2021 CANADIAN ECONOMIC OUTLOOK AND MARKET FUNDAMENTALS FIRST QUARTER UPDATE

23RD ANNUAL EDITION

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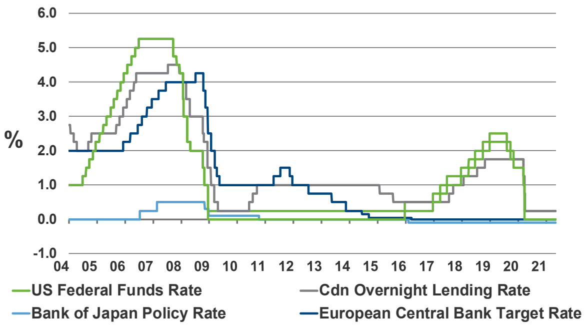

Source: Bank Of Canada, Federal Reserve Board, European Central Bank, Bank of Japan

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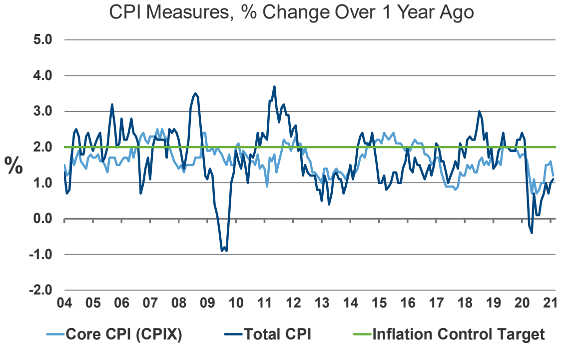

Source: Bank Of Canada, Statistics Canada

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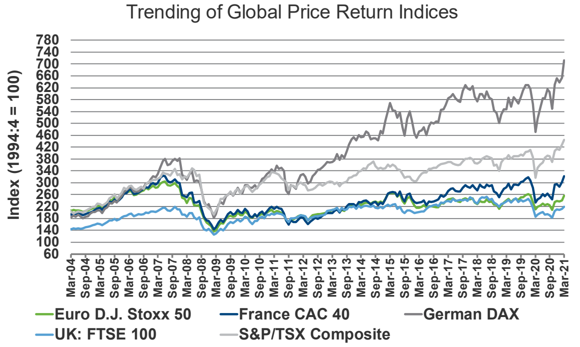

Source: RBC Capital Markets

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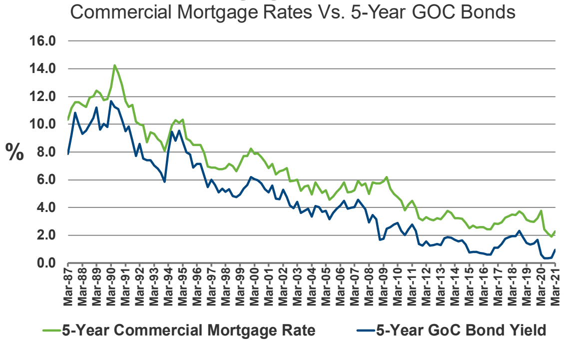


Source: RBC Capital Markets, Bank of Canada

ECONOMIC SLACK AND UNCERTAINTY DICTATED CENTRAL BANK POLICY

Economic slack and ongoing uncertainty due to the COVID-19 pandemic continued to have a significant impact on Bank of Canada (BofC) policy decisions in the first quarter of 2021. On March 10th, the BofC announced it would hold the overnight policy rate at 0.25% while the Bank Rate and deposit rates were held at 0.5% and 0.25%, respectively. The bank also communicated its intention to hold off on rate changes until the economic slack was absorbed and inflation ranged close to the 2.0% mark on a sustained basis. At the same time, the bank forecasted the economic slack absorption and inflation target was unlikely to be achieved the latter half of 2022. The BofC also reiterated it would continue to reinforce and supplement its extraordinary forward guidance with a quantitative easing program, although at a reduced rate. The bank's largely accommodative policy stance was sustained in the first quarter despite a stronger-than-expected economic growth performance over the past few months. The Canadian economy expanded by a robust 9.6% during the final three months of 2020, more than twice the BofC's Monetary Policy statement forecast. Economic output was expected to rise again during the first quarter contrary to the bank's forecast contraction. Over the near term, monetary policy was expected to remain accommodative, given a significant degree of economic slack and uncertainty.

INFLATION CONCERNS WERE ON THE RISE

Inflation concerns rose during the first quarter, due to an accelerated economic growth trend, pent-up household spending demand and increased optimism with the rise in COVID-19 vaccinations. Despite the increased concern, several factors were expected to moderate inflation levels over the near-to-medium term. Building product, furniture and raw material costs were forecast to continue to rise over the near term, along with gasoline prices. Roughly half of the goods and services contained in the Consumer Price Index have risen by 2.0% or more year-over-year, as of February 2021. Generally, however, inflation pressure was relatively modest during the first couple of months of 2021 before increasing more sharply in March. Canada's Consumer Price Index (CPI) rose 1.1% in February, year-over-year, up 10 bps from the previous month. However, gasoline prices rose 5.0% year-over-year as of February up from 3.3% a month earlier. Removing energy price gains was moderate at 1.3%, 1.0% and 0.9% in January, February, and March, respectively. An increase in retail competition was expected to result in downward pricing pressure over the near term. Additionally, oil price gains were forecast to moderate later this year, which will reduce inflation levels. Lastly, ongoing international supply chain challenges were expected to dampen price growth over the next couple of years. Against a modest first-quarter price-growth backdrop, however, inflations rose significantly.

GLOBAL EQUITY MARKET STRENGTH PREVAILED

The global equity market performance strength over much of the past year prevailed during the first quarter. The MSCI ACWI climbed to a new record high in early April, bolstered by a 4.7% total return between the beginning of January and the end of March. The quarterly gain was generated despite a short-term pullback from mid-February through much of March 2021. Advances were recorded across much of the MSCI ACWI's sectors and regions. The S&P 500 registered a 6.2% total return in the first quarter. The index generated a 4.4% advance in March, due in large part to the approval of the $1.9 trillion American Rescue Plan and a relatively successful vaccine distribution program. Canada's S&P/TSX Index posted an impressive 8.1% total return in the first quarter. In short, global equity market performance continued to surprise to the upside during the first quarter, driven by forecast strengthening of the global economy and continued vaccine rollout.

INVESTMENT MARKET CONDITIONS HAVE STABILIZED

Canadian commercial property sector investment market conditions stabilized during the first quarter, against a backdrop of continued economic uncertainty due to various pandemic measures. Sales of investment property remained relatively healthy, despite markedly reduced activity in the retail and office sectors. Industrial and multi-suite residential rental properties remained popular with investors. Industrial cap rates continued to compress, while multi-suite averages were largely unchanged during the first quarter. In the office sector, cap rates have levelled having drifted higher due to reduced occupancy and work-from-home measures implemented across the country over much of the past year. Retail cap rates continued to decompress, as the struggles of both landlords and retailers persisted. Investors focused increasingly on the longer-term economic outlook when making investment decisions. Despite increased optimism, lower-risk properties within each of the major asset classes remained the most highly coveted investments. Looking ahead to the next several months, investment market conditions were expected to remain relatively stable. The positive impacts of the continued roll out of COVID-19 vaccines and government transfers to Canadian businesses and households was expected to boost both economic and investment market performance in the second half of 2021.

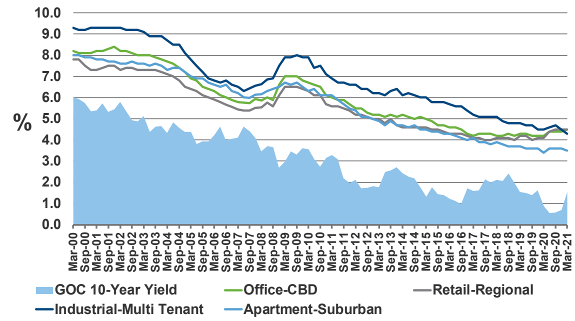
IT WAS ANOTHER BANNER QUARTER FOR INDUSTRIAL

Industrial investment property sales continued at a relatively robust pace during the first quarter. Slightly more than $1.3 billion in transaction volume was recorded for the Vancouver, Calgary, Toronto, Ottawa and Montreal markets combined during the three-month period with a minimum sale price of $10.0 million, according to Altus Group statistics. First-quarter 2021 sales volume exceeded the $1.1 billion and $900.0 million reported over the same time-period in 2019 and 2020, respectively. Investors have targeted industrial properties throughout the COVID-19 pandemic, given a solid sector outlook and healthy near-term performance record. Over the past year, a healthy supply of properties for acquisition have been made available by both investors and industrial users. The investment demand pressure of the past year has pushed property values to a peak for the cycle while cap rates have steadily compressed. Assets with expansion potential have consistently attracted buyers from a range of institutional and private capital groups. Over the balance of the year, industrial investment activity is expected to remain robust, maintaining the healthy pace reported during the first quarter.

INVESTMENT DEMAND STABILIZATION FORECAST

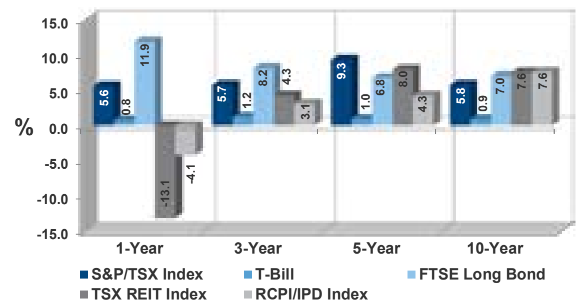
Commercial investment property market demand characteristics will mirror those of the recent past over the next six to 12 months. Investors are expected to continue to target industrial and multi-suite residential rental properties, given the relative strength of their fundamental outlooks. Industrial properties with stable tenant rosters, including e-commerce-related operators, will continue to attract strong interest. Multi-suite residential rental properties will generate aggressive bids from buyers looking to capitalize on the asset class's largely positive medium-to-long term performance forecast. The reopening of Canada's international borders either later this year or in 2022 and subsequent increase in international migration is expected to support stronger rental demand and upward pressure on occupancy and rents. Investors will acquire office properties selectively. Increased underwriting scrutiny of potential acquisitions will persist, given the sector's somewhat uncertain outlook. Lastly, investors will target grocery-anchored retail while other sub-categories of product will see reduced demand during a period of continued lockdowns and restrictions on in-person shopping. In short, investment demand characteristics forecast for the next six to 12 months will mirror those of the recent past.

Yield Spreads
Cap Rates vs. 10-Year GOC Bonds



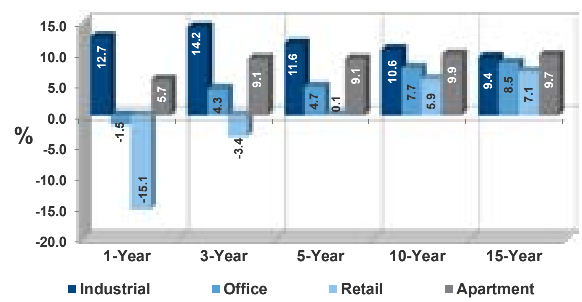
Source: AltusInSite, Bank of Canada

Relative Performance
Comparing Annualized Returns To Dec 2020



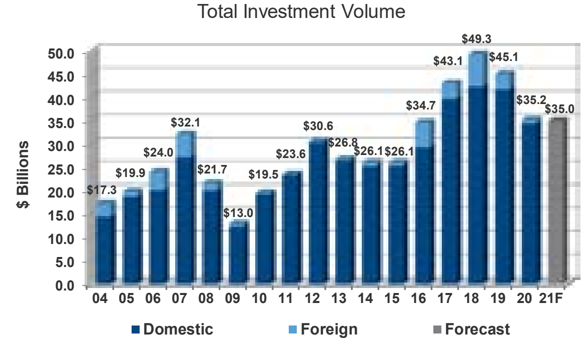
Source: © MSCI Real Estate; RBC CM; TSX Datalinx; SCM; PC Bond Analytics

IPD Returns
Annualized Returns By Property Type To Dec 2020

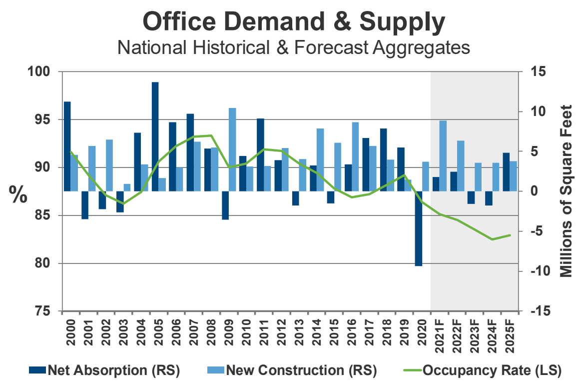


Source: © MSCI Real Estate

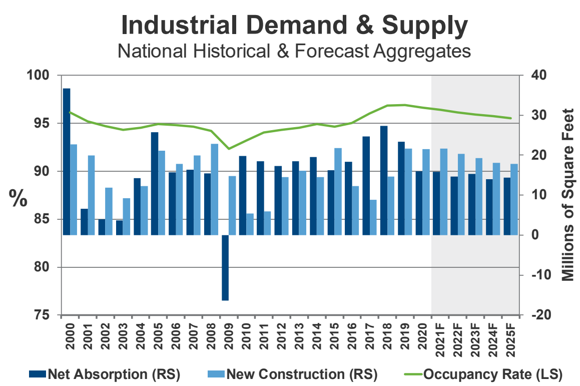
Investment Activity
Total Investment Volume



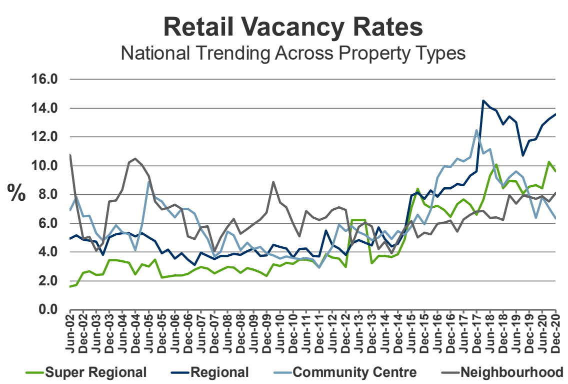
Source: CBRE Limited; Morguard



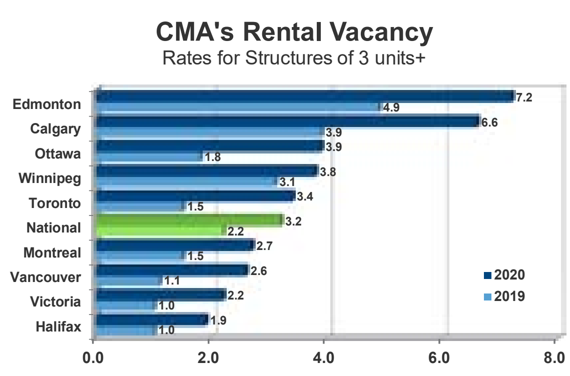
Source: CBRE Limited; CBRE Econometric Advisors



Source: CBRE Limited; CBRE Econometric Advisors



Source: © MSCI Real Estate



Source: CMHC (Jan 2021 release)

EROSION OF OFFICE LEASING FUNDAMENTALS CONTINUED

The erosion of Canadian office leasing market fundamentals continued during the first quarter, extending a prolonged period of decline dating back to the COVID-19 pandemic's initial phase more than a year ago. The national vacancy rate increased 120 bps over the three-month period to 14.6%, marking a high dating back to 2002. The downtown first-quarter average vacancy rate stood at 13.3%, representing a high dating back over 20 years while the suburban rate of 14.9% was a high mark dating back to 2017. While vacancy rates continued to climb across much of the country during the first quarter, office leasing demand remained weak. Expansion activity was minimal to start 2021, despite a measure of optimism with the increased volume of COVID-19 vaccinations reported across the nation. Office tenants continued to plan for the eventual economic reopening but largely held off on occupancy decisions. The weak demand trend was reflected in absorption patterns in most regions. Absorption totals have been markedly negative since the second quarter of 2020. Many landlords have continuously wrestled with weak demand and increased supply over the past year, resulting in downward pressure on rents. A spike in sublease availability has also been a challenge for owners and managers looking to lease vacant space. To a large extent, the degree to which employees return to the office will dictate leasing performance over the near term. Until the demand picture is clarified, leasing fundamentals were expected to continue to erode.

INDUSTRIAL LEASING ACTIVITY REMAINED BRISK

Industrial leasing activity remained brisk during the first quarter, maintaining the pace set in the second half of 2020. More than 10.0 million square feet of industrial space was absorbed in the country's major markets in the first three months of 2021, virtually matching the total recorded in the final quarter of 2020. Leasing demand outdistanced new supply, with 9.9 million square feet of new construction completed between September 2020 and the end of March 2021. Over the same six-month period, 20.8 million square feet of space was occupied by largely warehouse and distribution users. The brisk leasing pace of past three quarters was evidenced in the national availability trend. National industrial availability fell 40 bps to 2.9% in the first quarter and was down 60 bps since the midway mark of last year. Throughout the past year, industrial space has been in very short supply, despite the completion of 23.1 million feet of new construction during 2020 and a further 3.2 million square feet in the first quarter. The demand supply imbalance of the recent past resulted in continuous upward pressure on market rents, which rose to record high levels in most regions of the country. The rent growth helped drive property values to new benchmark highs and cap rates down. After a brisk start to 2021, industrial leasing activity was expected to remain strong through to at least the end of the year.

CHANGES IN MULTI-SUITE RESIDENTIAL RENTAL MARKET CONDITIONS WERE MODEST

There were modest changes in multi-suite residential rental market conditions reported during the first quarter. Vacancy continued to hold close to the pandemic highs recorded recently in most regions. Over the past year, vacancy levels had increased more sharply in the country's most expensive downtown areas with the absence of foreign students and increased competition from the secondary rental condo market. Generally, rental demand has been relatively weak since the COVID-19 outbreak in the spring of 2020. Labour market losses driven by the various pandemic lockdowns have continuously had a negative impact on rental demand. The combination of weaker demand and elevated vacancy resulted in downward pressure on rents. Landlords offered incentives to prospective renters while holding the line on rents. Generally, changes in rental market conditions were modest in the first quarter.

ECONOMIC RESILIENCE WAS EVIDENCED

Canada's economy exhibited a measure of resilience during the first quarter, despite a second virus wave and lockdowns in several regions. Canadian Gross Domestic Product (GDP) expanded by 0.7% in January while restrictions on retail and hospitality business activities remained in place. Canadian GDP grew 0.4% in February slightly better than the Statistics Canada forecast 0.5%. A rise of 0.9% was forecast for March. The January and February performances represented a strengthening of the economic recovery. However, GDP was still approximately 3.0% below the level reported in February 2020 as of the end of January 2021. The economic ground gained in January was largely in the goods-producing sector. The mining, quarrying and oil and gas sub-sector posted a 2.7% lift in output while the construction and manufacturing industry output gains were 1.4% and 1.9%, respectively. The services sector progress was more modest at 0.4%. Looking ahead to the balance of 2021, the main downside economic risk is the COVID-19 pandemic. By the end of the first quarter, British Columbia had instituted restrictions to curb the spread of infections driven increasingly by virus variants. The pace at which vaccinations find their way into Canadian arms was expected to dictate the strength of the economic recovery over the near term following a resilient first quarter.

LABOUR MARKET VOLATILITY REPORTED

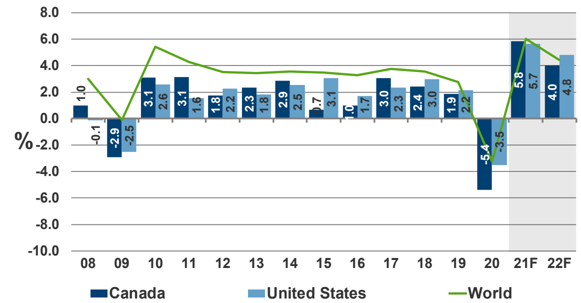
Volatility characterized Canada's first quarter labour market performance, in large part due to the ongoing effects of COVID-19 pandemic. During January, national employment fell 1.2% or roughly 213,000 driving employment down to a low point dating back to August 2020. Coincidentally, the national unemployment rate rose 60 bps to 9.4% and labour force participation rate fell to 64.7%, which represented a high and low dating back one year, respectively. The weak January results were more than reversed in the subsequent month. National employment increased 1.4% or roughly 259,000 in February, recouping most of the losses racked up over the previous two months. The February advance drove the unemployment rate down 120 bps to 8.2%, which was a low point dating back to March of last year. Additionally, the ranks of the long-term unemployed fell sharply following the record-high posted a month earlier. The strongest rebounds in employment levels in February were in Ontario and Quebec, both of which suffered significant declines in December and January. In March, employment was ratcheted higher by roughly 303,000 positions in a stronger-than-expected monthly performance. However, progress over the balance of the year will be highly dependent on the pace at which vaccines are distributed to the Canadian population and the potential for further lockdowns with the emergence of the pandemic's third wave.

HOUSING MARKET FRENZY CONTINUED TO UNFOLD

Canada's housing market frenzy continued to unfold during the first quarter, with pricing reaching new record highs and demand consistently outpacing supply by a significant margin. The national average existing home sale price was up 25.0% year-over-year as of February. Additionally, the volume of existing homes sold increased 43.0% year-over-year, according to Canadian Real Estate Association and TD Economics statistics. In March, sales volume and prices rocketed to new heights. The surge in activity levels and prices across much of the country over the recent past was driven by several factors. The combined impacts of very low mortgage rates, job security for higher paid workers, and consumer demand for more living space was a key driver of the recent surge in housing activity. By 2022, the combination of rising mortgage rates and consumer price-growth fatigue was expected to result in more moderate market conditions. Despite the forecast moderation, activity and pricing will remain well above the medium and long-term averages.

Economic Growth

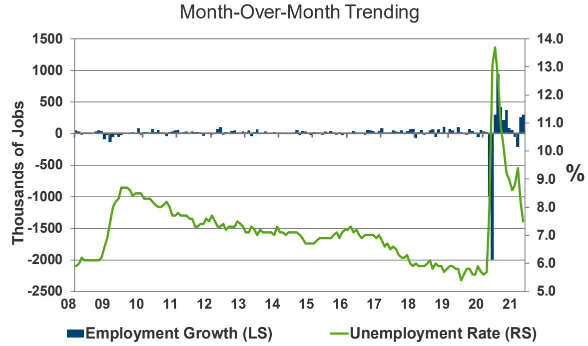
Real GDP Growth - Historical & Forecast



Source: Conference Board Of Canada (March 2021); International Monetary Fund (April 2021)

Labour Market

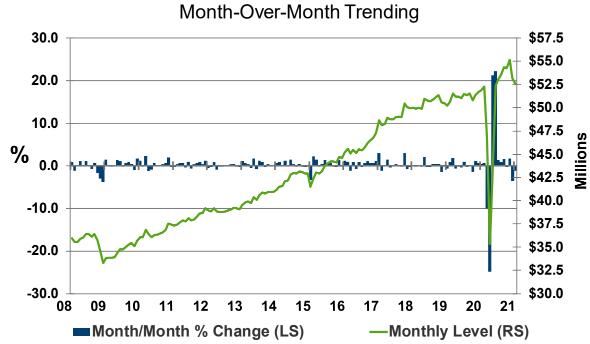
Month-Over-Month Trending



Source: Statistics Canada

Retail Sales

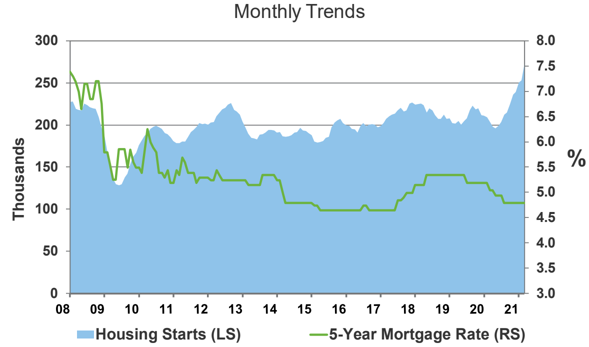
Month-Over-Month Trending



Source: Statistics Canada

Housing Market

Monthly Trends



Source: Statistics Canada, CMHC, Bank of Canada

INVESTMENT MARKET TRANSACTIONS

OFFICE

Property	Date	Price	SF	PSF	Purchaser	City
110 Yonge St (50% interest)	Mar-21	$58.0 M	160,541	$723	Sutter Hill Mgt. Corp.	Toronto
2 East Beaver Creek Rd	Mar-21	$19.2 M	78,588	$244	EL Regency Group	Toronto
1077 Great Northern Way*	Mar-21	$103.0 M	119,844	$859	Low Tide Properties/PCI	Vancouver
2220 Walkley Rd	Feb-21	$18.3 M	80,608	$226	Jennings Real Estate	Ottawa
55 & 105 Commerce Valley Dr W	Feb-21	$115.0 M	377,944	$304	Soneil Investments	Toronto

INDUSTRIAL

Property	Date	Price	SF	PSF	Purchaser	City
3055 Anderson St	Mar-21	$61.8 M	365,694	$169	Dream Industrial REIT	Montreal
100-110 Iron St	Mar-21	$125.3 M	523,360	$239	Triovest	Toronto
Northpoint Business Park	Feb-21	$108.0 M	845,856	$128	Crestpoint Real Estate	Edmonton
190 Bovaird Dr W	Feb-21	$39.3 M	210,000	$187	Desjardins Grp./Triovest	Toronto
3500 Douglas-B. Floreani St	Feb-21	$90.8 M	424,422	$214	Concert Properties	Montreal
401 Marie-Curie St	Jan-21	$114.2 M	527,391	$216	Dream Industrial REIT	Montreal
Groupe Mach Portfolio	Jan-21	$116.1 M	845,288	$137	Pure Industrial REIT	Montreal
777 Bayly St W	Jan-21	$68.0 M	342,830	$198	Summit REIT	Toronto

RETAIL

Property	Date	Price	SF	PSF	Purchaser	City
6399, 6415 & 6435 Victoria Dr	Mar-21	$42.5 M	45,257	$939	KAP Management	Vancouver
Bramrose Square	Mar-21	$45.8 M	186,312	$246	Starbank Developments	Toronto
2901 Sheppard Ave E	Mar-21	$24.2 M	26,470	$903	Starbank Developments	Toronto
410 @ Steeles	Feb-21	$61.3 M	261,581	$234	410@Steeles Inc.	Toronto
Parallel Marketplace*	Feb-21	$31.4 M	72,659	$432	Skyline Retail REIT	Vancouver
524 Queen St W	Feb-21	$14.5 M	15,600	$926	LightPoint Properties	Toronto
318 Queen St W	Jan-21	$13.4 M	10,100	$1,322	Memnon Management	Toronto

MULTI-SUITE RESIDENTIAL

Property	Date	Price	# Units	/Unit	Purchaser	City
Fairgreen Gardens	Mar-21	$22.5 M	168	$133,929	Oneka Land Company	Edmonton
42-46 Bedard St	Mar-21	$39.0 M	320	$121,180	Hazout Group	Gatineau
Starlight Oshawa/Ottawa	Mar-21	$92.0 M	329	$279,635	Centurion Apt. REIT	Osh./Ott.
Park Towers*	Feb-21	$50.0 M	83	$602,410	Starlight Investments	Vancouver
20 Tuxedo Crt	Feb-21	$64.0 M	210	$304,882	Q Residential	Toronto
425 Sicard St	Feb-21	$20.6 M	73	$281,716	Skyline Apartment REIT	Montreal
Le Montefiore	Jan-21	$34.0 M	94	$361,702	Centurion Apt. REIT	Montreal
41 Roehampton Ave (50%)	Jan-21	$150.8 M	466	$647,267	Woodbourne Capital	Toronto
Raamco GMA Portfolio	Jan-21	$300.0 M	2,242	$133,810	Banvest Inc.	Montreal
Vancouver Porfolio	Jan-21	$292.5 M	614	$476,384	InterRent/Crestpoint	Vancouver

* share sale

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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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 nearly $15 billion.

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