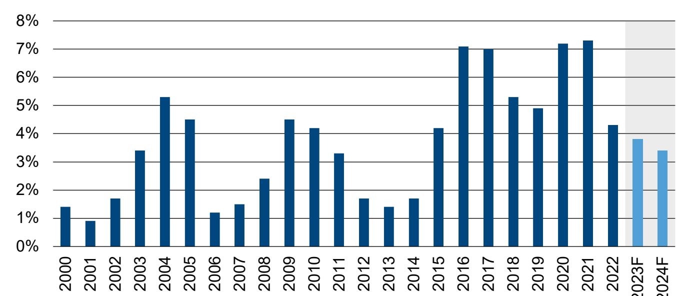
For the period ending June 2023



Source: © MSCI Real Estate 2023

AVERAGE RENTAL VACANCY

Edmonton Multi-Suite Residential



Source: CMHC; Morguard

Private capital was the most active of purchaser groups in this market in the second half of 2022 and first half of 2023.

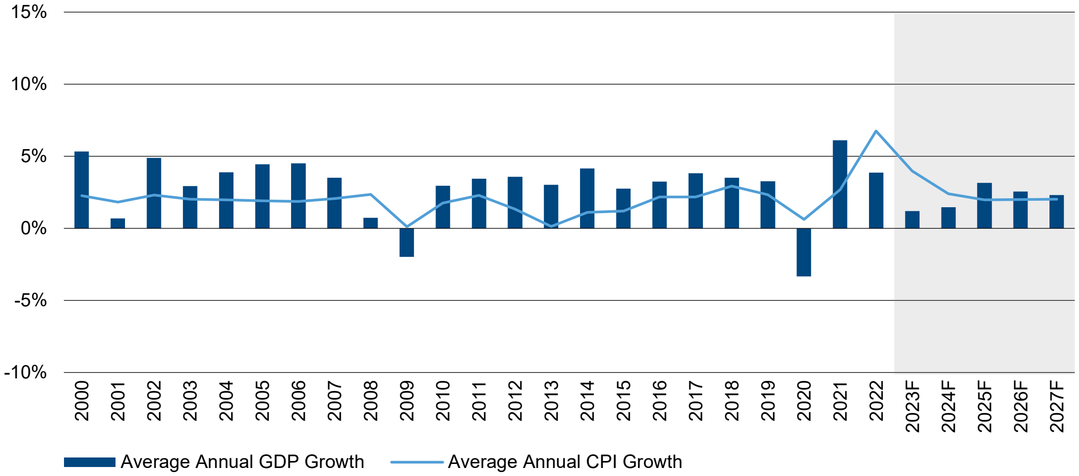
VANCOUVER, BC

ECONOMIC SNAPSHOT

The Greater Vancouver Area (GVA) economy will pick up steam next year, on the heels of a relatively weak performance in in 2023. Economic output is forecast to expand by a robust 2.8% in 2024, with a slight 0.5% uptick expected for 2023. The 2024 bounce back is predicated on improved domestic and U.S. demand patterns. Export activity will slow substantially this year before rebounding in 2024. As the economy picks up steam in 2024, labour market conditions will also improve substantially.

ECONOMIC GROWTH

Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB GROWTH TO FIRM UP

The GVA job growth trend will firm up over the near term, following a somewhat underwhelming 2023 performance. The regional economy will generate more than 27,000 new jobs in 2024, according to the CBOC's spring 2023 forecast. Regional employment will subsequently rise by more than 24,000 in 2025, driven by a second consecutive year of strong economic performance. Employment will increase by a modest 1.2% in 2023, less than half of the rate of increase reported for 2022. As job growth firms, labour market conditions will remain tight. The unemployment rate is projected to average 4.8% in 2024 and edge lower to just 4.7% in 2025. The region's labour force will expand at a relatively healthy rate in 2024/2025, resulting in a largely stable unemployment rate. In summary, GVA job growth will firm over the next couple of years, driven largely by a healthy economic performance pattern.

RETAIL SALES GROWTH BOUNCE BACK EXPECTED

A retail sales growth bounce back is forecast for 2024, after a brief period of relatively weak results. Retail sales will increase by a healthy 5.2% in 2024, after a weak 1.4% advance this year. Consumer purchasing power will increase substantially in 2024 as interest rates come down and inflation pressure eases. The region's consumers cut back on spending during 2023. At the same time, a larger share of total spending was for services. Spending on big ticket items and non-essential goods slowed. Lower interest rates are anticipated in 2024, which will boost discretionary spending. Inflation is also expected to gradually decline. As the economy strengthens next year, consumer confidence will firm and rise. The rise will help drive the sales growth bounce back forecast for 2024.

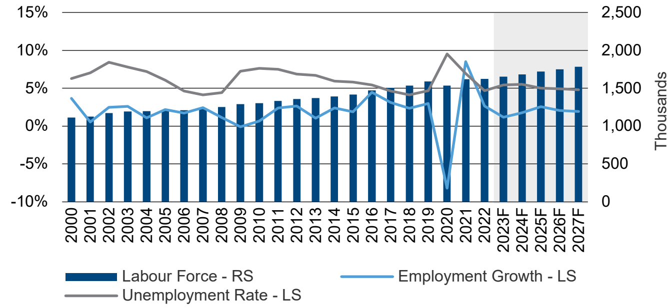
HOUSING STARTS TO REBOUND

A residential housing start rebound is forecast for 2024, after a marked decline in construction activity in 2023. A total of more than 26,000 starts are forecast for 2024, with a similar total predicated for the following year. Starts will decline by roughly 15.0% in 2023, with a subsequent rebound of more than 18.0% expected in 2024. Interest rates will begin to fall in 2024, resulting in a significantly stronger housing demand. Consequently, builder confidence levels will increase. In addition, residential demand and investment will rise. Several downside risks have the potential to derail the rebound in housing start volume forecast over the near term. Interest rates may stay higher for longer. In addition, housing demand may fall short of expectations. The probability that housing starts will rebound is, however, high.

A residential housing start rebound is forecast for 2024, after a marked decline in construction activity in 2023.

LABOUR MARKET

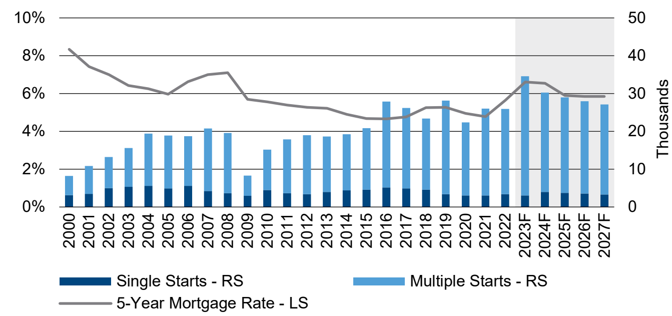
Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

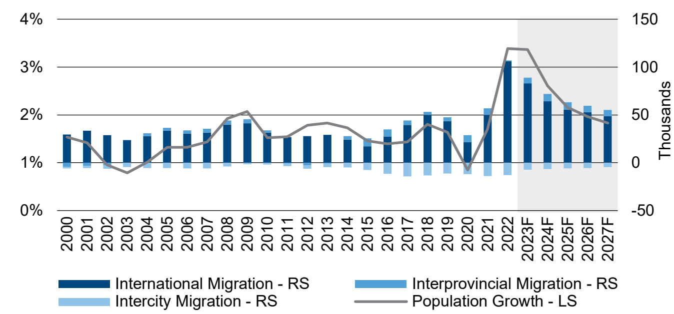
Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

VACANCY AND SUBLEASE AVAILABILITY INCREASED

GVA office leasing market vacancy and sublease availability increased substantially over the recent past. The increase was more pronounced in the downtown area. The downtown vacancy average rested at 11.5% at the midway mark of 2023, having increased by 330 bps year-over-year. The overall market average rose 270 bps to 9.0% over the same time-period. Sublease availability nearly doubled, accounting for 29.0% of total availability at the end of June 2023. Tenants continued to offload excess space to reduce costs during a period of elevated economic uncertainty. Businesses reduced their office footprints as they adopted various hybrid and remote workplace strategies. Rents for class B and C space decreased, as the market's flight-to-quality trend persisted. The downward pressure was a direct result of the vacancy and sublease availability increases recorded over the recent past.

INVESTMENT ACTIVITY SLOWDOWN CONTINUED

GVA office property investment sales activity slowed significantly recently. The impetus for the slowdown was the rising cost of debt and elevated levels of sector and economic risk. By the second half of 2022, buyers had either retreated to the sidelines or looked for yield premiums to offset higher borrowing rates. As a result, investment activity slowed considerably. Transaction volume totalled $133.9 million for the first half of 2023 while the average deal size was $1.9 million. Transaction volume totalled $609.0 million while the average deal size was $5.7 million over the same time-period a year earlier. As investment activity slowed, property values and returns decreased. The investment activity slowdown continued through to the summer of 2023, in keeping with the national trend.

LEASING FUNDAMENTALS WILL CONTINUE TO SOFTEN

GVA office leasing fundamentals will continue to soften over the near term. Demand will fall short of supply, which will drive vacancy higher. Businesses will continue to shed excess space to reduce costs and when transitioning to hybrid workplace configurations. The mandated return of workers by some companies will be a positive. However, relatively few businesses will expand in this market. In short, market fundamentals will continue to soften through to the end of 2023 and in early 2024.

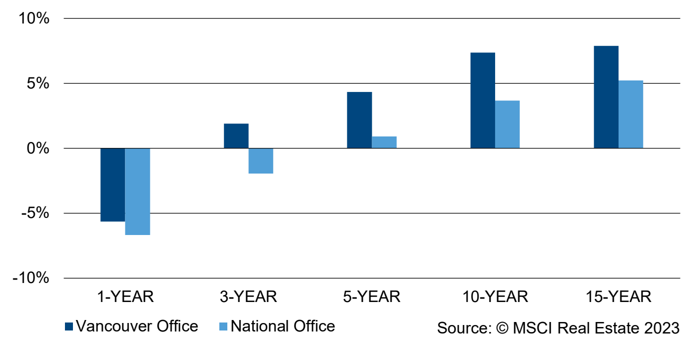
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	▼
LEASE RATES	—	—
NEW SUPPLY	—	▼

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

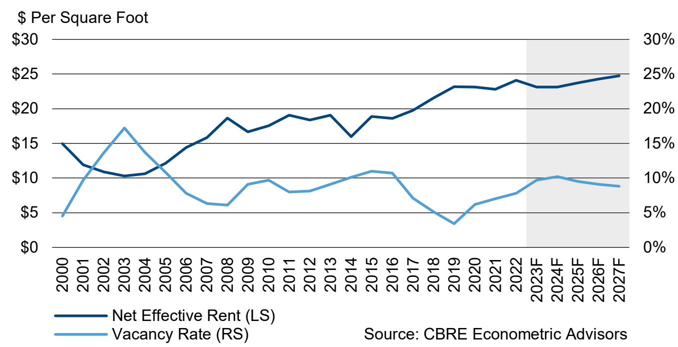
For the period ending June 2023



Source: © MSCI Real Estate 2023

OFFICE RENT & VACANCY

Vancouver Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The downtown vacancy average rested at 11.5% as of the midway mark of 2023, having increased by 330 bps year-over-year.

SUPPLY CONSTRAINTS PERSISTED

Supply constraints persisted in the GVA industrial property leasing market during the latter half of 2022 and in the first half of 2023. The GVA industrial availability rate stood at just 3.3% at the end of June 2023. There were very few options for tenants looking to expand or relocate in this market, despite a modest upward availability trend over the past two years. New supply provided a modicum of relief for a few businesses who were unable to source space in the GVA's existing inventory of buildings. Asking rents continued to rise over the past year, despite a modest upward availability trend. On average, rents rose at a modest rate, when compared to the 2021/2022 rent-growth peak. Landlords were able to increase rents for new leases and in renewal scenarios. Rents continued to rise in a market where supply constraints persisted.

INVESTMENT SALES ACTIVITY SLOWED

GVA industrial investment property sales activity slowed substantially recently, mirroring the national asset class trend. Just shy of $1.2 billion of transaction volume was recorded for the first six months of 2023. The total was down 40.4% year-over-year for the same time-period. The downward sales trend was reported in all regions of the country and in all four of the major property asset classes. In some cases, buyers retreated as borrowing costs steadily increased, along with economic and financial market risk. Buyers looked for a yield-premium to offset the rising cost of debt and increased risk. In some cases, vendors were unwilling to meet the pricing demands of investors. Capitalization rates subsequently increased. For some, rent growth in this market forecast over the near term would offset the increased cost of debt and risk. As activity slowed, investment returns remained attractive. Properties contained in the MSCI Index generated an attractive aggregate total return of 8.7% for the year ending June 30, 2023. The positive performance was tallied during a period when GVA industrial investment property sales activity slowed.

HEALTHY LEASING TRENDS FORECAST

Healthy leasing trends are forecast for the GVA's industrial property sector over the near term. Demand patterns will remain positive, driven by modest economic growth and stable domestic demand. Supply constraints will remain a market constant despite a surge of new development completions. Much of the space scheduled for completion in the second half of 2023 has already been leased. Rents will rise modestly, as availability edges higher. In short, healthy industrial property leasing trends are forecast over the near term.

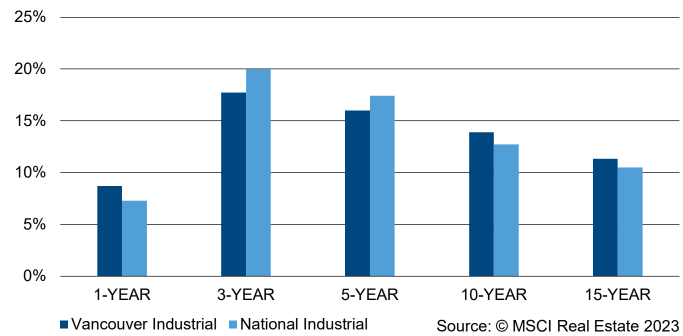
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	—	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

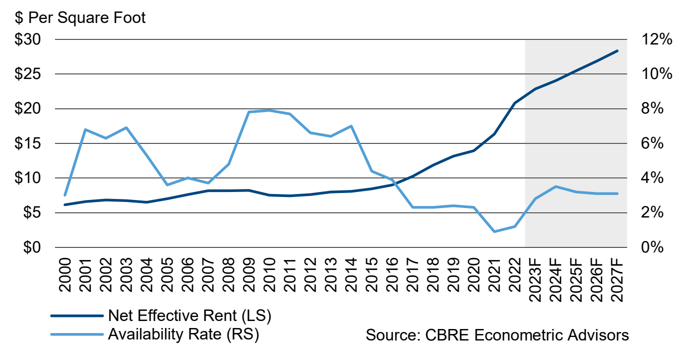
For the period ending June 2023



Source: © MSCI Real Estate 2023

INDUSTRIAL RENT & AVAILABILITY

Vancouver Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

GVA industrial investment property sales activity slowed substantially recently, mirroring the national asset class trend.

LEASING MARKET STABILIZATION REPORTED

Leasing market conditions in the GVA's retail property sector stabilized recently. Leasing demand began to stabilize during the final few months of 2022, a trend that continued through to the midway mark of 2023. Demand has steadily increased during much of 2022, with the winding down of in-person shopping restrictions. Vacancy also stabilized recently, following a period of significant volatility. Properties contained in the MSCI Index posted aggregate vacancy of between 4.9% and 5.4% on a quarterly basis over the 12-month period ending June 30, 2023. Over the previous year, vacancy had ranged between 7.8% to 10.0%. Market rents have also stabilized over the recent past, having gradually increased as market conditions tightened. Averages continued to edge higher for newly constructed space. However, increases were offset by downward pressure on rents for class B and C space. In summary, leasing market conditions in the GVA retail property sector stabilized over the recent past, in keeping with the national trend.

INVESTMENT MARKET ACTIVITY DECELERATED

GVA retail property investment market activity decelerated recently, which matched the national asset-class trend. A total of $389.5 million of transaction volume was recorded over the first six months of 2023. The total was markedly lower than the one, three, and five-year averages for the same time-period. The sales activity slowdown was due to a combination of factors, including the increased cost of debt and heightened levels of economic and financial market risk. Investors looked for discounts on acquisition pricing to offset the heightened risk levels. By the second half of 2022, capitalization rates began to rise following a period of price-discovery. However, several investment groups remained on the sidelines despite moderately higher yields. Capitalization rate decompression negatively impacted performance. Properties contained in the MSCI Index posted a negative aggregate total return of 2.9% for the year ending June 2023. Capital erosion more than offset a positive income performance. The negative return was generated as GVA investment market activity decelerated.

LEASING FUNDAMENTALS TO STABILIZE

GVA's retail leasing market fundamentals will continue to stabilize over the near term. Retail sales growth will slow, due in part to higher interest rates and inflation. By the end of 2024, inflation and interest rates are expected to slowly decline. As a result, consumption patterns will improve. In short, leasing fundamentals will continue to stabilize over the near term.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	—	—
NET ABSORPTION	—	▼
LEASE RATES	—	—
NEW SUPPLY	—	—

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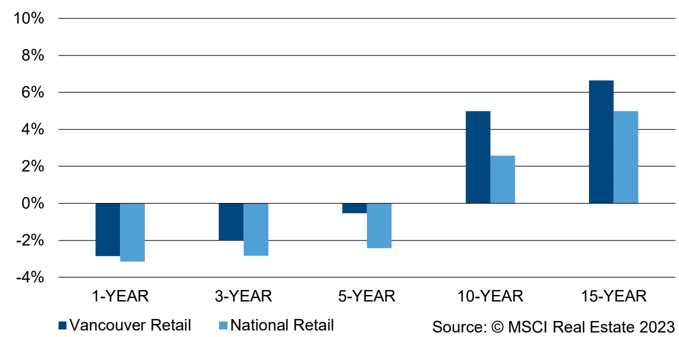
HISTORICAL PERFORMANCE

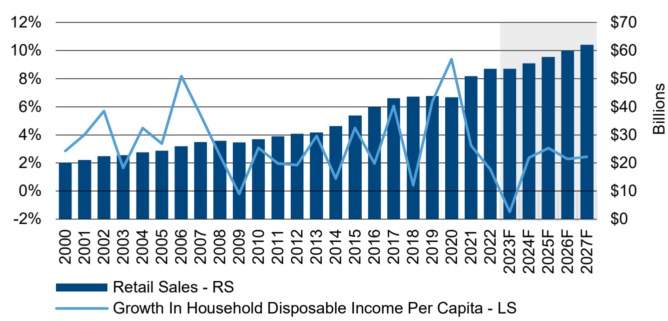
For the period ending June 2023



Source: © MSCI Real Estate 2023

RETAIL CONDITIONS

Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

Leasing demand began to stabilize during the final few months of 2022, a trend that carried through to the midway mark of 2023.

SUPPLY SHORTFALL INTENSIFIED

The GVA multi-suite residential rental market supply shortfall intensified recently, in keeping with the national asset-class trend. Vacancy rested below the 1.0% mark at the beginning of 2023. Previously, vacancy stood at 1.2% as of October 2022, having dropped 30 bps year-over-year as reported by the CMHC. New and existing renter households found it increasingly difficult to source available units as the market's supply shortfall intensified. Demand outdistanced supply across the GVA, resulting in a significant degree of imbalance. The rising cost of home ownership and increased migration were catalysts for the increased demand pressure. Rents continued to rise as a result of the imbalance. Rents rose more acutely when units were vacated. Asking rents were more than 40.0% higher than rents charged for occupied units as of October 2022. Turnover rates have decreased, and the market's supply shortfall has intensified.

CAPITAL FLOW DROPPED SHARPLY

The flow of investment capital into the GVA's multi-suite residential rental property sector dropped sharply recently, having previously climbed to a record high. Investment transaction volume of $323.9 million was reported for the first six months of 2023. The total was down sharply from the $977.0 million reported for the same time-period a year earlier. A significant number of investors retreated to the sidelines in 2022, as interest rates and economic and financial market risk increased. Buyers looked for price adjustments on acquisitions to offset higher borrowing rates and added risk. By the second half of 2022, capitalization rates had increased. Investment performance softened as a result of the cap rate decompression. Properties tracked in the MSCI Index generated an aggregate total return of 4.3% for the year ending June 30, 2023, which was largely income driven. The previous year's return was 5.9%, driven by positive income and capital performance. The more recent income-driven result was tallied during a period when investment capital flow dropped sharply.

SUPPLY WILL REMAIN HIGHLY CONSTRAINED

GVA multi-suite residential rental market supply will remain highly constrained over the near term. Vacancy is expected to range at or below the 1.0% mark over the latter half of 2023 and in 2024. Demand will exceed supply. Renters will stay put while the cost of owning a home remains high. Migration volume will surpass the long-term average, resulting in additional demand pressure. Asking rents will rise to a new benchmark high while supply remains highly constrained.

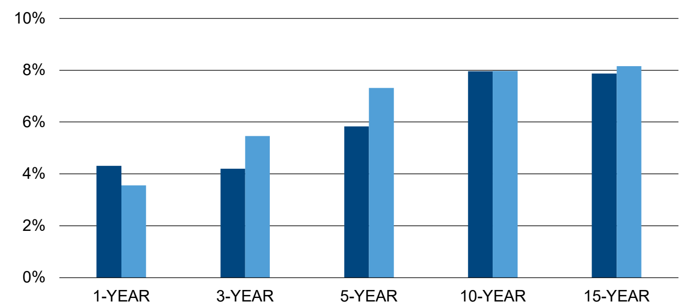
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	▼
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	—	—

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

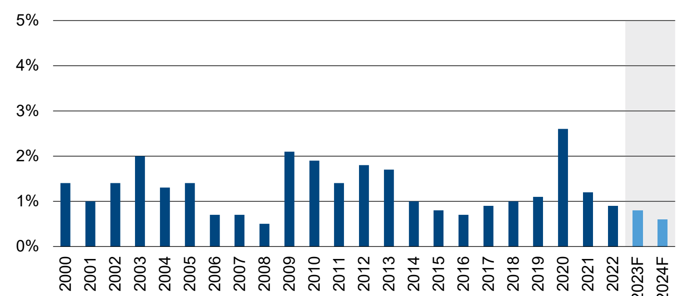
For the period ending June 2023



Source: © MSCI Real Estate 2023

AVERAGE RENTAL VACANCY

Vancouver Multi-Suite Residential



Source: CMHC; Morguard

New and existing renter households found it increasingly difficult to source available units, as the market's supply shortfall intensified.

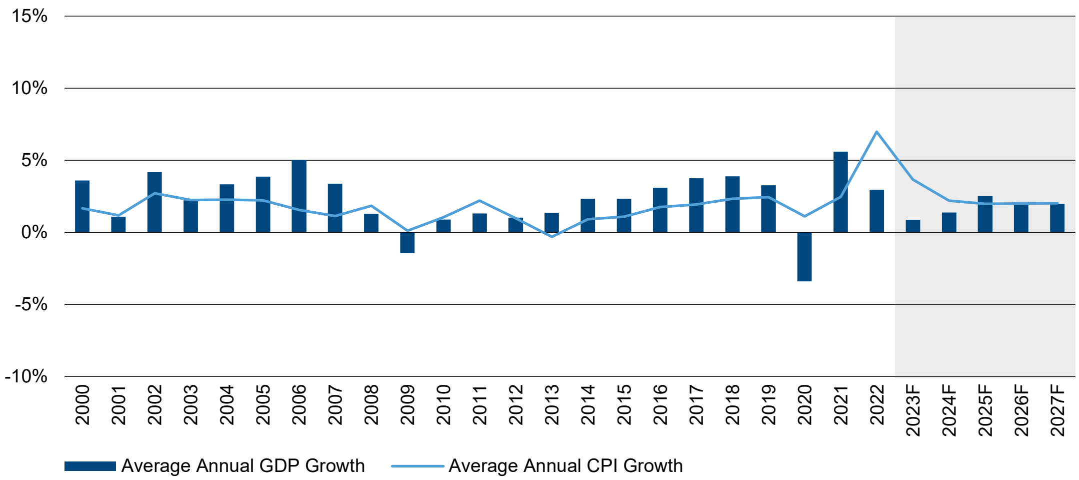
VICTORIA, BC

ECONOMIC SNAPSHOT

The Greater Victoria Area (GVIA) economy will expand by a modest 0.7% in 2023, matching the national average annual growth rate. Growth is expected to accelerate in the following year, with GDP rising by an annualized rate of 2.4%. As growth accelerates, labour market performance will strengthen substantially in both 2024 and 2025. Retail consumption will also increase at a relatively healthy pace, increasing by an annual average of roughly 4.0% over the same time-period.

ECONOMIC GROWTH

Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET STRENGTHENING TO START NEXT YEAR

The GVIA's labour market is expected to begin strengthening in 2024, following a period of sluggishness in the latter half of 2023. Employment is forecast to rise by a solid 1.7% in 2024, with a slightly less robust 1.5% lift projected in the following year. Economic growth will accelerate in 2024, due in large part to increased consumer spending as interest rates and inflation decline. The labour market will remain tight over the next few years. The GVIA unemployment rate will hover close to the 4.0% mark through to 2027. Employment levels will increase in seven of the region's 14 industrial sectors in 2024. Labour force expansion will keep pace with employment growth in 2024/2025. Labour shortages will persist in some sector of the GVIA economy. Despite ongoing shortages, labour market conditions are expected to strengthen next year.

STRONGER RETAIL SALES GROWTH TREND FORECAST

A stronger retail sales growth trend is forecast over the near term. GVIA retail consumption is projected to increase by a lofty 5.8% in 2024, with a solid 3.8% advance predicted for 2025. The stronger growth outlook is predicated on healthier economic and labour market growth trends. Lower interest rates and inflation levels are forecast, which will provide a spending power boost for the region's residents. Retail sales volume will increase by a modest 1.4% in 2023, following the 1.2% gain recorded in 2022. Much of the ground lost as a result of the pandemic was recovered in 2021, when sales increased by a stellar 12.0%. In short, a stronger retail sales growth trend is forecast for the GVIA over the next couple of years, following a two-year period of modest gains.

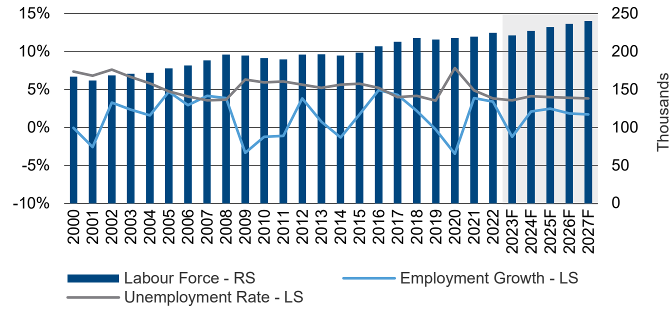
NEW HOME CONSTRUCTION TO SLOW

New home construction activity is expected to slow substantially over the near term. Roughly 2,700 housing starts are forecast for 2023, down sharply from more than 4,787 starts reported for 2022. Housing start activity began to slow in early 2023, as housing demand continued to decline. Housing demand fell sharply as mortgage rates increased. The cost of ownership in this market was too high for some families. At the same time, investors looked for opportunities in more affordable regions of the country. Housing start activity slowed as the inventory of unsold new homes increased. Starts are expected to gradually increase in 2024 and 2025, as the regional economy and job market strengthen. Additionally, interest rates are expected to decline, resulting in increased residential demand. However, over the near term the volume of new housing starts is expected to decline significantly.

GVIA retail consumption is projected to increase by a lofty 5.8% in 2024, with a solid 3.8% advance predicted for 2025.

LABOUR MARKET

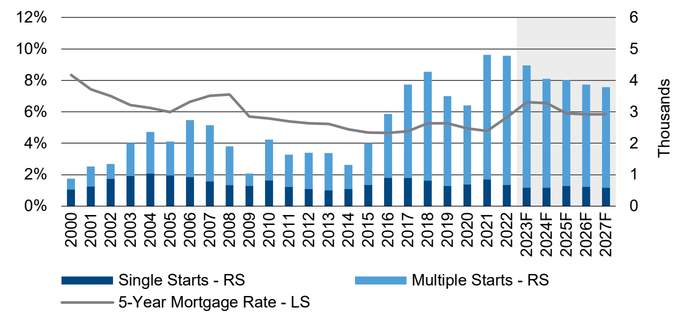
Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

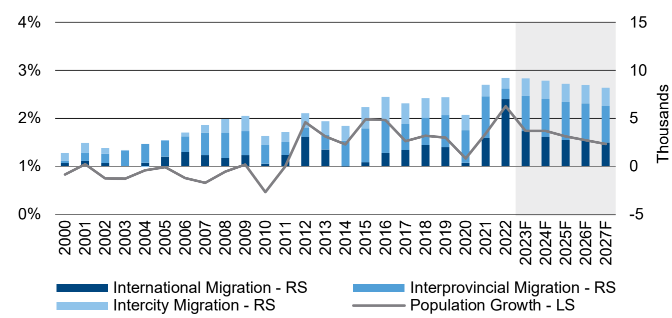
Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET WAS RELATIVELY STABLE AND HEALTHY

The GVIA office leasing market has been relatively stable and healthy over the recent past. Vacancy stood at a solid 6.4% at the midway mark of 2023, up a modest 40 bps from the end of 2022. The national vacancy rate rose 160 bps over the same time-period to 18.1%. Leasing activity in this market was comprised largely of extensions and renewals. Smaller tenants accounted for much of the leasing activity reported between July 2022 and the end of June 2023. The region's professional services sector accounted for a significant share of leasing activity. Several larger blocks of office space were returned to the market in the first half of 2023, which offset much of the progress made over the past year. Technology companies reduced the size of their space when transitioning to various remote or hybrid workplace models. Rents were generally stable over the past year, which was in keeping with the broader leasing market performance theme.

INVESTMENT ACTIVITY SLOWDOWN UNFOLDED

A GVIA office property investment activity slowdown unfolded over the recent past, in keeping with the national trend. The slowdown was due in large part to higher borrowing costs and heightened asset-class risk. A modest $25.3 million of investment transaction volume was recorded for the first half of 2023, down from the $40.4 million posted for the same time-period a year ago. Private capital was the most active of investment buyer groups in this market. Pension funds and institutions were markedly less active, choosing instead to wait until interest rates and asset-class risk declines. Properties with long-term public sector tenants attracted interest. However, the availability of high-quality assets with the desired tenant profile was limited. In some cases, vendors were unwilling to sell assets during a period when the buyer pool was thin. As a result, investment activity slowed substantially.

LEASING MARKET WILL SOFTEN

The GVIA office leasing market will soften slightly over the near term. Vacancy will edge closer to the 7.0% mark over the second half of 2023. Tenants will continue to offload excess space as they transition to hybrid and remote workplace models. Rents will generally hold steady, particularly for high-quality amenity-rich space. The public sector will continue to act as a buffer against a serious leasing market downturn, in keeping with the historical trend. However, market conditions will soften at a relatively modest pace over the near term.

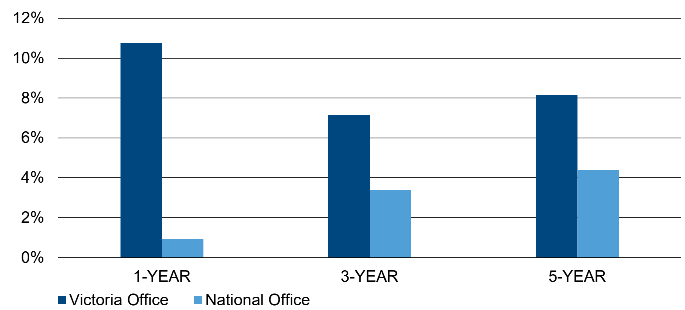
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	▲
NET ABSORPTION	▼	▼
LEASE RATES	—	—
NEW SUPPLY	—	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

For the period ending Sept 2021*

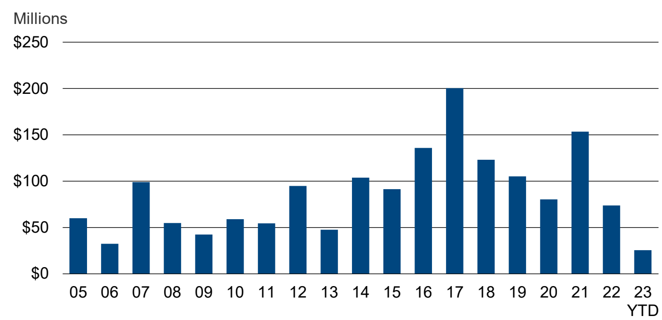


*Current data unavailable

Source: © MSCI Real Estate 2023

INVESTMENT ACTIVITY

Victoria Office Investment Volume To June 2023



Source: Colliers International; RCA

Vacancy will edge closer to the 7.0% mark over the second half of 2023.

SUPPLY REMAINED CRITICALLY LOW

GVIA industrial leasing market supply remained critically low during the second half of 2022 and first half of 2023. Vacancy rested at just 0.1% at the midway mark of 2023 matching the average reported a year earlier, according to Colliers International figures. Available space was leased rapidly. Tenants and owner-users scrambled to secure the limited amount of space available across the region. With few options, users were forced to make-do with their existing space and were often unable to expand, relocate or upgrade their premises. Owners and managers were able to dictate rental rates and terms when negotiating new leases and renewals. Asking rents rose to a record high, with the average asking net rent resting at $18.98 per square foot at the midway mark of 2023. The rate was the second highest in the country, next to Vancouver. Close to 625,000 square feet of space was under construction at the midway mark of 2023, which was expected to provide relief for a few tenants from the critically low supply levels of the recent past.

AVAILABILITY WAS LIMITED

The availability of GVIA industrial investment property was limited over the recent past, in keeping with the historical trend. Vendors were often reluctant to sell assets that had generated attractive performance characteristics. In addition, buyers exhibited a measure of hesitancy, given elevated levels of economic and financial market uncertainty. However, the market's rent growth and strong fundamental outlooks attracted the attention of some investment groups. Owner/users looked for opportunities to expand their operations or upgrade their space. On balance, investment sales activity has been relatively muted recently, with $87.5 million of transaction volume reported for the first six months of 2023. The first-half total was up slightly from the $86.8 million of sales recorded for the same-time period a year ago. Property values have been relatively stable over the recent past, a period during which industrial investment property availability was limited.

AVAILABLE SPACE SHORTAGE WILL PERSIST

The shortage of available industrial space will persist over the near term, continuing the medium-term trend. Owner-users and tenants will compete for very limited supply. Vacancy may increase slightly, with the completion of new supply. However, most of the new supply will be pre-leased. Vacancy, therefore, will remain critically low. Landlords will continue to hold the upper hand when negotiating new leases and renewals. In short, supply constraints will persist over the near term.

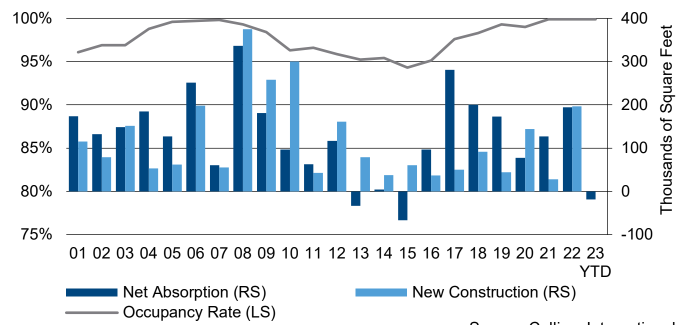
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	—
NET ABSORPTION	▲	—
LEASE RATES	▲	▲
NEW SUPPLY	—	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

INDUSTRIAL DEMAND & SUPPLY

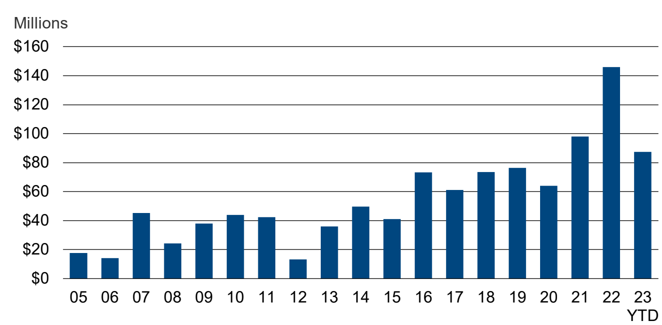
Victoria Historical Aggregates



Source: Colliers International

INVESTMENT ACTIVITY

Victoria Industrial Investment Volume To June 2023



Source: Colliers International; RCA

Owners and managers were able to dictate rental rates and terms when negotiating new leases and renewals.

LEASING TRENDS WERE MODERATELY POSITIVE

Moderately positive leasing market trends were observed in the GVIA's retail property sector over the past year. Vacant space in the region's shopping centres was absorbed at a modest rate. The average shopping centre vacancy rate stood at 2.7% at the beginning of 2023, which was 120 bps lower than a year earlier according to Colliers International figures. The average for properties tracked in the MSCI Index was 4.0% at the midway mark of 2023, which was down 170 bps year-over-year. Downtown street front vacancy remained elevated, despite a marked increase in cruiseship traffic. Rents rose modestly year-over-year as the market tightened. Increases were more common for well-located space in centres with strong performance track records. In short, moderately positive leasing trends were reported in this market over the past year, which was in keeping with the national asset-class trend.

INVESTMENT PERFORMANCE WEAKENED CONSIDERABLY

GVIA retail property sector investment performance weakened considerably recently, which was in keeping with the broader sector trend. Properties tracked in the MSCI Index registered a negative aggregate total return of 5.3% for the year ending June 2023. A relatively attractive 6.3% positive return was posted for the previous year. The performance weakness was due entirely to capital erosion. Conversely, income performance was strong and stable. The capital decline was in keeping with the broader market trend. Retail property values declined modestly over the past year across the country. Capitalization rates decompressed, as investors looked for a yield premium to offset higher borrowing costs and increased economic and financial market risk. The modest upward capitalization rate pressure occurred during a period when GVIA retail investment performance weakened considerably.

UNEVEN LEASING DEMAND TREND FORECAST

An uneven demand trend is forecast for the GVIA's retail leasing market over the near term. Retailers selling necessities and discount stores will continue to look for expansion opportunities in areas with new residential development. Some operators will delay expanding in this market while the economic backdrop remains uncertain. Leasing velocity will slow modestly over the near term, resulting in upward pressure on vacancy. In short, an uneven leasing demand trend is forecast in the GVIA leasing market over the near term.

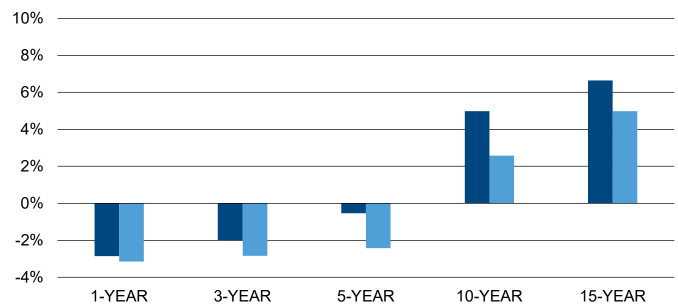
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▼	—
NET ABSORPTION	—	—
LEASE RATES	—	—
NEW SUPPLY	—	▲

The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

HISTORICAL PERFORMANCE

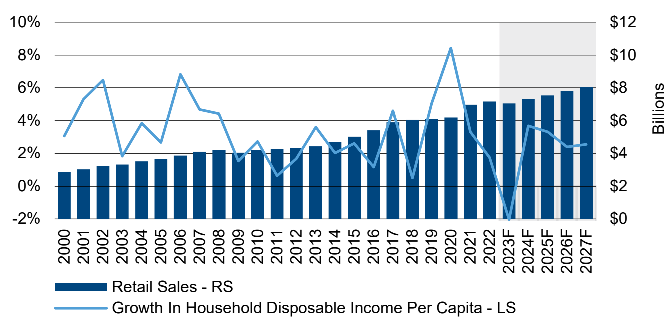
For the period ending June 2023



Source: © MSCI Real Estate 2023

RETAIL CONDITIONS

Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

GVIA retail property sector investment performance weakened considerably recently, which was in keeping with the broader sector trend.

RENTS CONTINUED TO RISE

Rents rose to a benchmark high level in the GVIA's multi-suite residential rental property sector recently. Upward pressure on rents continued during the first half of 2023, on the heels of a robust 7.7% increase last year. Rent growth over the recent past was the strongest on record for this market dating back to 1991, according to CMHC figures. Much of the upward rent pressure was due to tenant turnover. The delivery of new supply over the past year did little to alleviate the upward rent pressure. The GVIA's multi-residential rental universe increased by 1,411 units in 2022, more than twice the 2021 total. New supply drove the market's vacancy rate only slightly higher. The GVIA vacancy rate stood at 1.5% at the beginning of 2023, which was one of the lowest rates in the country. Rental market conditions remain tight, as GVIA multi-suite residential rents continued to rise.

SALES ACTIVITY SLOWED SUBSTANTIALLY

Investment sales activity in the GVIA multi-suite residential rental property market slowed substantially recently, which was in keeping with the national asset-class trend. Just over $102.0 million of investment transaction volume was reported during the first six months of 2023. More than $644.0 million of sales was reported for the same six-month period a year earlier, as activity peaked. Over the past year, investors chose increasingly to remain on the sidelines as interest rates and pricing fluctuated. Pension Funds and institutions were relatively inactive. However, private capital groups continued to look for opportunities in this market, with significant upside potential. Vendors were reluctant to sell assets available as prices declined. Capitalization rates decompressed, a trend that was reflected in MSCI Index performance. Properties tracked in the index posted an aggregate total return of 2.6% for the year ending June 30, 2023. Modest capital erosion partially offset a solid income component performance. Property values decreased in this market during a period when investment activity slowed substantially.

RENTAL MARKET WILL REMAIN TIGHT

The GVIA multi-suite residential rental market will remain tight over the near term. The forecast is predicated on the continued arrival of an above-average number of migrants to the area. A stable and healthy job market will support generally positive rental demand patterns. The high cost of ownership in this market will force many families to continue to rent. Demand will keep pace with new supply at a minimum, resulting in tight overall conditions and persistent upward pressure on rents.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
VACANCY RATE	▲	—
NET ABSORPTION	—	—
LEASE RATES	▲	▲
NEW SUPPLY	▲	—

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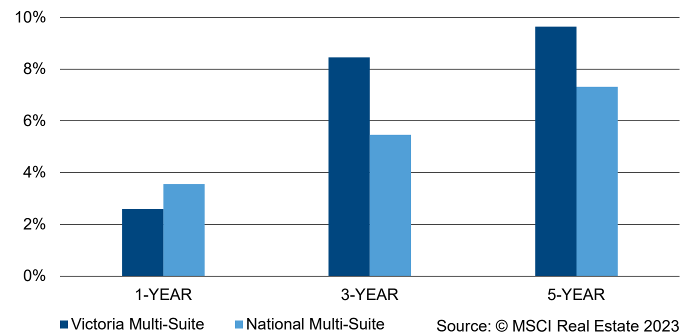
HISTORICAL PERFORMANCE

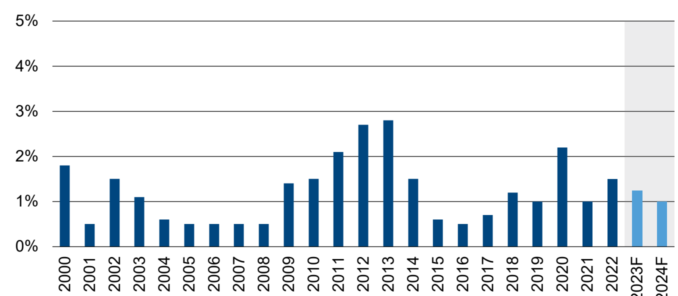
For the period ending June 2023



Source: © MSCI Real Estate 2023

AVERAGE RENTAL VACANCY

Victoria Multi-Suite Residential



Source: CMHC; Morguard

The high cost of ownership in this market will force many families to continue to rent.

ABOUT

MORGUARD

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 over 45 years. As of September 30, 2022, Morguard had $19.5 billion of total assets under management and employed 1,300 real estate professionals in 12 offices throughout North America.

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ACKNOWLEDGEMENTS / RESEARCH RESOURCES

In the course of compiling the statistical information and commenting on real estate markets, nationally, 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, Canada Newswire, Canada Mortgage and Housing Corporation (CMHC), The Canadian Real Estate Association (CREA), CBRE Econometric Advisors, CBRE Limited, CIBC World Markets, Colliers International, Conference Board of Canada (CBOC), Cushman & Wakefield, Developers & Chains e-news, Economy.com, European Central Bank, The Federal Reserve Board, Frank Russell Canadian Property Index (RCPI), The Globe and Mail, ICR Commercial Real Estate, Altus-Insite Research, International Council of Shopping Centers (ICSC), International Monetary Fund, The Johnson Report (Winnipeg), Jones Lang LaSalle, MSCI, The Network, Ottawa Business Journal, PC Bond Analytics, PricewaterhouseCoopers, RBC Capital Markets, RBC Economics, Rogers Media, Scotia Capital, Statistics Canada, TD Economics, Toronto Star, Torto Wheaton Research, TSX Datalinx, United States Department of the Treasury, Urban Land Institute, York Communications

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