MORGUARD

2021 CANADIAN ECONOMIC OUTLOOK AND MARKET FUNDAMENTALS REPORT

23RD ANNUAL EDITION

APPRECIATING LONG-TERM POTENTIAL

Morguard

FORWARD-LOOKING STATEMENTS DISCLAIMER

2021 CANADIAN ECONOMIC OUTLOOK AND
MARKET FUNDAMENTALS REPORT

23RD ANNUAL EDITION

MORGUARD

APPRECIATING LONG-TERM POTENTIAL

JANUARY 2021

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

TABLE OF CONTENTS

NATIONAL ECONOMIC & REAL ESTATE OUTLOOK

METROPOLITAN ECONOMIC & REAL ESTATE OUTLOOK

NATIONAL ECONOMIC & REAL ESTATE OUTLOOK

HIGHLIGHTS

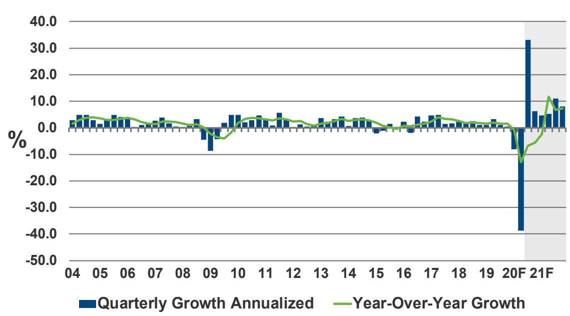
- Canada's economy was tracking a 6.6% annualized contraction for 2020 according to the Conference Board, due primarily to the negative impacts of the COVID-19 pandemic and persistent energy sector weakness.
- More than three quarters of the job losses suffered as a result of the pandemic lockdown were recovered by the fall of 2020.
- Retail sales returned to pre-pandemic levels in relatively short order, driven in part by government transfer payments made to Canadian households to offset income losses.
- Household disposable income growth reached into the low double-digits in 2020, which boosted spending patterns across the country.

NATIONAL ECONOMIC PULSE

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., real GDP growth could be +/-, yet indicate a growing/shrinking trend).

Canadian Real GDP Growth
% Change



Source: Conference Board Of Canada

ECONOMY REBOUNDED FROM HISTORIC DECLINE

Canada's economy rebounded from the historic decline caused by the closure of non-essential businesses and restrictions on social interaction to control the spread of the COVID-19 virus in the spring of 2020. In May 2020, Canadian businesses began to reopen, and economic output increased. The national economy bounced back more quickly than expected. By the end of August 2020, approximately 75.0% of the historic decline in economic output had been retraced. Additionally, gross domestic product (GDP) was just 4.6% below the pre-pandemic level posted in February. To a large extent, the stronger-than-expected rebound was a result of the federal government's unprecedented transfer payments to Canadian households. An astounding $56.0 billion of funds was transferred to Canadian families during the second quarter of 2020 alone, including Canadian Emergency Response Benefit (CERB) payments. The transfers helped drive household disposable income growth into the low double-digits on an annualized basis. The near-term income growth helped drive retail sales volume back to pre-pandemic levels and supported a record-setting housing market rally across the country. Previously, economic output had plunged by an annualized rate of 8.7% in the first quarter of 2020. Subsequently, GDP declined by an unprecedented annualized rate of 38.7% between the beginning of April and the end of June. The pace of Canada's economic recovery had started to slow by the fall of 2020, following an historic decline in economic output recorded earlier in the year due to the pandemic lockdown.

JOB MARKET STRENGTHENED BUT REMAINED RELATIVELY WEAK

Canada's labour market strengthened significantly with the reopening of non-essential businesses after the pandemic lockdown, however, conditions remained relatively weak. Approximately 76.0% of jobs lost as a result of the COVID-19 lockdown had already been recouped by the end of September 2020. Canada's job-market strengthening outstripped that of our U.S. neighbours, where just over 50.0% of jobs lost to the pandemic have been recouped. Canadian employment was only 3.7% below the level reported just before the initial surge in COVID-19 cases and lockdown. The 378,000 jobs added in September marked a fifth consecutive month of strong growth. The September advance helped drive the national unemployment rate down to 9.0% from the 10.9% average registered at the end of July. Encouragingly, the national labour market participation rate has steadily increased since the pandemic lockdown. Labour market participation within the 25 to 54 age cohort reached 87.4% at the end of September, which was up from the pre-pandemic level reported in February. The average number of hours worked has also increased, along with the national labour utilization rate. Wages rose by 4.3%, year-over-year as of the end of August. Despite the strengthening of the past several months, Canada's labour market remained relatively weak when compared to the pre-pandemic period. More than 700,000 people remained on permanent layoff, as of the end of September, and youth employment stood well below pre-pandemic levels. However, despite a measure of weakness, Canada's labour market strengthening of the past several months was expected to continue albeit at a more moderate pace.

RETAIL SALES GROWTH TREND MODERATED

Canada's retail sales growth trend moderated during the second half of 2020, after a brief period of solid progress following the pandemic lockdown. Initially, retail sales growth began to soften in July. Subsequently, retail consumption increased by 0.4% month-over-month in August, which represented the smallest increase of the post-lockdown period. Growth was expected to stall over the final few months of the year, given an increased probability of lockdowns in several regions. Prior to the unfolding of a more moderate retail sales growth trend in the second half of the year, consumption had returned to year-ago levels. The re-opening of non-essential brick and mortar stores was the primary driver of the stronger-than-expected recovery. Retail sales spiked by more than 20.0% in May/June, with most spending categories posting solid gains. Several factors supported the strengthening of retail sales consumption patterns in the spring and early summer. Initially, pent-up consumer demand supported increased purchasing activity. Additionally, government transfer payments including CERB and Employment Insurance (EI) bolstered household income levels. Low interest rates and equity market recovery boosted household wealth and spending levels. By the fall of 2020, however, lockdowns were reinstated in several regions of the country, as COVID-19 infections surged again. As a result, retail sales growth was expected to continue to moderate through to the end of the year.

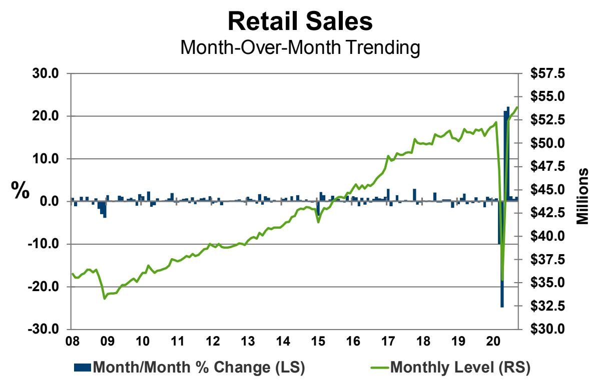
RECORD-SETTING HOUSING MARKET RALLY UNFOLDED

A record-setting resale housing market rally unfolded during 2020, following a sharp decline in activity levels during the pandemic lockdown period. Sales and activity surged during the summer, with existing home sales rising to an all-time annualized high of 677,000 units in September, according to the Canadian Real Estate Association (CREA). The total represented a 45.6% increase, year-over-year. Resale home sales had increased more than 20.0% from the levels reported prior to the pandemic. As sales reached record-high levels and supply tightened, upward pressure on prices increased. Single family home prices had increased by 12.0%, year-over-year as of the end of September. Several factors contributed to the upward price pressure. The pandemic effectively shut down the housing market's traditionally busiest period during the spring. The resulting pent-up demand boosted sales through the summer and fall months, as restrictions were relaxed. At the same time, a surge in resale home listings helped drive sales to a record high level. However, conditions tightened significantly toward the end of the summer, culminating in a sales-to-new listings ratio of 77.2 at the end of September. Increased demand-supply imbalance pushed the average home sale price to a record-high of $604,000. As the final quarter of 2020 began, Canada's resale housing market exhibited signs of cooling, having posted record-high activity levels and pricing after the pandemic lockdown.

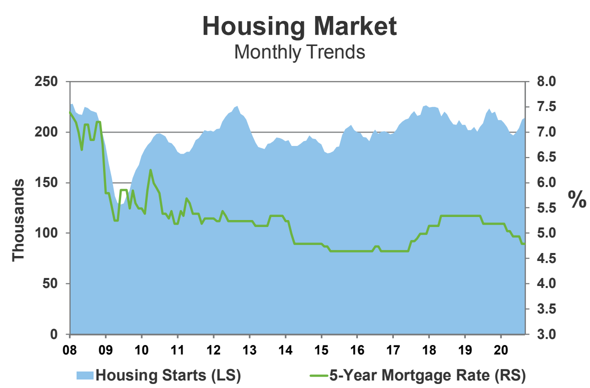
BANK OF CANADA PROVIDED UNPRECEDENTED POLICY SUPPORT

Canada's central bank provided an unprecedented level of monetary policy support in 2020, in order to reduce the negative impacts of the pandemic on businesses and consumers. In October 2020, the Bank of Canada (BofC) announced its intention to hold its overnight rate at 0.25% until the national economy returned to full capacity. The return to full capacity was expected sometime during 2023. Previously, in a somewhat surprising move, Governor Poloz had cut the overnight rate by 50 bps twice during March, in response to the unfolding of the negative economic impacts of the pandemic. Shortly thereafter, another 50-bps cut was implemented, bringing the policy rate down to the October 2020 level. The announcement was made following a second meeting between BofC governor Poloz, the federal minance minister, and the superintendent of financial institutions. In a short period of time, the overnight rate was reduced to Global Financial Crisis low. Additionally, the BofC implemented a series of quantitative easing measures to offset the negative effects of the pandemic. In March, the Bankers' Acceptance Purchase Facility was introduced to provide funding for smaller and medium sized companies. Later that same month, the Commercial Paper Purchase Program was developed to reduce funding constraints. Lastly, the BofC announced it would purchase $5.0 billion in Government of Canada debt on the secondary market. The BofC's unprecedented quantitative easing measures and cuts to the overnight rate were implemented to offset the negative impacts of the pandemic on Canada's businesses and consumers.

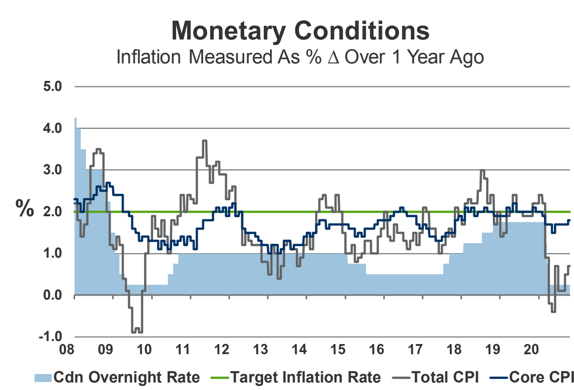
Source: Statistics Canada



Source: Statistics Canada

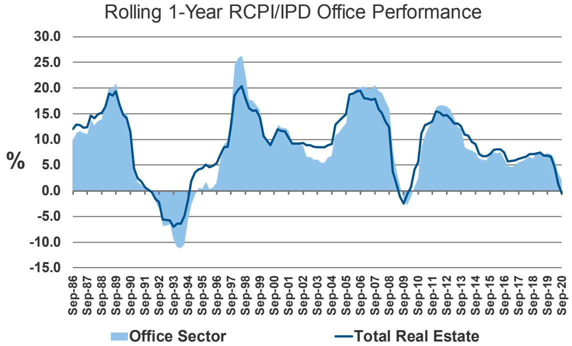


Source: Statistics Canada, CMHC, Bank of Canada



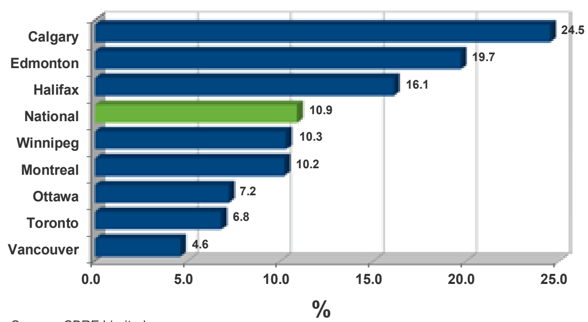
Source: Bank of Canada

Annualized Returns
Rolling 1-Year RCPI/IPD Office Performance



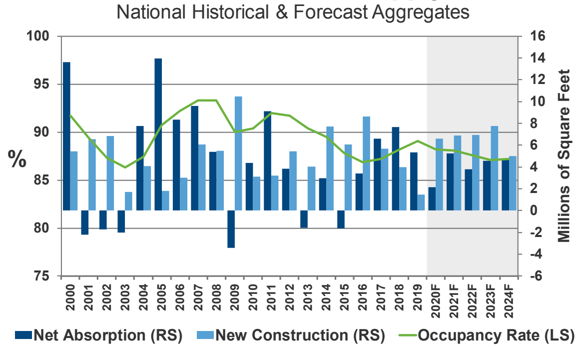
Source: RCPI; © MSCI Real Estate 2020

Vacancy Rates
To Second Quarter - 2020



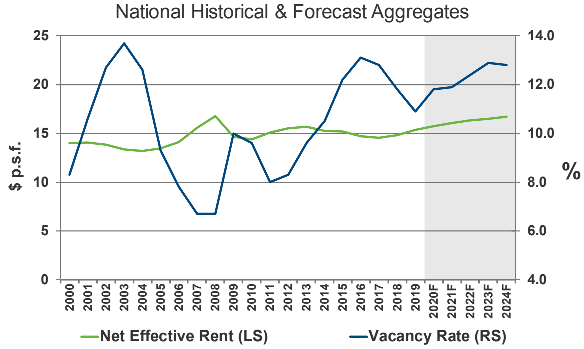
Source: CBRE Limited

Office Demand & Supply
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Office Rent & Vacancy
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING FUNDAMENTALS HAVE SOFTENED

Canadian office leasing market fundamentals softened over the past year, following an extended period of healthy performance. In the spring of 2020, leasing activity stalled, due primarily to the negative effects of the COVID-19 pandemic. The shutdown of non-essential businesses and unprecedented decline in economic activity eroded private-sector confidence. As a result, many businesses chose to either delay or cancel expansion plans and most other leasing-related decisions, given an increasingly uncertain economic outlook. In some cases, businesses reduced their office space footprints upon lease expiry while their employees worked from home during the first wave of the pandemic. At the same time, some tenants placed all or part of their existing space on the market for sublease in order to reduce premises costs as business revenues declined. The sharp reduction in leasing demand and activity of the past year resulted in the erosion of the supply fundamentals. The national average vacancy rate rose 110 bps to 12.0% between the end of 2019 and the end of the third quarter 2020. The downtown average rose 170 bps over the same time period to 11.5%, driven in part by a spike in sublease offerings in several cities. At the same time, office rents began to decline, particularly for class B and C space. Through the summer and autumn of 2020, office leasing fundamentals continued to erode, as Canada's economy began to recover and workers returned to the office on a limited basis.

INVESTMENT SALES ACTIVITY SLOWED

Investment capital flowed into the Canadian office sector at a significantly reduced rate over the recent past. During the first six months of 2020, just shy of $3.0 billion of office property was sold in the major Canadian urban centres combined. The total was down 46.0% from the same time period a year earlier. Relatively few significant transactions were completed during the first half of 2020. Much of the first-half transactions were negotiated prior to the pandemic. Most institutional investors retreated to the sidelines while assessing the potential impacts of the COVID-19 pandemic on office sector performance. Investors focused on acquiring lower-risk assets, during a period of heightened economic, financial and sector uncertainty. The slowdown in sales activity unfolded during a period of moderately positive investment performance. Office properties contained in the MSCI Index registered an annual average total return of 2.0% for the period ending September 30, 2020. Toward the end of 2019, office property values first stabilized and then began to decline, following an extended period of growth and cap rate compression. Investment performance was expected to moderate over the near term. At the same time, investment capital will continue to flow into the office property sector at a markedly reduced rate than during the most recent peak period of the past few years.

CONTINUED EROSION OF LEASING FUNDAMENTALS FORECAST

The continued erosion of Canadian office leasing market fundamentals is forecast over the near term. Leasing demand is expected to remain below the pre-COVID-19 pandemic peak through to the second half of 2021. Large users will continue to assess their office space requirements. Companies will look to reduce costs by allowing some business functions to be carried out by employees remotely. However, some organizations may require additional space to meet the safety demands of employees when office space densities increase. In the short term, vacancy will continue to rise, as the national economy and employment levels recover from the pandemic-driven and unprecedented declines. Rents will decline to some extent, particularly for class B and C space. Landlords will prefer to negotiate shorter-term leases until the economic outlook improves. In short, leasing market conditions will soften over the near term, during a period of gradual economic recovery.

INVESTMENT MARKET TRANSACTIONS

MONTREAL

Property	Date	Price	SF	PSF	Purchaser
4221-29 Ste Cather. W	Oct-20	$12.8 M	34,434	$372	Mitelman Prop.
District Beaumont	Apr-20	$18.2 M	93,456	$195	Mondev
Sternthal Portfolio	Mar-20	$70.2 M	281,492	$249	Crestpoint
World Trade Centre	Jan-20	$276.0 M	562,579	$491	Allied Prop. REIT
1611 Cremazie Blvd E	Jan-20	$41.0 M	214,189	$191	Galion
3530-3540 St Laurent	Jan-20	$13.0 M	51,076	$255	Allied Prop. REIT
4396-4410 St Laurent	Jan-20	$18.0 M	55,252	$326	Allied Prop. REIT
1100 Rene Levesque	Jan-20	$225.0 M	565,170	$398	Group Mach/Petra

OTTAWA

Property	Date	Price	SF	PSF	Purchaser
81 Metcalfe St (75%)	Nov-20	$12.5 M	57,170	$290	Marlin Spring
CanFirst Portfolio	Apr-20	$56.4 M	415,561	$136	Crown Realty
395 Terminal Ave	Apr-20	$97.5 M	240,000	$406	BentallGreenOak
234 Laurier W (50%)	Mar-20	$92.0 M	452,000	$407	Crestpoint
2611-15 Queensview	Feb-20	$21.8 M	77,575	$280	BTB REIT

TORONTO

Property	Date	Price	SF	PSF	Purchaser
Concorde Corp. Ctr	Nov-20	$114.0 M	567,619	$201	Fengate Properties
2300 Meadowvale	Oct-20	$75.7 M	242,000	$313	BMO Life Assur.
277 Wellington St W	Sep-20	$78.5 M	103,189	$761	RW Commercial
23 Bedford Rd	Jul-20	$14.3 M	19,102	$746	23 Bedford House
5040-5060 Spectrum	Jun-20	$33.8 M	114,505	$295	Sun Commercial
2155 Leanne Blvd	Jun-20	$15.2 M	90,000	$169	Prime Group
230-40 Richm. (50%)	May-20	$39.4 M	119,442	$659	Sun Life Financial
2345 Yonge St	Mar-20	$70.0 M	140,000	$500	RioCan/Streamlnr.
115-135 Matheson W	Feb-20	$15.5 M	72,784	$213	Private
Erindale Corporate Ctr	Feb-20	$90.6 M	342,606	$264	Adgar/Montez
4576 Yonge St	Feb-20	$24.0 M	97,237	$247	Davpart Inc.
4211 Yonge St	Jan-20	$63.0 M	175,702	$359	Reg. Nurses Ont.
889 Brock Rd	Jan-20	$26.7 M	177,500	$150	Private

CALGARY

Property	Date	Price	SF	PSF	Purchaser
Deerfoot Atria	Nov-20	$27.0 M	323,801	$83	Simplex
Trimac House	Mar-20	$26.0 M	238,640	$109	800 Fifth Holdings
Artis REIT Portfolio	Feb-20	$85.2 M	497,713	$171	Crestpoint
Centre 70	Jan-20	$27.6 M	132,743	$208	Private
Railway St Corp. Ctr	Jan-20	$27.5 M	135,304	$203	Ayrshire Group

EDMONTON

Property	Date	Price	SF	PSF	Purchaser
10303 Jasper Ave	Nov-20	$96.4 M	408,893	$236	Redstone
Sun Life Ctr	Aug-20	$32.5 M	288,005	$113	Slate

VANCOUVER

Property	Date	Price	SF	PSF	Purchaser
2695 Granville St	Nov-20	$28.6 M	27,812	$1,028	TPMG Capital
9500 Glenlyon Pkwy	May-20	$75.0 M	360,589	$208	Glenlyon Plaza Ltd
Crestwood/Comm Pl*	May-20	$218.0 M	906,400	$240	Peterson Group
The Landing*	Apr-20	$225.0 M	175,470	$1,282	Allied Prop. REIT
Grandview Pointe*	Jan-20	$20.8 M	39,044	$531	Grandview Pte Dev

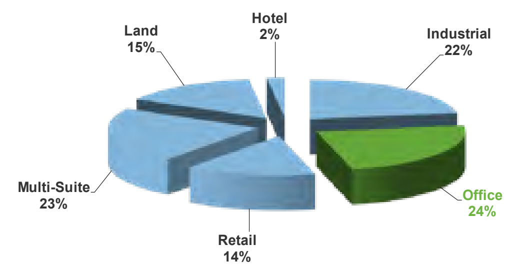
*share sale

HIGHLIGHTS

- Office leasing fundamentals softened across the country, as a result of the negative effects of the COVID-19 pandemic on business activities and confidence.
- Investors focused their attention increasingly on low-risk assets with stable tenants on long-term leases during a period of heightened financial and economic uncertainty.

Total Sales By Product

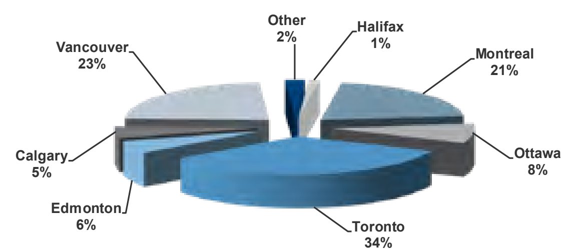
18 Months to June 2020



Source: CBRE Limited

Office Sales By CMA

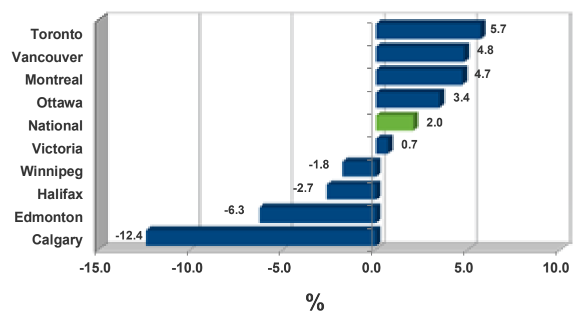
18 Months to June 2020



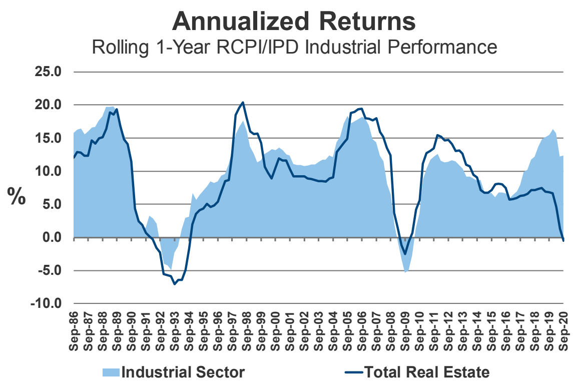
Source: CBRE Limited

Office Total Returns

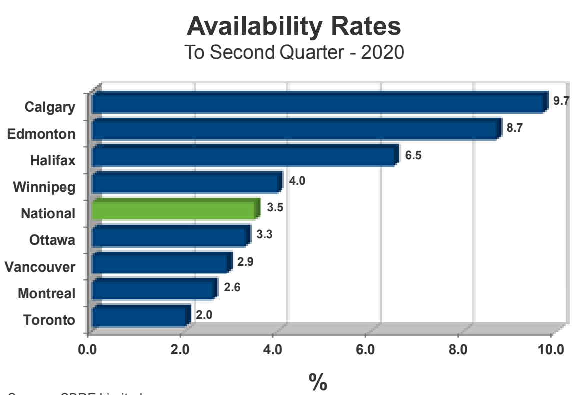
For The 1-Year Period Ending Sept 2020



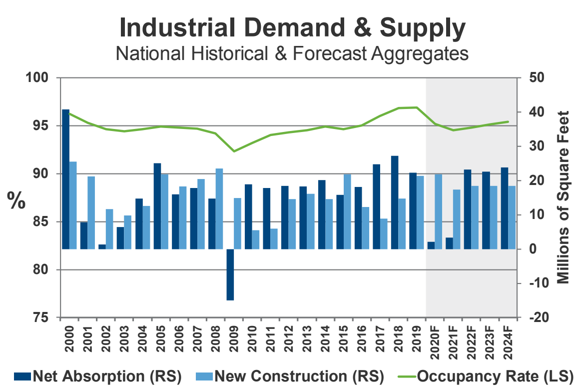
Source: © MSCI Real Estate 2020



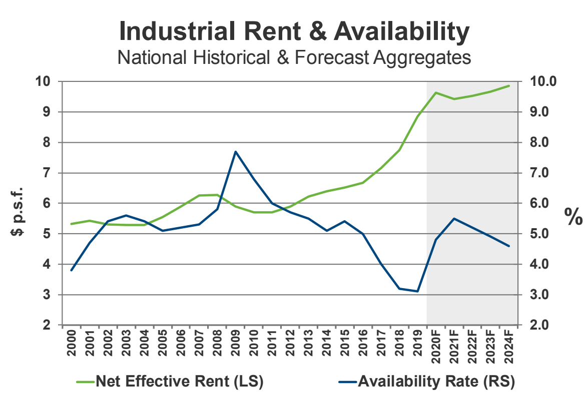
Source: RCPI; © MSCI Real Estate 2020



Source: CBRE Limited



Source: CBRE Limited; CBRE Econometric Advisors



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET RESILIENCE WAS EVIDENCED

A significant level of resilience was evidenced in Canada's industrial leasing market over the recent past, despite an unprecedented decline in economic output. Conditions remained tight in most of the country's major urban centres. The national availability rate rested at a healthy 3.5% as of the end of September 2020, up slightly from the record low 2.9% reported 12 months earlier. Leasing demand patterns were surprisingly healthy over the past year, despite the shutdown of non-essential businesses due to the COVID-19 pandemic in March. In several regions, including Toronto and Vancouver, available functional space remained in short supply. Calgary and Edmonton exhibited more balanced demand-supply dynamics. The pandemic boosted e-commerce activity, which bolstered demand for warehouse and storage space in most markets. Space suitably located and configured for last-mile delivery and related storage functions was in demand. Newly constructed properties were leased up in relatively short order providing additional evidence of the market's broad-based resilience. With demand largely outstripping supply, rents continued to hold close to the cycle peak. In short, there was plenty of evidence to support the broad-based resilience of Canada's industrial leasing market during the past year, including during the second wave of the COVID-19 pandemic.

INVESTMENT FUNDAMENTALS WERE GENERALLY BULLISH

The Canadian industrial property sector exhibited generally bullish investment market fundamentals over the recent past, in extending the current phase of the cycle. In terms of investment performance, the sector outperformed. Properties tracked in the MSCI Index registered a third consecutive double-digit total return recently. The 12.4% return for the 12-month period ending September 30, 2020 was driven by sustained capital growth and a stable and positive income component performance. The industrial sector outperformed the remaining major asset classes tracked by a significant margin, namely multi-suite residential rental, retail and office. Industrial investment demand characteristics were also relatively healthy over the recent past. Institutional and private capital groups scanned the country's main urban centres for acquisition opportunities. Investors were attracted by the industrial sector's continued resilience through the pandemic-driven economic downturn. The supply of available functional properties with stable tenant rosters in established nodes fell short of demand. Despite the shortfall, transaction closing activity was in line with the recent peak. Property offerings were met with aggressive bids, ensuring property values largely held close to the cycle peak. In short, industrial sector investment market fundamentals remained healthy during the past year, with a similar trend forecast over the near term.

SECTOR OUTLOOK IS LARGELY POSITIVE

Canada's near-term industrial property sector outlook is largely positive. Leasing market conditions will continue to impress. Demand, bolstered by strong e-commerce-related activity and a gradual economic recovery, will keep pace with supply at a minimum. Functional logistics and warehouse space will be absorbed at a relatively brisk pace, ensuring availability holds close to the cycle lows of the recent past in next year. On average, rents will continue to range near the cycle-high, especially for newly constructed space in major markets. The largely positive rental market outlook will continue to draw investors to the sector. The nation's major markets will be the mostly highly sought after, however, availability will continue to fall short of demand. Despite this dynamic, investment activity and bidding will remain brisk, especially for assets with stable long-term leases in place. Values will stabilize at the peak for the cycle. Cap rates will continue to hold at levels reported over the recent past, in keeping with the sector's broadly positive near-term outlook.

INVESTMENT MARKET TRANSACTIONS

MONTREAL

Property	Date	Price	SF	PSF	Purchaser
550 McArthur St	Nov-20	$17.3 M	156,514	$111	Mondev
Sunrise Portfolio	Nov-20	$34.5 M	325,579	$106	Equitable Life
Montoni Portf. (50%)	Oct-20	$88.0 M	1,043,178	$169	Summit REIT
Olymbec Portfolio	Aug-20	$81.9 M	780,703	$106	Pure Ind. REIT
10655 Henri-Bourassa	Jul-20	$12.3 M	110,000	$112	Mondev
9393 Metropolitain E	May-20	$10.8 M	81,500	$132	Pure Ind. REIT
3399 Francis-Hughes	May-20	$18.0 M	119,808	$150	Broccolini
135 du Cheminot St	Feb-20	$28.2 M	200,442	$141	Fiera Real Estate
Manulife Montreal Portf	Feb-20	$75.2 M	660,086	$114	Pure Ind. REIT

OTTAWA

Property	Date	Price	SF	PSF	Purchaser
Colonnade Rd Portfolio	Jul-20	$22.0 M	143,021	$154	Fiera Real Estate

TORONTO

Property	Date	Price	SF	PSF	Purchaser
1 Steelcase Rd W	Nov-20	$93.0 M	688,904	$135	Quadreal Group
123 Great Gulf Dr	Oct-20	$47.3 M	244,633	$193	Summit REIT
5600-5630 Timberlea	Sep-20	$19.5 M	119,356	$163	Granite REIT
555 Beck Cr	Sep-20	$15.4 M	99,600	$154	Granite REIT
6701 Financial Dr	Sep-20	$23.9 M	115,693	$207	Dream Unlimited
60 & 70 Summerlea Rd	Sep-20	$14.8 M	66,314	$224	White Owl
8995 Airport Rd	Sep-20	$22.2 M	126,000	$176	Granite REIT
Steelcom Business Ctr.	Jun-20	$32.0 M	231,405	$138	Takol Steelton
37 Bethridge Rd	May-20	$19.1 M	128,256	$149	Adelaide Devt.
70 Valleywood Dr	Apr-20	$12.3 M	58,450	$210	Crestview
2 Colony Crt	Mar-20	$23.8 M	125,058	$190	Pure Ind. REIT
220 Water St	Mar-20	$17.6 M	207,700	$85	Dream Industrial
100 E Beaver Creek	Feb-20	$24.0 M	110,000	$218	Dream Industrial
Cochrane Business Pk	Feb-20	$45.2 M	228,719	$197	Summit REIT
390 Chrysler Dr	Feb-20	$19.8 M	103,290	$192	Pure Ind. REIT
1870 Birchmount Rd	Jan-20	$14.2 M	106,327	$134	Hengda Devt.
1387 Cornwall Rd	Jan-20	$13.3 M	51,490	$258	Summit REIT
1995 Markham Rd	Jan-20	$33.1 M	240,776	$137	Dream REIT
286 Rutherford Rd S	Jan-20	$21.0 M	128,001	$164	Takol CMCC
5900 Fourteenth Ave	Jan-20	$39.8 M	184,561	$216	Summit REIT

CALGARY

Property	Date	Price	SF	PSF	Purchaser
IMCO Calgary	Apr-20	$132.0 M	1,177,202	$112	Skyline REIT
10 Smed Lane SE	Jan-20	$88.0 M	752,804	$117	Northam Realty

EDMONTON

Property	Date	Price	SF	PSF	Purchaser
5618 76 Ave	Apr-20	$11.0 M	90,348	$122	Firm Capital
4704/32 76 Ave	Feb-20	$12.0 M	89,044	$135	Lotus Capital

VANCOUVER

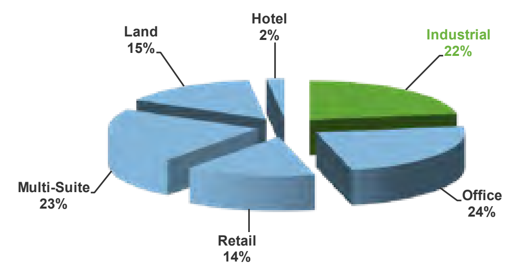
Property	Date	Price	SF	PSF	Purchaser
1725 Coast Meridian*	Sep-20	$51.3 M	212,777	$241	Conwest Group
Viking Way Bus. Ctr	Feb-20	$49.2 M	159,954	$308	PC Urban/Kingsett
Spur/ Meadow*	Feb-20	$51.0 M	279,900	$182	A2Z Capital

*share sale

HIGHLIGHTS

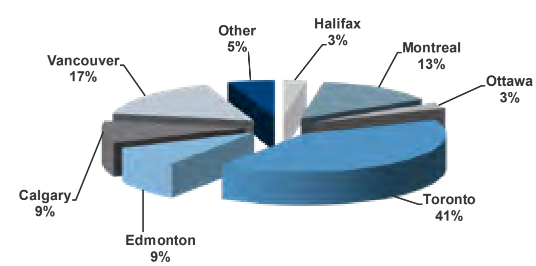
- Leasing market conditions remained stable and healthy over the recent past, a period during which availability held close to the cycle-low, demand outpaced supply in most regions and new supply was leased up prior to or shortly after completion.
- Industrial investment performance was the strongest of the major property sectors over the recent past, driven by positive capital and income trends.

Total Sales By Product
18 Months to June 2020



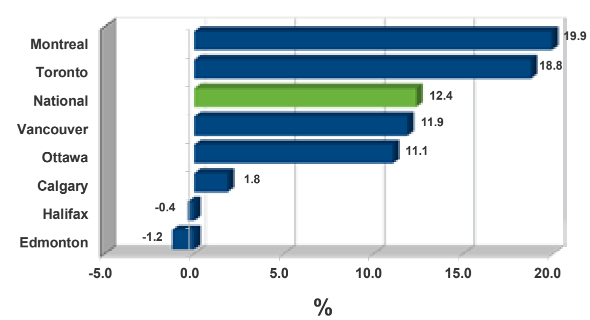
Source: CBRE Limited

Industrial Sales By CMA
18 Months to June 2020

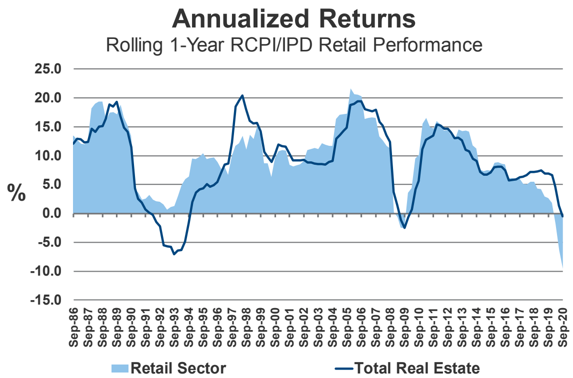


Source: CBRE Limited

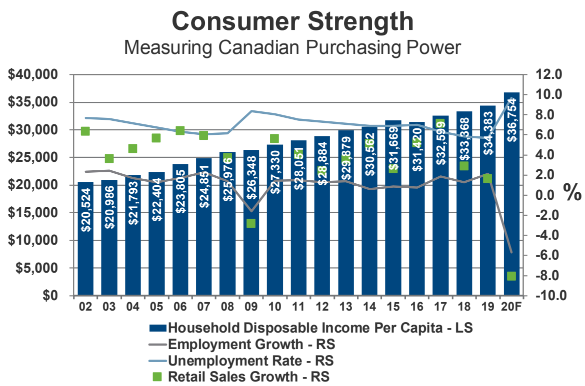
Industrial Total Returns
For The 1-Year Period Ending Sept 2020



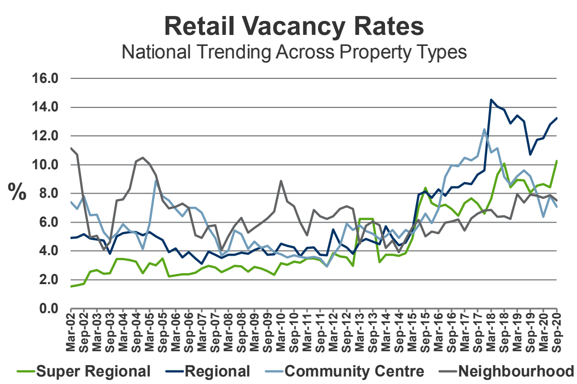
Source: © MSCI Real Estate 2020



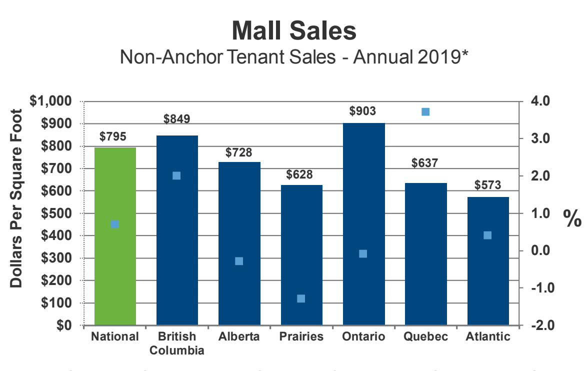
Source: RCPI; © MSCI Real Estate



Source: Conference Board of Canada



Source: © MSCI Real Estate



Source: International Council of Shopping Centres, Industry Insights *No data collected in 2020

CONDITIONS GOT ROUGHER IN LEASING MARKET

Already facing soft conditions, the leasing market took a turn for the worse, driven by the negative impacts of the COVID-19 pandemic. Leasing market risk spiked as a result of the close of non-essential stores in March to combat the spread of the virus. As a result, many retailers suffered significant losses of revenue. The exception was essential operators, such as grocery and drug store operators. Retailers looked to their landlords and government support in order to meet their rental obligations. At the same time, some operators pivoted to e-commerce platforms and various pick-up and delivery strategies to generate sales revenue. Despite these efforts, many retailers were forced to either close permanently or significantly reduce their physical store footprints. Even as non-essential stores reopened during the late spring and summer months, consumers continued to shop online in increasing numbers, or abstain from purchasing as evidenced by the spike in the personal savings rates. The unfolding of the second wave of the virus in the fall disrupted any recovery progress and continued to stifle foot traffic and erode physical store revenues. Store closures and reductions in physical store footprints persisted. The negative impacts of the COVID-19 pandemic resulted in the continued erosion of leasing fundamentals over the past year. Vacancy rose sharply across the country while downward pressure on rents intensified. Shadow vacancy also increased substantially. The fundamental erosion was symptomatic of the sharp rise in leasing market risk reported during 2020.

INVESTMENT PERFORMANCE AND ACTIVITY CONTINUED TO SOFTEN

Retail property investment market activity and performance softened over the past year. Retail properties contained in the MSCI Index posted a negative total average return of 9.6% for the 12-month period ending September 30, 2020. The negative result was a function of a material reduction in capital value over the period driven by a rise in capitalization rates and declining revenues. The downward capital trend was more pronounced in the enclosed mall and class B and C market segments. Over roughly the same time period, investment transaction activity had slowed significantly. During the first six months of 2020, $2.1 billion in retail property sales volume was recorded in the country's largest urban centres combined. The total was down 30.6% from the same time period a year earlier. Investment activity has slowed significantly over the past few years, as changes in the broader industry resulted in increased performance uncertainty. Investors have focused increasingly on lower-risk property acquisitions, a trend that intensified with the unfolding of the pandemic. There have been relatively few major transactions reported over the couple of years while investors looked for greater clarity on the retail sector performance outlook. Coincidentally, investment market performance and activity levels softened.

PERFORMANCE HEADWINDS WILL REMAIN BRISK

Retail sector performance headwinds are expected to remain brisk over the near term. The COVID-19 pandemic will continue to negatively impact brick and mortar sales, as rebuilding foot will take time. Retailers will continue to look to e-commerce as an increasingly important source of revenue. The second wave of the virus will continue to negatively impact the retail sector through to the end of this year and into 2021. At the same time, retailers will be forced to reassess their business models and reduce store footprints, in order to prosper. In some cases, retailers will struggle to recover from pandemic-related losses and close on a permanent basis. Landlords will continue to face several challenges over the near term, including increased vacancy, downward pressure on rents, and the changing needs of tenants. These conditions will persist for at least the next 12 to 18 months. Hope for recovery lies in part in the pent-up demand evidenced by historically high household savings levels generated during the pandemic.

INVESTMENT MARKET TRANSACTIONS

MONTREAL

Property	Date	Price	SF	PSF	Purchaser
Ctre Chateauguay	Dec-20	$19.2 M	117,048	$164	MC Properties
1766-80 Ste Angelique	Nov-20	$10.4 M	36,749	$284	Berlemis Corp.
3964-68 Notre Dame	Oct-20	$11.0 M	77,200	$142	Crombie REIT
Faubourg Langelier	Jul-20	$62.0 M	350,569	$177	Groupe Mach
6654-6710 Sherbrke E	May-20	$10.4 M	18,213	$571	Mondev
1321-25 Michele Boh.	Apr-20	$15.9 M	50,000	$318	Private
1472-1478 Ste Cather.	Apr-20	$17.5 M	17,660	$991	Uno Investments
315-319 Valmont St	Apr-20	$13.8 M	43,304	$319	Private
First Capital Portfolio	Jan-20	$48.4 M	226,317	$234	Skyline REIT
Plaza Laval Elysee	Jan-20	$15.3 M	63,600	$241	Econo-Malls

OTTAWA

Property	Date	Price	SF	PSF	Purchaser
Barrhaven Crossing	Mar-20	$18.4 M	60,457	$304	Private

TORONTO

Property	Date	Price	SF	PSF	Purchaser
6435-6487 Dixie Rd	Oct-20	$24.0 M	129,976	$185	MSR Plaza
2510 Hampshire Gate	Oct-20	$14.9 M	38,905	$382	Delamere Enterpr.
88 & 94 Cumberland	Aug-20	$16.5 M	5,280	$3,125	ProWinko Canada
563 King St W	Aug-20	$13.8 M	14,750	$932	Northloop Devpt.
365 Queen St W	Jun-20	$25.0 M	14,900	$1,678	Ergo Properties
126 Scollard St	Apr-20	$19.0 M	22,000	$864	LDC
9651 Yonge St	Apr-20	$23.8 M	31,858	$746	Private
261 & 263 Queen St E	Mar-20	$30.5 M	80,292	$380	Soneil Investmts
454-458 Yonge St	Jan-20	$11.0 M	6,638	$1,657	Private
7501 Woodbine Ave	Jan-20	$19.0 M	23,040	$825	Private
54 The Esplanade	Jan-20	$25.0 M	9,500	$2,632	Allied Prop. REIT
3232 Steeles Ave W	Jan-20	$10.8 M	29,988	$359	KPM Kingsway

KITCHENER/WATERLOO/GUELPH

Property	Date	Price	SF	PSF	Purchaser
4391 King St E, Kitch.	Jan-20	$7.2 M	21,181	$340	Tanem Housing

CALGARY

Property	Date	Price	SF	PSF	Purchaser
Cochrane City Ctr	May-20	$22.5 M	60,255	$373	Valiant Consultants

EDMONTON

Property	Date	Price	SF	PSF	Purchaser
Tamarack North	Oct-20	$11.0 M	22,821	$480	Forster Harvard
Mayfield Comm. (50%)	Jan-20	$56.0 M	447,588	$250	RioCan REIT

VANCOUVER

Property	Date	Price	SF	PSF	Purchaser
Delta Shoppers Mall*	Nov-20	$34.3 M	74,669	$459	A.L. Sott
Trenant Park Square	Aug-20	$64.5 M	138,716	$465	Keltic Canada
818-858 W 15th (50%)	Jul-20	$16.5 M	22,000	$1,500	Polygon Group
664 W Broadway	Jul-20	$10.0 M	6,000	$1,667	CCI Holdings
1230-52 Davie (75%)	Apr-20	$13.3 M	10,132	$1,750	Camy Holdings
1431,1441 W Broadw.	Mar-20	$24.6 M	15,905	$1,544	Shato Holdings
Huntingdon Station	Mar-20	$12.4 M	14,780	$838	Mihyou Holdings
465 N Rd, 500 Austin	Feb-20	$21.2 M	9,397	$2,251	Choice Prop. REIT
Lonsdale/ E 15th St	Jan-20	$11.7 M	13,000	$900	Private

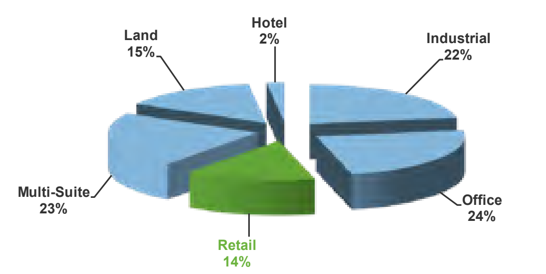
*share sale

HIGHLIGHTS

- Retail landlords focused on rent collections and implementing health and safety measures to increase foot traffic over the past year, in order to minimize the adverse effects of the COVID-19 pandemic on property performance.
- Investment sales activity remained well below the long-term average over the past year, as investors retreated to the sidelines during a period of elevated retail sector and global economic risk.

Total Sales By Product

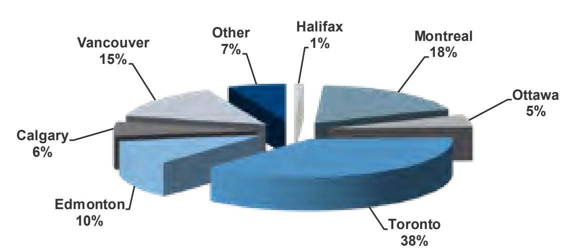
18 Months to June 2020



Source: CBRE Limited

Retail Sales By CMA

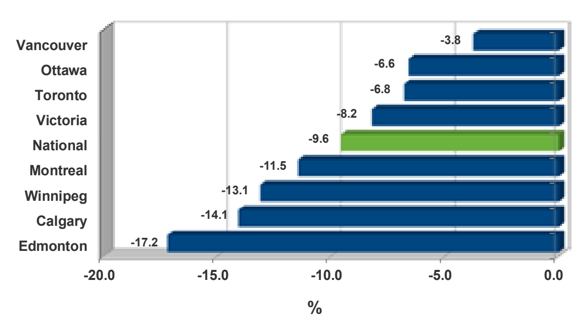
18 Months to June 2020



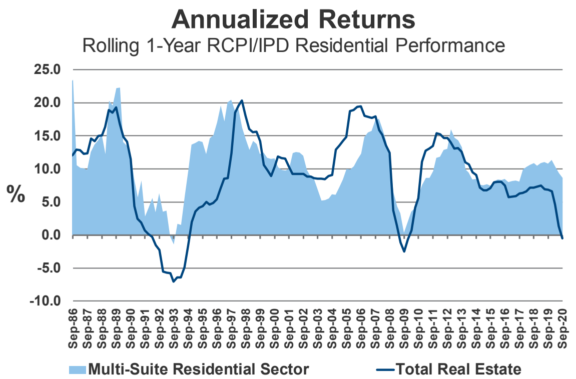
Source: CBRE Limited

Retail Total Returns

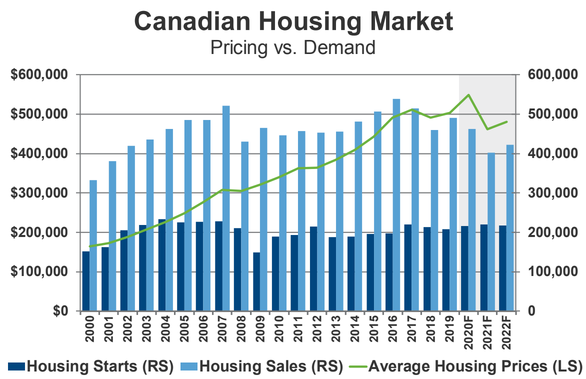
For The 1-Year Period Ending Sept 2020



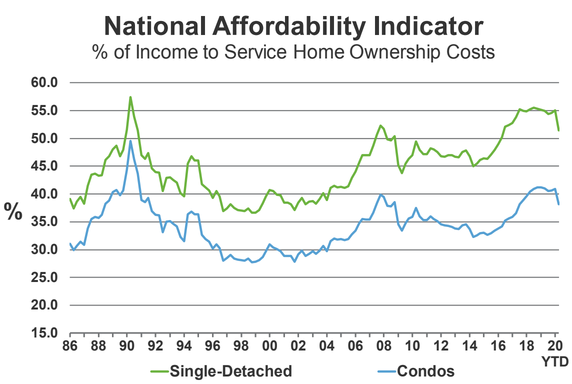
Source: © MSCI Real Estate 2020



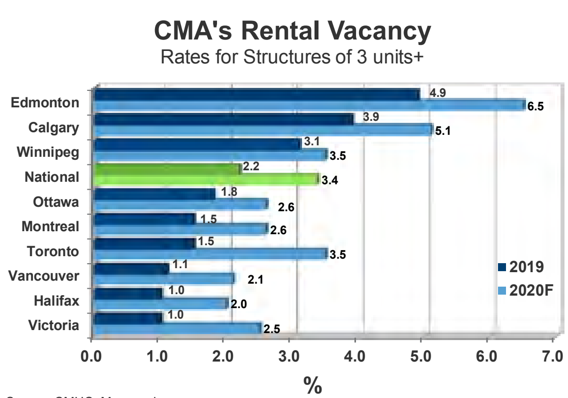
Source: RCPI; © MSCI Real Estate 2020



Source: Conference Board Of Canada; CREA; CMHC



Source: RBC Economics - RBC Housing Affordability Measure



Source: CMHC; Morguard

RENTAL DEMAND SLOWED SIGNIFICANTLY

Multi-suite residential rental demand slowed significantly during the past year, due primarily to the negative effects of the COVID-19 pandemic. In March of 2020, the closure of non-essential businesses and resulting unprecedented job losses reduced rental demand substantially. Government restrictions on personal interaction to combat the spread of the virus also eroded rental demand across much of the country. Additionally, the government's decision to close Canada's borders resulted in a sharp decline in international migration and foreign students coming to the country, many of whom typically rent upon arrival. Rental market fundamentals were eroded during 2020, due in part to the weaker demand trend. Vacancy levels increased from the pre-pandemic record lows in several cities. Upward pressure was most pronounced in downtown submarkets where new supply had been completed recently. Vacancy rates increased more substantially in submarkets with increased rental condo availability, such as downtown Toronto. On average, rents declined to varying degrees in most regions of the country, as a result of the slowdown in rental demand that began with the unfolding of the COVID-19 pandemic and lasted through to the late stages of 2020.

CONSISTENTLY HEALTHY INVESTMENT MARKET TRENDS REPORTED

Consistently healthy multi-suite residential rental sector investment market trends were reported in 2020, continuing the trend of the past several years. Properties contained in the MSCI Index generated an annual average total return of 8.6% for the 12-month period ending September 30, 2020. The result was comprised of a stable and healthy income growth and continued capital growth. Capital continued to flow into the asset class at a healthy rate, as has been the norm over the past several years. Institutional and private capital groups continued to exhibit confidence in the asset class, despite increased uncertainty surrounding the negative effects of the COVID-19 pandemic. Slightly more than $3.9 billion in transaction volume was reported during the first six months of 2020, which was comparable to the record-high $4.0 billion in sales tallied over the same time period a year earlier. For the most part, multi-suite residential rental property values rested at the cycle-high while cap rates generally held at record-low levels. Purchasers continued to bid aggressively on high-rise properties in prime locations while low-rise wood frame offerings were also well-received. Vendors and purchasers were able to find common ground on pricing, a dynamic that was in keeping with the consistently healthy investment market trends reported over the recent past.

EVENTUAL RETURN TO PRE-PANDEMIC STRENGTH FORECAST

An eventual return to its pre-pandemic strength is forecast for the multi-suite residential rental sector. The forecast is predicated on the distribution of a COVID-19 vaccine or vaccines at some point during 2021. Consequently, restrictions on personal interaction will, at a minimum, be significantly reduced. In turn, the Canadian economy and job market will recover and rental demand will improve significantly. Increased international migration will boost rental demand, along with the return of international students. Youth employment will also increase, in support of a more robust demand cycle. An improved rental demand trend will drive vacancy levels down closer to the all-time lows of the pre-pandemic period. Coincidentally, rents will firm and begin to rise. By 2022, construction activity will increase as market conditions improve. Until a COVID-19 vaccine is widely distributed, rental market conditions will mirror those reported during much of 2020. Vacancy in certain segments of the market will continue to edge higher while landlords continue to offer incentives to lease up vacant units. At the same time, rental demand will remain relatively tepid. The multi-suite residential rental market will likely tread water to some extent over the near term before eventually returning to its pre-pandemic strength.

INVESTMENT MARKET TRANSACTIONS

MONTREAL

Property	Date	Price	Suites	P.S.	Purchaser
Le Art	Nov-20	$72.4 M	138	$524,819	Centurion Apt REIT
4545 & 4550 Walkley	Sep-20	$30.8 M	161	$190,994	Timbercreek
405 Sicard St	Aug-20	$19.0 M	73	$260,274	Skyline Group
140-160 Navarre Ave	Jun-20	$34.6 M	270	$128,037	Delta Partnership
Le Courant III	Apr-20	$29.8 M	102	$291,667	Cons Properties 12
Place Fortier	Mar-20	$35.2 M	189	$186,243	Catera Properties
Les Berges du Canal	Feb-20	$60.0 M	168	$357,143	Globe Capital Mgt.
EQ8 Phases 3 & 4	Jan-20	$105.0 M	300	$350,000	Manulife Financial

OTTAWA

Property	Date	Price	Suites	P.S.	Purchaser
2400 Carling Ave	Dec-20	$26.2 M	119	$220,168	Paramount Prop.
Homestead Portfolio	Nov-20	$95.5 M	308	$251,316	CAPREIT

TORONTO

Property	Date	Price	Suites	P.S.	Purchaser
500 Duplex Ave	Dec-20	$158.0 M	330	$478,712	Q Residential
165 La Rose Ave	Nov-20	$83.6 M	211	$396,209	Realstar Group
301 Dixon Rd	Oct-20	$78.5 M	225	$348,887	Starlight Investmts.
1130 Queens Ave	Oct-20	$46.1 M	100	$461,000	Homestead
200 Queen Mary Dr	Sep-20	$33.0 M	95	$347,368	Homestead
4500 Jane St	Sep-20	$44.6 M	164	$271,768	Starlight Investmts.
122 Bronte St S	Sep-20	$58.5 M	163	$358,896	Park Property Mgt.
Brampton Portfolio	Sep-20	$54.0 M	205	$263,415	Golden Equity
Signet Portfolio	Aug-20	$113.3 M	386	$294,357	Starlight Investmts.
Flagship Portfolio	Jun-20	$143.4 M	509	$281,670	Timbercreek
2313 Islington Ave	Apr-20	$22.4 M	80	$280,000	Golden Equity
25 Villa/ 90-92 James	Apr-20	$26.5 M	102	$259,804	Starlight Investmts.
223 Woodbine Ave	Mar-20	$19.9 M	48	$414,583	Equiton Partners
2801 Jane St	Feb-20	$64.0 M	234	$273,504	Starlight Investmts.
1015 Orchard Rd	Feb-20	$18.2 M	57	$318,421	InterRent REIT
205 & 207 Morningside	Feb-20	$56.3 M	214	$262,850	Starlight Investmts.
2777 Kipling Ave	Jan-20	$93.0 M	325	$286,154	Q Residential
11-25 Sherwood Ave	Jan-20	$34.5 M	102	$338,235	Minto Group
Heathdale Portfolio	Jan-20	$37.3 M	111	$335,586	Starlight Investmts.

CALGARY

Property	Date	Price	Suites	P.S.	Purchaser
1309 Cameron/14 SW	Mar-20	$11.5 M	55	$209,091	Avenue Living
The Carrington	Jan-20	$19.5 M	79	$246,835	CAPREIT

EDMONTON

Property	Date	Price	Suites	P.S.	Purchaser
Westlawn Village	Jul-20	$22.5 M	144	$155,903	Oneka Land Co.
Infiniti on 105	Mar-20	$28.3 M	109	$259,633	CAPREIT
1104 Windermere SW	Feb-20	$40.8 M	171	$238,596	JPG Level Inc
Mayfair on Jasper	Jan-20	$100.0 M	238	$420,168	Centurion Apt REIT

VANCOUVER

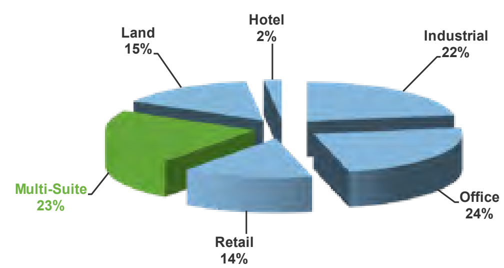
Property	Date	Price	Suites	P.S.	Purchaser
Arlington Court Apts.	Aug-20	$16.3 M	54	$301,852	Madison Pacific
Sea Place Apartments	Jun-20	$16.4 M	35	$469,714	Starlight Investmts.
Harley House	Mar-20	$51.0 M	107	$476,636	Mayfair Properties
Balmoral Park Apts.	Jan-20	$19.6 M	44	$445,455	Mayfair Properties

*share sale

HIGHLIGHTS

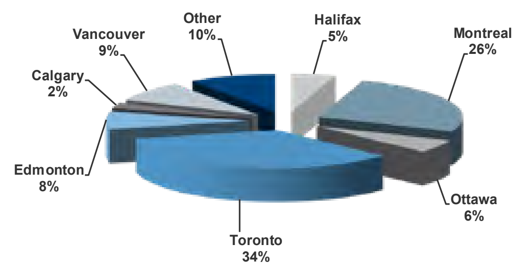
- Multi-suite residential rental market conditions softened in most major urban centres over the past year, as demand slowed as a result of the unprecedented job losses and broader negative impacts of the COVID-19 pandemic.
- Multi-suite residential rental property remained an attractive option for investors, given its recent cash-flow resiliency and solid performance track record during periods of economic weakness.

Total Sales By Product
18 Months to June 2020



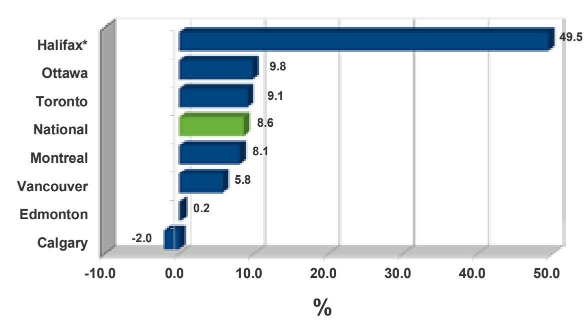
Source: CBRE Limited

Multi-Suite Sales By CMA
18 Months to June 2020



Source: CBRE Limited

Multi-Suite Total Returns
For The 1-Year Period Ending Sept 2020

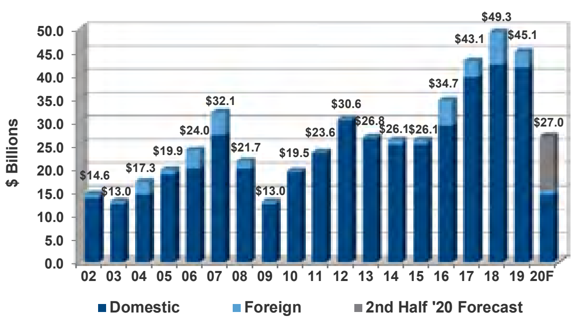


Source: © MSCI Real Estate 2020 *Halifax return is the result of property sales at premium pricing in Q4 2019

HIGHLIGHTS

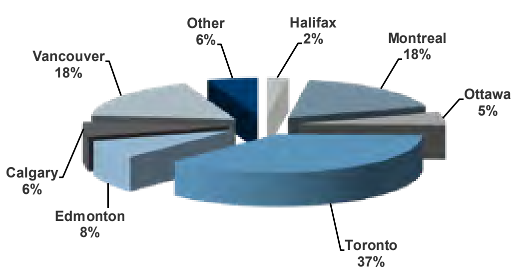
- Investors focused increasingly on acquiring lower-risk properties with secure income streams during 2020 in an environment of heightened uncertainty due to the negative impacts of the COVID-19 pandemic.
- Investment capital flowed into Canada's commercial property sector at a markedly reduced rate over the past year, as investors hesitated to take on additional risk.

Investment Activity
Total Investment Volume



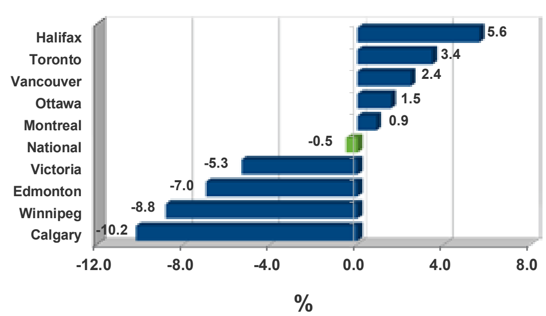
Source: CBRE Limited; Morguard

National Sales By CMA
18 Months to June 2020



Source: CBRE Limited

All Property Total Returns
For The 1-Year Period Ending Sept 2020



Source: © MSCI Real Estate 2020

INVESTORS WERE GENERALLY MORE CAUTIOUS

Canadian commercial property sector investors were more cautious over the recent past, due in large part to the ongoing negative effects of the COVID-19 pandemic. For the most part, investors targeted lower-risk properties following the first wave of the pandemic through to the late stages of 2020. Investors had grown increasingly concerned about the negative impacts of the pandemic on the Canadian economic and commercial property market outlooks. The unprecedented decline in economic activity and employment as a result of the pandemic eroded commercial property sector fundamentals during the spring and summer months of 2020. Further, market fundamentals were expected to continue to erode through much of 2021. The retail and office sectors were hardest hit. Many retailers were unable to pay rent or relied on deferrals or government programs to survive. The popularity of online shopping forced many stores out of business and pushed vacancy higher. Office leasing activity slowed to a crawl as tenants adopted a 'wait and see' attitude to decisions on space requirements. Vacancy levels rose, driven in part by a spike in downtown sublease availability. Multi-suite residential rental market leasing activity slowed, resulting in downward leasing and effective rent pressure. Industrial was the exception, with demand remaining healthy while vacancy held close to the record-low and rents held firm across much of the country. Despite the partial recovery of the economic and employment losses suffered as a result of the pandemic, the acquisition risk appetites of investors were expected to remain low through to next year.

INVESTMENT CAPITAL FLOWS MODERATED

Canada's commercial real estate investment market capital flow trend moderated during 2020. During the first six months of 2020, a total of $21.0 billion in commercial investment property sales was recorded in the country's major urban centres, which included land sales. The total was down 21.0% from the same time period a year earlier. Moreover, the 2020 pace was well below that of the most recent peak of 2018 and 2019. Looking ahead to the second half of the year, aggregate transaction closing volume was expected to remain low, compared to the pace of the past few years. The slowdown in investment market activity recorded in 2020 varied significantly by asset class. During the first half, industrial sales volume declined by a modest 5.1% over the same six-month period in 2019. Investors favoured the sector, given its healthy outlook driven in part by increased e-commerce-related leasing demand. Multi-suite residential rental sales were down just 1.9%, as investors continued to acquire properties that had performed relatively well during periods of economic turmoil. In contrast, office property transaction volume declined by 46.0% and retail by 30.6%. Relatively few major transactions were reported in either sector during 2020, given an increasingly uncertain performance outlook. The sharp reduction in retail and office sales activity was the main cause of the moderation of the Canadian commercial investment capital flow trend that unfolded during 2020.

SIGNIFICANT INVESTMENT PERFORMANCE VARIATION REPORTED

Canadian commercial property investment performance varied significantly over the recent past. The industrial and multi-suite residential rental sectors continued to generate attractive investment returns. Total average annual returns of 12.2% and 9.4% were recorded for the 12-month period ending June 30, 2020 for the two sectors, respectively. In contrast, the retail sector posted a negative 6.4% return over the same time period. The office sector tallied a moderately positive 3.6% return, outdistancing the broader MSCI Index return of 1.9%. Year-over-year, investment returns trended lower by varying degrees for all four major asset classes tracked. Despite the downward trend, income performance was largely stable and positive. Conversely, there was increased variation in the capital component performance pattern reported.

Moderately healthy capital growth was reported for the industrial and multi-suite residential rental property sectors, year-over-year. Office property values were relatively flat. Retail properties tracked in the index suffered an aggregate capital decline of just over 10.0% over the 12-month period. The result was indicative of the downward pressure on retail property values observed in the broader market. Retail sector cap rates have increased, given heightened levels of sector uncertainty and materially weaker leasing market characteristics. Recent investment performance also varied geographically. Western Canada's major urban centres posted materially negative total returns for all asset classes combined, except for Vancouver. Conversely, eastern Canadian cities generated moderately positive results. The variation in geographic performance was, in part, a function of the continued resource sector malaise. Moreover, the mixed performance pattern was in keeping with the broader commercial real estate property sector trend.

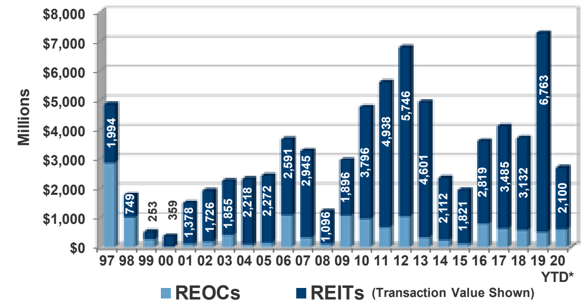
COMMERCIAL PROPERTY SECTOR RISK ROSE SHARPLY

Canadian commercial property sector risk rose sharply during the past year, driven primarily by the negative impacts of the COVID-19 pandemic. With the spread of the COVID-19 virus across the globe in early 2020, the economic outlook became increasingly uncertain. National and regional governments instituted shutdowns of significant portions of their respective economies to combat the spread of the virus. Businesses deemed essential continued to operate. As a result, unprecedented reductions in economic activity and employment were reported across the globe. Consequently, some businesses suffered significant losses of revenue and, in some cases, were unable to pay all of part of their contracted rent. Retailers and small office tenants suffered the most, resulting in weaker space demand patterns, upward pressure on vacancy, and downward pressure on rents to varying degrees. Sublease availability increased significantly in most downtown office markets. Multi-suite residential rental demand also softened to some extent whereas the industrial sector exhibited a significant degree of resilience due largely to a spike in e-commerce penetration. By the summer of 2020, Canadian businesses reopened on a restricted basis, but uncertainty surrounding the commercial property sector outlook remain elevated. As the three-quarter mark of 2020 neared, a second wave of the COVID-19 virus threatened to derail Canada's economic and, by extension, commercial property sector recovery. The economic recovery slowed and the threat of further business closures increased. Coincidentally, government supports were extended for Canadian businesses and households. At the same time, commercial property sector risk began to rise once again, after a sharp increase earlier in the year.

RECENT TRENDS TO PERSIST OVER THE NEAR TERM

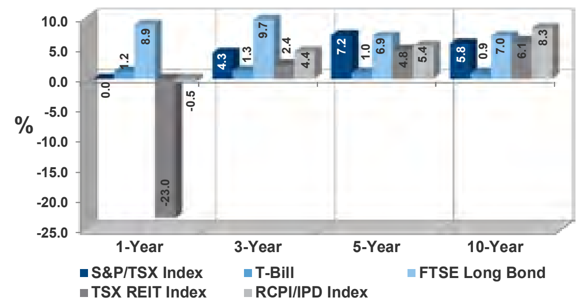
Trends observed in Canada's commercial property investment market will persist over the near term. Investors will continue to target lower-risk acquisitions, given an uncertain economic outlook and the continued impacts of the COVID-19 pandemic. Consequently, cap rates for this segment of the market will stabilize. Riskier property rates will continue to gradually rise over the near term, especially in the retail sector. Industrial and multi-suite residential rental properties will generate the strongest interest, given their defensive investment attributes. Investors will continue to hold off on acquiring large-scale office properties, given an uncertain sector outlook. Retail acquisition activity will remain below the long-term average, as the sector continues to adjust to significant shifts in consumer behaviour. An uneven investment performance pattern will persist, with the industrial and multi-suite residential sectors outperforming while office and retail returns underwhelm. By 2022, some form of resolution to the pandemic is expected to have emerged. Until then trends in Canada's commercial property investment market will be similar to those of the recent past.

REIT Capital Activity
Public Equity Issuance



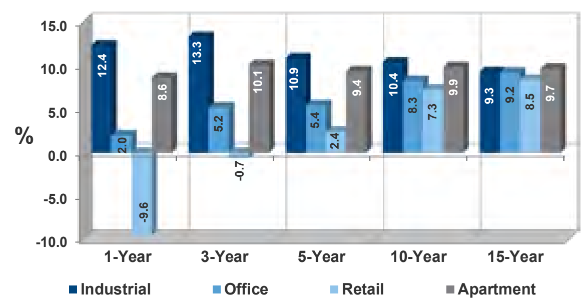
Source: RBC Capital Markets

Relative Performance
Comparing Annualized Returns To Sept 2020



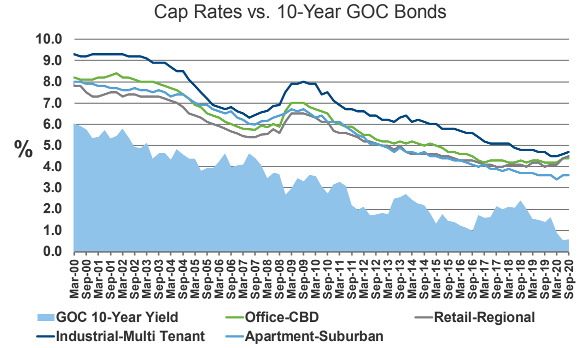
Source: © MSCI Real Estate; RBC CM; TSX Datalinx; SCM; PC Bond Analytics

IPD Returns
Annualized Returns By Property Type To Sept 2020

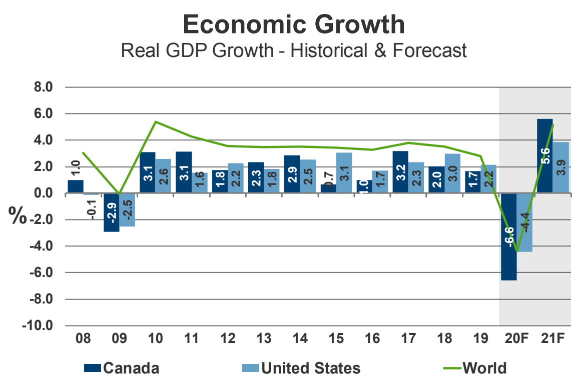


Source: © MSCI Real Estate

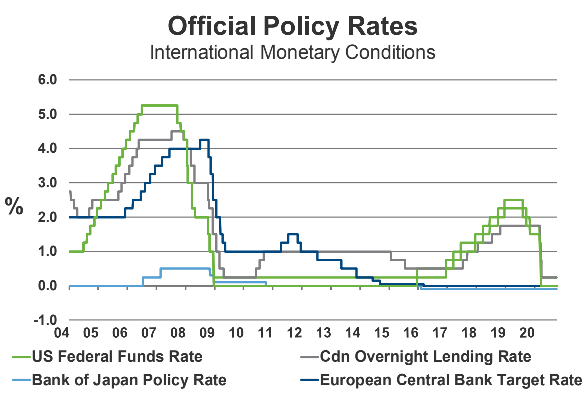
Yield Spreads
Cap Rates vs. 10-Year GOC Bonds



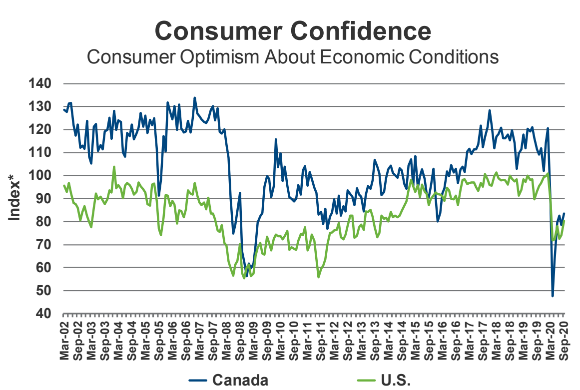
Source: AltusInSite, Bank of Canada



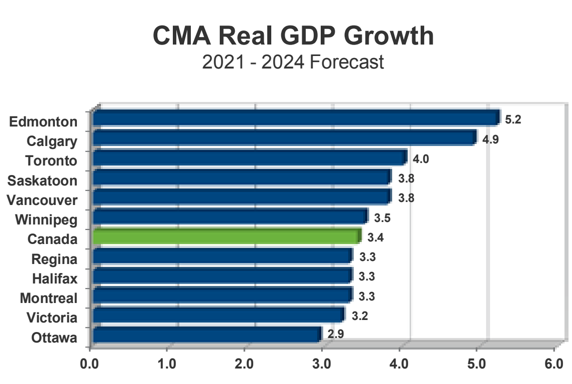
Source: Conference Board Of Canada (Sept 2020); International Monetary Fund (Oct 2020)



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



Source: CBOC, University of Michigan Consumer Sentiment *Base year: Cdn=2014, U.S.=1966



Source: Conference Board Of Canada

CANADA'S ECONOMIC RECOVERY WILL MODERATE

Canada's economy will moderate over the near term, with Real GDP returning to pre-pandemic levels by 2022. The Conference Board of Canada (CBOC) is projecting economic expansion of 5.6% for 2021 and 4.8% for 2022, with more moderate growth over the subsequent two-year period. The nation's near-term growth outlook is highly dependent on the widespread distribution of an effective COVID-19 vaccine. A vaccine will ensure industries that suffered the most extreme losses during the historic downturn of 2020 will recover to within reach of their pre-pandemic norms. However, some sectors of the economy may never return to their former glory, given pandemic-driven changes in consumer behaviour and businesses processes. The initial phase of Canada's economy recovery got underway in the late spring of 2020 when non-essential businesses began to reopen, and pandemic restrictions designed to control the spread of the virus were relaxed. Fiscal stimulus and accommodative monetary policy bolstered the rise in economic output in the second half of 2020. Additionally, government transfer payments to Canadian households, including the Canada Emergency Response Benefit and Employment Insurance programs, also supported the initial phase of the recovery. By the fall of 2020, COVID-19 infection and death rates rose sharply in several regions, increasing the probability of a lengthier recovery.

GRADUAL LABOUR MARKET STRENGTHENING FORECAST

Canada's labour market will gradually strengthen over the next couple of years, following an unprecedented decline as a result of the pandemic lockdown. National employment is forecast to rise by 4.9% in 2021, followed by a solid 2.4% increase in 2022. Employment growth will drive the national average unemployment rate down to 7.6% in 2021, down two full percentage points from 2020. The average will fall a further 130 bps to 6.3% in 2022. It will be an additional two to three years for the rate to return to the pre-pandemic level. The rate at which the national labour market strengthens over the next few years will depend on how quickly a COVID-19 vaccine is made available to the masses. Previously, national employment plunged by 15.6% and three million Canadians were out of work, as of April of 2020. By the end of the summer, more than two million jobs had been recovered. Over the next couple of years, the national labour market will continue to gradually strengthen, after an historic decline.

HOUSING MARKET MODERATION TO UNFOLD

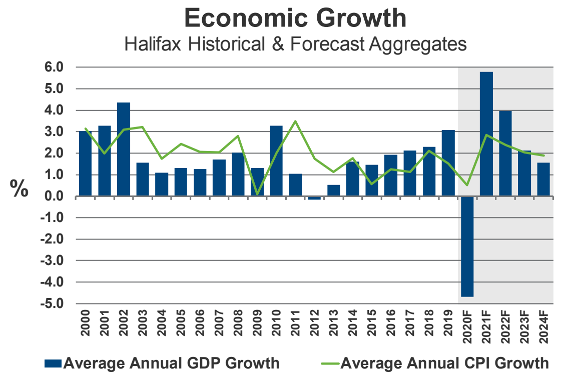
Canada's housing market will moderate over the near term, having outperformed expectations following the initial pandemic lockdown period. Upward pressure on resale home prices will ease through much of 2021. At the same time, a more balanced demand supply dynamic will gradually unfold. Several factors will drive Canada's near-term housing market moderation. Sales activity will begin to slow, as the pent-up demand resulting from the pandemic lockdown subsides. In addition, affordability was eroded significantly during the fall of 2020 and will remain a challenge over the next several quarters. As mortgage deferral programs wind down supply will likely increase, which will limit upward pricing pressure to some degree. Lastly, sales activity will weaken in provinces with large oil sector presences, given relatively long economic recovery forecasts. In summary, the 2020 housing market outperformance will ease over the near term, in keeping with the broader economic trend.

RETAIL SALES GROWTH WILL SLOW

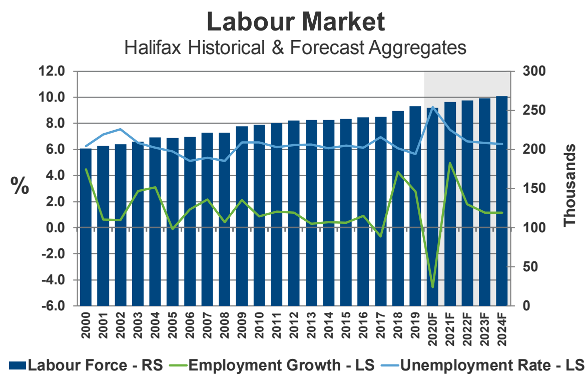
Canada's retail sales growth rate will slow over the near term. The main reason for the weaker growth trend is the spike in COVID-19 cases and resulting targeted store closures. The continued struggles of some retail categories, including restaurants, will also dampen sales growth over the near term.

MORGUARD

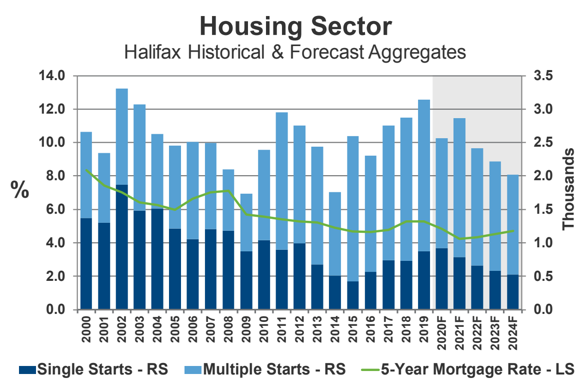
METROPOLITAN ECONOMIC & REAL ESTATE OUTLOOK



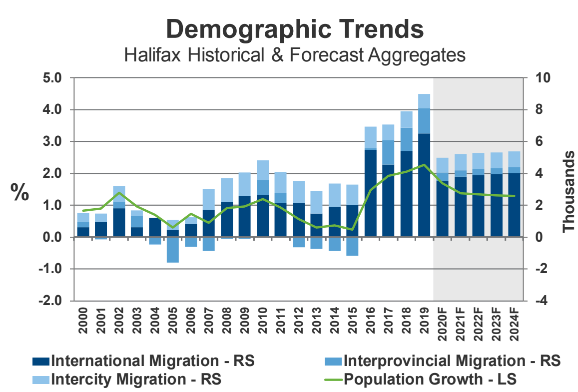
Source: Conference Board Of Canada



Source: Conference Board Of Canada



Source: Conference Board Of Canada



Source: Conference Board Of Canada

ECONOMIC SNAPSHOT

Halifax Census Metropolitan Area (CMA) economic output was projected to plunge by a record 4.7% in 2020, having posted a decade-high growth rate in 2019. GDP plunged in 2020 as a result of an economic shutdown, and restrictions on social interaction and travel to combat the spread of the COVID-19 virus. The gradual economic reopening and loosening of restrictions in the early summer drove employment back up to near the pre-pandemic level. Government programs helped offset household income losses as a result of the pandemic shutdown, which helped drive retail sales back to the pre-pandemic level.

JOB MARKET VOLATILITY INCREASED SIGNIFICANTLY

A substantial increase in Halifax CMA job market volatility was recorded over the recent past. The increased volatility was a byproduct of the negative effects of the COVID-19 pandemic. More than 23,000 jobs were lost between February and May of 2020, erasing the gains of the preceding decade. The lost jobs equated to a 10.0% plunge in total employment across the region. The economic reopening and loosening of restrictions on personal interaction supported a healthy rise in employment levels during the summer. By August, the total number of jobs in Halifax was just 0.8% below the February level. The regional job market recovery of the recent past was somewhat uneven. Employment levels in some of the region's high-touch sectors, for example, remained well below pre-pandemic levels after having reopened. The unevenness of the recovery was symptomatic of the increased job market volatility evidenced in the Halifax CMA over the recent past.

MANUFACTURING OUTPUT DECLINED

Manufacturing sector output declined during 2020, in keeping with the national trend. The Conference Board of Canada (CBOC) projected a year-over-year decline of 11.3% in 2020. The pandemic lockdown led to the erosion of sales between February and May. In some cases, companies closed briefly before reopening in the late spring and summer. Manufacturing output had improved substantially by June, with sales returning to within 10.0% of the 2019 level. In specific sectors, including beverage products, wood products and metal fabrication, production levels bested reported volumes of a year ago. Manufacturing output was forecast to rise by 8.6% next year, on the heels of a sharp decline in 2020.

STRONG RECOVERY PHASE OF ECONOMIC CYCLE FORECAST

The Halifax CMA economy is forecast to strengthen significantly over the near term. The CBOC is predicting a robust 5.8% increase in economic output in 2021, building on the early signs of recovery recorded during the second half of 2020. The increased output will boost employment levels by 5.0%, although certain high-touch sectors will see more muted growth. As employment levels increase, the unemployment rate will steadily fall. An unemployment rate of 7.5% is forecast for the end of 2021, markedly lower than the 9.2% average predicted a year earlier. An improved job market and ongoing government supports will have a positive impact on retail sales growth. Retail sales will rise by a healthy 6.8% in 2021, according to the CBOC. The sharp uptick in retail sales volume will be driven, in part, by an increase in housing starts projected for 2021. Stronger employment trends and low interest rates will support markedly healthier housing markets trends. Healthier housing market conditions predicted for 2021 are a function of a stronger overall economic outlook.

LEASING ACTIVITY SLOWDOWN RECORDED

Office leasing market activity slowed significantly over the recent past, as a result of increased COVID-19-related uncertainty. Greater Halifax Area (GHA) businesses chose to delay decisions on opening new offices and expansions their footprints, given an increasingly uncertain regional and global economic outlook. To some extent, the slowdown in leasing activity was reflected in recent supply characteristics. The market average vacancy rate was down slightly year-over-year but remained relatively high. An average of 15.4% was reported for all classes of space combined at the end of September 2020, down 50 bps year-over-year. The rate rose 60 bps in the first six months of 2020, having fallen 40 bps in the latter half of 2019. Absorption patterns also reflected the marked reduction in leasing activity over the recent past. Renewals were the main source of leasing activity during 2020, particularly with the unfolding of the COVID-19 crisis. At the same time, sublease offerings began to increase as businesses looked to reduce occupancy costs during a period of increased uncertainty. The slowdown in leasing market activity also factored into the rent cycle. Market rents were essentially unchanged in the first half of 2020 as demand stalled, although downward pressure was anticipated in the second half with the expectation of rising vacancy levels. The potential for a second wave of COVID-19 and the resulting economic uncertainty was expected to continue to erode leasing market activity through at least the first half of 2021.

INVESTMENT MARKET WAS RELATIVELY QUIET

The GHA office property investment market has been relatively quiet over the recent past, in keeping with the national trend. Investment activity stalled during and after the unfolding of the COVID-19 crisis. Investors retreated to the sidelines in order to assess the near-term damage and long-term effects of the virus on office space use. A total of $59.8 million in GHA office property investment sales was reported during the first six months of 2020. The pace was well below the most recent peak and was down from the $83.5 million in sales recorded during the same time period a year earlier. Investment performance characteristics remained relatively weak over the past year, against a backdrop of reduced investment market sales activity. GHA office properties contained in the MSCI Index generated a negative annual average return of 2.7% for the 12-month period ending September 30, 2020. The negative result was a function of continued capital depreciation that has been a constant for properties tracked in the index the past few years. The income component of the performance remained stable and healthy. Despite the downward performance trend, investors were expected to continue to target properties in this market with stable tenants on long-term leases. However, despite these efforts, transaction activity levels will remain relatively low, given an inadequate supply of suitable properties available for acquisition.

SECTOR FUNDAMENTALS WILL IMPROVE OVER THE MEDIUM TERM

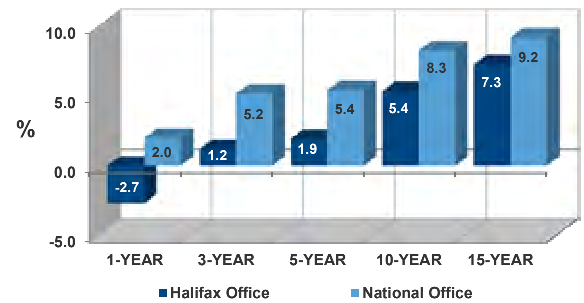
GHA office property sector fundamentals are expected to improve over the medium term. The COVID-19 fallout will continue to negatively impact leasing fundamentals into 2021. By late 2021, however, economic growth will boost leasing demand and begin to drive vacancy levels lower. The lease-up of backfill space resulting from Stewart McKelvey's relocation to Queen's Marque in March 2020 will likely take place by 2022. Once this space is absorbed average market rents will have stabilized with slight upward pressure unfolding shortly thereafter. As leasing market conditions strengthen, investment market performance will also improve. A more stable economic climate and leasing market progression will boost investor confidence. Therefore, most groups will look for opportunities in which to invest. However, as in the past, access to prime properties with strong tenant rosters will be limited. The forecast firming of investment demand consistent with the broader sector outlook.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▲
Lease Rates	▼	▼
New Supply	—	—

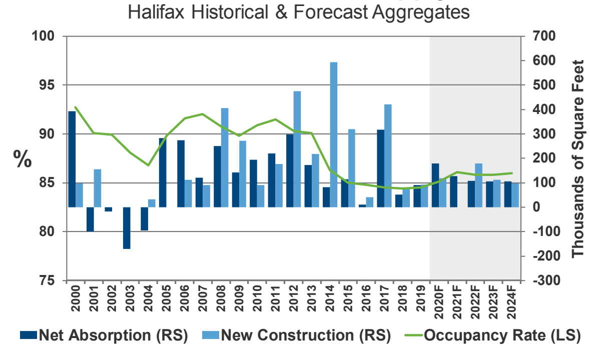
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



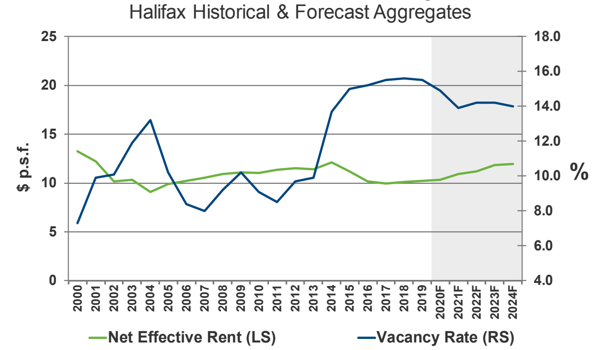
Source: © MSCI Real Estate 2020

Office Demand & Supply
Halifax Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

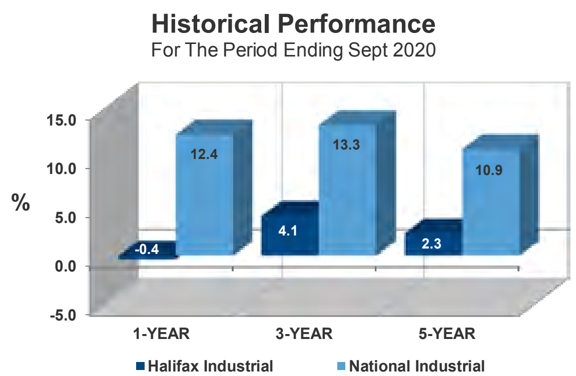
Office Rent & Vacancy
Halifax Historical & Forecast Aggregates



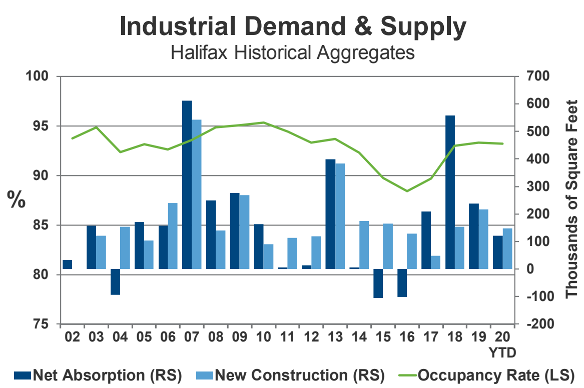
Source: CBRE Limited; CBRE Econometric Advisors

TRENDING STATISTICS		
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▼	▲
Net Absorption	▲	▼
Lease Rates	—	—
New Supply	—	▼

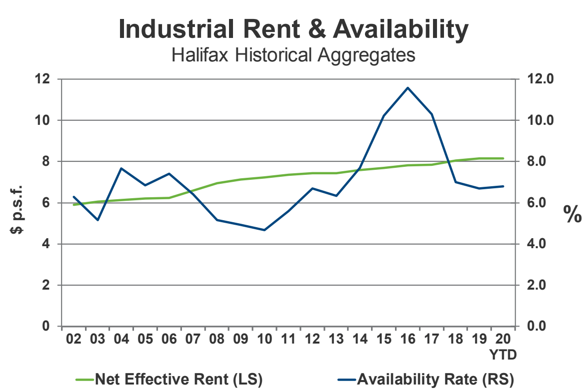
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).



Source: © MSCI Real Estate 2020



Source: CBRE Limited



Source: CBRE Limited

RESILIENCE CHARACTERIZED LEASING MARKET PERFORMANCE

The GHA's industrial leasing market performance of the recent past was characterized by a measure of resilience. For the most part, conditions were generally stable and healthy, despite the implementation of COVID-19 measures restricting business and consumer interactions. The market's average availability rate continued to range close to the record low, as of the midway mark of 2020. CBRE reported an average of 6.8% at the end of the second quarter, just 40 bps higher than the all-time low. Colliers International pegged market vacancy at a three-year low of 8.7% at the end of June. Both measures were indicative of the market's health and resiliency. The continued lease-up of new construction projects was another indication of the market's recent resilience. In the first half of 2020, roughly 147,000 square feet of new supply was completed, with MAACO Collision and Eastern Fence taking occupancy of 85,000 square feet of this space in the second quarter. Leasing market resilience was also evidenced in recent absorption patterns. More than 230,000 square feet of space was absorbed year-over-year as of the midway mark of 2020. Over the same time period, industrial rents steadily increased as vacancy fell to all-time low levels. As available options dwindled, tenants found it increasingly difficult to source space in which to expand. The market's health and resilience was expected to persist over the near term, despite a marked slowdown in leasing activity as a result of the negative impacts of the COVID-19 crisis.

HEALTHY INVESTMENT MARKET CONDITIONS OBSERVED

GHA industrial investment market conditions remained relatively healthy over the recent past, in keeping with the trend of the past few years. Properties tracked in MSCI Index posted a slightly negative annual average rolling return for the year ending September 30, 2020. While down year-over-year, the return was reflective of the sector's continued resilience during a period of heightened risk. The result was driven by a solid income growth performance, against a backdrop of continued capital decline. In the open market, however, property values held relatively firm. Therefore, the indexes capital decline was specific to the properties tracked. Demand for industrial property remained relatively healthy during the past year, despite the negative impacts of the COVID-19 crisis on the region's economy. Investors were forced to compete with owner-users who looking to capitalize on low interest rates and the opportunity to reduce their overall occupancy costs. As in the past few years, availability fell short of demand, which was reflected in transaction volume figures. A total of just $9.2 million of industrial property sales was reported for the first half of 2020. Investment sales volume plummeted, after having peaked in 2019 when annual sales of $342.9 million was tallied. Despite the sharp decline in sales, conditions in the GHA industrial property investment market remained relatively healthy over the recent past, continuing the trend of the past several years.

PROGRESS WILL BE SLOW BUT SURE

GHA industrial sector progress will be slow but sure over the near term, with the gradual firming of the regional economic growth trend. The gradual reopening of the region's economic drivers will support rental demand. This will apply pressure on an inventory of buildings with low levels of availability. Eventually, upward pressure on rents will unfold in support of positive investment performance metrics. As overall market fundamentals improve, investment demand will strengthen, and property values will rise. There is a measure of downside risk to the largely positive outlook. A second wave of COVID-19 could reduce economic output significantly, which will delay the recovery. The resulting job losses will erode domestic demand. However, as we have seen with the first wave of the virus, the market's resilience will position it favourably for an eventual recovery.

EROSION OF LEASING MARKET FUNDAMENTALS CONTINUED

The erosion of GHA retail leasing market fundamentals continued over the recent past, in keeping with the national trend. Demand for retail space across the GHA stalled in the spring of 2020 due largely to the closure of much of the region's economy with the spread of the COVID-19 virus. Previously, the market's demand cycle had been eroded by broader industry trends including increased online shopping. The erosion of market's demand cycle coincided with a softening of supply fundamentals. The GHA average retail vacancy rate was expected to rise into the low double-digit range in the second half of 2020, eclipsing the all-time high of 10.1% reported two years earlier. Previously, a downward vacancy trend had prevailed during much of 2019. However, as the COVID-19 virus unfolded a flurry of independent retailer bankruptcies was reported, adding a substantial volume of vacant space to the market. In addition, an increased number of retailers were uncertain as to whether they would continue to operate in the post-Covid-19 era. The combination of a markedly weaker demand cycle and increased supply resulted in material downward pressure on market rents. Owners and managers looked to lease -up excess vacant space in an uncertain environment. This forced some to lower their rent expectations. Increasingly, tenants and landlords were being forced to negotiate rents during a period of sharp revenue decline. The downward pressure on rents was in keeping with the broader erosion of leasing fundamentals recorded over the recent past.

INVESTMENT MARKET STALLED

The GHA retail property investment market stalled in the spring of 2020, a trend that was expected to carry through at least for the balance of the year. The cause of the sharp reduction in activity was twofold. First, restrictions on consumer interaction and economic and financial uncertainty as a result of the COVID-19 pandemic drove investors to the sidelines. Second, the negative impacts of broader retail industry shifts reduced investment sales activity prior to the outbreak. During the first six months of 2020, a total of just \$4.9 million in retail property sales was reported across the GHA. The first-half transaction pace was down sharply year-over-year and was well below the 2018 peak period when \$492.6 million in annual sales was recorded. In general, investors have become increasingly concerned with retail sector performance both over the near and medium term. The weakened demand cycle has impacted property values in the GHA. Riskier asset values have begun to decline at a relatively moderate pace. Lower risk property values have largely stabilized, although downward capital pressure may unfold if the market and sector outlooks soften materially. Near-term investment sales activity was expected to remain well below the most recent peak against a backdrop of heightened retail sector and economic uncertainty.

NEAR-TERM PERFORMANCE WILL UNDERWHELM

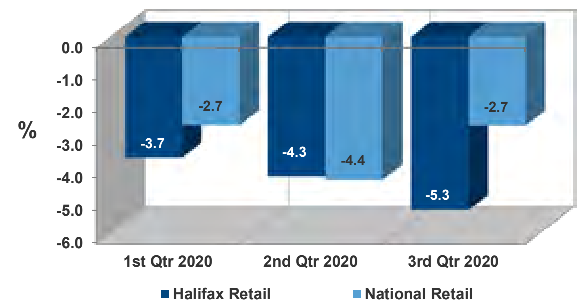
The near-term GHA retail performance outlook is somewhat underwhelming. Rental market conditions will soften further, as the COVID-19 fallout continues to have a negative impact on spending patterns through the balance of 2020 and into 2021. Despite a modest economic and job market recovery, retail sales will remain well below pre-virus levels. As a result, retailer expansion activity will be largely limited to essential categories that outperformed during the pandemic period. To some extent, expansion will be offset by ongoing downsizing and closures over the near term. Consequently, vacancy levels will continue to rise while rents decline. Landlords will try to maintain occupancy and ensure tenants continue to pay their contracted rent. The forecast near-term rental market weakness will impact investment performance patterns. Investment returns will continue to trend lower, in keeping with much of the past few years. However, despite a relatively weak near-term performance outlook, investors will continue to source properties in this market.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	▼	▼
New Supply	—	—

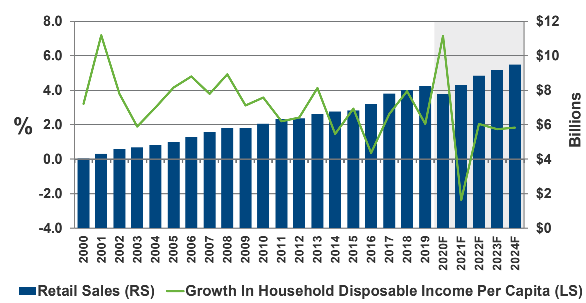
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



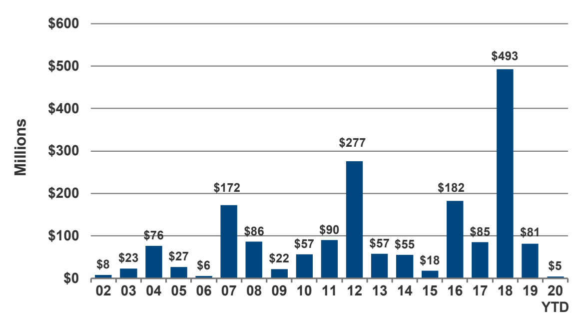
Source: © MSCI Real Estate 2020 *Prior data unavailable due to confidentiality rules applied based on mkt size

Retail Conditions
Halifax Historical & Forecast Aggregates



Source: Conference Board Of Canada

Investment Activity
Halifax Retail Investment Volume To June 2020



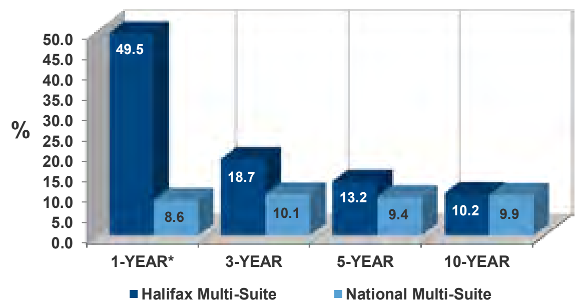
Source: CBRE Limited

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).

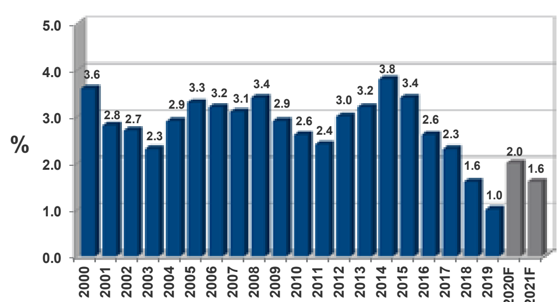
Historical Performance
For The Period Ending Sept 2020



Source: © MSCI Real Estate 2020

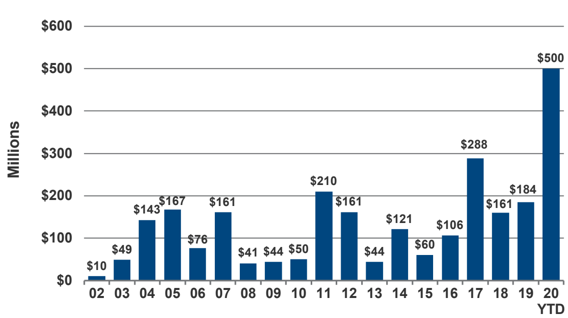
*Q4 2019 return was the result of property sales at premium pricing

Average Rental Vacancy
Halifax Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

Investment Activity
Halifax Multi-Suite Investment Volume To June 2020



Source: CBRE Limited

RENTAL MARKET CONDITIONS MODERATED

GHA multi-suite residential rental market conditions moderated recently, in line with the national trend. To a large extent, the moderation was a byproduct of the negative impacts of the COVID-19 crisis. The closure of non-essential businesses and resulting job losses substantially eroded GHA rental demand. Additionally, the sharp decline in immigration volume also eroded rental demand fundamentals. The unfolding of a markedly weaker demand trend as a result of the pandemic pushed vacancy levels higher during the spring and summer of 2020. Prior to the pandemic lockdown, GHA vacancy had ranged at or near record-low levels. The CMHC reported an average market vacancy rate of just 1.0% as recently as October of 2019. A weaker demand trend coupled with a sharp increase in new supply completions continued to drive vacancy levels higher across the market. Construction activity had peaked between 2017 and 2019, with an average of more than 1,000 new units completed annually. More than 1,000 units were scheduled for completion in 2020. The rental market moderation of the recent past was also evidenced in recent rent growth statistics. GHA average asking rents began to flatten by the late summer of 2020, according to Rentals.ca and PadMapper. Previously, asking rents had steadily increased to record-high levels, with one-bedroom and two-bedroom averages rising 15.6% and 15.7% year-over-year as of July 2020, respectively. Generally, rents continued to hold at the peak for the cycle. In summary, the GHA multi-suite residential rental market moderated during the late spring and summer of 2020, which was in line with the broader asset-class trend.

HEALTHY INVESTMENT FUNDAMENTALS WERE DISPLAYED

The GHA multi-suite residential rental asset class displayed generally healthy investment fundamentals recently, in keeping with the national trend. Demand characteristics were broadly positive. Private groups continued to source acquisition opportunities with track records of attractive investment performance. National groups were also active in this market, however, travel restrictions as a result of the COVID-19 pandemic made the acquisition process more difficult. Evidence of the health of the market's demand trend was contained in recent transaction activity patterns. CBRE reported the completion of eight transactions in April and May of 2020 alone, for a combined $50.0 million in total sales volume. A total of $500.0 million in transaction volume was reported during the first six months of 2020, surpassing the previous annual record high by a significant margin. Recent performance characteristics provided additional evidence of the health of the GHA multi-suite residential rental investment market fundamentals. Investment returns bested the index average by a wide margin, during the 12-month period ending September 30, 2020. Attractive performance was characteristic of the healthy investment fundamentals displayed in this market recently.

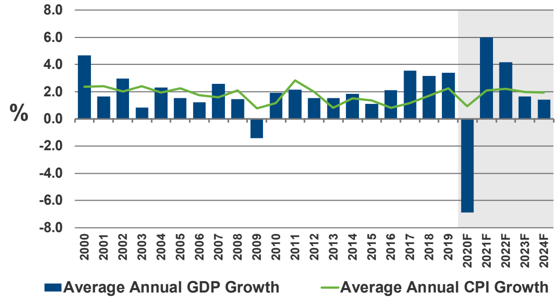
GENERALLY POSITIVE PERFORMANCE PATTERN FORECAST

A generally positive performance pattern is forecast for the GHA multi-suite residential rental sector over the near term. Rental market conditions will remain healthy overall, despite a slight upward vacancy trend. Reduced immigration and job losses as a result of the COVID-19 pandemic will erode rental demand. However, the erosion will be partially offset by ongoing demographic trends and the continued reopening of the region's economy. The demand softening and robust development cycle will continue to drive vacancy progressively higher than the recent all-time low of 1.0% set in late 2019. Market rents will stabilize over the balance of 2020, following an extended period of growth. Next year, rents will rise again, as the regional economy and job market gradually recover, and demand fundamentals strengthen. The broadly positive rental market performance forecast over the near term will attract investors searching for stable and attractive yields.

ECONOMIC SNAPSHOT

The Greater Montreal Area (GMA) economy was tracking a 6.9% annual contraction for 2020, after a prolonged period of expansion. The reversal was caused by the negative economic impacts of the pandemic shutdown. The region's manufacturing and consumer-centric business sectors suffered the most. The sharp reduction in economic output was expected to drive employment levels markedly lower, following a half decade of increases. Employment levels began to rise during the summer of 2020, having plunged when the regional economy was locked down with the onset of the pandemic.

Economic Growth
Montreal Historical & Forecast Aggregates

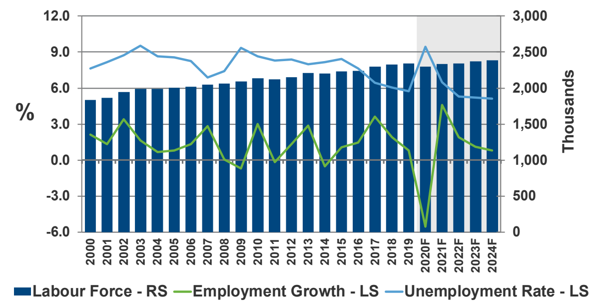


Source: Conference Board Of Canada

LABOUR MARKET FUNDAMENTALS WERE ERODED

GMA labour market fundamentals were eroded significantly during 2020, after an extended period of solid results. Total GMA employment was expected to drop 5.5% in 2020, having increased in each of the preceding five years. Employment declined 1.3% and 10.6% in first and second quarters of 2020, respectively. Employment levels increased during the second half of the year, with the reopening of businesses across the region and loosening of restrictions on personal interaction. The second-half improvement was projected to pull the region's unemployment rate down to 9.4% by the end of the year, from the record-high 15.1% rate reported at the end of the first half. The second-half GMA labour market strengthening unfolded after a period of significant erosion as a result of the COVID-19 pandemic.

Labour Market
Montreal Historical & Forecast Aggregates

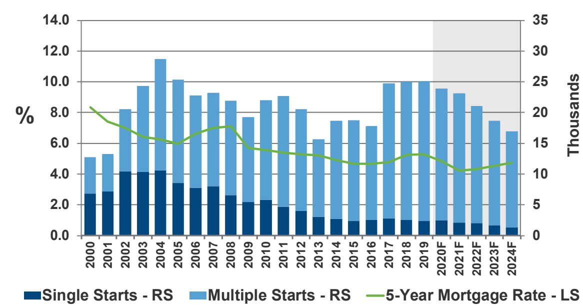


Source: Conference Board Of Canada

RETAIL CONSUMPTION BEGAN TO IMPROVE

GMA retail consumption characteristics began to improve in the second half of 2020, after the severe pandemic lockdown-driven decline. The region's consumers started to spend more freely in the second half, as stores looked to recoup their first-half losses. Income gains and pent-up demand were the key drivers of increased spending in the second half. Despite the second-half increase, retail sales volume was projected to decline 16.1% in 2020. Subsequently, sales volume was forecast to increase by 14.3% in 2021, following the rise in retail spending in the second half of 2020.

Housing Sector
Montreal Historical & Forecast Aggregates

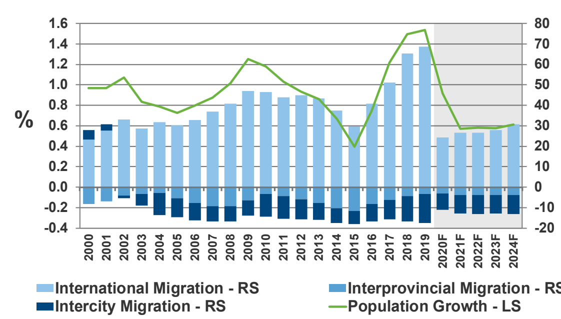


Source: Conference Board Of Canada

SHARP DROP IN MANUFACTURING OUTPUT RECORDED

Manufacturing sector output dropped sharply during the past year, due to the forced shutdown of most operators to combat the spread of the COVID-19 virus. The region's second most important sector was tracking a 14.0% reduction in output for 2020. Output plunged by more than 20.0% over the first half of the year alone, according to CBOC figures. The importance of the sector to the region's economic performance was accentuated during the first half. As the sector reopened, output levels began to rise, partially reversing the first-half plunge in sector output.

Demographic Trends
Montreal Historical & Forecast Aggregates



Source: Conference Board Of Canada

RECOVERY PHASE OF ECONOMIC CYCLE TO FIRM

The recovery phase of the GMA economic cycle is expected to firm over the near term. The outlook is predicated on the distribution of a vaccine across the GMA. Subsequently, economic output is projected to rise by 6.0% in 2021, which will support a 4.6% lift in total regional employment. The job market strengthening will support a robust 14.3% increase in retail sales and drive the unemployment rate down to 6.5% by the end of the year. An improved labour market will bolster economic output and increased business confidence levels. The downward unemployment rate trend is in keeping with the firming of the region's economic recovery forecast over the near term.

TRENDING STATISTICS

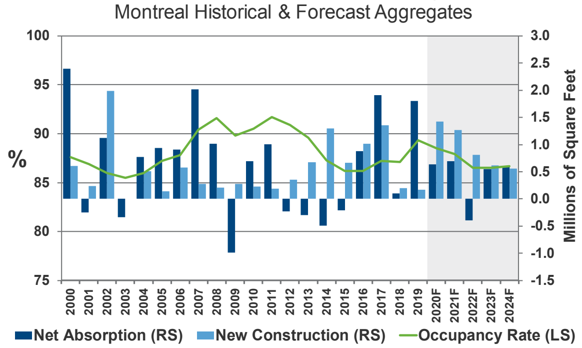
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	—
Lease Rates	—	—
New Supply	—	—

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

Historical Performance
For The Period Ending Sept 2020

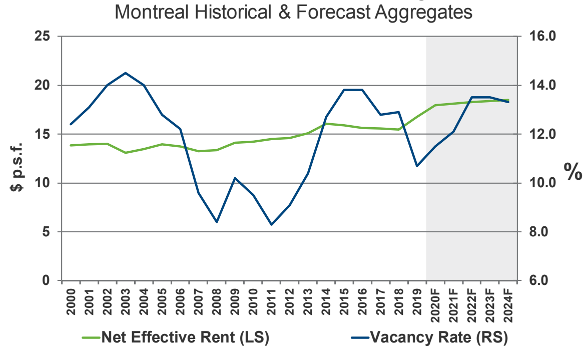
Source: © MSCI Real Estate 2020

Office Demand & Supply
Montreal Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Office Rent & Vacancy
Montreal Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET GROWTH CYCLE STALLED

The GMA's leasing market growth cycle stalled during the first half of 2020, due primarily to the negative impacts of the COVID-19 pandemic. Tenant expansions were put on hold for the most part, with the shutdown of non-essential businesses in the spring of 2020. Private sector tenants looked to shed excess space, given increased uncertainty surrounding the regional and national economic outlooks. An expectation of markedly reduced revenues over the near term compelled some companies to offer excess space for sublease. The sharp reduction in office space demand was reflected in recent absorption statistics. More than 500,000 square feet of negative absorption was recorded during the second quarter of 2020, which marked just the third quarterly decline in occupied space since 2016. The stalling of the GMA's office leasing growth cycle was also evidenced in the market's supply characteristics. The market average vacancy rate rose 100 bps in the third quarter of 2020, marking a second increase in a row after eight consecutive declines. Central Business District (CBD) and suburban vacancy rates rose 230 bps to 8.7% and 130 bps to 14.9% from the end of the first quarter of 2020 to the end of the third quarter, respectively. The GMA's rent growth cycle also stalled with the onset of the COVID-19 pandemic. Leasing activity slowed to a crawl with the closure of non-essential businesses, signalling an end to the market's growth cycle.

INVESTMENT MARKET SLOWDOWN UNFOLDED

A significant slowdown in GMA office property investment market activity was recorded over the recent past. Investors retreated to the sidelines, as non-essential businesses were locked down and regional economic activity declined with the unfolding of the COVID-19 pandemic. At the same time, vendors hesitated to offer their properties for sale during a period of heightened uncertainty. As a result, sales of GMA investment property slowed significantly. A total of $867.1 million of office property sales was reported for the first six months of 2020. The total was down sharply from the $1.5 billion of transaction volume reported for the same time period a year earlier. Many of the sales completed during the first half of 2020 were negotiated in late 2019 or during the first few months of 2020, indicating an even sharper decline. As activity levels plummeted and uncertainty increased, investors focused more on acquiring lower-risk properties with stable tenants on long-term leases. Consequently, cap rates for lower-risk properties remained at the cycle-low. The relative stability of GMA office property cash flows supported moderately positive investment performance characteristics over the recent past. Properties tracked in the MSCI Index posted a combined 4.7% total average return for the year ending September 30, 2020, which was largely income-driven. The attractive return was generated, in part, during a period of markedly reduced investment market activity.

LEASING DEMAND TO REMAIN RELATIVELY WEAK

GMA office leasing demand will remain comparatively weak over the near term. Expansion and relocation activity will fall short of pre-pandemic levels, given heightened economic uncertainty as a result of the pandemic. Office tenants will focus increasingly on revenue generation and, in some cases, reducing leasing costs. As a result, the volume of space available for sublease will remain elevated. Coincidentally, some tenants will look to reduce their footprints upon lease expiry, resulting in a higher volume of space available directly through property owners and managers. The market's relatively weak demand trend forecast over the near term will drive vacancy levels higher, particularly in the downtown area. As a result, moderate downward pressure on market rents will persist. By 2022, leasing demand is expected to strengthen after a period of relative weakness, assuming the distribution of a COVID-19 vaccine to the region's population.

STABLE AND HEALTHY LEASING MARKET TRENDS REPORTED

GMA industrial leasing market trends remained stable and healthy, despite the COVID-19-driven economic turmoil. Industrial demand patterns were surprisingly robust through to the midway mark of 2020. E-commerce-related companies continue to drive demand for warehouse and distribution space, along with medical supply and grocery industries. These sectors more than offset reduced demand from the manufacturing industry and other businesses forced to temporarily shut down operations as a result of the pandemic. The market's healthy demand pattern translated into equally stable and positive supply characteristics. In general, conditions remained tight across the region. The average GMA availability rate stood at a 19-year low of 2.5% as of the end of the third quarter, down 30 bps year-over-year. While smaller bay space availability increased in the first half of 2020, options of 75,000 square feet and greater remained in short supply. A relatively robust development cycle over the past few years failed to meet demand for large-bay space. Market rents continued to hold close to the peak range in the first half of 2020, as leasing demand continued to surpass supply. Market rents had steadily increased over the past few years, although the rate of inflation slowed in 2020. The maintenance of cycle-high rents through the first half of 2020 was indicative of the market's overall health and stability against a backdrop of economic uncertainty.

INVESTMENT DEMAND REMAINED ROBUST

Demand for GMA industrial investment property remained relatively robust through to the midway mark of 2020. National and regional groups continued to source product in this market with stable long-term tenant rosters in established nodes. There were several factors that contributed to the market's healthy investment demand trend in the face of the negative economic impacts of the COVID-19 pandemic. The resiliency of the regional leasing market provided the justification for investing in the GMA industrial asset class. Demand for warehouse and logistics space remained healthy during the pandemic, driven in part by increased e-commerce activity. Demand was sufficiently strong enough to support cycle-low availability, while rents continued to hold close to the peak for the cycle. The leasing market resilience was forecast to continue over the near term, which also supported a healthy investment demand cycle. Recent investment performance characteristics provided further justification for investing in the GMA industrial property sector and supported the market's demand cycle. Properties tracked in the MSCI Index posted an annual average return of a stellar 19.9% for the 12-month period ending September 30, 2020. The result was one of the strongest compared with all other major markets and asset classes. Moreover, the result added to the market's exemplary record of the past few years. Investor awareness of the GMA industrial property asset class' performance track record was one of several factors that supported a robust investment demand backdrop.

MORE OF THE SAME FORECAST

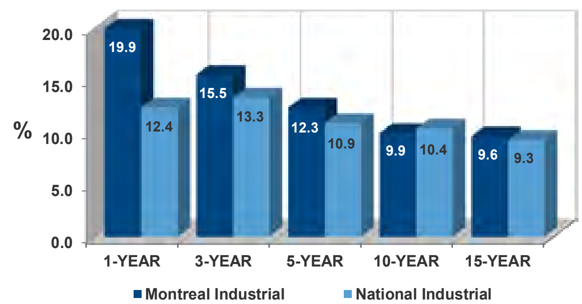
The GMA industrial property sector will continue to generate relatively healthy performance characteristics over the near term. Increased e-commerce activity and the reopening of the regional economy will continue to drive demand for industrial space. As a result, availability levels will range near the all-time low. The market's demand supply dynamic will support a positive rent cycle and continuously healthy investment performance characteristics. Investors are expected to continue to exhibit a preference for the asset class, given a relatively strong performance outlook. By 2022, economic growth is expected to have settled into a moderate range in support of the market's longer-term health. The resulting largely positive performance characteristics will continue to attract investors to the region in search of stable and positive returns.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	—	—
Net Absorption	▼	—
Lease Rates	—	—
New Supply	▼	▼

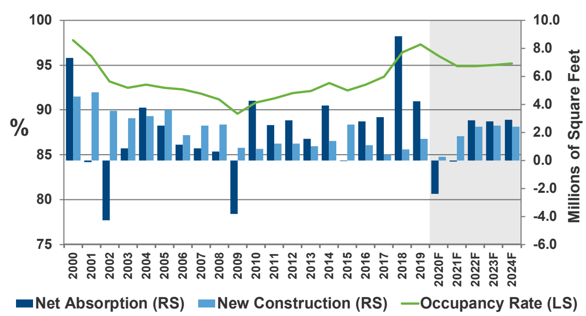
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



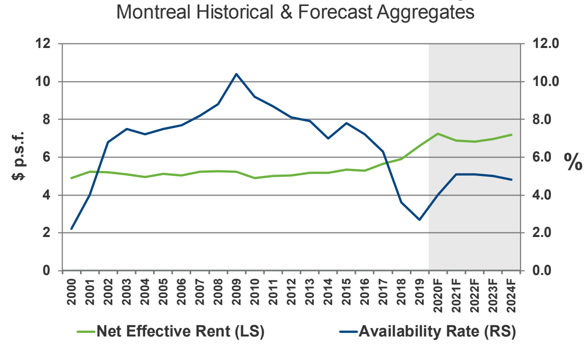
Source: © MSCI Real Estate 2020

Industrial Demand & Supply
Montreal Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Industrial Rent & Availability
Montreal Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

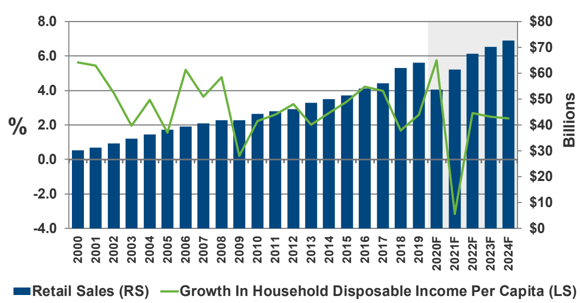
TRENDING STATISTICS		
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	▼	▼
New Supply	—	—

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

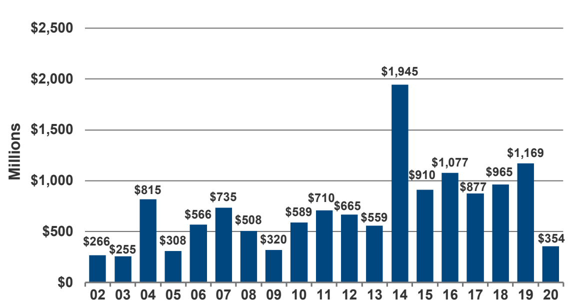
Source: © MSCI Real Estate 2020

Retail Conditions
Montreal Historical & Forecast Aggregates



Source: Conference Board Of Canada

Investment Activity
Montreal Retail Investment Volume To June 2020



Source: CBRE Limited

LEASING MARKET HEADWINDS STRENGTHENED SIGNIFICANTLY

GMA retail property leasing market headwinds strengthened significantly over the recent past. The main source of the strengthening was the COVID-19 restrictions on business and social interaction. The closure of non-essential businesses in the spring of 2020 shut down non-essential brick and mortar retail operations. In some cases, the loss of revenue forced the closure of stores that were unable to adjust and were unable to pay rent. Some brick and mortar stores with strong balance sheets were able to survive, at least over the near term. Most non-essential retailers have postponed or cancelled expansion programs, while many others have struggled to survive. Retail store closures and downsizing in the first half of 2020 drove vacancy levels higher across the region. Properties contained in the MSCI Index posted a combined average vacancy rate of 10.4% at the end of the second quarter of 2020. The market's vacancy average was expected to continue to rise over the next 12 to 24 months from an already elevated level. The strengthening of leasing market headwinds over the recent past negatively impacted its rent growth cycle. Most landlords were forced to focus on maintaining occupancy levels over the recent past, with few prospects for raising rents. For many, the focus was the ability of their existing tenants to continue to operate and pay rent during a time of significantly stronger market headwinds.

WEAKENING OF INVESTMENT MARKET FUNDAMENTALS CONTINUED

GMA retail property investment market fundamentals continued to weaken over the recent past, mirroring the national trend. Investment demand has wilted substantially given an uncertain industry outlook. Investors were far less active in this market than in the past, while awaiting clarity on the effects of the COVID-19 pandemic and broader industry changes on performance. National and local groups focused on the GMA's industrial and multi-suite residential asset classes as a source of stable returns. Markedly reduced investor confidence in the GMA retail property sector was reflected in recent transaction closing volume patterns. A total of $354.4 million in GMA retail investment property sales volume was reported for the first six months of 2020 The pace was well below the 2019 peak, when sales totalled $1.2 billion. Reduced investor confidence levels and sales activity coincided with markedly weaker investment performance characteristics. Properties tracked in the MSCI Index posted an annual average return of (11.5%) for the 12-month period ending September 30, 2020. The negative result was a function of continued capital depreciation while income performance remained stable and positive. The performance contrasted the 4.1% positive return of the previous period and was indicative of the continued weakening of the market's investment fundamentals.

RECOVERY CYCLE WILL BE UNEVEN AND LENGTHY

The GMA retail property sector recovery cycle will be uneven and lengthy. To a large extent, the rationale for the forecast is tied to the uniqueness and severity of changes underway in the broader retail industry. Over the next few years, shopping behaviours will continue to evolve. As a result, retail owners will be forced to adapt. Store closures and consolidations will continue to hamper progress, forcing some owners to add new uses to existing shopping centres. Vacancy will remain high in the downtown area, as the submarket slowly recovers from the swath of closures of the recent past. The ongoing closure of stores market-wide will offset expansions to some extent. Therefore, vacancy levels will remain elevated over the near-to-medium term. Consequently, prospects of rent growth will remain limited. However, progress will be made. As the GMA economy recovers, retail spending patterns will improve along with demand for retail space. In short, recovery will take time and will include successes and failures along the way.

RENTAL MARKET BALANCE INCREASED

Slightly more balanced conditions were reported in the GMA multi-suite residential rental market recently, following a prolonged period of marked imbalance. Rental demand moderated during the first half of 2020, with the unfolding of the COVID-19 pandemic. Unprecedented job losses, reduced young worker employment levels, and travel restrictions resulted in a sharp decline in rental demand in the spring of 2020. As a result, the competitive environment for tenants looking to relocate or source rental accommodation eased somewhat. At the same time, the volume of vacant units began to rise, which also translated into increased market balance. Market vacancy levels rose during the first half of 2020, with the average rate expected to eclipse the 2.0% mark by year end. Previously, vacancy stood below the 2.0% mark for two consecutive years, resulting in significant imbalance. The recent increase in rental market balance was also driven by a sharp uptick in the volume of new construction completions. Roughly 10,000 new rental units were expected to be introduced to the market between July 2019 and June 2020 according to a recent CMHC forecast. Many of these units were likely completed prior to the COVID-19 outbreak in support of increased rental market balance reported over the recent past.

STRONG INVESTMENT MARKET PERFORMANCE POSTED

The GMA multi-suite residential rental sector posted another period of investment performance strength recently. Properties contained in the MSCI Index generated an 8.1% annual average total return for the 12-month period ending September 30, 2020. The result was 70 bps better than the five-year average. The above-average result was comprised of a relatively stable and healthy income performance and continued capital growth. The strength of recent and long-term performance patterns continued to draw investors to the market. The asset class, along with industrial, was preferred by investors, who had grown increasingly concerned with economic outlook by the spring of 2020. Investment demand remained relatively robust through to the end of the first half of the year. As a result, a healthy volume of properties were sold recently. Transaction volume totalled $988.8 million for the first six months of 2020. Market liquidity has been relatively healthy through much of the past year, despite an elevated level of uncertainty as a result of the pandemic. Investors continued to exhibit confidence in an asset class with a track record of resiliency and positive performance patterns during periods of economic weakness. In short, the GMA multi-suite residential rental sector continued to exhibit strong investment market performance patterns over the recent past, in an environment of increased economic instability.

PERFORMANCE OUTLOOK IS SOLID

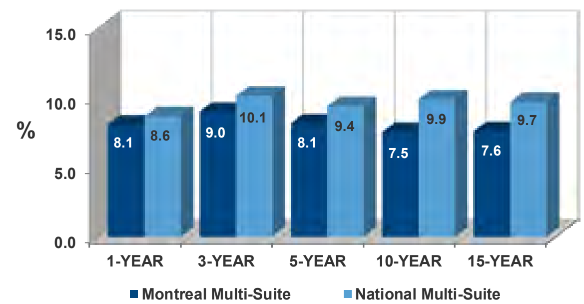
The GMA multi-suite residential rental outlook is generally solid by comparison. Rental market conditions will remain stable and healthy, despite a slight softening trend. As the economy reopens and job growth picks up, rental demand will strengthen. At some point travel restrictions will be lifted and migrants will relocate to the region and further boost rental demand. Rents will continue to hold close to the cycle high, barring a significant second coronavirus wave. Gradual increases in youth employment will also add to the rental demand pressure. Vacancy characteristics will remain healthy, despite a rising trend driven by new construction completions and moderately positive rental demand. Broadly positive rental market conditions will continue to drive above-average investment performance. Coincidentally, investors will continue to look for acquisition opportunities in this market. The market's track record of healthy performance will draw debt and equity capital to the region. As a result, property values should stabilize. In short, the performance outlook for this market is generally positive.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	—	—
New Supply	▲	—

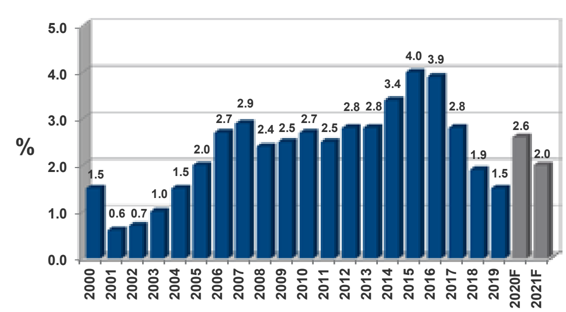
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



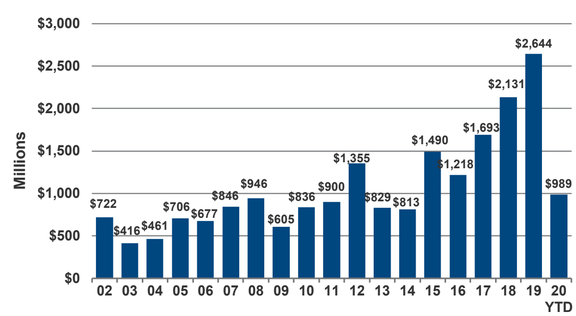
Source: © MSCI Real Estate 2020

Average Rental Vacancy
Montreal Apartment Structures Of Three Units & Over



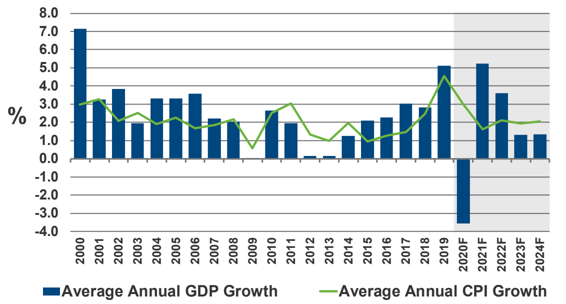
Source: CMHC; Morguard

Investment Activity
Montreal Multi-Suite Investment Volume To June 2020



Source: CBRE Limited

Economic Growth
Ottawa Historical & Forecast Aggregates

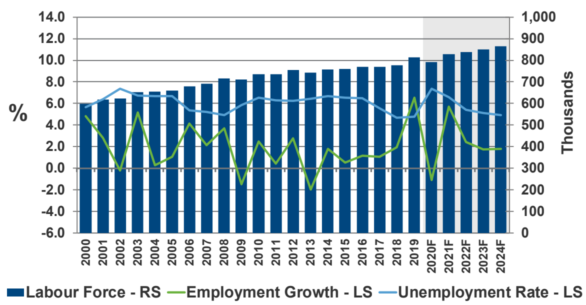


Source: Conference Board Of Canada

ECONOMIC SNAPSHOT

The Ottawa-Gatineau economy was on pace to contract in 2020, for the first time since 1996. Real GDP is forecast to decline 5.7% in 2020. GDP had increased by a minimum of 2.0% annually over the preceding five-year period. The 2020 contraction negatively impacted labour market conditions. Several sectors suffered declines in total employment, with high-touch industries posting the most significant losses. The only sector to generate an increase in economic output was the Ottawa-Gatineau region's dominant public sector. The 2020 economic contraction and job losses drove retail consumption levels markedly lower.

Labour Market
Ottawa Historical & Forecast Aggregates

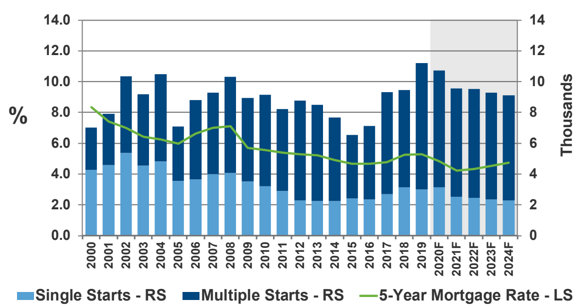


Source: Conference Board Of Canada

JOB MARKET SOFTENING WAS WIDESPREAD

The Ottawa-Gatineau region's job market softening recorded as a result of the pandemic was widespread. Several sectors of the economy suffered significant reductions in employment levels during 2020. Consumer-driven industries were particularly hard hit. Accommodation and food services sector employment was projected to fall by 34.0%. Additionally, finance, insurance, and real estate sector employment was set to fall by 11.1% in 2020 and wholesale and retail trade by 16.5%. Widespread employment losses projected for 2020 were expected to drive the region's unemployment rate up to 7.4% by the end of the year from 4.8% a year earlier. The increase was an indicator of the widespread job market softening reported in the Ottawa-Gatineau region over the recent past.

Housing Sector
Ottawa Historical & Forecast Aggregates



Source: Conference Board Of Canada

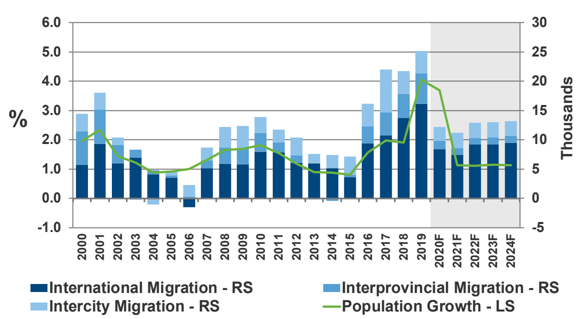
MODEST SLOWDOWN IN HOUSING STARTS RECORDED

A modest slowdown in Ottawa-Gatineau housing starts was recorded recently, largely as a result of the COVID-19 pandemic. Housing construction activity declined in both the single-detached and multi-unit market segments during the second quarter of 2020. The slowdown persisted into the third quarter. As a result, total starts were projected to fall by 4.3% in 2020, having reached a 35-year high in 2019. Compared with other major markets, however, the 2020 decline was modest. Housing starts were expected to continue to slow next year, again at a modest rate.

RETAIL SALES GROWTH TREND ENDED ABRUPTLY

The Ottawa-Gatineau retail sales growth trend ended abruptly during the first half of 2020. An unprecedented decrease in retail sales was recorded during the first half of 2020, as a result of the lockdown of the regional economy to combat the spread of COVID-19 and the resulting record-high job losses. Consequently, the CBOC predicted a 7.3% plunge in retail sales for 2020, following a muted 1.4% increase in 2019. Retail consumption patterns began to improve with the reopening of non-essential brick and mortar stores in the late spring of 2020. In 2021, retail sales volume was expected to rise by 8.0%, following an historic annualized contraction forecast for 2020.

Demographic Trends
Ottawa Historical & Forecast Aggregates



Source: Conference Board Of Canada

ECONOMIC RECOVERY PACE WILL MODERATE

The pace of Ottawa-Gatineau's economic recovery will moderate over the next few years. In 2021, GDP will increase by a robust 5.2% on an annualized basis. Subsequently, output will improve by a more moderate 3.6% in 2022 and by an average of 1.3% in each of 2023 and 2024, according to the most recent CBOC forecast. Employment increases will follow a similar pattern over the forecast period. The outlook is predicated on the successful distribution of a COVID-19 vaccine that minimizes restrictions on economic activity over the forecast period.

LEASING MARKET ACTIVITY SLOWED

Greater Ottawa Area (GOA) leasing market activity slowed during the past year, as the effects of the global pandemic prompted many businesses to reassess their space requirements. Private sector expansion plans were often shelved while some organizations made the decision to vacate space that was no longer required. In other cases, excess space was made available for sublease. The reduction in expansion activity and shedding of excess space resulted in the modest erosion of supply-side fundamentals. Both availability and vacancy levels increased, along with the volume of space available for sublease. Vacancy rose 100 bps to 7.3% during the second quarter alone, according to Colliers International data. A sharp increase in sublease availability was recorded over the same three-month period. Sublease availability increased 150.0% from the end of 2019 through to the midway mark of 2020. By the summer of 2020, modest downward pressure on rents emerged as a result of the slowdown in leasing activity and softening of supply-side fundamentals. Landlords with excess vacancy and those with properties in submarkets with higher-than-average availability began to lower their expectations on rents. However, those with stabilized properties were able to hold firm and maintain rents closer to the peak for the cycle. The market's rent dynamic was expected to persist, with the continued slowdown in leasing activity forecast over the near term.

INVESTMENT MARKET WAS RELATIVELY ACTIVE AND HEALTHY

The GOA office property investment market has been relatively active and healthy of late, against a backdrop of heightened risk. During the first six months of 2020, $341.7 million of GOA office property transaction volume was reported. This level of activity was only slightly below the previous year's pace, which was well above the five-year average for the six-month period. The market was relatively active during the first half of 2020 when compared with most other regions and asset classes across the country. Many other regions and property sectors posted material reductions in transaction volume over the same time period. First-half investment activity was indicative of the continued confidence investors have in this market, in large part due to ongoing presence of the public sector. GOA office property investment market conditions were healthy over the recent past while activity levels remained relatively strong. Moderately attractive investment performance characteristics were reported, as evidenced in MSIC index results. Properties tracked in the index registered an annual average total return of 3.4% for the 12-month period ending September 30, 2020. The income component performance was relatively stable and positive, with capital values falling modestly. The result was indicative of the market's relative near-term health.

RELATIVE STABILITY FORECAST

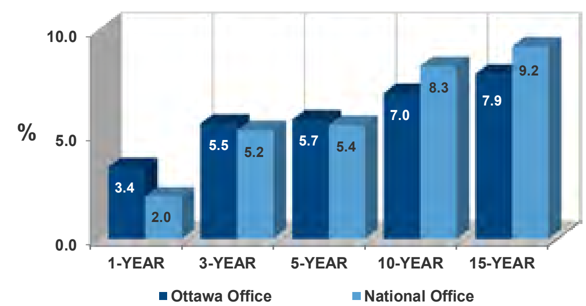
GOA office sector conditions will remain relatively stable over the near term. The forecast is predicated, to some degree, on the continued presence of the public sector, which will act as a buffer against the ongoing negative impacts of the pandemic. The public sector's presence will ensure vacancy levels remain relatively stable. Private sector tenants will continue to shed excess space in order to minimize expenses against a backdrop of increased economic uncertainty. Vacancy levels will rise, however, although market conditions will remain relatively tight. With a small number of new office developments slated for completion over the near term, the probability of a sharp rise in vacancy is low. Therefore, market rents will remain relatively stable, except in submarkets where competitive or sublease space is plentiful. Leasing market stabilization will continue to support attractive investment performance characteristics. In summary, relative stability will be the overriding GOA office property sector outlook theme over the near term, barring a significant change in the regional economic performance outlook.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	▼	—
New Supply	—	—

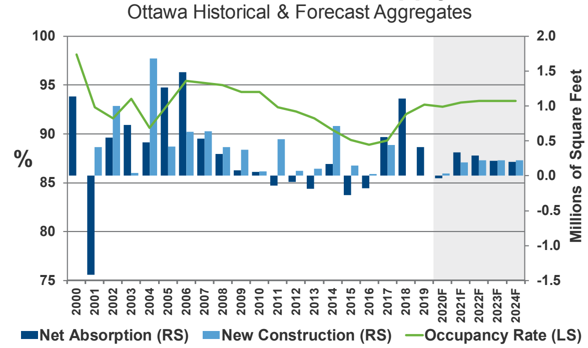
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



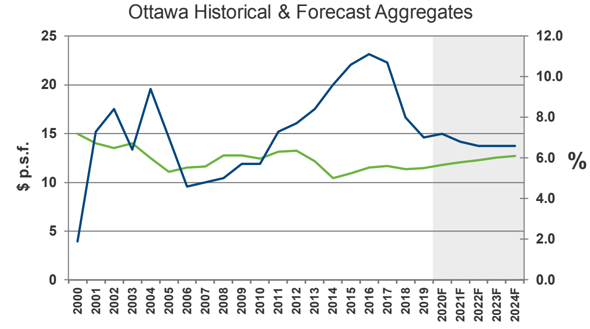
Source: © MSCI Real Estate 2020

Office Demand & Supply
Ottawa Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

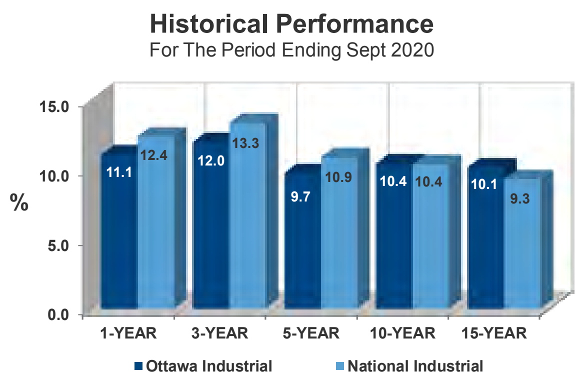
Office Rent & Vacancy
Ottawa Historical & Forecast Aggregates



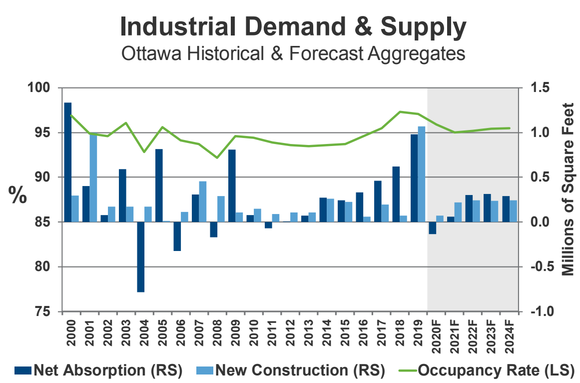
Source: CBRE Limited; CBRE Econometric Advisors

TRENDING STATISTICS		
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	–	–
Net Absorption	–	–
Lease Rates	–	–
New Supply	–	–

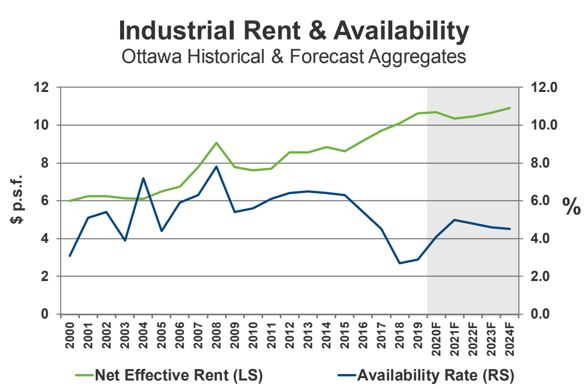
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).



Source: © MSCI Real Estate 2020



Source: CBRE Limited; CBRE Econometric Advisors



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET STRENGTH WAS SUSTAINED

The overall strength of the GOA industrial leasing market was sustained through to the late stages of 2020. Demand characteristics were generally positive, despite the negative economic impacts of the COVID-19 pandemic. Warehouse, distribution and logistics companies expanded, driven in large part by increased e-commerce activity. The GOA's emergence as a distribution hub has unfolded recently resulting in the development of several large warehouses. Recent supply characteristics provided evidence of the market's sustained strength over the recent past. Availability rates of between 2.8% and 4.3% were reported by three of the region's leading commercial brokerage firms, as of the end of the third quarter 2020. These averages indicated tenant options for expansion or relocation were limited, which has been the norm in this market over the past several years. Industrial businesses have consistently found sourcing functional warehouse and storage space challenging, either for lease or purchase. The resulting imbalance has been a market constant for more than a decade. The market's construction cycle has largely fallen short in terms of providing options for tenants looking for functional space alternatives. The demand-supply imbalance of the recent past pushed market rents to a new benchmark-high for the cycle. Rents continued to hold at the peak for the cycle through much of 2020, which was a clear signal of the GOA leasing market's continued strength.

INVESTMENT MARKET CONSISTENCY WAS EVIDENCED

Consistency was the overriding GOA industrial property sector investment market theme of the recent past, despite the negative economic impacts of the global pandemic. The sector continued to generate above-average investment performance characteristics, continuing the trend of the past few years. Properties tracked in the MSCI Index registered a combined annual average return of 11.1% for the year ending September 30, 2020, marking a third consecutive double-digit performance. Both the income and capital components of the recent performance and that of the preceding two-year period were stable and positive. A measure of consistency was also evidenced in the market's demand cycle of the recent past. Investors continued to target GOA industrial properties for acquisition. Positive investor sentiment was a byproduct of the sector's positive outlook compared with other major asset classes. The asset class and region have been a favourite of the investment community for some time. National and local groups looked to secure properties in a market with strong leasing fundamentals and a solid long-term track performance record. However, as in the past, availability fell short of demand, a dynamic that has also been a constant over the past decade. In summary, consistency continued to be the main theme of the GOA industrial investment property sector performance of the recent past while the global pandemic negatively impacted the regional economy.

REPEAT OF RECENT MARKET TRENDS FORECAST

A repeat of recent GOA industrial property sector market trends is forecast over the near term. The region's leasing market will continue to be characterized by tightness, as demand outdistances supply. Increased online shopping and the resulting requirements for storage and logistics space will drive demand for leased space. A strong niche manufacturing sector will also stabilize leasing demand over the near term. The health of the market's demand cycle will ensure rents hold at the peak for the cycle with the potential for minor increases for highly functional space. The healthy leasing market outlook will drive investment performance. The market will continue to generate attractive returns for existing owners and draw debt and equity capital to the sector. The market will be favoured by the property investment community, resulting in a highly competitive environment. In short, GOA industrial property sector market conditions will emulate those of the recent past over the near term.

LEASING MARKET ACTIVITY STALLED

GOA retail leasing market activity stalled in the first half of 2020, with the emergence of the global pandemic. Midway through March 2020 non-essential businesses were shut down to stop the spread of COVID-19, which included brick and mortar retail stores. As a result, leasing market activity across the GOA ground to a halt. Planned store expansions were either postponed or cancelled altogether. Existing stores were unable to generate revenue from their physical locations and focused on selling merchandise and services through online platforms. The inability of smaller stores to adapt resulted in closures. Local examples of store closures included five Pier 1 locations and DavidsTea outlets. For many retailers even a short-term loss of revenue proved to be too much of a hurdle to overcome. The largest share of stores that were forced to close permanently across the GOA were smaller operations that were often independently owned and operated. As a result of this trend, market vacancy began to edge higher during the spring and summer of 2020. This trend was expected to persist over the near term. The reduction in leasing activity effectively put an end to rent growth across the market. Fears of additional store closures also increased despite the reopening of the regional economy and retail outlets. Generally, GOA retail sector risk rose significantly during 2020, a period during which leasing activity stalled.

INVESTMENT MARKET DOWNTURN PERSISTED

The GOA retail property sector's investment market downturn continued to unfold over the recent past. Recent investment performance characteristics were indicative of the sector's continued decline. GOA retail properties tracked in the MSCI Index posted a negative 6.6% total return, for the 12-month investment horizon which ended September 30, 2020. The return contrasted with the 4.7% positive total return generated over the previous 12-month period. The negative return was a result of a cumulative capital decline of more than 10.2% over the 12-month period. Income growth remained positive for the period, despite a slight downward trend. Reduced investor confidence in this market was a byproduct of the down cycle. Generally, investors focused on industrial and multi-suite residential in this market, given healthier and more stable performance outlooks. Retail investment property, on the other hand, was viewed as a riskier proposition given profound and ongoing broader industry changes. As a result, transaction activity levels trended significantly lower over the recent past. During the first six months of 2020, a total of $94.5 million in GOA retail property was sold. This was down from $142.2 million in transaction volume reported for the same time period a year ago. The decline in sales activity was a byproduct of the broader investment market downturn.

MARKET CONDITIONS WILL CONTINUE TO SOFTEN

A continued softening of GOA retail market fundamentals is forecast over the near term. The negative impacts of the global pandemic and shifts in consumer behaviour patterns will result in further brick and mortar store closures and downsizing across the region. Consequently, market vacancy will steadily rise, particularly in locations with higher concentrations of smaller stores. Conversely, stores and chains that have successfully adapted to broader industry changes will continue to thrive. On a net basis, however, demand for retail space will continue to soften. On average, rents will erode with the softening of the market's demand cycle. Rental market erosion forecast over the near term will negatively impact investment performance. Retail capital values will continue to decline while income growth eases. Therefore, returns will likely remain negative. Investor confidence will remain relatively low, given the less than stellar performance and fundamental outlook. However, properties with attractive tenant rosters will generate interest, despite the anticipated softening of market conditions over the near term.

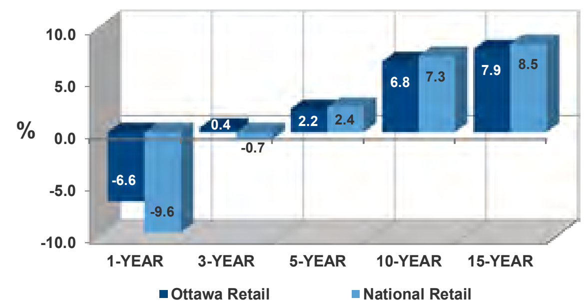
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	—	▼
New Supply	—	—

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

Historical Performance

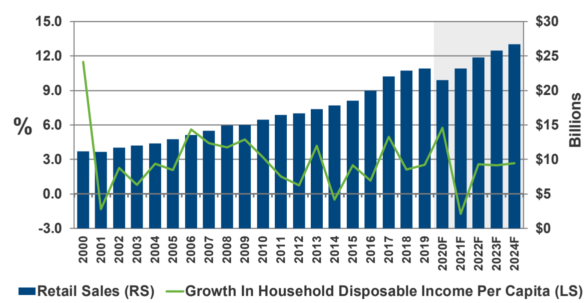
For The Period Ending Sept 2020



Source: © MSCI Real Estate 2020

Retail Conditions

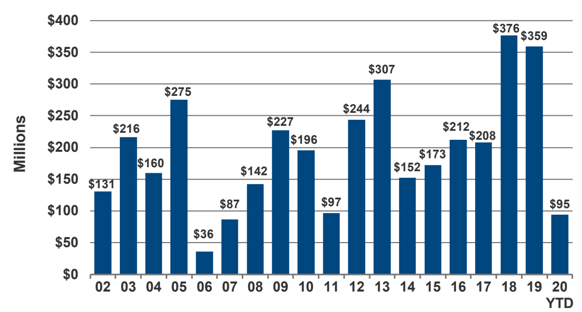
Ottawa Historical & Forecast Aggregates



Source: Conference Board Of Canada

Investment Activity

Ottawa Retail Investment Volume To June 2020

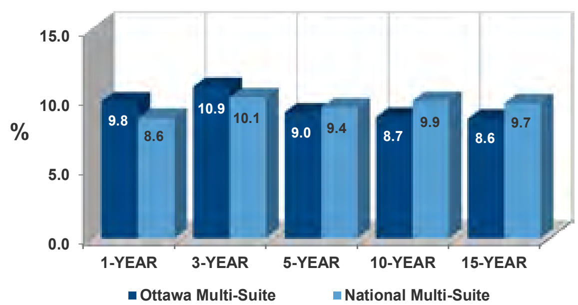


Source: CBRE Limited

TRENDING STATISTICS		
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	—	—
Lease Rates	—	▲
New Supply	—	—

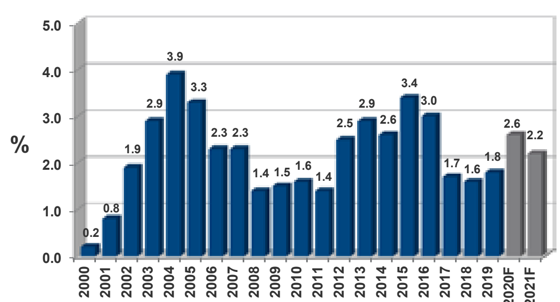
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



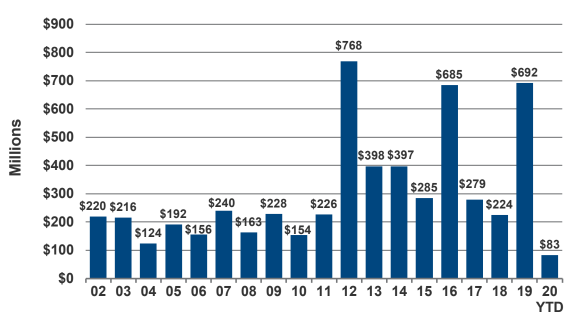
Source: © MSCI Real Estate 2020

Average Rental Vacancy
Ottawa Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

Investment Activity
Ottawa Multi-Suite Investment Volume To June 2020



Source: CBRE Limited

RENTAL MARKET DEMAND EASED

GOA multi-suite residential rental market demand trend eased over the recent past, largely as a result of the negative impacts of the COVID-19 pandemic. The demand downdraft unfolded in the spring of 2020. Travel restrictions eroded rental demand, as foreign students were unable to attend the region's colleges and universities. Additionally, a smaller number of young people were able to secure their first jobs and rent accommodation, given a sharp drop in available positions as a result of the pandemic. Moreover, fewer renters looked to relocate or upgrade, given an increase in economic and job market uncertainty. The rental demand-downdraft began to erode the market's supply-side fundamentals. The region's vacancy rate began to rise and was expected to eclipse the 2.0% mark at some point during the second half of 2020. Previously, vacancy had ranged below the 2.0% mark dating back approximately three years. As vacancy levels began to rise in the second half of the year, market rents stabilized. In some cases, particularly downtown, modest downward rent pressure was reported. GOA market rents had steadily risen over the past several years. However, rent growth slowed over the recent past as a result of the pandemic's negative effects, against a backdrop of weaker rental market demand.

MINIMAL VARIATION IN INVESTMENT MARKET TRENDS OBSERVED

There was little variation in investment market characteristics observed over the recent past, which was in line with the trend of the past few years. Investors continued to view the GOA multi-suite residential rental sector favourably, as a place to allocate their debt and equity capital. Consequently, properties offered for sale had little trouble attracting willing buyers. However, there was a relatively small number of properties available for acquisition during the first half of 2020, which was in keeping with the historic trend. A total of $83.2 million of GOA multi-suite residential rental property was sold during the first six months of 2020. The total was down from $252.7 million for the same time period a year ago, despite stable and healthy demand patterns. For the most part, vendors were able to achieve their pricing objectives. The market's demand stability coincided with continuously attractive investment performance patterns. Properties contained in the MSCI Index generated a 9.8% annual average total return for the period ending September 30, 2020. Both the income and capital components of the performance were healthy. Attractive investment performance has been a constant for this market for over a decade. In summary, there was little variation in GOA multi-suite residential rental sector investment market trends reported over the recent past, a characteristic that was common throughout its longer-term history.

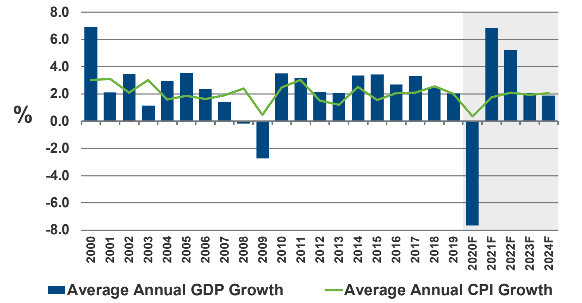
GRADUAL STABILIZATION FORECAST

GOA multi-suite residential rental market conditions will gradually stabilize over the near term, having softened as a result of the pandemic. After a brief pause, rental demand will stabilize, with the reopening of the regional economy. The combined impacts of population growth, the return of post-secondary students, and economic recovery will support stronger rental demand patterns. Demand is expected to keep pace with new supply over the near term, with roughly 2,481 new rental units under construction and forecast for completion by 2022. As a result, vacancy will level off in the second quarter of 2021. Vacancy will rise from the pre-pandemic record low but remain relatively healthy. At the same time, downward pressure on rents will subside and give way to a largely stable trend. Largely stable and healthy rental market characteristics will continue to support attractive investment performance patterns. Investors will continue to look to the region as an attractive yield source. Generally, investment market conditions will mirror those of the recent past over the near term, as rental market conditions gradually stabilize following the modest pandemic-driven softening.

ECONOMIC SNAPSHOT

The Greater Toronto Area (GTA) economy was projected to contract by 7.7% in 2020, following a period of moderate expansion over the previous two-year period. The pandemic in the spring of 2020 resulted in a decline in economic activity. The lockdown measures were in place longer than in any other major city in Canada. Labour market conditions softened significantly during the first half of 2020, as companies were forced to reduce their employee rosters as revenues declined. The unemployment rate rose sharply, prompting governments to introduce programs to bolster household incomes.

Economic Growth
Toronto Historical & Forecast Aggregates

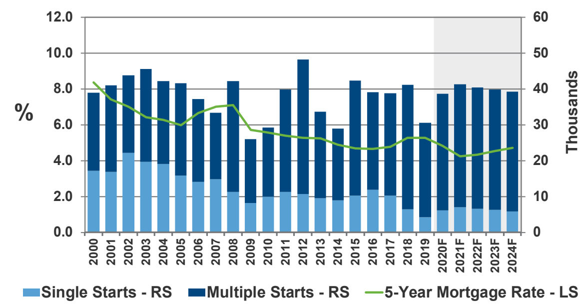


Source: Conference Board Of Canada

LABOUR MARKET DETERIORATION WAS SUBSTANTIAL

The GTA labour market deteriorated substantially over the past year, due to the unfolding of the COVID-19 crisis and subsequent economic lockdown. Total employment declined by 13.8% during the second quarter. Despite a healthy bounce back in the second half of 2020, GTA employment was expected to have dropped by 5.5% on an annualized basis. In addition, an unemployment rate of 9.4% was projected at the end of 2020, representing a 340-bps increase year-over-year. Employment levels remained well below pre-pandemic levels in high-touch service industries in the second half of 2020, in keeping with the national trend. On balance, the GTA labour market began to strengthen in the second half of 2020, having deteriorated substantially as a result of the shutdown of a large portion of the regional economy to reduce the spread of the COVID-19 virus.

Housing Sector
Toronto Historical & Forecast Aggregates

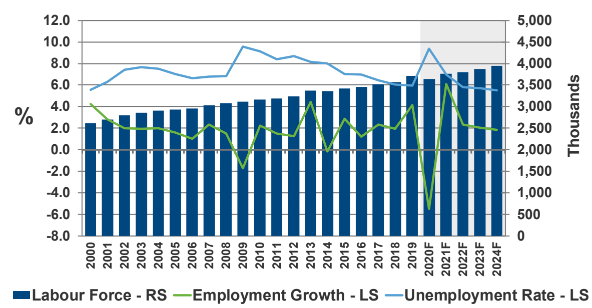


Source: Conference Board Of Canada

CONSUMERS SHOPPED ONLINE IN INCREASING NUMBERS

GTA consumers transitioned to online shopping in increasing numbers over the recent past. E-commerce sales increased significantly with the unfolding of the pandemic and subsequent closure of non-essential retail stores. As a result, GTA in-store retail sales declined more than any other major urban city in Canada. The CBOC projected a 16.7% decrease in in-store retail sales in 2020. Retail sales picked up with the reopening of physical stores in the late spring, although sales remained well below pre-pandemic levels. Consequently, retailers continued to struggle to pay rent and maintain staffing levels.

Labour Market
Toronto Historical & Forecast Aggregates

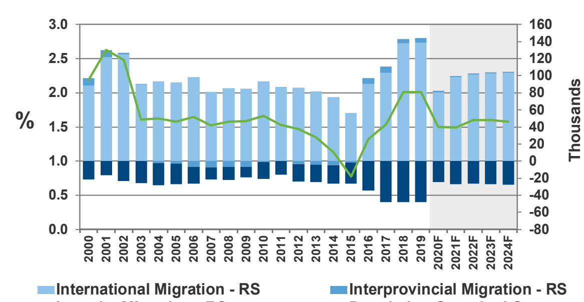


Source: Conference Board Of Canada

ABOVE-AVERAGE RECOVERY FORECAST

An above-average recovery is forecast for the GTA economy over the near term from the unprecedented pandemic-driven downturn. GDP is forecast to increase by a healthy 6.8% in 2021, followed by a solid 5.2% advance over the following year. The positive outlook is dependent on the mass distribution of the recently developed COVID-19 vaccine in 2021. The relatively speedy recovery will be driven by the region's concentration of high-income earners and high e-commerce adoption rates. In addition, the depth and breadth of the regional economy will also support a robust recovery pace over the near term. Moreover, the region will attract the largest number of international immigrants, once travel restrictions are lifted, which also bodes well for robust economic bounce back. A relatively robust economic recovery projected over the near term will support an improved labour market outlook. Regional employment will rise 6.1% in 2021, which will pull the unemployment rate down to an even 7.0% by the end of the year. Coincidentally, housing starts will reach a three-year high as a byproduct of the GTA's near-term economic outperformance.

Demographic Trends
Toronto Historical & Forecast Aggregates

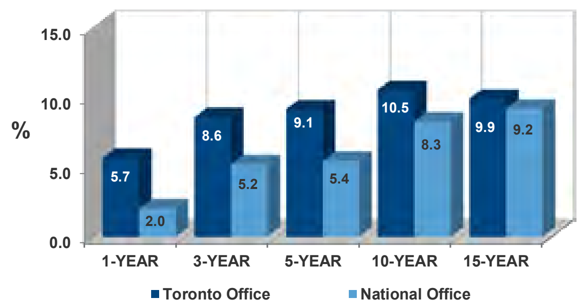


Source: Conference Board Of Canada

TRENDING STATISTICS		
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	—	—
New Supply	—	—

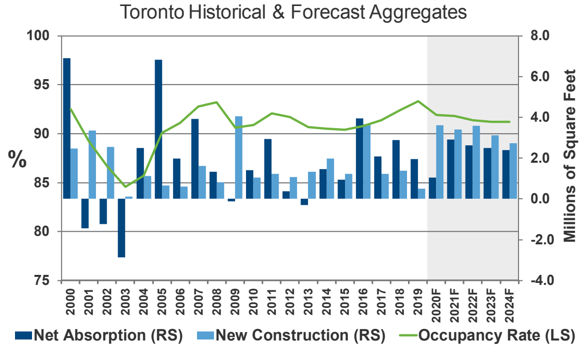
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



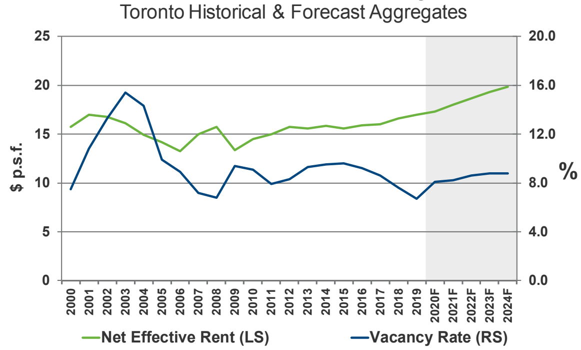
Source: © MSCI Real Estate 2020

Office Demand & Supply
Toronto Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Office Rent & Vacancy
Toronto Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET CONDITIONS SOFTENED SUBSTANTIALLY

GTA leasing market conditions softened over the recent past, due largely to a sharp increase in economic uncertainty as a result of the COVID-19 pandemic. Leasing activity stalled in the spring of 2020, with the initial closure of non-essential businesses to control the spread of the virus. GTA office tenants, particularly in the downtown area, looked to shed excess space as revenues plunged and employees were forced to work remotely. In some cases, tenants placed space on the market for sublease in order to reduce expenses during a period of heightened economic uncertainty. Leasing demand and activity remained well below pre-lockdown levels through much of 2020, resulting in the erosion of the GTA's supply-side fundamentals. GTA vacancy rested at 8.4% as of the end of the third quarter, having risen 170 bps year-to-date. Downtown vacancy rose more sharply. A rate of 7.7% was recorded at the end of September, up 570 bps year-to-date. Over the same time period sublease availability spiked. More than 3.0 million square feet of sublease space was available across the GTA, almost twice the volume reported at the end of 2019. While leasing market conditions remained tight across much of the region, a measure of downward pressure on market rents was observed in certain segments of the market. The pressure was a byproduct of softening of GTA leasing market fundamentals recorded over the past year.

INVESTORS FOCUSED INCREASINGLY ON LOWER-RISK ASSETS

Investors focused increasingly on lower-risk acquisitions over the recent past, given heightened sector uncertainty as a result of the negative impacts of the pandemic. Properties with financially secure tenants on long-term leases garnered increased interest from a range of institutional and private capital groups. Investors were generally more cautious in their approach during and after the pandemic lockdown period. Investors retreated to the sidelines as the economic downturn unfolded and sought greater clarity on the impacts of the pandemic on valuations, leasing performance characteristics, and the broader outlook. As a result, investment activity slowed significantly. A total of $631.9 million of GTA office property investment transaction volume was reported over the first half of 2020. The total represented a 67.6% drop off when compared with the same time period a year earlier. As activity levels slowed, GTA office sector performance characteristics remained relatively healthy. Properties contained in the MSCI Index posted a combined 5.7% annual average total return for the year ending September 30, 2020. Income growth was the main driver of the return while the capital component stabilized. Generally, lower-risk asset values stabilized in 2020, which factored into the increased focus on acquisitions in this segment of the market.

INVESTORS WILL CONTINUE WITH CAUTIOUS APPROACH

Investors will continue to approach investing in the GTA office property sector with caution over the near term. The rationale for the approach is twofold. First, investors will continue to have concerns related to how long it will take for leasing market performance to stabilize and how tenant occupancy patterns will change over time. Secondly, investors will continue to assess their risk appetites in an era of increased economic and financial uncertainty. Near-term investment market conditions will mirror those of the recent past, as investors continue to approach the market cautiously. Investment sales activity will remain below pre-pandemic levels. Low-risk stabilized assets will be generally well-received and command peak, or near peak, pricing. Property values for assets fitting this profile will hold firm on average. Cap rates will edge higher for higher-risk properties. Assets with stable long-term income streams will attract buyers with relative ease. In short, investors will continue to exercise a relatively high degree of caution when assessing acquisitions in this market over the near term, against an elevated risk backdrop.

LEASING MARKET REMAINED TIGHT

Conditions in the GTA industrial leasing market remained tight over the past year, despite an historic decline in economic activity. The market's average availability rate rested at just 2.0%, at the end of the third quarter of 2020. The average availability rate had increased by a modest 80 bps year-over-year. Available options for tenants looking to expand or relocate remained in very shorty supply. The maintenance of near record-low availability levels through to the end of the first half of 2020 was a testament to the market's resilience. Regional economic output declined sharply during the second quarter with the closure of non-essential businesses to combat the spread of the COVID-19 virus. However, at the same time, increased warehouse and logistics demand was the result of a sharp rise in online purchasing activity. Essential and non-essential businesses were forced to ramp up their distribution capabilities to meet the increased demand for the delivery of consumers' goods. The resulting demand-pressure ensured leasing market conditions remained tight and rents held firm. For the most part, landlords were able to hold rents at pre-pandemic levels, even with the addition of 8.1 million square feet of new supply to inventory year-do-date as of the end of September. In summary, GTA leasing market conditions remained tight over the past year, despite an historic decline in economic activity and increase in uncertainty as a result of the pandemic.

INVESTMENT MARKET CONDITIONS FIRMED

GTA industrial property investment market conditions firmed over the past year, a period during which the regional economy suffered through an unprecedented decline. Positive investment demand patterns were sustained, with investors continuing to source with confidence properties for acquisition. Properties with strong, financially secure tenant rosters were most highly coveted. The focus for many groups was income security, rather than rent growth, given an uncertain economic outlook. The relative strength of the market's demand cycle was reflected in recent investment transaction closing volume totals. During the first six months of 2020, a total of $1.1 billion in GTA industrial investment sales was recorded. Investment activity was relatively robust throughout much of the past year compared with the other major property asset classes which registered significant declines. Strong investment performance was also a GTA industrial investment market constant over the recent past. GTA industrial properties tracked in the MSCI Index posted an impressive 18.9% average total return for the 12-month period ending September 30, 2020. The attractive result was comprised of both positive capital and income performance characteristics. Moreover, the return was the strongest of the major asset classes tracked in Canada. The firmly positive investment performance of the recent past was in keeping with the broader investment market trend.

MARKET WILL CONTINUE TO OUTPERFORM

The GTA industrial property sector is expected to continue to outperform over the next few years. Leasing demand will continue to outpace supply. Surging e-commerce activity and a modest economic growth recovery will support largely positive leasing demand patterns. As a result, availability rates will hold close to the record lows of the past few years. In turn, market rents will continue to hold near to the record-highs reported recently. By 2022, rent growth will strengthen, as the forecast economic recovery continues to unfold. The healthy leasing market outlook will drive positive investment market performance. The promise of rent growth and the market's track record of solid performance characteristics will continue to attract investors to the GTA's industrial sector. High-quality asset offerings will receive aggressive bids over the near term. In summary, the GTA's industrial sector will continue to outperform over the near term given a broadly positive near-term outlook.

TRENDING STATISTICS

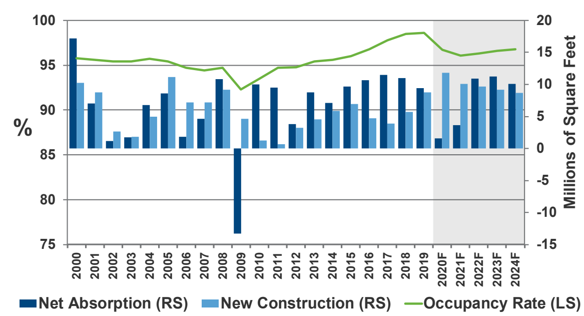
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	—	▲
Net Absorption	▼	—
Lease Rates	—	—
New Supply	—	—

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 Sept 2020

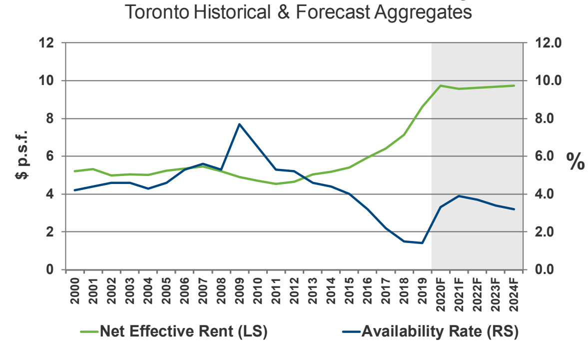
Source: © MSCI Real Estate 2020

Industrial Demand & Supply
Toronto Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Industrial Rent & Availability
Toronto Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

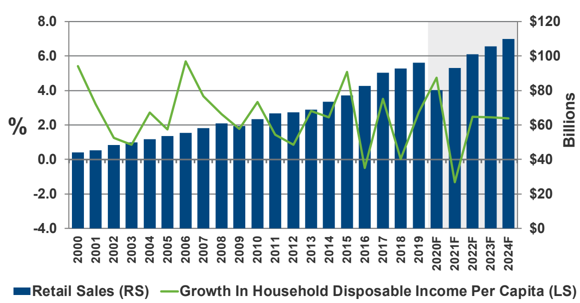
TRENDING STATISTICS		
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	▼	▼
New Supply	—	—

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

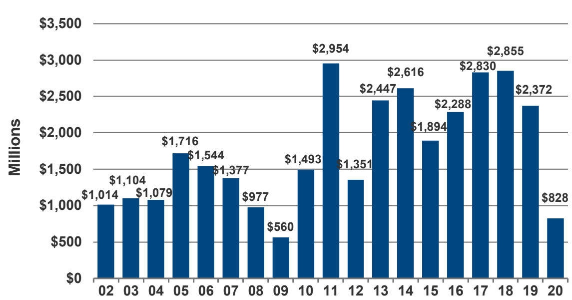
Source: © MSCI Real Estate 2020

Retail Conditions
Toronto Historical & Forecast Aggregates



Source: Conference Board Of Canada

Investment Activity
Toronto Retail Investment Volume To June 2020



Source: CBRE Limited

LEASING MARKET RISK SPIKED

GTA retail leasing market risk spiked during the spring of 2020, with the unfolding of the COVID-19 crisis. Risk spiked as a result of an increasingly uncertain demand outlook. The Ontario government closed all non-essential businesses in the spring of 2020, to reduce the spread of the COVID-19 virus. As a result, GTA retailers suffered sharp reductions in sales revenue. Some stores closed their doors permanently while others turned to online shopping as a revenue source. Additionally, several retail chains closed some or all, of their locations in this market either temporarily or on a permanent basis. Independent stores closed at a disproportionately higher rate, as many were unable to survive the loss of revenue. The GTA leasing demand outlook became markedly more precarious, given sharp reductions in sales revenue and store closures. The erosion of leasing demand, which was expected to continue over the near term, began to negatively impact the market's supply fundamentals. GTA retail vacancy began to rise by the summer of 2020, with the increase in store closures. Vacancy was projected to rise steadily from the mid-single digit averages reported before the COVID-19 crisis unfolded. Smaller strips and street front retail locations were forced to contend with excess vacancy. The combination of rising vacancy and weak demand was expected to drive rents lower over the near term, a dynamic that drove GTA leasing market risk markedly higher.

INVESTMENT MARKET ACTIVITY CONTINUED TO DECLINE

GTA retail property investment sales activity continued to decline over the recent past, mirroring the national trend. A total of $828.0 million in GTA retail property sales was reported for the first six months of 2020, down from $1.1 billion over the same time period a year earlier. A relatively small number of significant transactions have been completed year-to-date, as of the end of October. Properties with grocery store anchors and other necessities-based tenants continued to generate strong interest. However, larger-scale property sales volume remained well below levels recorded over the past several years. Generally, investors were hesitant to allocate capital to a sector with an uncertain future. Retail sector uncertainty spiked, with the closure of non-essential brick and mortar stores to control the spread of the COVID-19 virus. The slowdown in GTA investment sales of 2020 occurred during a period of continuously weak performance characteristics. GTA retail properties contained in the MSCI Index registered a negative total annual average return of 6.8% for the period ending September 30, 2020. The combined value of the properties tracked declined by 9.8% over the 12-month period. The capital erosion was in keeping with the broader retail sector trend of the past few years. Brick and mortar productivity steadily declined over the past few years, with the increase in online sales and declines in foot traffic across the market. Consequently, property values have declined, along with rents in several segments of the market. At the same time, GTA retail property sales activity has continued to slow.

FEW CHANGES IN PERFORMANCE PATTERN ANTICIPATED

GTA retail sector performance patterns will mirror those of the recent past over the near term. Leasing market fundamentals will continue to soften. Demand will continue to underwhelm, with few tenants looking to expand. At the same time, the negative impacts of the pandemic and increased e-commerce purchasing activity will force some retailers to downsize or to close brick and mortar locations. In some cases, retailers will be unable to meet their rent obligations, which will erode the income streams of some landlords. At the same time, vacancy levels will continue to rise, which will also reduce the revenue streams of some landlords. The income downdraft will negatively impact investment performance. Property values will also continue to decline in keeping with the recent trend.

RENTAL MARKET CONDITIONS WERE MORE BALANCED

More balanced GTA multi-suite residential rental market conditions were reported over the past several months, compared with the pre-pandemic period. The increased market balance was a result of an increase in vacancy levels and markedly reduced rental demand. GTA rental market vacancy increased in the spring of 2020, with the emergence of the COVID-19 pandemic. Vacancy levels increased in most segments of the market, especially downtown. In some cases, renters have moved to the suburbs during the pandemic. As a result, suburban vacancy has been relatively stable. Landlords have faced increased competition from an influx of previously short-term rental units onto the market. At the same time, government restrictions on travel to control the spread of the COVID-19 virus resulted in a sharp decline in foreign students and international migrants coming to Canada. The pandemic lockdown and resulting job losses eroded rental demand. Some renters took advantage of record low interest rates to transition to home ownership. This trend eroded rental demand and drove vacancy levels higher. For the most part, landlords held off on lowering rents preferring to offer incentives to prospective tenants during 2020. Prior to the pandemic, there was a significant degree of rental market imbalance. GTA vacancy rested close to the all-time low over the past couple of years while market rents reached an all-time high. Rents stood at record-high levels. Renters were faced with few and expensive alternatives when looking to relocate or rent for the first time. Since the onset of the pandemic, market conditions have become markedly more balanced

LARGELY HEALTHY INVESTMENT MARKET TRENDS WERE REPORTED

The GTA multi-suite residential rental property sector exhibited largely healthy investment market trends recently. Investment performance characteristics remained attractive, as evidenced in MSCI results. Properties tracked in the index generated an annual average total return of 9.1% for the 12-month period ending September 30, 2020. Investors continued to exhibit confidence in the multi-suite residential rental sector and, more specifically, a willingness to acquire properties in the nation's second largest market, the GTA. Some groups, however, retreated to the sidelines as a result of the economic uncertainty surrounding the ongoing COVID-19 pandemic. As a result, a moderate slowdown in transaction closing volume unfolded. A total of $924.7 million in GTA multi-suite residential rental property was sold during the first six months of 2020, representing a decline from the peak sales period of 2019. Sellers were largely able to achieve their pricing objectives. Generally, property values held at or near the peak for the cycle. The capital cycle stability was in keeping with the GTA multi-suite residential rental sector's largely positive investment market trends of the recent past.

OUTLOOK IS GENERALLY POSITIVE

The outlook for the GTA's multi-suite residential rental sector is generally positive. Rental market demand fundamentals are expected to improve significantly toward the end of 2021 or early 2022, largely as a result of the mass distribution of a COVID-19 vaccine. The loosening of travel restrictions and opening of Canada's borders will see the return of foreign students and international migrants to the GTA. As a result, demand for rental accommodation will rise sharply. Healthier demand fundamentals will drive vacancy levels progressively lower. As market conditions tighten, rents will firm and then rise. In turn, landlords will be less inclined to offer incentives to entice prospective renters to their properties. Investors will continue to look to the GTA multi-suite residential rental sector as an attractive yield source. Therefore, investment activity will remain relatively brisk. There will be no shortage of bids on stabilized assets, ensuring property values continue to range at or near the cycle peak. The healthy investment market forecast is in keeping with the sector's overall outlook.

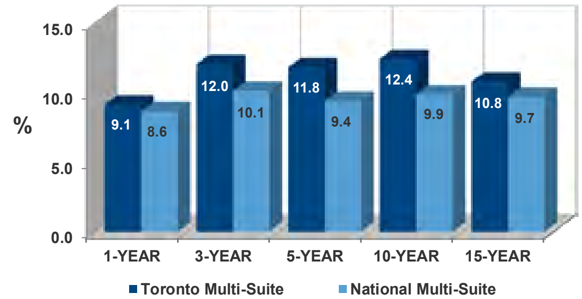
TRENDING STATISTICS

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

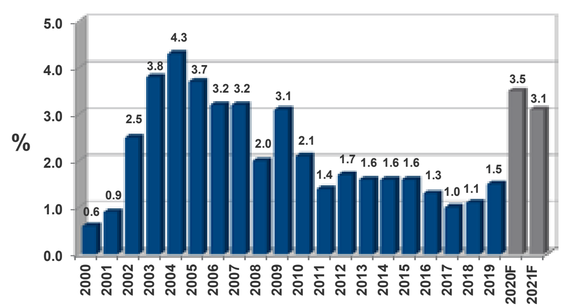
For The Period Ending Sept 2020



Source: © MSCI Real Estate 2020

Average Rental Vacancy

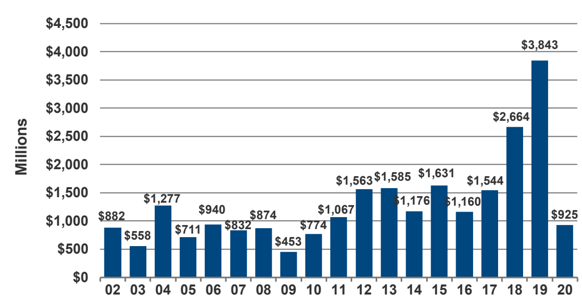
Toronto Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

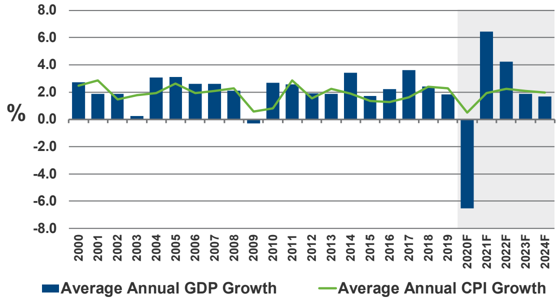
Investment Activity

Toronto Multi-Suite Investment Volume To June 2020



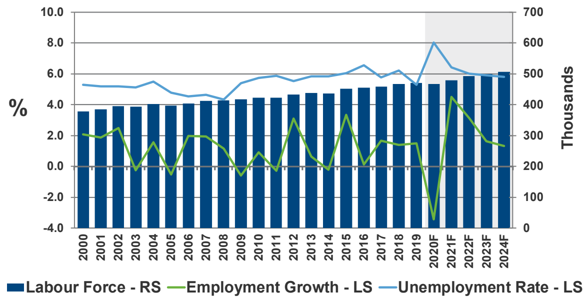
Source: CBRE Limited

Economic Growth
Winnipeg Historical & Forecast Aggregates



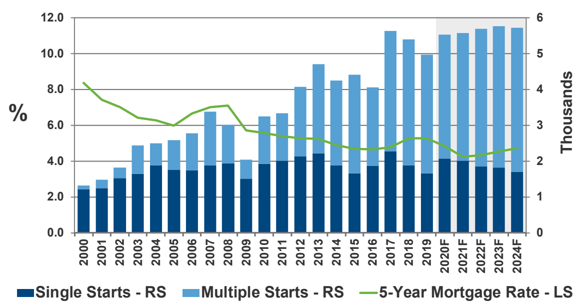
Source: Conference Board Of Canada

Labour Market
Winnipeg Historical & Forecast Aggregates



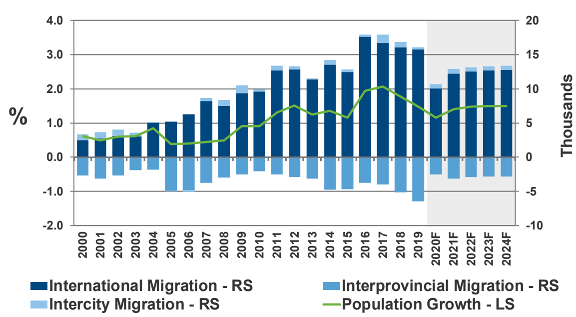
Source: Conference Board Of Canada

Housing Sector
Winnipeg Historical & Forecast Aggregates



Source: Conference Board Of Canada

Demographic Trends
Winnipeg Historical & Forecast Aggregates



Source: Conference Board Of Canada

ECONOMIC SNAPSHOT

The Greater Winnipeg Area (GWA) economy is expected to contract by an annualized rate of 6.5% in 2020, putting an end to a decade of continuous growth. The pandemic-driven contraction reduced regional employment by 3.4% and drove the unemployment rate markedly higher. The combination of unprecedented job losses and the closure of non-essential businesses reduced retail consumption significantly. The region's largest sector, finance, insurance and real estate, registered a material reduction in activity levels in the first half in keeping with national trend.

LABOUR MARKET RESILIENCE WAS EVIDENCED

The GWA labour market exhibited a measure of relative resilience during the past year. Employment was projected to decrease by 3.4% in 2020, which is moderate in comparison to the national average decline at 5.4%. Additionally, an unemployment rate of 8.0% was forecast for the end of 2020, 160 bps lower than the national average. To be sure, however, the GWA labour market suffered losses as a result of the pandemic. According to CBOC figures, regional employment contracted 9.6% during the spring of 2020, although increases of 4.5% and 3.2% were expected in the third and fourth quarters, respectively. The GWA labour market was expected to strengthen even further in 2021, having exhibited a measure of resilience over the past year.

HOUSING MARKET HAS ALREADY RECOVERED

The GWA housing market had recovered by the fall of 2020, from the modest correction that unfolded as a result of the pandemic. The combination of rising income levels, low interest rates and pent-up demand as a result of the spring lockdown accelerated activity through the summer and fall. During this period, demand outdistanced the supply of houses available for sale, despite an increase in listing volume. Consequently, values have steadily increased. Housing starts were projected to increase to well above the long-term average in both 2020 and 2021. At the same time, balanced conditions were forecast for the region's resale market.

RETAIL SALES BEGAN TO STRENGTHEN

Retail sales volume began to rise in the summer of 2020, following an historic decline due to the pandemic lockdown. Retail sales volume was expected to continue to strengthen in the second half of the year. Despite the uptick, annualized retail trade was forecast to contract by 6.9% in 2020. Subsequently, a 4.5% rise was projected for 2021, assuming the reopening of businesses across the region and the widespread distribution of a COVID-19 vaccine. By the fall of 2020, COVID-19 infections had already spiked, which threatened to put an end to the rise in retail sales volume recorded during the summer.

ROBUST GROWTH TREND FORECAST

A robust economic growth trend is forecast for the GWA over the next couple of years. Real GDP will rise relatively sharply in 2021 and 2022, at annualized rates of 6.4% and 4.2%, respectively. The strong recovery is, to some extent, predicated on the fact the region's economy was not as hard hit by the pandemic lockdown as most other large Canadian cities. The robustness of the region's near-term recovery will support substantially healthier labour market conditions. The robust near-term economic growth trend, however, will be highly dependent on the distribution of the recently developed COVID-19 vaccines.

LEASING MARKET SOFTENING REPORTED

A softening of GWA office leasing market fundamentals was reported recently, due largely to the negative effects of the COVID-19 health crisis. The market's demand cycle softened during the late stages of the first half of 2020. Several office tenants chose to postpone or cancel expansion and relocation decisions, given the deterioration of the economic outlook due to the pandemic. Consequently, leasing activity slowed. Activity levels declined more sharply in the class A and B market segments. The slowdown in leasing activity coincided with an uptick in space offered for sublease, as some organizations looked to reduce real estate expenses over the near term. The need for cost certainty was also a byproduct of the COVID-19 virus-driven uncertainty. As leasing demand slowed, supply fundamentals also began to soften. Colliers International, for example, reported vacancy had risen 60 bps to 12.3% between the end of March and end of June 2020 while CBRE recorded an 80 bps increase over the same time period to 11.5%. Both surveys were indicative of a rising vacancy trend that was likely to continue over the balance of the year. To some extent, the market's muted development cycle reduced the probability of a more significant vacancy spike. The combination of reduced leasing activity and rising vacancy significantly reduced the probability of rental rate growth in this market. This dynamic reflected the broader GWA leasing market softening reported over the recent past.

INVESTMENT CAPITAL FLOWED AT A REDUCED RATE

Investment capital flowed into the GWA office market at a reduced rate during 2020 against a backdrop of increased sector uncertainty. Institutional groups focused on acquiring prime assets in the country's largest and lowest risk cities. Regional and local groups, however, continued to look for opportunities, which were few. Owners of GWA office properties were reluctant to expose their properties to the market, during a period of increased economic uncertainty due to the COVID-19 crisis. As a result, investment market activity slowed significantly. During the first six months of 2020, a total of just $1.5 million in GWA office property sales was recorded. The total was markedly lower than both the five-year and long-term averages for the same six-month period. The slowdown in sales activity recorded in the first half of 2020 unfolded during a period of weak investment performance. Properties contained in the MSCI Index generated a negative 1.8% total average annual return for the year ending September 30, 2020. The performance backstep was driven by a material reduction in capital value while the income component of the result was healthy and stable. The capital erosion was in part a result of an increasingly uncertain sector and economic outlook. This uncertainty was also a factor in the slowdown in GWA office property investment activity levels of the recent past.

SECTOR FORECAST IS RELATIVELY STABLE

The near-term GWA office sector forecast is relatively stable when compared with other regions and sectors. The region's economic diversity is expected to support this outlook. The market's track record of performance following a significant economic correction is cause for the cautiously optimistic forecast. By 2022, the regional economy is expected to begin to gradually recover from the COVID-19 crisis-driven downturn. Leasing market demand will begin to gradually strengthen, resulting in a modest downward trend. Supply fundamentals will improve relatively quickly, due in part to the cycle-low levels recorded prior to the downturn. As rental market conditions stabilize in 2022, investment demand will pick up, along with activity levels assuming product availability. At the same time, values will also flatten after a period of moderate downward pressure. Overall, GWA office sector market conditions are expected to stabilize by 2022, in keeping with the national economic performance.

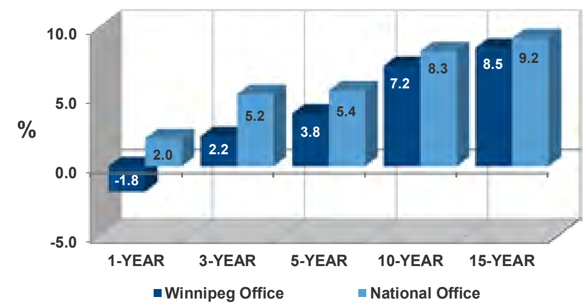
TRENDING STATISTICS

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

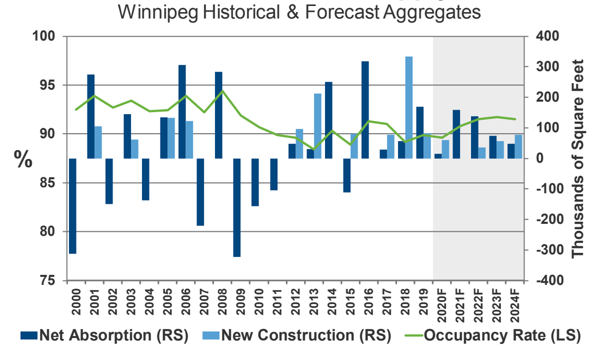
For The Period Ending Sept 2020



Source: © MSCI Real Estate 2020

Office Demand & Supply

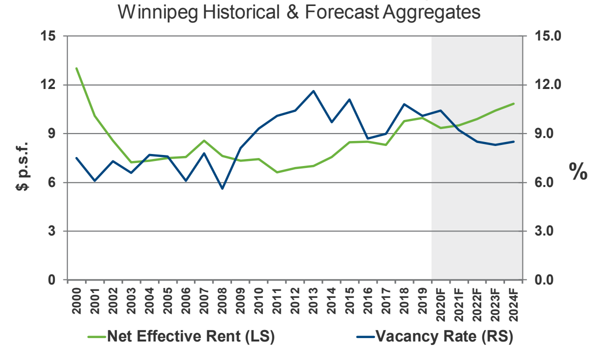
Winnipeg Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Office Rent & Vacancy

Winnipeg Historical & Forecast Aggregates

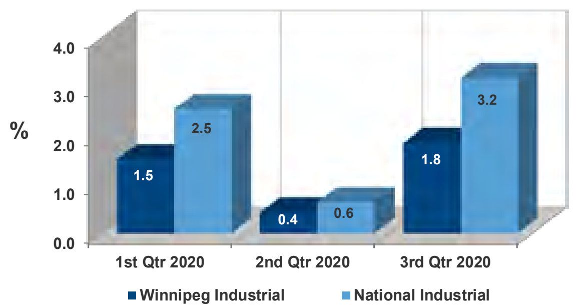


Source: CBRE Limited; CBRE Econometric Advisors

TRENDING STATISTICS		
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	—	—
Lease Rates	—	—
New Supply	—	▲

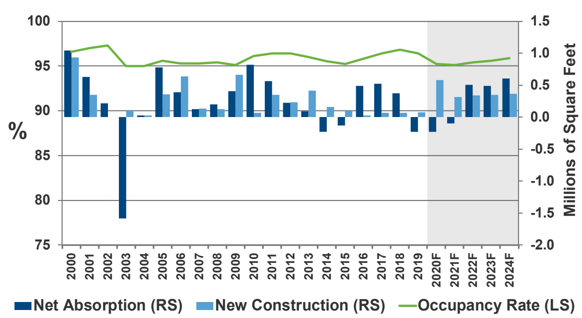
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



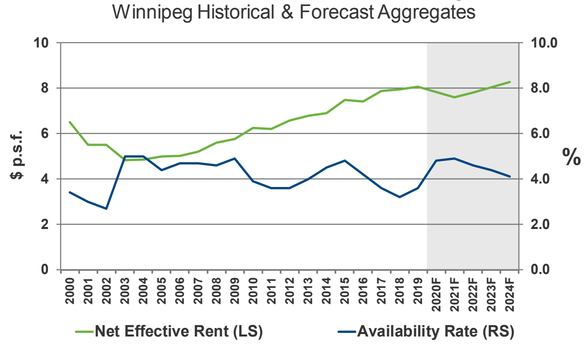
Source: © MSCI Real Estate 2020 *Prior data unavailable due to confidentiality rules applied based on mkt size

Industrial Demand & Supply
Winnipeg Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Industrial Rent & Availability
Winnipeg Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET RESILIENCE WAS DEMONSTRATED

The GWA industrial sector exhibited a significant level of leasing market resilience over the recent past, despite a high degree of uncertainty surrounding the regional and national economic outlooks. Leasing demand patterns remained relatively healthy through much of 2020. Newly constructed space was absorbed prior to or shortly after completion. Businesses engaged in e-commerce and related activities were the most active absorbers of available space over the past year. Warehouse and distribution space users were also active. The market's demand trend remained relatively healthy, despite the negative impacts of the COVID-19 pandemic on other sectors of the regional economy. The demand-stability supported largely healthy supply-side fundamentals. The GWA's average vacancy rate rested at a solid 3.8% at the midway mark of 2020. The rate was indicative of the market's near-term resilience. Coincidentally, market rents have continued to range at the benchmark-high levels for the current cycle, particularly for recently built space. In summary, the GWA industrial leasing market continued to exhibit a measure of resilience over the recent past, despite the potentially negative impact of the pandemic.

CAPITAL FLOW TREND REMAINED MODEST

The flow of capital into the GWA industrial property sector remained relatively modest over the recent past. An uninspiring $26.4 million in property sales volume was reported for the first six months of 2020. The total was down 17.0% from the same time period a year ago. Previously, industrial investment capital flows had spiked in 2018 and 2019, when sales averaged $294.1 million in sales annually. Since then, however, sales activity has been significantly more muted. The decline in property sales of the past year was a function of low levels of product availability. Investment demand characteristics have been consistently positive. Investors have continued to look to the GWA industrial sector as a source of attractive yield. National and local groups have been active pursuers of investment-grade properties across the region. To some extent, the demand-pressure has ensured property values continue to hold at or near the cycle-high over the past year. Capitalization rates have generally held firm through the onset of the COVID-19 crisis and subsequent decline in economic activity. The GWA capital flow trend was expected to remain muted over the near term, with supply continuing to fall short of demand.

CHANGES IN MARKET CONDITIONS WILL BE MINOR

Changes in GWA industrial sector conditions will be relatively minor over the near term. Leasing market conditions will remain largely healthy. Warehouse and distribution tenants will continue to lease-up vacant space at a healthy rate. E-commerce-related businesses will continue to expand, as the sector continues to account for a significant share of the market's growth. At the same time, the region's manufacturers will also be in the market for expansion space. Leasing market conditions will remain tight. The market's average availability rate will range in the low single digits over the near term, continuing the trend of the past few years. As a result, market rents will hover close to the benchmark highs of the current cycle. Stable and positive leasing market conditions will continue to support healthy investment performance patterns. As a result, GWA industrial properties will continue to attract investors looking for stable and attractive yields. Institutional and private capital groups will scour the region for opportunities to acquire properties with stable and secure income streams. As in the past, investment demand will outstrip supply. Therefore, transaction volume will remain relatively muted. The demand supply dynamic will ensure property values continue to hold close to the cycle highs of the recent past. In short, changes in market conditions will be relatively minor over the near term.

LEASING ACTIVITY GROUND TO A HALT

GWA retail leasing market activity slowed significantly during the first half of 2020, due largely to the COVID-19 crisis. The onset of the COVID-19 pandemic forced the closure of non-essential businesses in the spring, including retail stores, which effectively halted leasing activity. Expansion plans and relocations were put on hold even as stores reopened, given an environment of markedly increased uncertainty. Owners and managers of shopping centres focused on rent collections and occupancy while awaiting greater clarity on the sector demand-driver outlook. Toward the end of the first half of 2020, there were lease commitments reported in several malls. However, the volume of leases signed was below the long-term average. By the end of the first half of 2020, the slowdown in leasing activity had begun to impact the market's supply-side fundamentals. The average vacancy rate for properties tracked in the MSCI Index rested at 8.5% at the end of September of 2020, up 380 bps from the end of 2019 and 390 bps year-over-year. CBRE reported a more stable trend over the same time period, although levels remained well above the long-term average. Upward vacancy pressure during the first half of 2020 coincided with continued downward pressure on average market rents. Previously, market rents eroded with the increase in store closures and consolidation activity resulting from changes in consumer behaviour and increased online purchasing. Leasing activity was expected to remain relatively muted through the balance of 2020, having stalled with the introduction of COVID-19 pandemic restrictions on non-essential businesses.

EROSION OF INVESTMENT MARKET FUNDAMENTALS RECORDED

The continued erosion of GWA retail investment market fundamentals was recorded over the past year. Investment performance softened substantially driven by continued capital depreciation. Properties tracked in the MSCI Index generated a negative total annual average return of 13.1% for the 12-month investment period ending September 30, 2020. The negative result was a function of the erosion of capital value that has characterized the retail sector over the past few years. A cumulative capital decline of 25.9% was tallied for properties contained in the index over a two-year period ending September 30, 2020. The erosion of GWA investment fundamentals has been driven, in part, by changes in the broader retail industry. Consumers have shopped online in increasing numbers while brick and mortar sales have slowed. In some cases, physical stores have failed to adapt and have either closed or downsized. Despite increased sector headwinds, investors have continued to look for retail opportunities in the GWA. Properties with grocery, drug and liquor store tenants and those with financially stable tenants on long-term leases have generated strong interest over the recent past, despite the continued erosion of investment market fundamentals.

UNDERWHELMING PERFORMANCE PATTERN FORECAST

The GWA retail sector performance forecast is largely underwhelming. Leasing market conditions will continue to soften, given a relatively weak demand trend. Retailers are expected to hold off on expansion programs until there is a material improvement in the economic outlook. Increasingly, brick and mortar stores will focus on adjusting to changes in consumer behaviour, including the recent spike in online shopping revenues. In some cases, physical locations will be closed or reduced in size. On balance, leasing demand will remain relatively weak over the near term, which will continue to drive vacancy levels higher in most GWA market segments. At the same time, market rents will gradually decline, which will reduce income streams for some owners and investors. Despite the downward trend for retail rents, investors will continue to look for stable, long-term acquisition opportunities. On balance, investment sales activity will remain muted, in part due to the continuation of a largely underwhelming GWA retail sector performance pattern.

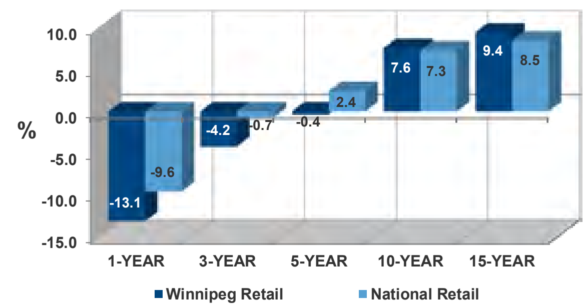
TRENDING STATISTICS

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

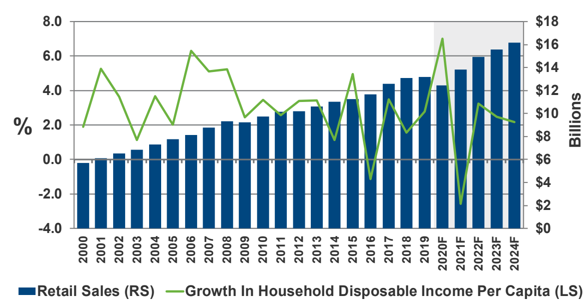
For The Period Ending Sept 2020



Source: © MSCI Real Estate 2020

Retail Conditions

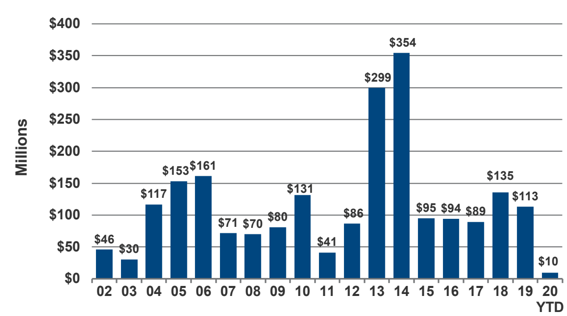
Winnipeg Historical & Forecast Aggregates



Source: Conference Board Of Canada

Investment Activity

Winnipeg Retail Investment Volume To June 2020



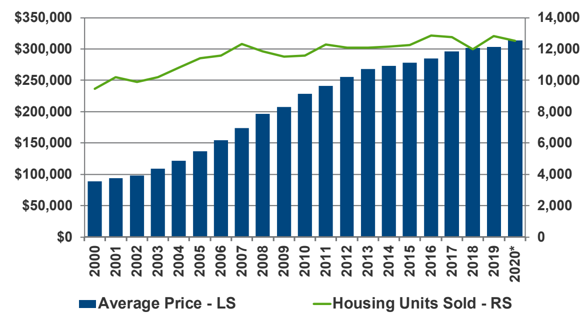
Source: Colliers International

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).

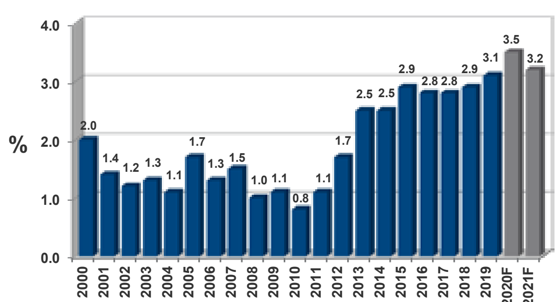
Housing Market
Winnipeg Pricing vs. Demand



Source: CREA (MLS®)

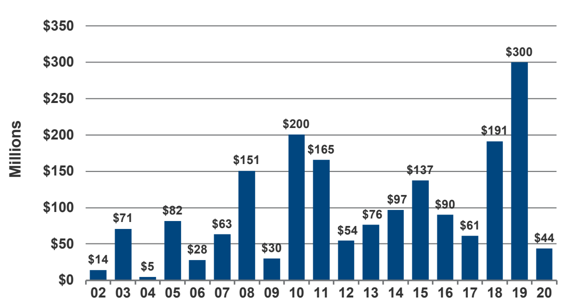
*YTD to October 2020

Average Rental Vacancy
Winnipeg Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

Investment Activity
Winnipeg Multi-Suite Investment Volume To June 2020



Source: Colliers International

RENTAL MARKET GROWTH CYCLE SLOWED

A slowing of the GWA multi-suite residential rental market growth cycle unfolded during the past year, after a prolonged period of expansion. Rental demand eased with the unfolding of the COVID-19 crisis. Initially, restrictions on social interaction effectively shut down the market. Job losses piled up, which also negatively impacted rental demand. Increasingly, young workers were forced to remain in their parent's homes rather than venture out into the rental market. Even as the economy reopened, some individuals and families chose to hold off on relocating to higher-quality rental accommodation given the heightened economic uncertainty. As the demand downdraft unfolded, landlords began to offer incentives and lower rents to entice tenants and maintain occupancy levels. This marked an end to the firm rent growth trend of the past few years. The average monthly one-bedroom and two-bedroom asking rents declined by 9.8% and 10.6%, respectively, year-over-year as of August 2020 according to Rentals.ca. An increase in new supply deliveries also contributed to the downward rent trajectory. A total of 890 new units were added to the GWA's inventory in 2019, which pushed the market average vacancy slightly higher. The market average vacancy rate was expected to steadily rise over the balance of 2020, from the 3.1% average posted in October of 2019. Rising vacancy levels were another indication that the market's growth cycle had begun to slow, a trend that was expected to persist over the near term.

INVESTMENT MARKET STABILIZED

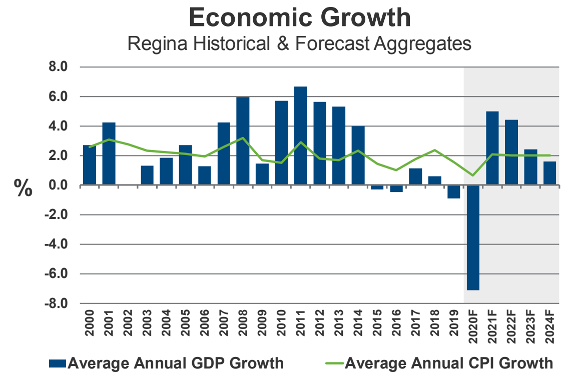
The GWA multi-suite residential rental property sector investment market stabilized recently, despite the onset of the COVID-19 pandemic. Investors targeted properties in this market, given the sector's record of positive performance during periods of economic weakness. On balance, demand continued to outdistance the supply of stable properties, which has been the case for several years. Local and regional groups were the most active of buyer categories in 2019 and much of 2020, which has been the norm over the long term. National groups were less active, largely due to a relatively low number of high-quality, large-scale opportunities compared with larger Canadian markets. The market's stable and positive investment demand characteristics ensured properties offered for sale were met with a cross-sector of interested buyers. In most cases, vendors were able to achieve their pricing objectives on the sale of their properties. During the first six months of 2020, a total of $44.0 million in property sales was recorded. The total was down from the record-high $166.2 million reported over the same time period a year earlier. The transaction volume plunge was a byproduct of reduced availability, rather than a weakening of the market's demand cycle. The demand consistency was in keeping with the multi-suite residential rental sector investment market stabilization of the recent past.

MODERATE SOFTENING OF SECTOR FUNDAMENTALS FORECAST

A moderate softening of GWA multi-suite residential rental sector fundamentals is forecast over the near term. Rental market fundamentals are projected to soften slightly, as a result of a slow job market recovery. The regional job market will slowly improve; however, gains will be modest at best as businesses continue to gradually reopen. Young workers will stay at home longer, given a weaker job market. Restrictions on migration, both international and inter-provincial, will also negatively impact rental demand. Vacancy will slowly rise above the 3.0% threshold, as demand continues to fall short of supply over the near term. Landlords will offer incentives to prospective tenants in scenarios when vacancy levels are high. Despite the moderate softening of rental market fundamentals, investors will continue to source opportunities in this market given its long track record of positive performance.

ECONOMIC SNAPSHOT

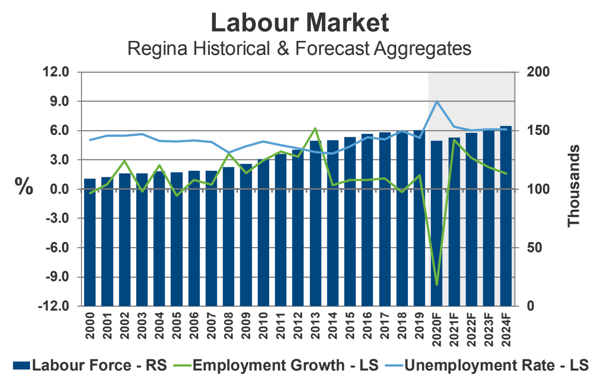
The Greater Regina Area (GRA) economy was on pace to contract by a discouraging 7.1% in 2020, having underperformed over the past few years. Economic output began to decline in the spring of 2020, with the closure of non-essential businesses to reduce the spread of the COVID-19 virus. The GRA economy also suffered the negative effects of low demand and prices for potash and oil. The economic weakening of the past year negatively impacted the region's labour market. Regional employment was projected to decline by 9.8% in 2020, resulting in a 9.0% average unemployment rate.



Source: Conference Board Of Canada

LABOUR MARKET CONDITIONS SOFTENED SIGNIFICANTLY

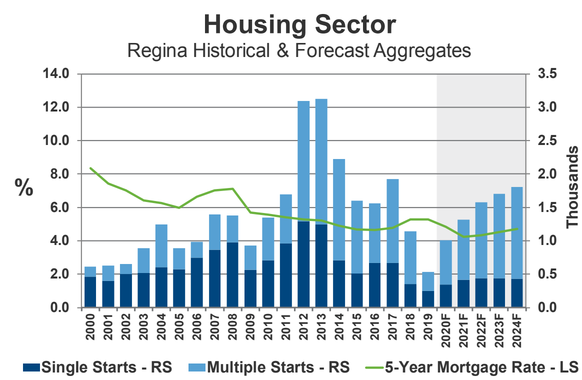
A significant softening of GRA labour market conditions was recorded during 2020, in large part due to the COVID-19 pandemic. The CBOC predicted regional employment would decline by 9.8% in 2020. The unemployment rate was expected to average 9.0%, up sharply from the 5.3% average in 2019. Previously, regional job growth had averaged less than 1.0% annually dating back five years. The exception was a 1.4% increase recorded in 2019. Beginning in 2021, GRA employment levels were forecast to steadily rise over the next few years. However, the regional job market was not expected to fully recover until 2023.



Source: Conference Board Of Canada

HOUSING MARKET TRENDS IMPROVED

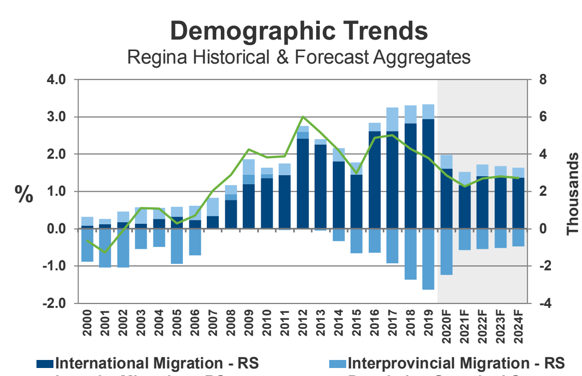
GRA housing market trends improved during the past year following an extended period of weakness. The volume of unsold new homes dropped significantly in 2019 and early 2020 while developers retreated to the sidelines. In 2020, housing starts were expected to increase significantly, given increasing developer confidence. New home starts were expected to surpass the 1000-unit mark in 2020, almost doubling the previous year's total. The uptick in construction activity was a byproduct of low interest rates and government programs implemented to bolster household incomes. In the resale home market, pent-up demand and low interest rates supported increased activity levels through the summer and fall periods. After this initial surge, more balanced market conditions were expected to unfold, following the recent improvement in housing market trends recorded in the summer and fall of 2020.



Source: Conference Board Of Canada

BETTER DAYS ARE AHEAD

Better days are ahead for the GRA economy, following an extended period of weakness. Economic output is expected to rise by roughly 5.0% and 4.4% in 2021 and 2022, respectively. In keeping with the national trend, the improved economic picture will be highly dependent on the broad distribution of a viable COVID-19 vaccine. GRA employment will steadily rise over the two-year period. Total employment is expected to increase by an annual average of just shy of 4.2%. As a result, the unemployment rate will average 6.0% in 2022, down 300 bps from the 2020 cycle high. The rosier employment picture will support a healthy and balanced housing market and a steady upward housing start trend. In turn, finance, insurance, and real estate sector output and employment will rise. Retail sales will also improve significantly, with growth of 4.8% and 3.8% projected by the CBOC for 2021 and 2022, respectively. The global economic outlook is also expected to improve over the next couple of years, which bodes well for the region's commodities sector. In short, better days are ahead for the GRA economy, after an extended period of disappointing performance patterns.

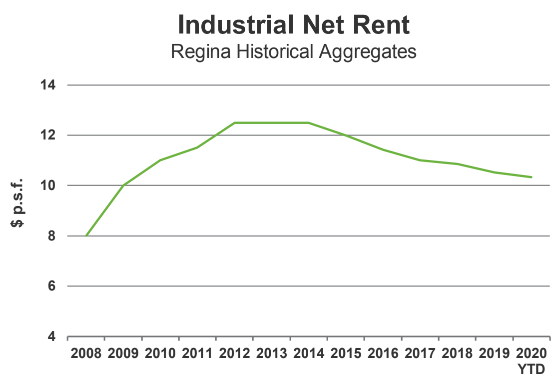


Source: Conference Board Of Canada

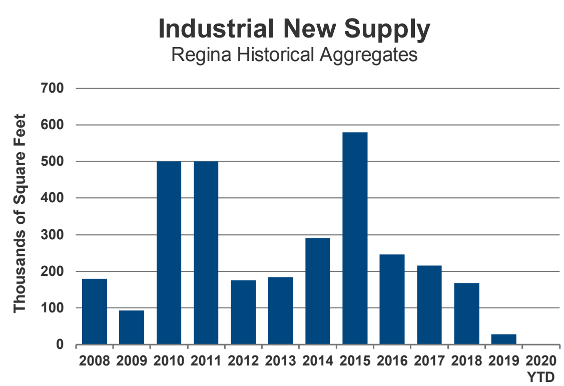
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	—
Lease Rates	▼	▼
New Supply	—	—

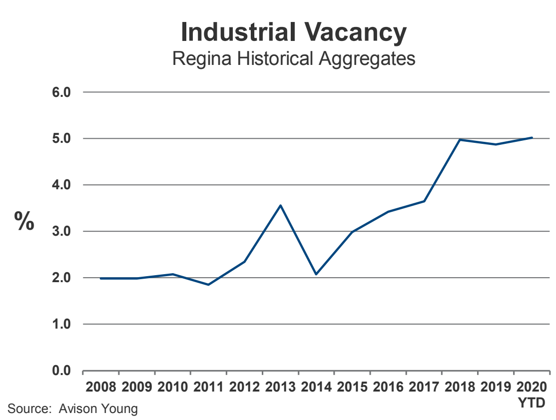
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).



Source: Avison Young



Source: Avison Young



Source: Avison Young

LEASING DEMAND REMAINED TEPID

Industrial leasing demand remained tepid across much of the GRA in 2020, continuing the trend of the past couple of years. For the most part, leasing demand was comprised of lease renewals and small expansions over the past few years. There was little change in the market's demand cycle reported as a result of the COVID-19 crisis. Private sector businesses took an increasingly conservative approach to growing their operations, given increased economic uncertainty that unfolded as a result of the pandemic. The market's tepid demand cycle was reflected in its supply fundamentals. Vacancy levels continued to rise during 2020, with several users looking to reduce their footprints and real estate expenses. A market average vacancy rate of 5.8% was reported by ICR at the end of the second quarter, which represented a five-year high. Vacancy was markedly higher in the Tuxedo submarket, where several older less-functional spaces remained unoccupied. Tenants looking to expand or relocate have coveted highly functional space that can accommodate their state-of-the-art technological requirements. The market's tepid demand trend has also had an impact on construction activity during 2020. Developers have been hesitant to begin construction without a lead tenant in place. As a result, the market's development cycle has been largely build-to-suit. Recently completed projects totalled roughly 130,000 square feet and were built for Canada Post, EMCO, and Harley Davidson, respectively. Market rents rates have held at levels required to kick off new developments while averages for older less-desirable spaces have declined. This downward rent pressure was a function of the market's tepid demand trend of the recent past.

INVESTMENT MARKET WAS RELATIVELY STABLE

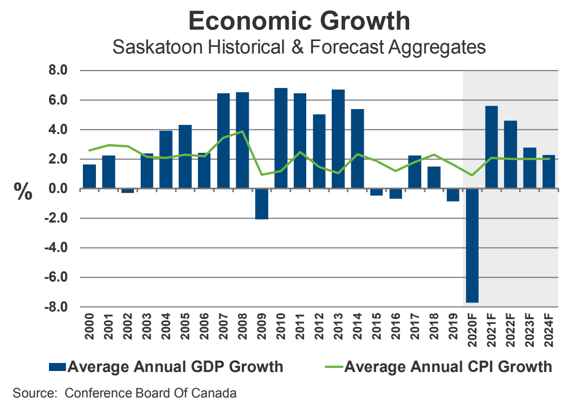
Relatively stable GRA industrial property investment characteristics were exhibited over the past year, representing an extension of the current phase of the cycle. Investment demand outdistanced the supply of properties available for acquisition. The shortfall was most pronounced for recently built and/or highly functional properties with stable tenant rosters. Additionally, investors were forced to continue to compete with owner-occupiers for vacant properties available for acquisition. Local and regional groups continued to target Regina, given increased uncertainty as a result of the COVID-19 pandemic. Despite the preferred status of the industrial sector compared with retail and office, transaction closing volume remained muted during 2020, which was consistent with the medium-term trend. The consistency of the market's demand cycle supported the stabilization of property values and cap rates. On average, cap rates held at pre-COVID-19 levels. Modest downward value pressure has been observed for riskier properties, given rental rate erosion in this market segment. In a broad sense, however, stabilization was the dominant industrial property investment market theme of the recent past.

SECTOR ACTIVITY WILL REMAIN BELOW PAR

GRA industrial sector activity will remain below par through to the end of 2020 and into 2021. Industrial tenants will continue to hold off on expansion plans while awaiting further clarity on the region's near-term economic performance outlook. Consequently, leasing market activity will remain below pre-COVID-19 levels. Similarly, investors will continue to exercise a higher degree of caution with respect to acquisitions, given concerns surrounding the region's resource sector and broader economic outlooks. Therefore, investment sales volume will remain muted over the near term. At the same time, the region's developers will continue to invest in low-risk build-to-suit projects rather than speculative projects, resulting in a relatively tepid construction cycle. In short, industrial sector activity will remain below levels reported before the pandemic outbreak, given an uncertain economic outlook.

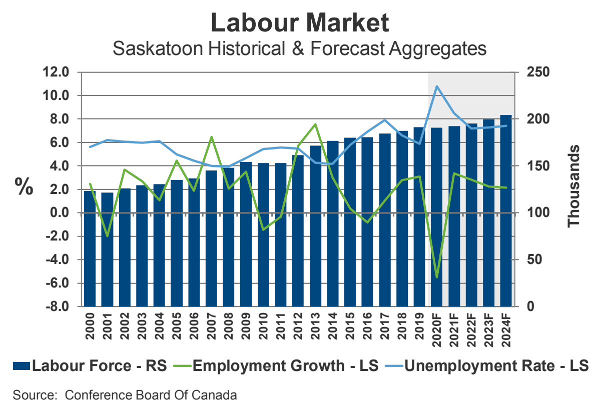
ECONOMIC SNAPSHOT

Greater Saskatoon Area (GSA) economic output was set to decline by 7.7% in 2020, due to the pandemic fallout and low commodity prices. Output plunged 11.4% in the second quarter, before growth resumed over the second half of the year. Previously, Real GDP had declined 0.9% in 2019, after output had peaked in 2018. The 2020 economic downshift had a profoundly negative impact on the region's labour market. In addition, retail sales fell sharply, before bouncing back with the reopening of non-essential businesses. Housing activity also picked up after the spring pandemic lockdown.



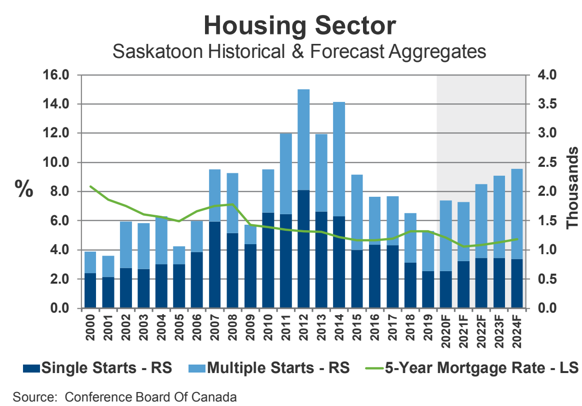
LABOUR MARKET PROGRESS STALLED

GSA labour market progress stalled in the spring of 2020, with the closure of non-essential businesses to reduce the spread of the COVID-19 virus. GSA employment was expected to plunge by 5.5% in 2020, having increased in each of the three previous years. In the second quarter alone, employment dropped 11.8%. Subsequently, employment was forecast to rise by 3.2% and 3.6% in the second and third quarters, respectively. Despite the modestly healthy second-half recovery, the regional unemployment rate was set to rise into double digits by the end of 2020. A rate of 10.8% was projected by the CBOC, up from the four-year low of 5.9% a year earlier. The GSA labour market was expected to gradually strengthen over the near term, after progress stalled due to the pandemic lockdown in the spring of 2020.



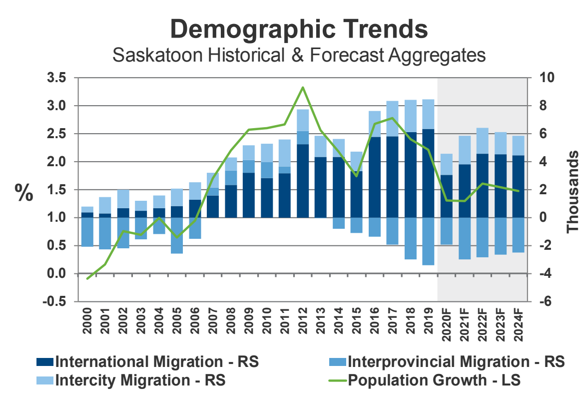
RETAIL SALES VOLUME TRENDED IN THE RIGHT DIRECTION

Retail sales volume began to rise during the second half of 2020, after a devastating drop off when physical stores were closed to reduce the community spread of the COVID-19 virus. On balance, a slight increase in retail sales in brick and mortar stores of 0.5% was projected for 2020. Despite the relatively positive forecast, retail industry output was projected to dip by 6.7%, marking a third consecutive annual decline. The local retail sector has suffered significantly over the past few years. However, retail activity was expected to strengthen over the near term. Retail sales volume was projected to rise by 6.0% in 2021 and near pre-pandemic levels. In short, by the second half of 2020, retail sales volume began to steadily rise, in line with the national trend.



STRONGER GROWTH TREND PREDICTED

A stronger economic growth trend is predicted for the GSA over the near term. The combination of the distribution of a COVID-19 vaccine and a rosier global economic outlook will translate into a firmer growth trend over the next 12 to 24 months. As global economy strengthens, resource demand and pricing will rise. In turn, the GSA's largest sector, primary and utilities, will generate increased output and job growth over the forecast period. A stronger economic growth trend will boost employment and attract immigrants to the region in search of jobs. A healthier labour market will drive retail sales growth. Low interest rates and a stronger labour market will also support housing demand. Housing starts will increase at a healthy rate to meet this demand. Consequently, the region's largest services industry, the finance, insurance, and real estate sector, will also see stronger results over the near term. High-touch industry output will also eventually rise with the widespread distribution of a COVID-19 vaccine. In summary, the GSA economy will post stronger growth over the near term as the region continues to emerge from the pandemic fallout.

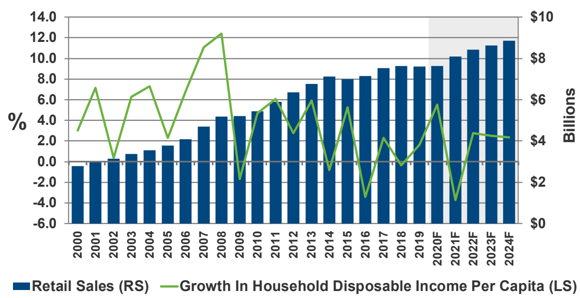


TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	—
Lease Rates	▼	▼
New Supply	—	—

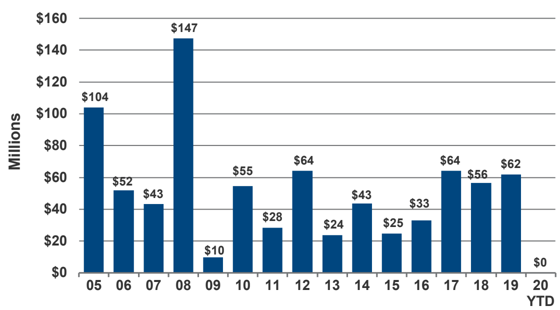
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Retail Conditions
Saskatoon Historical & Forecast Aggregates



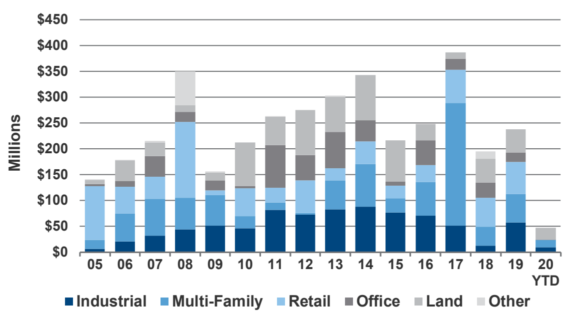
Source: Conference Board Of Canada

Investment Activity
Saskatoon Retail Investment Volume To June 2020



Source: Colliers International

Investment Activity
Volume of Total Saskatoon Sales To June 2020



Source: Colliers International

LEASING ACTIVITY STALLED WHILE VACANCY CONTINUED TO RISE

A significant slowdown in retail leasing market activity across the GSA was reported recently, resulting in sustained upward vacancy pressure. During the first half of 2020, retail leasing activity plunged with unfolding of the COVID-19 crisis. Leasing activity had already softened prior to 2020, as a result of broader retail industry trends, including increased online shopping and reduced foot traffic in malls. However, the softening paled in comparison to the government-imposed shutdown of non-essential stores in the first half of 2020. Activity had been somewhat stronger in certain segments during late 2019 and early 2020. However, by the midway mark of 2020 activity levels had slowed more sharply. The slowdown in leasing activity accentuated the market's upward vacancy trajectory. Saskatoon's average vacancy rate steadily rose during 2020, edging closer to the 6.0% mark by the end of the first half according to ICR. Properties contained in the MSCI Index in the province of Saskatchewan posted a combined average vacancy rate of 8.6%, as the end of the third quarter of 2020. The combination of the slowdown in leasing activity and rising vacancy levels resulted in downward pressure on market rents. The downward pressure was strongest for less desirable space. Rents for prime malls, downtown locations and newly built space have been somewhat more stable. The market's stable-to-downward rent trend was a byproduct of the sharp decline in leasing activity.

INVESTMENT MARKET UNCERTAINTY CONTINUED TO UNFOLD

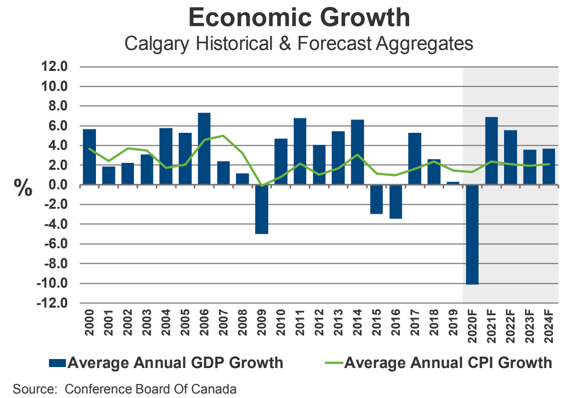
GSA retail property sector investment market uncertainty remained at an elevated level recently, driven in part by broader retail industry trends. Investors exercised a greater degree of caution when assessing acquisition opportunities in this market, given an uncertain general and performance-driver outlook. Generally, buyers targeted properties with tenants on long-term leases that were well-positioned to withstand near-term revenue losses and thrive in the post-pandemic era. Riskier properties with a larger proportion of independent retail tenants were not nearly as popular with investors. Instead, investors gravitated toward properties with grocery, liquor, and drug store tenants. Increased investor caution reduced the rate at which properties were sold over the recent past. There were no retail property sales reported during the first six months of 2020 with a minimum sale price of $1.0 million. A total of $44.5 million in transaction volume was tallied for the same time period a year earlier. Transaction volume has trended steadily downward over the past few years, given limited product availability and increased retail sector uncertainty. At the same time, property values have trended moderately lower. Capital values were eroded as sector uncertainty gradually increased. More recently, the unfolding of the COVID-19 pandemic and its negative impacts was expected to drive property values even lower.

SECTOR FUNDAMENTALS WILL CONTINUE TO ERODE

The erosion of GSA retail property sector fundamentals will persist over the near term. Broader retail industry trends will carry over into 2021, resulting in store closures and consolidations. Several stores will be forced into bankruptcy, as a result of the negative impacts of the pandemic. The independent retailer market segment will see the largest proportion of store closings, which has been the case across much of the country. Vacancy levels will continue to rise over the next 12 to 24 months, resulting in the erosion of market rents. Prime malls will outperform on a relative basis. However, owners of the market's leading shopping centres will continue to suffer losses of both tenants and revenue. Increased costs associated with the COVID-19 pandemic will also negatively impact performance. Despite increased sector headwinds forecast over the near term, investors continue to selectively acquire properties in this market. Low-risk opportunities will remain the most coveted, against a backdrop of elevated risk.

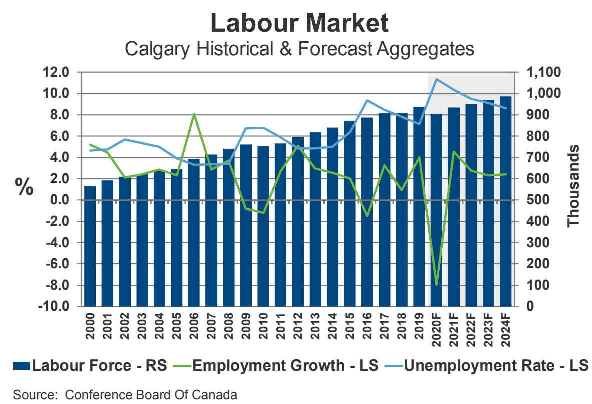
ECONOMIC SNAPSHOT

Greater Calgary Area (GCA) economic output was expected to decline by a disappointing 10.1% in 2020, having eked out a 0.3% rise in 2019. The pandemic lockdown and the continued struggles of the region's energy sector were the main causes of the recent economic underperformance. The economic weakness of the past year negatively impacted the region's labour market. Employment levels dropped sharply, and the unemployment rate trended markedly higher than the 7.1% average of the previous year. The CBOC forecast called for a double-digit average unemployment rate in 2020.



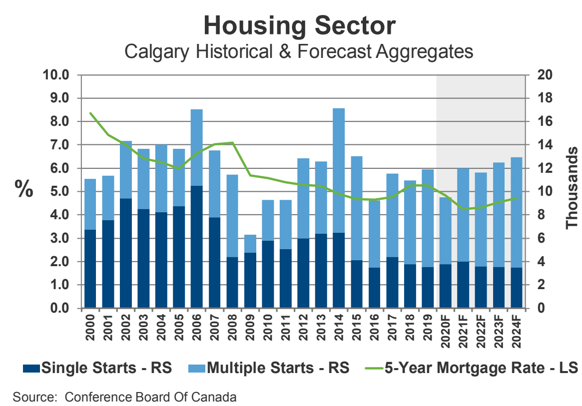
STRONGER LABOUR MARKET HEADWINDS REPORTED

GCA labour market headwinds strengthened substantially in 2020, a trend that began to unfold in the second half of 2019. The primary source of stronger labour market headwinds was the COVID-19 pandemic. On aggregate, GCA total employment was projected to fall by 8.0% in 2020, compared with the 5.4% national average decline. The CBOC reported the loss of 44,000 GCA jobs from the second quarter of 2019 through to the end of the first quarter of 2020. A further 90,900 jobs were erased during the second quarter of 2020, largely due to the pandemic lockdown. An elevated unemployment rate was projected for 2020 and 2021 as a result of the job losses. Double-digit averages were predicted over the two-year period while labour market headwinds remain brisk.



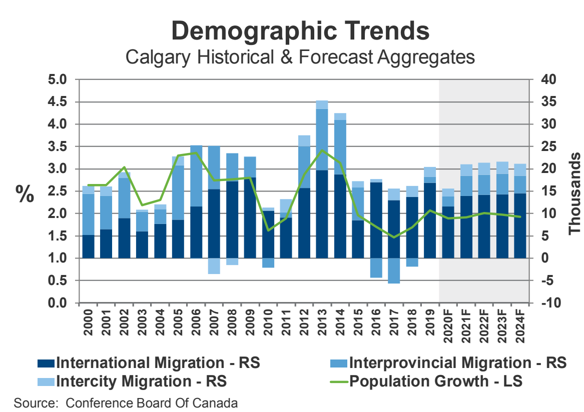
SUBSTANTIALLY WEAKER RETAIL SALES TREND UNFOLDED

A substantially weaker retail sales trend unfolded during 2020. The combination of the COVID-19 lockdown, record-high job losses and weaker household income growth resulted in a sharp drop in retail sales volume. The sharpest decline in sales occurred in the first half of the year, with the closure of non-essential physical stores to reduce the spread of the virus. Consumers switched to online shopping platforms in increased numbers while brick and mortar sales plunged. Despite the reopening of GCA stores in the late spring of 2020, sales continued to underwhelm. The CBOC forecast a 5.1% drop in retail sales volume in 2020, given the unfolding of a markedly weaker retail sales trend.



RESIDENTIAL CONSTRUCTION ACTIVITY SLOWED

GCA residential construction activity slowed during 2020, as the volume of unoccupied existing homes remained high. Housing starts were expected to decline 20.9% in 2020, according to the CBOC. The downshift was a result of ongoing weakness in the region's energy sector and an uncertain economic backdrop. However, next year construction output will rise, along with residential demand. Low interest rates and government transfer payments to the region's households will support healthier residential demand.



ECONOMIC OUTLOOK IS LARGELY POSITIVE

The GCA's near-term economic outlook is generally positive. Economic output is forecast to rise by a robust 6.9% in 2021, assuming a COVID-19 vaccine is distributed widely. Additionally, a slow recovery in oil prices and demand will boost economic output. Increased economic output and job market gains will support housing market progress. However, the region's unemployment rate will remain elevated, given a relatively slow job market recovery that will last through much of 2022. On balance, the GCA economic outlook is broadly positive.

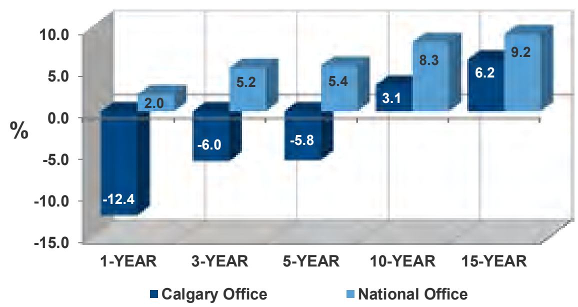
TRENDING STATISTICS

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

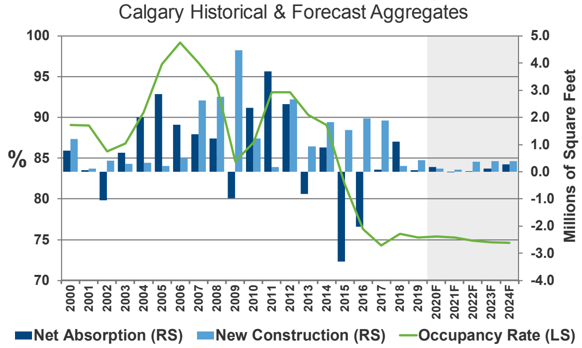
For The Period Ending Sept 2020



Source: © MSCI Real Estate 2020

Office Demand & Supply

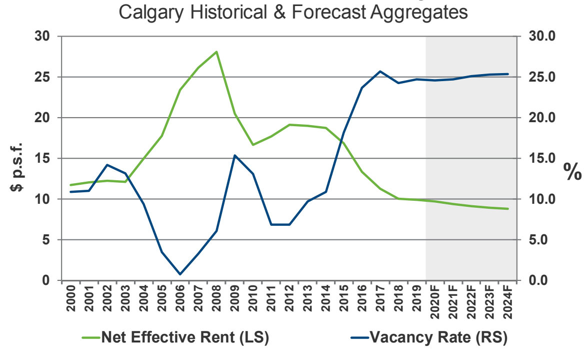
Calgary Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Office Rent & Vacancy

Calgary Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET DOWNTURN PERSISTED

The GCA office leasing market downturn persisted through to the late stages of 2020. There were few significant tenant expansions reported during the past year. Business confidence levels remained low given increased economic uncertainty as a result of the pandemic. Increasingly, private sector businesses looked to reduce occupancy costs and achieve cost-certainty. In some cases, tenants were forced to either consolidate or downsize. Leasing activity was, therefore, comprised largely of lease renewals and short-term extensions. With more users reducing their office space than expanding, vacancy levels increased, particularly downtown. The overall market and downtown submarket average vacancy rates rose to an all-time high as of the end of September, at 25.9% and 28.7%, respectively. Coincidentally, market rents continued to hold at all-time low levels through much of 2020. Generally, landlords looked to negotiate shorter-term leases, given record-low rents. Conversely, tenants looked to take advantage of market conditions to secure longer-term leases at benchmark low rents. This lease negotiation dynamic was a constant over the past year, as the market downturn persisted.

INVESTMENT MARKET WEAKNESS CONTINUED

GCA office sector investment market weakness continued to unfold over the recent past, in keeping with the current phase of the cycle. Investor confidence levels remained relatively low, given an increasingly uncertain economic outlook as a result of the pandemic. Investor confidence levels were low prior to the COVID-19 outbreak, due to the ongoing struggles of the region's most significant economic driver, the energy sector. Relatively low levels of investor confidence were reflected in recent transaction volume statistics. A modest $182.0 million in GCA office property sales volume was recorded during the first half of 2020. Transaction volume fell sharply during 2019 and 2020, having peaked in 2018 when sales totalled just shy of $1.5 billion for the year. Muted sales activity recorded over the past year coincided with a period weak performance pattern. Properties tracked in the MSCI Index registered a negative annual average return of 12.4% for the period ending September 30, 2020. The result represented a fifth consecutive negative total annualized return and was indicative of GCA office market downturn that began in 2014 and continued through to the end of 2020.

LEASING MARKET CORRECTION WILL PREVAIL

The GCA leasing market downturn will persist through much of 2021, representing an extension of the current phase of the cycle. Leasing demand will remain weak. The region's oil companies will continue to shed excess space, as sector investment, revenues and production levels remain below par. At the same time, expansion activity will remain well below the long-term average levels, as the regional economy continues to emerge from the negative impacts of the pandemic. Vacancy will continue to hover close to the recent benchmark high level while rents hold at the cycle-lows of the recent past. The forecast leasing market weakness will continue to erode investor confidence. Consequently, investment sales activity will continue to underwhelm. Properties with financially secure tenants on long-term leases generate interest. However, few vendors will choose to sell assets in a down market. Owners will focus on maintaining occupancy levels and bolstering income performance. In some cases, landlords will be forced to offer incentives to lease-up excess space. Tenants will look to move up the quality ladder upon lease expiry, which will erode the incomes of landlords of older class B and C buildings. The forecast continuation of the GCA leasing market correction over the near term will allow some tenants to secure high-quality space at benchmark low rents.

LEASING MARKET PROGRESS SLOWED

GCA leasing market progress slowed over the past year, due in large part to the negative impacts of the pandemic. Leasing activity declined substantially in the spring of 2020, with the closure of non-essential businesses to reduce the spread of the COVID-19 virus. As a result, just shy of 1.1 million square feet of space was returned to the market during the second quarter of 2020 alone. In addition, the market's availability rate increased by 100 bps to 9.7% over the same three-month period. Lease rates largely stabilized, although downward pressure on rents was reported in certain segments of the market. With the gradual reopening of the regional economy, leasing activity began to slowly improve. Demand for large-bay logistics and distribution space increased, as online shopping activity surged and supply chain pressures intensified. During the third quarter, for example, Aosom and Metro Logistics finalized leases for a combined total of more than 320,000 square feet of space. Demand for manufacturing and other small-to-medium bay space, on the other hand, remained relatively weak. This weakness persisted over the recent past, as GCA leasing market progress slowed.

INVESTMENT MARKET ACTIVITY AND PERFORMANCE DECLINED

GCA industrial property sector investment market performance and activity levels declined over the recent past, against a backdrop of increased economic uncertainty. Investors adopted a cautious approach to investing in the GCA industrial property sector over the past year. Increasingly, investors targeted properties with financially secure tenants on long-term leases, which were in relatively short supply. Some groups found higher-risk properties less attractive, given an uncertain economic outlook. The increasingly conservative approach of investors was evidenced in recent transaction closing volume statistics. GCA industrial property sales volume totalled $303.2 million for the first six months of 2020. The total was down 23.7% from the same time period a year earlier. To some extent, the decline was a function of reduced availability. The decline in sales activity unfolded during a period of markedly weaker investment performance. Properties tracked in the MSCI Index posted a return of 1.8% for the year ending September 30, 2020. The result was down sharply from the 7.6% average total return of the previous period. The investment performance softening was driven by a significant decline in the capital value of properties tracked. In contrast, the income performance was stable and positive. In short, GCA industrial sector investment market performance and sales activity declined over the recent past, during a period of heightened regional economic uncertainty.

RECOVERY PHASE OF THE CYCLE WILL BE GRADUAL

The GCA industrial sector recovery forecast over the next few years will be gradual and uneven. Economic activity will gradually increase toward the end of 2020 as local businesses continue to reopen. Consequently, demand for industrial space across the region will also slowly improve. Businesses involved in the storage and distribution of consumer goods will continue to expand in order to serve the needs of online shoppers. Global demand and oil prices will strengthen as a result of the widespread distribution of a COVID-19 vaccine. Consequently, leasing demand will continue to strengthen. As leasing demand patterns improve vacancy will eventually return to pre-pandemic levels. Market rents will stabilize and potentially rise as leasing conditions tighten. A stronger leasing outlook will attract investment capital to the market. By 2020, the risk appetites of investors will have increased, which will boost investment activity. Stronger sector fundamentals will also support stronger investment performance patterns. Various groups will look to acquire properties in this market as a source of attractive yields and stable income streams. In conclusion, the GCA industrial sector will slowly rebound over the next few years following a brief period of weakness.

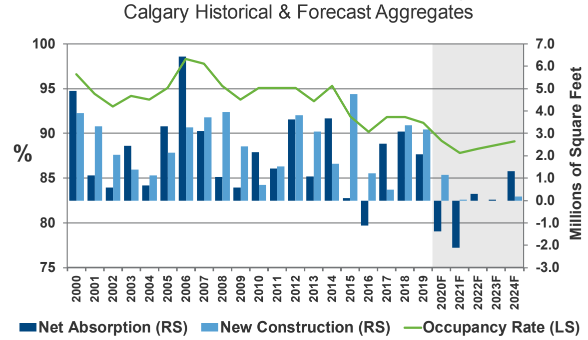
TRENDING STATISTICS		
FUNDAMENTALS	**Δ YTD**	**1-YEAR OUTLOOK**
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	▼	▼
New Supply	▼	—

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 Sept 2020

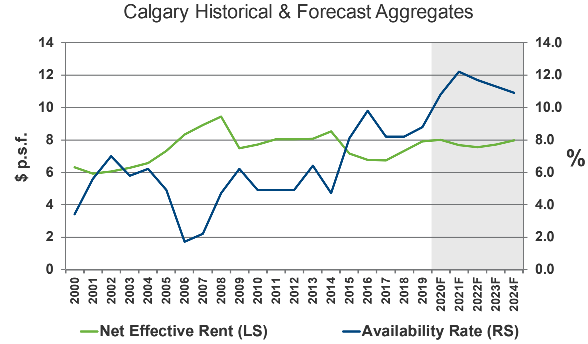
Source: © MSCI Real Estate 2020

Industrial Demand & Supply
Calgary Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Industrial Rent & Availability
Calgary Historical & Forecast Aggregates



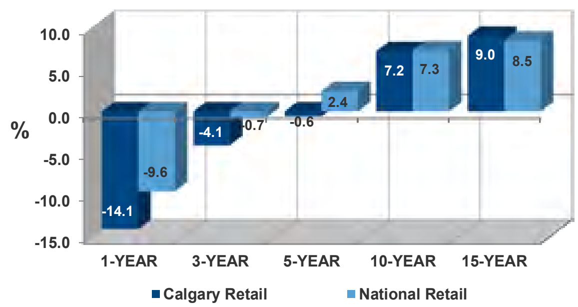
Source: CBRE Limited; CBRE Econometric Advisors

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	—	—
Lease Rates	▼	▼
New Supply	—	—

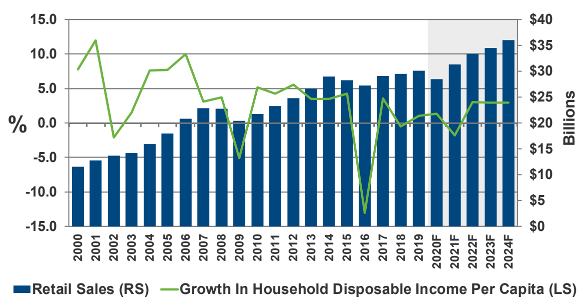
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



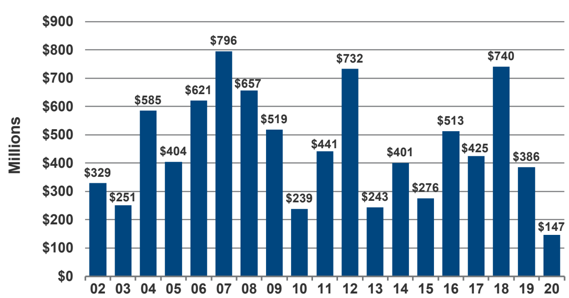
Source: © MSCI Real Estate 2020

Retail Conditions
Calgary Historical & Forecast Aggregates



Source: Conference Board Of Canada

Investment Activity
Calgary Retail Investment Volume To June 2020



Source: CBRE Limited

LEASING MARKET ACTIVITY STALLED

Retail leasing market activity stalled in the spring of 2020, with the unfolding of the COVID-19 pandemic. Non-essential retailers closed their doors in order to combat the spread of the virus. Most retailers saw brick and mortar sales revenues plunge. In some cases, retailers looked to e-commerce platforms to drive sales. However, smaller and often independent stores were closed permanently. At the same time, most retailers shelved plans to open new locations across the region. Demand for retail space remained well below pre-pandemic levels through to the end of 2020. In some cases, retailers transitioned from a largely brick and mortar strategy to an increased emphasis on online platforms. As demand for physical retail space softened, vacancy levels continued to rise. GCA retail vacancy increased 100 bps to 6.5% during the first six months of 2020 according to a recent CBRE survey. Vacancy was likely significantly higher, as some retailers continued to assess their long-term requirements. For some retailers, the rising vacancy trend presented an opportunity to secure higher-quality space that was previously unattainable. Market rents fell below pre-pandemic levels, as vacancy levels continued to rise. This dynamic unfolded as a result of a much weaker leasing demand trend that began as a result of the negative impacts of the pandemic.

INVESTMENT MARKET RISK INCREASED

GCA retail sector investment market risk increased during the first half of 2020, which was in line with the national trend. The increased risk was partially driven by another sharp reduction in global oil prices and demand, which threatened to drive the region into recession. In addition, the COVID-19 pandemic increased the probability of a prolonged economic downturn. In combination, the negative economic impacts of the drop in oil prices and demand and the COVID-19 crisis translated into a material rise in investment market risk in the eyes of investors. As a result, investor confidence in the GCA retail property sector was eroded substantially. Low-risk properties with stable long-term tenant rosters continued to attract the attention of investors. However, there were no major retail investment transactions completed during the first half of 2020, in part due to very low product availability. A total of $146.8 million in GCA retail transaction volume was tallied during the first half, down 19.0% over the same time period a year earlier. Only one transaction with a sale price in excess of $10.0 million was recorded during the first six months of 2020. GCA retail sector investment performance softened significantly over the recent past, as risk levels increased. Properties contained in the MSCI Index generated a negative annual average total return of 14.1%, for the period ending September 2020. The negative result was a function of a sharp decline in the value of the properties tracked, which was indicative of the increase in investment market risk of the recent past.

MINOR VARIATION IN PERFORMANCE CHARACTERISTICS FORECAST

GCA retail sector performance patterns forecast over the near term will be in line with those of the recent past. Leasing fundamentals will continue to soften over the near term, with demand continuing to fall markedly short of supply. Few brick and mortar expansions are forecast over the near term, as retailers concentrate on recovering from losses suffered as a result of the pandemic. Some retailers will continue to close stores, as they transition to more online-oriented operations. Demand for physical space will remain weak. Consequently, vacancy will continue to rise and rents will decline in most market segments. In the investment market, transaction volume will remain well below pre-pandemic levels. At the same time, investment performance patterns will be largely negative. Investors will target properties with stable tenants on long-term leases. However, supply will continue to fall short of demand. Investors will maintain a cautious approach to investing, as sector performance patterns continue to stabilize.

RENTAL MARKET HEADWINDS INCREASED

GCA multi-suite residential rental market headwinds increased over the past year. Headwinds increased due to the COVID-19 pandemic and the continued struggles of the region's oil industry. In the spring of 2020, non-essential businesses were closed to combat the spread of the COVID-19 virus. As job losses reached a record high, rental demand patterns softened substantially. Restrictions on international travel prevented families and students from coming to the GCA in 2020, resulting in a further reduction in rental demand. A measure of resilience was observed in the GCA rental market, despite the increased headwinds of the recent past. Existing tenants have continued to pay their rent, thanks to various government transfer payments to offset losses of income as a result of the pandemic. Vacancy levels have increased modestly, despite a steady flow of furnished, previously short-term rental units being placed on the market for rent. Market rents have begun to decline; however, some landlords have offered short-term incentives rather than offering discounts. Over the near term, rents were expected to slowly decline while vacancy rises. However, signs of the market's resilience have been observed over the recent past, despite the emergence of markedly stronger headwinds.

WEAKER INVESTMENT MARKET FUNDAMENTALS REPORTED

Weaker multi-suite residential rental sector investment market fundamentals were reported in the GCA over the recent past. Properties contained in the MSCI Index registered a negative total annual average return of 2.0% for the period ending September 2020. Previously, a 5.2% average return was recorded over the same 12-month period a year earlier. The negative result was a function of a cumulative capital decline of 5.4% over the period while the income component was stable and positive. Investment sales activity slowed significantly over the recent past. A total of just $93.6 million in GCA multi-suite residential rental property transaction volume was reported for the first six months of 2020. The total represented a 55.6% decline from the same time period a year ago. To some extent, the decline was partially attributed to a sharp reduction in product availability. However, investor confidence levels have declined, which may at least partially explain the sharp dip in sales activity. Investors have increasingly focused on high-quality, stabilized assets, which have been in relatively short supply. The shift in investor motivation occured as GCA investment market fundamentals weakened.

MEDIUM-TERM STABILIZATION FORECAST

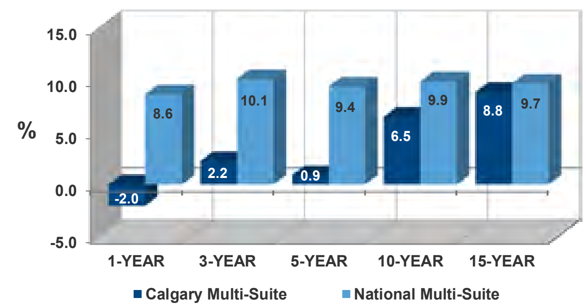
The GCA multi-suite residential rental property sector is expected to gradually stabilize over the medium term, after a brief period of weakness. By the start of 2022, rental market conditions will begin to strengthen. Rental demand patterns will firm and rise, with the emergence of a modest economic growth trend and resulting job growth. The availability of a COVID-19 vaccine in 2021, will also support a stronger rental demand trend. The return of foreign students and international migrants to the region will add another layer of demand. As the market's demand cycle improves, vacancy will begin to decline. In addition, rents will initially firm and then begin to rise by early 2022. Generally healthier rental market conditions will bolster investment performance patterns. In turn, investor confidence levels will steadily increase. Transaction closing volume will rise, as investors look increasingly to acquire properties with varying risk profiles. Gradually, property values will stabilize, along with cap rates. Investors will look to the region as a source of attractive, long-term yields. In conclusion, the GCA multi-suite residential rental market will stabilize over the medium term, having weakened as a result of the negative effects of the pandemic and the continued struggles of the region's resources sector.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	▼	▼
New Supply	—	—

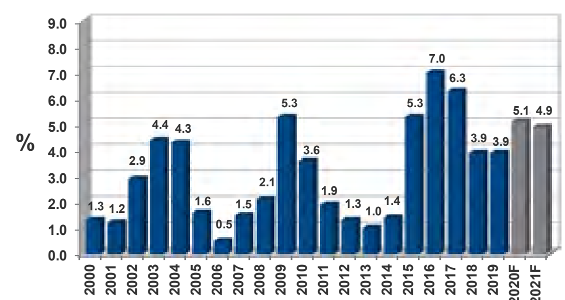
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



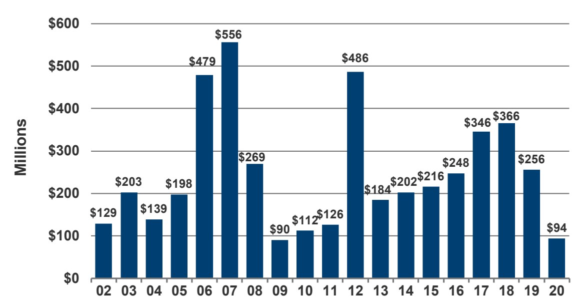
Source: © MSCI Real Estate 2020

Average Rental Vacancy
Calgary Apartment Structures Of Three Units & Over

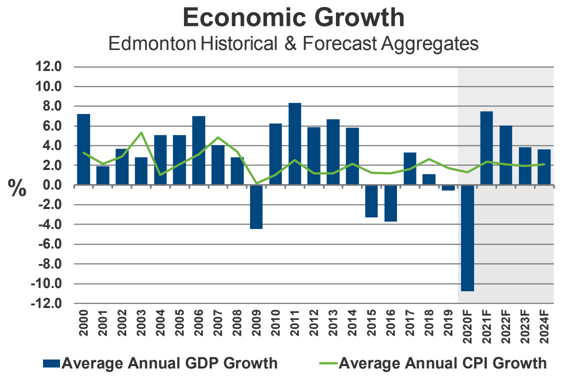


Source: CMHC

Investment Activity
Calgary Multi-Suite Investment Volume To June 2020



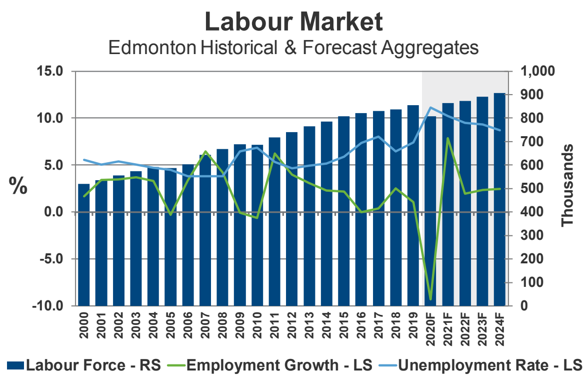
Source: CBRE Limited



Source: Conference Board Of Canada

ECONOMIC SNAPSHOT

The Greater Edmonton Area (GEA) economy was projected to contract by an unhealthy 10.8%, according to the CBOC. The forecast reduction in economic output was the largest of the 13 Canadian metropolitan areas tracked. The 2020 decrease in economic output was caused by the pandemic lockdown and reduced oil sector production. The severe economic downturn of the first half of 2020 resulted in historically high job losses and a sharp increase in the regional unemployment rate. Coincidentally, there were sharp declines in residential construction and retail sales volume recorded.



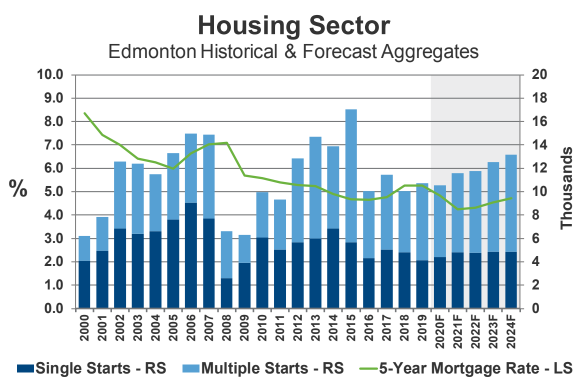
Source: Conference Board Of Canada

LABOUR MARKET CHALLENGES PERSISTED

The GEA labour market weakness persisted over the recent past, erasing the modest gains of 2019. There were 23,100 and 100,900 jobs lost in the first and second quarters of 2020, respectively. GEA employment was forecast to plunge by 9.3% over the full year, following a modest 1.1% gain in 2019. Much of the record-high job losses tallied in 2020 were the result of the pandemic lockdown and lower oil production volume. The sharp decline in total employment pushed the average unemployment significantly higher. The CBOC forecast an average unemployment rate of 11.2% in 2020, up from the 7.4% average of the previous year. The upward trend was indicative of the GEA labour market weakness recorded during 2020.

OUTPUT DECLINED IN ENERGY SECTOR DEPENDENT SECTORS

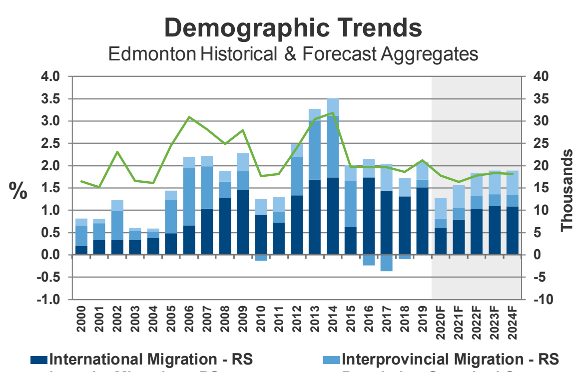
GEA business sectors that were most dependent on the energy industry tallied markedly lower output over the recent past. Not surprisingly, the biggest drop off was in the primary and utilities sector. Sector output was projected to decrease by 15.3% in 2020 while manufacturing productivity was on pace to fall by 12.1%. Professional, scientific, and technical services output was also expected to decline by a more modest 6.9%. The forecast improvement in energy sector demand and prices was expected to support increased output in these sectors over the near term.



Source: Conference Board Of Canada

RETAIL SALES TREND FOLLOWED THE NATIONAL PATTERN

The GEA retail sales trend of the recent past followed the national pattern. Retail sales volume was expected to decline by 8.9% in 2020, largely due to the closure of non-essential retail outlets to combat the spread of the COVID-19 virus. However, in 2021, sales volume was forecast to rise, as a result of healthier economic and job market performance characteristics. Unlike much of the rest of the country, however, household income levels declined in 2020, despite government transfer payments. As a result, a more protracted retail sales recovery was forecast, relative to the national average.



Source: Conference Board Of Canada

PROTRACTED RECOVERY FORECAST

A protracted recovery is forecast for the GEA economy over the next few years. The recovery will strengthen with the relaxing of pandemic restrictions and slow rise in oil and gas pricing and demand. By 2022, the region's job market will have recovered as a result of a steady increase in economic activity in 2021 and 2022. The CBOC is projecting a 7.5% and 6.0% increase in regional economic output in 2021 and 2022, respectively. Over the same time period, employment levels will increase by 7.9% and a more modest 2.0%, respectively. Coincidentally, housing market demand and retail sales will strengthen. The pace at which the broader GEA economy recovers, however, will be relatively long.

LEASING MARKET SLUGGISHNESS PREVAILED

GEA office leasing market sluggishness prevailed over the past year, which represented a continuation of the down phase of the current cycle. Throughout 2020, leasing demand patterns continued to underwhelm. Few expansions were reported over the past year, given the negative impacts of the pandemic and the continued energy sector downturn. Leasing activity was comprised largely of short-term renewals and small expansions and footprint reductions upon lease expiry. Landlords were reluctant to negotiate long-term lease agreements while rents continued to hold at all-time low levels. GEA vacancy rates reported over the recent past offered further evidence of the market's ongoing sluggishness. The market's average vacancy rate for all submarkets combined rested at 19.9% as of the end of the third quarter of 2020. The rate was just 10 bps lower than the all-time high set a year earlier. The rate had increased by 50 bps from the end of 2019. The downtown average of 19.0% was down 100 bps from the end of 2019, although the submarket was still in a position of significant oversupply. Market rents continued to hold at cycle-low levels. Landlords continued to offer incentives to prospective tenants given the prevailing leasing market sluggishness of the recent past.

INVESTORS REMAINED SELECTIVE

Investors remained selective when assessing GEA office property acquisitions over the past year. Institutional groups targeted prime towers in the downtown core, with stable tenants on long-term leases. Private capital groups had similar wish lists, although consideration was given to riskier assets in specific cases. For the most part, investors tended to approach property acquisitions with a view to the longer term. Most groups were cognizant of the near-term investment markets risks. Investor selectivity was evidenced in recent transaction closing volume figures. A modest $27.8 million in GEA office property sales was reported for the first six months of 2020. Just one significant sale was reported year-to-date as of the end of August. The first-half pace was far below that of the preceding 12-month period when $535.2 million in sales volume was reported. To some degree, the sharp drop in transaction closing volume was a function of product availability constraints. The sales decline of the recent past occurred during a period of below-average investment performance. Properties contained in the MSCI Index registered a negative 2.6% return for the year ending September 30, 2020. The weak performance was a product of the market's continued struggles, which helped rationalize the continued investor acquisition selectivity.

LEASING MARKET MALAISE WILL PERSIST

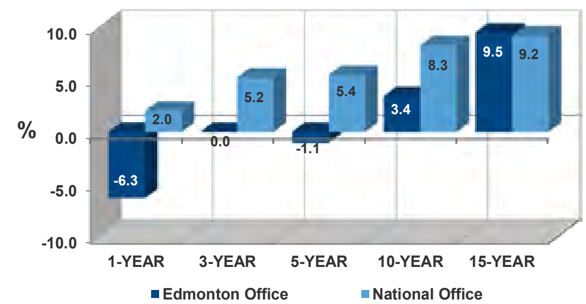
The GEA office sector leasing market malaise of the past few years will persist over the near term, extending the current phase of the cycle. Leasing market conditions will remain weak through the balance of 2020 and much of 2021, as the region continues to recover from the economic effects of the pandemic and ongoing energy sector weakness. Leasing demand will remain weak, as relatively few businesses will be in position to make firm decisions on their long-term operational needs and office space plans. At the same time, some companies will continue to look to shed office space in order to reduce costs in an uncertain business environment. Vacancy levels will continue to range at or near the benchmark highs set over the recent past. Some companies will look to take advantage of market conditions to secure higher-quality space at discounted rates. However, landlords will be reluctant to negotiate long-term leases in a market that favours the tenant. Rather, landlords will continue to try to lease up excess vacancy for shorter terms, particularly in class B and C properties. The income streams of some owners will be eroded, which will impact the value of their assets. Investors will continue to acquire properties on a selective basis, as the leasing market malaise persists.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	—
Net Absorption	—	—
Lease Rates	▼	—
New Supply	▼	—

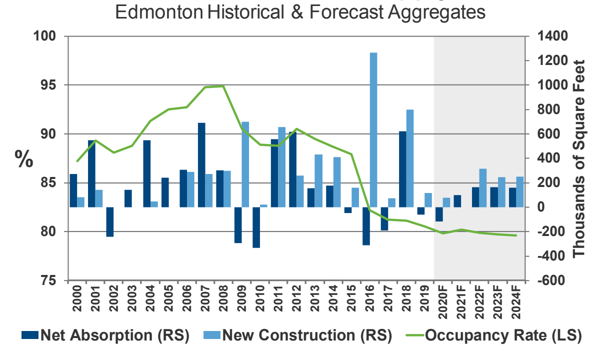
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



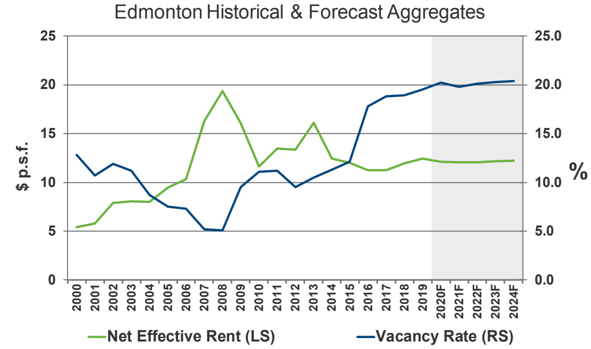
Source: © MSCI Real Estate 2020

Office Demand & Supply
Edmonton Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Office Rent & Vacancy
Edmonton Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

TRENDING STATISTICS

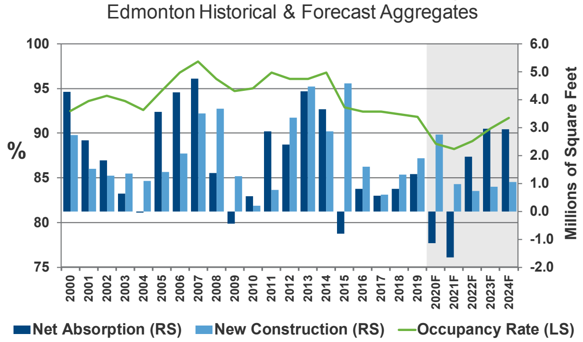
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	—
Lease Rates	▼	—
New Supply	—	—

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

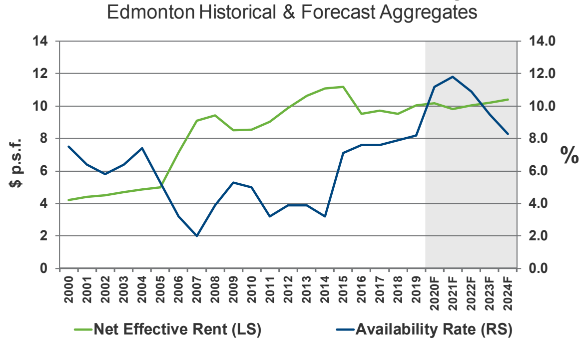
Source: © MSCI Real Estate 2020

Industrial Demand & Supply
Edmonton Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Industrial Rent & Availability
Edmonton Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET RESILIENCY CONTINUED

The resiliency of the GEA industrial leasing market was tested over the recent past following an extended period of steady progress. Leasing activity virtually ground to a halt during the second quarter of 2020, with the closure of non-essential businesses to combat the spread of the COVID-19 virus. Industrial users postponed their expansion plans and concentrated on assessing the potential impact of the shutdown. At the same time, the ongoing energy sector slump continued to have a negative impact on the market's demand cycle. Availability rose to an all-time high of 8.7% as of the end of the first half of 2020, up 70 bps year-over-year. Just shy of 783,000 square feet was returned to the market during the second quarter of 2020, as industrial users shed excess space in an environment of increased economic uncertainty. Despite the erosion of market fundamentals during the first half of 2020, there were several positives. Logistics and distribution space demand remained relatively bullish, with much of this activity occurring outside of the GEA's urban area. E-commerce businesses also continued to expand, given a surge in online shopping activity. This activity was representative of the market's resilience, which was tested during the past year.

INVESTMENT MARKET CONDITIONS WERE RELATIVELY STABLE

GEA industrial sector investment market conditions stabilized over the recent past in keeping with the national trend. The sector's investment performance pattern stabilized. Properties contained in the MSCI Index generated a slightly negative 1.2% annual average return for the year ending September 30, 2020. A 0.0% average total return was posted for the preceding 12-month period, which followed a negative 2.0% result a year earlier. Over the past few years, capital values have edged lower while income performance was largely stable and positive. In the broader market, property values have also stabilized, along with cap rates. Investors continued to exhibit interest in acquiring stabilized assets, featuring stable tenant rosters and long-term leases. For the most part, however, only a small number of properties with these attributes were available for acquisitions. As a result, transaction closing volume continued to trend progressively lower. During the first six months of 2020, a total of $239.2 million in transaction volume was tallied, down 10.6% from the same time period a year earlier. The total was 51.3% lower than the three-year average total for the same period. Despite the steady decline in sales volume, market conditions have been relatively stable.

PROGRESS WILL BE SLOW BUT SURE

GEA industrial property sector progress will be slow but sure over the next 12 to 24 months. Rental market conditions will gradually strengthen as the region's economy emerges from the pandemic and energy sector demand and prices increase. E-commerce activity will support demand for industrial space, particularly in the large-bay market segment. As the economy strengthens, small and medium-bay demand will also pick up. Leasing market vacancy will slowly decline as the demand cycle improves. In turn, new construction activity will also increase as expansion options dwindle. On balance, demand will outdistance supply over the next couple of years. However, the margin will be relatively low as the construction cycle heats up. Investment market conditions will also gradually strengthen. As leasing demand rises, upward pressure on rents will increase. The prospect of rent growth will draw an increased number of investors to the market in search of yield opportunities. In turn, investment activity and performance will improve. Investors will be more willing to take on additional risk, as the region's outlook strengthens. Eventually, property values will rise. However, GEA industrial property sector progress will be slow but sure over the near term.

VACANCY LEVELS CONTINUED TO RISE

GEA retail leasing market vacancy continued to rise over the past year in keeping with the medium-term trend. The market's average vacancy rate increased 100 bps to 6.4% year-over-year as of the end of the first half of 2020 according to CBRE. Properties tracked in the MSCI Index posted an increase of 60 bps over the same time period. Vacancy rose more sharply in the downtown submarket given its dependence on foot traffic. GEA retail vacancy has been on a steadily rising path over the past five years, driven by both industry and market forces. Changes in consumer behaviour including an increased emphasis on online shopping resulted in store closures and consolidations over the past few years. More recently, the COVID-19 pandemic's negative effects resulted in the closure of another wave of stores, which also drove vacancy markedly higher across the region. Notable closures included the Hudson's Bay's City Centre mall store and Holt Renfrew's closure of its smaller-format location at Manulife Place. As a result of store closures, some retailers were able to secure space in prime locations that was previously unavailable. The upward vacancy pressure has had an impact on retail rents in this market. Generally, downward pressure on rents has been reported in segments of the market with higher-than-average vacancy levels. Rents have drifted downward across much of the market over the past few years as a result of an upward aggregate vacancy trend.

INVESTMENT MARKET RISK INCREASED

A marked increase in GEA retail property investment market risk was observed during 2020. The increase was a byproduct of the ongoing negative impacts of the COVID-19 pandemic. The closure of non-essential retail stores to combat the spread of the virus added another layer of investment market risk. Owners of retail property were forced to work with tenants to determine their ability to pay rent while experiencing a sharp drop in revenue. In some cases, stores closed on a permanent basis resulting in increased vacancy in some malls and the loss of rental revenue for some landlords. The volume of stores expected to close over the near term was somewhat of an unknown. However, it was clear that income streams would be eroded to some extent. Investor confidence in the GEA retail sector has steadily declined over the past few years. This sentiment was evidenced in the market's investment sales trend. There was $174.7 million in GEA retail property sales recorded during the first half of 2020. Investment activity has slowed significantly since the 2018 peak, when $1.1 billion in annual transaction volume was tallied. Generally, purchasers and vendors have struggled to find common ground on values. As a result, a sharp decline in sales activity unfolded. Recent investment performance patterns underwhelmed. Properties contained in the MSCI Index posted a negative 17.2% return for the year ending September 30, 2020. The result was a product of a continuous capital decline, which coincided with a sharp increase in GEA retail sector risk.

ONGOING TURBULENCE FORECAST

Turbulent times will continue for the GEA retail sector over the near term. Leasing market activity will remain muted as vacancy levels rise and rents continue to fall. A steady stream of store closures will take place as retailers adapt to an era of increased e-commence penetration. Some stores will close permanently, while others cut costs and close outlets that have underperformed. Some owners will continue to see their revenue streams erode over the near term as excess vacancy continues to be a challenge. In addition, landlords will be forced to work with some tenants in order to secure rental payments. Investors will continue to target stabilized assets. However, transaction activity will remain well below the long-term average for the market. In short, GEA retail sector turbulence will continue for the foreseeable future.

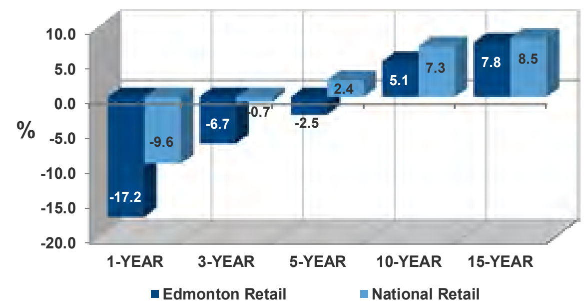
TRENDING STATISTICS

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

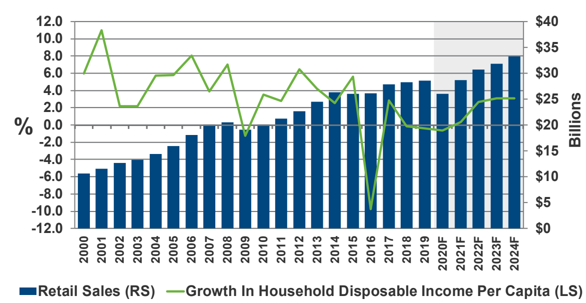
For The Period Ending Sept 2020



Source: © MSCI Real Estate 2020

Retail Conditions

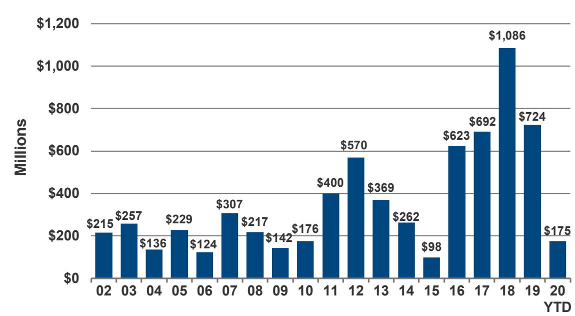
Edmonton Historical & Forecast Aggregates



Source: Conference Board Of Canada

Investment Activity

Edmonton Retail Investment Volume To June 2020

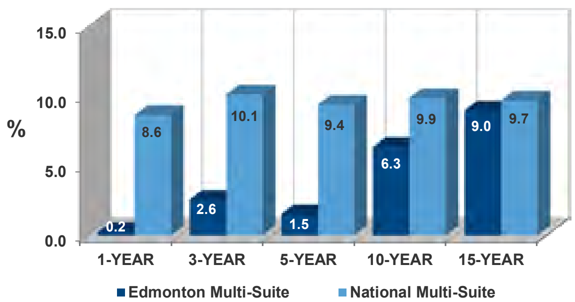


Source: CBRE Limited

TRENDING STATISTICS		
FUNDAMENTALS	**Δ YTD**	**1-YEAR OUTLOOK**
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	▼	▼
New Supply	▼	▼

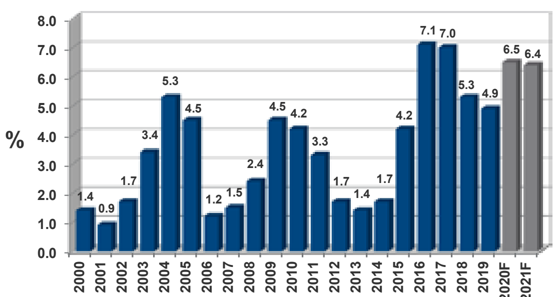
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



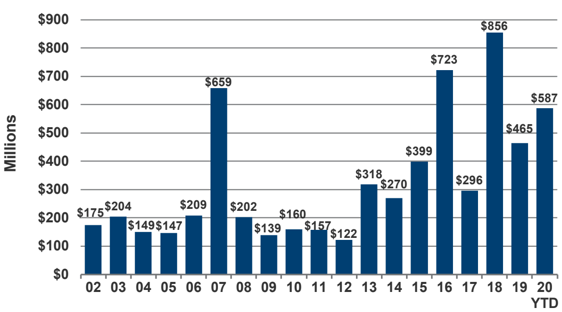
Source: © MSCI Real Estate 2020

Average Rental Vacancy
Edmonton Apartment Structures Of Three Units & Over



Source: CMHC

Investment Activity
Edmonton Multi-Suite Investment Volume To June 2020



Source: CBRE Limited

RENTAL MARKET CONDITIONS WEAKENED

GEA multi-suite residential rental market conditions weakened over the past year, which was consistent with the broader national trend. A sharp reduction in rental demand occurred during the second quarter of 2020 as the negative effects of the pandemic unfolded. The closure of international borders prevented foreign students and other international migrants from coming to Canada. Many new arrivals rent accommodation on arrival. In addition, the pandemic lockdown resulted in unprecedented job losses in the region, which also eroded the market's demand cycle. In some cases, job losses and income reductions forced some renters to double-up, which also reduced the number of people and families seeking rental accommodation. As rental demand softened vacancy levels began to rise. The market's average vacancy rate was expected to surpass the 6.0% mark in 2020, having fallen to 4.9% last year. The combined effects of rising vacancy levels and weaker demand forced some of the market's landlords to offer incentives to prospective renters. While face rents stabilized over the recent past, effective rents and the bottom lines of owners declined. The downward pressure on rents and income streams was representative of the broader rental market softening of the past year.

INVESTMENT ACTIVITY DECLINED

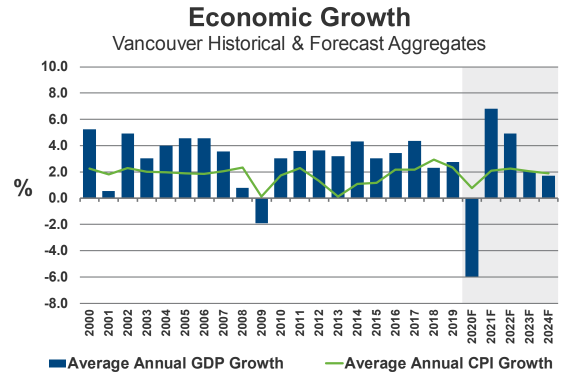
The GEA multi-suite residential rental sector investment sales activity declined recently, following a surge in transaction closing volume in the first few months of 2020. A modest $52.3 million in sales volume was posted during the second quarter of 2020. This followed a brisk first few months of 2020, when $534.5 million in sales were tallied to start the year. The first-quarter volume surpassed the annual total for 2019. The second quarter drop off was likely caused by the pandemic lockdown. Activity levels were expected to rise over the balance of the year as investors continued to show interest in acquiring properties in this market. Institutional groups continued to look for stabilized properties in locations close to mass transit or downtown. Private capital groups also actively targeted properties with similar attributes. GEA multi-suite residential rental sector investment performance softened over the recent past. Properties contained in the MSCI Index generated an annual total average return of 0.2% for the 12-month period ending September 30, 2020. In keeping with the national trend, the income component was stable and healthy. However, the combined value of the properties continued to decline while GEA retail investment property sales slowed.

RENTAL MARKET CONDITIONS WILL GRADUALLY IMPROVE

GEA multi-suite residential rental market conditions will gradually improve over the next few years. Demand for rental accommodation will strengthen with the mass distribution of a viable COVID-19 vaccine. Subsequently, the opening of Canada's borders will signal the return of foreign students and international migrants to the GEA, many of whom will rent on arrival. At the same time, the region's gradual economic recovery will boost employment, which will also support a moderately healthier rental demand trend. Youth employment levels will also slowly rise, which will increase the number of renters in this market. By late 2021, rental market vacancy will begin to slowly decline and fall below the 6.0% mark some time during 2022. Landlords will no longer be forced to offer incentive to prospective tenants, as market rents begin to firm and rise. However, rents will return to the pre-pandemic highs toward the end of 2022 or potentially in the following year. Strong rental market fundamentals will draw investment capital to the region, resulting in increased investment sales activity. At the same time, property values will have firmed, in support of healthier investment performance patterns. Over the next few years, the GEA rental market is expected to slowly strengthen in keeping with the national sector trend.

ECONOMIC SNAPSHOT

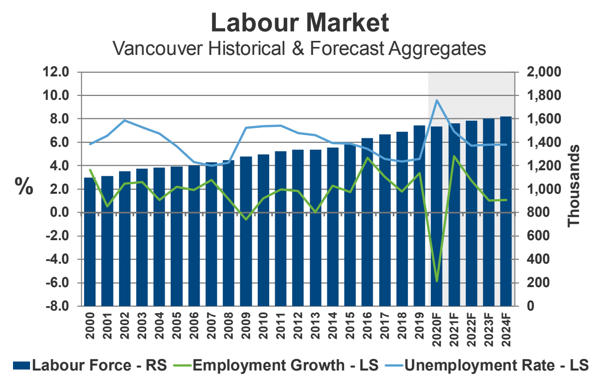
The COVID-19 pandemic negatively impacted most sectors of the Greater Vancouver Regional District (GVRD) economy in 2020. The region was tracking a 6.0% Real GDP contraction for the year, following a five-year run of above-average growth. Economic output declined by 2.3% in the first quarter of 2020, with the introduction of pandemic restrictions. Subsequently, the regional economy contracted by a further 9.8% in the second quarter. Despite a second half rise in economic activity, regional employment was projected to fall by 5.8% in 2020 while the unemployment rate rose sharply.



Source: Conference Board Of Canada

SHARP DECLINE IN EMPLOYMENT LEVELS POSTED

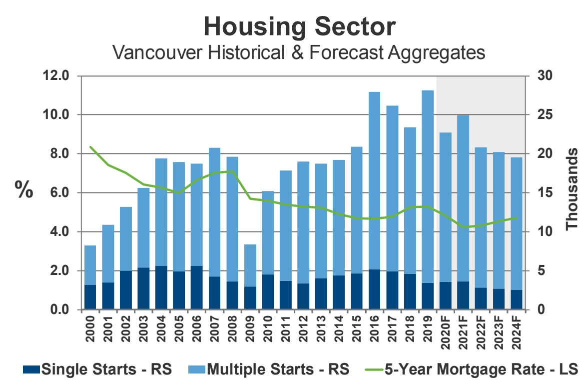
GVRD employment dropped sharply during 2020, due to an historic decline in economic activity as a result of the pandemic lockdown. The CBOC forecast approximately 86,000 or 5.8% of the region's jobs would be lost over the 12-month period. In 2020, the unemployment rate was expected to average 9.6%, up five percentage points year-over-year. The region's services sector lost the largest share of jobs in the first half of 2020. The region's travel and food and accommodation businesses suffered the most. The GVRD job market was expected to recover relatively quickly, as a result of the economic strengthening projected over the next few years. In 2021, total regional employment was expected to rise by 66,000 or 4.8%. The creation of an average of 23,700 new jobs was forecast annually from 2022 to 2024. The swift forecast job market contrasted the sharp drop in employment levels recorded during 2020.



Source: Conference Board Of Canada

HOUSING MARKET REBOUND CONTINUED TO PROGRESS

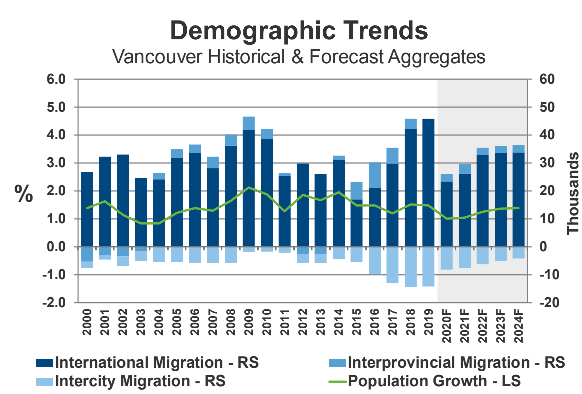
Housing market activity was expected to strengthen over the near term, having softened over the recent past. Housing demand was forecast to increase over the near term, supported by low interest rates and healthier labour market conditions. Housing starts were projected to rise by 9.6% to 24,900 units in 2021. Previously, housing starts had declined by 3.5% in 2020, as developer confidence waned. By the second half of 2020, the GVRD resale housing market had already bounced back from the reduction in activity levels in the first half of the year due to the pandemic lockdown. Balanced conditions were expected to continue over the near term while upward pricing pressure eases. In short, the GVRD residential housing market was set to continue to rebound over the near term, in line with the national trend.



Source: Conference Board Of Canada

FIRM RECOVERY PHASE OF ECONOMIC CYCLE FORECAST

A firm recovery phase of the current economic cycle is forecast for the GVRD over the near term. The regional economy is poised to expand by a healthy 6.8% in 2021, according to the CBOC late August 2020 forecast. The 2021 growth forecast is predicated on the successful introduction and distribution of a COVID-19 vaccine and subsequent improvement in the global and Canadian economic outlooks. Increased output predicted for 2021 will support an improved labour market. GVRD employment is projected to rise by a solid 4.8% over the year while the unemployment rate steadily falls. The region's unemployment is expected to fall sharply in 2021, having risen to an average of 9.6% in 2020. An average of 6.9% was forecast in 2021, followed by a four-year low 5.7% in the following year. Materially stronger employment characteristics will support a positive housing demand pattern and continued retail sales growth. In summary, a firm recovery phase of the economic cycle is forecast over the near term, in keeping with the national trend.

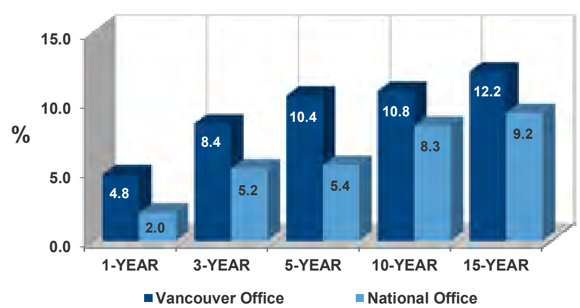


Source: Conference Board Of Canada

TRENDING STATISTICS		
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	—	▼
New Supply	—	▼

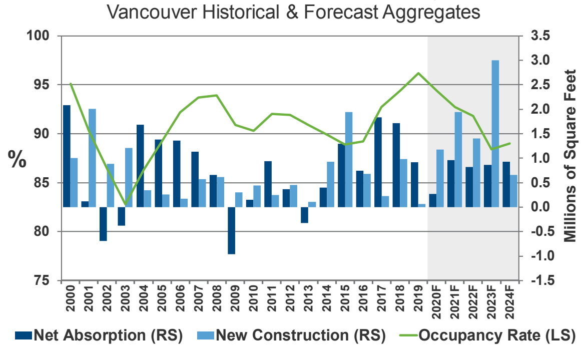
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



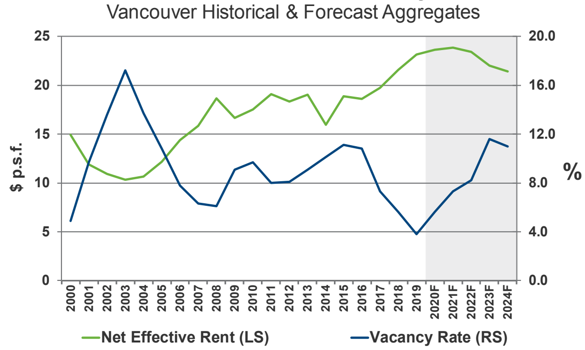
Source: © MSCI Real Estate 2020

Office Demand & Supply
Vancouver Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Office Rent & Vacancy
Vancouver Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET DYNAMIC CHANGED SIGNIFICANTLY

The GVRD leasing market dynamic changed significantly with the onset of the COVID-19 pandemic. Vacancy rates began to rise after the COVID-19 lockdown following a prolonged downward trend. The GVRDA vacancy rate rested at 5.4% as of the end of the third quarter of 2020, having risen 150 bps since the end of March. The downtown average increased by 240 bps to 4.6% over the same six-month period. Sublease availability spiked over the same six-month period as tenants looked to offload excess space as economic uncertainty rose sharply. Sublease offerings accounted for 39.0% of total downtown vacancy by the end of September. The erosion of the market's supply-side fundamentals was a function of materially weaker leasing demand characteristics. As the pandemic unfolded and the economic backdrop weakened, a growing number of GVRD tenants looked to reduce their office space. In doing so, they hoped to reduce expenses and achieve some semblance of operational cost-certainty. In some cases, organizations preferred their employees continue to work remotely while planning for the long term. As a result, an increased volume of space was returned to the market as leases expired. The combination of weaker demand and rising vacancy levels translated into modest downward pressure on market rents, particularly in the downtown area. This pressure was a byproduct of the changes in GVRD leasing market dynamics that occurred with the unfolding of the COVID-19 pandemic.

INVESTMENT CAPITAL FLOWED AT A MARKEDLY REDUCED RATE

Capital flowed into the GVRDA office sector at a markedly reduced rate, as a result of a significant increase in sector and broader economic uncertainty. There was $720.1 million in GVRD office sector transaction volume reported for the first six months of 2020. The total was less than half of the $2.1 billion in sales recorded over the same six-month period a year earlier. A large portion of the first-half 2020 total was comprised of transactions that were negotiated prior to the onset of the pandemic, indicating an even sharper decline in activity. As the pandemic unfolded, investors retreated to the sidelines, in order to assess the potential outcomes of a prolonged economic downturn and the potential changes in how office space will be utilized over the long term. Despite the retreat, investors exhibited a willingness to acquire lower-risk properties, with stable tenants on long-term leases. However, owners of properties fitting this profile were reluctant to sell during a period of increased uncertainty. GVRD office sector investment performance remained moderately healthy as uncertainty levels increased. Properties contained in the MSCI Index registered an annual average total combined return of 4.8% for the year ending September 30, 2020. Through much of this period, capital flowed into the market at a markedly slower pace.

MEDIUM-TERM GAINS FORECAST AFTER NEAR-TERM SOFTENING

The GVRD office leasing market is expected to strengthen over the medium term. Leasing market conditions will begin to strengthen during the latter half of 2022. The regional economy will slowly emerge from the negative effects of the pandemic. As a result, leasing demand will gradually firm after a period of weakness that will last through to the end of 2020 and much of 2021. By the second half of 2021, the balance sheets of some businesses will have strengthened. As a result, expansion activity will begin to increase. Leasing conditions will remain relatively weak in the first half of 2021. The distribution of the recently developed COVID-19 vaccine will boost business confidence. In turn, the market will slowly rebound. As leasing market fundamentals improve, investors will start looking for investment opportunities. In turn, transaction volume will begin to rise, assuming product availability. In short, GVRD leasing market conditions will continue to soften over the near term, with stronger market trends forecast for the medium term.

SUSTAINED LEASING MARKET STRENGTH REPORTED

The overall strength of the GVRD industrial leasing market was sustained through to the final stages of 2020. This strength was evidenced in the market's availability trend of the recent past. Availability levels ranged near the cycle-low throughout 2020, with rates of 2.1%, 2.9% and 2.8% reported for the first, second, and third quarters, respectively. As a result, available space was in very short supply when tenants looked to expand or relocate across the market. Tenants looked to new construction as a source of state-of-the-art space in which to expand or relocate. A relatively robust development cycle provided further evidence of the market's sustained strength. Slightly more than 3.4 million square feet of new supply was completed year-to-date as of the end of the third quarter 2020. The volume of new supply completed year-to-date was significantly higher than the five-year annual average. Warehouse, distribution and e-commerce-related businesses absorbed large-bay availability in newly constructed buildings at a brisk rate over the past year. In general, demand outdistanced the supply of available industrial space through the past year, which supported cycle-high rental rate averages in most market segments. Cycle-high rental rates were further evidence of the GVRD leasing market's sustained strength of the recent past.

SOLID CAPITAL FLOW TREND OBSERVED

The sale of GVRD industrial investment property continued at a healthy pace over the recent past as investors continued to exhibit confidence in the sector and region. Industrial investment property sales totalled $844.5 million in the first six months of 2020, up 31.4% over the same time period a year earlier. For the most part, the COVID-19 pandemic did little to deter a range of investment groups from acquiring properties in this market. Institutional and private capital groups actively sourced properties across the region, which boasted stable tenants on long-term leases. Higher-risk properties continued to sell at a relatively healthy pace. The broader industrial sector's relatively strong near and long-term outlooks justified the acquisition of more challenged properties over the recent past. The near-term justification included the market's recent performance strength. Properties tracked in the MSCI Index posted a third consecutive double-digit total annual average return recently. The 11.9% return, though down from the previous period, was further evidence of the GVRD's industrial sector's continued near-term health, which to a large extent support its above-average capital flow trend.

RELATIVE STRENGTH TO PREVAIL

The relative strength of the GVRD industrial property sector will prevail over the near term, representing an extension of the current phase of the cycle. The market will continue to exhibit some of the strongest leasing market fundamentals in the country over the near term. Availability will continue to hold close to the low single-digit averages reported over the past few years. Demand for industrial space will, at a minimum, keep pace with supply. As a result, options for tenants looking to expand or relocate to higher-quality premises will remain in short supply. Supply constraints will continue to characterize the market over the near term, ensuring rents hold close to the cycle-high levels of the recent past. On the demand side of the ledger, logistics and warehouse space users will continue to bolster market activity. Changes made to supply chains and distribution networks will drive demand for industrial space. In addition, increased e-commerce activity will continue to account for a significant share of GVRD leasing market activity over the near term. Medium and small-bay demand will also remain relatively healthy as the regional economy continues to gradually reopen. In summary, the relative health of the GVRD industrial sector will prevail over the near term in keeping with the broader national sector 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).

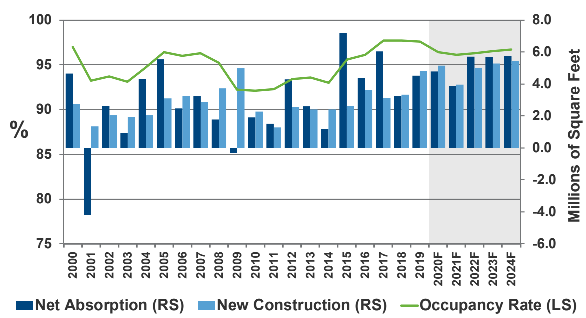
Historical Performance

For The Period Ending Sept 2020

Source: © MSCI Real Estate 2020

Industrial Demand & Supply

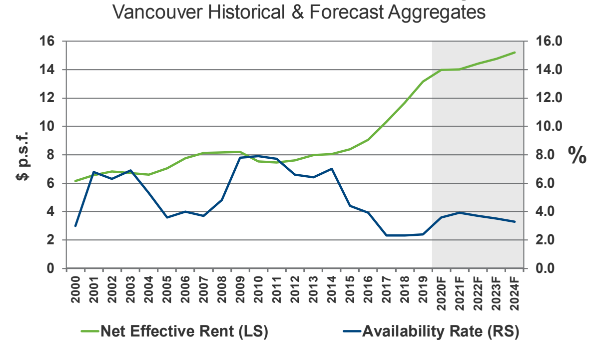
Vancouver Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

Industrial Rent & Availability

Vancouver Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

TRENDING STATISTICS

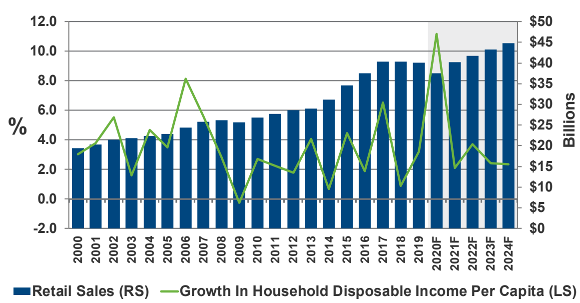
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	▼	▼
New Supply	—	—

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

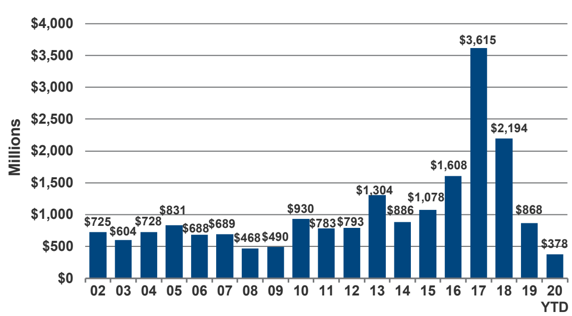
Source: © MSCI Real Estate 2020

Retail Conditions
Vancouver Historical & Forecast Aggregates



Source: Conference Board Of Canada

Investment Activity
Vancouver Retail Investment Volume To June 2020



Source: CBRE Limited

LEASING MARKET SOFTENING UNFOLDED

GVRD retail leasing market conditions softened over the past year, largely due to the adverse effects of the COVID-19 pandemic. In March 2020, retailers were forced to close all non-essential stores across the GVRD to control the spread of the COVID-19 virus. In May, non-essential stores began to reopen. Consumers lined up at the region's most popular shopping centres and stores in order to make up for lost time. However, despite the reopening, leasing market conditions had already softened. Leasing activity generally remained below pre-pandemic levels. Retailer expansions were either postponed or cancelled altogether. Operators focused on trying to drive sales and recovering revenues lost during the lockdown. Several independent stores were unable to recover and closed permanently. Some national and regional chains also permanently closed-up shop. Since the onset of the pandemic, landlords have focused on rent collections and maintaining occupancy levels. The market's average vacancy rate increased from the 7.8% reported at the end of June 2020. However, the extent of the increase was still to be determined. In addition, the region's absorption pattern had more than likely turned negative. At the same time, market rents began to decline, especially for smaller strip centres, and in downtown locations where foot traffic had declined significantly. In summary, GVRD leasing market conditions softened over the past year, the extent to which, however, was unclear.

INVESTMENT SALES SLOWDOWN PERSISTED

The GVRD retail property investment sales slowdown persisted over the recent past, a trend that began in early 2019. A modest $377.9 million in retail property sales was reported in the first six months of 2020, down 23.6% from the same time period a year earlier. Sales of retail property began to slow significantly in early 2019, having peaked in 2017 and 2018 when transaction volume averaged $2.9 billion annually. Since then, investor confidence in the brick and mortar retail sector has steadily declined, resulting in reduced levels of activity. The combination ongoing structural changes in the retail industry and the ravages of the pandemic have eroded investor confidence. To some extent, the continued erosion of retail sector fundamentals has negatively impacted investment performance. This dynamic was evidenced in recent GVRD retail sector investment performance. GVRD retail properties contained in the MSCI Index posted a negative average annual return of 3.8% for the 12-month period ending September 30, 2020. The income component of this performance remained relatively stable and healthy. It was not overly surprising that investment sales activity continued to slow over the recent past given the GVRD retail sector's weak near-term performance pattern.

EROSION OF MARKET FUNDAMENTALS TO CONTINUE

The erosion of GVRD retail sector fundamentals is expected to continue over the near term. Leasing demand will remain tepid, as retailers slowly rebound from the losses related to the pandemic. In some cases, brick and mortar locations will be closed as operators continue to adjust their business models. As a result, vacancy levels will rise across the market. Strip centre and enclosed mall landlords will continue to grapple with increased vacancy in their properties. In the downtown area, vacancy levels will also continue to rise, as foot traffic remains well below the pre-pandemic level. Vacancy will also rise in pockets of the market that cater to luxury shoppers who arrive on cruise ships. The combination of a relatively muted leasing demand trend and rising vacancy will translate into continued downward pressure on market. Landlords will look to lease-up excess vacancy by offering lower rent packages and variable rents. This will erode the income streams of some owners. However, the lease-up of vacant space will increase foot traffic in some cases. Some owners will adapt space for other uses in order to boost revenues as market fundamentals continue to erode.

RENTAL DEMAND CYCLE SOFTENED

GVRD rental market demand cycle softened during the past year, due primarily to the effects of the COVID-19 pandemic. The demand softening was driven, in part, by the closure of Canada's international borders to reduce the spread of the virus. Foreign students and international immigrants were not allowed to enter the country, many of which rent accommodation on arrival. Restrictions were expected to remain in place through to at least the end of 2020. The softening of the market's rental demand cycle was also a function of reduced youth employment levels. In the past, young workers made up a significant portion of the region's rental households. However, with the closure of non-essential businesses to combat the spread of the COVID-19 virus in the spring of 2020, youth employment levels dropped sharply. The softening of the market's demand cycle began to have a moderately negative impact on market fundamentals. Vacancy levels were expected to rise steadily during the second half of 2020 and next year, having held firm at the 1.0% mark over the preceding two-year period. New supply completions were expected to add to the upward vacancy pressure with construction activity having reached a record-high level in 2019. The rate at which rents increased slowed over the recent past, due to the softening of the market's demand cycle that unfolded as a result of the negative impacts of the COVID-19 pandemic.

SOLID INVESTMENT MARKET CHARACTERISTICS WERE POSTED

Generally healthy GVRD multi-suite residential rental sector investment market characteristics were evidenced over the recent past. Investment demand remained relatively robust. Institutional and private capital groups scoured the region for properties with strong performance records in prime locations typically close to public transit. The strength of the market's demand trend was evidenced in recent transaction volume totals. During the first six months of 2020, a total of $440.7 million in multi-suite residential rental property sales was reported. The total was more than twice the transaction volume reported over the same time period a year earlier. For the most part, properties offered for sale were well-received and continued to transact at peak pricing levels. Further evidence of the market's health was contained in recent MSCI Index performance data. GVRD properties tracked in the index registered an attractive annual average total return of 5.8%, for the 12-month period ending September 30, 2020. The return was comprised of solid income and capital component performances. The generation of attractive returns over the recent past was in keeping with the trend of the past few years.

MODEST SOFTENING OF MARKET FUNDAMENTALS EXPECTED

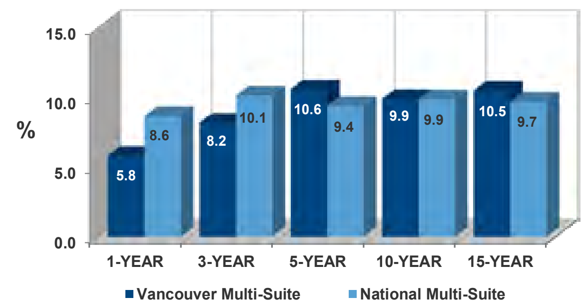
A modest softening of GVRD multi-suite residential rental market conditions is expected over the near term. The negative effects of the COVID-19 pandemic on youth employment and in-migration will continue to erode rental demand through to the end of 2020 and into 2021. As a result, rental market vacancy will slowly rise. Recently completed new construction projects will add to the upward vacancy pressure with demand consistently falling short of supply. The upward vacancy trend will dampen rent growth across much of the market. Previously, rent growth rates surpassed the provincial guideline increases by a significant margin. Over the next 12 months, rent growth will moderate. Despite the modest rental market softening, investors will continue to target properties across the region for acquisition. Concrete high rises will continue to garner high levels of interest. Older, wood frame properties will also attract buyers, with private groups remaining very active in this market segment. On average, property values will stabilize. Generally, vendors will have little trouble selling properties on the open market. Overall, investment market conditions will remain largely healthy over the near term, despite a modest softening of rental market fundamentals.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	—	—
New Supply	▲	—

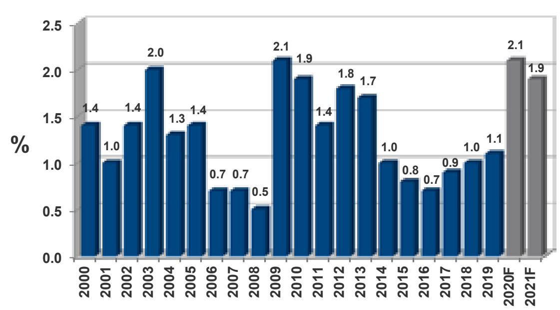
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Historical Performance
For The Period Ending Sept 2020



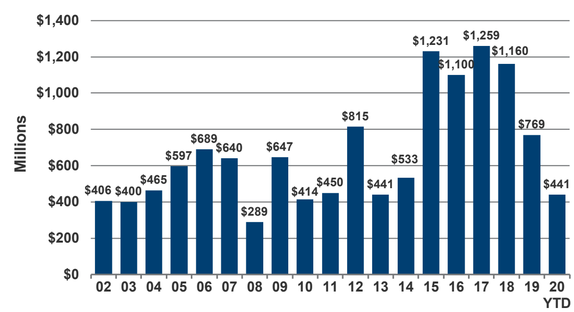
Source: © MSCI Real Estate 2020

Average Rental Vacancy
Vancouver Apartment Structures Of Three Units & Over

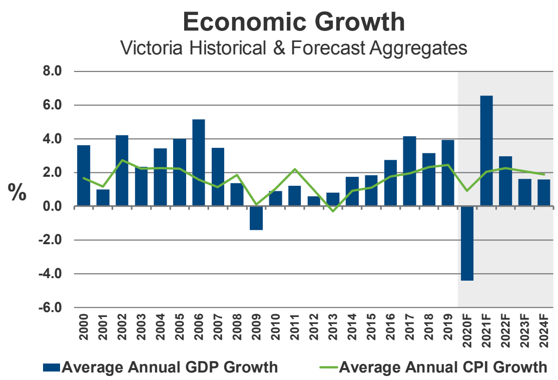


Source: CMHC

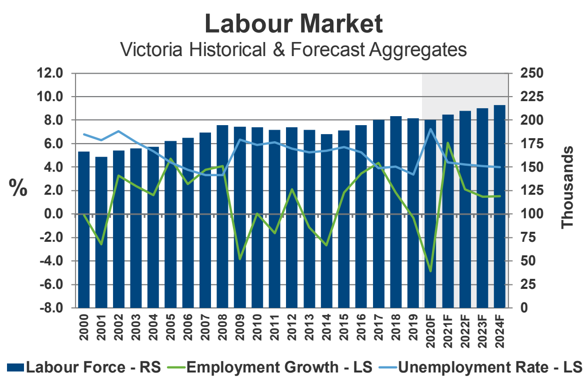
Investment Activity
Vancouver Multi-Suite Investment Volume To June 2020



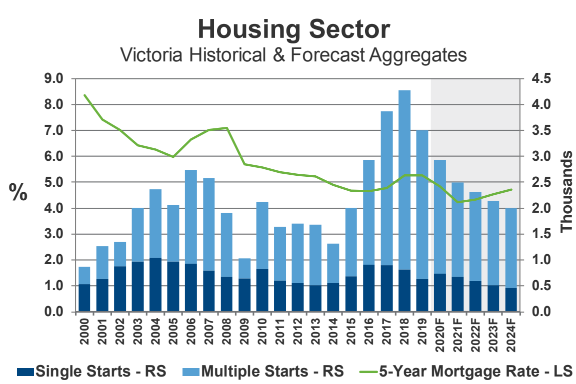
Source: CBRE Limited



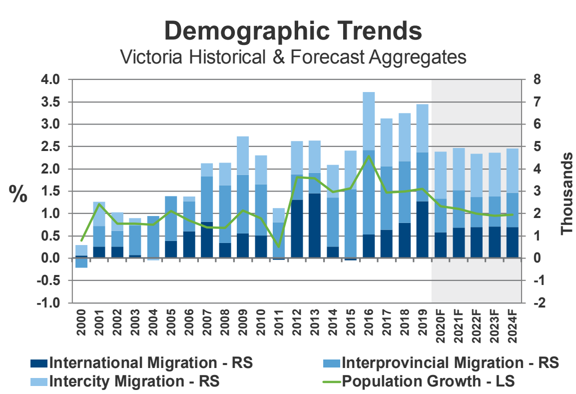
Source: Conference Board Of Canada



Source: Conference Board Of Canada



Source: Conference Board Of Canada



Source: Conference Board Of Canada

ECONOMIC SNAPSHOT

The Greater Victoria Area (GVIA) economic growth trend came to an end in 2020 due to the negative impacts of the COVID-19 pandemic. Output was projected to dip by a disheartening 4.4% this year, having increased by an annual average of 3.5% from 2016 up to and including 2019. Public administration was one of the few sectors expected to generate increased output in 2020. Over the same time period, labour market fundamentals softened significantly. Total GVIA employment was expected to decline by 4.9% in 2020, driving the unemployment markedly higher than the record-low 3.4% average reported last year.

LABOUR MARKET RECOVERY UNDERWAY AFTER MAJOR DECLINE

The GVIA labour market recovery began to unfold in the second half of 2020, following a significant decline in employment as a result of the pandemic lockdown. A portion of the jobs lost as a result of the lockdown were recouped with the reopening of non-essential businesses and relaxation of pandemic restrictions. Previously, almost 20,000 job losses were reported during the second quarter of 2020 alone. At the same time, the regional unemployment rate spiked to 11.0%, more than triple the 2019 record-low average. In 2021, a continuation of the region's labour market recovery was expected to boost employment. Consequently, the unemployment rate was set to fall to an average of 4.4% for the year. The downward unemployment rate trend was already underway by the second half of 2020, as was the broader labour market recovery.

RETAIL SALES EXPECTED TO RISE DESPITE LOCKDOWN

GVIA retail sales volume was expected to increase this year despite the negative impacts of the pandemic lockdown. Volume was forecast to rise by 2.7% year-over-year in 2020, having dipped 1.1% last year. The GVIA was the only major urban centre tracking a gain in retail consumption for the year. According to the CBOC, GVIA retail sales volume was forecast to rise by 1.9% and 2.8% in the third and fourth quarters of 2020, respectively. As sales increased in the second half, it looked increasingly likely that annual total would rise year-over-year. The GVIA year-over-year retail sales increase projected for 2020 ran counter to the broader national trend.

RECOVERY PACE TO MODERATE

The GVIA recovery will moderate by 2022, after an initial surge in economic output next year. Regional economic output will increase by a relatively modest 3.0% in 2020, following a more robust 6.6% bounce back in 2021. The recovery is dependent on the distribution of a COVID-19 vaccine and a resulting increase in business and consumer confidence levels. The economic growth anticipated over the next couple of years will have a materially positive impact on the region's labour market performance. Regional employment will rise by a robust 6.0% next year, according to the late summer CBOC forecast. A conservative 2.1% lift is forecast for 2022. This growth will help drive the average unemployment rate down to a three-year low of 4.2% in 2022, just one percentage point higher than the record low set in 2019. Healthier labour market fundamentals and increased consumer confidence will support retail sales growth over the next couple of years. A recent CBOC forecast calls for volume to rise by 2.7% and 6.9% in 2021 and 2022, respectively. Subsequently, growth is expected to moderate, mirroring the GVIA regional economic recovery pattern forecast for the next few years.

LEASING MARKET RESILIENCE WAS DEMONSTRATED

The Greater Victoria Area (GVIA) office leasing market exhibited a measure of resilience during the past year. The average GVIA vacancy rate rose by a modest 80 bps to 5.9% between the end of 2019 and the end of the third quarter of 2020. The third-quarter average vacancy was unchanged quarter-over-quarter. Generally, vacancy levels increased more sharply across much of the rest of the country, with the unfolding of the pandemic. The GVIA downtown vacancy rate declined 60 bps during the third quarter, as a further indication of the market's recent resilience. This resilience was a function of the presence of the public sector in this market. In the spring of 2020, the region's private sector tenants closed their doors and sent their employees home to control the spread of the COVID-19 virus. At the same time, relocation and expansion activity slowed to a crawl. Initially, private sector office tenants across the market concentrated on business continuity, cost-certainty, and safety. At the same time, long-term office space decisions were put on hold. There were several small public sector relocations during 2020. However, these were decisions made prior to the pandemic. Market rents were largely unchanged during much of 2020 due in part to the slowdown in leasing activity. This stabilization was an indicator of the market's resilience displayed over the past year.

INVESTMENT MARKET CONDITIONS SOFTENED

GVIA office property sector investment market conditions softened over the past year, which was in keeping with the national trend. The softening was evidenced in recent investment performance characteristics. GVIA office properties tracked in the MSCI Index posted a modest 0.7% total return for the 12-month period ending September 30, 2020. A significantly stronger 9.8% return was registered over the previous 12-month period. The drop off was a direct result of a 4.6% cumulative capital decline. The income component of the return was stable and healthy. The sector's investment demand characteristics also softened somewhat over the past year. Investors have generally focused on lower-risk property acquisitions, with financially stable tenants on long-term leases, given an increase in sector and economic uncertainty. Properties with long-term government leases continued to generate the strongest interest from both institutional and private capital groups. Value-add opportunities were not quite as well-received. The availability of the market's highest-quality properties fell short of demand, which has been the case historically. GVIA office sector liquidity declined significantly during the first half of 2020. A total of only $7.3 million in office property sales was reported for the period. Previously, annual sales had exceeded the $100 million threshold in both 2018 and 2019. The sharp decline in sales activity in the first half of 2020 was in keeping with the broader investment market softening reported over the recent past.

LEASING MARKET STABILIZATION FORECAST

Stabilization will remain the dominant GVIA office leasing market theme over the near term. Private sector tenants will continue to focus on cost-certainty and business continuity rather than expansion. As a result, leasing demand will remain tepid. Leasing activity will be comprised largely of short-term renewals and extensions, given elevated uncertainty as a result of the ongoing impacts of the pandemic. Supply-side characteristics will also stabilize over the near term. Vacancy levels will continue to edge higher but remain relatively healthy. In most scenarios, tenants will have limited options when looking to relocate. Market rents will also hold firm over the near term, hovering close to the averages reported during much of the past year. The GVIA leasing market will strengthen in 2022 along with the regional economy having previously stabilized.

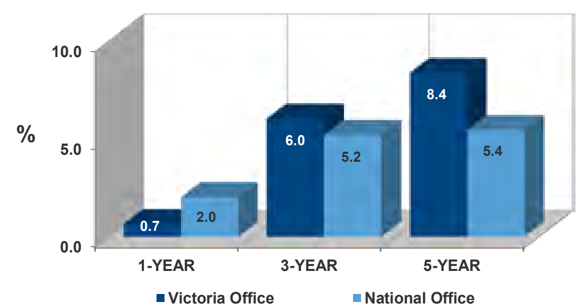
TRENDING STATISTICS

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

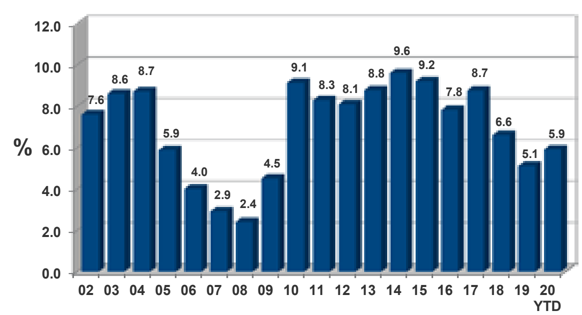
For The Period Ending Sept 2020



Source: © MSCI Real Estate 2020

Victoria Office Vacancy

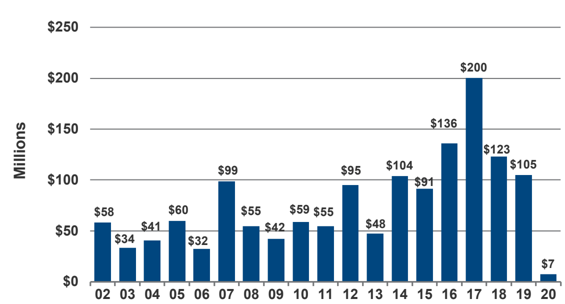
To Second Quarter - 2020



Source: Colliers International

Investment Activity

Victoria Office Investment Volume To June 2020

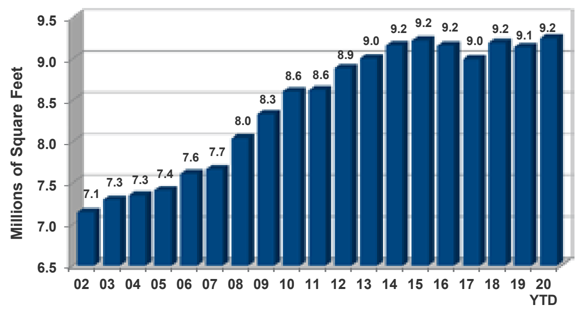


Source: Colliers International; RCA

TRENDING STATISTICS		
FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	—	—
Net Absorption	—	—
Lease Rates	▲	▲
New Supply	—	—

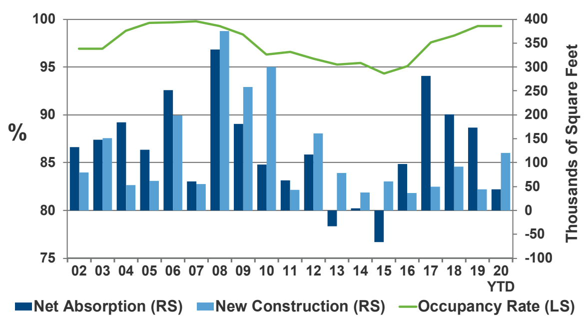
The trend indicators do not necessarily represent a positive or negative value (i.e., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

Victoria Industrial Inventory
To Second Quarter - 2020



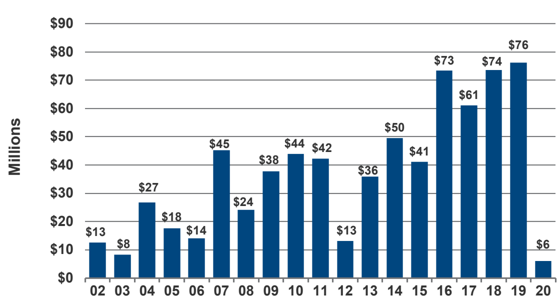
Source: Colliers International

Industrial Demand & Supply
Victoria Historical Aggregates



Source: Colliers International

Investment Activity
Victoria Industrial Investment Volume To June 2020



Source: Colliers International; RCA

IMBALANCE WAS DOMINANT LEASING MARKET THEME

Imbalance was the dominant GVIA industrial leasing market theme of the recent past. Demand generally outdistanced supply during the first three quarters of 2020 despite the potentially negative impacts of the COVID-19 pandemic. Demand for industrial space was bolstered by activity in the region's construction and technology sectors, as well as investments by the Department of National Defense, according to a recent Colliers International report. However, there were very few available space options for tenants looking to expand or relocate in this market during 2020. The market's average vacancy rate stood below the 1.0% mark between the start of 2020 and the end of the third quarter. Users were forced to make do with their existing premises or look to the build-to-suit market in order to source state-of-the-art space. There was a total of 120,200 square feet of new construction completed during the first three quarters of 2020. Most of this newly constructed space was in the Westshore submarket, while 26,000 square feet of the total was in the Central Saanich submarket. With demand outstripping supply over the past year, market rents held at the cycle peak for all space types. The existence of benchmark high rents during 2020 was a byproduct of the sustained GVIA leasing market imbalance of the recent past.

INVESTMENT MARKET TRENDS WERE GENERALLY HEALTHY

The GVIA industrial property investment market trends reported over the recent past were generally stable and healthy. Investors exhibited confidence in the GVIA industrial sector, resulting in largely healthy demand characteristics. Local and regional groups actively sourced investment opportunities across the region. Institutional groups also looked for acquisition suitable properties to acquire. However, available supply continued to fall short of demand, which was in keeping with the market's long-term history. As in the past, owners were reluctant to sell properties with solid performance track records. In addition, investors were forced to compete with the market's owner-users, who were also looking to acquire industrial properties. To a large extent, the supply shortfall was reflected in recent transaction volume totals. There was a total of $5.9 million of GVIA industrial property sales reported for the first six months of 2020. The total was well below the previous year's pace. While transaction activity slowed, GVIA industrial property values stabilized at the cycle peak. Cap rates were also largely unchanged. In short, healthy GVIA industrial investment market conditions were reported over the recent past, which was in keeping with the trend of the past few years.

LEASING MARKET RISK TO REMAIN LOW

GVIA industrial leasing market risk will remain low over the next few years. The regional economy will continue to expand at a relatively healthy rate, which will support largely positive leasing demand patterns. The region's manufacturing base will continue to expand. At the same time, logistics and distribution sector businesses will drive demand for industrial space. However, available space will be in short supply. In some cases, users of industrial space will be forced to look to new construction in order to expand. The forecast demand pressure will ensure vacancy continues to range at or near the record-low levels of the recent past. Vacant space will be absorbed quickly in the market's existing buildings. Newly built space will also be absorbed prior to or shortly after completion. Market rents for both existing and newly constructed space will continue to hold at the benchmark highs for the cycle. This will support healthy property income streams for the market's owners and managers. The health of the market's rent cycle will attract investors looking to acquire properties in a market with low levels of leasing market risk.

LEASING MARKET ACTIVITY CONTINUED TO DECLINE

Leasing market activity continued to decline across the GVIA during much of 2020, due largely to the effects of the COVID-19 pandemic. Initially, activity ground to a halt as non-essential brick and mortar stores were forced to close to reduce the spread of the virus. As revenues plunged, some stores closed permanently. Independent operators with limited financial resources struggled most, as a result of the lockdown. The expansion plans of some operators were shelved, and footprints were reduced to offset lost revenue. Still others chose to hold off on decisions related to their long-term space requirements. Some landlords focused rent collections and occupancy stabilization, in order to maintain the value of their respective properties. Despite these efforts, the slowdown in leasing market activity of the recent past drove vacancy markedly higher. Properties contained in the MSCI Index, for example, registered an average vacancy rate of 13.2%, as of the end of June 2020. The rate had climbed to a seven-year high, having risen 140 bps year-over-year. The rising vacancy trend was expected to present some retailers with an opportunity to secure prime space that might previously have been unavailable. Market rents were expected to continue to decline over the near term, given higher vacancy levels and a markedly weaker demand trend. At the same time, leasing activity was expected to remain well below the levels observed prior to the onset of the pandemic.

INVESTMENT MARKET CONDITIONS WEAKENED

GVIA retail property sector investment market conditions weakened over the recent past. Investor confidence declined, given an increasingly uncertain industry outlook. Generally, investors focused increasingly on the industrial and multi-suite residential rental sectors when looking to acquire investment property. The weakening of the market's demand cycle was reflected in recent transaction volume totals. Sales activity slowed sharply during 2020, having steadily declined over the past few years. Transaction volume totalled just $7.3 million during the first six months of 2020, down significantly from the pace of the past few years. To some extent the downshift in sales activity was a byproduct of the COVID-19 pandemic and resulting increase in online sales. Prior to 2020, investors had expressed concerns related to the outlook for brick and mortar retail given changes in consumer behaviour already underway. As a result, retail sales volume had trended progressively lower over the past few years. A weaker investment performance trend was also recorded over the recent past. Properties contained in the MSCI Index posted a negative 0.3% annual average return for the year ending September 30, 2020. The negative outcome was a result of a 1.1% capital decline over the period. The capital decline was in keeping with the broader market weakening of the recent past.

LEASING MARKET WEAKNESS TO PERSIST

THE GVIA retail leasing market weakness of the recent past will continue to unfold over the near term mirroring the national trend. Store closures will remain a constant in this market over the balance of 2020 and into 2021. Retailers will continue to look for opportunities to reduce premises costs by closing stores, relocating to cheaper space, and reducing store footprints. Still others will look to optimize productivity through some combination of brick and mortar space and omni channel platforms. As retailers adjust their operating platforms, vacancy will continue to rise, and rents will continue to decline. At the same time, the region's owners and managers will look to meet the needs of retailers while bolstering property income. Despite these efforts, leasing activity will continue to fall short of the pre-pandemic levels. In short, the GVIA leasing market weakness of the past few years will continue to unfold over the near term.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
Vacancy Rate	▲	▲
Net Absorption	▼	▼
Lease Rates	▼	▼
New Supply	—	—

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

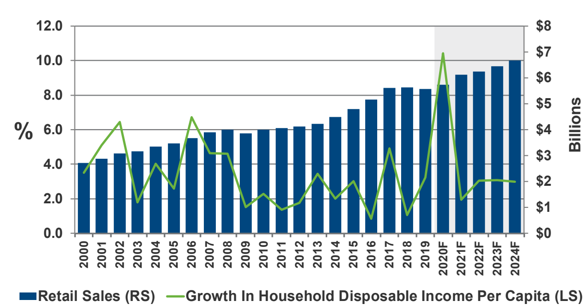
Historical Performance

For The Period Ending Sept 2020

Source: © MSCI Real Estate 2020

Retail Conditions

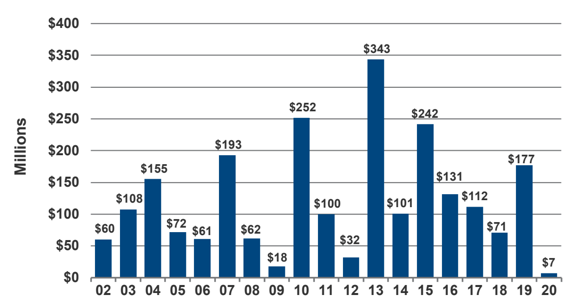
Victoria Historical & Forecast Aggregates



Source: Conference Board Of Canada

Investment Activity

Victoria Retail Investment Volume To June 2020



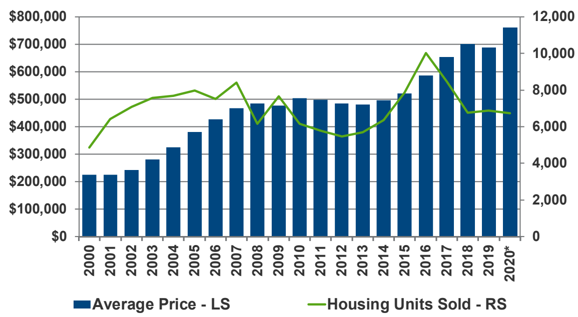
Source: Colliers International; RCA

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).

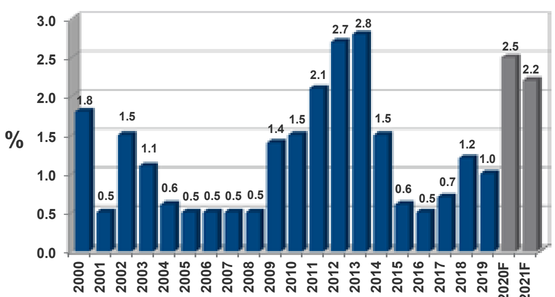
Housing Market
Victoria Pricing vs. Demand



Source: CREA (MLS®)

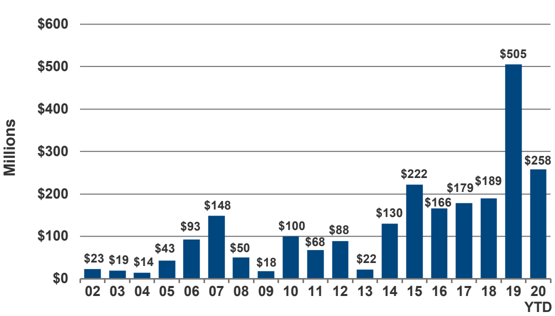
*YTD to October 2020

Average Rental Vacancy
Victoria Apartment Structures Of Three Units & Over



Source: CMHC

Investment Activity
Victoria Multi-Suite Investment Volume To June 2020



Source: Colliers International; RCA

RENTAL MARKET RESILIENCE WAS DISPLAYED

The GVIA multi-suite residential rental market displayed a measure of resilience during the first half of 2020. Rental market conditions stabilized for the most part, despite the potential for fallout as a result of the negative effects of the COVID-19 pandemic. Most tenants continued to meet their rental obligations, despite job losses and reductions in employment income as a result of COVID-19. According to a recent Colliers' report, most landlords indicated between 95.0% to 97.0% of tenants continued to pay rent through to the end of June. Federal and provincial income subsidies, evictions moratoriums and restrictions on rent increases helped tenants pay their rent. Rental market resiliency was also evidenced in vacancy patterns during the first six months of 2020. The market's average vacancy rate was estimated between 1.5% and 2.5% as of the end of the first half of the year. While up from the 1.1% rate reported by the CMHC in October 2019, the ratio was still below the long-term average. Despite increased vacancy, however, market rents were generally unchanged during 2020. Further evidence of the market's resilience was that vacancy remained low despite a significant increase in new supply additions to inventory over the recent past. In addition, low rental market vacancy was maintained even as vacant units that were previously rented for shorter terms were also added to inventory. In short, the GVIA residential rental market exhibited a measure of resilience during the first half of 2020, in keeping with the national trend.

INVESTMENT ACTIVITY WAS RELATIVELY BRISK

GVIA multi-suite residential rental sector investment activity remained relatively brisk through to the end of the first half of 2020. A total of $258.0 million in multi-suite residential rental investment property sales was reported during the first six months of the year, building on the record annual high of $505.2 million in transaction volume set in 2019. Generally, investors have expressed a willingness to acquire properties in a sector and market that have traditionally provided solid performance characteristics during periods of economic stress. Properties placed on the market for sale have been attracting aggressive bids. Investors exhibited confidence in acquiring properties that had lower risk profiles during a period of heightened investment risk. Aggressive bidding ensured cap rates held at the cycle low and values at or near the cycle high. Both concrete high rises and wood frame low-and medium-rise properties were sold with relative ease at pricing that satisfied the objectives of vendors and purchasers for the most part. For some groups, Victoria presented an alternative to larger Canadian cities where competition was more intense. Investment sales activity was expected to remain brisk over the near term, assuming product availability.

MORE OF THE SAME FORECAST

GVIA multi-suite residential rental market trends forecast over the near term will be in line with those of the recent past. A slight softening of rental market fundamentals will continue to unfold. However, conditions will remain relatively healthy. Vacancy levels will edge higher, particularly downtown where rents have become prohibitively high for some renters. New construction will push vacancy levels temporarily higher in specific nodes. On average, rent growth will subside as vacancy steadily rises and rental demand eases. Reduced in-migration and foreign student volumes will erode demand. Investment demand will remain relatively brisk, despite the continued erosion of rental market conditions. Investors will continue to source properties in a market that promises stable and attractive returns with relatively low risk profiles. Local and national groups will look to acquire properties in this market to avoid increased competition in the country's larger markets. In short, GVIA multi-suite residential rental market trends will mirror those of the recent past through to the end of this year and much of 2021.

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

ABOUT MORGUARD

Morguard's core strength is real estate ownership, management and investment. With a strategic focus on high-quality assets and diversification, we realize the potential of real estate through consistent investment performance. Our primary business strategy is to generate stable and increasing cash flow and asset value by improving the performance of the real estate investment portfolio and by acquiring and developing real estate properties in sound economic markets. We have developed a broad and efficient real estate platform in North America to manage our own real estate portfolio, as well as invest and manage real estate on behalf of institutional clients. Today, our owned and managed Real Estate Portfolio is valued at $15.1 billion.

To contact us, visit MORGUARD.COM

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

MORGUARD.COM