MORGUARD

2023 CANADIAN ECONOMIC OUTLOOK

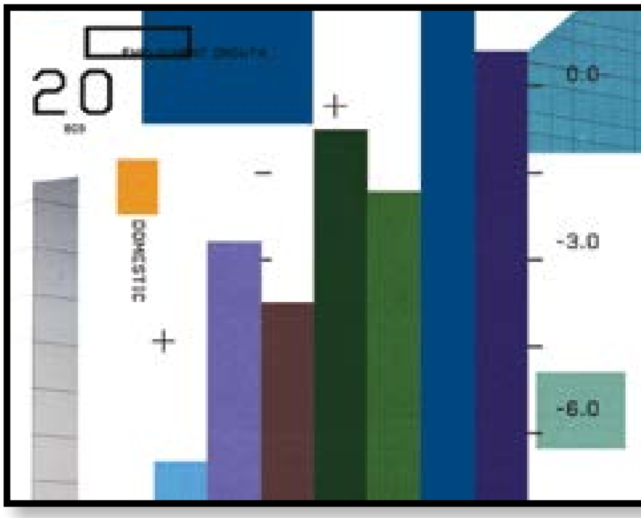
AND MARKET FUNDAMENTALS REPORT

25TH ANNUAL EDITION

INVEST FOR THE FUTURE

Morguard

CONTENTS



NATIONAL

METROPOLITAN

ABOUT

KEITH READING

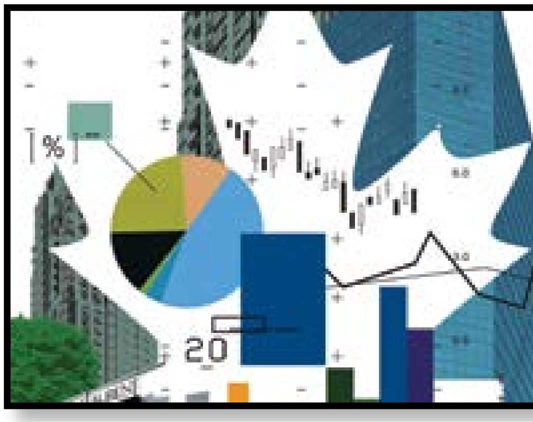
NATIONAL ECONOMIC & REAL ESTATE OUTLOOK

NATIONAL

ECONOMIC REPORT

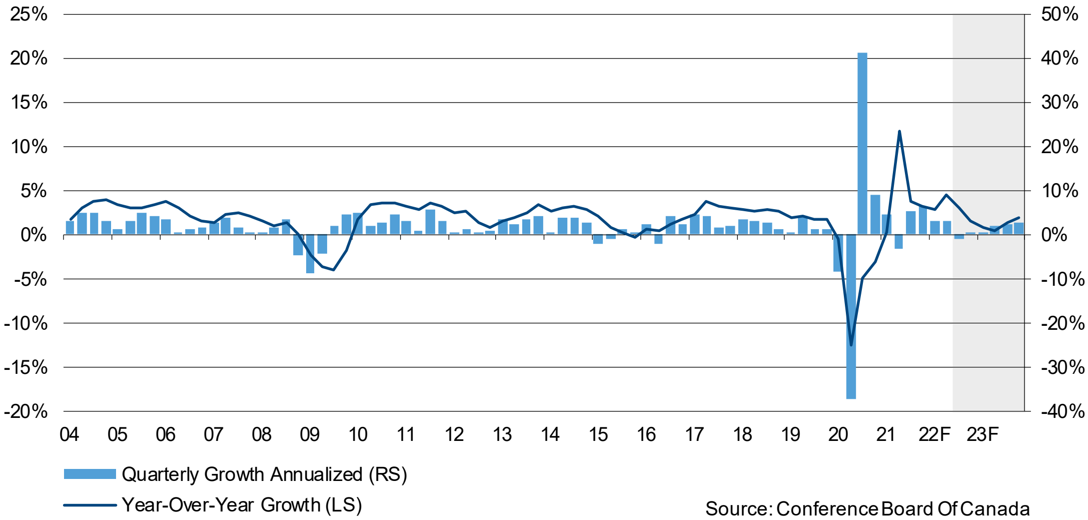
ECONOMY OUTPERFORMED AS HEADWINDS INCREASED

The Canadian economy outperformed over the recent past, as headwinds continued to build. Real Gross Domestic Product (GDP) rose by a stronger-than-expected 3.1% and 3.3% on an annualized basis in the first and second quarters of 2022, respectively. In short, Canada's economy continued to emerge from the unprecedented pandemic-influenced correction.



CANADIAN REAL GDP GROWTH

% Change



Source: Conference Board Of Canada

Increased business investment and household spending were key drivers of economic growth during the first half of 2022. Businesses invested in inventory, non-residential structures, and machinery and equipment. Inventory investment was the most significant driver of economic growth in the second quarter, with roughly $47.0 billion of funds invested. Households spent more on services and semi-durable goods during the first half, while spending on durable goods slowed.

The relaxing of pandemic restrictions was a catalyst for the nation's strong first-half economic performance. The return of workers to their offices fuelled increased spending on clothing and footwear. More broadly, pent-up demand supported increased spending in the travel and tourism sectors and other high-touch industries. However, economic headwinds increased substantially during the first half of 2022, indicating an end to the recent outperformance had neared.

LABOUR SHORTAGES PERSISTED

Labour shortages were common in most sectors of the Canadian economy over the recent past. More than 50.0% of Canadian businesses surveyed recently indicated labour shortages had limited their ability to increase production, up from 40.0% before the pandemic and 30.0% a decade ago. Businesses have struggled to source both skilled and unskilled labour. The labour market shortfall intensified during 2021 and the first half of 2022, as a surge of older workers entered retirement. However, there were close to 70.0% more jobs available as of June 2022 than prior to the onset of the pandemic in February 2020. Moreover, there were 13.0% fewer available workers in June 2022 than in February 2020, according to an RBC Economics report. The national unemployment rate stood at a record low of 4.9% in both June and July of 2022. As labour market conditions tightened during 2021 and 2022, labour market shortages persisted.

CONSUMER SPENDING BOUNCED BACK

Consumer spending bounced back strongly over the recent past, having plunged as a result of pandemic restrictions. On aggregate, consumer spending patterns normalized during the second half of 2021 and first half of 2022, driven largely by pent-up demand. Canadian shoppers returned to brick-and-mortar stores en masse, resulting in a marked improvement in retailer in-store revenue. Retail sales increased in each of the first six months of 2022, reaching $63.1 billion at the end of June. Nominal retail sales advanced by a healthy 3.0% and 3.2% in the first and second quarters of 2022, respectively. Gasoline sales accounted for the largest share of sales growth during the first half. Both nominal and core retail sales increased at a relatively healthy rate. Record-high inflation levels boosted consumer spending volumes even higher. In June 2022, for example, retail sales increased by just 0.2% when adjusted for inflation. Month-over-month core sales edged up by roughly the same amount. By the midway mark of 2022, retail sales growth had slowed significantly. Interest rate hikes and record high inflation had eroded consumer spending power. Consumer spending is expected to continue to slow over the near term, having bounced back strongly from the pandemic-driven decline.

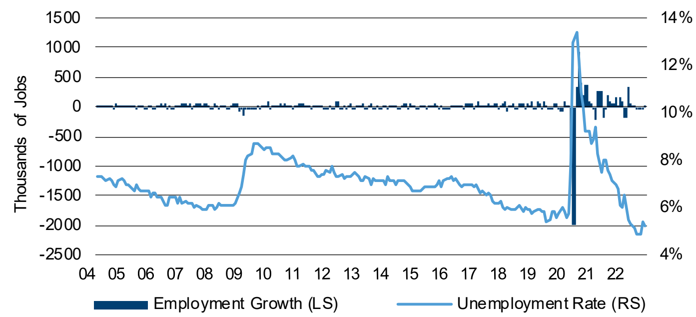
TRENDING STATISTICS

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

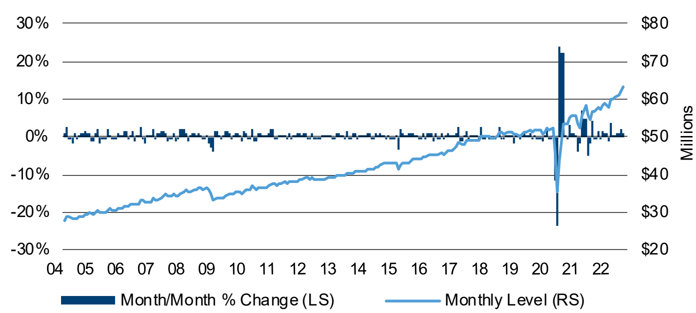
Month-Over-Month Trending



Source: Statistics Canada

RETAIL SALES

Month-Over-Month Trending



Source: Statistics Canada

HOUSING MARKET COOLED

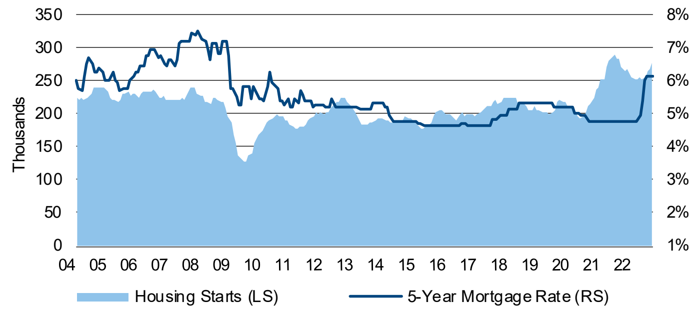
Canada's existing home sales market cooled significantly over the recent past, having peaked in February of 2022. Sales activity had declined in six consecutive months ending in August 2022, according to the Canadian Real Estate Association (CREA). National transaction volume dropped by 24.7% year-over-year as of the same month. Sales were down 20.7% year-over-year for the eight-month period ending in August 2022 and down 17.0% from the pre-pandemic level. Existing home sales price growth has slowed significantly over the recent past. Single family home prices were up a modest 6.5% year-over-year as of August, as reported in the MLS home price index. Previously, a year-over-year increase of 32.0% was recorded in January 2022. The national average aggregate sale price was down 3.9% year-over-year. Rising mortgage rates was one of the main causes of the housing market softening of the recent past. At the same time, household finances were squeezed as inflation climbed to a record high. Buyer confidence levels declined as recession fears rose. The recent housing market cooldown is expected to persist through to at least the end of 2022.

ECONOMIC RISK WAS ELEVATED

An elevated level of Canadian economic risk was observed during the latter half of 2021 and first half of 2022. The elevated risk environment was a byproduct of several factors. Interest rate hikes instituted by the Bank of Canada to bring record-high inflation back down to its preferred target range resulted in a markedly higher level of economic risk. As rates increased, the national housing market cooled. Property values began to decline, which eroded household wealth. Additionally, retail consumption began to slow by the midway mark of 2022. Both retail consumption and housing market activity are key components of Canada's economy. Retail consumption accounts for more than 50.0% of Canada's GDP. The potentially negative impacts of the winding down of pandemic transfer payments to Canadian households during the pandemic was another source of economic risk. Ongoing supply-chain disruptions, the war in Ukraine, and the potential for more COVID-19 outbreaks across the globe were additional sources of economic risk. In short, Canadian economic risk remained elevated over the recent past, in keeping with the broader global trend.

HOUSING MARKET

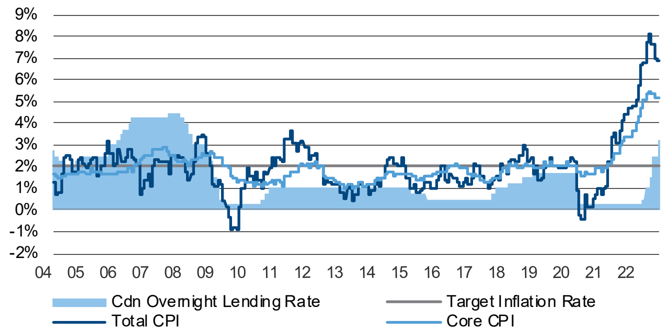
Monthly Trends



Source: Statistics Canada, CMHC, Bank of Canada

MONETARY CONDITIONS

Inflation Measured As % ∆ Over 1 Year Ago



Source: Bank Of Canada

Interest rate hikes instituted by the Bank of Canada to bring record high inflation back down to its preferred target range resulted in a markedly higher level of economic risk.

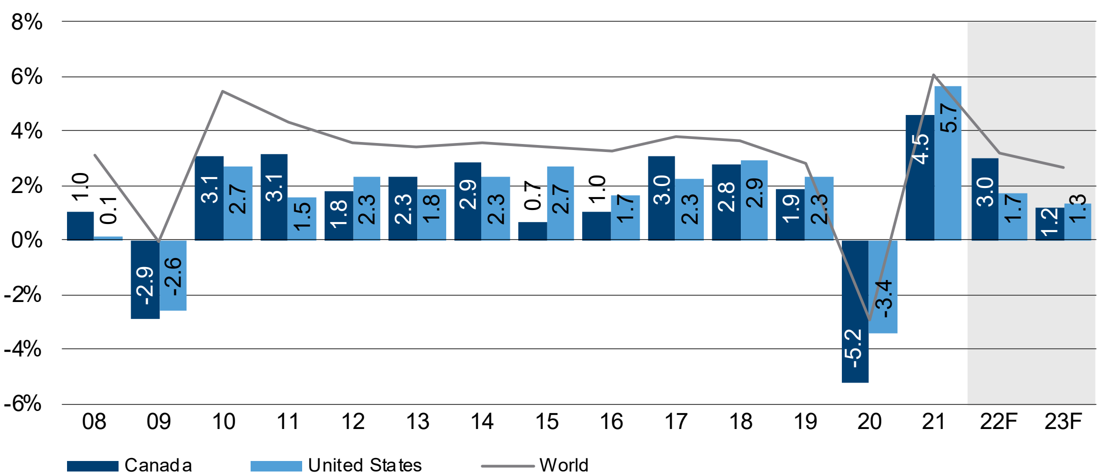
ECONOMIC OUTLOOK

ECONOMIC GROWTH TO SLOW SUBSTANTIALLY

The recovery phase of Canada's economic cycle will slow substantially over the near term. Real GDP is projected to expand by 1.0%-1.5% in 2023, following a G7-leading advance of more than 3.0% this year. Economic growth will slow down in the second half of 2022 and in the following year. Several factors in combination will cause Canada's economic recovery to slow down over the near term, in keeping with the global trend.

ECONOMIC GROWTH

Real GDP Growth — Historical & Forecast



Source: Conference Board Of Canada (Sept 2022); International Monetary Fund (Oct 2022)

Interest rate hikes implemented by the Bank of Canada to control inflation will continue to weigh heavily on Canada's economy over the near term. Consumer spending will slow over the near term, as Canadian households are forced to pay higher debt-servicing costs. Spending on big ticket items such as appliances and home renovations will also slow. At the same time, residential investment will continue to moderate. The nation's housing market and consumer spending have been key economic growth drivers over the past several years. Inflation will continue to have a negative impact on Canada's economic growth cycle over the near term. Households will see their disposable incomes eroded as they pay more for necessities and discretionary items. Canadian families will look increasingly to discounters and other low-cost alternatives as prices remain elevated. As spending patterns shift over the near term, Canada's economic recovery will slow significantly.

LABOUR MARKET IMBALANCE TO EASE

Canada's labour market imbalance is expected to ease over the near term. The national unemployment rate will steadily rise over the second half of 2022, a trend that will carry forward through much of 2023. The combination of weaker job creation activity and labour force growth will drive the rate higher. In August 2022, unemployment rose 50 bps to 5.4%, from the record low of 4.9% reported in July 2022. The rate is expected to range at a more sustainable level over the next several quarters. Overall, Canada's labour market will remain tight over the near term, despite the rising unemployment rate trend. Regardless of the easing of the national labour market imbalance over the near term, widespread labour shortages will persist.

HOUSING MARKET WILL CONTINUE TO COOL

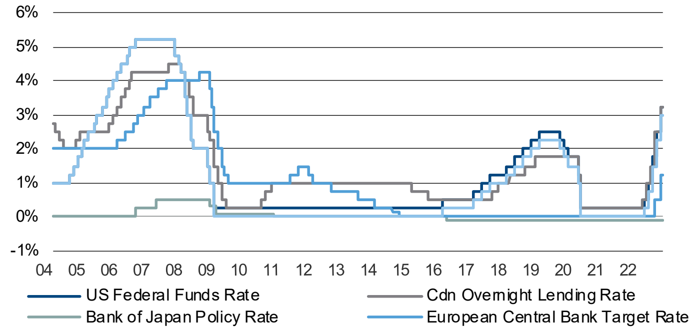
Canada's existing home sales market will continue to cool over the second half of 2022 and into early 2023. Sales activity will trend downward having already slowed substantially from the early 2022 peak. Prices will continue to fall, after the record growth of the recent past. Market activity will continue to slow, as mortgage rates continue to rise. Additionally, investors continue to hold off on purchasing homes until prices stabilize. Increasingly, some families looking to purchase a home will also remain on the sidelines, given an uncertain economic outlook and near record-high inflation. In broader terms, the housing market cooldown will vary geographically, by housing type and price level. During the first half of 2022, for example, downward pricing pressure was more modest for starter homes, including condominiums. By the end of 2023, Canada's existing home sale market is expected to begin to stabilize,

CONSUMER SPENDING GROWTH WILL MODERATE

Consumer spending will moderate over the near term, following an extended period of strong growth. Spending will slow significantly in the second half of 2022, a trend that will carry over into 2023 and possibly the following year. Consumer purchasing power will be reduced over the next couple of years as a result of higher debt-servicing costs, inflation, and declining wealth. Previously, consumer spending patterns improved significantly with the removal of pandemic restrictions. Pent-up demand supported robust spending growth during 2021 and the first half of 2022. However, consumer spending growth will moderate over the near term.

OFFICIAL POLICY RATES

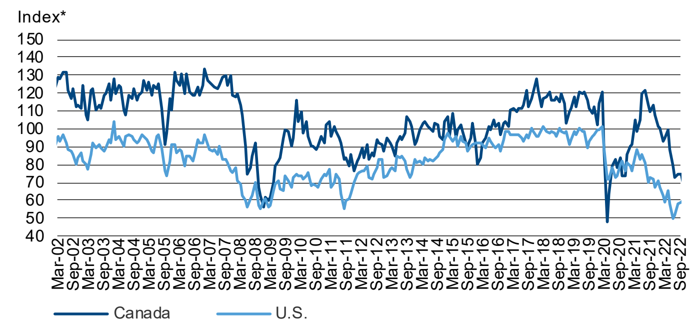
International Monetary Conditions



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

CONSUMER CONFIDENCE

Consumer Optimism About Economic Conditions

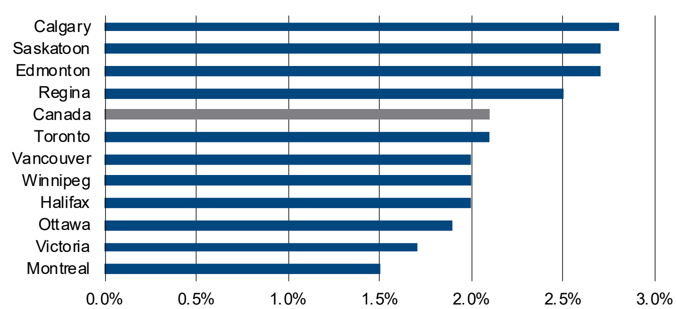


*Base year: Cdn = 2014, U.S. = 1966

Source: CBOC, University of Michigan

CMA REAL GDP GROWTH

2023 - 2026 Forecast

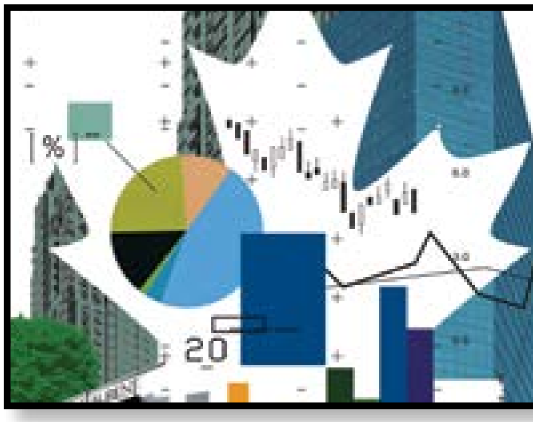


Source: Conference Board Of Canada

OFFICE OUTLOOK

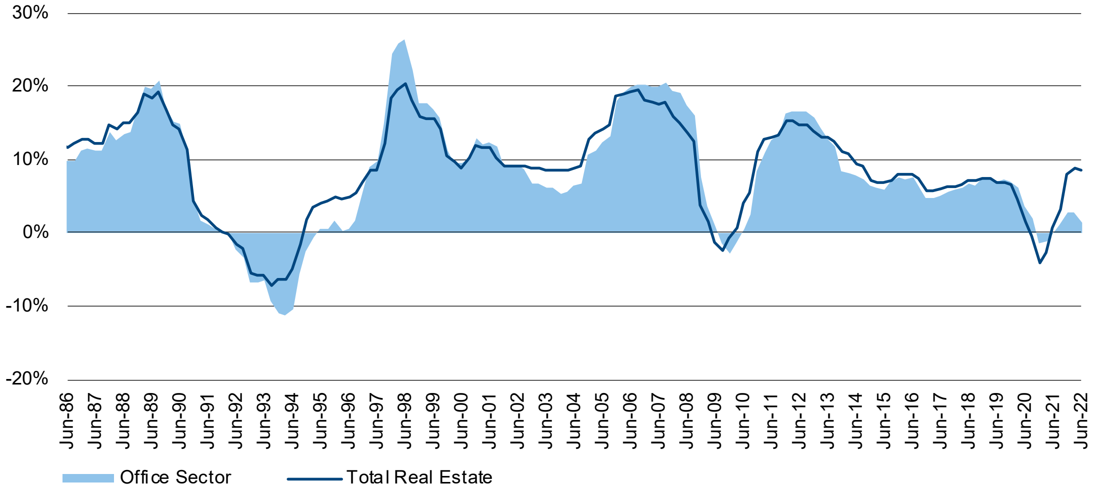
LEASING MARKET PERFORMANCE WAS MIXED

Leasing market performance patterns were mixed during the second half of 2021 and first half of 2022, due largely to the ongoing impacts of the pandemic on businesses and their employees. Leasing demand increased modestly in most markets following the removal of capacity restrictions. However, vacancy rates and building occupancy varied significantly.



ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Office Performance



Source: RCPI, © MSCI Real Estate

Vacancy trends varied significantly across the country over the recent past. The national vacancy rate stood at a 20-year high of 16.5% at the midway mark of 2022. Leasing market conditions were markedly healthier in Vancouver and Ottawa, where vacancy averaged 6.3% and 8.8%, respectively. In Calgary and Edmonton, vacancy remained at record-high levels through 2021 and the first half of 2022. Toronto and Montreal vacancy was more in line with the national average at 15.4% and 16.1%, respectively. Rental rate trends also varied. Markets with an abundance of low-priced sublets and excess vacancy, like Toronto, experienced downward pressure on rents. Conversely, tighter markets like Vancouver and Victoria saw rents increase at a relatively healthy rate. The leasing market performance variation of the recent past is expected to gradually ease over the next couple of years, as the recovery phase of the cycle steadily unfolds.

INVESTOR CONFIDENCE WAS SUSTAINED

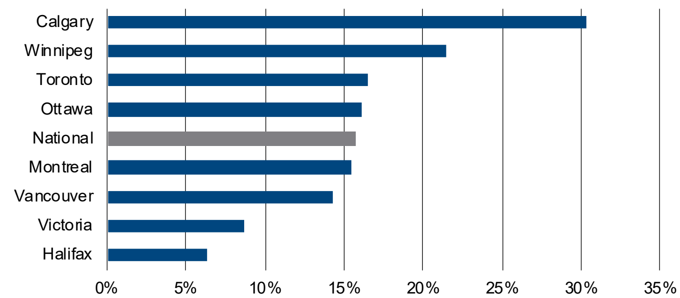
Investors continued to exhibit confidence in Canada's office property sector during the latter half of 2021 and the first half of 2022. As a result, roughly $10.4 billion of transaction volume was reported for the 12-month period. A range of investment groups continuously targeted income-producing properties in Canada's major urban centres. Investors exhibited the highest level of confidence in stabilized properties with secure, long-term income streams. Core downtown and suburban properties and those with proximity to mass transit hubs were popular investor targets. Assets with strategic qualities were generally well-received when offered for sale. Confidence was markedly lower for riskier assets, given an increasingly uncertain sector outlook.

Vendors and purchasers were able to agree on sale terms when properties were made available. Cap rates stabilized during 2021. However, cap rates began to rise in the first half of 2022, as the cost of debt increased. Investors adapted their risk-adjusted return expectations as the sector outlook uncertainty rose sharply. Investors continued to source acquisition opportunities, despite a relatively weak near-term investment performance trend. Properties contained in the MSCI Index generated a modest 1.4% total return for the year ending June 30, 2022, only slightly better than the 0.0% return of the previous period. Despite an underwhelming performance trend, investors continued to exhibit confidence in Canada's office sector over the recent past.

Core quality downtown and suburban properties and those with proximity to mass transit hubs were popular investor targets.

OFFICE VACANCY RATES

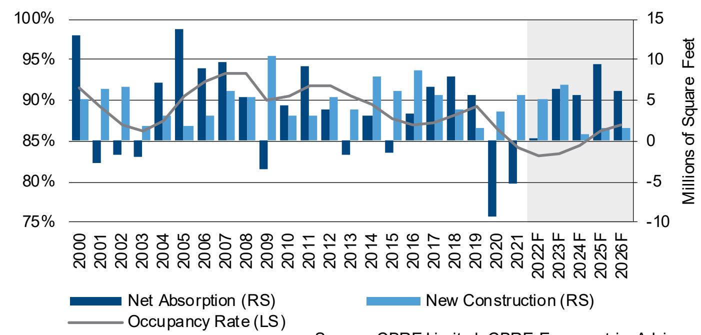
To Second Quarter - 2022



Source: CBRE Limited

OFFICE DEMAND & SUPPLY

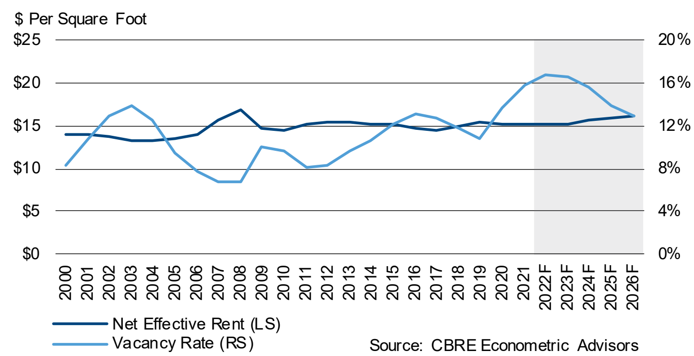
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

National Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

INVESTMENT SALES INCREASED AFTER BRIEF LULL

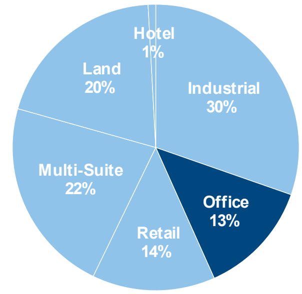
The recent flow of investment capital into the office property sector increased significantly, following the pandemic-induced slowdown of 2020. In 2021, a combined $6.9 billion of office property investment sales volume was reported for Canada's major cities. The total represented a 31.0% increase over the previous year. The $5.5 billion of investment sales volume reported for the first half of 2022 was up 187% year-over-year and was well ahead of the 2020 pace. The $5.2 billion of transaction volume reported for 2020 represented a 54.0% year-over-year decline. During 2020, investors retreated to the sidelines as pandemic restrictions on business activity brought the market to a grinding halt. Investor confidence and investment sales began to increase in 2021, with the loosening of restrictions and continued vaccine rollout.

RECOVERY HEADWINDS FORECAST

Leasing market recovery headwinds are forecast over the near term. Macro headwinds will impact the near-term office leasing market recovery. Rising interest rates, inflation, and an increasingly uncertain economic outlook will compel some tenants to postpone long-term leasing decisions. As a result, leasing demand patterns will remain relatively weak. Leasing market headwinds will increase with the surge of new supply completions in 2023 and 2024. In short, Canada's office leasing market will continue to experience headwinds over the near term, in keeping with the recent trend.

TOTAL SALES BY PRODUCT

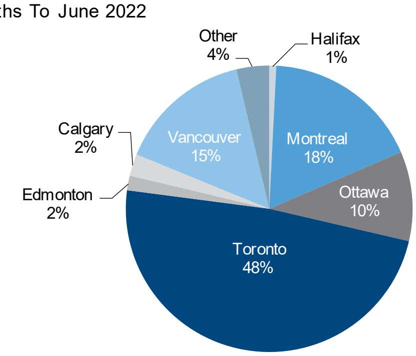
18 Months To June 2022



Source: CBRE Limited

OFFICE SALES BY CMA

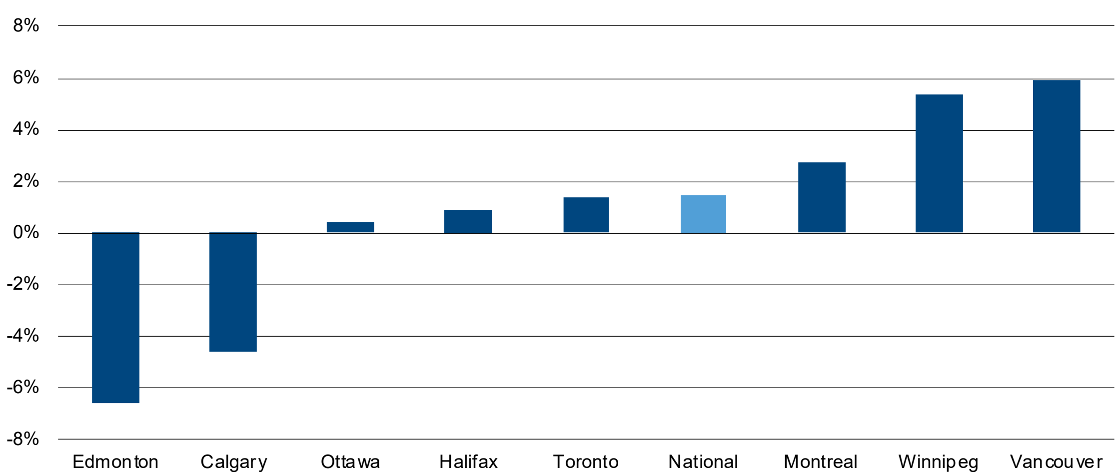
18 Months To June 2022



Source: CBRE Limited

OFFICE TOTAL RETURNS

For The 1-Year Period Ending June 2022



Source: © MSCI Real Estate 2022

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Complexe Metro Longueuil	Jun-22	$75.7 M	308,915	$245	Galion
4868, 4898 Levy St	Apr-22	$10.5 M	64,664	$162	Alexandria Equities
PSP GMA Portfolio	Mar-22	$231.0 M	410,000	$563	Blackstone

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
222, 230 Queen St	Oct-22	$44.0 M	200,000	$220	Groupe Mach
400 Cumberland St	Aug-22	$40.5 M	174,274	$232	True North REIT
77 Metcalfe St	Jul-22	$19.1 M	147,382	$130	Groupe Mach
3199 Palladium Dr	Jun-22	$64.5 M	163,580	$394	Morguard
Merivale Professional Ctr	May-22	$17.9 M	78,758	$227	Katasa Groupe+
Park of Commerce	Feb-22	$60.0 M	414,644	$145	Crown Realty
979, 1031 Bank St	Jan-22	$38.1 M	116,226	$328	BTB REIT

TORONTO

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
95, 105 Moatfield Dr	Sep-22	$97.0 M	405,407	$239	Visionary Educ. Techn.
30, 60 Centurian Dr	Aug-22	$17.3 M	93,228	$185	Tricap Properties
5700 Cancross Crt	Jul-22	$11.2 M	28,911	$387	Gilmour 5700 Inc.
6750 Century Ave	Jun-22	$30.0 M	99,828	$301	Concert Properties
10 Milner Business Crt	Jun-22	$19.0 M	125,000	$152	Almad Investments
170, 194 Evans Ave	May-22	$10.0 M	18,310	$546	Queenscorp
2233 Argentia Rd	May-22	$40.1 M	146,551	$273	Soneil Investments
1305, 1315 Pickering Pkwy	Apr-22	$38.3 M	140,169	$273	Goldmanco Inc
700 Kerr St	Apr-22	$12.1 M	37,500	$323	700 Kerr St Holding Inc
Orlando Heartland Portfolio	Apr-22	$251.9 M	1,200,000	$210	Crown Realty
5800 Explorer Dr	Apr-22	$35.5 M	110,000	$323	Family Capital Corp
121 King St W	Apr-22	$379.3 M	539,059	$704	Crestpoint/AIMCo
789 Don MIlls Rd	Mar-22	$91.3 M	386,523	$236	Menkes Developments
2360 Mdwpine/2550 Mdwvle	Mar-22	$27.7 M	97,977	$283	Rathcliffe Properties
102 Atlantic Ave	Mar-22	$14.5 M	20,000	$725	First Capital/Hullmark
7303 Warden Ave	Mar-22	$13.8 M	56,405	$245	7303 Warden Inc
Royal Bank Plaza	Feb-22	$1,163.0 M	1,471,732	$790	Pontegadea
14 Abacus Rd	Jan-22	$11.5 M	30,956	$371	Tak Investments
5600, 5705 Cancross Crt	Jan-22	$35.5 M	143,877	$247	KingSett Capital

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
37 Quarry Park Blvd SE	Aug-22	$17.0 M	101,026	$168	Qualico
3675 63rd Ave NE	Apr-22	$20.4 M	63,197	$323	PBA Group
8500 Macleod Tr SE	Apr-22	$23.0 M	322,181	$71	Walia Group
833 4th Ave SW	Mar-22	$12.0 M	152,976	$78	PBA Group
Selkirk House	Feb-22	$16.8 M	225,989	$74	555 4 Ave Nominee Ltd

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
7 Tri Leisure Way	Apr-22	$15.0 M	37,169	$404	Babych Group

VANCOUVER

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
1795 Willingdon Ave	May-22	$112.5 M	160,654	$700	Concert Properties
510 Seymour St*	Jun-22	$84.9 M	72,000	$1,179	Canadian Urban
3600 Lysander Lane*	Feb-22	$43.9 M	113,000	$388	Symphony Hill

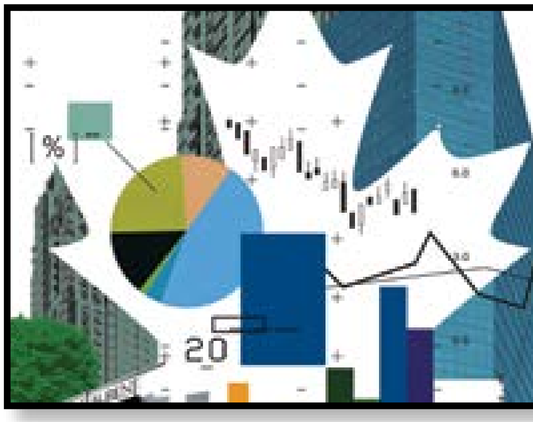
*share sale

The $5.5 billion of investment sales volume reported for the first half of 2022 was up 187.0% year-over-year and was well ahead of the 2020 pace.

INDUSTRIAL OUTLOOK

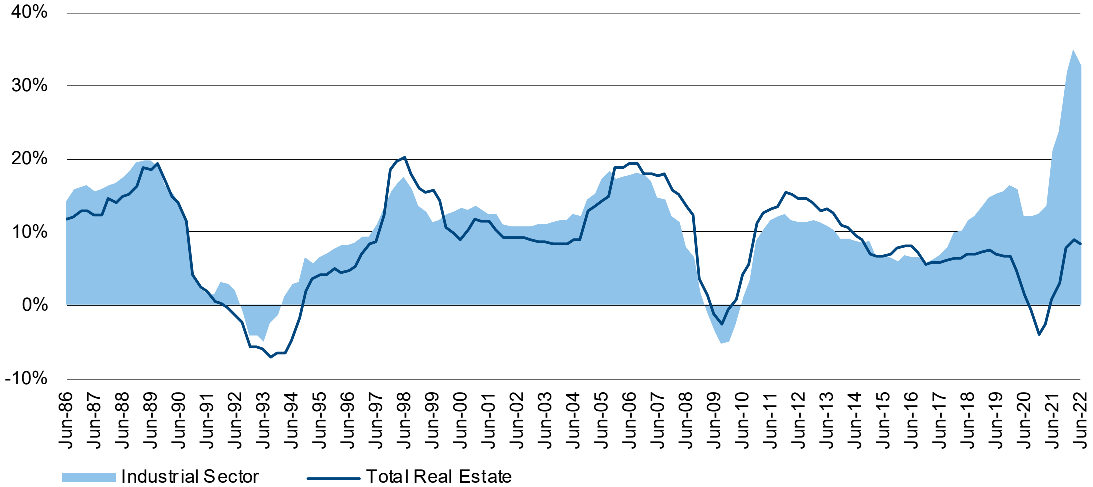
SUPPLY REMAINED CRITICALLY LOW

The supply of available industrial space remained critically low across much of Canada's industrial heartland during the latter half of 2021 and first half of 2022. An all-time low 1.6% of the country's 1.9 billion square feet of built industrial inventory was available for lease at the midway mark of 2022. As availability dwindled and rents increased, construction activity rose sharply.



ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Industrial Performance



Source: RCPI, © MSCI Real Estate

Leasing demand has consistently outstripped supply over the past few years. Warehouse, distribution and logistics companies have absorbed much of the available existing and newly constructed space in the country's major markets. Large-bay space has been leased in relatively short order. Approximately 68.4 million square of available space was absorbed between January 2021 and June 30, 2022. Continuously healthy demand patterns and supply constraints have driven rents to a record high. In some cases, rents have doubled and even tripled over the past few years. As a result, construction activity has increased substantially, A total of 43.9 million square feet of new supply was under construction at the midway mark of 2022. Despite the surge, tenants found it increasingly difficult to source available space in which to expand or relocate. Landlords have typically had the upper hand in lease negotiations, given critically low availability.

INVESTMENT MARKET TRENDS WERE GENERALLY BULLISH

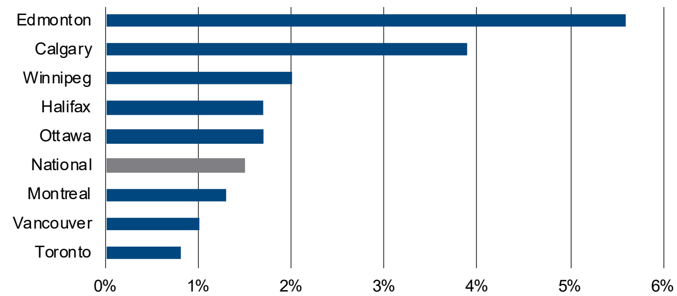
The industrial property sector investment market trends of the recent past were generally bullish. The bullishness was reflected in recent sector investment performance patterns. Properties contained in the MSCI Index generated a stellar 32.7% total return for the 12-month period ending June 30, 2022. The outstanding result driven largely by cap rate compression. Cap rates continued to range at the benchmark low for the cycle through to early 2022. Rates had edged slightly higher by the spring, as investors looked to offset rising interest rates. Recent transaction closing volume totals offered further evidence that the bullish phase of the cycle had been extended. A total of $11.7 billion of investment transaction volume was reported for the first six months of 2022, up 57.5% over the same time period a year earlier. The $17.2 billion of property sales reported for 2021 was a record annual high. Investors acquired properties with confidence across much of the country during 2021 and the first half of 2022, a period during which the bullish phase of the cycle was extended.

Investor confidence remained elevated through to the spring of 2022. Institutional and private groups looked to acquire properties with the promise of attractive yields and rent growth. Multi-bid scenarios were common, especially for core warehouse and distribution product. Properties with value-add attributes were also popular. By the spring of 2022, investor confidence in Canada's industrial sector began to decline, having been at an elevated level over the past few years.

A total of $11.7 billion of investment transaction volume was reported for the first six months of 2022, up 57.5% over the same time period a year earlier.

INDUSTRIAL AVAILABILITY RATES

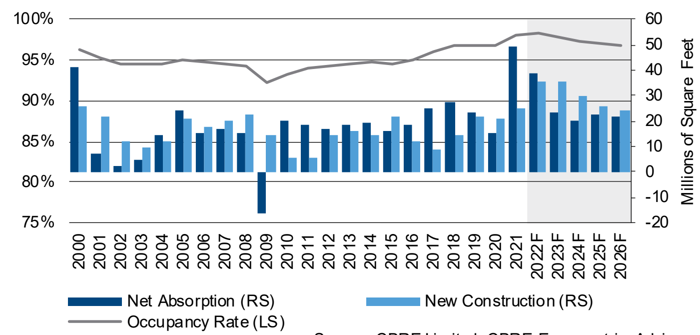
To Second Quarter - 2022



Source: CBRE Limited

INDUSTRIAL DEMAND & SUPPLY

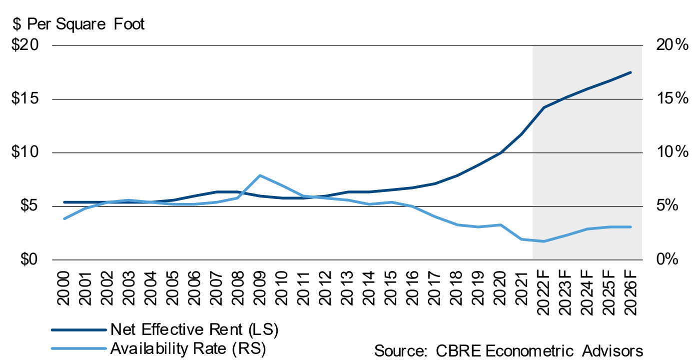
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

National Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

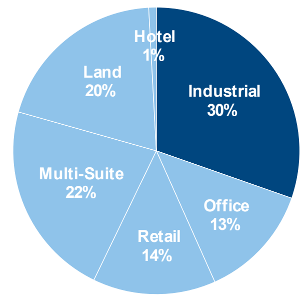
LEASING OUTLOOK IS GENERALLY POSITIVE

Canada's industrial leasing market outlook is generally positive. The nation's moderate economic growth trend will ensure warehouse, distribution, and logistics businesses continue to expand across the country. In addition, companies in various niche manufacturing and technology sectors will also continue to expand. Demand may soften slightly when compared with 2021 and early 2022, given the negative impacts of rising interest rates and inflation on Canadian businesses. Despite the demand moderation, supply constraints will persist. Tenants will have few options when looking to expand or relocate, as availability holds close to the record low levels of the past year. The market's demand supply dynamic will ensure rents hold close to the cycle high. In short, the industrial leasing market outlook is generally positive.

The industrial investment market outlook is also relatively bright. Investor confidence will remain elevated, given attractive prevailing yields and a healthy leasing market outlook. Property offerings will sell with relative ease. In some cases, buyers will hold off on acquisitions, given an elevated risk backdrop. As a result, there will be fewer bids on offerings compared with the past couple of years. Cap rates will continue to slowly rise, as investors re-price investment risk and the cost of debt remains elevated. In summary, the industrial sector's leasing and investment market outlooks are largely positive.

TOTAL SALES BY PRODUCT

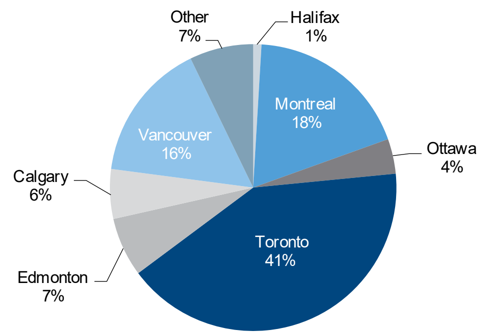
18 Months To June 2022



Source: CBRE Limited

INDUSTRIAL SALES BY CMA

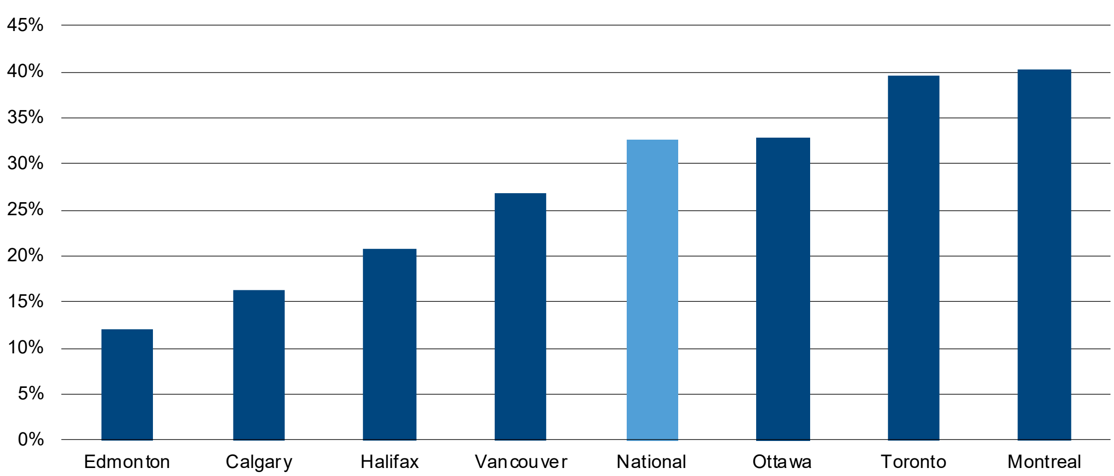
18 Months To June 2022



Source: CBRE Limited

INDUSTRIAL TOTAL RETURNS

For The 1-Year Period Ending June 2022



Source: © MSCI Real Estate 2022

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Philhobar Portfolio	Aug-22	$170.0 M	767,564	$221	BGO/Sun Life
3215-3235 Guenette St	Jun-22	$42.4 M	288,297	$147	Brasswater
1220 Marie-Victorin St	May-22	$56.7 M	118,210	$479	LaSalle Investments
Cominar GMA Portfolio	Mar-22	$1,529.1 M	10,102,889	$151	Pure Ind REIT
1580 Eiffel, 1149 Marie-Vict	Feb-22	$58.5 M	186,278	$314	Montez Corporation
1710-1750 Transcanada	Jan-22	$29.0 M	104,101	$279	KingSett Capital
Complexe Dalfen	Jan-22	$30.8 M	152,187	$202	Triovest
Skyline GMA Portfolio	Jan-22	$80.1 M	402,709	$199	KingSett Capital
2525/2605 Jean-Bapt Desch	Jan-22	$37.0 M	252,850	$146	Sun Life Assurance
8550 Montview Rd	Jan-22	$42.0 M	234,093	$179	Brasswater/Forgestone

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Skyline Small-Bay Portfolio	Jan-22	$154.5 M	629,613	$223	Woodbourne/Epic
222 Citigate Dr (90.1% int.)	Jan-22	$494.0 M	2,800,000	$196	Crestpoint

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
5185 Garrard Rd (90.0% Int.)	Nov-22	$138.0 M	518,731	$296	Concert Properties
OPTrust Porfolio	Sep-22	$133.3 M	397,948	$335	Lasalle Investments
140 Wendell Ave	Sep-22	$44.5 M	241,000	$185	Northbridge Capital
975 Mid Way, 21 Regan Rd	Aug-22	$40.0 M	123,013	$325	Northbridge Capital
Dixie Eglinton Complex	Aug-22	$45.9 M	139,068	$330	Soneil Investments
153 Van Kirk Dr	Jul-22	$92.0 M	248,000	$371	Pure Ind REIT
199, 215 Longside Dr	Jul-22	$59.3 M	175,169	$338	Summit REIT
1549 Yorkton Crt	Jun-22	$26.9 M	80,480	$334	Dream REIT
25 Bethridge Rd	Jun-22	$49.5 M	285,000	$174	Prologis
200 Industrial Pkwy N	Jun-22	$40.6 M	167,958	$242	Pure Ind REIT
100 West Dr	May-22	$244.0 M	883,863	$276	Crestpoint
560 Hensall Cir	Apr-22	$53.0 M	216,846	$244	Triovest
21 Regina Rd	Apr-22	$25.2 M	73,262	$344	Summit REIT
1845 Birchmount Rd	Apr-22	$26.5 M	160,600	$165	Secure Capital
60 East Beaver Creek Rd	Apr-22	$30.0 M	86,000	$349	Dream REIT
Everlast Mississauga Portf.	Apr-22	$294.3 M	809,316	$364	LaSalle Investments
144, 155 First Ave	Apr-22	$52.5 M	411,000	$128	Forgestone Capital
Skyline Vaughan-Whitby	Jan-22	$62.8 M	207,689	$302	Pure Ind REIT
124-126 Milner Ave	Jan-22	$24.3 M	85,704	$283	KingSett Capital
2520 Haines Rd	Jan-22	$33.0 M	113,823	$290	Decade Capital
8301 Keele St	Jan-22	$59.6 M	275,000	$217	Soneil Investments
1120 Birchmount Rd	Jan-22	$45.0 M	220,465	$204	Pure Ind REIT

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
111 Lowes Rd	Apr-22	$113.8 M	1,234,290	$108	Concert Properties
Skyline I, II, III	Apr-22	$45.0 M	348,947	$129	ONE Properties
292083 Crosspointe Rd	Feb-22	$126.0 M	724,600	$174	Summit REIT
High Plains Building III	Feb-22	$64.7 M	409,360	$158	RCG Group

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Remington Portfolio	May-22	$118.0 M	488,826	$241	QuadReal

VANCOUVER

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
5744 268th Ave	Mar-22	$60.0 M	157,850	$380	KingSett Capital
5140 North Fraser Way	Jan-22	$35.0 M	75,251	$465	BentallGreenOak

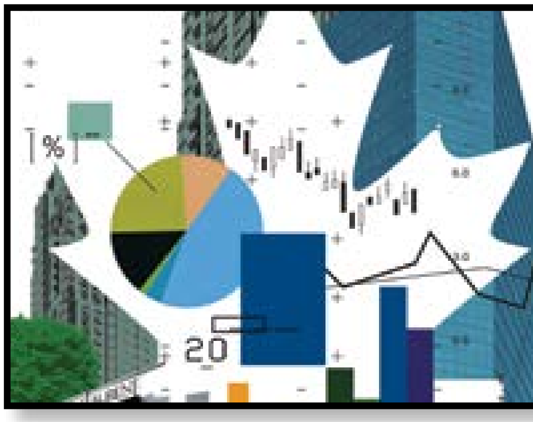
*share sale

Canada's industrial sector near-term leasing and investment market outlooks are both largely positive, in keeping with the trend of the past few years.

RETAIL OUTLOOK

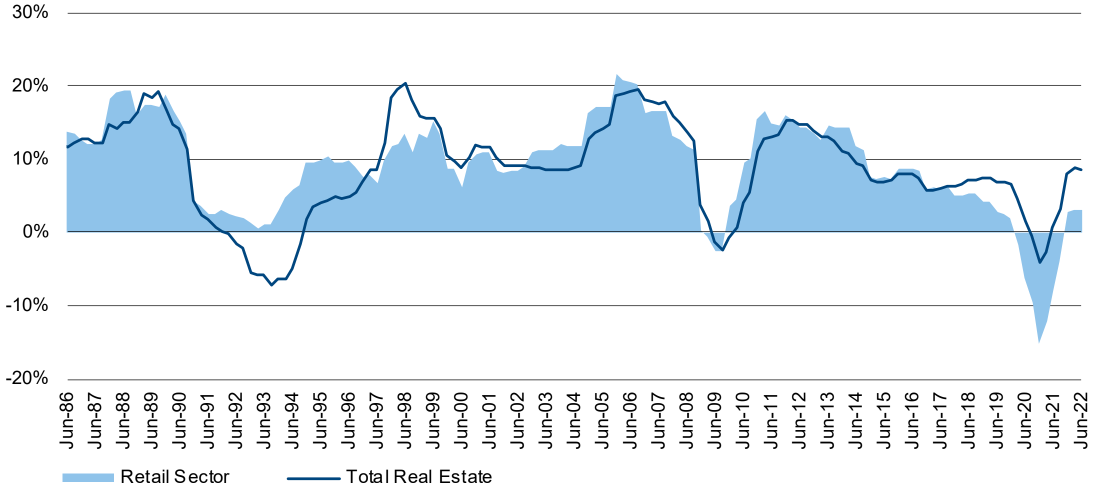
LEASING ACTIVITY REBOUNDED

Retail leasing market activity rebounded during the latter half of 2021 and early 2022, with the loosening and eventual removal of restrictions on brick-and-mortar store capacity. Consequently, retailer sales revenues rose, and a modicum of leasing market normalcy was restored. Retail operators focused on revenue growth, balance sheet stabilization, and operational efficiency while landlords focused on increasing occupancy.



ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Retail Performance



Source: RCPI, © MSCI Real Estate

As leasing activity increased, market fundamentals began to stabilize. Vacancy levelled off in certain market segments, having steadily climbed across much of the country in 2020/2021. A combined average vacancy rate of 10.3% was reported for retail properties contained in the MSCI Index, as of the first quarter of 2021. The rate has steadily declined since then, with an average of 8.4% reported at the midway mark of 2022. Regional centre and non-anchored strip centre vacancy has also trended downward but remained elevated. By early 2022, there was some anecdotal evidence suggesting rents may have begun to stabilize. However, rental rates generally remained below pre-pandemic levels in most regions, particularly for less desirable space. Vacancy and rents have been relatively stable in centres with necessities-based tenants. Looking ahead to 2023/2024, leasing activity will remain relatively muted, having increased over the recent past.

INVESTMENT PERFORMANCE IMPROVED

Retail property sector investment performance improved recently, following an extended period of negative outcomes. Properties contained in the MSCI Index generated a moderately attractive 3.1% total return for the year ending June 30, 2022. Previously, retail sector performance patterns were decidedly negative, with total returns of -10.1% and -10.9% posted for the same time period in 2020 and 2021. The return was largely income driven. The capital value erosion of the past few years has eased over the past year. The investment performance improvement of the recent past coincided with a stronger capital flow trend.

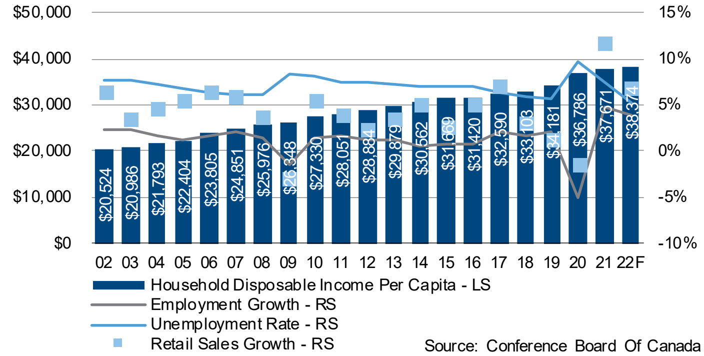
INVESTMENT CAPITAL FLOW INCREASED

Canada's retail property sector recently experienced a significant increase in capital flow. Approximately $13.2 billion of debt and equity investment capital flowed into the sector during 2021 and the first half of 2022 combined. The 18-month total was markedly higher than the $5.7 billion of capital that flowed into the sector in 2019 and 2020 combined. Despite a moderately stronger capital flow trend investors remained cautious, given heightened industry and performance uncertainty. Lower risk properties and centres with necessities-based tenants were coveted. In early 2022, cap rates began to rise, as investors looked to reduce the impact of higher interest rates on performance. The cap rate increase followed a period of increased retail property investment market capital flow.

Retail properties contained in the MSCI Index posted a three-year high 3.1% total average return for the 12-month period ending June 30, 2022.

CONSUMER STRENGTH

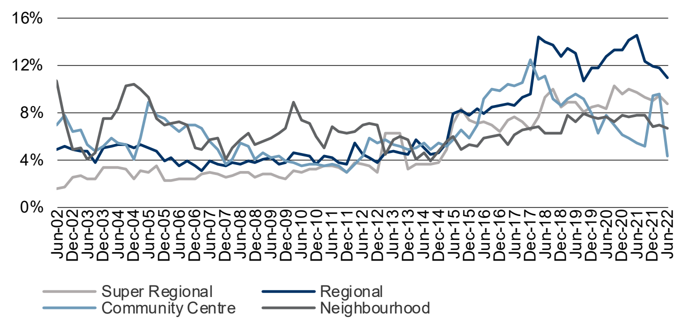
Measuring Canadian Purchasing Power



Source: Conference Board Of Canada

RETAIL VACANCY RATES

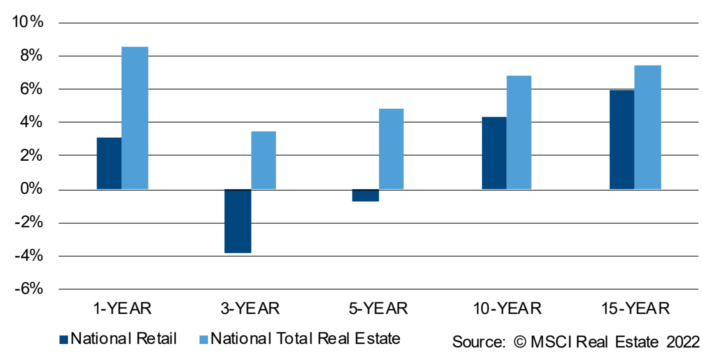
National Trending Across Property Types



Source: ©MSCI Real Estate 2022

HISTORICAL PERFORMANCE

For the period ending June 2022



Source: © MSCI Real Estate 2022

LEASING MARKET STABILIZATION FORECAST

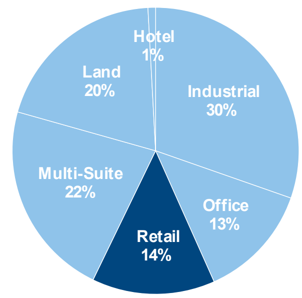
Canada's retail leasing market will continue to stabilize over the near term, against an elevated risk backdrop. Leasing fundamentals will be largely unchanged over the second half of 2022 and into 2023, following an extended period of pandemic-influenced weakness. Vacancy will be relatively flat, across much of the country, given limited expansion activity. Retail sales growth is expected to slow significantly over the near term, which will likely erode retailer revenues. Rents will also stabilize, given elevated vacancy levels in most market segments and muted leasing demand. Some operators will continue to right size, resulting in store closures. On balance, Canada's leasing market is expected to continue to stabilize over the near term.

SECTOR RISK TO REMAIN ELEVATED

Retail property investment market risk will remain elevated over the near term. The probability of an economic downturn in the second half of 2022 or in 2023 is expected to remain high. A downturn would most certainly have a negative impact on retail sector performance. Additionally, the potentially negative impact of interest rate hikes and inflation on retail consumption is another significant near-term sector risk. At the same time, inflation and higher borrowing costs will erode landlord income streams. Ongoing changes in consumer spending behaviour and supply chain challenges are also significant performance risks. Cap rates will likely rise over the near term, given an elevated level of retail property investment market risk.

TOTAL SALES BY PRODUCT

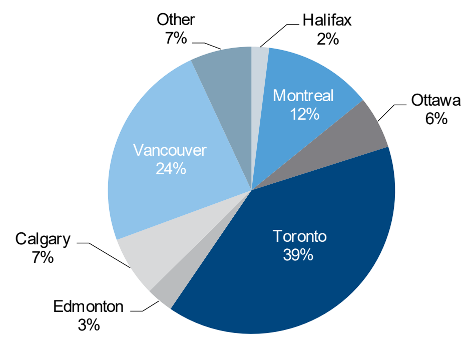
18 Months To June 2022



Source: CBRE Limited

RETAIL SALES BY CMA

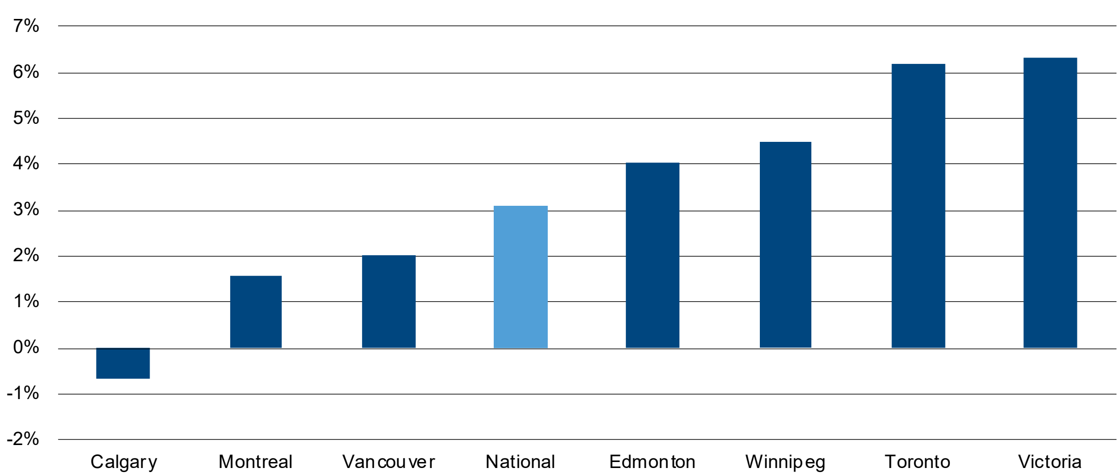
18 Months To June 2022



Source: CBRE Limited

RETAIL TOTAL RETURNS

For The 1-Year Period Ending June 2022



Source: © MSCI Real Estate 2022

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
RioCan REIT Portfolio (50%)	Mar-22	$34.5 M	546,505	$126	Groupe Harden
5834-5940 Metropolitain E	Feb-22	$15.6 M	204,800	$76	Nortec S.P.E.
625-685 32nd Ave	Jan-22	$13.4 M	38,216	$351	Private
CF Carrefour Laval (16.7%)	Jan-22	$222.8 M	1,242,990	$1,075	TD Asset Management

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
1830, 1832 Merivale Rd	Jul-22	$13.9 M	38,000	$364	Guardian Capital
Towngate Shopping Plaza	Mar-22	$32.2 M	100,000	$322	Towngate Plaza Inc
1900-1960 Cyrville Rd	Mar-22	$42.5 M	164,441	$258	Costco
1, 5 Beechwood Ave	Jan-22	$12.6 M	19,920	$633	Properties Group
Laurentian Place (50% int.)	Jan-22	$41.0 M	273,143	$300	Calloway REIT

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Shops on Steeles & 404	Sep-22	$117.5 M	287,756	$408	Streamliner/Kerbel
460 Renforth Dr	Sep-22	$18.4 M	34,177	$537	Choice REIT
8180-8220 Bayview Ave	Jul-22	$35.0 M	43,107	$812	Private
Amberlea Shopping Ctr	Jul-22	$45.0 M	100,175	$449	First Capital/Crestpoint
Appleby Crossing	May-22	$40.4 M	131,682	$306	Choice REIT
Appleby Crossing Phase II	May-22	$28.1 M	69,769	$403	Graywood
3905 Keele St	Apr-22	$10.8 M	25,590	$420	Par 3 Holdings
7070 McLaughlin Rd	Mar-22	$32.5 M	59,473	$546	Private
1819 Yonge St	Mar-22	$13.5 M	23,369	$578	Emblem Developments
1027 Finch Ave W	Mar-22	$17.5 M	33,580	$521	Iprocapital Ltd
851-887 Queen St E	Mar-22	$17.0 M	16,274	$1,045	Stamina Ontario
5284 Highway No. 7	Mar-22	$14.0 M	18,000	$778	Realtrium Holdings
4051-4059 New St	Feb-22	$19.8 M	56,000	$354	Fieldgate Commercial
Woodbine Applecreek Plaza	Feb-22	$25.5 M	44,249	$576	Private

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Woodbine Square	Apr-22	$31.7 M	98,275	$322	Strathallen Capital
Temple Crossing	Apr-22	$23.7 M	66,539	$356	Strathallen Capital
Marlborough Mall*	Apr-22	$69.6 M	600,740	$116	Primaris REIT
London Town Square	Feb-22	$36.0 M	127,257	$283	Ampri Group
Gateway Commerce Centre	Feb-22	$30.3 M	260,002	$117	CT REIT
Drake Landing	Feb-22	$12.0 M	30,696	$235	Bajaj Business Ctr Ltd
802-838 11th, 731-739 10th	Jan-22	$20.7 M	28,193	$734	Allied REIT

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Clearwater Plaza	Jun-22	$12.9 M	33,500	$386	Private
Capilano Mall (50% interest)	May-22	$34.1 M	362,092	$188	Calloway REIT
Refinery Row	Jan-22	$14.5 M	26,055	$555	LS Properties

VANCOUVER

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
1034 Robson St	Oct-22	$27.5 M	8,636	$3,184	Crestpoint
1051-1055 Davie St	Jul-22	$14.0 M	8,635	$1,621	Triple S Marketing
Logan Creek Plaza*	May-22	$57.3 M	76,831	$745	Private
Greystone Village Ctr	Mar-22	$17.8 M	27,586	$1,291	Greystone Vill. Hldngs
Hyland Creek Mall	Feb-22	$20.6 M	31,538	$653	Bains Brothers Holding
Valley Fair Mall	Jan-22	$76.0 M	139,000	$547	Revs Entertainment
Scott Town Plaza	Jan-22	$35.0 M	58,818	$595	Private

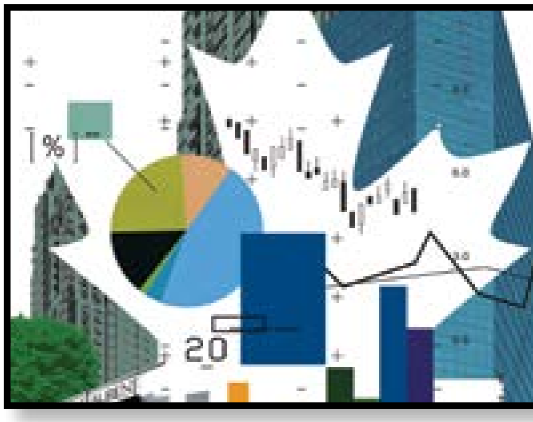
*share sale

Approximately $13.2 billion of debt and equity investment capital flowed into the sector during 2021 and the first half of 2022 combined.

MULTI-SUITE RESIDENTIAL OUTLOOK

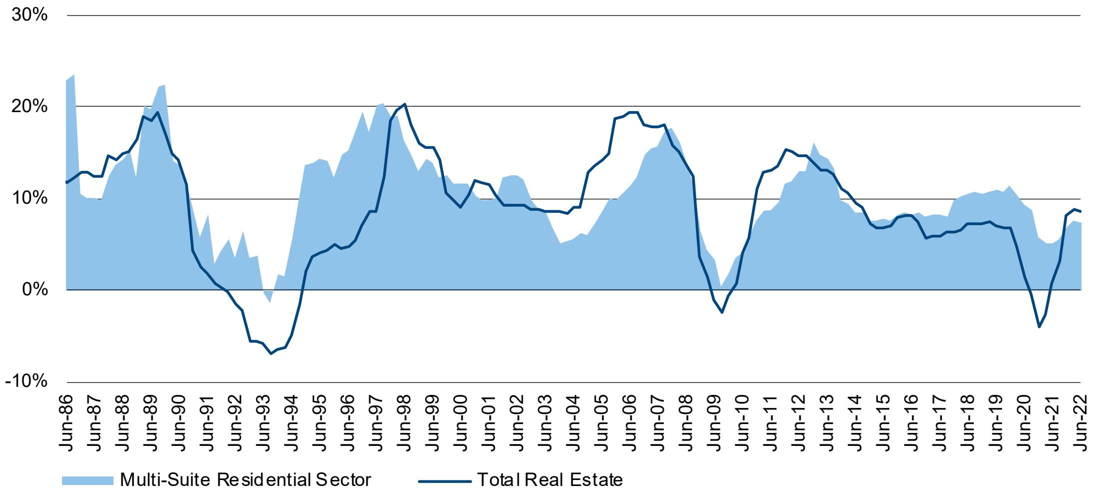
RENTAL DEMAND STRENGTHENED

Demand for purpose-built multi-suite residential rental accommodation strengthened considerably recently, following a pandemic-influenced decline that began in the spring of 2020. Rental demand began to firm across much of the country during the second half of 2021, a trend that carried through to the midway mark of 2022. Rental demand increased with the loosening and subsequent removal of pandemic restrictions.



ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Multi-Suite Performance



Source: RCPI, © MSCI Real Estate

Several factors contributed to the recent rental demand strengthening. Canada's economic recovery boosted employment levels and rental demand. At the same time, young workers in the 15 to 24 age cohort were able to secure employment and rental accommodation. International migration increased substantially with the loosening of pandemic restrictions, which was also supportive of the demand uptick. Rental demand also strengthened with the return of post-secondary students to in-person classes. International post-secondary students also returned, which added to the demand pressure. As demand increased, availability became increasingly constrained in several submarkets. Rents continued to rise, with Rentals.ca reporting a year-to-date national average asking rent increase of 7.7% in July 2022. Rents have increased steadily, due in large part to the demand strengthening of the recent past.

INVESTOR CONFIDENCE WAS ELEVATED

Investors exhibited an elevated level of confidence in the nation's multi-suite residential rental property sector during 2021 and the first half of 2022. Consequently, investment sales activity climbed to a record high level. Investment transaction volume totalled $7.1 billion for the first half of 2022, as reported by CBRE. The total was in line with the record annual high of $14.1 billion in 2021. Investors acquired both core and value-add properties and portfolios in the country's major markets with confidence. Multiple bids on investment offerings were commonplace. The supply of large portfolios in core markets fell short of demand. By the second quarter of 2022, cap rates began to rise for the first time in several years. Investor yield expectations increased, given an increasingly uncertain performance outlook. Previously, cap rates had compressed to the cycle low. Despite increased investment performance risk, investors continued to exhibit confidence in the sector.

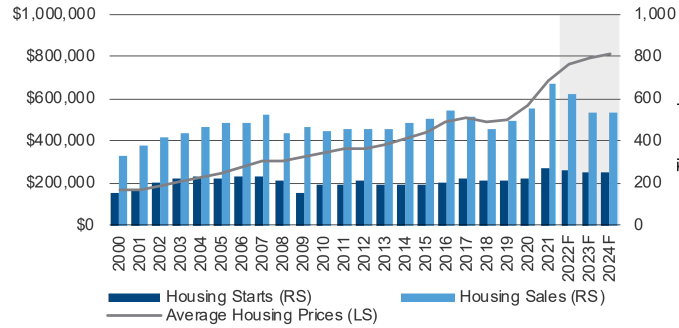
INVESTMENT PERFORMANCE PATTERN REMAINED HEALTHY

The multi-suite residential rental sector's investment performance pattern remained healthy over the recent past. Properties contained in the MSCI Index generated an attractive 7.4% average total return for the year ending June 30, 2022. The return was 220 bps higher year-over-year. The capital value of the indexed properties continued to rise while the income component was stable and healthy. The sector's investment performance pattern is expected to remain healthy over the near term.

Investor interest in acquiring multi-suite residential rental property remained elevated, which translated into record-high transaction volume.

CANADIAN HOUSING MARKET

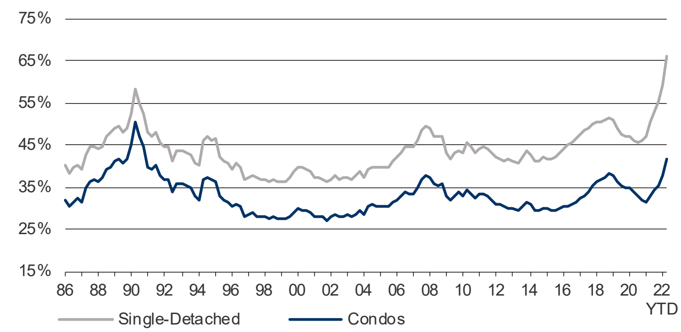
Pricing Vs. Demand



Source: Conference Board Of Canada, CREA, CMHC

AFFORDABILITY INDICATOR

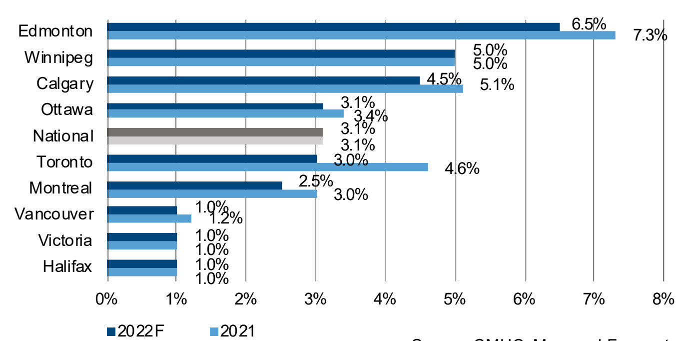
% Of Income To Service Home Ownership Costs



Source: RBC Economics - RBC Housing Affordability Measure

CMA'S RENTAL VACANCY

Rates for Structures of 3 units+



Source: CMHC, Morguard Forecast

RENTAL MARKET WILL CONTINUE TO TIGHTEN

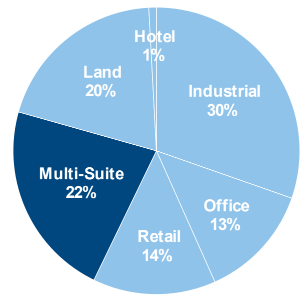
Canada's multi-suite residential rental market will continue to tighten over in the second half of 2022 and in 2023. The tightening will be driven largely by continuously healthy demand patterns. Many families will continue to rent, given the high cost of home ownership across much of the country. Increased international immigration and post-secondary students will support healthy demand patterns over the near term. Rents will continue to rise, as demand outpaces supply. As a result, rental market conditions will continue to tighten over the near term.

INVESTORS WILL REMAIN CONFIDENT

Investors will continue to exhibit confidence in Canada's multi-suite residential rental sector over the near term. Buyers will remain in acquisition mode, given the sector's healthy outlook and performance track record. Investment activity will slow to some degree over the near term, as some buyers pause to reflect on the heightened level of economic and sector risk. Cap rates will continue to rise, as investors look to offset further interest rate hikes and an increasingly uncertain performance outlook. By the end of 2023 or early 2024, investment market conditions and performance risk will stabilize. In turn, investment sales activity will firm. Despite heightened near-term uncertainty, investors will continue to exhibit confidence in the multi-suite residential rental sector.

TOTAL SALES BY PRODUCT

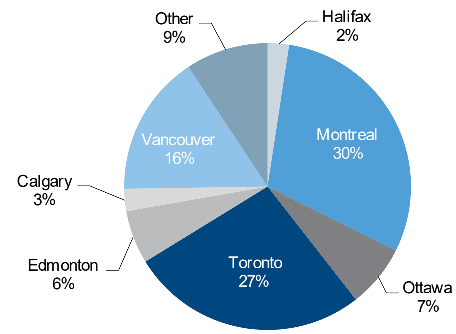
18 Months To June 2022



Source: CBRE Limited

MULTI-SUITE SALES BY CMA

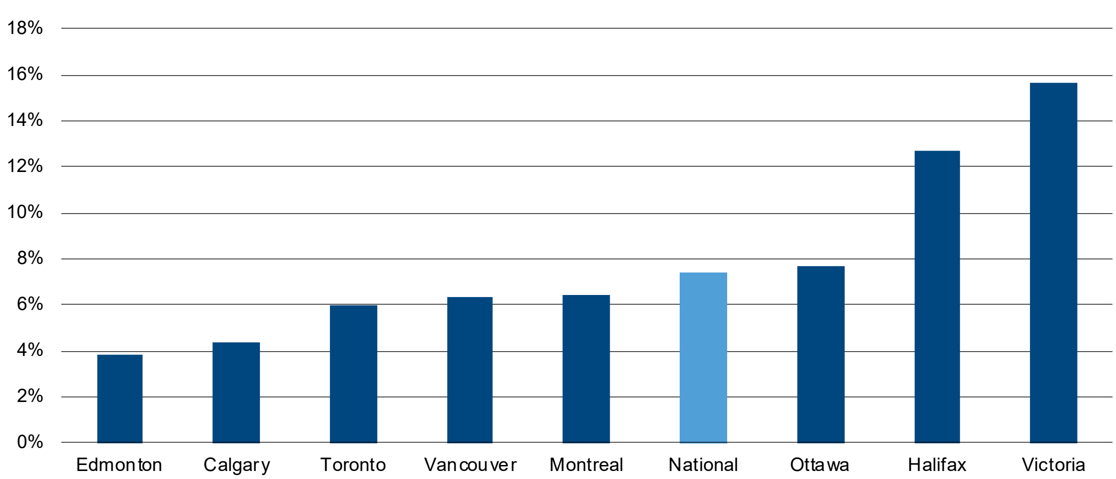
18 Months To June 2022



Source: CBRE Limited

MULTI-SUITE TOTAL RETURNS

For The 1-Year Period Ending June 2022



Source: © MSCI Real Estate 2022

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
3972, 3992 St-Elzear Blvd W	Jul-22	$102.0 M	235	$434,043	CAPREIT
1420-1440 Towers St	May-22	$24.7 M	136	$181,618	Greyspring Apartments
GMA Portfolio	May-22	$41.9 M	254	$165,060	Claria Developments
3655 Ridgewood Ave	Apr-22	$15.0 M	48	$312,720	Real Capital Group
Jomac Portfolio	Apr-22	$40.8 M	227	$179,672	Prologia Partnership
Joia GMA Portfolio	Mar-22	$281.0 M	516	$544,574	CAPREIT
50-90 Crepeau, 95 Deguire	Mar-22	$51.0 M	288	$177,083	Leyad Inc
3440 St-Elzear Blvd W (80%)	Feb-22	$41.6 M	139	$373,770	RioCan REIT
265 Hymus Blvd	Feb-22	$53.8 M	135	$398,321	Firm Capital

OTTAWA

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
929 Richmond Rd	Aug-22	$97.3 M	175	$555,714	Brigil
Paramount Portfolio	Jun-22	$70.3 M	370	$187,865	Starlight Investments
KoL Apts & Townhomes	May-22	$43.7 M	112	$390,179	CAPREIT
Regency Court	Feb-22	$24.0 M	100	$240,000	Saickley Enterprises

TORONTO

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
CAPREIT East York	Aug-22	$90.1 M	249	$361,847	LaSalle Investments
78 Braemar Dr	Jul-22	$63.3 M	153	$413,398	Equiton Partners
70 Park St E	Jul-22	$105.5 M	215	$490,907	Dream Unlimited
2233, 2235 Hurontario St	Jul-22	$132.0 M	389	$339,216	Starlight Investments
633 Northcliffe Blvd	Jul-22	$34.5 M	86	$401,163	Pulis Investments
215, 225 Markham Rd	Jun-22	$165.0 M	423	$390,071	Q Residential
514, 516 Dawes Rd	May-22	$25.6 M	80	$320,000	Golden Equity
55 Brownlow Ave	May-22	$56.2 M	121	$464,298	Menkes/QuadReal
20 Greencrest Circuit	May-22	$48.1 M	136	$353,676	Conundrum Capital
21 Maynard Ave	Mar-22	$42.0 M	117	$358,974	Hannah Group
177 St George St	Mar-22	$22.5 M	57	$394,737	Dream Unlimited
140 Kingston, 619 Woodbine	Mar-22	$36.1 M	110	$327,982	Starlight Investments
507 Balmoral Dr	Mar-22	$21.3 M	55	$386,364	Pulis Investment Group
51-67 Ardglen Dr	Mar-22	$54.0 M	152	$355,263	Boardwalk REIT
City of Toronto Portfolio	Feb-22	$111.6 M	262	$425,878	Hazelview Investments
1570 Lawrence Ave W	Feb-22	$33.8 M	87	$387,931	Pulis Investment Group
34 Rambler Dr	Feb-22	$23.5 M	82	$286,585	Starlight Investments
263, 265 Dixon Rd	Feb-22	$141.0 M	352	$400,568	Akelius
5 Mallory Gardens	Jan-22	$27.9 M	60	$465,000	Akelius
Plaza Towers	Jan-22	$24.0 M	62	$387,097	Q Residential

CALGARY

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
Peak Estates	Jul-22	$63.5 M	148	$429,054	Boardwalk REIT
Minto Calgary Portfolio	Jun-22	$138.0 M	764	$180,629	Avenue Living
Skinner Properties Portfolio	Jan-22	$38.1 M	169	$225,473	Mainstreet Equity Corp

EDMONTON

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
The Augustana	Sep-22	$90.1 M	240	$375,417	Hazelview Investments
CX Tower 10022 110 St NW	Mar-22	$81.0 M	222	$364,865	Hazelview Investments
Nautical at Summerside	Feb-22	$42.3 M	180	$235,000	Killam Properties

VANCOUVER

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
Metro Phase I	Feb-22	$81.7 M	233	$350,512	Centurion Apt REIT
Pacific Terrace*	Jan-22	$33.0 M	67	$492,537	Starlight Investments

*share sale

Properties contained in the MSCI Index generated an attractive 7.4% total return for the year ending June 30, 2022.

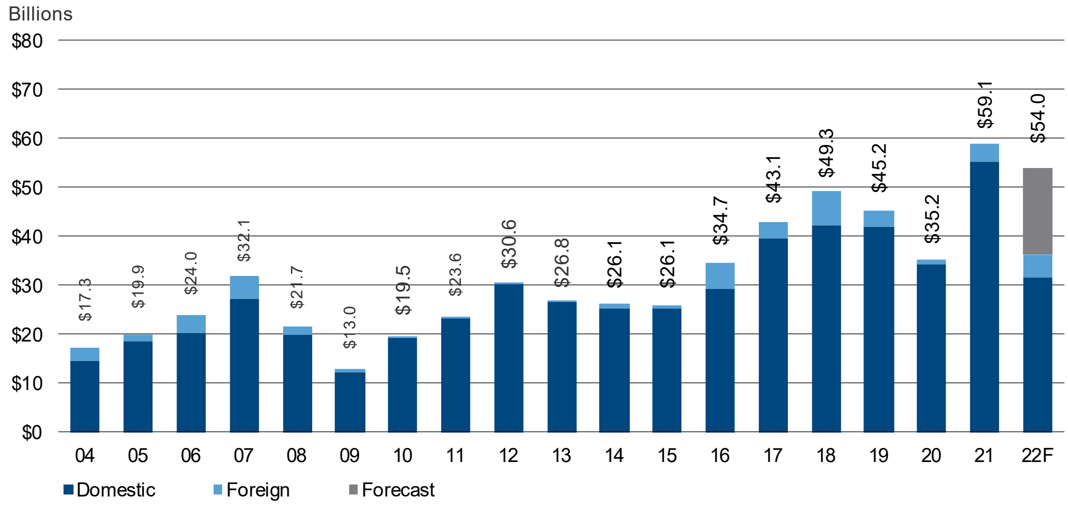
INVESTMENT OUTLOOK

INVESTORS WERE CONFIDENT AND CAUTIOUS

Investors exhibited confidence and an elevated level of caution in Canada's commercial investment property sector during the latter half of 2021 and first half of 2022. The industrial and multi-suite residential sector were the most coveted of the main property types. Core office properties in prime locations and necessities-based retail assets were also popular with investors. Riskier properties were of interest to a relatively small buyer pool.

INVESTMENT ACTIVITY

Total Investment Volume



Source: CBRE Limited; Morguard

By the spring of 2022, investor caution levels had increased significantly. The impetus for the increase was the recent rise in commercial property sector performance risk. In addition, higher interest rates have eroded investment performance over the recent past. Cap rates began to increase in all property sectors in early 2022, as investors looked to re-price risk and offset higher borrowing costs. Investors focused increasingly on lower risk acquisitions. At the same time, some groups retreated to the sidelines, awaiting further clarity on pricing and the broader economic and sector outlooks. Vendors had little trouble disposing of core properties through to the midway mark of 2022. However, fewer bids were received in some cases. As investor caution increased, investment sales activity began to slow. Investors will continue to exhibit confidence in Canada's commercial investment property sector over the near term, as caution levels remain elevated.

CAPITAL FLOW PEAKED

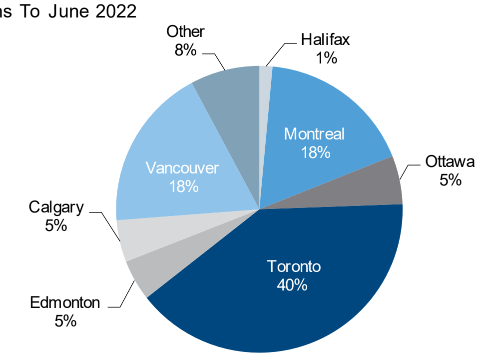
The volume of debt and equity capital flowing into the Canadian income-producing commercial property sector peaked recently. During the first half of 2022, a combined total of $36.3 billion of investment capital was injected into the sector in the country's major markets. A record annual high of $59.1 billion of transaction volume was reported for 2021. The first-half 2022 transaction pace was slightly ahead of that of the second half of 2021 and was 46.3% higher year over year for the same time period. Investor sentiment was largely bullish during 2021 and early 2022. The industrial and multi-suite residential rental sectors were the most highly sought-after property types during this period. The industrial sector accounted for the largest share of first-half 2022 transaction volume, at 32.3% or $11.7 billion. The multi-suite residential sector accounted for 19.5% of the total, or $7.1 billion. The flow of investment capital into the Canadian commercial property sector is expected to slow over the near term, having peaked during 2021 and the first half of 2022.

SUBSTANTIALLY STRONGER INVESTMENT PERFORMANCE RECORDED

Canadian commercial property sector investment performance strengthened substantially recently, having weakened with the onset of the pandemic. Commercial properties contained in the MSCI Index registered an 8.5% average annual total return for the year ending June 30, 2022. The return was markedly more attractive than the 0.7% result posted over the previous period. The industrial sector continued to outperform, with a stellar 32.7% total return. The return was driven largely by sustained cap rate compression, as industrial property values rose to a record high. The multi-suite residential rental sector's 7.4% annual total return was the second strongest of the major property types. The performance was a function of a stable and positive income performance and modest cap rate compression. The office sector return for the year ending June 30, 2022 was 1.4%, following the 0.0% return posted for the previous period. The slightly positive result was entirely income driven. The value of the properties tracked in the index continued to decline, in keeping with the trend of the past few years. The retail sector posted a moderately positive 3.1% return, which was also entirely income driven and followed two consecutive negative outcomes. In summary, commercial property sector investment performance strengthened considerably recently, following a period of weaker pandemic-influenced results.

NATIONAL SALES BY CMA

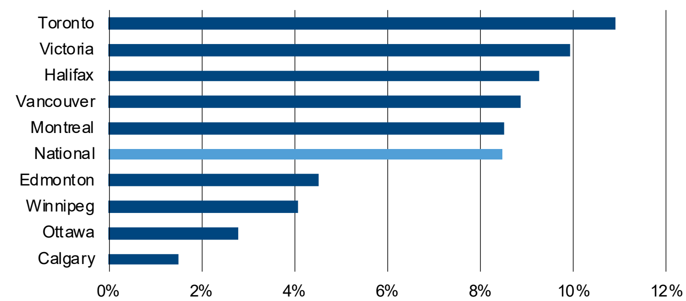
18 Months To June 2022



Source: CBRE Limited

ALL PROPERTY TOTAL RETURNS

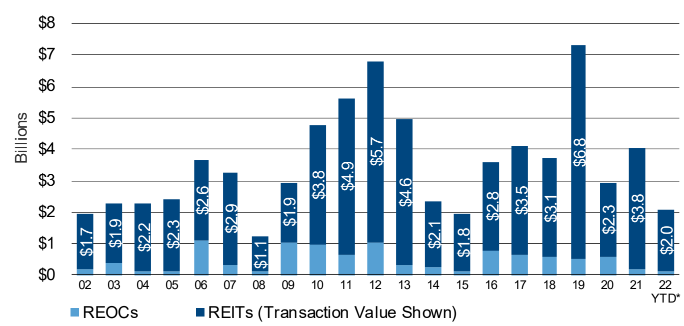
For The 1-Year Period Ending June 2022



Source: © MSCI Real Estate 2022

REIT CAPITAL ACTIVITY

Public Equity Issuance

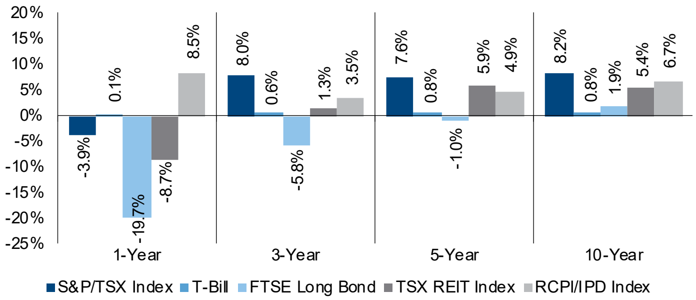


*To October 2022

Source: RBC Capital Markets

RELATIVE PERFORMANCE

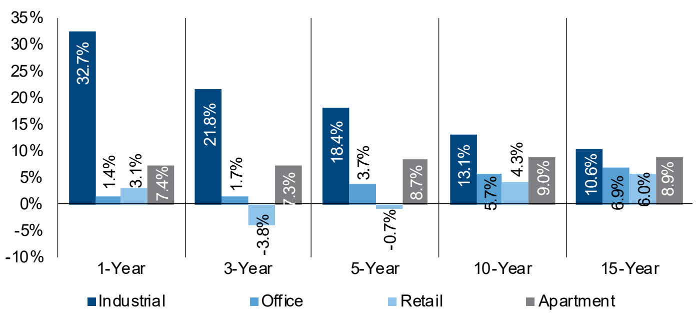
Comparing Annualized Returns To June 2022



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

MSCI RETURNS

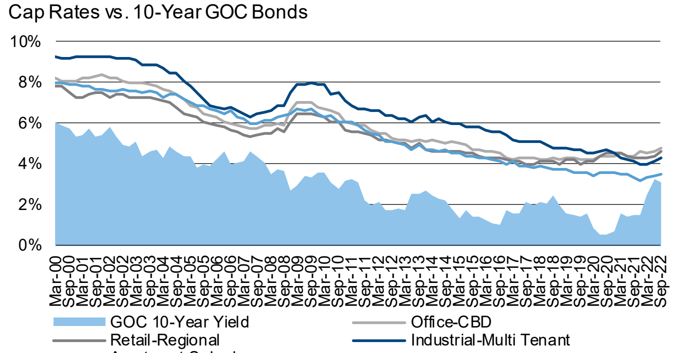
Annualized Returns By Property Type To June 2022



Source: © MSCI Real Estate 2022

YIELD SPREADS

Cap Rates vs. 10-Year GOC Bonds



Source: AltusInSite, Bank of Canada

CAPITALIZATION RATES BEGAN TO RISE

Canadian commercial investment property sector capitalization rates began to rise recently, for the first time in several years. Modest capitalization rate increases were recorded in most markets and all property types, as reported in second quarter Colliers International and CBRE surveys. There were two main causes of the near-term upward pressure on capitalization rates. First, investor yield expectations increased as buyers looked to offset the higher debt-servicing costs. Second, investors began to re-price risk, given a heightened level of economic and commercial property sector risk. Long-term Canada bond yields increased significantly during the second quarter. As a result, the spread between commercial property sector and long-term bond yields declined to the lowest level on record since the 2008 financial crisis. The potential for negative leverage scenarios for some assets had increased substantially. The upward pressure on capitalization rates was relatively modest through to the midway mark of 2022. Rates will likely continue to rise over the near term, as interest rates continue to rise, and commercial property sector risk remains elevated.

PERFORMANCE RISK WILL REMAIN ELEVATED

Commercial property sector performance risk will remain elevated over the near term. Some of the elevated commercial property sector performance risk can be attributed to Canada's economic outlook. By the spring of 2022, economic growth had begun to slow significantly. Growth is expected to continue to slow over the second half of 2022 and into 2023. In addition, the probability of an economic contraction over the near term has increased. Domestic demand is expected to soften significantly over the near term, due in large part to rising interest rates and inflation. As economic activity slows, commercial property sector performance characteristics will weaken. The elevated performance risk forecast over the near term can also be partially attributed to ongoing structural changes in the broader commercial property sector. Pandemic-influenced changes in how commercial space is used will continue to impact performance over the near term. In the office sector, for example, owners will contend with changes in occupancy patterns in the post-pandemic era. Shopping centre owners will look to increase foot traffic and occupancy while adapting to ongoing changes in consumer behaviour. However, investors will continue to source acquisition opportunities in Canada's commercial property sector over the near term, despite an elevated level of performance risk.

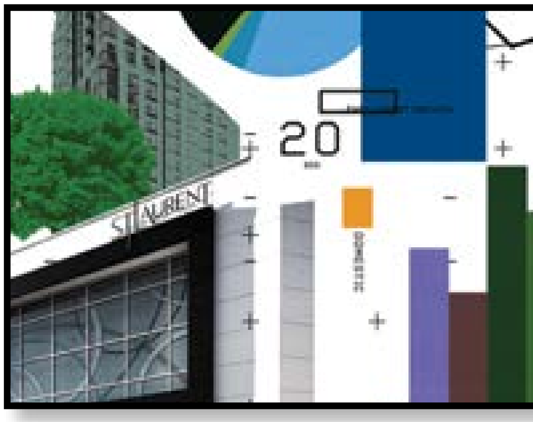
METROPOLITAN ECONOMIC & REAL ESTATE OUTLOOK

METROPOLITAN

HALIFAX, NS

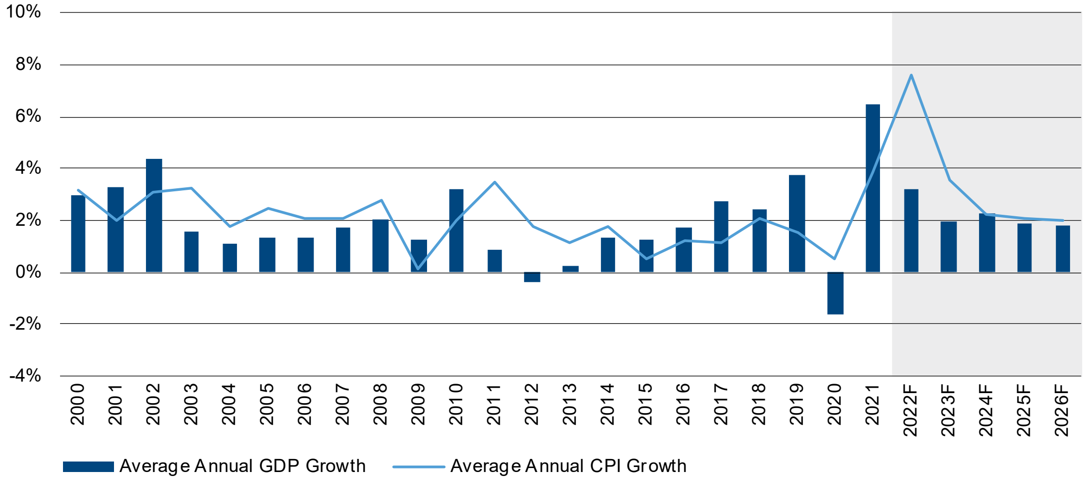
ECONOMIC SNAPSHOT

The Halifax Census Metropolitan Area (CMA) economy is forecast to expand by roughly 2.5%-3.0% in 2022, having bounced back strongly from the pandemic-influenced 2020 contraction. The solid 2022 growth performance will be followed up by a 2.0% advance in 2023. Employment is expected to increase at a relatively healthy rate this year and in 2023. Retail sales will decline in 2022, as consumers spend a larger portion of disposable income on services rather than goods.



ECONOMIC GROWTH

Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET CONDITIONS TO IMPROVE

Labour market conditions will continue to improve over the near term. Economic growth will drive employment higher by 4.0% and 0.1% in 2022 and 2023, respectively. The region's unemployment rate will be driven down to the 5.1% mark by the end of 2022, down sharply from the 7.5% rate recorded last year. Subsequently, the percentage of unemployed workers will stabilize over the medium term, as the labour force continues to expand. Previously, jobs lost as a result of the pandemic were recouped relatively quickly, with a 5.2% rise in employment recorded in 2021. The 11,900 new jobs created more than made up for the 2.9% employment decline of 2020. It is expected to take until well into 2023 to recoup the jobs lost in the accommodation and food services sectors. Services sector gains will be a key driver of the labour market improvement forecast over the near term.

RETAIL SALES GROWTH TO STABILIZE

The Halifax CMA's retail sales growth trend is expected to stabilize over the medium term, after a prolonged period of volatility. Retail sales growth is projected to range between 3.3% and 3.9% annually between 2024 and 2026. Sales growth will be driven by solid economic and labour market patterns over the next few years. Growth will solidify the balance sheets of the region's retailers. Many of the region's retail store operators suffered the negative impacts of the pandemic on sales. Operators struggled to adjust to a prolonged period of sales volatility, due primarily to the pandemic lockdowns and limitations on physical in-store capacity. Retail sales dropped by a relatively modest 3.5% in 2020, which was followed by an unprecedented 19.3% surge in the following year. Sales volume will rise 8.1% this year but decline 0.1% in 2023, before settling into a markedly more stable growth pattern over the medium term.

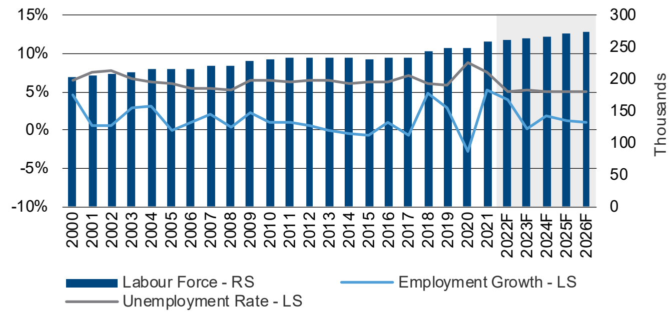
INTERNATIONAL MIGRANTS TO DRIVE GROWTH

The arrival of an increased number of international migrants will boost economic output over the near term. International migrants taking up residence across the region will support increased domestic demand. The increase in new arrivals will be driven to a large extent by the recent signing and subsequent implementation of the Atlantic Immigration Program. By early 2022, international migration had already begun to rise substantially having dropped sharply during the past few years, due to the pandemic. Over the next few years, inter-provincial migration patterns are expected to remain weak. Conversely, international migration will remain elevated, which will offset weaker inter-city and inter-provincial migration.

Halifax CMA employment is projected to rise by a healthy 4.0% in 2022, with a 0.1% increase projected for 2023.

LABOUR MARKET

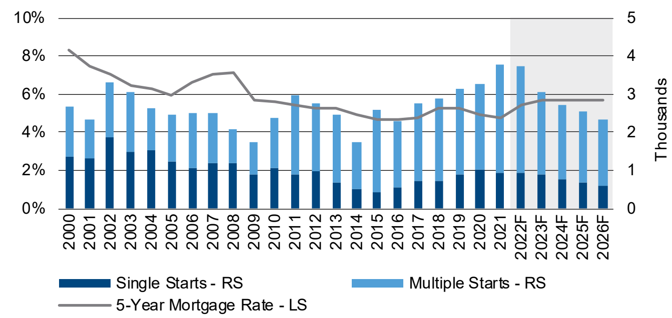
Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

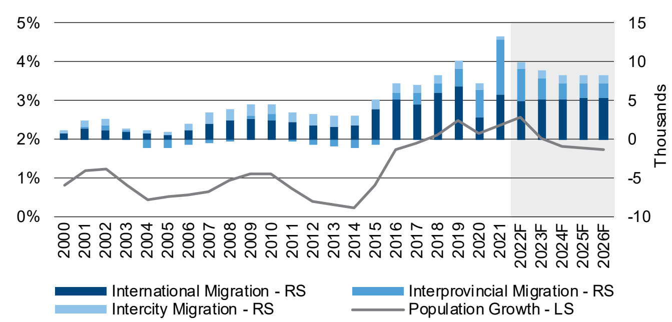
Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET RESILIENCE PREVAILED

The resilience of the Greater Halifax Area's office leasing market prevailed during 2021, a performance that carried through to the midway mark of 2022. Vacancy was relatively stable during the 18-month period when compared with the country's larger eastern Canadian markets, Toronto and Montreal. The GHA vacancy rate stood at 15.7% at the end of June 2022, just 10 bps higher than a year ago. For the most part, market rents have also been relatively stable. Demand for leased space has been moderately positive, following the removal of pandemic restrictions on physical building capacity. Some of the region's tenants have looked to source higher-quality space, which was in some cases recently renovated. This flight to quality was a key driver of leasing activity during 2021 and the first half of 2022. This activity supported the GHA's leasing market resiliency of the recent past.

INVESTOR SENTIMENT REMAINED POSITIVE

Investors continued to view the GHA's office property sector positively over the recent past, despite a somewhat uncertain outlook. National and local groups continued to look to the region for opportunities to acquire properties with stable income streams and high-quality tenants. Historically, institutional-grade opportunities have been somewhat limited, which was also the case in 2021 and the first half of this year. Sales activity was relatively modest during the first half of 2022 and 2021. However, investors grew increasingly cautious when assessing potential acquisitions, given the rising popularity of various hybrid and remote workplace strategies. Properties with stable, long-term leases in place were generally well-received. Cap rates rose slightly during the first half of 2022, as investors reacted to a combination of rising interest rates, an uncertain economic outlook, and rising long-term bond yields. Despite the heightened sector risk, investors continued to exhibit confidence in the GHA's office property sector.

LEASING MARKET TO STABILIZE

The GHA leasing market is expected to stabilize over the second half of 2022 and in 2023. The market's resilience will once again prevail, despite a heightened level of economic and financial market uncertainty. Economic output is projected to rise at a healthy rate, in support of moderately positive leasing demand patterns. Tenants will look to achieve cost certainty, in an uncertain environment. Some users will look to optimize their space as they transition to hybrid or other work-from-home configuration. On balance, leasing market conditions will stabilize over the near term.

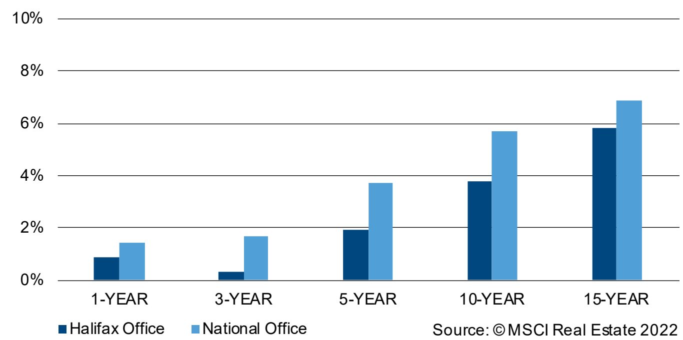
TRENDING STATISTICS

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

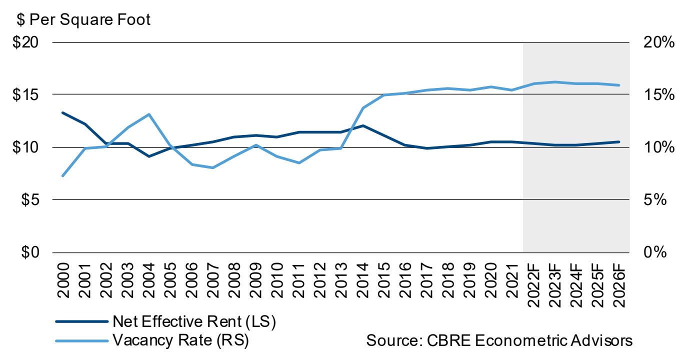
For the period ending June 2022



Source: ©MSCI Real Estate 2022

OFFICE RENT & VACANCY

Halifax Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The resilience of the Greater Halifax Area's office leasing market prevailed during 2021, a trend that carried through to the midway mark of 2022.

LEASING MARKET CONTINUED TO TIGHTEN

GHA industrial leasing supply became increasingly constrained over the recent past, in keeping with the national trend. The market average vacancy rate stood at a 20-year low of 1.7% at the end of the first half of 2022. The rate had dropped 130 bps year-over-year, with available functional space becoming increasingly scarce. As availability declined, upward pressure on market rents increased. The market's average asking net rent eclipsed the $8.0 per square foot mark, with further increases expected. The upward trend has been a boon for the region's owners. However, tenants were forced to contend with rising occupancy expenses. The combination of rising rents and healthy leasing demand drive construction activity levels higher. Roughly 106,000 square feet of new supply is slated for completion over the second half of 2022, with another 133,000 square feet to be delivered in 2023. The new projects will offer some relief for tenants looking for space. Prior to these new supply deliveries, supply had become increasingly constrained.

INVESTMENT SALES MOMENTUM PERSISTED

Positive industrial sector investment sales momentum persisted through to the first half of 2022. Vendors and purchasers were largely able to agree on pricing with relative ease, resulting in a steady flow of transactions closed during 2021 and the first half of 2022. In keeping with the national trend, investors were attracted by the market's strong fundamentals and recent track record of performance. Properties contained in the MSCI Index registered a very attractive total return of 20.9% for the year ending June 30, 2022. Investment demand generally outpaced available supply in 2021 and the first half of 2022, which has been the case over the past several years. GHA industrial property investment sales momentum is projected to prevail over the second half of 2022, mirroring the near-term trend.

SECTOR OUTLOOK IS GENERALLY POSITIVE

The GHA industrial property sector outlook is generally positive. Demand will continue to outstrip supply, as tenants and owner/occupiers look to expand. This dynamic will ensure occupancy levels remain high and rents continue to rise. Healthy leasing market conditions will draw investment capital to the market and bolster the operating incomes of owners. Occupancy will hold in the upper 90.0% range. Owners will continue to be rewarded with attractive returns while tenants face rising operating expenses. Investors will look to increase their exposure to this market, given a generally positive performance outlook.

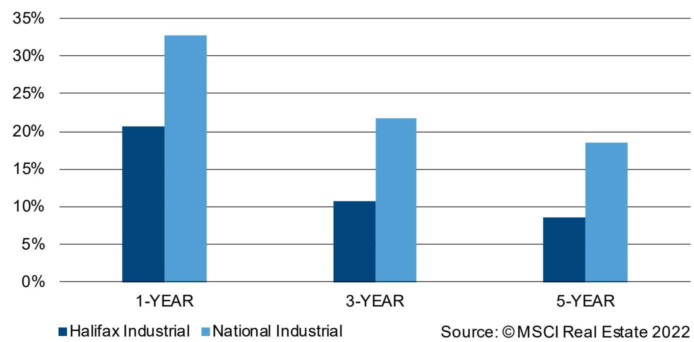
TRENDING STATISTICS

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).

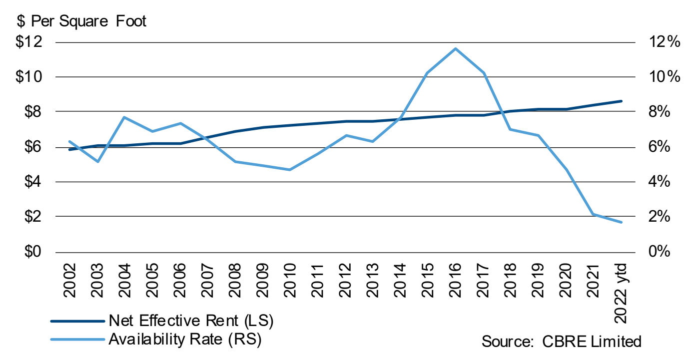
HISTORICAL PERFORMANCE

For the period ending June 2022



INDUSTRIAL RENT & AVAILABILITY

Halifax Historical Aggregates



The industrial market average vacancy rate stood at a 20-year low of 1.7% at the midway mark of 2022.

LEASING PERFORMANCE WAS MIXED

The GHA's leasing market performance of the latter of last year and first half of 2022 was quite mixed. On the positive side of the ledger, there was a steady stream of brick-and-mortar store openings. Established brands announcing or opening physical stores included Dollarama, Simons, Danier Leather, Lululemon, Winners/HomeSense, Starbucks, and a host of food and food-services offerings. In combination, physical store openings have helped stabilize vacancy levels, following the pandemic-driven sharp rise of 2020. However, the physical store openings were offset to a large extent by downsizing activity. Sometimes, outlets were closed and subsequently reopened, but some were permanently shuttered. Recent examples of stores closed in this market include the Source, GameStop, Wheaton's, Bizou, Penti, Canook Trading, and Scotiabank. The market's demand supply interplay had an impact on rents. Rents for class B and C space remained below pre-pandemic levels. This dynamic was a byproduct of the mixed leasing market performance of the recent past.

INVESTMENT TRENDS WERE BEARISH

Retail investment property sector trends reported over the recent past were generally quite bearish. Investors exercised a heightened level of caution when assessing properties offered for sale. Buyers exhibited a preference for properties with stable tenants and with longer-term leases in place. Properties that had solid near-term performance records were coveted, along with necessities-based centres. However, relatively few assets with these attributes were made available in 2021 or much of 2022. During 2021, property valuations were stable for the most part. However, investor expectations began to change during the first half of 2022, given an increasingly uncertain economic backdrop. As a result, cap rates edged higher for all retail property sub-types in this market. The downward pressure on property valuations, was in line with the bearish market trends of the recent past.

CHANGES WILL BE MODEST

Changes in the GHA retail market over the near term will be relatively modest. Leasing demand will be moderate, ensuring vacancy levels hold close to the levels recorded during 2021 and the first half of 2022. As a result, market rents will also be largely unchanged. Rents for Class B and C space will remain below pre-pandemic levels. Investment market conditions will also largely mirror those of the recent past. In short, changes in retail market conditions will be modest over the near term, in keeping with the recent trend.

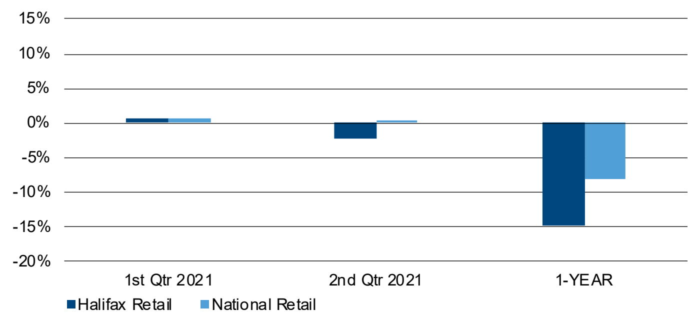
TRENDING STATISTICS

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 2021*

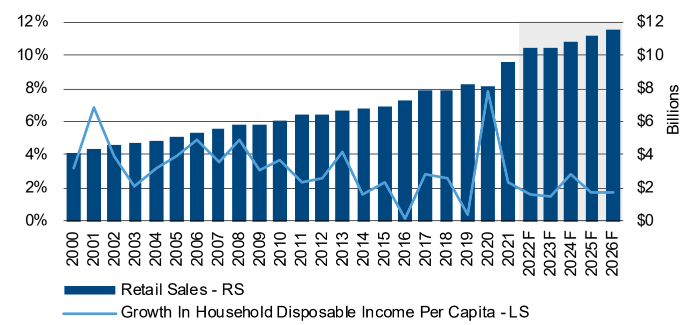


*Current data unavailable

Source: © MSCI Real Estate 2022

RETAIL CONDITIONS

Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

Several established retail brands opened or announced new store openings in this market over the recent past.

DEMAND STRENGTHENED SUBSTANTIALLY

Demand for rental accommodation in the Greater Halifax Area (GHA) strengthened substantially over the past year. The strengthening was a byproduct of economic growth and stronger job market fundamentals. Increased inter-provincial migration was also a key driver of the improved demand patterns of 2021 and 2022. Relatively low COVID-19 infection counts, and high vaccination helped stabilize rental demand. Marketwide, demand outdistanced both existing and new supply. Consequently, the GHA's vacancy rate continued to range at or near the record-low level recorded prior to the pandemic. The region's vacancy rate rested at just 1.0% as of October 2021, as reported by the CMHC. The rate is expected to hold close to the record-low in the latter half of 2022, given a largely positive near-term rental demand outlook. The rental supply shortfall will drive the cost of renting in this market to a benchmark high. The substantial demand-strengthening of the recent past had already driven rents to a record high.

SECTOR REMAINED A POPULAR TARGET

The GHA's multi-suite residential rental sector remained a prime investor target over the recent past, in keeping with the national trend. A range of investment groups looked to the region's existing building stock as a source of stable and relatively attractive returns. High-quality assets were well-received and were sold with relative ease. The popularity of the sector was evidenced in the first quarter of 2022. The multi-suite residential rental sector accounted for 50.0% of the region's total investment sales volume for all asset types combined. Investors were drawn to this market by its recent performance track record. Properties tracked in the MSCI Index posted an attractive 12.7% total return for the year ending June 30, 2022. The sector's recent performance track record made it a popular acquisition target of investors.

SUPPLY WILL BE CONSTRAINED

GHA's multi-suite residential rental market supply will remain constrained over the near term. Demand will continue to keep pace with supply at a minimum. Therefore, vacancy will hold close to the recent record-low level of 1.0% over the balance of 2022 and in early 2023. Job growth will support positive demand patterns, which will drive the market average rent to a benchmark high. Healthy rental market fundamentals will continue to be a draw for investors in search of stable yields. As a result, bids on available properties will be aggressive. Investment sales volume will depend on product availability, in an environment of constrained rental market supply.

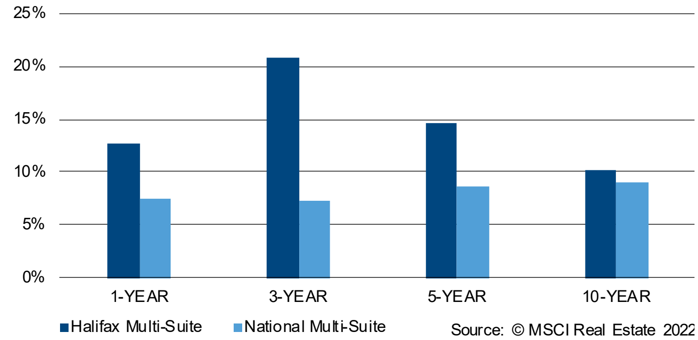
TRENDING STATISTICS

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

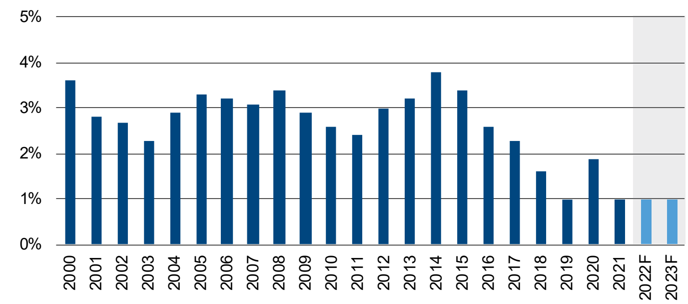
For the period ending June 2022



Source: © MSCI Real Estate 2022

AVERAGE RENTAL VACANCY

Halifax Multi-Suite Residential



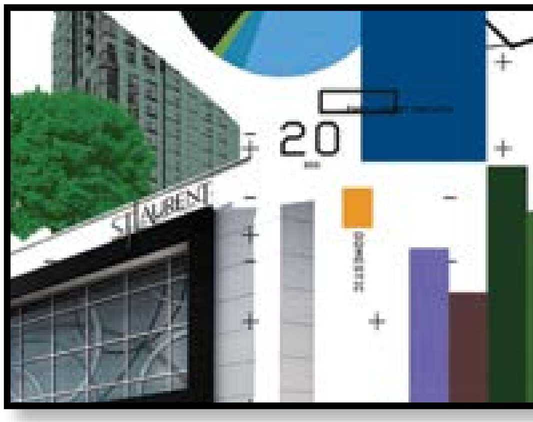
Source: CMHC; Morguard

Job growth will support positive rental demand patterns, which will drive the market average rent to a benchmark high.

MONTREAL, QC

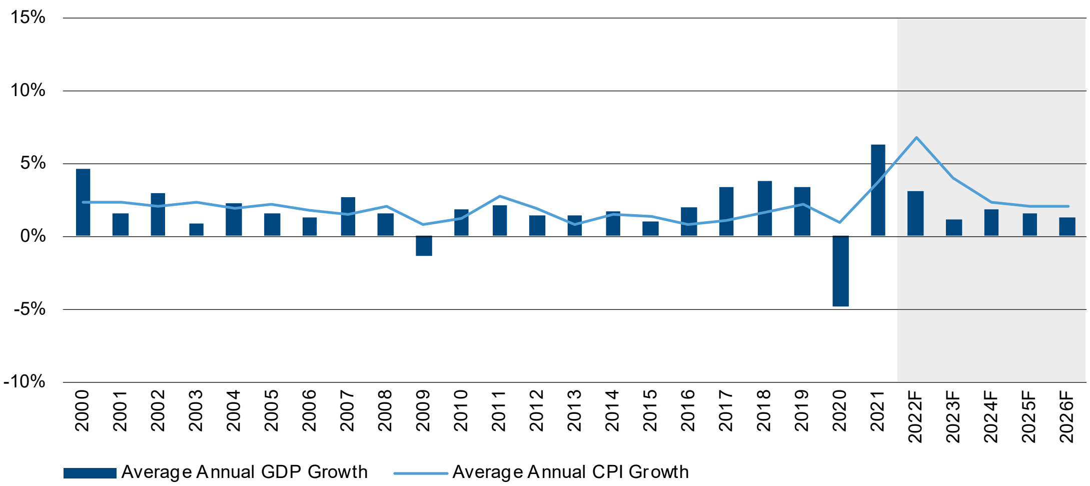
ECONOMIC SNAPSHOT

The Greater Montreal Area (GMA) economy will expand at an above-average rate over the near term, on the heels of a rapid recovery from the pandemic-driven decline. The region's real GDP is forecast to rise by a healthy 3.1% this year and a less robust 1.2% in 2023. This growth will support employment growth of 2.7%, with a slight dip forecast for 2023. Retail sales growth will be relatively weak over the same two-year period.



ECONOMIC GROWTH

Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB GROWTH WILL DECELERATE

The GMA job growth rate will decelerate over the near term, in keeping with the national trend. Total regional employment is projected to rise by 2.0% in 2022 and drop slightly in 2023. As the local economy gears down, fewer jobs will be created in most sectors. Previously, regional employment had increased by a stellar 5.5% in 2021, recovering the jobs lost during 2020. During the same year, the region's unemployment rate was yanked down to 7.0% from the pandemic-induced 10.1% peak of 2020. The rate subsequently dropped to a three-year low of 4.9%, as of the spring of 2022. The region's labour force is expected to expand in 2023, which will drive the unemployment rate higher. Over the medium term, labour market conditions are expected to gradually stabilize. The medium-term labour market stabilization will follow a period of job growth deceleration over the near term.

RETAIL SALES GROWTH VOLATILITY TO EASE

The retail sales growth volatility of the recent past will ease over the medium term. Retail consumption is forecast to increase by a modest 1.1% in 2023 and subsequently average 2.6% annually between 2024 and 2026. The relatively stable medium-term growth trend will follow a three-year period of volatility. Retail sales dropped by an unprecedented 3.9% in 2020, due primarily to the pandemic lockdowns. In 2021, the GMA economy re-opened, resulting in a surge of economic activity and consumer spending. A healthy 9.2% retail sales rise is forecast for 2022, despite the negative effects of elevated inflation and rising interest rates. Prior to the onset of the pandemic, retail sales growth was relatively robust. In 2019, consumption increased by a healthy 3.2%. Over the medium term, retail sales growth volatility is expected to ease, in keeping with the national trend.

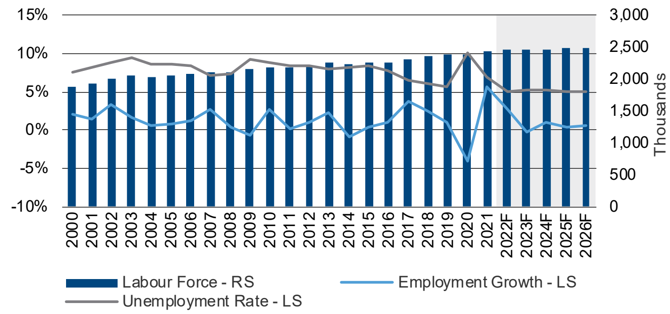
ECONOMY WILL GEAR DOWN

The GMA economy will gear down over the medium term, following a two-year period of robust expansion. Real GDP is forecast to expand by a relatively modest 1.5% annually between 2023 and 2026. Previously, annual growth had averaged 4.5% in 2021/2022. During this period, pent-up demand in the aftermath of the pandemic boosted economic output. The GMA's medium term economic gearing down will have a material impact on labour market conditions. Regional employment will rise by a modest annual average of 0.3% between 2023 and 2025. Over the same time-period, the unemployment rate will stabilize, as more workers enter the labour force. The moderately positive labour market outlook will reflect the medium-term economic growth downshift.

The Greater Montreal Area economy will gear down over the medium term, following a two-year period of relatively robust expansion.

LABOUR MARKET

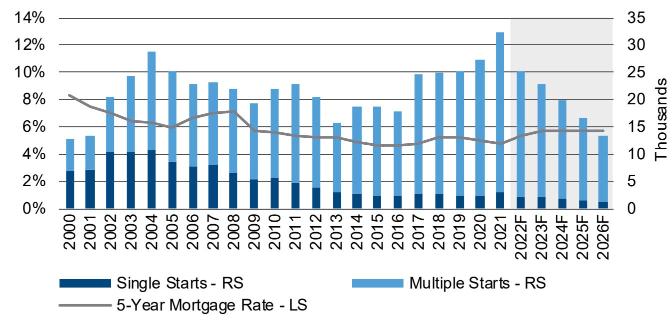
Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

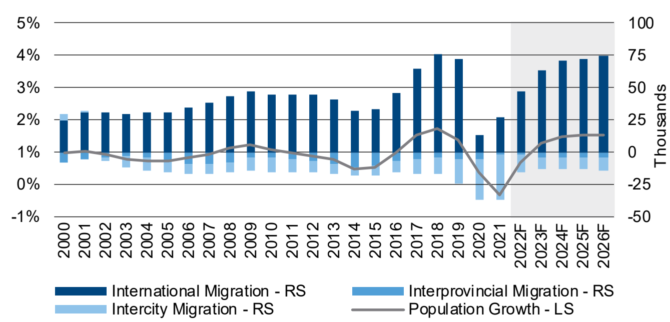
Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMAND FELL SHORT OF SUPPLY

Office leasing demand fell short of supply throughout 2021 and the first half of 2022. The consequence of the shortfall was a sustained upward vacancy trend. The GMA vacancy rate stood at 16.1% at the midway mark of 2022, up 230 bps year-over-year. The rate is substantially higher than the 10-year average, which has been the case through 2021 through to the end of the first half of 2022. Some of the market's tenants have reduced their space footprints during this period, with the increased popularity of remote and hybrid workplace configurations. Increasingly, tenants have looked to secure higher-quality space that is more conducive to the changing work environment. Landlords have been forced to adapt to changing tenant demands by offering flexible terms and turnkey space while construction costs have continued to rise. Rents have been relatively stable for the market's premium space while class B and C rents remain below the pre-pandemic levels. The downward rent pressure was a byproduct of a market dynamic that saw demand fall short of supply.

INVESTORS WERE SELECTIVE

Investors were selective in targeting properties in this market for acquisition over the recent past. Prime targets were properties with established track records in the region's most attractive submarkets. Downtown and suburban properties with stable tenants on long-term leases were popular. Older properties with redevelopment or repositioning potential also generated interest. Several significant downtown properties were sold in late 2021 and the first half of 2022. This activity drove GMA overall transaction volume well beyond the long-term average. Transaction volume totalled almost $1.3 billion in 2001 and $741.5 million in the first half of 2022. By early 2022, investors grew increasingly concerned about the macro-economic and sector-specific outlooks. As risk levels increased, cap rates began to rise. At the same time, leasing fundamentals remained relatively weak and building occupancy levels were lower than expected. As a result, investors became increasingly selective when assessing acquisitions.

SECTOR FUNDAMENTALS WILL SOFTEN

GMA office property sector fundamentals will continue to soften over the near term. Downtown tenants will continue to offload excess space to reduce expenses in an uncertain economic environment. Remote work will remain a concern for the market's landlords. As market fundamentals soften, investors will continue to exercise increased caution when assessing and underwriting acquisitions.

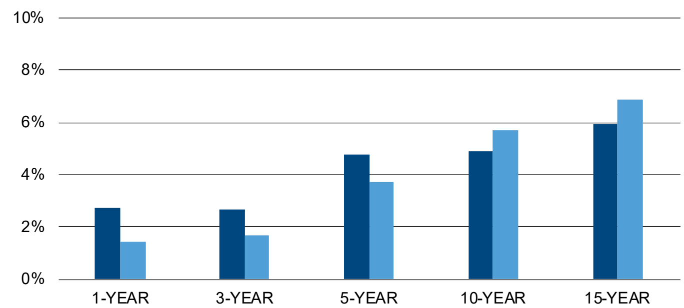
TRENDING STATISTICS

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

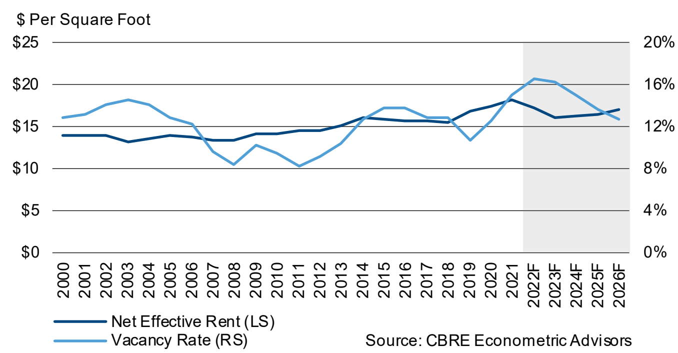
For the period ending June 2022



Source: ©MSCI Real Estate 2022

OFFICE RENT & VACANCY

Montreal Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Landlords have been forced to adapt to changing tenant demands by offering flexible terms and turnkey space.

DEMAND SUPPLY IMBALANCE PERSISTED

Sustained demand supply imbalance was reported in the GMA industrial leasing market over the recent past, a trend that was replicated across much of the country. There was a very limited number of expansion options available to tenants in 2021 and the first half of 2022. The average availability rate reported at the midway mark of 2022 was 1.3%, up slightly from the all-time low of 0.7% recorded six months earlier. The resulting market imbalance has driven rental rates to a benchmark high for the cycle. The combination of cycle-high rents and dwindling supply was the catalyst for the surge in new construction activity. A 20-year high 3.1 million square feet of new supply was completed in 2021, followed by a further close 1.4 million square feet in the first half of 2022. Despite the inventory additions, however, demand supply imbalance remained the dominant near-term leasing market theme.

INVESTMENT SALES ACTIVITY SURGED

Sales of GMA industrial investment property surged over the recent past, in keeping with the broader national trend. A record high $2.3 billion of investment sales volume was reported for the first quarter of 2022. The first-quarter spike followed a record annual high $2.5 billion in sales in 2021. Investors looked to capitalize on the market's recent strength, which saw rents rise to a record high and availability fall to a record low. In addition, investors were acutely aware of the market's recent performance track record and outlook. Properties tracked in the MSCI Index posted a 40.2% total annual return for the year ending June 30, 2022. The return was driven largely by sustained cap rate compression. The GMA's industrial sector will continue to outperform over the near term, following the recent investment activity surge.

SUPPLY WILL REMAIN CONSTRAINED

The supply of available industrial space will remain constrained over the near term. Tenants will have few options in which to expand or relocate, despite a marked increase in construction activity over the recent past. The demand supply imbalance will result in upward pressure on market rents. Large bay space will be in short supply, which will stunt growth in the region's logistics sector. Healthy leasing market fundamentals will continue to draw investment capital to this market. Investment activity will remain elevated, as buyers look to source attractive and stable yields. Cap rates may rise modestly, given an uncertain economic outlook. At the same time, leasing activity levels may slow to some extent. Barring a significant economic downturn, supply will remain critically lower over the near term.

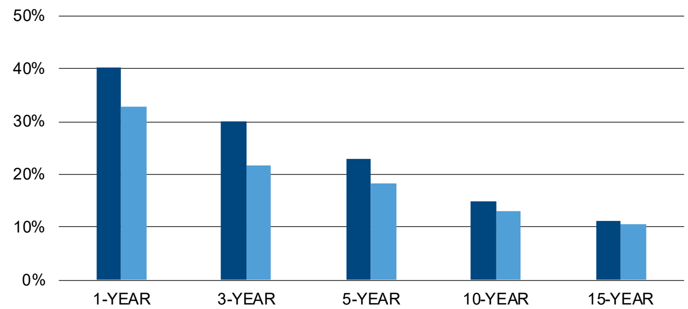
TRENDING STATISTICS

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

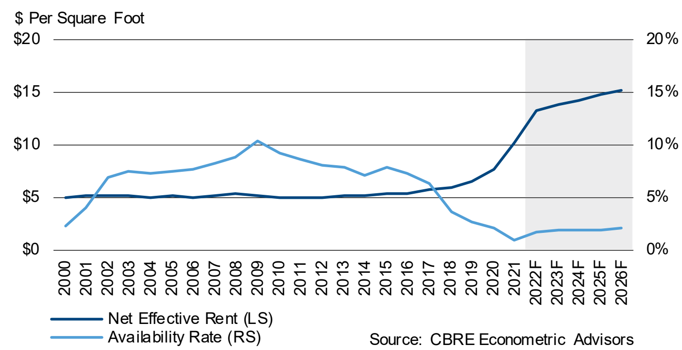
For the period ending June 2022



Source: ©MSCI Real Estate 2022

INDUSTRIAL RENT & AVAILABILITY

Montreal Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The combination of cycle-high rents and dwindling supply were the catalyst for the surge in new construction activity.

MODEST LEASING MARKET RECOVERY UNFOLDED

A modest recovery unfolded in the GMA's retail property leasing market recently. The recovery was due largely to the removal of pandemic restrictions on in-person shopping and business activity in the second half of 2021. Shoppers returned to the region's physical stores, which drove physical store productivity markedly higher. The balance sheets of retailers improved substantially, with the rise in store revenues. Additionally, vacancy began to stabilize, but remained elevated. Regional centre vacancy, for example, rested in the mid-teens at the midway mark of 2022, well above the long-term average. Vacancy levels in centres with necessities-based tenants and for power centres were relatively low by comparison. Rents generally remained below pre-pandemic levels through to the midway mark of 2022. As a result, retailers were sometimes able to secure premium space at a discount, as the recovery phase of the cycle unfolded.

INVESTMENT MARKET STABILIZED

The GMA's retail property investment market stabilized during the second half of 2021, a trend that carried through much of the first half of 2022. Institutional buyers continued to target lower risk properties. Properties with necessities-based tenants and those with strong performance records were popular targets. Relatively few large-scale properties have transacted recently, which was in keeping with the trend of the past few years. Investment performance improved somewhat, as the market stabilized. Properties contained in the MSCI Index posted a relatively weak 1.6% return for the year ending June 30, 2022. The result was markedly stronger than the previous year's -13.6% return. The modest performance strengthening was tallied during a period of broader investment market stabilization.

OUTLOOK IS MODERATELY POSITIVE

The outlook for the GMA's retail sector is moderately positive. Leasing market conditions will gradually strengthen, as retailers continue to look for expansion opportunities across the region. Necessities-based operators will look to expand into new trade areas, both existing and where new residential developments have been completed. Investment market conditions will mirror those of the recent past. Lower risk properties will remain a popular investor target. Cap rates will continue to edge higher, given heightened sector and macro-economic risk. In short, the GMA retail sector outlook is moderately positive, in keeping with the recent trend.

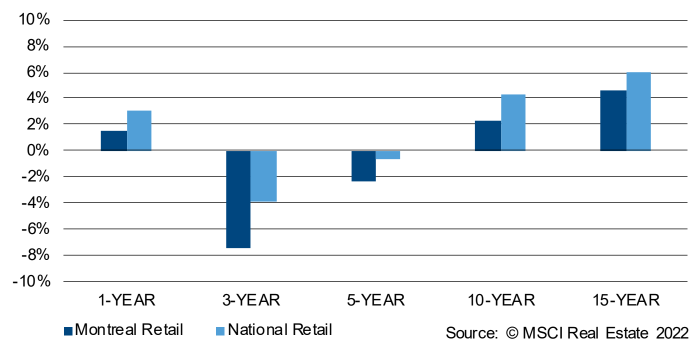
TRENDING STATISTICS

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

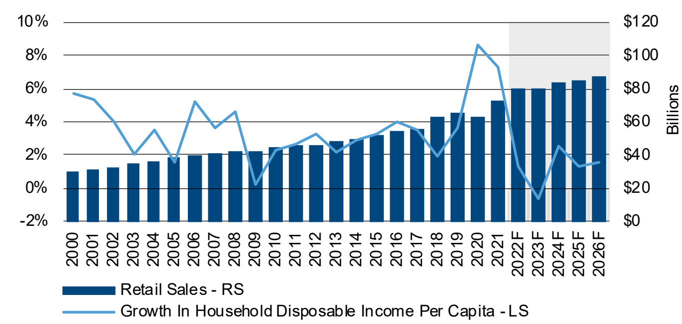
For the period ending June 2022



Source: © MSCI Real Estate 2022

RETAIL CONDITIONS

Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

Relatively few large-scale investment transactions were completed recently, which was in keeping with the trend of the past few years.

RENTAL MARKET CONDITIONS IMPROVED

Conditions in the GMA's multi-suite residential rental market improved during 2021 and the first half of 2022. Much of the improvement was recorded in the region's downtown area. In 2020, downtown vacancy climbed into double-digit territory. The downtown vacancy average rested at 10.2% as of October. Subsequently, vacancy declined to 6.3% by October 2021. Vacant units were absorbed at a relatively rapid rate during 2021. The return of secondary students to in-person classes and increased international migration supported stronger demand patterns in the downtown area. Over roughly the same time-period, suburban vacancy held relatively steady, ranging between 1.1% and 1.2%. The GMA vacancy rate stood at 3.0% as of October 2021, 150 bps higher than the pre-pandemic level. As rental market conditions improved, rental rates continued to rise. The average GMA monthly rent had increased by 4.2% year-over-year as of October 2021, as reported by the CMHC. The rise was in keeping with the broader rental market improvement of the recent past.

INVESTMENT SALES ACTIVITY PEAKED

GMA multi-suite residential rental sector investment sales activity peaked recently, mirroring the national trend. Approximately $2.5 billion of sector transaction volume was reported for the first six months of 2022. This followed the record annual high of $3.9 billion in 2021. A range of institutional and private buyers scanned the region for investment opportunities. Institutional groups tended to prioritize concrete high-rise properties, in addition to well-located wood framed assets. Robust demand and aggressive bidding drove prices to the peak for the cycle. Investors looked to the GMA as a source of stable returns during a period of heightened economic uncertainty. Properties tracked in the MSCI Index posted a 6.4% total return for the year ending June 30, 2022. Investors looked to the GMA as a source of stable and attractive returns, which drove investment sales activity to the cycle peak.

RECOVERY PHASE OF CYCLE TO PERSIST

The recovery phase of the GMA's multi-suite residential rental sector cycle will persist over the near term. Rental demand will outpace supply, driven by increased migration, economic activity and housing market trends. Rents will continue to rise, and returns will remain attractive. Investors will continue to look to the GMA for properties as a source of attractive yields. However, as sector risk rises, investment activity may slow as the recovery phase of the cycle matures.

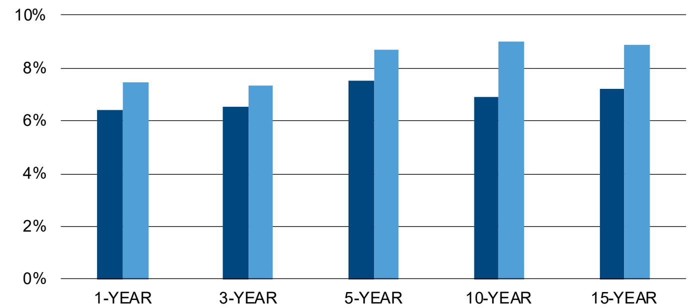
TRENDING STATISTICS

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

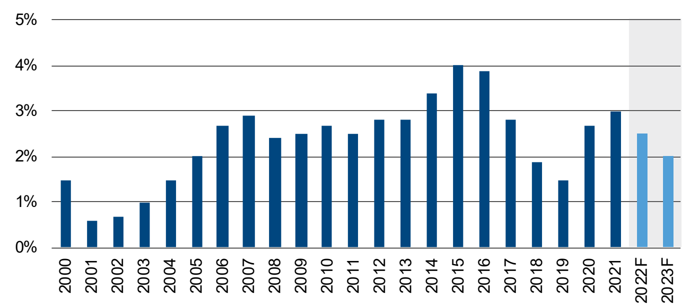
For the period ending June 2022



Source: ©MSCI Real Estate 2022

AVERAGE RENTAL VACANCY

Montreal Multi-Suite Residential



Source: CMHC; Morguard

Robust investment demand and aggressive bidding drove prices to a record high for the cycle.

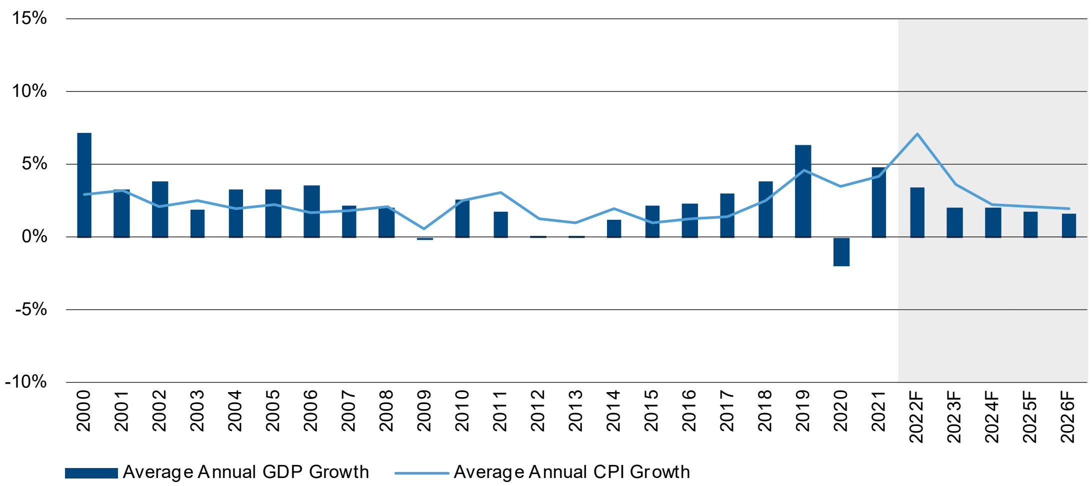
OTTAWA, ON

ECONOMIC SNAPSHOT

The Greater Ottawa Area (GOA) economy is expected to expand by a healthy 3.4% this year, which will be followed up with a solid 2.0% step forward in 2023. This growth will drive regional employment 2.6% higher on an annualized basis over the two-year period. In 2021, employment rose sharply, after the pandemic-induced 6.0% plunge in 2020. Labour market progress will fuel relatively robust retail sales growth over the near term.

ECONOMIC GROWTH

Ottaw a Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET RECOVERY WILL SLOW

The GOA's labour market recovery is expected to slow down over the near term, in line with the broader national trend. GOA total employment is forecast to rise by 4.3% in 2022. A more modest 0.9% advance is projected for the following year. The region's unemployment rate will fall sharply during 2022 and subsequently stabilize in 2023/2024. As employment levels rise in 2022 and 2023, the region's labour force will also expand.

Employment levels will rise in most sectors of the GOA economy over the near term, despite a slower labour market recovery pace. Transportation and warehouse industry employment will rise by a robust 20.0%, or 4,500 jobs. Employment in the accommodation and food services industries will also continue to rise. The public sector will also bolster its ranks. The GOA labour market recovery will continue to unfold over the near term, albeit at a somewhat slower pace.

RETAIL SALES GROWTH TO SLOW OFF

GOA retail sales growth will slow over the near term, following the record-high increase of 2021. Retail consumption will increase by an annualized rate of 11.9% in 2022, with a forecast 1.5% lift in 2023. To some extent, inflation and rising interest rates will curtail spending on discretionary items. Wage growth is expected to boost spending over the near term. However, outsized inflation will erode consumer spending power. As a result, spending volume will rise by a relatively modest rate. Previously, retail sales volume increased by a strong 8.7% in 2021, which represented a swift recovery from the pandemic-driven decline of the previous year. In 2020, retail sales plunged by a record-setting 8.9%. In short, retail sales growth will slow over the next few years, after a relatively volatile start to the decade.

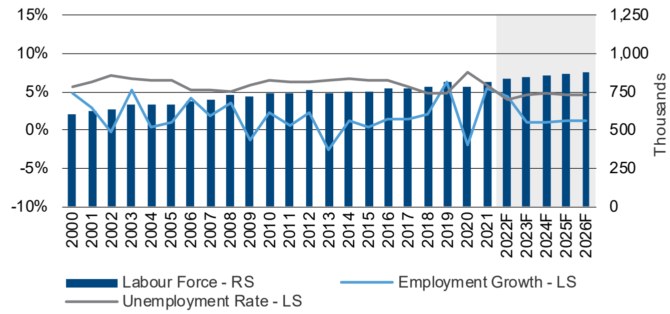
ECONOMY WILL GRADUALLY STRENGTHEN

The GOA economy is projected to gradually strengthen over the medium term. Economic output will increase by an annual average of close to 1.5%-2.0% in 2024/2025. The modest outlook will unfold after a two-year period of strong performance, when GDP is expected to advance by 3.4% and 2.0% in 2022 and 2023, respectively. Most of the region's industries will generate increased output over the medium term. The transportation and warehouse industry will remain one of the GOA's leading growth drivers. High-touch sectors, such as food services and accommodation, will also generate increased output. The region's health services industry is expected to expand at a relatively healthy rate. Most business sectors are expected to contribute to the region's gradual economic strengthening forecast over the medium term.

Retail consumption will increase by an annualized rate of 11.9% in 2022, with a modest 1.5% advance forecast for 2023.

LABOUR MARKET

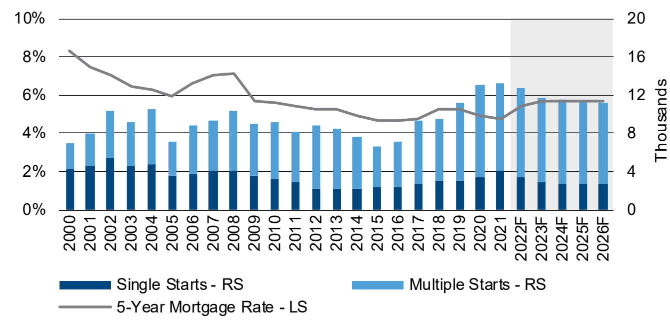
Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

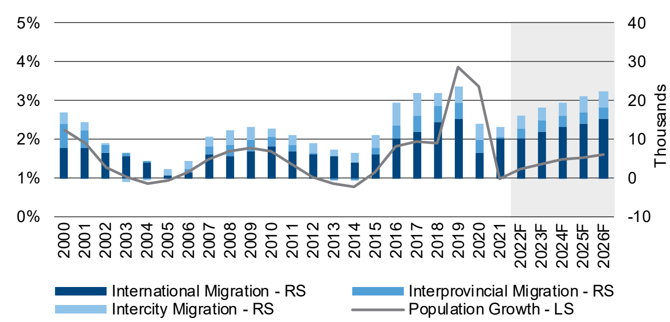
Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

RESILIENCY WAS SUSTAINED

The GOA leasing market's track record of resiliency was extended over the past year. Resilience was evidenced in the market's vacancy trend. The GOA's average vacancy rate stood at a relatively healthy 8.8% as of the midway mark of 2022, down 50 bps year-over-year. Over the same time-period, vacancy was unchanged or higher in most other major Canadian markets. The market's supply-side resilience was to some degree a function of the presence of its largest tenant, the federal government. The market's modest construction cycle supported its supply-side stability. Rents across the GOA were relatively stable over the past year, which was a further indication of the market's resilience. Market conditions were relatively balanced, with demand generally keeping pace with supply. Leasing market conditions were relatively stable over the past year. However, headwinds may over the near term as some tenants may shed excess space as they formalize their hybrid work arrangements .

CAPITAL FLOW INCREASED SIGNIFICANTLY

The flow of investment capital into the GOA office property sector increased significantly recently. A total of $475.4 million of office property investment sales volume was reported for the first half of 2022, up 283.9% year-over-year. Sales volume had already increased by 104.7% year-over-year in 2021. Investors exhibited a willingness to invest in a market with relatively healthy fundamentals, a track record of resilience, and a positive outlook. Several notable transactions were completed in 2022 including 3199 Palladium Drive for $64.5 million and Park of Commerce for $60.0 million. These two sales evidenced the confidence investors had in the market's long-term outlook, despite a relatively weak near-term performance. Properties contained in the MSCI Index posted a zero return for the year ending June 30, 2022. Despite the weak result, investment capital flow increased substantially.

GRADUAL STRENGTHENING FORECAST

GOA office sector fundamentals will gradually strengthen over the medium term. The outlook is predicated on a moderate and stable economic growth trend. Economic expansion will support equally modest job growth, which will support expansion activity. Vacancy will trend slightly lower. To some extent, however, expansion activity will be offset by the shedding of excess space by companies looking to reduce their office footprints. As a result, rents will continue to stabilize. As sector fundamentals gradually strengthen, investors will continue to look for opportunities to invest in this market.

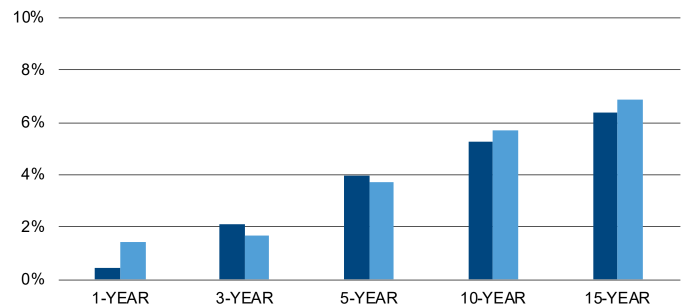
TRENDING STATISTICS

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

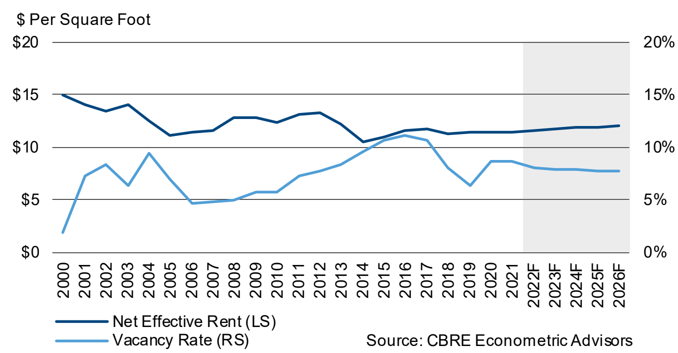
For the period ending June 2022



Source: ©MSCI Real Estate 2022

OFFICE RENT & VACANCY

Ottawa Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

A total of $475.4 million of office property transaction volume was reported for the first half of 2022, up 283.9% year-over-year.

AVAILABILITY WAS LIMITED

The availability of industrial space for lease across the GOA was very limited over the past year. Tenants struggled to source space in which to relocate or expand. The GOA's industrial availability rate stood at a 22-year low of 1.7% at the end of June 2022, according to CBRE. New supply offered little relief from the availability shortfall, as most of this space was pre-leased prior to or shortly after completion. Tenants were forced to pay record-high rents when they were able to source alternative space or when seeking to renew or extend their existing leases. For the most part, landlords were able to dictate leasing terms, with tenants having little or no leverage. Functional available space in all size ranges was particularly hard to find. As a result, tenants were often forced to continue to operate in their existing space. Demand for logistics and warehouse space surpassed supply by a significant margin, which had a negative impact on growth. Available supply will remain very limited over the near term, much to the chagrin of the GOA's industrial space users.

INVESTMENT DEMAND OUTSTRIPPED SUPPLY

Demand for GOA industrial investment property outstripped supply by a significant margin over the recent past, a trend that was observed across the country. Various institutional and private groups looked to source acquisitions in a market that boasted strong fundamentals and a healthy outlook. Buyers were acutely aware of the market's recent track record of rent growth, strong occupancy patterns, and attractive prevailing yields. However, product availability fell substantially short of supply. To some extent this was a function of the market's relatively small size. Additionally, some of the region's owners chose to hold on to properties that had and were expected to outperform. Bidding on the limited number of offerings made available over the recent past was aggressive. The market's buyer pool was relatively deep, as demand consistently outstripped the supply of available investment properties in this market over the recent past.

STRONG MARKET FUNDAMENTALS FORECAST

Strong market fundamentals are forecast for the GOA industrial sector over the near term. Economic and retail sales growth will drive demand for industrial space across the region. As a result, availability will remain critically low ensuring rents hold at the peak for the cycle. New supply will be absorbed prior to completion, supporting continued market imbalance. The broadly positive fundamental leasing outlook will continue to draw investors to the region.

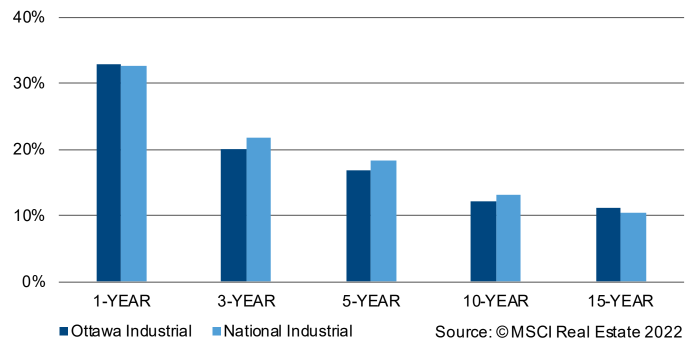
TRENDING STATISTICS

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

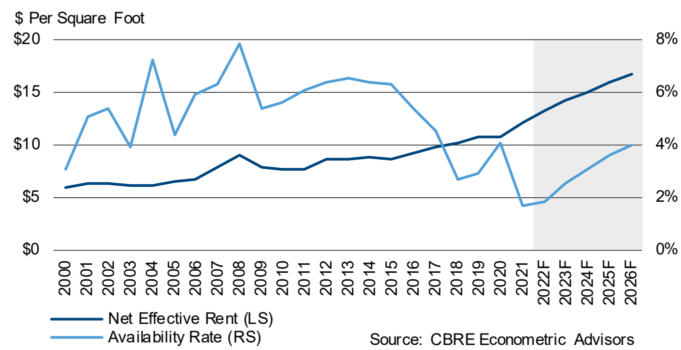
For the period ending June 2022



Source: ©MSCI Real Estate 2022

INDUSTRIAL RENT & AVAILABILITY

Ottawa Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The Greater Ottawa Area industrial availability rate stood at a 22-year low of 1.7% at the end of June 2022.

LEASING MARKET STABILIZED

The GOA's retail leasing market stabilized recently, having suffered through the adverse effects of the pandemic. Leasing demand patterns started to improve in the second half of 2021, a trend that carried through to the midway mark of 2022. Retailers began to revisit leasing plans that had been shelved over the past couple of years. The discount, grocery and food services retail sectors continued to absorb the largest share of vacant space in this market over the past year. As leasing demand improved, vacancy began to stabilize. Previously, the market average vacancy had peaked at 7.4%, as of the midway mark of 2020. This stabilization was a welcome sight for the market's owners, many of whom had seen vacancy in their portfolios rise over the past couple of years. The GOA's owners were hopeful that market conditions would begin to strengthen over the near term, having stabilized over the recent past.

INVESTORS WERE CAUTIOUS

Investors were cautious in their approach to investing in the GOA's retail property sector. Buyers focused their efforts on acquiring properties with solid near-term performance track records and secure tenants on long-term leases. Properties with grocery store anchors and necessities-based tenants were also in demand. In addition, properties with excess density or repositioning potential were also popular with certain investment groups. Properties with the desired attributes transacted with relative ease. In the first half of 2022, $205.8 million of retail property investment sales volume was reported. This followed the $576.8 million of transaction volume reported for 2021, which was the second highest annual total on record. Despite a relatively healthy capital flow trend, retail sector risk remained elevated. Property values continued to decline in 2022, having dropped sharply over the past few years. As sector risk levels increased, investors became increasingly cautious in their approach to investing in this market.

STABILIZATION IS FORECAST

Stabilization will remain the GOA retail sector's dominant performance theme over the near term. Leasing market conditions will continue to stabilize. Necessities-based retailers will continue to expand in this market. Expansion activity will remain relatively modest overall, as retailers continue to rebound from the pandemic-induced malaise. Investors will selectively acquire properties over the near term, as sector fundamentals continue to stabilize.

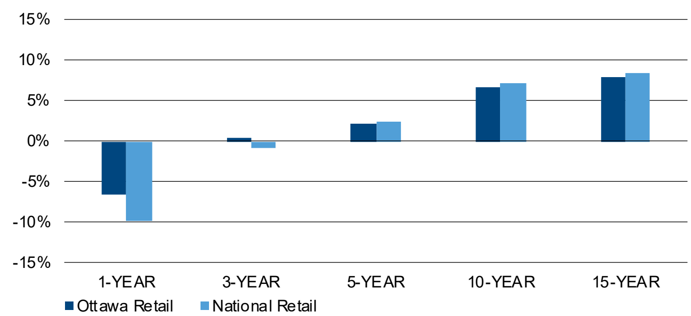
TRENDING STATISTICS

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 Sept 2020*

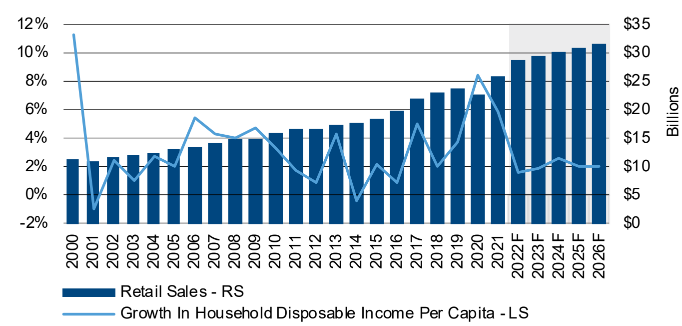


*Current data unavailable

Source: © MSCI Real Estate 2022

RETAIL CONDITIONS

Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

In the first half of 2022, $205.8 million of retail property investment sales volume was reported.

RENTAL MARKET STABILIZATION REPORTED

The GOA's multi-suite residential rental market stabilized during 2021 and early 2022, after a pandemic-influenced period of weak performance. Demand patterns stabilized with the gradual return of post-secondary students to in-person classes and increased migration volume beginning in 2021. On aggregate, demand kept pace with supply, despite a marked increase in new supply completions. Many of the region's families were unable to afford to purchase a home, which helped stabilize rental demand. Relatively healthy demand patterns drove vacancy moderately lower. Vacancy edged slightly lower over the 12-month period ending October 2021. Over the same time-period, the market's average monthly rent rose by 2.2%, following a three-year period of stronger growth. The modest rent growth and slight vacancy decline were indicative of the broader rental market stabilization of the recent past.

INVESTOR CONFIDENCE REMAINED HIGH

Investor confidence in the GOA's multi-suite residential rental property sector remained relatively high over the recent past. As a result, available properties sold relatively rapidly and frequently when offered for sale during 2021 and over the first half of this year. For the first six months of 2022, $773.6 million of investment transaction volume was reported. Investors were confident that the GOA's industrial sector would continue to be a source of attractive yields and returns. Buyers looked to acquire properties in a market with a healthy rental growth outlook. Recent investment performance patterns were supportive of the confidence investors had. GOA industrial properties contained in the MSCI Index posted a 33.0% total return for the year ending June 30, 2022. During the same time period, investors exhibited an elevated level of confidence in the GOA's industrial sector

MODEST RENTAL MARKET GAINS FORECAST

Modest gains are forecast for the GOA's multi-suite residential rental market over the second half of 2022 and in 2023. Rental demand will continue to strengthen at a relatively gradual pace, given weaker job economic and job growth outlooks. Migration patterns will gradually strengthen, in support of moderately positive demand patterns. The demand outlook will support modest rent and occupancy increases. The income streams of the market's existing owners will improve. Investors will continue to source properties in this market, given attractive prevailing yields. The modest rental market gains forecast over the near term will also attract prospective buyers to the region.

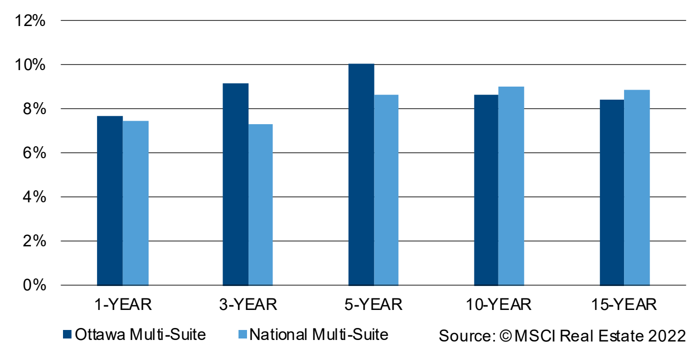
TRENDING STATISTICS

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

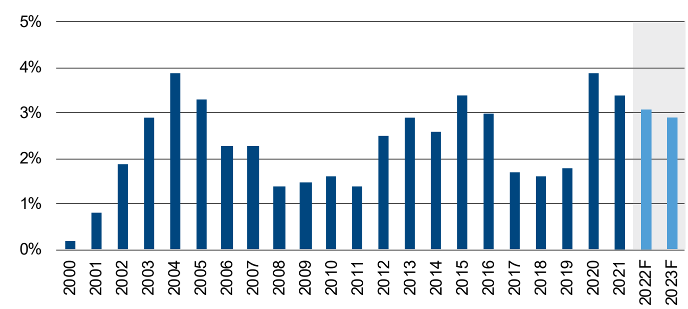
For the period ending June 2022



Source: ©MSCI Real Estate 2022

AVERAGE RENTAL VACANCY

Ottawa Multi-Suite Residential



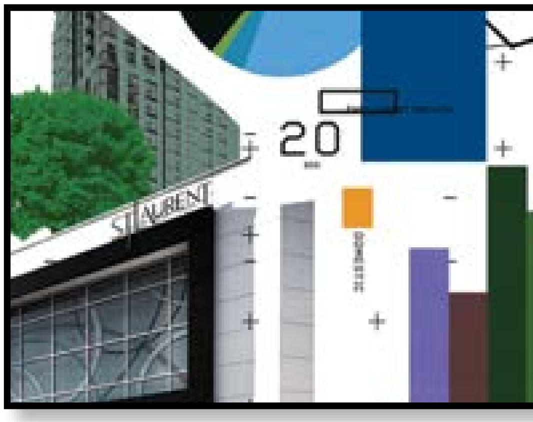
Source: CMHC; Morguard

Rental demand patterns stabilized with the return of post-secondary students to in-person classes.

TORONTO, ON

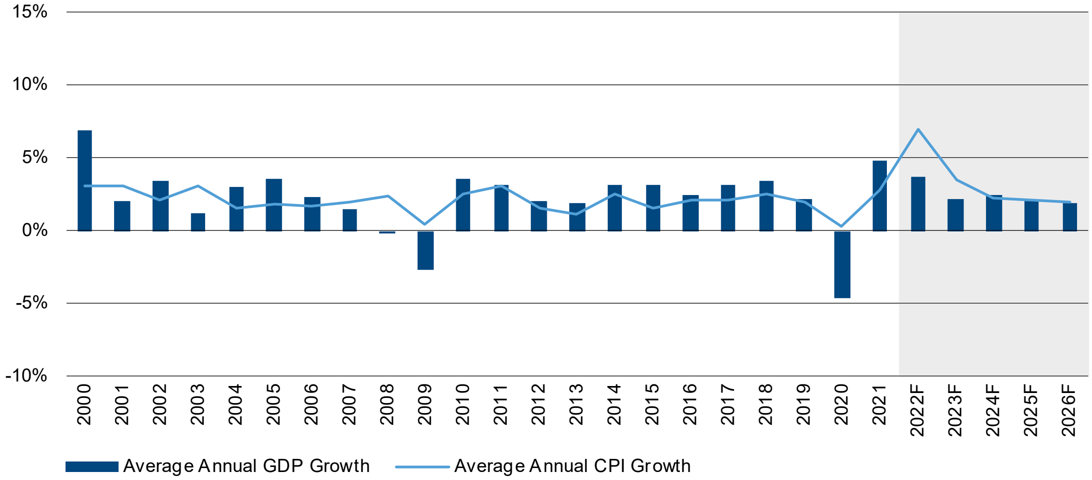
ECONOMIC SNAPSHOT

The Greater Toronto Area (GTA) economy is projected to expand at a relatively robust rate over the near term. Economic output will rise by an above average 3.8% in 2022. Another 2.0%-3.0% advance is forecast for the following year. The strong economic performance will drive employment levels markedly higher this year, with a modest increase anticipated for 2023. Retail sales volume will rise 13.6% in 2022 and slowing to 0.7% in 2023.



ECONOMIC GROWTH

Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

SERVICES COMPANIES TO DRIVE GROWTH

Services companies will be the region's leading job growth driver over the near term. Oxford Economics is projecting employment will increase by between 3.0% and 5.0% in 2022. Employment will increase in the accommodation and food services sector. However, it will take until the second half of 2023 for the industry to recoup the jobs lost due to the pandemic. The region's dominant financial sector will see employment levels rise in 2022, following the 17,000 jobs lost in 2021. Employment will increase at a modest rate during 2023, as the region's labour market recovery matures. The region's unemployment rate will fall sharply in 2022 from the previous year's 9.1% average. However, the downward unemployment rate will rise slightly in 2023 to 6.5%. Overall, the region's services sector will remain the region's leading employment growth driver over the next couple of years.

RETAIL SALES GROWTH TO TREND LOWER

Retail sales growth will trend lower over the near term, which is in line with the national outlook. Retail consumption is forecast to rise by a healthy 13.6% in 2022, following last year's 10.7% lift. At some point in 2022, the pent-up demand that was unleashed with the relaxing of pandemic restrictions is expected to abate. Coincidentally, higher interest rates and inflation will reduce discretionary income and spending, including big-ticket items like automobiles and large appliances. Housing market activity will continue to decline, which will also negatively impact spending growth over the near term. Spending on services such as travel and hotels will increase over the near term, contrasting the broader trend. In summary, retail sales growth will moderate over the near term, following a two-year period of extreme volatility.

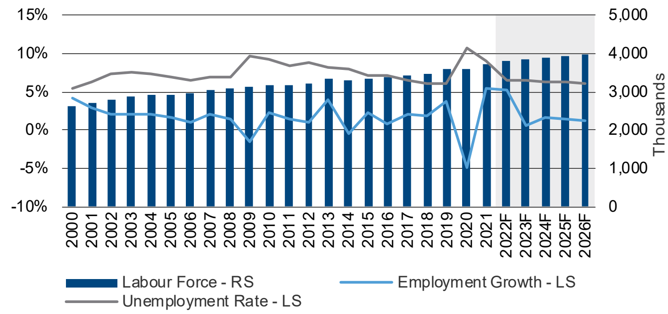
ECONOMIC OUTLOOK IS GENERALLY STABLE AND HEALTHY

The GTA economic outlook is generally stable and healthy, when compared with most other large Canadian cities. Economic output will increase by an annual average of roughly 3.0% in 2022/2023. The regional economy will drive employment levels higher by an annual average of a solid 2.9% over the same two-year period. The unemployment rate will gradually stabilize, resting close to the 6.5% mark by the end of 2023. A significant share of the positive near-term economic momentum will be the driven by population growth. Year to date, over 275,000 new immigrants had arrived in Canada as of the end of July 2022. The largest portion of the new arrivals have typically come to the GTA. A further 447,055 and 451,000 immigrants are projected to come to Canada in 2023 and 2024, respectively. The increase in new immigrants arriving in the GTA over the near term will support the region's generally healthy economic outlook.

Relatively strong economic and labour market performance patterns will continue to support healthy retail sales growth rates over the near term.

LABOUR MARKET

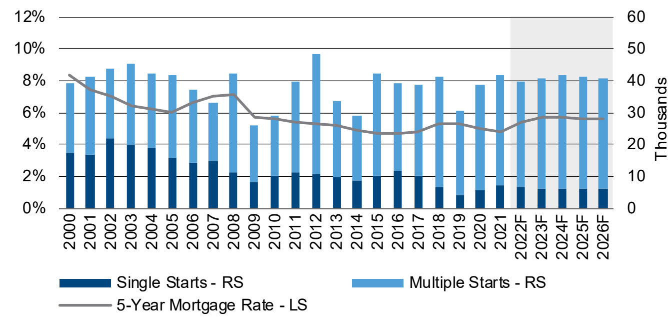
Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

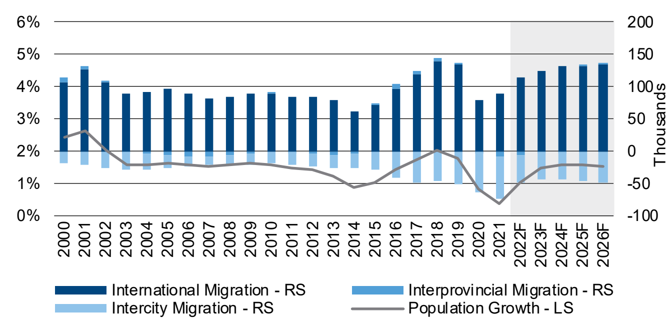
Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

SIGNS OF RECOVERY WERE OBSERVED

Signs of recovery were observed in the GTA office leasing market in the first half of 2022, following the pandemic-influenced malaise of the past couple of years. Several organizations signed new or renewed their existing leases over the recent past. This was a definitive sign that the recovery phase of the cycle was perhaps about to emerge. The lease-up of built-out space and attractively priced sublets during the first half of 2022, was arguably another early sign of recovery. Increasingly, office workers returned to their physical premises either full time or on a limited basis, hinting at an imminent recovery. Despite the early signs of recovery, however, GTA vacancy continued to rise. The GTA's average vacancy stood at 15.4% at the midway mark of 2022, up 150 bps from the end of 2021. The downtown rate was 9.9%, up 170 bps. Despite the upward vacancy trajectory, several early signs of recovery were observed over the recent past.

HEALTHY CAPITAL FLOW TREND REPORTED

Investors continued to place capital into the GTA's office property sector at a healthy rate over the recent past, despite elevated performance risk. A total of almost $3.0 billion of investment property transaction volume was reported for the first six months of 2022. Previously, transaction volume had increased by 81.7% year-over-year in 2021. Investors exhibited confidence in a market that was expected to eventually fully recover from the negative impacts of the pandemic. By early 2022, however, investment risk had increased significantly. The increase was partially a byproduct of a slower-than-expected return of workers to their physical offices. Uncertainty surrounding the impact of rising interest rates and inflation on the global economy was also a driver of increased sector risk. By early 2022, investors began to reassess their investment objectives and risk-adjusted return expectations, having placed capital into this market at a healthy rate over the recent past.

RECOVERY ROAD WILL BE BUMPY

The road to recovery for the GTA's office leasing market will likely be somewhat bumpy over the near term. The rationale for the uneven recovery outlook is largely two-fold. First, leasing demand will remain spotty, as an increased number of tenants adopt various work-from-home workplace strategies. Second, some businesses will delay their space plans given increased economic uncertainty due to rising interest rates and the threat of a recession. Consequently, we anticipate an uneven recovery for the GTA's office leasing market over the near term.

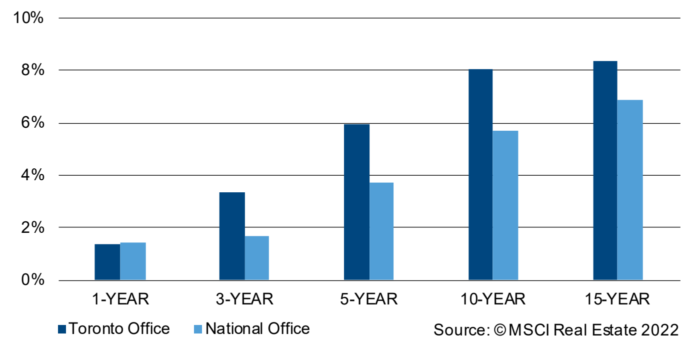
TRENDING STATISTICS

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

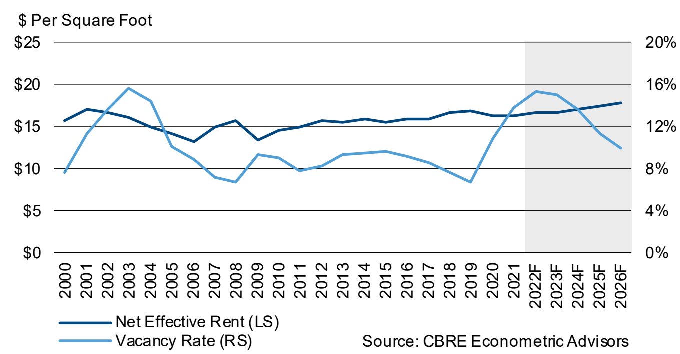
For the period ending June 2022



Source: ©MSCI Real Estate 2022

OFFICE RENT & VACANCY

Toronto Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

A total of almost $3.0 billion of investment property transaction volume was reported for the first six months of 2022.

LEASING RISK WAS NEGLIGIBLE

A negligible amount of leasing risk was evidenced in the GTA industrial leasing market over the recent past. For the most part, landlords were treated to full or nearly full occupancy levels in their portfolios during 2021 and the first half of 2022. Demand for leased space generally outdistanced supply, ensuring vacant space was leased up quickly. As a result, the market's average vacancy rate rested below the 1.0% mark in the latter half of 2021 through to the end of the first half of 2022. The combined impact of healthy demand patterns and increasingly constrained supply drove rents to the benchmark high for the cycle. Rates for new leases and in renewal scenarios continued to rise. In some cases, rents have doubled or tripled over the past couple of years. New supply offered little relief for tenants looking for space, as availability remained critically low, and rents continued to climb. More broadly, leasing market risk was negligible during the latter half of 2021 through to the midway mark of 2022.

INVESTMENT DEMAND REMAINED ELEVATED

GTA industrial property sector investment demand remained elevated over the recent past. During 2021 through to the midway mark of 2022, buyers looked to source acquisitions in this market with the promise of attractive yields. The forecast near-term rent growth and strong fundamentals were also attractive. Positive investor sentiment translated into record-high investment transaction volume. A record annual high $7.9 billion of transaction volume was reported for 2021, a pace that was maintained in the first half of 2022 when a further $4.1 billion of sales was recorded. For the most part, property values ranged near the benchmark high for the cycle. However, by early 2022, the combination of rising debt costs and bond yields translated into modest upward pressure on cap rates. In some cases, investors paused to digest the changing sector risk patterns. Despite increased real estate sector risk, investors will continue to exhibit confidence in this market over the near term.

OUTLOOK IS BROADLY POSITIVE

The outlook for the GTA's industrial property sector is broadly positive. Supply will remain constrained, despite a measure of demand moderation. Economic growth is expected to slow over the balance of 2022 and into 2023. However, demand will remain strong enough to support strong occupancy patterns. As a result, rents will range close to the peak. Investors will continue to scour the market for acquisition opportunities, despite increased sector risk.

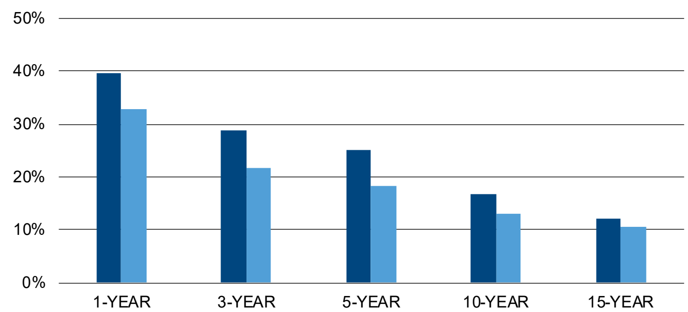
TRENDING STATISTICS

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

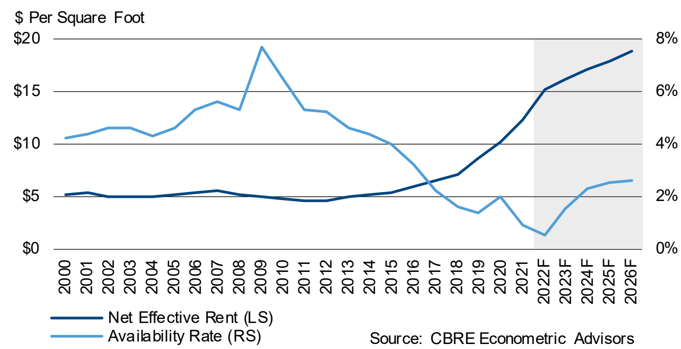
For the period ending June 2022



Source: ©MSCI Real Estate 2022

INDUSTRIAL RENT & AVAILABILITY

Toronto Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

A record annual high $7.9 billion of transaction volume was reported for 2021, a pace that was maintained in the first half of 2022.

LEASING FUNDAMENTALS IMPROVED

GTA retail leasing market fundamentals improved recently, following an extended period of weakness due to the pandemic. Sales productivity began to increase with the removal of most pandemic restrictions towards the end of 2021. By the spring of 2022, leasing demand patterns strengthened as retailers began to revisit their pre-pandemic expansion plans. At the same time, physical store sales increased for operators who had relied increasingly on digital platforms to drive revenue. Leasing demand firmed for space in prime centres and in properties with grocery and service-retail offerings. Leasing demand improved more broadly as infection rates declined. By the end of the first half of 2022, vacancy began to stabilize. The regional centre vacancy rate remained elevated, however, having peaked at 8.3% at the midway mark of 2021. Market rents exhibited signs of stabilization, which was indicative of the fundamental leasing market improvement of the recent past.

INVESTORS WERE PARTICULAR

Investors targeted GTA retail properties with specific attributes over the recent past, given an uncertain sector outlook. Primary targets were assets with necessity-based tenants and those with stabilized high-quality tenants in established nodes. In addition, properties with intensification potential also attracted interest. The supply of properties with these attributes offered for sale increased, which was evidenced in recent transaction volume totals. A total of $3.5 billion of investment property transaction volume was posted for 2021, with a further $1.7 billion in the first half of 2022. However, sales activity was expected to slow down in the second half of 2022, given an increasingly uncertain economic outlook. Some investment groups had retreated to the sidelines in early 2022, until the impact of rising interest rates, inflation and the threat of a recession had been fully realized. Therefore, investors will become even more particular in their investment choices in this market over the near term.

CAUTION WILL RULE THE DAY

Investor caution will remain elevated over the near term, given an elevated level of economic and sector risk. Buyers will focus on acquiring stabilized assets and properties with necessities-based tenants. Interest rate hikes and the prospect of an economic slowdown impacted underwriting parameters in the first half of 2022. At the same time, cap rates have begun to rise. Investor caution will rule the day over the near term, as market fundamentals and the macro-environment evolve.

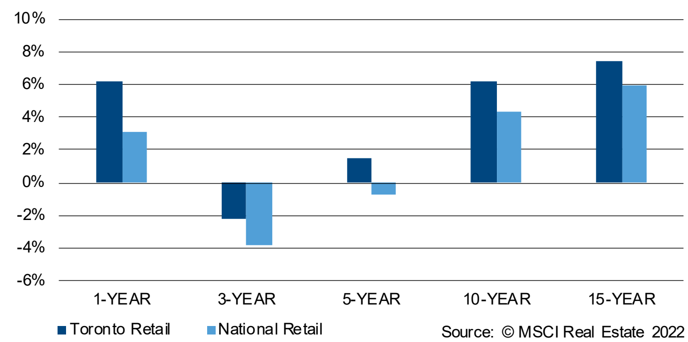
TRENDING STATISTICS

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

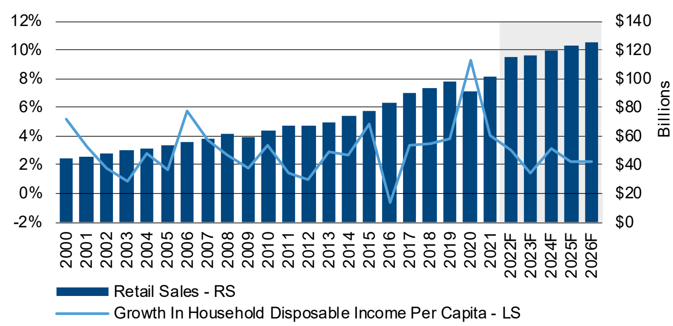
For the period ending June 2022



Source: © MSCI Real Estate 2022

RETAIL CONDITIONS

Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

$3.5 billion of investment property transaction volume was posted for 2021, with a further $1.7 billion in the first half of 2022.

RECOVERY CONTINUED TO UNFOLD

The GTA's multi-suite residential rental market recovery from the pandemic's negative impacts continued to unfold during the second half of 2021 and first half of 2022. The recovery was driven largely by markedly stronger demand patterns. The return of post-secondary students to the region's colleges and universities supported the demand strengthening. The reopening of Canada's borders to immigrant families and international students was a key demand-driver. As rental demand patterns improved, vacancy began to decline relatively rapidly. In October of 2021, the GTA vacancy rate stood at a 20-year high of 4.6%. Vacancy dropped more sharply in the downtown area. Downtown vacancy levels had increased more substantially as the pandemic unfolded. As vacancy declined and demand strengthened, GTA asking rents climbed to a record high. Higher asking rents were indicative of the continued unfolding of the GTA's rental market recovery.

INVESTMENT SALES ACTIVITY PEAKED

GTA multi-suite residential rental sector investment sales activity peaked recently, in keeping with the national trend. Transaction volume totalled $1.9 billion for the first six months of 2022, up 31.4% over the same time period a year earlier The $3.8 billion of sales volume reported in 2021 was slightly lower than the GTA's record annual high set in 2019. Institutional and private groups continued to look for acquisition opportunities in a market that was expected to generate attractive returns. Investors were also attracted by the market's positive performance outlook and prevailing yields. Over the recent past, several large portfolios and large-scale properties were sold in this market. Concrete, high-rise properties were in demand. Investors bid aggressively, which helped fuel the investment sales activity peak of the recent past.

PERFORMANCE OUTLOOK IS POSITIVE

The GTA multi-suite residential rental sector's performance outlook is generally positive. Demand for rental accommodation will remain brisk. Many families will continue to rent, given the high cost of owning a home. Increased international migration will also bolster rental demand across the region through to at least the end of 2023. The market's demand supply dynamic will drive rents higher, having reached record high levels over the past year. Investors will continue to look for acquisition opportunities in this market, given its positive performance outlook. Cap rates may edge higher, given an uncertain macro-economic environment. In short, the market's performance outlook is positive.

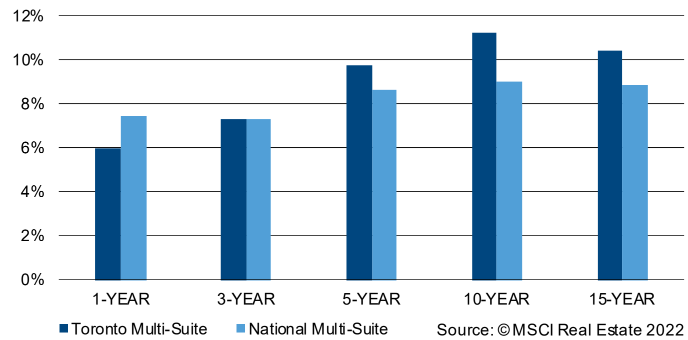
TRENDING STATISTICS

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

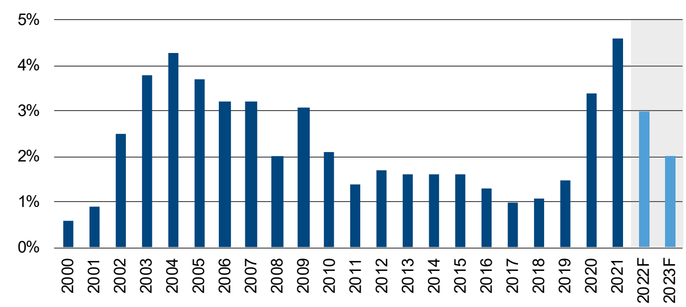
For the period ending June 2022



Source: ©MSCI Real Estate 2022

AVERAGE RENTAL VACANCY

Toronto Multi-Suite Residential



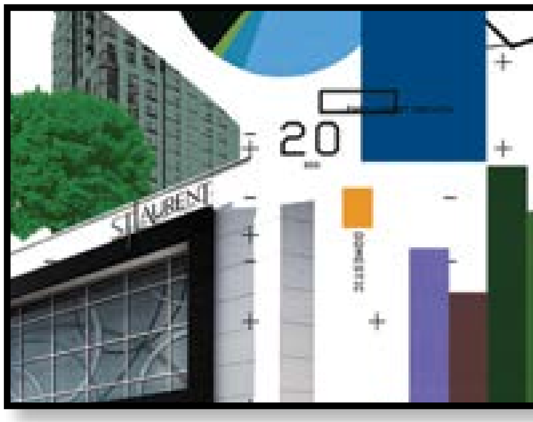
Source: CMHC; Morguard

Transaction volume totalled $1.9 billion for the first six months of 2022, up 31.4% over the same time period a year earlier.

WINNIPEG, MB

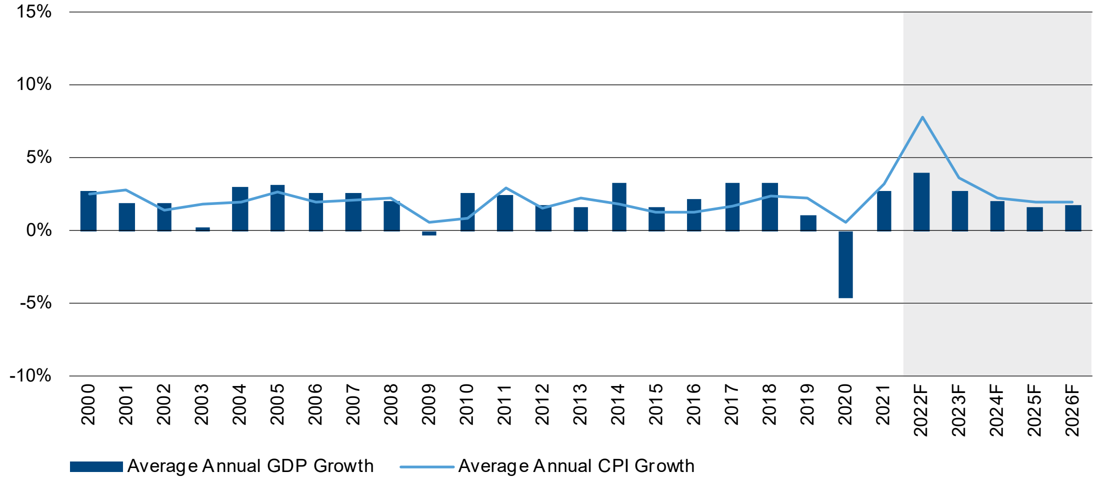
ECONOMIC SNAPSHOT

The Greater Winnipeg Area (GWA) economy will continue to expand at a healthy rate over the near term. The CBOC is projecting a 4.0% increase in economic output for 2022. A further 2.5%-3.5% advance is forecast for 2023. The region's major industry groupings will all see strong gains, with a recovery expected for the agri-business sector. Growth will drive employment levels higher by 2.0%-2.5% in 2022.



ECONOMIC GROWTH

Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET TIGHTNESS TO PERSIST

GWA labour market conditions will remain tight over the near term. The region's unemployment rate is forecast to fall to roughly 5.0% by the end of 2022, down more than 100 bps year-over-year. The rate rose to a five-year high of 8.8% in 2020, up 350 bps from pre-pandemic 2019 rate. Subsequently, the rate was driven down 200 bps in 2021 to 6.8%, with the relaxing of pandemic restrictions and strong job growth performance. The CBOC is forecasting a solid 2.4% increase in regional employment this year, followed by a 0.4% lift in 2023. Sectors hit hardest by the pandemic will lead the job growth charge over the near term. Double-digit growth is forecast for the region's accommodation and food services sector in 2022. The office space using finance, insurance, and real estate sector is expected to see employment rise. Overall, labour market conditions will remain tight over the near term.

RETAIL SPENDING WILL SLOW

Retail spending is forecast to slow down significantly over the near term. Retail spending is projected to rise by 0.8% in 2023. A modest increase of 0.6% is anticipated for the following year. The spending slowdown can be directly attributed to the waning of the pent-up demand that contributed to the strong retail sales performance of 2021. Retail sales increased by a stellar 16.0% in 2021, due in large part to the gradual relaxation of pandemic restrictions on in-store shopping. Higher interest rates and outsized inflation will also take a bite out of household balance sheets and spending power. However, healthy economic and employment growth patterns will continue to boost spending over the near term to some degree. On aggregate, retail spending will slow down significantly over the near term, following the 2021 spending surge.

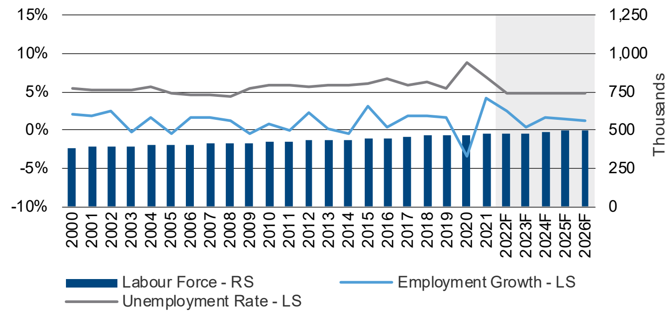
GROWTH PHASE OF CYCLE TO MATURE

The growth phase of the GWA's economic cycle is expected to mature over the medium term. By 2024, industrial output will begin to expand at a more modest rate. Growth will average just shy of 2.0% annually in 2024/2025. The region's economy will edge closer to full capacity, thereby limiting expansion. In addition, higher interest rates will also limit expansion to some degree. Despite the growth moderation, labour market conditions will remain relatively healthy. Employment will continue to rise, increase by roughly 1.5% in each of 2024 and 2025. Labour market conditions will remain tight, with the unemployment rate holding at close to 5.0% over the same two-year period. Healthy labour market conditions will support stronger retail consumption patterns. Growth will average close to 3.0% annually in 2024/2025, as the GWA's growth phase of the economic cycle matures.

Retail sales increased by a stellar 16.0% in 2021, due in large part to the relaxation of pandemic restrictions on in-store shopping.

LABOUR MARKET

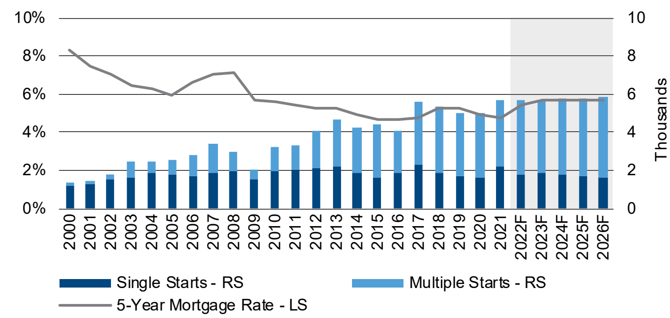
Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

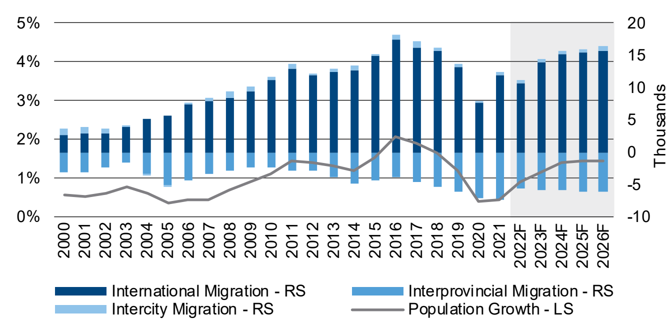
Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET PERFORMANCE WAS MIXED

The GWA's leasing market performance of the recent past was mixed. On the one hand, the suburban submarket performed relatively well. The suburban vacancy rate fell 180 bps to 9.4% over the first six months of 2022. The rate was down 100 bps year-over-year. Suburban leasing demand was moderately positive over roughly the same time period. Occupancy increased by just over 75,000 square feet over the six-month period. On the other hand, vacancy continued to rise in the downtown submarket during the first half of 2022. Downtown vacancy increased by 110 bps to 16.4% over the first half of 2022, according to CBRE figures. Almost 76,000 square feet of space was placed back onto the market in the downtown area during the first half. Increasingly, tenant requirements for leased space were reduced when their existing leases expired. On aggregate GWA office rents were relatively stable, despite a relatively mixed near-term leasing performance.

INVESTOR SENTIMENT WAS MODERATELY POSITIVE

GWA office property sector investor sentiment was moderately positive over the recent past. Institutional and private investors continue to look for acquisition opportunities in this market. Buyers focused their efforts on prime properties with stable tenants on long-term leases. However, the availability of properties with these attributes during the latter half of 2021 and first half of 2022 was very limited. There were very few large-scale investment sales reported. Investment activity was made up largely of smaller transactions with a sale price of $5.0 million or less. Cap rates stabilized at the cycle low until the second quarter of 2022. Investment and economic risk, interest rates and long-term bond yields had increased substantially. As a result, cap rates edged higher. However, investor sentiment remained moderately positive.

FUNDAMENTALS WILL GRADUALLY STABILIZE

GWA office leasing market fundamentals will gradually stabilize over the near term, following an extended period of volatility. Demand will stabilize, as economic output rises. Some tenants will continue to shed excess space, however, this trend will begin to slow. In turn, vacancy will level off, following a steady rise over the past couple of years. Wawanesa's relocation to True North Square will have a significant impact on this market. Investor confidence will remain moderately positive. Premium-quality properties with strong tenant rosters will continue to be a preferred investor target.

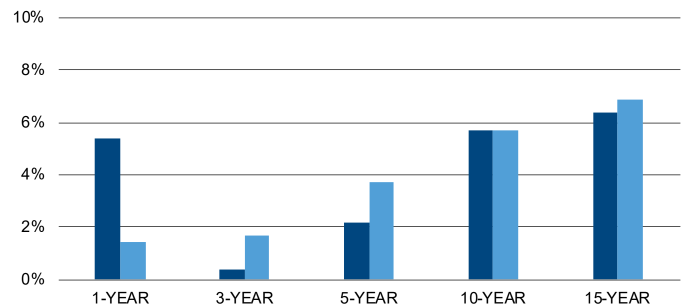
TRENDING STATISTICS

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

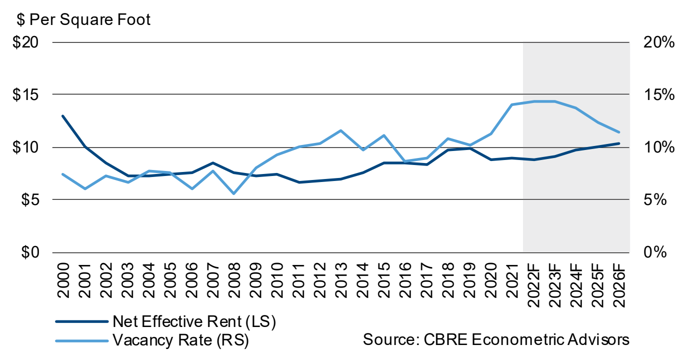
For the period ending June 2022



Source: ©MSCI Real Estate 2022

OFFICE RENT & VACANCY

Winnipeg Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Downtown vacancy increased by 110 bps to 16.4% over the first half of 2022.

DEMAND OUTSTRIPPED SUPPLY

Leasing market demand outstripped supply in the GWA's industrial property sector over the recent past, mirroring the national trend. By the end of the first half of 2022, there were very few options available for tenants looking to expand or relocate. The GWA's industrial availability rate stood at a 19-year low of 2.0% as of the end of June 2022. Asking rents rose steadily during the first half of 2022, as available space options dwindled. Construction activity increased substantially, as rents continued to rise and demand outdistanced supply. Roughly 700,000 square feet of industrial space was under construction as of the midway mark of 2022. The newly constructed space was expected to be leased-up by logistics, warehouse, and last-mile delivery businesses in relatively short order. Demand will continue to outstrip existing or newly built supply over the near term, in keeping with the recent trend.

INVESTOR APPETITE REMAINED ELEVATED

Investor appetite for acquiring GWA industrial investment property remained elevated over the past year, in keeping with the national trend. A range of investment groups looked to source properties in this market with stable income streams. Buyers targeted core warehouse and logistics properties in established parks. On aggregate, demand exceeded the supply of available properties. Private groups were more frequent bidders on properties with upside redevelopment potential and additional density. However, acquisition opportunities were somewhat limited during 2021 and the first half of 2022. In 2021, cap rates compressed before stabilizing at the cycle low. However, rates began to rise in the second quarter of 2022, in keeping with the national trend. Investors adjusted their pricing objectives as economic risk, interest rates, and long-term bond yields increased. Despite increased sector risk, investor appetite remained elevated.

LEASING MARKET TO SOFTEN SLIGHTLY

GWA industrial leasing market conditions will soften slightly over the near term. Demand for leased space will slow in the second half of 2022 and early 2023. Some of the region's industrial users will take a wait-and-see approach to growing their businesses, given an increased probability of an economic downturn. At the same time, construction completions will increase substantially. The combination of slightly weaker demand patterns and new supply deliveries will push availability moderately higher. In turn, market rents will begin to stabilize. Despite slightly weaker leasing fundamentals, investors will exhibit confidence in this market.

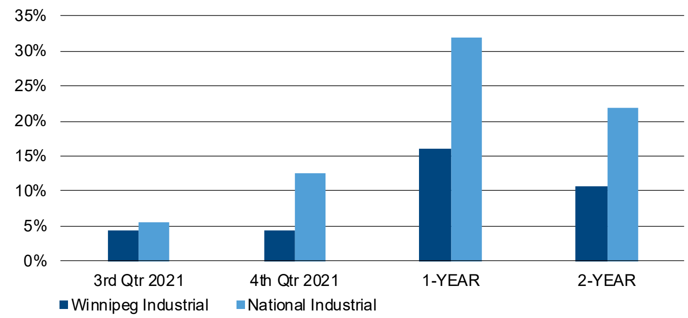
TRENDING STATISTICS

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 December 2021*

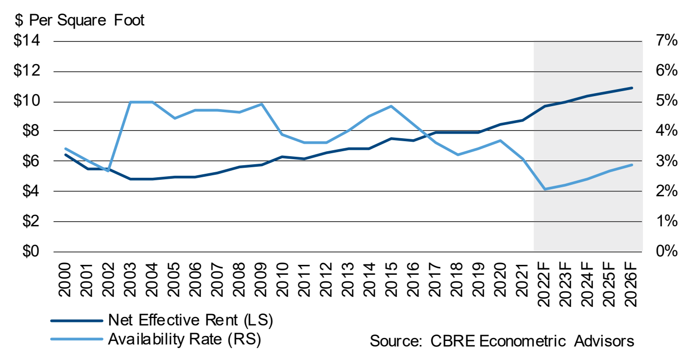


*Current data unavailable

Source: ©MSCI Real Estate 2022

INDUSTRIAL RENT & AVAILABILITY

Winnipeg Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The Greater Winnipeg Area's industrial availability rate stood at a 19-year low of 2.0% at the end of June 2022.

LEASING MARKET PROGRESS WAS MADE

Progress was made in the GWA retail leasing market during 2021 and the first half of 2022, with the suburbs leading the way. Demand patterns were moderately healthy, which translated into the absorption of vacant space in some of the region's prominent shopping centres and nodes. Grocery store renovations and new store opening resulted in the absorption of space. In some cases, vacant space was converted to alternative uses. Discounters and service retail operators opened new outlets in this market recently. Quick service food operators also expanded in this market. However, vacant dine-in restaurant space remained a challenge for some landlords. Overall, demand was strongest in the suburbs. Vacancy trended slightly lower, which was indicative of the GWA leasing market progress of the recent past.

.

INVESTMENT MARKET CONDITIONS STABILIZED

GWA retail property investment market conditions stabilized recently, in keeping with the national sector trend. Demand characteristics observed in the latter half of 2021 and first half of 2022 were unchanged year-over-year. Institutional groups targeted properties that had performed relatively well historically and over the past few years. Properties with higher risk profiles were generally not as well received. Properties in suburban locations with necessities-based tenants were preferred acquisition targets and sold with relative ease. Cap rates held at the cycle low through to early 2022. However, as investment risk continued to rise, cap rates increased modestly for all asset types during the second quarter of 2022. Aside from the modest second-quarter cap rate decompression, investment market conditions were relatively stable.

INVESTORS WILL TARGET LOWER RISK PROPERTIES

Investors will continue to target lower risk properties for acquisition in this market over the near term. The targeting of lower risk property acquisitions is a byproduct of heightened macro-economic and retail industry risk. Properties with necessities-based tenants will remain a popular target. Centres with national tenants on long-term leases that have solid near-term performance track records will also be favoured. The supply of properties available for acquisition will be very limited, in keeping with the recent trend. As a result, sales activity will remain relatively muted over the near term, as investors exhibit a clear preference for lower risk acquisitions.

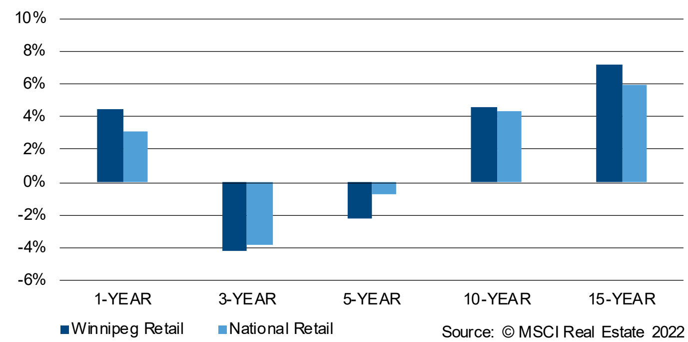
TRENDING STATISTICS

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

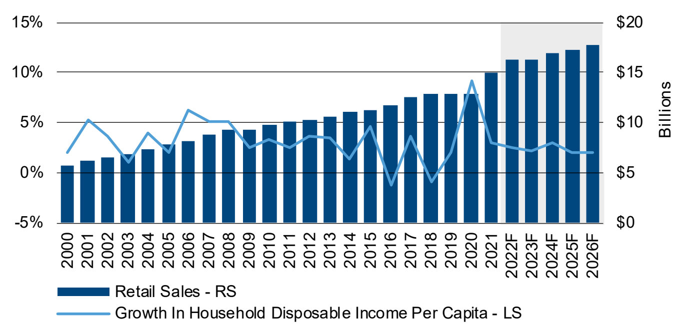
For the period ending June 2022



Source: © MSCI Real Estate 2022

RETAIL CONDITIONS

Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

Vacancy trended slightly lower, which was indicative of the Greater Winnipeg Area's leasing market progress of the recent past.

VACANCY CONTINUED TO RISE

GWA multi-suite residential rental sector vacancy continued to rise over the past year. The market average vacancy rate of 5.0% reported in October 2021 represented a 27-year high. New supply was the primary driver of the market's rising vacancy trend of the recent past. In 2021, a total of 2,915 newly built units were added to inventory, which was a record annual high dating back to 1990. New supply completions will remain elevated through 2022. Vacancy remained relatively low in the GWA's suburban submarket during 2021 and early 2022. Suburban vacancy was relatively stable during the pandemic lockdown periods when compared to the GWA's downtown area. Increasingly, renters exhibited a preference for larger units in less densely populated areas as infections rates continued to climb. Overall, rental market conditions have become more balanced over the recent past. Despite the increased balance, rents continued to rise. However, rent growth slowed significantly over the past year, as vacancy continued to rise.

INVESTMENT DEMAND REMAINED ELEVATED

Investment demand for GWA multi-suite residential rental property remained elevated during 2021 and early 2022. Institutional and private capital groups looked to the market and sector as a source of attractive yield and stable income. Institutional buyers focused on high-rise product and recently constructed properties. Private groups tended to source properties with value-add attributes. In keeping with the market's history, however, investment opportunities were limited. Multiple bids were received when properties were offered on the open market. Cap rates continued to range at the cycle-low through to early 2022. However, by the second quarter of 2022, investment risk levels had increased along with long-term bond yields and interest rates. Cap rates edged higher, following an extended period of elevated investment demand.

INVESTOR SENTIMENT TO REMAIN POSITIVE

Investment demand for GWA multi-suite residential rental property will remain elevated over the near term. Investors will source opportunities in this sector, given attractive prevailing yields and a healthy performance outlook. Product availability will be limited. Cap rates will rise over the near term, given elevated risk levels. Demand will continue to outstrip supply, as buyers look to source properties that have historically outperformed during periods of economic weakness.

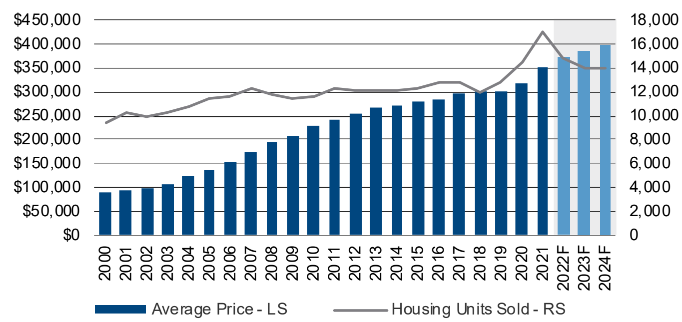
TRENDING STATISTICS

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).

HOUSING MARKET

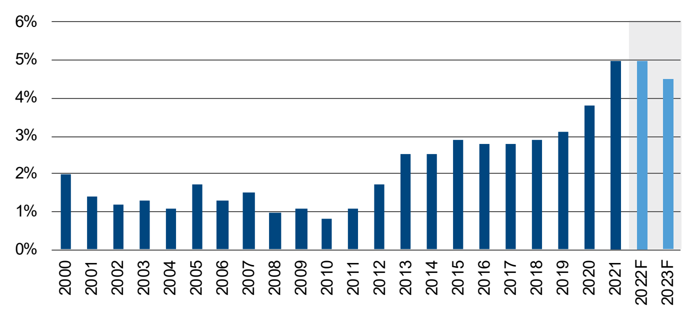
Winnipeg Pricing Vs. Demand



Source: CREA (MLS®); CMHC

AVERAGE RENTAL VACANCY

Winnipeg Multi-Suite Residential



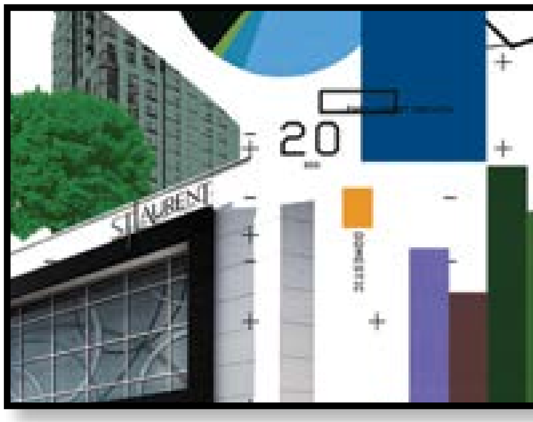
Source: CMHC; Morguard

In 2021, a total of 2,915 newly built units were added to inventory, which represented a record annual high dating back to 1990.

REGINA, SK

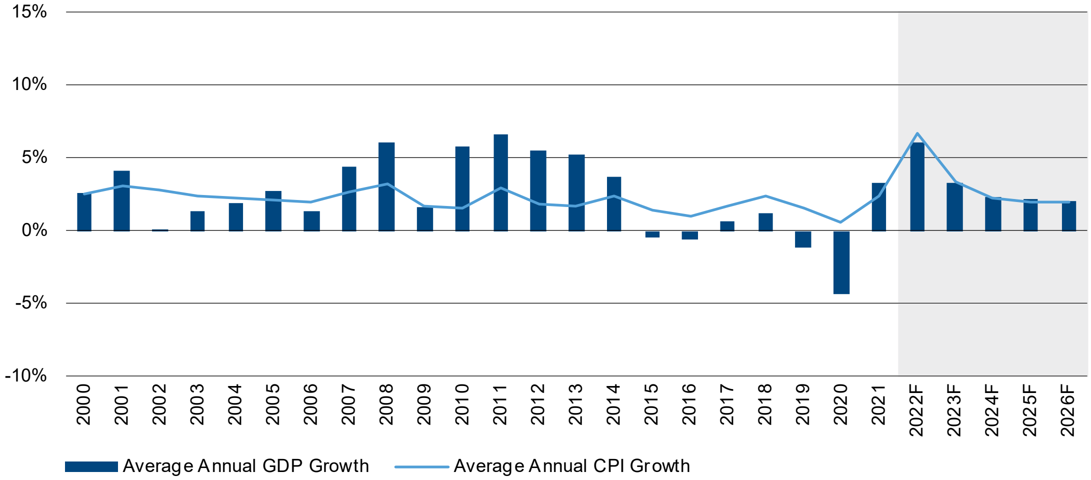
ECONOMIC SNAPSHOT

A strong economic growth trend is forecast for Greater Regina Area (GRA) over the near term. The CBOC is predicting real GDP will expand by a robust 5.0%-6.0% in 2022 and a further 3.3% next year. The near-term recovery from the adverse economic impacts of the pandemic has been relatively muted, with GDP expanding by 3.3% in 2021. As the economy expands, labour market conditions will improve significantly.



ECONOMIC GROWTH

Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

STRONG LABOUR MARKET PERFORMANCE FORECAST

A relatively strong labour market performance is forecast for the GRA over the near term. The CBOC forecast calls for a healthy 3.5%-4.0% increase in total GRA employment for 2022. In the following year, employment will increase by an additional 0.2%. The arts and entertainment and accommodation and food services sectors will lead the employment growth charge, assuming pandemic restrictions aren't reinstated. Previously, the region had lost 8,630 jobs in 2020, which erased seven years of growth. Employment growth will drive the region's unemployment rate down relatively sharply over the near term. The rate is projected to drop sharply in 2022 to between 5.0% and 5.5%. The rate will edge slightly higher in 2023. Overall, a relatively strong labour market performance is forecast for the GRA over the near term.

RETAIL SALES GROWTH TREND WILL UNDERWHELM

GRA retail sales growth will underwhelm over the near term, following a strong 2021 performance. Retail sales will increase by a modest 1.5% in 2023, following a 8.5% lift in 2022. Previously the 17.6% advance of 2021 more than made up for the sharp drop in spending in 2020. The sales growth slowdown can be attributed in part to the winding down of government financial support programs implemented in 2020. Household disposable income growth will slow significantly over the near term, which will also have a negative impact on spending. Additionally, inflation pressures will force some households to cut back on retail goods spending. Over the medium term, the GRA's retail sales growth will strengthen, following a relatively brief period of underwhelming results.

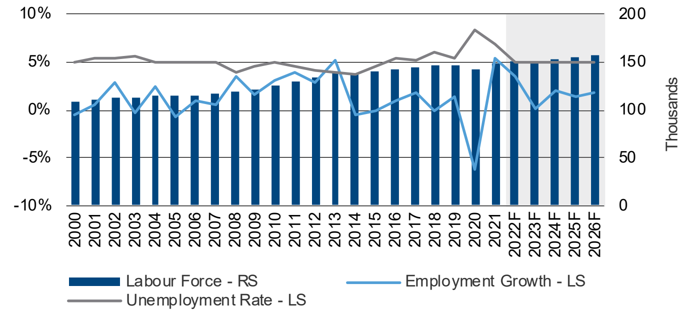
ECONOMIC GROWTH WILL MODERATE

GRA economic growth will moderate over the medium term, in keeping with the national trend. Real GDP is projected to increase by an annual average of 5.0%-6.0% this year and a further 3.3% in 2023. Subsequently, growth will slow down substantially. Real GDP will advance by an annual average of just over 2.0% in 2024/2025. The forecast medium-term growth moderation will be driven by more than one factor. Local demand for goods and services will soften over the next few years, due primarily to higher debt servicing costs and inflation. In addition, growth in sectors hardest hit by the pandemic will moderate, following a period of robust expansion and recovery. Retail spending growth will also slow over the medium term, as households continue to adjust to a higher cost of living in the post-pandemic era. In short, GRA economic growth will moderate over the medium term, following an extended period of pandemic-influenced volatility.

The CBOC is predicting real GDP will expand by between 5.0% and 6.0% in 2022 and a further 3.3% next year.

LABOUR MARKET

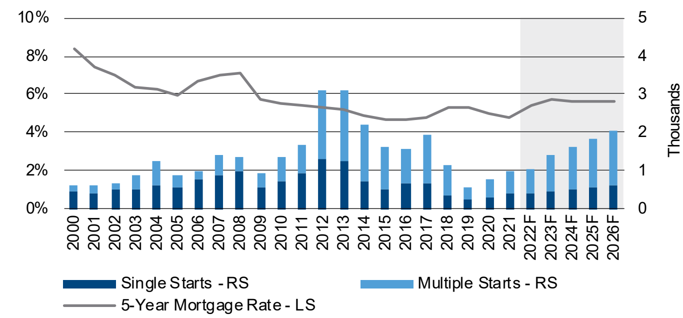
Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

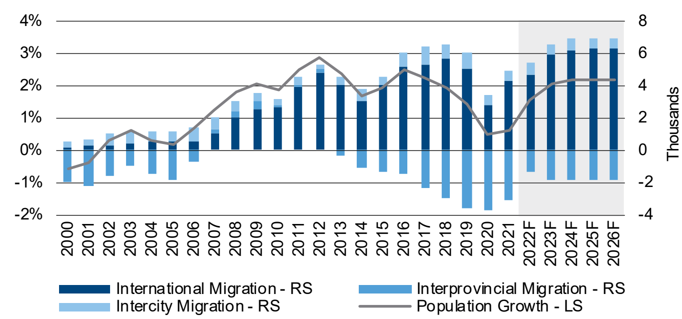
Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

AVAILABLE SUPPLY WAS SCARCE

A scarcity of available space was the dominant GRA industrial leasing market theme of the recent past. Availability rested at a critically low 1.5% at the midway mark of 2022, down from 2.7% at the end of 2021. There were few options available to tenants looking to expand or relocate in this market. Tenants looking for expansion space struggled to source alternatives in all size ranges. Functional space was particularly hard to find. As leasing market conditions tightened in 2021 and the first half of 2022, rents climbed to a benchmark high for the cycle. Landlords were able to command higher rents both for new leases and in renewal negotiations. Landlord portfolios were largely fully occupied. New construction was leased prior to completion or shortly thereafter, offering little relief for tenants looking for space. In short, available space was in very short supply in this market over the recent past, which was in keeping with the broader industrial sector trend.

SECTOR REMAINED PRIME INVESTOR TARGET

The GRA industrial property sector remained a prime investor target over the recent past, in keeping with the medium-term trend. Buyers exhibited strong interest in acquiring functional properties with tenant rosters that included long or short-term leases. Investors exhibited confidence that if they acquired a property with an expiring lease or leases, they could secure a tenant or tenants for the same space at a benchmark high lease rate. For the most part, investment demand outpaced the supply of properties available for acquisition, which has been the historical norm for this market. Property values were relatively stable in 2021 and early 2022 and cap rates held at cycle-low levels. However, upward pressure on rates increased in the second quarter of 2022, given the recent string of interest rate hikes and rising long-term bond yields. As economic risk continued to rise, investors altered their risk-adjusted return expectations. This sector is expected to remain a prime investor target, despite an elevated level of macro-risk.

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, as availability rests close to the 20-year low level. The shortage of industrial development land will support continued demand supply imbalance and cycle-high rents. Strong leasing market performance will continue to draw investment capital to the region.

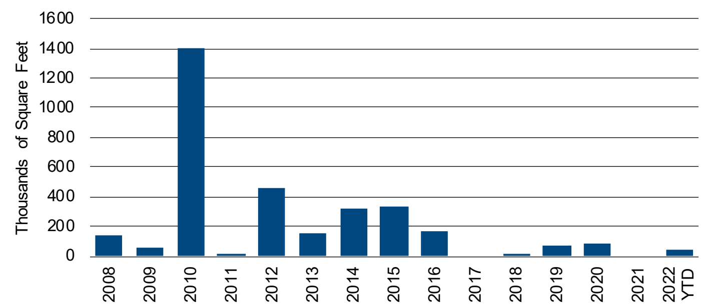
TRENDING STATISTICS

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 NEW SUPPLY

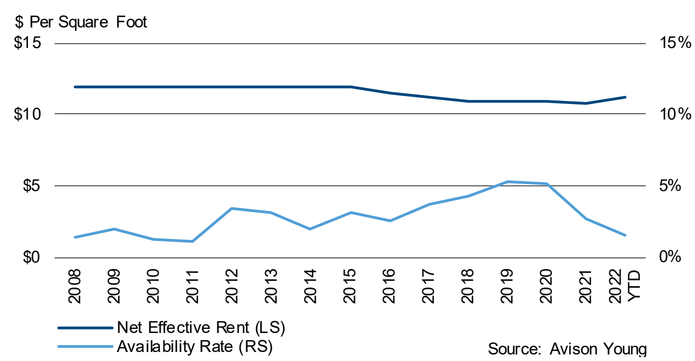
Regina Historical Aggregates



Source: Avison Young

INDUSTRIAL RENT & AVAILABILITY

Regina Historical Aggregates



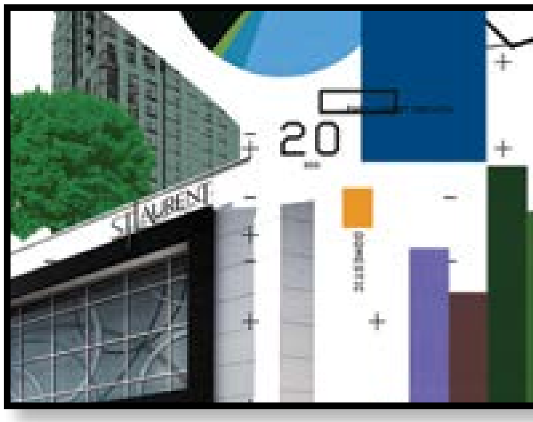
Source: Avison Young

As leasing market conditions tightened in 2021 and the first half of 2022, rents climbed to a benchmark high for the cycle.

SASKATOON, SK

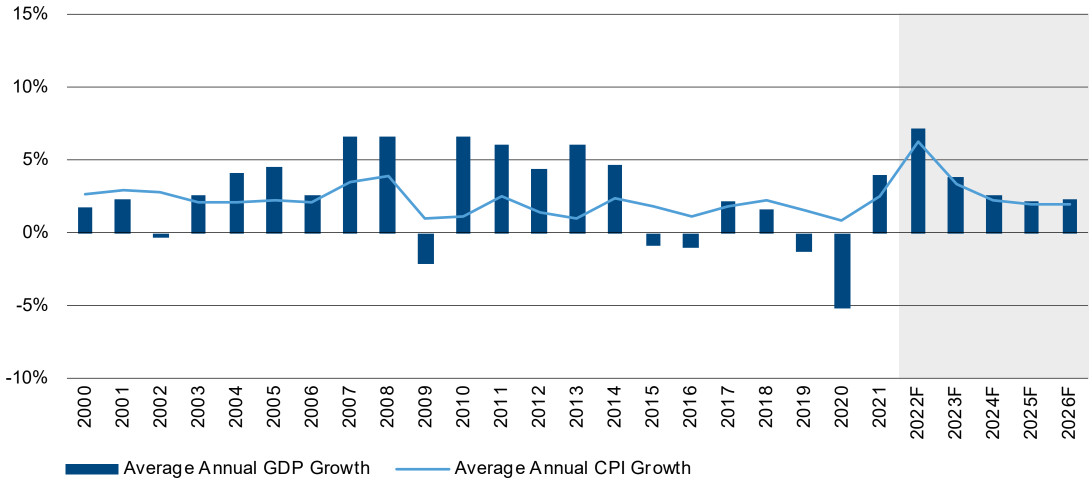
ECONOMIC SNAPSHOT

The Greater Saskatoon Area (GSA) will exhibit healthy economic performance patterns over the near term. Real GDP is forecast to increase by a better-than-average rate in 2022. The region's leading growth drivers will be its agriculture, mining, and oil industries. Labour market momentum will remain positive over the near term, following the 2021 bounce back from the pandemic-induced correction.



ECONOMIC GROWTH

Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

POSITIVE LABOUR MARKET MOMENTUM TO PERSIST

Positive labour market momentum will persist in the GSA over the near term. Regional employment will rise by between 8.0% and 9.0% in 2022, having bounced back swiftly from the pandemic-driven losses. Employment rose by 4.9% in the fourth quarter of 2021, according to CBOC figures. Employment fell by a relatively modest 3.5% in 2020. In the following year, employment growth was stronger than both the provincial and national averages. Employment growth is expected to drive the region's unemployment rate down sharply over the near term. The CBOC forecast calls for the unemployment rate to fall below 5.0% in 2022. The rate will stabilize in 2023, as the region's labour force expands. Labour market conditions will tighten significantly in 2022 and remain tight over the next few years.

RETAIL SALES GROWTH TREND TO WEAKEN

The GSA's retail sales growth trend will weaken over the near term, in keeping with the national performance. Retail sales volume will rise by 10.6% in 2022. In 2021, pent-up demand pushed the year-over-year growth rate well into double-digit territory. The 21.0% increase more than made up for flat 2020 sales reading. The 10.6% retail sales growth forecast for 2022 is well above the pre-pandemic 2019 average. The GSA retail sales growth trend weakening is attributable to several factors. The region's nominal wage is forecast to rise by 3.9% in 2022. However this growth will be more than offset by the region's 6.2% inflation average for the year. In addition, the rising cost of accommodation will erode household spending. The reduction in household spending power will result in a weaker retail sales growth trend over the near term.

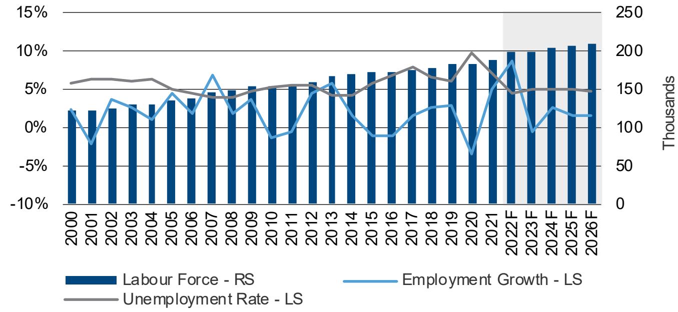
ECONOMIC OUTLOOK IS RELATIVELY BRIGHT

The GSA's overall economic outlook is relatively bright. The CBOC forecast calls for real GDP to expand by an annual average of between 3.5% and 4.5% in 2022/2023. Subsequently, growth will settle into a more sustainable pattern, beginning with a 2.0%-2.5% advance in 2024. The region's agriculture and commodities sectors will be key growth drivers over the next few years. As economic output increases, labour market conditions will strengthen considerably. Employment is expected to rise by more than 8.0% in 2022, with a slight decline forecast for the following year. The ranks of the GSA's employed will increase by an annual average of 1.9% over the subsequent three-year period. The region's unemployment rate will stabilize in 2023, a trend that will continue through to the midway mark of the decade. In short, the GSA's near-term economic outlook is relatively bright when compared with most other large Canadian metros.

Employment is expected to rise sharply in 2022, followed by a modest 0.5% decline in 2023.

LABOUR MARKET

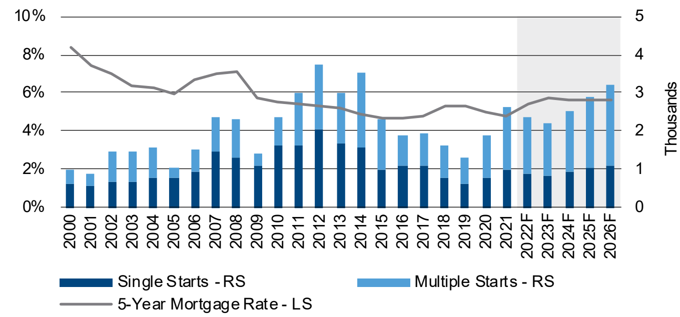
Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

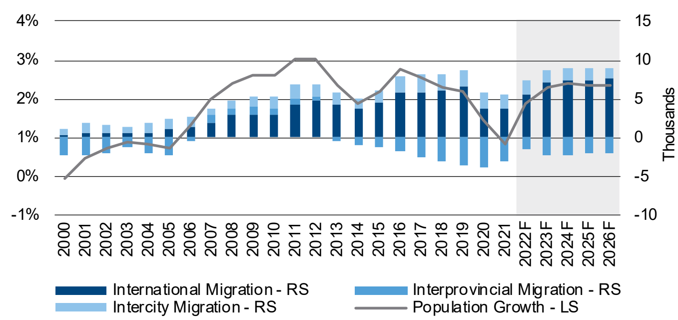
Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET RISK EASED

GSA retail sector leasing market risk eased recently, due primarily to the loosening of pandemic restrictions. Increased brick-and-mortar store foot traffic and pent-up demand supported increased retail sales productivity in the second half of 2021 and the first few months of 2022. Over the same time-period, retailers began to address their long-term space plans for this market. Confidence levels increased as the region's economic growth trend firmed. Leasing demand and activity increased during the latter half of 2021 and early 2022. As a result, vacancy stabilized, with a healthy 4.6% average rate reported by ICR for Q1 2022. Asking rents were largely unchanged over the past 12 to 18 months, as market activity edged closer to the pre-pandemic norm.

QUALITY WAS KEY DEMAND-DRIVER

Quality was a key consideration for investors looking to acquire GSA retail investment property over the recent past. Investors targeted high-quality assets with stable, long-term leases in place. A preference for properties with grocery and other necessities-based anchors was evidenced. However, a relatively small number of high-quality, stabilized property offerings were brought to the market in 2021 and the first half of 2022. As a result, sales activity was relatively muted. In some cases, vendors were reluctant to sell assets with strong performance track records. Others hesitated to sell assets in an environment of elevated economic and sector uncertainty. On average, property values were relatively stable, particularly for high-quality, stabilized assets. However, cap rates increased slightly in the second quarter of 2022, as sector and economic risk, long-term bond yields and interest rates continue to rise. Elevated sector risk will ensure investors continue to focus on acquiring high-quality, stabilized properties over the near term, in keeping with the recent trend.

EMPHASIS ON QUALITY TO PREVAIL

Investors looking to acquire properties in this market will continue to focus on stabilized assets with secure income streams. Purchasers will shy away from riskier properties, given elevated sector and economic risk. The supply of available stabilized assets will be constrained, in part due to the market's small inventory of properties. Strip centres with grocery or other necessities-based anchors will continue to generate strong interest. Cap rate will continue to rise over the near term, given heightened sector and macro-economic risk. Therefore, investors will focus their efforts on acquiring lower risk properties in this market over the near term.

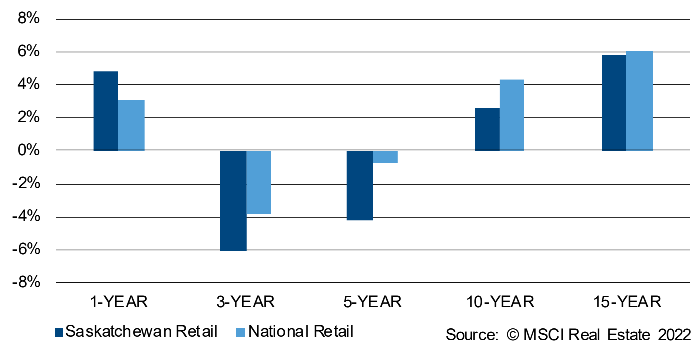
TRENDING STATISTICS

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

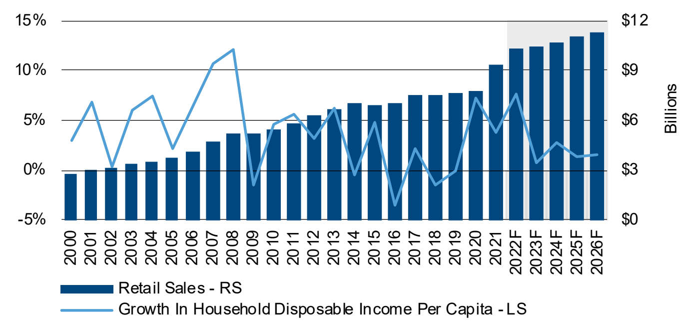
For the period ending June 2022



Source: © MSCI Real Estate 2022

RETAIL CONDITIONS

Saskatoon Historical & Forecast Aggregates



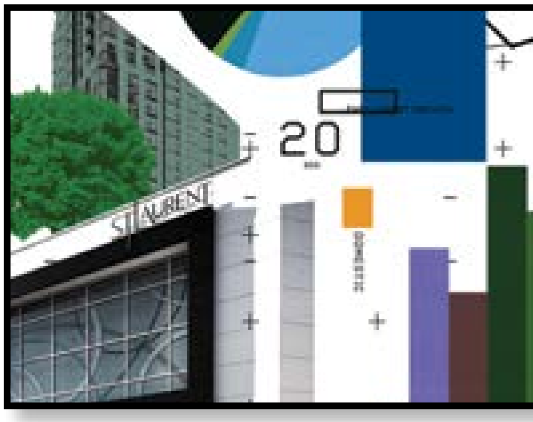
Source: Conference Board of Canada

Purchasers will continue to focus their efforts on acquiring lower risk properties in this market over the near term.

CALGARY, AB

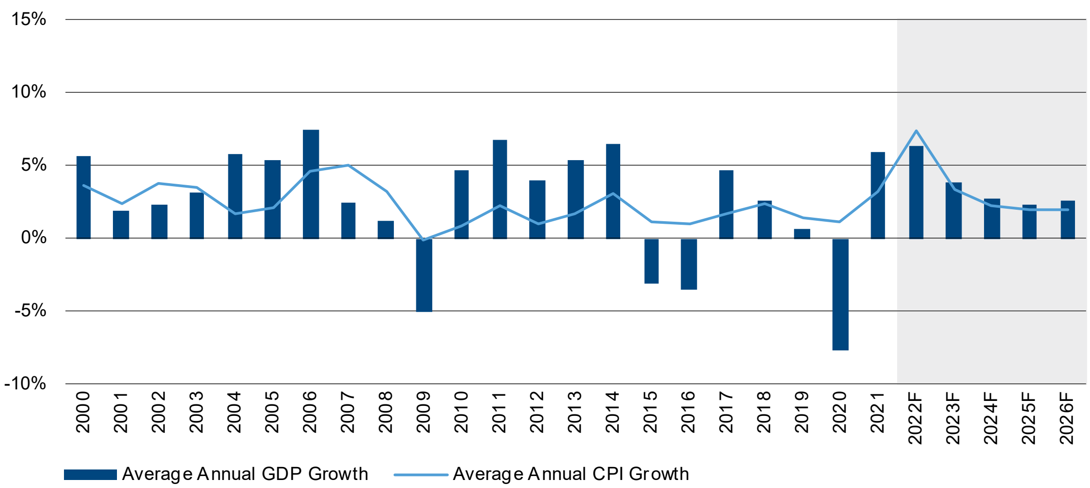
ECONOMIC SNAPSHOT

The Greater Calgary Area (GCA) economy is expected to outperform over the near term, due largely to a higher oil price backdrop. Economic output is forecast to increase by 6.3% in 2022, slightly better than the decade high 5.9% gain in 2021. The GCA economy will drive GCA employment 4.5%-5.5% higher this year and a further 1.2% in 2023.



ECONOMIC GROWTH

Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB MARKET RECOVERY TO STRENGTHEN

The GCA's job market recovery is expected to strengthen over the near term, driven by a strong economic growth performance. The CBOC is projecting local employment will climb to a record high in the summer of 2022. Employment had previously reached a pre-pandemic peak in the second quarter of 2019, according to CBOC figures. Strong job growth is expected to drive the region's unemployment rate down to 5.9% by the end of 2022, 140 bps lower than the pre-pandemic low. The rate had spiked to 12.0% during 2020, as most businesses were forced to cease operations to combat the spread of the COVID-19 virus. The GCA's retail trade, arts and entertainment, and construction sectors will post above-average job growth in 2022. In summary, the GCA's job market recovery from the pandemic-influenced downturn is expected to strengthen considerably over the near term.

RETAIL SALES GROWTH WILL BE MODEST

Retail sales growth will be relatively modest over the near term, in keeping with the national trend. Retail sales volume is forecast to rise by a modest 1.4% in 2022, with a more robust 3.5% advance projected for 2023. The forecast growth will pale in comparison to the 11.0% pent-up demand-driven spike reported for 2021. The growth moderation can be attributed to several factors. The winding down of pandemic-era government transfers to Canadian households will erode spending power. The recent interest rate hikes and outsized inflation will also reduce spending to some extent. Housing market activity will continue to moderate over the near term, which will negatively impact spending patterns. Lastly, the threat of an economic downturn will cause some families to hold off on big-ticket purchases such as automobiles and appliances. In short, retail sales growth will moderate over the near term, following the record-high 2021 spike.

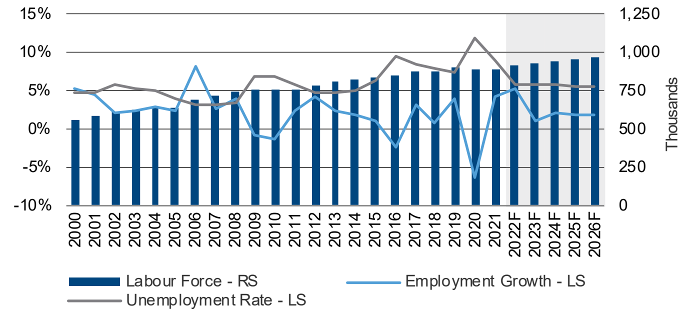
OUTLOOK IS GENERALLY POSITIVE

The GCA economic outlook is generally positive. The CBOC is projecting real GDP will rise by a relatively robust 3.8% in 2023. Subsequently, growth is pegged at an annual average of 2.5% for 2024/2025. The region's oil industry will boost output over the near term, given ongoing supply disruptions as a result of the war in Ukraine. In addition, industries hit hard by the pandemic will continue to gradually rebound, thereby driving output levels higher. Economic growth will be supportive of labour market gains over the next few years. Employment will rise to a record high at some point during 2022. Labour market conditions will continue to steadily improve through to the midway mark of the current decade. Retail consumption patterns will strengthen over the medium term, driven largely by a generally positive economic performance pattern.

The Greater Calgary Area economic outlook is generally positive, with real GDP projected to rise by a relatively robust 3.8% in 2023.

LABOUR MARKET

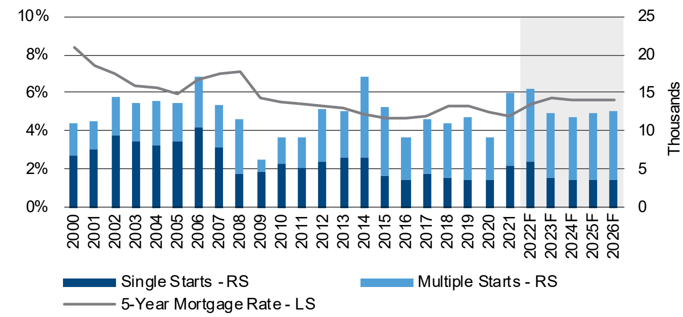
Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

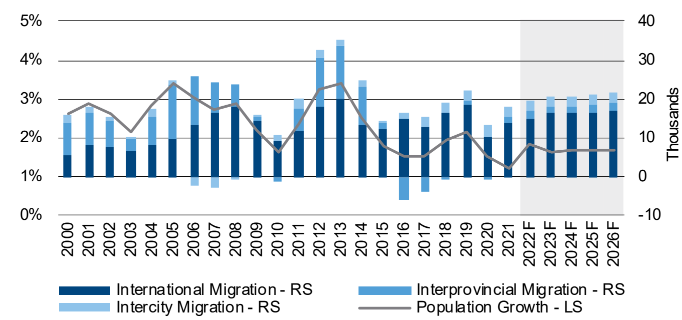
Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING PERFORMANCE UNDERWHELMED

The GCA's near-term office leasing market performance was largely underwhelming. Leasing demand remained relatively weak overall, although there were pockets of strength. Demand was strongest for built-out space, as tenants looked to avoid construction delays and shortages. Some of the region's tenants shed excess space to optimize their workplace strategies and retain and attract employees. On aggregate, however, the leasing demand patterns of 2021 and the first half of 2022 largely mirrored those of the prolonged market downturn of the past several years. The demand-weakness was reflected in supply-side metrics. The market's average vacancy rate hovered close to the 30.0% mark during 2021 and the first half of 2022. Downtown vacancy ranged between 200 and 300 bps higher over the same time-period. Market rents generally held at the cycle-low, given excess supply and weak demand fundamentals. The cycle-low rents were a function of the generally underwhelming leasing market performance of the recent past.

LIQUIDITY REMAINED LOW

GCA office property sector liquidity remained low during 2021 and the first half of 2022, continuing the medium-term trend. On aggregate, investors exhibited little confidence in this market. Very few properties were offered for sale, as most vendors were unwilling to sell properties or portfolios in a down market. Owners of the market's prime office properties continued to focus on leasing vacant space and operations. As a result, relatively few transactions were completed in 2021 and the first half of 2022. A few investors continue to source properties with strategic value or with repositioning potential. However, pricing on these assets reflected the heightened sector risk. In short, sector liquidity remained low over the recent past, in keeping with the trend of the past several years.

RECOVERY WILL TAKE TIME

A full recovery from the GCA's current office market malaise will likely take several years. The forecast timing is predicated on the market's current state. Near record-high vacancy is expected to persist well into 2023, in keeping with the trend of the past few years. Leasing demand is expected to improve slowly, given a positive economic growth outlook. However, as of the midway mark of 2022, leasing demand remained relatively weak. Downtown tenants continue to offload excess space. This trend will continue over the near term. In short, leasing market recovery will likely take several years.

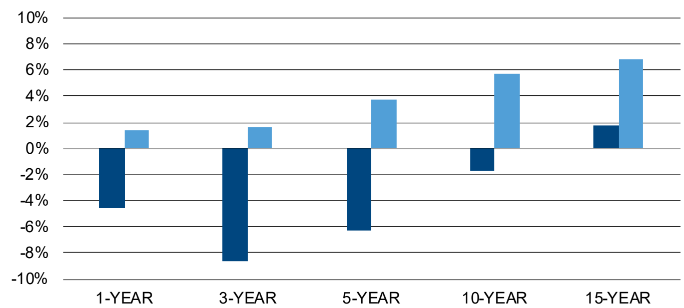
TRENDING STATISTICS

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

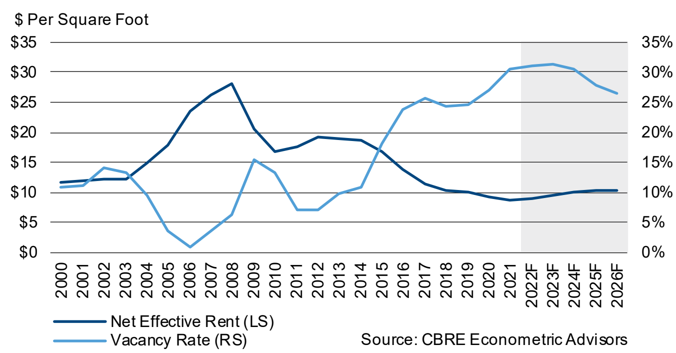
For the period ending June 2022



Source: ©MSCI Real Estate 2022

OFFICE RENT & VACANCY

Calgary Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Greater Calgary Area office property sector liquidity remained low during 2021 and the first half of 2022, continuing the medium-term trend.

LEASING DEMAND SURGED

Demand for industrial space across the GCA surged recently, resulting in considerably healthier market fundamentals. The demand-surge came from the region's warehouse, logistics and storage industries. Prominent businesses including Amazon and Walmart absorbed large blocks of available space in this market. More broadly, expansion activity helped cement the GCA's position as a regional distribution hub. Demand for industrial space exceeded supply, resulting in strong absorption characteristics. Roughly 11.2 million square feet of space was absorbed in 2021 and the first half of 2022 combined. The space absorbed during the 18-month period represented an all-time high. Over the same time-period, the GCA's availability rate was driven down sharply. The 3.9% average reported at the midway mark of 2022 was a record low. Coincidentally, benchmark high rents were established for most space types and sizes. In short, industrial leasing demand surged recently, resulting in markedly stronger market fundamentals.

OFFERINGS WERE WELL RECEIVED

GCA industrial investment property offerings were generally well received during the latter half of 2021 and first half of 2022. Individual properties and portfolios attracted strong interest and were sold with relative ease. In some cases, investors targeted properties with expiring leases, in order to renew the existing tenant or lease the space to a new tenant at higher rental rates. Investors exhibited interest in acquiring both core properties and those with value-add or repositioning potential. Investment sales activity has been generally quite brisk, with $855.0 million of transaction volume reported for the first half of 2022. The first-half total eclipsed the $765.8 million reported for 2021. In the second quarter of 2022, cap rates increased slightly. The re-pricing was in reaction to a combination of higher interest rates, outsized inflation, rising long-term bond yields and a marked increase in sector risk. At the midway mark of 2022, investment offerings were still relatively well received.

POSITIVE PERFORMANCE TRENDS FORECAST

The performance outlook for the GCA industrial sector is largely positive. Leasing demand patterns will remain healthy, driven by the region's ongoing economic recovery. As a result, supply constraints will persist, along with upward pressure on rents. Healthy leasing fundamentals will continue to draw a range of groups to this market in search of attractive yields, in an environment of heightened investment market risk.

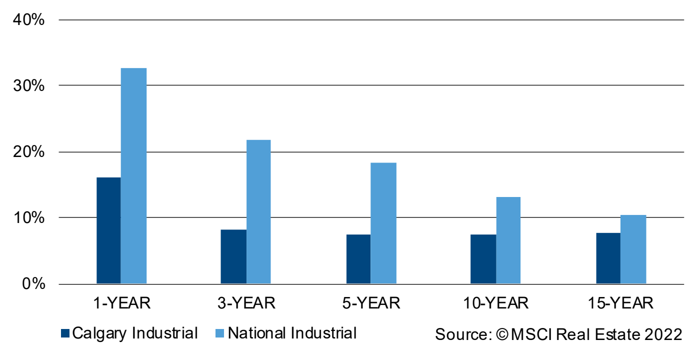
TRENDING STATISTICS

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

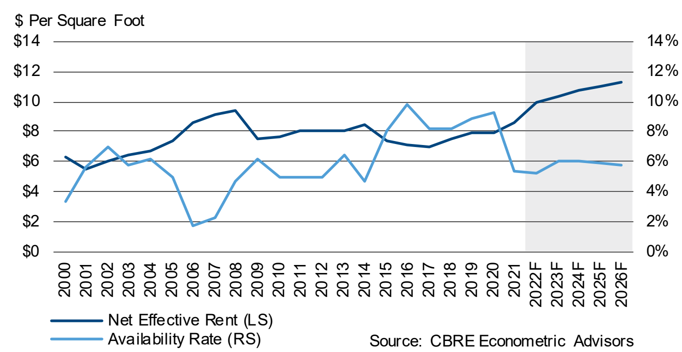
For the period ending June 2022



Source: ©MSCI Real Estate 2022

INDUSTRIAL RENT & AVAILABILITY

Calgary Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Investment sales activity has been generally quite brisk, with $855 million of transaction volume reported for the first half of 2022.

LEASING RECOVERY BEGAN TO UNFOLD

The GCA's retail leasing market recovery from the negative effects of the pandemic began to unfold recently. Leasing activity had closed in on the pre-pandemic average by the midway mark of 2022. Retail store productivity and confidence increased with the return of shoppers to brick-and-mortar stores. Anecdotal evidence suggested that store move-ins began to outpace closures by late 2021. Vacancy stabilized in several segments of the market. However, downtown vacancy remained elevated, despite the return of most workers to their offices. Leasing market conditions were tighter outside of the downtown area, as foot traffic bounced back relatively quickly to the pre-pandemic level. By early 2022, market rents exhibited signs of stabilization, having trended lower over the past couple of years. The rental rate stabilization indicated the GCA's leasing market recovery had begun to unfold.

INVESTMENT MARKET STABILIZED

The GCA retail property sector investment market stabilized over the recent past, in keeping with the broader national trend. Investors continued to focus on stabilized, low-risk acquisition opportunities through to the midway mark of 2022. Properties anchored by tenants selling non-discretionary goods were popular. In addition, centres that had outperformed were also targeted. However, properties with riskier profiles were of interest to a relatively small number of buyers. Retail properties continued to sell at a relatively healthy rate recently. In the first half of 2022, a total of $381.1 million of investment sales volume was reported. The first-half total was the second highest on record for the same time period dating back over a decade. Investors began to increase their risk-adjusted return objectives in the second quarter of 2022. As a result, GCA retail property cap rates began to rise. Aside from the recent price adjustment, investment market conditions were relatively stable over the recent past.

MORE OF THE SAME ON TAP

Significant shifts in GCA retail market conditions are unlikely over the near term. Leasing demand will gradually improve. In some cases, retailers will look to optimize brick-and-mortar portfolios. As a result, we will see some operators open new stores, which will be offset to some extent by downsizing activity. On balance, vacancy and rents will gradually stabilize. Investment market conditions will also be largely unchanged over the near term, as risk remains elevated. Low risk properties will be targeted most often. In short, the GCA retail property market will stabilize over the near term.

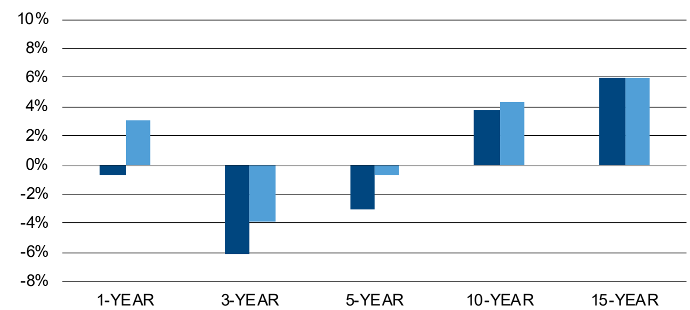
TRENDING STATISTICS

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

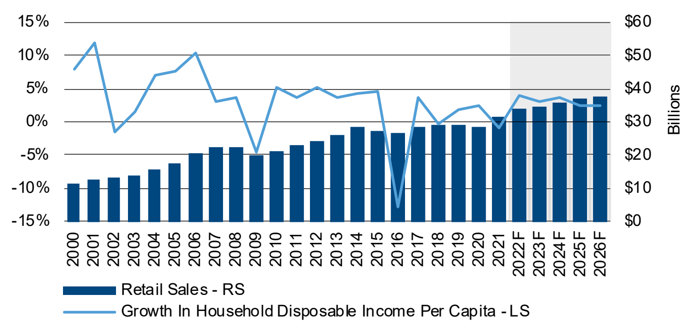
For the period ending June 2022



Source: © MSCI Real Estate 2022

RETAIL CONDITIONS

Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

Leasing market conditions were tighter outside of the downtown area, where foot traffic bounced back relatively quickly to the pre-pandemic level.

RENTAL DEMAND FIRMED

Demand for multi-suite residential rental accommodation firmed recently. The GCA's economic recovery and job market growth were catalysts for the rental demand firming that began in the second half of 2021 and carried through to the midway mark of 2022. Economic output and employment bounced back to pre-pandemic levels in most of the region's business sectors, including energy. Rising youth employment also supported the demand firming of the recent past. As the region's demand trend firmed, vacancy was driven gradually lower. The GCA's multi-suite residential rental aggregate vacancy rate stood at 5.1% as of October 2021, down 150 bps year-over-year. Coincidentally, rents have stabilized across much of the region. However, some downtown landlords continued to offer incentives to prospective tenants, given elevated vacancy levels. Rental demand is expected to remain healthy over the near term having firmed over the recent past.

INVESTMENT DEMAND EXCEEDED SUPPLY

Demand for multi-suite residential rental investment property exceeded supply over the recent past. Institutional groups scoured the market for core high-rise properties in the downtown area or on mass transit routes. Private groups tended to concentrate on low-and medium-rise properties with value-add attributes. However, private capital were also frequent bidders on core offerings. On aggregate, the volume of properties offered for sale fell short of demand through to the midway mark of 2022. As a result, bids on offerings were aggressive and competition was relatively fierce. Despite the supply shortfall, properties sold at a healthy rate. Transaction volume totalled $221.6 million for the first half of 2022, which was up 37.7% over the same time period a year earlier. Cap rates for core properties held at the cycle low during the latter half of 2021 and early 2022. However, cap rates increased during the second quarter of 2022, as risk was re-priced. Prior to the risk re-pricing, multi-suite residential rental investment property demand had consistently exceeded supply.

CONTINUED STABILIZATION FORECAST

The recent stabilization of GCA multi-suite residential rental sector fundamentals will persist over the balance of 2022 and into 2023. Economic and job market gains will continue to support largely positive rental demand patterns and slowly drive vacancy levels below the 5.0% mark. As conditions tighten, rents will rise along with returns. Healthier fundamentals and performance will continue to draw investors to the region and sector.

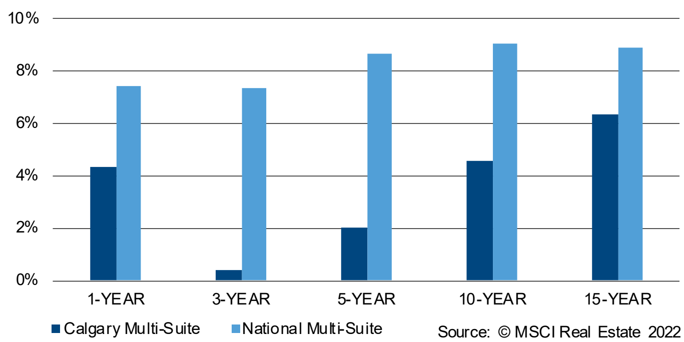
TRENDING STATISTICS

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

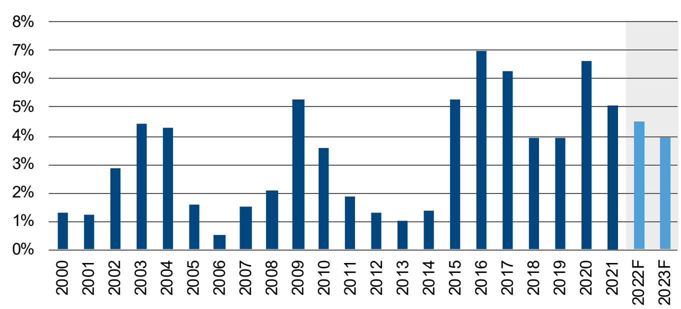
For the period ending June 2022



Source: © MSCI Real Estate 2022

AVERAGE RENTAL VACANCY

Calgary Multi-Suite Residential



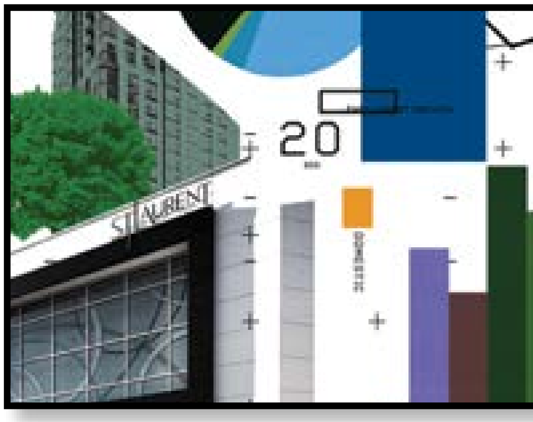
Source: CMHC; Morguard

Some downtown landlords continued to offer incentives to prospective tenants, given elevated vacancy levels.

EDMONTON, AB

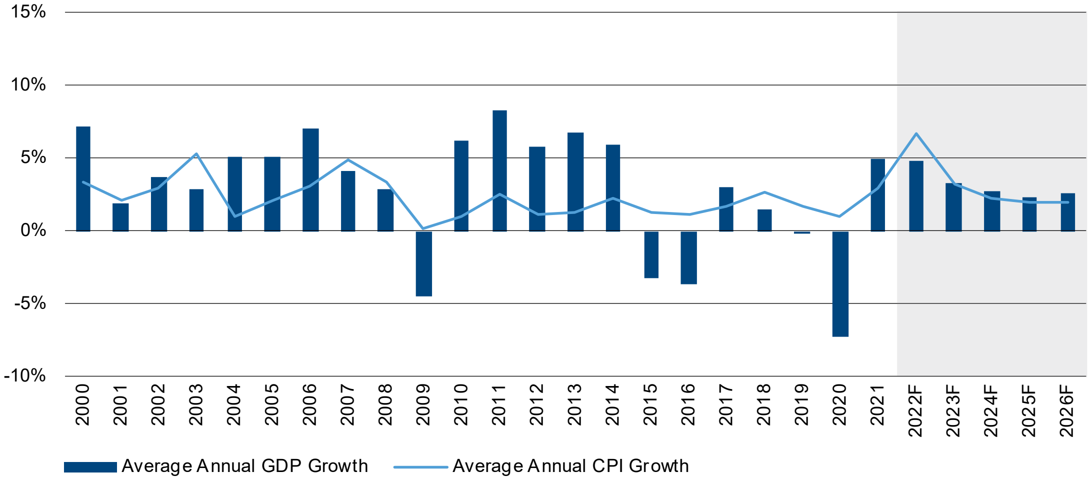
ECONOMIC SNAPSHOT

The Greater Edmonton Area (GEA) economy will continue to bounce back from the negative impacts of the pandemic over the near term. The continued health of the energy sector will drive industrial output markedly higher over the near term. Real GDP will rise by a between 5.0% and 5.5% in 2022, the fastest growth on record dating back to 2014. Consequently, labour market conditions will strengthen significantly.



ECONOMIC GROWTH

Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB MARKET IMPROVEMENT FORECAST

The GEA's job market will continue to improve over the near term, building on the strong performance of the recent past. Employment will rise by a healthy 4.0% in 2022, according to the CBOC. A solid 1.7% increase is projected for 2023. As employment levels rise, the region's unemployment rate will decline. An unemployment rate of 5.9% is forecast for the end of 2022, down 300 bps year-over-year. Subsequently, the rate will stabilize in 2023, as an increased number of area residents enter the labour force looking for work. The GEA's health care and accommodation and food services sector will register above-average employment growth over the near term. In 2023, employment is expected to rise sharply in the construction sector, according to the CBOC. The job market improvement forecast over the near term will build on the stellar 2021 performance when employment rose by 9.0%.

RETAIL CONSUMPTION GROWTH TO SLOW

Retail sales growth will slow significantly over the near term, in keeping with the provincial trend. The CBOC forecast calls for growth of 1.20.3% in 2023, followed by a healthy 3.5% gain in 2023. The two-year growth forecast is markedly weaker than the 2021 result. Growth of 16.8% was recorded in 2021, erasing the 2019 and 2020 declines. Over the near term, GEA consumers are expected to spend less on goods and services, given higher debt-servicing costs and historically high inflation. Disposable income growth is expected to ease over the near term, which will also erode consumer spending to some extent. By 2024, a moderate retail spending growth trend is expected to emerge. Prior to 2024, growth is forecast to slow significantly, following the strong 2021 performance.

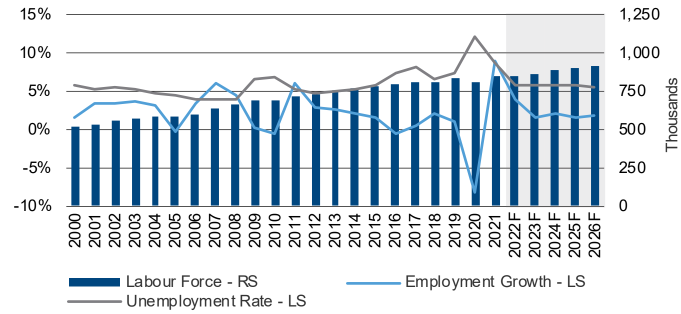
ECONOMY IS EXPECTED TO OUTPERFORM

The GEA economy is expected to outperform over the near term, after an extended period of weakness. The outperformance will be driven mostly by the region's energy sector. The recent increase in global oil prices will be the catalyst for the region's ongoing economic recovery. Economic output will rise by roughly 5.0%-5.5% in 2022 and a further 3.3% in 2023. Subsequently, GDP will increase by a modest annual average of 2.4% in 2024/2025. The strong growth outlook will support progressively stronger labour market conditions. Employment levels will steadily rise through to the midway mark of the current decade. At the same time, the region's labour force will expand. The region's unemployment rate will edge lower through to the midway mark of the current decade. Retail sales growth will gradually strengthen, driven in large part by the region's forecast near-term economic outperformance. In short, the regional economy will outperform over the medium term.

Over the near term, Greater Edmonton Area consumers are expected to spend less on goods and services, given higher debt-servicing costs and historically high inflation.

LABOUR MARKET

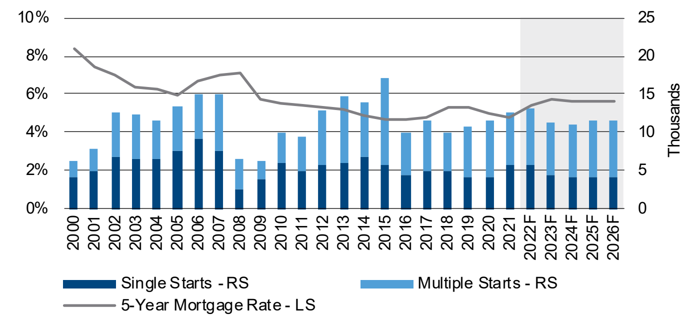
Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

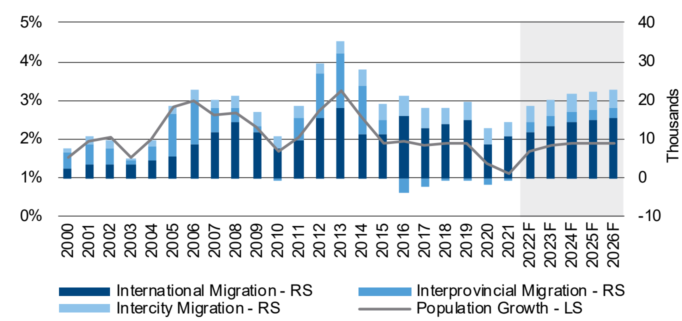
Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING ACTIVITY REMAINED MUTED

Leasing activity in the GEA's office sector remained relatively muted over the recent past, in keeping with the trend of the past few years. There were relatively few significant expansions reported in this market during 2021 and the first half of 2022. Rather, leasing activity was comprised largely of small-scale expansions, renewals, extensions and footprint reductions. An exception was Canadian Western Banks move to the Ice District. In some cases, tenants were able to upgrade their space by subleasing built-out space or relocating to higher-quality buildings where rents were sometimes discounted. Tenants looking to relocate or expand were greeted with a relative abundance of alternatives. A record-high of between 21.0% and 22.0% of the GEA's built office space was available for lease between the midway mark of 2021 and 2022. Market rents continued to range at the cycle-low over the same time period. The market's owners continue to focus on leasing excess vacancy and operations over the recent past, a period during which demand remained muted.

SALES ACTIVITY SLOWED TO A CRAWL

GEA office sector investment property sales activity slowed to a crawl recently, against an increasingly uncertain backdrop. Only two GEA office properties sold with a price tag of $10.0 million or higher during 2021 and the first half of 2022. Owners have been reluctant to sell assets in a down market. As a result, very few core properties have been offered for sale. Instead, owners have focused on leasing vacant space, operational efficiency. For the most part, property values have been relatively stable during 2021 and early 2022. However, cap rates began to rise in the second quarter of 2022. Investors re-priced risk as a reaction to the recent narrowing of the spreads between property and 10-year Canada bond yields. The upward pressure on cap rates was also a function of the recent interest rate hikes. Cap rates are expected to continue to rise over the near term, during a period of heightened uncertainty and muted investment sales activity

MODEST IMPROVEMENT FORECAST

A modest improvement in market fundamentals is forecast over the near term. Economic expansion will support moderately positive leasing demand patterns. In turn, vacancy will gradually stabilize, having risen steadily over the past couple of years. Market conditions will generally favour the region's tenants. As a result, rents will hold at the cycle low. A modest improvement in market conditions is forecast over the near term, barring a significant change in the economic outlook.

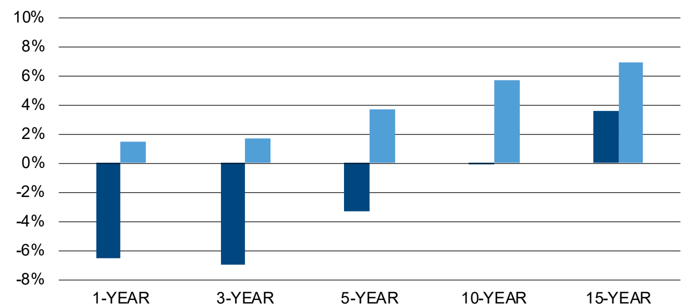
TRENDING STATISTICS

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

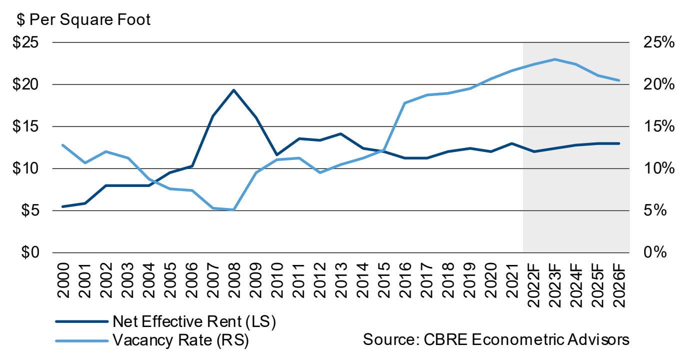
For the period ending June 2022



Source: ©MSCI Real Estate 2022

OFFICE RENT & VACANCY

Edmonton Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

There were relatively few significant expansions reported in this market during 2021 and the first half of 2022.

MARKET FUNDAMENTALS STRENGTHENED

GEA industrial sector leasing market fundamentals strengthened substantially recently. Availability trended materially lower, falling 280 bps to 5.6% year-over-year as of the end of June 2022. Leasing demand outpaced supply over the same time-period. Approximately 6.9 million square feet of space was absorbed, with warehouse, logistics and distribution sector businesses leading the charge. Strong demand characteristics drove market rents to a benchmark high for the current cycle. Tenants were forced to pay markedly higher rents when renewing their existing leases or moving to new premises. The market's landlords were often able to boost their revenue streams when tenants vacated space and/or leases expired. By 2022, construction activity increased substantially to meet demand. However, much of this space will be leased-up in short order. Market fundamentals will remain stable and healthy over the near term, having strengthened substantially over the recent past.

CAPITAL FLOW PEAK REPORTED

GEA industrial property sector investment capital flow peaked during 2021 and the first half of 2022. Investors exhibited an elevated level of confidence in this market during much of the 18-month period. As a result, a total of $786.3 million of investment capital flowed into the GEA industrial sector during the first six months of 2022, following just over $1.1 billion in 2021. Both totals were up markedly from the same time period a year earlier. The 2021 total was the second highest annual total on record. Generally, investors continued to acquire properties in this market, in part due to its recent performance track record. Properties contained in the MSCI Index posted a 12.1% total return for the year ending June 30, 2022. The attractive return was driven in part by cap rate compression. By the second quarter, cap rates began to increase, as investors altered their risk-adjusted yields expectations. Investment sales activity is expected to slow over the near term, following the capital flow peak of the recent past.

SECTOR OUTLOOK IS STABLE AND HEALTHY

The near-term GEA industrial sector outlook is stable and healthy. Robust economic growth forecast for the balance of this year and 2023 will support positive leasing demand patterns. As a result, leasing conditions will remain relatively tight and market rents will hold at the benchmark high for the cycle. Healthy leasing fundamentals will continue to attract investors to this market. In short, the near-term sector performance outlook is generally stable and healthy.

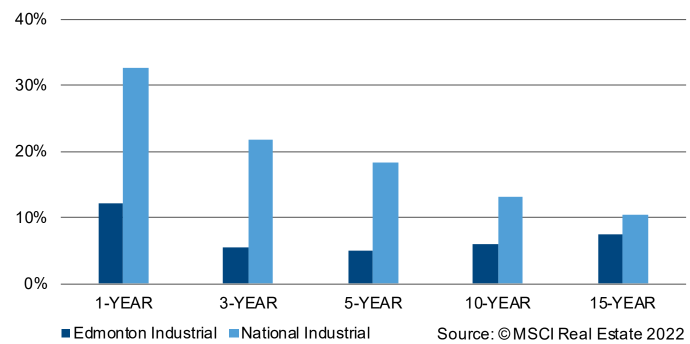
TRENDING STATISTICS

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

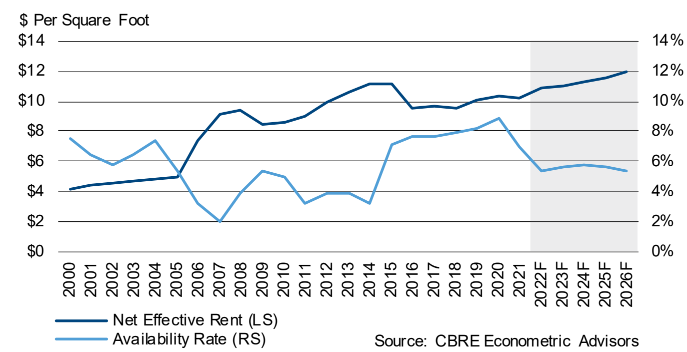
For the period ending June 2022



Source: ©MSCI Real Estate 2022

INDUSTRIAL RENT & AVAILABILITY

Edmonton Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

A total of $786.3 million of investment capital flowed into the Greater Edmonton Area industrial sector during the first six months of 2022.

MODEST LEASING MARKET RECOVERY EMERGED

A modest leasing market recovery emerged in the GEA's retail sector recently, following the pandemic-driven downturn. Demand patterns strengthened during 2021 and the first half of 2022 but remained below the pre-pandemic level. Demand was strongest in centres with necessities-based tenants including drug, grocery and liquor stores. General merchandise centres have also seen a pickup in demand, though at a relatively moderate pace. The modest increase in aggregate demand supported vacancy and rental rate stabilization. However, market rents remained below pre-pandemic levels. Vacancy held at elevated levels on prominent downtown streets, resulting in continued downward rent pressure. By the midway mark of 2022, it was clear that a modest leasing recovery had emerged in this market.

INVESTMENT ACTIVITY REMAINED MUTED

Investment activity in the GEA's retail sector remained muted over the recent past, continuing the medium-term trend. Investment activity was strongest for lower priced properties selling for less than $10.0 million during 2021 and 2022. There were very few significant transactions completed over this time-period. During the first half of 2022, a modest $188.5 million of retail investment property sales volume was recorded, a pace that was well below the long-term average. Generally, investors exhibited a preference for properties with strong performance characteristics, as well as those with tenants selling non-discretionary goods and/or with long-term leases. Private groups targeted smaller-scale properties with stable tenants in established shopping corridors. Investment activity is expected to remain relatively muted over the near term.

SECTOR FUNDAMENTALS WILL SLOWLY IMPROVE

GEA retail property sector fundamentals will slowly improve over the near term, in keeping with the national trend. The region's economy will expand at an above-average rate over the second half of 2022 and in 2023, which will support modest increases in retail spending. The rising cost of servicing debt and inflation will dampen sales growth. However, retail sales productivity will rise. The strengthening of retailer balance sheets will drive expansion activity. Vacancy will gradually stabilize while rents hold steady. As market fundamentals improve, investors will continue to source stabilized lower-risk acquisitions in this market.

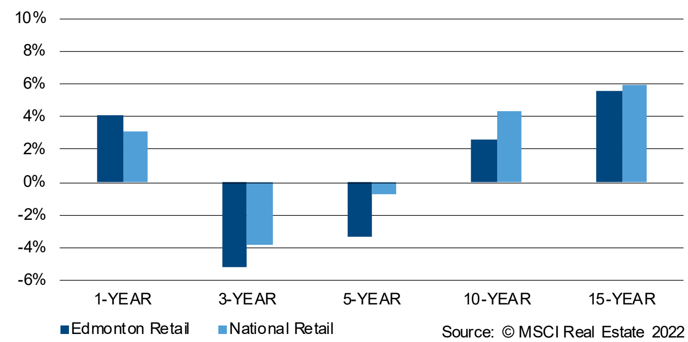
TRENDING STATISTICS

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

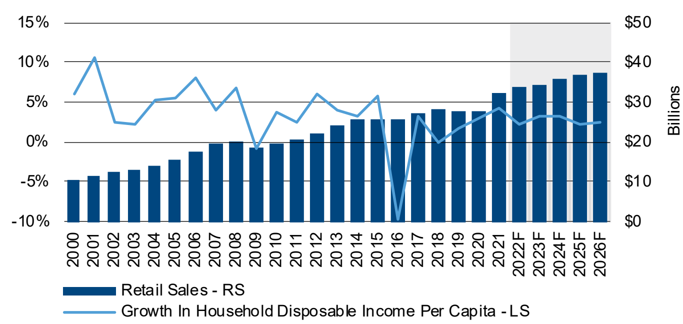
For the period ending June 2022



Source: © MSCI Real Estate 2022

RETAIL CONDITIONS

Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

During the first half of 2022, a modest $188.5 million of retail investment property sales volume was recorded.

RENTAL MARKET BALANCE REPORTED

GEA rental market conditions were relatively balanced over the recent past. On an aggregate basis, demand kept pace with the market's record inventory growth during 2021 and early 2022. As a result, vacancy stabilized. The GEA vacancy rate reported in late 2021 was unchanged year-over-year. Over roughly the same time-period, the average GEA asking rent edged slightly lower. Some of the market's landlords offered incentives such as free rent to prospective tenants to lease-up excess vacancy in their portfolios. Incentives were offered more commonly by downtown landlords. Rental demand was relatively robust during 2021 and 2022. Demand improved with the return of post-secondary students to in-person classes at the GEA's colleges and university campuses. The volume of international students and immigrants arriving in the GEA increased following the loosening of pandemic restrictions. As a result, rental demand increased. In short, rental market conditions were largely balanced over the recent past, as demand kept pace with supply.

INVESTMENT SALES ACTIVITY SURGED

Sales of GEA multi-suite residential rental investment property surged recently, in keeping with the national trend. Investment sales volume of $422.2 million was reported for the first half of 2022. In 2021, transaction volume of $849.8 million was reported, which was just shy of the 21-year record annual high of $855.8 million posted in 2018. The investment sales activity surge of 2021 and the first half of 2022 reflected the elevated confidence investors had in this market and sector. Institutional buyers targeted the region's concrete high rises and new builds. Private capital groups followed suit, although properties with repositioning and density upside were also in demand. For the most part, cap rates held at the cycle low. However, rates began to rise in the second quarter of 2022, as sector and macro-economic risk ratcheted higher. As a result, sales activity began to slow, following the recent surge.

STABLE FUNDAMENTALS FORECAST

The multi-suite residential rental sector fundamental outlook is largely positive. The GEA's rental market demand/supply dynamic will remain balanced, as new supply is gradually absorbed. Job growth and increased international migration will fuel rental demand, which will keep pace with supply. Rents will stabilize and fewer landlords will provide incentives to prospective tenants. Investors will continue to source product in this market, given stable fundamentals and a healthy performance history during periods of economic weakness.

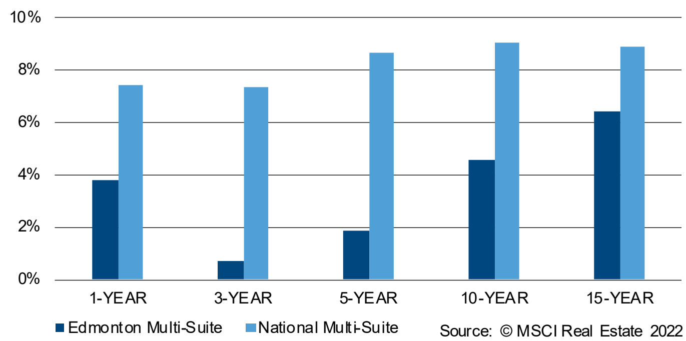
TRENDING STATISTICS

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

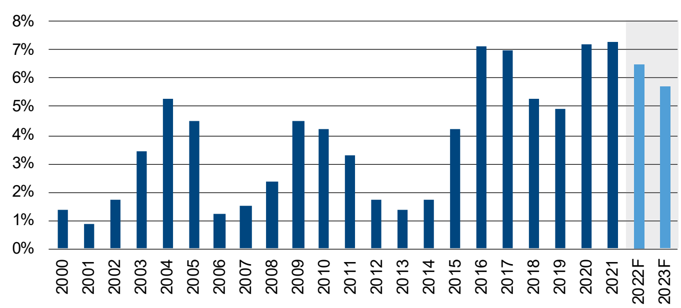
For the period ending June 2022



Source: © MSCI Real Estate 2022

AVERAGE RENTAL VACANCY

Edmonton Multi-Suite Residential



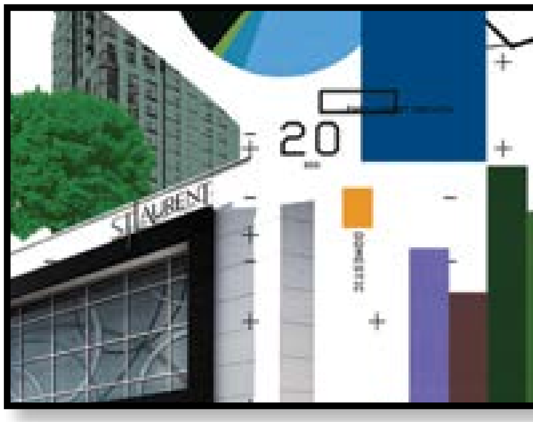
Source: CMHC; Morguard

Institutional buyers targeted the region's concrete-framed high rises and new builds.

VANCOUVER, BC

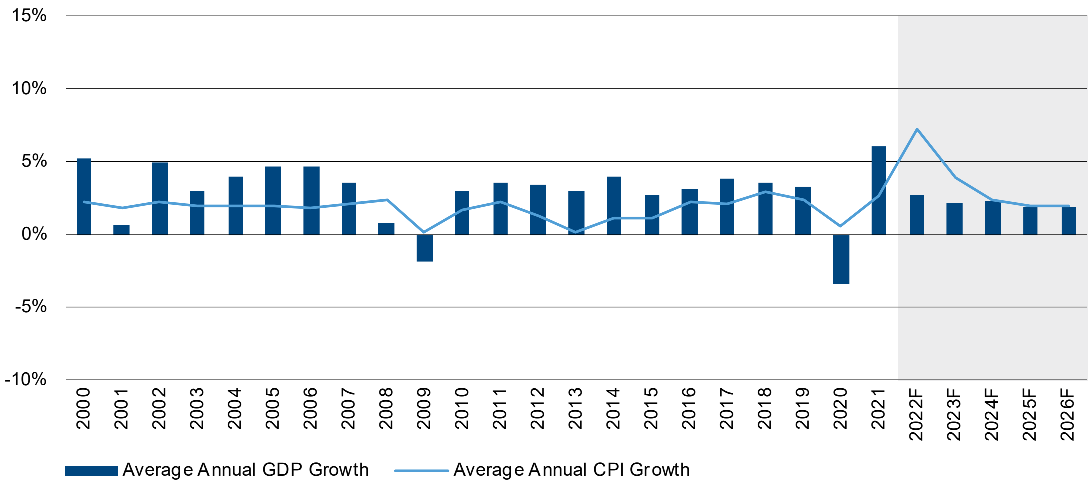
ECONOMIC SNAPSHOT

The Greater Vancouver Area (GVA) will continue to post healthy economic performance patterns over the near term. Real GDP is forecast to increase by a solid 2.5%-3.5% in 2022, with an additional 2.0-2.5% advance gain in 2023. In 2021, the regional economy bounced back from the pandemic-influenced downturn. By the final quarter of 2021, output was back to the pre-pandemic level.



ECONOMIC GROWTH

Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET TIGHTENING FORECAST

Substantially tighter labour market conditions are forecast over the near term. The GVA's unemployment rate is forecast to drop to 5.0% in 2022, down from the 7.0% average reported a year earlier. The unemployment rate will subsequently stabilize, as an increased number of GVA residents enter the labour force. Previously, the rate had increased to a decade high of 9.3% in 2020, due in large part to the negative impacts of the pandemic. The near-term labour market tightening will be driven to a large extent by strong job growth activity. Regional employment is projected to rise by roughly 4.0% in 2022 and 0.1% in 2023. Job growth will be strongest in the accommodation and food services, arts and entertainment, wholesale trade, and transportation and warehouse sectors. Employment growth in these sectors will translate into markedly tighter labour market conditions.

RETAIL CONSUMPTION WILL SLOW CONSIDERABLY

Retail consumption will slow considerably over the near term, following a healthy recovery from the pandemic-influenced decline. Retail sales will rise by 6.3% this year, after a stellar 17.8% increase in 2021. Growth will moderate substantially starting in 2023. The recent interest rate hikes and record-high inflation will force many of the region's households to cut back on discretionary spending. At the same time, the rising cost of accommodation will also negatively impact retail spending patterns. In addition, GVA consumers are expected to spend a greater share of their discretionary funds on services rather than goods. Beginning in 2024, retail sales growth will strengthen, with projected growth of close to 3.5% on an annual basis. However, growth will slow considerably in 2022, on the heels of a robust pent-up demand-induced 2021 performance.

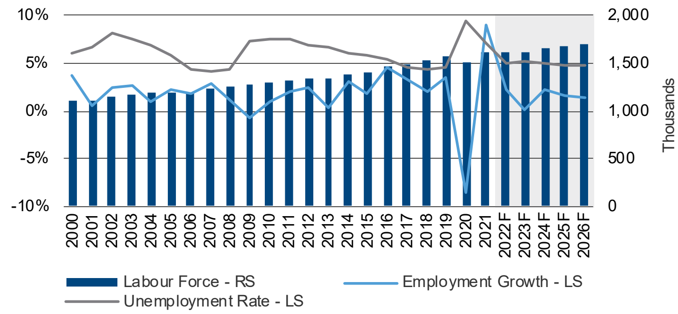
GROWTH MODERATION FORECAST

The GVA's economic growth trend is expected to moderate over the medium term. Output is projected to rise by an annual average of 2.0% in 2024/2025, following a three-year period of robust expansion. Growth will moderate as the regional economy edges closer to full capacity. At the same time, growth will be limited by labour shortages in various business sectors. Despite the labour shortfall, employment levels will continue to rise. Regional employment will rise by an annual average of 1.3% between 2023 and 2025. Many of the newly created jobs will continue to be filled by migrants from other countries and provinces. The combination of economic and job growth will drive retail sales volume higher. Retail sales growth will stabilize over the medium term, in keeping with the GVA's economic growth trend.

Economic output is projected to rise by an annual average of 2.0% in 2024/2025.

LABOUR MARKET

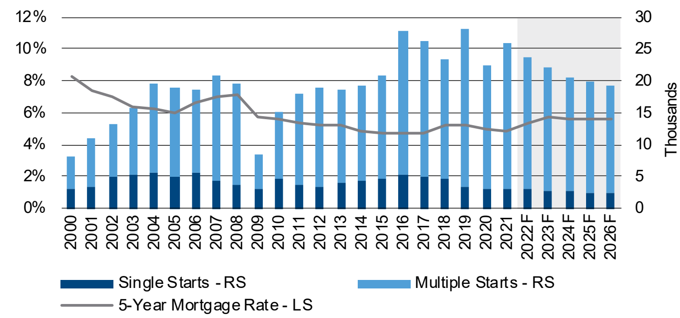
Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

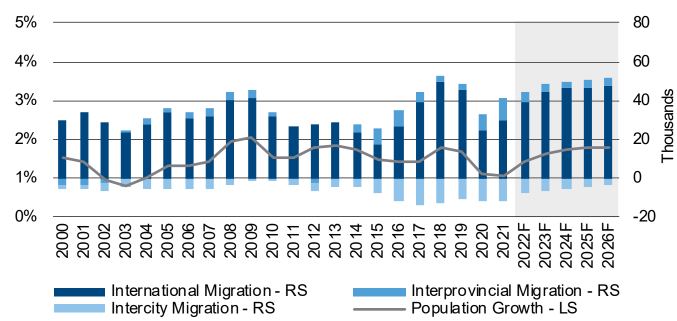
Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET OUTPERFORMED

The GVA office leasing market outperformed over the recent past. Leasing demand outdistanced supply during the first half of 2022 and the latter half of 2021. Just over 1.5 million square feet of space was absorbed over the same time period. Expansion activity during this period was driven to a large extent by the region's burgeoning technology sector. Professional and financial services companies also absorbed a significant volume of space in this market. More space was absorbed across the region than was vacated by companies whose workers transitioned to working from home. As a result, the GVA vacancy rate was significantly lower than the national average. A relatively healthy 6.3% vacancy rate was reported for all classes of space combined, as of the midway mark of 2022. With space in relatively shortly supply, market rents climbed to a benchmark high. In short, the GVA's leasing market outperformed over the recent past, in keeping with the trend of the past few years.

INVESTMENT DEMAND OUTSTRIPPED SUPPLY

Demand for investment opportunities in the GVA's office property sector outstripped supply. Investors continued to seek out acquisitions in this market, given its long-and near-term track record of healthy performance. Core properties in the downtown area were the primary targets of institutional groups, along with popular buildings located on mass transit lines. However, there were relatively few properties made available for acquisition with these attributes during 2021 and the first half of 2022. As a result, a modest $609.0 million of transaction volume was reported for the first half of 2022. Investment activity during this period fell short of the most recent peak of 2018/2019, when annual sales volume averaged $2.5 billion. A somewhat more balanced investment market demand supply dynamic is forecast over the near term, given a heightened level of uncertainty.

LEASING FUNDAMENTALS WILL SOFTEN

A softening of GVA office leasing fundamentals is forecast over the near term. Leasing demand fundamentals will soften, given an uncertain economic outlook. Larger office tenants may return space to the market. Expansion activity will slow to some degree, as economic growth moderates. The combination of weaker demand and the delivery of new speculative supply in 2023/2024 will drive vacancy markedly higher. Investors will continue to target properties in this market for acquisition, given its long-term performance track record. Buyers will focus on the longer-term benefits of owning property in this market.

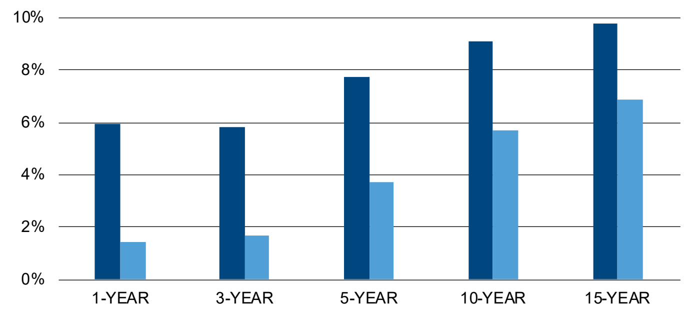
TRENDING STATISTICS

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

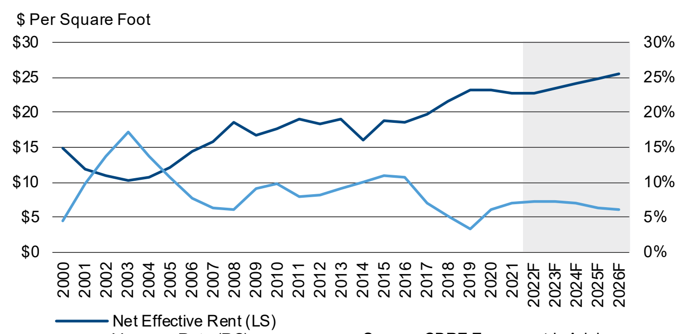
For the period ending June 2022



Source: ©MSCI Real Estate 2022

OFFICE RENT & VACANCY

Vancouver Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The combination of weaker demand and the delivery of new speculative supply in 2023/2024 will drive vacancy markedly higher.

AVAILABLE SUPPLY WAS CRITICALLY LOW

The supply of available industrial space across the GVA was critically low during 2021 and the first half of 2022. The GVA's availability rate stood at a 15-year low of just 1.7%, as of the end of June 2022. Moreover, the rate had dropped 140 bps year-over-year. Industrial space users have found it very difficult to source available space in this market in which to expand or relocate. With little leverage, users have been forced to pay benchmark high rents when looking to renew their existing and/or signing new leases. GVA industrial rents were the highest in the country but may have peaked. In a few instances, users have turned to new construction to meet their growth objectives. However, developable land has become increasingly scarce. Regardless of size, configuration or functionality, tenants have struggled to source available space in this market where available supply was critically low.

INVESTMENT SALES PEAKED

GVA industrial investment property sales activity peaked over the past year and a half, in keeping with the national trend. Just shy of $1.7 billion of GVA industrial investment property transaction volume was reported for the first half of 2022. The total was 11.5% higher than what was reported for the same time period a year earlier. In 2021, transaction volume totalled $2.9 billion, which was a record annual high. Investors have held the sector and market in high regard for some time, due largely to its recent and long-term history of strong performance and healthy fundamentals. Properties tracked in the MSCI Index posted a very attractive 26.7% total return for the year ending June 30, 2022. Cap rate compression was the main driver of the impressive result, which coincided with the market's investment sales peak.

SUPPLY WILL BE CONSTRAINED

The supply of available space across the GVA will remain constrained over the near term. Leasing demand will continue to outdistance supply, despite moderately weaker economic performance patterns. Availability will hold in the low single-digit range while rents remain among the highest in the country. Tenants will have little leverage when negotiating lease terms for the most part. Investors will continue to source properties for acquisition in this market. Cap rates edged slightly higher recently, given an elevated risk backdrop. Rates may continue to rise, as global and domestic economic performance weakens. Users will likely hold off on expanding in this market to some degree as the global economy slows, however, the supply of available space will remain low.

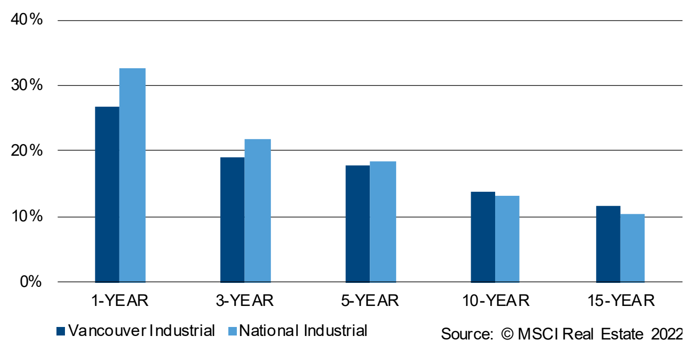
TRENDING STATISTICS

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

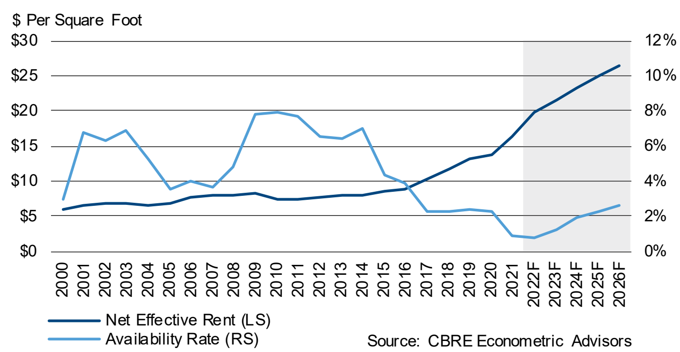
For the period ending June 2022



Source: © MSCI Real Estate 2022

INDUSTRIAL RENT & AVAILABILITY

Vancouver Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Just shy of $1.7 billion of Greater Vancouver Area industrial investment property transaction volume was reported for the first half of 2022.

LEASING MARKET RECOVERY UNFOLDED

The GVA's retail leasing market recovery continued to unfold. The recovery began with the removal of pandemic restrictions in 2021 and subsequent increase in physical store capacity. Sales productivity rose sharply, with some stores reporting levels had returned to the pre-pandemic average. Pent-up consumer demand bolstered retailer balance sheets. As a result, expansion activity increased throughout 2021 and into 2022. At the same time, store closures and downsizing activity slowed. Demand and market rents exhibited signs of stabilization. Leasing momentum, increased but the lease negotiation and completion process remained relatively long. Rents remained below pre-pandemic levels in second-and third-tier centres and strips. Leasing market conditions began to stabilize in both urban and suburban submarkets. However, CBD and suburban street front vacancy remained elevated. Barring a significant economic downturn, the leasing market recovery is expected to continue to unfold over the near term.

INVESTMENT SALES ACTIVITY ACCELERATED

GVA retail property investment sales activity accelerated during 2021 and the first half of 2022. Approximately $2.4 billion of transaction volume was reported over the 18-month period, up 31.5% year-over-year. Investment sales activity was comprised largely of smaller and medium-sized transactions in the $1.0 million to $20.0 million range. There were relatively few sales of prominent centres or properties completed in 2021 and the first half of 2022. Overall, private capital groups acquired more properties in this market than any other buyer category. As investment sales activity accelerated; investment performance improved. GVA properties contained in the MSCI Index posted a modest 2.0% annual return for the year ending June 30, 2022. The result contrasted the -4.8% return reported for the previous 12-month period. The performance improvement was a byproduct of moderately stronger leasing market fundamentals and outlook, both of which were factors in the accelerated investment sales pace of the recent past.

RECOVERY PHASE OF CYCLE TO PERSIST

The recovery phase of the GVA's retail leasing market cycle will persist over the near term. However, we anticipate the recovery pace will moderate, given an expectation of slower economic growth. Expansion activity will remain moderately healthy, as operators continue to emerge from the pandemic-induced downturn. As a result, vacancy will stabilize. In short, the recovery phase of the GVA's retail leasing market recovery will persist over the near term.

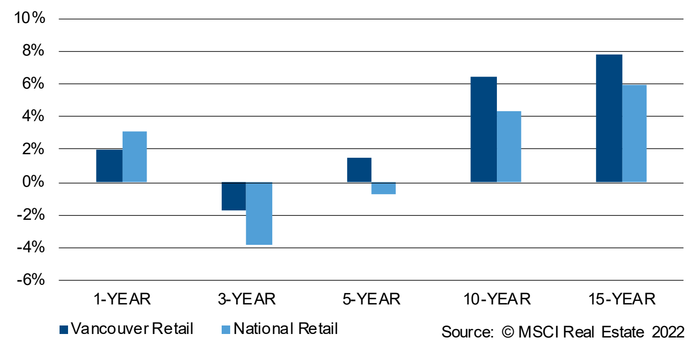
TRENDING STATISTICS

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).

HISTORICAL PERFORMANCE

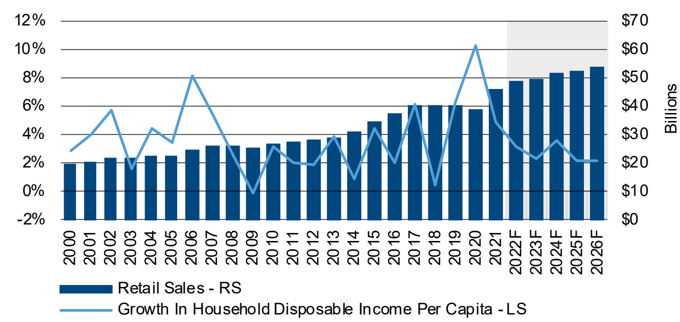
For the period ending June 2022



Source: © MSCI Real Estate 2022

RETAIL CONDITIONS

Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

Barring a significant economic downturn, the Greater Vancouver Area's leasing market recovery is expected to continue to unfold over the near term.

RENTAL DEMAND EXCEEDED SUPPLY

GVA multi-suite residential rental market demand consistently exceeded supply during 2021 and the first half of 2022. The combination of job growth, increased migration volumes, and the return of post-secondary students to classrooms supported a surge in rental demand over the same time period. As a result, vacancy was driven back down to the pre-pandemic cycle low. Vacancy levels decreased in all unit-size categories and submarkets. Market conditions became increasingly imbalanced during 2021 and the first half of 2022, especially in the lower rent market segments. The average GVA monthly rent increased by 2.1% for units vacated between October 2021 and 2022. New supply completions offered some relief for tenants looking to rent accommodation in this market. Rents continued to rise steadily across the GVA recently, as demand exceeded supply.

CAPITAL FLOW NEARED ALL-TIME HIGH

Investment capital flowed into the GRVD's multi-suite residential rental sector at a near record-high rate recently. A total of $977.0 million of investment property was sold during the first half of 2022, building on the record annual high of almost $2.4 billion in 2021. Investor confidence was consistently high during the 18-month period, in keeping with national sector trend. Institutional and private groups bid aggressively on available properties, including several significant portfolios. Cap rates were driven to an all-time low in all market segments. Rent growth and robust demand supported strong investment performance. Properties contained in the MSCI Index posted a total return of 6.3% for the year ending June 30, 2022. The recent performance strength supported the near record-high capital flow trend.

SUPPLY CONSTRAINTS WILL BE A CONSTANT

Supply constraints will be a GVA multi-suite residential rental market constant over the near term. Overall, demand will outdistance supply over the balance of 2022 and into 2023. This dynamic will ensure vacancy holds close to the 1.0% mark. Landlords will command higher rents. Strong occupancy patterns and rent growth will continue to draw investment capital to the market. Construction projects may be delayed, given an uncertain economic outlook and higher interest rates. Investors will comb the market for acquisitions, with the promise of attractive prevailing yields. Cap rates will continue to edge high, a trend that began in the second quarter of 2022. As sector risk continues to rise over the near term, rental market supply constraints will remain a constant in this market.

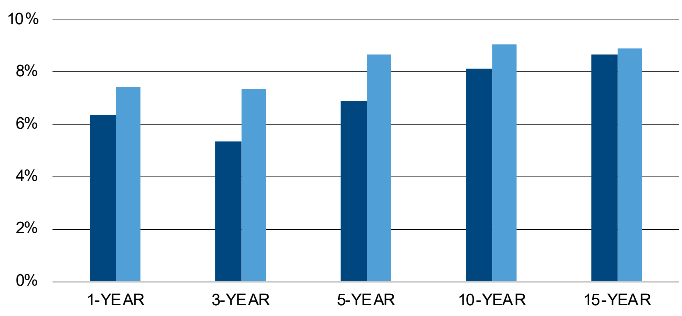
TRENDING STATISTICS

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

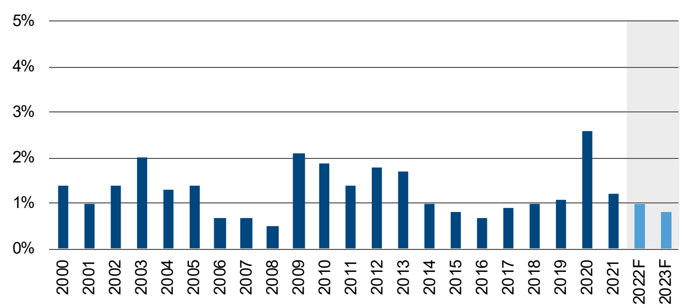
For the period ending June 2022



Source: © MSCI Real Estate 2022

AVERAGE RENTAL VACANCY

Vancouver Multi-Suite Residential



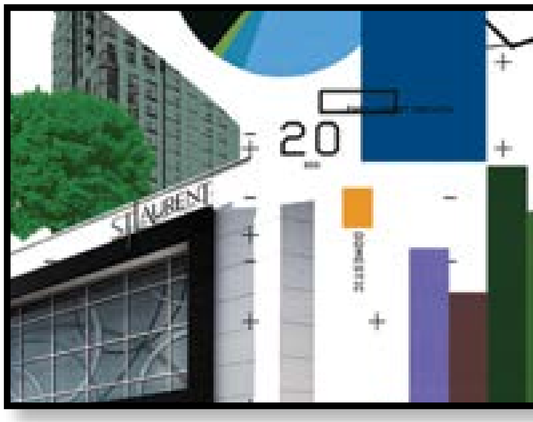
Source: CMHC; Morguard

Institutional and private groups bid aggressively on properties offered for sale, including several significant portfolios.

VICTORIA, BC

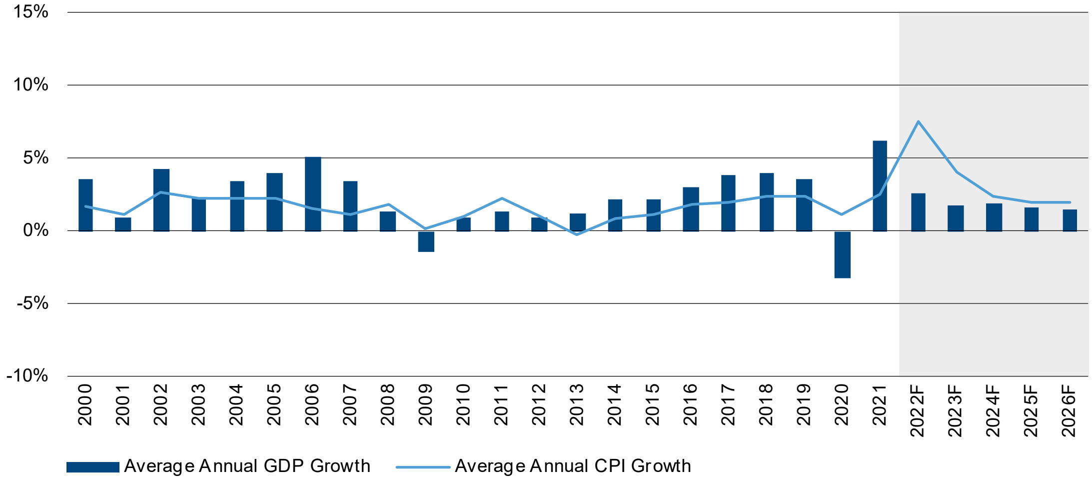
ECONOMIC SNAPSHOT

The Greater Victoria Area (GVIA) economy will continue to forge ahead over the near term, in line with the provincial trend. The region's real GDP will expand by a solid 2.5%-3.5% in 2022, with another 1.8% gain forecast for the following year. In 2021, the GVIA economy expanded by 6.2%, erasing much of the pandemic-driven ground lost in 2020. Labour market conditions will continue to strengthen.



ECONOMIC GROWTH

Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET OUTLOOK IS HEALTHY

The GVIA's near-term labour market performance outlook is generally healthy. Employment will continue to rise, albeit at a more modest rate. The number of employed GVIA residents will rise by a solid 3.8% in 2022, as forecast by the CBOC. The region's leading near-term job growth drivers will be its wholesale trade, manufacturing and construction sectors. Jobs created in the GVIA over the near term will drive the unemployment rate lower. The CBOC is forecasting the GVIA's unemployment rate will fall to 4.3% in 2022, down 60 bps year-over-year. Previously, the rate had spiked to 7.9% in 2020 before falling 300 bps to 4.9% in 2021. A rate of 3.4% was posted in 2019, before the onset of the pandemic. The unemployment rate will stabilize at close to the 4.5% mark over the medium term. Overall, the GVIA's near-to-medium term labour market outlook is broadly positive.

RETAIL SALES GROWTH TREND WILL FIRM

The GVIA's retail sales growth trend will firm over the medium term, following a brief period of moderately negative performance. Retail sales volume will rise by an annual average of 2.3% in 2023/2024. The CBOC forecast calls for a 3.6% retail sales volume lift in 2022, following a 13.4% increase in 2021. In the second half of 2022, GVIA households will spend less freely, given higher debt-servicing costs and elevated consumer price inflation. Some families will look to lower-cost shopping alternatives, given the higher cost of renting or purchasing a home. The pent-up consumer demand that drove retail sales significantly higher in 2021 will continue to fade in 2022. Subsequently, a firmer retail sales growth trend will emerge over the medium term.

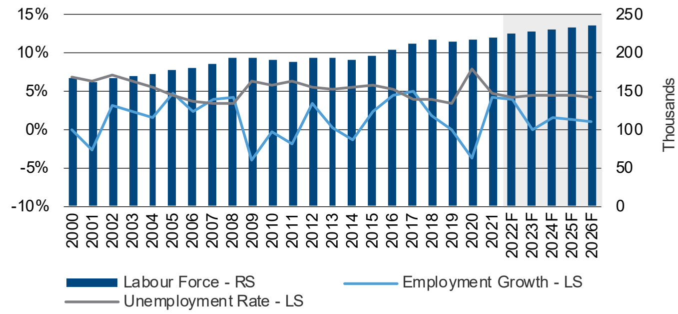
ECONOMIC OUTLOOK IS MODERATELY POSITIVE

The GVIA's medium-term economic outlook is moderately positive. The regional economy will expand by an annual average of 1.8% in 2023/2024, following a two-year period of stronger growth. The moderate growth trend will support equally modest employment gains. The CBOC is predicting total GVIA employment will rise by 1.1% over the same two-year time period. The region's unemployment rate will fall to 4.3% in 2023 and rise 30 bps to 4.6% in 2024. Labour market conditions will remain tight, as some sectors continue to struggle to source employees. Supply chain challenges are expected to lessen over the medium term, which will boost manufacturing sector output. In short, the GVIA's medium-term economic outlook is moderately positive.

In the second half of 2022, Greater Victoria Area households will spend less freely, given higher debt-servicing costs and elevated consumer price inflation.

LABOUR MARKET

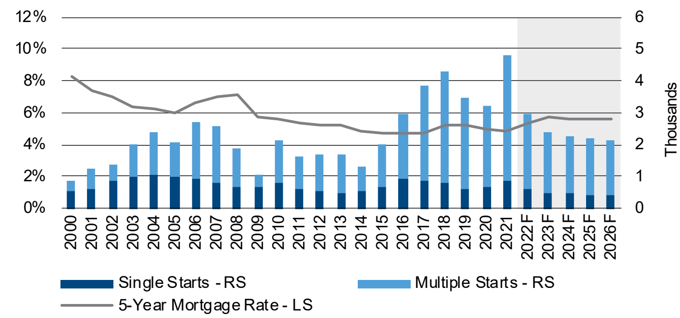
Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

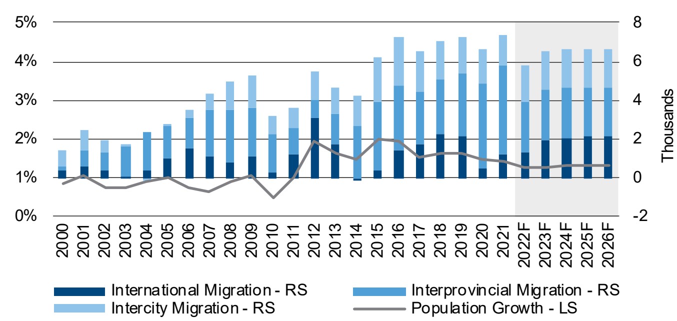
Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET TRENDS WERE RELATIVELY HEALTHY

The office leasing market trends observed in the GVIA over the recent past were relatively healthy. Vacancy levels were relatively low when compared to most other Canadian markets. The GVIA's overall vacancy rate rested at 5.7% as of the end of the second quarter of 2022, according to Colliers International figures. Double-digit vacancy was reported in eight of the 10 major Canadian markets as of the end of the second quarter. The GVIA rate was only 60 bps higher than the second-quarter 2019 average reported before the pandemic. Vacancy had declined steadily over the past year, having peaked at 7.3% at the midway mark of 2021. The downward vacancy trend was a function of relatively healthy near-term leasing demand. Tenants looked to lease space in the market's highest-quality buildings. Buildings with attractive amenity packages were popular with companies looking to retain their existing employees and attract new ones. Occupancy levels remained relatively high, despite the rising popularity of hybrid and other remote workplace strategies. GVIA office rents continued to rise in 2021 and early 2022, which was another indication of the market's relative overall health.

INVESTMENT DEMAND SURPASSED SUPPLY

Investment demand surpassed the supply of available office properties in the GVIA recently. Both institutional and private buyers looked to source properties that were expected to generate stable and attractive returns. For the most part, however, there were relatively few suitable properties available for acquisition. Consequently, there were very few significant properties sold during 2021 and the first half of 2022. Sales activity was comprised largely of smaller properties sold to private groups. For the most part, property values were relatively stable. Buyers and sellers had little trouble agreeing on price when properties were brought to the market. However, availability was limited and investment demand outdistanced supply, which was in keeping with the long-term trend.

CONTINUED STABILIZATION FORECAST

Stabilization will remain the dominant GVIA office sector theme over the near term. Moderately positive leasing demand patterns are anticipated over the balance of 2022 and into 2023. Economic and business growth will support stable and positive leasing demand. Vacancy and rents will be largely unchanged, given a balance demand supply dynamic. Investors will continue to look for acquisitions in this market, however, availability will fall short of demand.

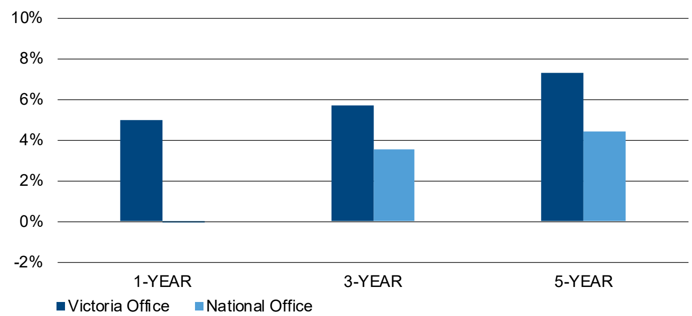
TRENDING STATISTICS

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*

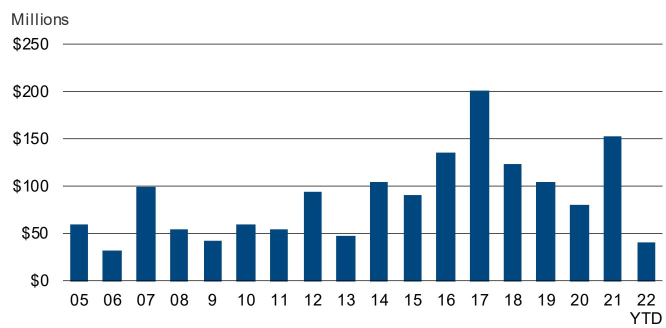


*Current data unavailable

Source: ©MSCI Real Estate 2022

INVESTMENT ACTIVITY

Victoria Office Investment Volume To June 2022



Source: Colliers International; RCA

Buildings with desirable amenities were popular with companies looking to retain their existing employees and attract new ones.

SUPPLY WAS SEVERELY CONSTRAINED

Supply was severely constrained in the GVIA's industrial sector in 2021 and 2022. The severity was evidenced in recently reported availability statistics. The overall GVIA industrial availability rate rested at an all-time low of 0.1% at the midway mark of 2022, as reported by Colliers International. The rate had edged just 10 bps lower year-over-year. Availability has been critically low in this market since 2019. Tenants and owner/users have struggled to expand or relocate in this market. As a result, growth has been stunted. Demand has consistently outdistanced supply. New construction has offered minimal relief, having been leased prior to or very shortly after completion. The market's demand supply imbalance of the past few years has driven rents steadily higher. The GVIA's average industrial net rent rested at an all-time high of $17.20 per square foot at the midway mark of 2022. Rising construction costs and severely constrained supply will continue to drive rents higher over the near term.

INVESTMENT MARKET WAS ACTIVE

The GVIA's industrial investment property market was relatively active over the near term. Institutional and private investment groups continued to look for opportunities to acquire properties across the region. Buyers were attracted by the market's strong fundamentals and rent growth trajectory. Private groups focused on smaller-scale assets. Buyers exhibited strong interest in investment offerings while looking to source off-market deals. Property values continued to hold at the cycle high. However, by the midway mark of 2022 rates had begun to rise. Investors began to re-price investment property sector risk, given heightened macro-economic uncertainty. Despite heightened sector risk, the GVIA's industrial investment market is expected to remain relatively active over the near term.

LEASING RISK TO REMAIN LOW

GVIA industrial sector leasing risk is expected to remain low over the near term. Leasing demand patterns will remain largely positive over the balance of 2022 and in early 2023, driven by continued economic expansion. Warehouse and logistics companies will continue to look for opportunities to expand in this market. However, availability will continue to fall short of demand. In some cases, tenants will be forced to postpone expansion plans. Instead, companies will try to configure their existing premises to accommodate growth. Market rents will hold at the cycle high. Some tenants will face sticker shock when their leases expire. In short, GVIA industrial leasing market risk will remain low over the near term.

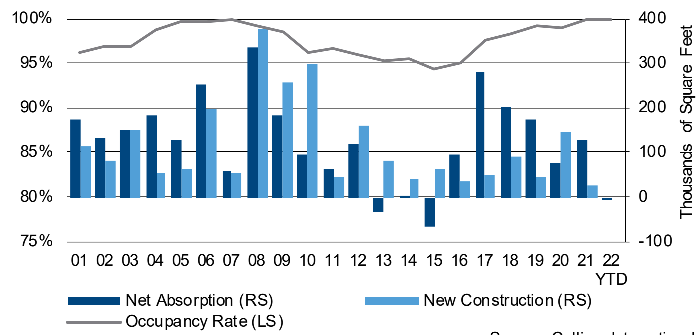
TRENDING STATISTICS

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

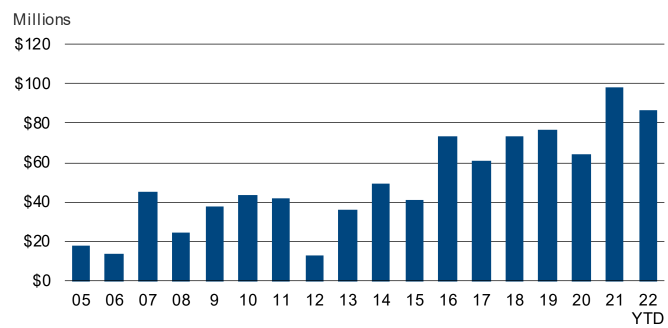
Victoria Historical Aggregates



Source: Colliers International

INVESTMENT ACTIVITY

Victoria Industrial Investment Volume To June 2022



Source: Colliers International; RCA

The market's demand supply imbalance of the past few years has driven rents steadily higher.

LEASING MARKET PERFORMANCE IMPROVED

GVIA retail leasing market performance improved recently, following a period of pandemic-induced weakness. Foot traffic and retail store productivity levels increased with the loosening and subsequent removal of pandemic restrictions. Downtown retailer revenues improved with the return of tourists and their shopping dollars in late 2021. Post-secondary students returned to in-person classes, resulting in increased store traffic and sales in and around the region's colleges and university campuses. Leasing demand increased in the second half of 2021 and early 2022, resulting in the absorption of a modest amount of space. This activity drove vacancy lower. The average vacancy rate for properties tracked in the MSCI Index stood at a healthy 5.7% at the end of June 30, 2022, down from the four-year high 13.0% posted a year earlier. Over roughly the same time period, asking rents began to stabilize. Overall, GVIA leasing market performance improved recently, which was in keeping with the national trend.

INVESTMENT PERFORMANCE PATTERN STRENGTHENED

The GVIA's retail investment property performance pattern strengthened significantly over the recent past. Properties contained in the MSCI Index registered an attractive 6.3% total average return for the year ending June 30, 2022. The return was markedly more attractive than the -0.4% result posted for the previous year. The attractive return was the first positive result posted since 2019. The capital component was the primary driver of the stronger return performance. The income component performance was also slightly stronger. The catalyst for the stronger performance pattern was the relaxation of restrictions on brick-and-mortar store capacity. As shoppers returned to stores across the GVIA, revenues strengthened. Pent-up consumer demand boosted sales revenues throughout the second half of 2021, a trend that carried through the first half of 2022. The sales growth coincided with a period of strong investment performance.

LEASING DEMAND WILL BE SPOTTY

Leasing demand will be relatively spotty over the near term. Retailers will be selective when looking to expand in this market, given the negative impacts of inflation and rising interest rates on revenue. As a result, leasing activity levels will likely slow. At the same time, investor caution will increase. Buyers will target low risk acquisitions, with long term leases in place. Cap rates will edge higher over the near term, against a backdrop of increased sector risk and spotty leasing demand.

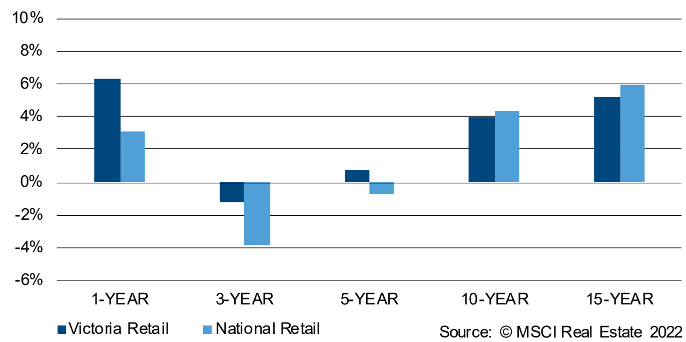
TRENDING STATISTICS

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

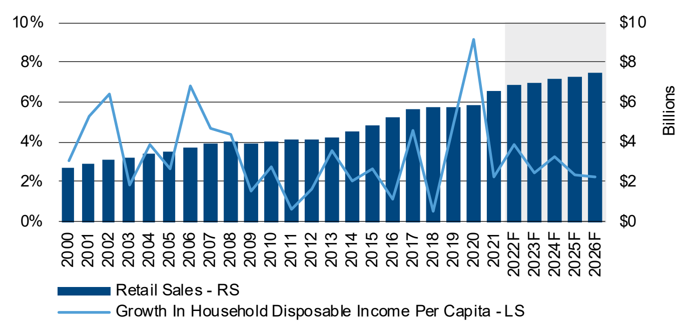
For the period ending June 2022



Source: © MSCI Real Estate 2022

RETAIL CONDITIONS

Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

Retailers will be selective when looking to expand in this market, given the negative impacts of inflation and rising interest rates on revenue.

RENTAL MARKET CONDITIONS NORMALIZED

The GVIA multi-suite residential rental market conditions normalized over the recent past. Rental demand began to strengthen in the second half of 2021 and firmed through to the midway mark of 2022. The main drivers of the demand resurgence were record-high migration inflows, healthy job growth activity levels, and the return of post-secondary students to in-person classes. The demand surge coincided with a slowdown in new supply completions. This dynamic helped drive vacancy back down to the 1.0% average rate reported prior to the onset of the pandemic in 2020. Market rents have steadily increased. The market's average monthly rent increased by a solid 3.0% year-over-year as of October 2021. Upward pressure on rents persisted into the first half of 2022, given tight conditions across the region. The rent growth was in keeping with the broader GVIA rental market's normalization of the recent past.

INVESTMENT ACTIVITY PEAKED

GVIA multi-suite residential rental sector investment market activity peaked recently, mirroring the national trend. Investors looked for off-market opportunities across the region. At the same time, institutional and private groups competed aggressively when investment offerings were made available during 2021 and the first half of 2022. On aggregate, however, availability fell short of supply, which has been the norm historically. In some cases, investors looked to markets outside of the GVIA to source acquisition opportunities. National and local groups competed aggressively for high-quality properties offered for sale, ensuring cap rates held at the cycle low. Vendors were able to capitalize on the competitive environment. In short, GVIA multi-suite residential rental sector investment activity peaked over the recent past, in keeping with the national trend.

RENTAL MARKET TIGHTNESS TO PERSIST

GVIA multi-suite residential rental market conditions will remain tight over the near term, in keeping with the trend of the past few years. Vacancy will hover close to the 1.0% mark through to the end of 2022 and into 2023. Overall, demand will continue to outpace supply. As a result, rents will rise to a benchmark high for the cycle. Investors will continue to look for acquisition opportunities in this market, due in part to its healthy performance outlook. However, opportunities will be limited, in keeping with the market's long-term history. In short, conditions in the GVIA rental market will remain tight over the near term.

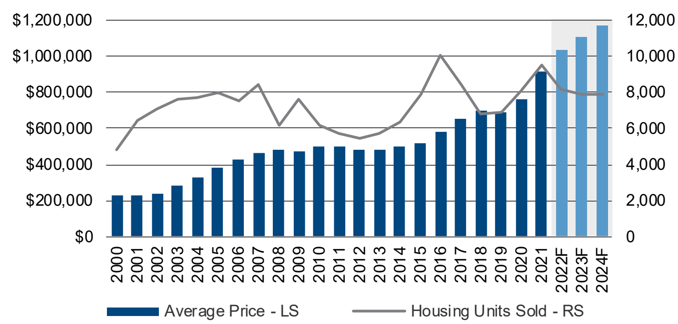
TRENDING STATISTICS

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).

HOUSING MARKET

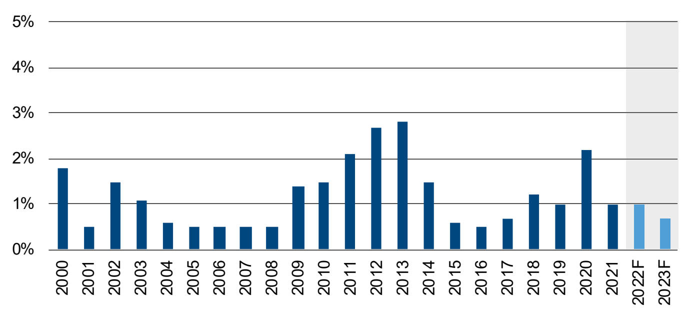
Victoria Pricing Vs. Demand



Source: CREA (MLS®); CMHC

AVERAGE RENTAL VACANCY

Victoria Multi-Suite Residential



Source: CMHC; Morguard

Greater Victoria Area investment activity peaked over the recent past, in keeping with the national sector trend.

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.

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

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

Statements contained herein that are not based on historical or current fact, including without limitation statements containing the words “anticipates,” “believes,” “may,” “continue,” “estimate,” “expects” and “will” and words of similar expression, constitute “forward-looking statements.” Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and regionally; changes in business strategy; financing risk; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; liability and other claims asserted; and other factors. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The publisher does not assume the obligation to update or revise any forward-looking statements.

Copyright © 2022 by Morguard Investments Limited. All rights reserved.

Feedback, inquiries or requests for reproduction please contact:

Keith Reading
Director of Research
905-281-5345
kreading@morguard.com

55 City Centre Drive
Suite 1000
Mississauga, ON
L5B 1M3
905-281-3800

MORGUARD.COM

Morguard