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22ND ANNUAL EDITION

2020 CANADIAN ECONOMIC OUTLOOK AND MARKET FUNDAMENTALS

FIRST QUARTER UPDATE

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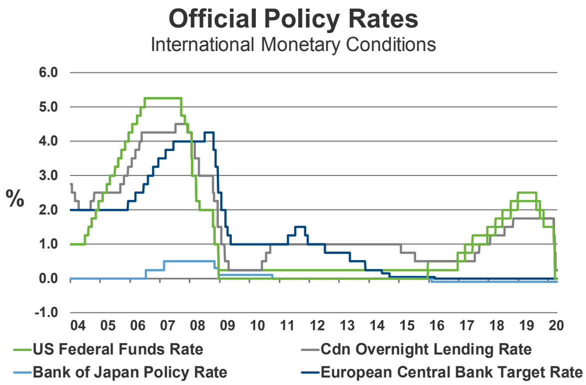
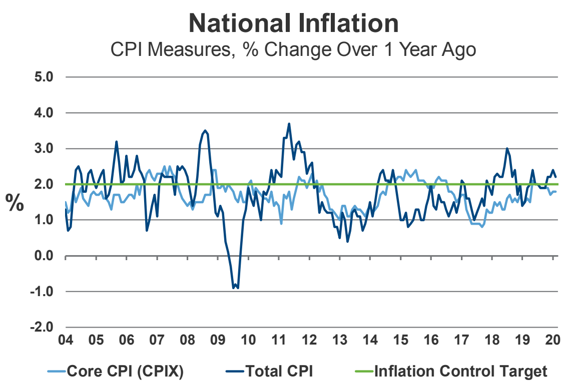
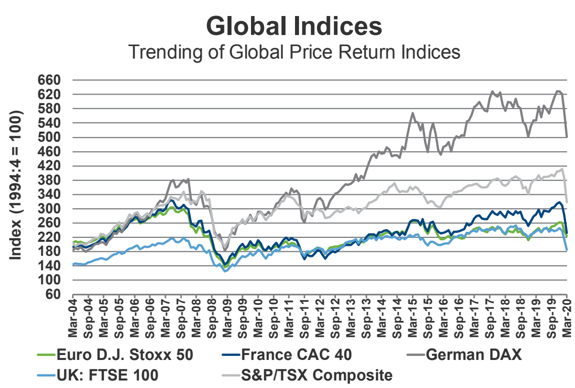


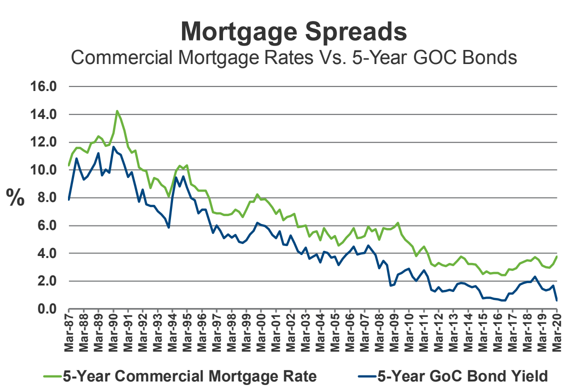
Source: Bank Of Canada, Federal Reserve Board, European Central Bank, Bank of Japan



Source: Bank Of Canada, Statistics Canada



Source: RBC Capital Markets



Source: RBC Capital Markets, Bank of Canada

BANK OF CANADA ACTED QUICKLY

The Bank of Canada (BofC) acted quickly in support of the Canadian economy and financial system during the first quarter in order to combat the effects of the COVID-19 pandemic. The virus has had a substantially negative impact on most sectors of the Canadian economy. The BofC has taken steps to try to ensure consumers and businesses have access to credit. In so doing, more companies are expected to be able to pay their employees and households can continue to purchase necessities and pay bills. Without access to credit the economic downturn would worsen, and the subsequent recovery would likely take longer. The BofC lowered interest rates three times during March to support economic activity and stabilize inflation. Initially, the bank's overnight rate was dropped 50 bps on March 4th, followed by a further 50 bps drop on each of March 13th and March 27th as the near-term economic outlook worsened. In addition, the bank endeavoured to provide support to financial markets with measures to increase liquidity levels in certain core funding sectors. The acquisition of Government of Canada securities in the secondary market was implemented so that banks would continue to renew mortgages. A trio of other measures, the Bankers' Acceptance Purchase Facility, the Provincial Money Market Purchase program and Commercial Paper Purchase Program, was implemented to further boost liquidity and access to credit. The BofC also addressed the need to increase liquidity for financial institutions, as part of its broader program of quick and decisive action implemented during the first quarter to combat the negative effects of the COVID-19 crisis on Canada's economy and financial markets.

INFLATION RISK DROPPED SHARPLY

Near-term inflation risk dropped significantly during the first quarter. Previously, moderate risk was a constant during 2019, due in part to the low oil prices and a relatively slow economic growth trend. By the end of the first quarter of 2020, economic activity effectively stalled with spreading of the COVID-19 virus. At the same time, oil prices plunged to rock bottom as supply increased significantly and demand dropped sharply. Even as a record cut in oil production was announced in April, demand was expected to remain weak. With few prospects of rent growth and historically low demand across most sectors of the economy over the near term, inflation pressure and associated risks were expected to remain very low until the global and Canadian economies stabilize.

EQUITY MARKETS TURNED SHARPLY NEGATIVE

Global equity markets turned sharply negative during the first quarter due to the spread of the COVID-19 virus and resulting economic fallout. Major markets across the globe racked up significant losses over the three-month period. U.S. equities plunged by the greatest percentage in a single quarter dating back to 2008 while international markets delivered negative double-digits returns. The S&P 500, Nikkei 225, Dow Jones Industrial Average, the FTSE 100 and the DAX dropped by between 20.0% and 25.0% during the first quarter of the year. Closer to home, the S&P/TSX Composite posted a negative 21.6% return, which was the seventh worst quarterly performance in its history. Over 90.0% of companies contained in the index finished the quarter in negative territory, led by the energy, health care and discretionary consumer spending sectors. Energy companies were the hardest hit. The decision of OPEC and non-OPEC countries to flood the market with oil, resulted in another sharp price drop. Weakened global demand resulted in additional downward pricing pressure and reduced capital outlays and dividends. Oil sector job losses also began to mount. Over the near term, the COVID-19 crisis was expected to translate into further global equity market volatility, following the markedly negative performances of the first quarter.

INVESTMENT MARKET RISK SPIKED

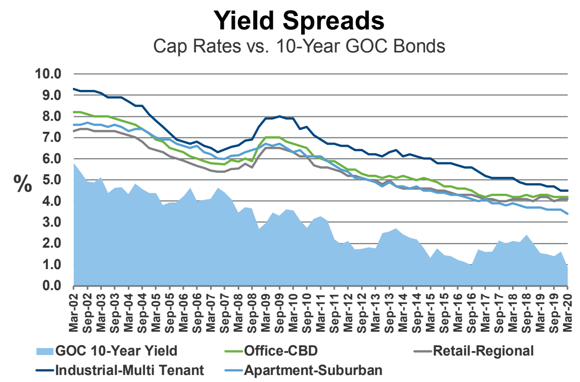
Canadian commercial property investment market risk spiked during the first quarter of 2020, due primarily to the global spread of COVID-19. The spread of the virus during the quarter had a materially negative impact on investor confidence, given an increasingly uncertain global outlook. By the end of the quarter, the global economy had slipped into recession and equity markets moved into bear territory. In general, financial market volatility surged due to the spread of the virus and the abrupt slowdown in economic activity across the globe. At the same time, concerns related to credit market liquidity including short-term funding also spiked during the first quarter. However, to some extent, the Fed has eased funding concerns with various injections of liquidity. Corporate credit markets were also a source of concern for investors, with high levels of debt accentuating the effect of the economic weakening. In addition to concerns related to financial markets, investors prepared for weaker performance in their existing commercial property portfolios. The closure of all "non-essential" businesses due to COVID-19 was expected to erode rental income, despite the provision of government funds to help families and businesses pay their bills. In the retail sector, the threat of some stores closing permanently is increasing investor uncertainty. The uncertain road to recovery and how long the effects of COVID-19 would last were arguably the biggest concerns for investors during a period of heightened commercial property investment sector uncertainty in the first quarter.

INVESTMENT SALES ACTIVITY CONTINUED TO SLOW

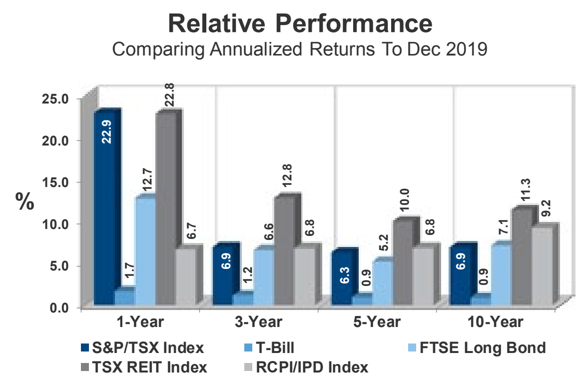
Canadian commercial investment property sales slowed during the first quarter, continuing the trend of the second half of 2019. The slower pace was initially a product of availability. That is, the reduced availability of properties for sale ensured the record pace of the past few years would be difficult to match. At the same time, the increased uncertainty in the retail industry over the past few years reduced the rate at which properties sold. As the first quarter progressed, it was clear that a broader based slowdown in investment sales activity was about to unfold. The spike in uncertainty related to the Coronavirus spread and plunge in economic activity resulted in a degree of hesitancy on the part of investors. In some cases, this has halted negotiations and will likely result in the continued reduction in closed transactions. Investors, as in past market downturns, are expected to wait and see how the global economic and financial backdrop plays out before acquiring properties. Conversely, those inclined to bring properties to the market have pulled back, preferring to let the period of uncertainty pass.

NEAR-TERM INVESTMENT MARKET CONDITIONS WILL DETERIORATE

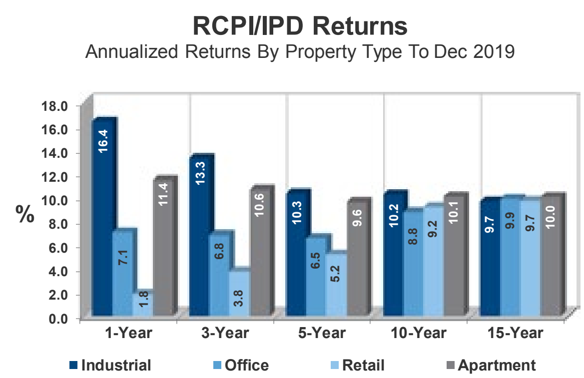
Canadian commercial investment property market conditions will deteriorate over the near term. The continued spread of COVID-19 and resulting global recession will drive investors to the sidelines awaiting a more stable backdrop. For some, the challenge of maintaining portfolio income performance will be emphasized. Before the end of the first quarter, tenants had already approached owners for rent relief. In some cases, there is the threat of permanent closure. The income levels of owners will be eroded to some degree over the near term, along with overall asset performance. Property values are forecast to decline, given the downward income trajectory and broader market uncertainty. Landlords with secure long-term leases in place will outperform. However, broader sector performance will be compromised. Portfolios with significant exposure to discretionary spending will be hard hit over the near term. Conversely, portfolios exposed to necessities business sectors like groceries and health care will see more stable overall performance. On balance, however, market conditions will soften over the near term until the global economic and financial uncertainty has abated.



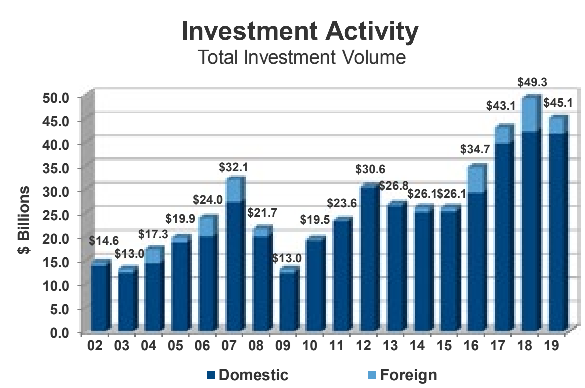
Source: AltusInSite, Bank of Canada



Source: © MSCI Real Estate; RBC CM; TSX Datalinx; SCM; PC Bond Analytics (Dec 2019)

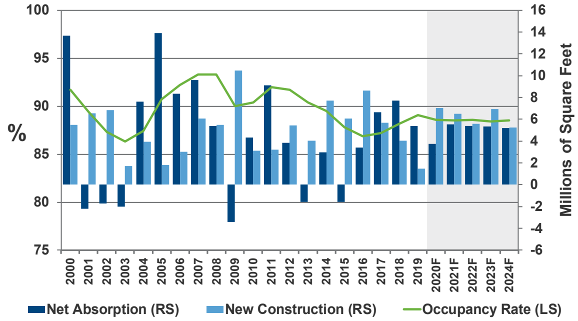


Source: RCPI; © MSCI Real Estate (Dec 2019)



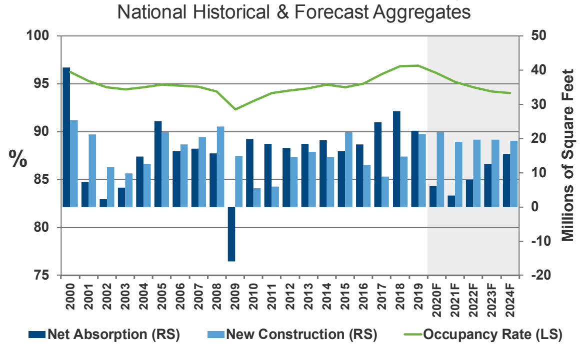
Source: CBRE Limited

Office Demand & Supply
National Historical & Forecast Aggregates



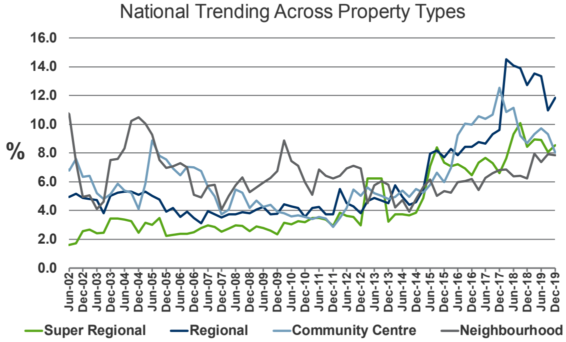
Source: CBRE Limited; CBRE Econometric Advisors

Industrial Demand & Supply
National Historical & Forecast Aggregates



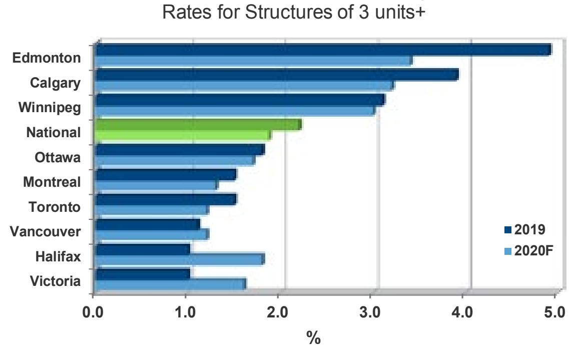
Source: CBRE Limited; CBRE Econometric Advisors

Retail Vacancy Rates
National Trending Across Property Types



Source: © MSCI Real Estate

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



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

OFFICE LEASING MARKET SOFTENING FORECAST

A material softening of Canadian office leasing conditions was projected over the near term, given the COVID-19 crisis-driven recession that looked to have unfolded at the end of the first quarter. Office space demand was expected to weaken significantly over the next few months as most sectors of the economy ground to a halt. Many businesses were expected to struggle to maintain operations and pay rent. Smaller companies with limited financial resources were viewed as the most vulnerable, in terms of meeting their financial obligations. Weaker office space demand was expected to drive national vacancy higher than the cycle-low of 10.4% reported at the end of the first quarter of 2020. Upward pressure on the average first-quarter vacancy rate of 9.4% was also forecast over the near term. This pressure would result in downward pressure on office rents. However, when the downward pressure materialized would depend on the duration of the economic downturn and to what degree office market fundamentals softened over the next few months. In short, the sharp slowdown in economic activity during the first quarter, which was expected to persist for several months, indicated a softening of office leasing fundamentals would unfold.

INDUSTRIAL LEASING MARKET STRENGTH PREVAILED

The strength of Canada's industrial leasing market continued to unfold during the first quarter, against a backdrop of significant deterioration in the near -term economic outlook. The national vacancy rate stood only slightly above the record-low of a year ago at the end of the first quarter. The 3.1% average was up just 10 bps year-over-year. Options for tenants wishing to expand or relocate remained very low through to the end of the first quarter, given a prolonged period of healthy demand and dwindling supply across much of the country. This dynamic had fueled new development activity over the past year, particularly in the larger-bay market segment. However, much of this space was also spoken for prior to, or shortly after, completion. Until recently, sustained upward pressure on already record-high average rents was reported. Warehouse, e-commerce and distribution sector demand outpaced supply, which boosted national occupancy by a further 1.3 million square feet in the first quarter of 2020 alone. This activity added to the stellar 25.5 million square feet of net absorption tallied over the 2019 calendar year. As the second quarter began, the global and Canadian economies looked to have transitioned into a recession. The spread of the COVID-19 virus had effectively halted much of the trade and business activity across the globe. As a result, the overall health of the Canadian industrial leasing market appeared to be in serious jeopardy, following a prolonged period of strength.

RETAIL INDUSTRY HEADWINDS INTENSIFIED

Canada's retail industry headwinds strengthened in the first quarter of 2020, with the spread of the COVID-19 virus. The COVID-19 crisis resulted in the closure of a growing list of "non-essential" stores and shopping centres across the country. As a result, discretionary shopping activity was shifted to online platforms, while necessities shopping was rigourously controlled in order to stop the spread of the virus. Brick and mortar retail employees were laid off or terminated in record numbers. During the week of March 16th, 500,000 Canadians applied for Employment Insurance, the largest share of which was previously employed in the retail sector. Retail job losses were expected to continue in the second quarter, as more businesses faced the continued challenge of sharp declines in sales and, in some cases, be forced to close. The decimation of Canada's retail sector as a result of the COVID-19 crisis during the late stages of the first quarter presented a range of challenges for the industry's participants. Increased industry headwinds in the first quarter, as a result of the COVID-19 crisis, was expected to result in an unprecedented period of change in the retail sector.

GROWTH CYCLE CAME TO AN ABRUPT END

Canada's economic growth cycle came to an end in the final weeks of the first quarter due largely to the negative impacts of the spread of the COVID-19 virus. Canadian economic activity was brought to a virtual standstill in March. At the same time, oil prices dropped to rock bottom. The combined effect of the virus and the ongoing energy sector malaise effectively pushed the Canadian economy into recession as the first quarter came to an end. A further economic contraction of between 25.0% and 30.0% was anticipated for the second quarter of 2020. The abrupt reversal of Canadian economic fortune was spread across most sectors of the economy. There were exceptions to this rule, with businesses involved in the production, distribution and sales of household necessities either treading water or posting modest gains. Previously, projections called for Gross Domestic Product (GDP) to expand by between 1.6% and 1.8% on an annualized basis in 2020. However, as the COVID-19 crisis spread and economic activity stalled, annualized growth forecasts were downgraded into negative territory. By the second half of 2020, Canada's economy was expected to begin to slowly expand, although not enough to offset first-half losses that began in the late stages of the first quarter.

JOB LOSSES SPIKED WITH MORE TO COME

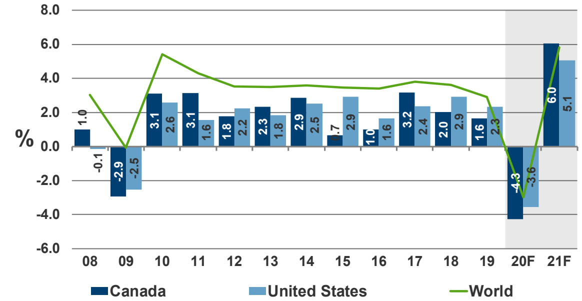
Canadian job losses as a result of the COVID-19 crisis outdistanced expectations by a significant margin during the late stages of the first quarter. The effective closure of certain sectors of the economy resulted in approximately 500,000 jobless claims in the week of March 16th alone and 1.0 million jobs lost during the quarter's final month. At the same time, labour market participation plunged to a low dating back to 1983. In March, Angus Reid released results of a survey that indicated 44.0% of Canadian households reported lost work as a result of the COVID-19 crisis. Of the 44.0%, 66.0% said their employer was not paying them for lost hours while 20.0% said they are being paid, with the balance receiving a percentage of their full wages. The survey results indicated young workers between 18 and 24 accounted for the largest share of lost work, particularly those previously employed in the services sector. Geographically, of those surveyed, 50.0% of households in Alberta had experienced work or job loss due to the COVID-19 pandemic. The Conference Board of Canada (CBOC) forecasted a total of 2.8 million job losses due to the COVID-19 crisis, with full and limited service eating places hardest hit with a 444,000 decline. The CBOC's forecast was announced during a period when overall job losses had already surpassed expectations by the end of the first quarter.

RESALE HOUSING MARKET EXHIBITED SIGNS OF SOFTENING

Canada's resale housing market exhibited early signs of softening as the first quarter of 2020 came to an end. The Toronto Region Real Estate Board showed sales increased 49.0% year-over-year in the first half of March whereas a 16.0% drop was reported for the second half of the month, according to a recent RBC Economics briefing. The briefing indicated Vancouver's resale market followed a similar path to Toronto's during March. In Calgary, March sales decreased 11.0% year-over-year, due to the combined impact of COVID-19 and the resulting plunge in oil prices. Activity levels were expected to continue to decline over the near term, given the imminent recession, unprecedented job losses and COVID-19 restrictions on activities traditionally carried out during the sales process. The negative market momentum was expected to have an adverse impact on property values, particularly in resource-driven regions like Alberta. Like much of the Canadian economy, the resale housing market looked to have entered a softening phase at the end of the first quarter.

Economic Growth

Real GDP Growth - Historical & Forecast



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

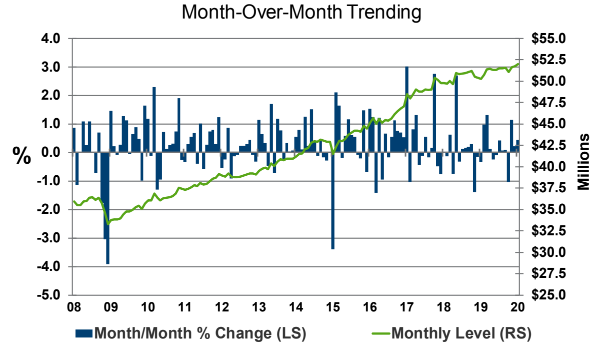
Labour Market

Month-Over-Month Trending

Source: Statistics Canada

Retail Sales

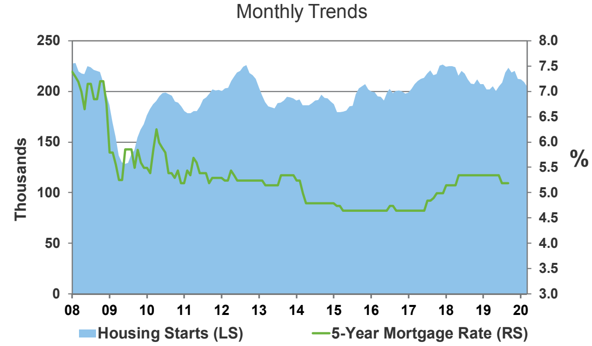
Month-Over-Month Trending



Source: Statistics Canada

Housing Market

Monthly Trends



Source: Statistics Canada, CMHC

OFFICE

Property	Date	Price	SF	PSF	Purchaser	City
234 Laurier Ave W (50%)	Mar-20	$92.0 M	452,000	$407	Crestpoint	Ottawa
2345 Yonge St	Mar-20	$70.0 M	140,000	$1,000	RioCan/Streamliner	Toronto
Stampede Station/Transalta	Feb-20	$85.2 M	497,713	$171	Crestpoint	Calgary
Erindale Corporate Ctr	Feb-20	$90.6 M	342,606	$264	Adgar/Montez	Toronto
4576 Yonge St	Feb-20	$24.0 M	97,237	$247	Davpart Inc.	Toronto
Railway Street Corporate Ctr.	Jan-20	$27.5 M	141,336	$195	Ayrshire Group	Calgary
World Trade Centre of Montreal	Jan-20	$276.0 M	562,579	$491	Allied REIT	Montreal
1611 Cremazie Blvd E	Jan-20	$41.0 M	214,189	$191	Galion Equity	Montreal
1100-1150 Rene-Levesque W	Jan-20	$225.0 M	565,170	$398	Groupes Mach & Petra	Montreal

INDUSTRIAL

Property	Date	Price	SF	PSF	Purchaser	City
Manulife Montreal Portfolio	Feb-20	$75.2 M	660,086	$114	Pure Ind. REIT	Montreal
Cochrane Bus. Pk. Portfolio	Feb-20	$45.2 M	228,718	$197	Summit Ind. REIT	Toronto
6064 Spur/ 8335 Meadow Ave	Feb-20	$51.0 M	279,900	$182	A2Z Capital	Vancouver
1995 Markham Rd	Jan-20	$33.1 M	240,776	$137	Dream REIT	Toronto
5900 Fourteenth Ave	Jan-20	$39.8 M	184,561	$216	Summit Ind. REIT	Toronto
10 Smed Lane SE	Jan-20	$88.0 M	752,804	$117	Northam Realty Adv.	Calgary

RETAIL

Property	Date	Price	SF	PSF	Purchaser	City
261 & 263 Queen St E	Mar-20	$30.5 M	80,292	$380	Soneil Investments	Toronto
Mayfield Common (50%)	Jan-20	$56.0 M	447,588	$250	RioCan REIT	Edmonton
First Capital Montreal	Jan-20	$48.4 M	226,317	$234	Skyline Retail REIT	Montreal

MULTI-SUITE RESIDENTIAL

Property	Date	Price	# Units	/Unit	Purchaser	City
1230 Nelson St	Mar-20	$51.0 M	107	$476,636	Mayfair Properties	Vancouver
31-35 St. Dennis Dr	Feb-20	$80.0 M	331	$241,692	Starlight Investments	Toronto
205 & 207 Morningside Ave	Feb-20	$56.3 M	214	$262,850	Starlight Investments	Toronto
Les berges du Canal	Feb-20	$60.0 M	168	$357,143	Globe Property Mgt.	Montreal
2801 Jane St	Feb-20	$64.0 M	234	$273,504	Starlight Investments	Toronto
Mayfair on Jasper	Jan-20	$100.0 M	238	$420,168	Centurion Apt. REIT	Edmonton
2777 Kipling Ave	Jan-20	$93.0 M	325	$286,154	Q Residential	Toronto
EQ8 Phase 3 & 4	Jan-20	$105.0 M	300	$350,000	Manulife Financial	Montreal
Balmoral Park Apartments	Jan-20	$19.6 M	44	$445,455	Mayfair Properties	Vancouver
The Carrington	Jan-20	$19.5 M	79	$246,835	CAPREIT	Calgary

* share sale

ACKNOWLEDGEMENTS & CITED RESEARCH RESOURCES

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