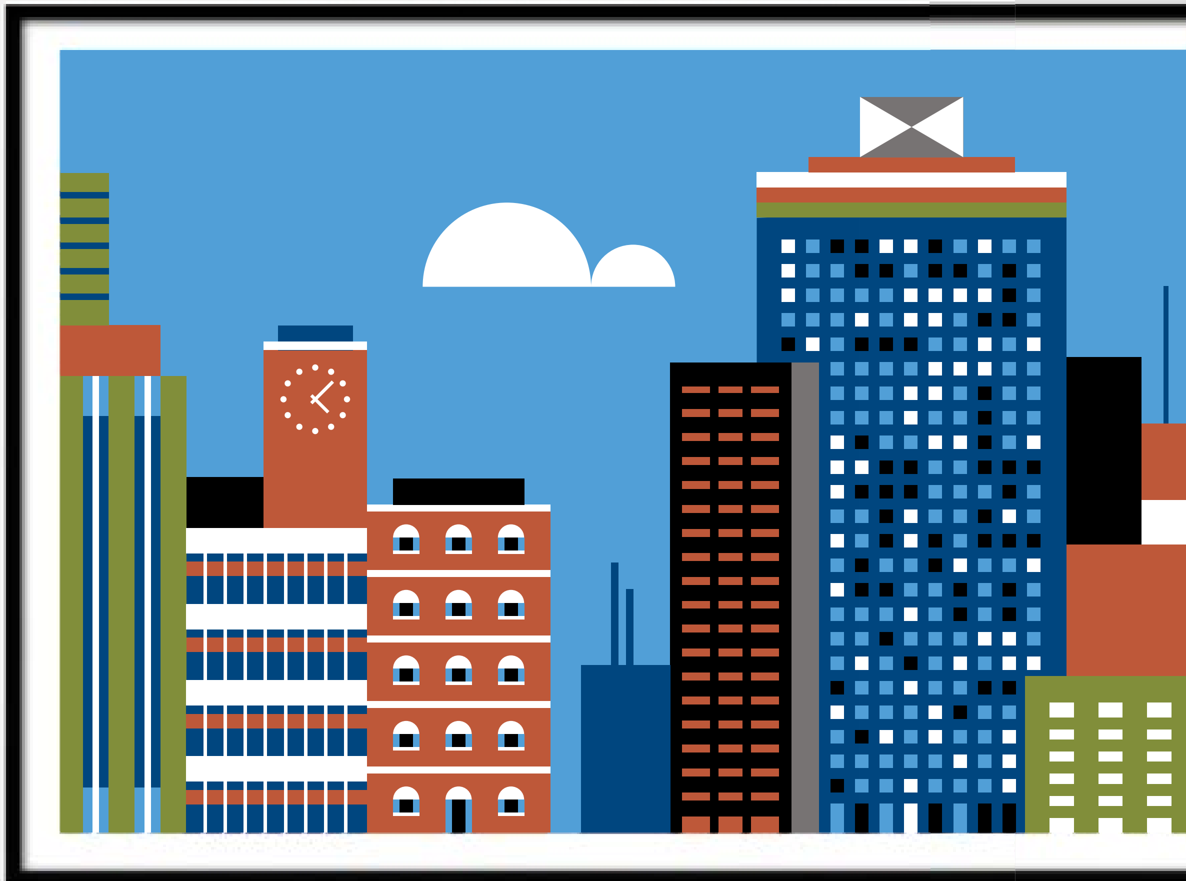
2021 U.S. ECONOMIC OUTLOOK

AND MULTI-SUITE RESIDENTIAL RENTAL MARKET FUNDAMENTALS

MID-YEAR UPDATE

MORGUARD



APPRECIABLE IMPROVEMENT

Morguard

NATIONAL

METROPOLITAN

ABOUT

KEITH
READING

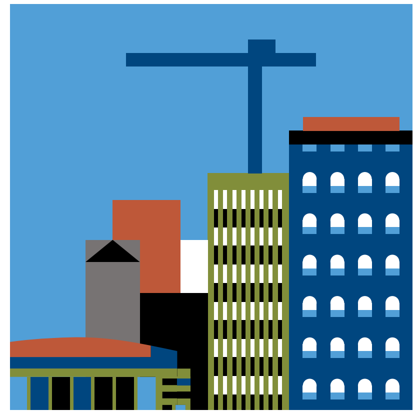
NATIONAL ECONOMIC AND MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

The U.S. economy continued to bounce back from the unprecedented pandemic-driven recession in 2021. Gross Domestic Product (GDP) was forecast to expand by roughly 7.0% this year. Beginning next year, growth will moderate, with the winding down of various government measures implemented to help households and businesses navigate the negative impacts of the pandemic.

NATIONAL

ECONOMIC REPORT

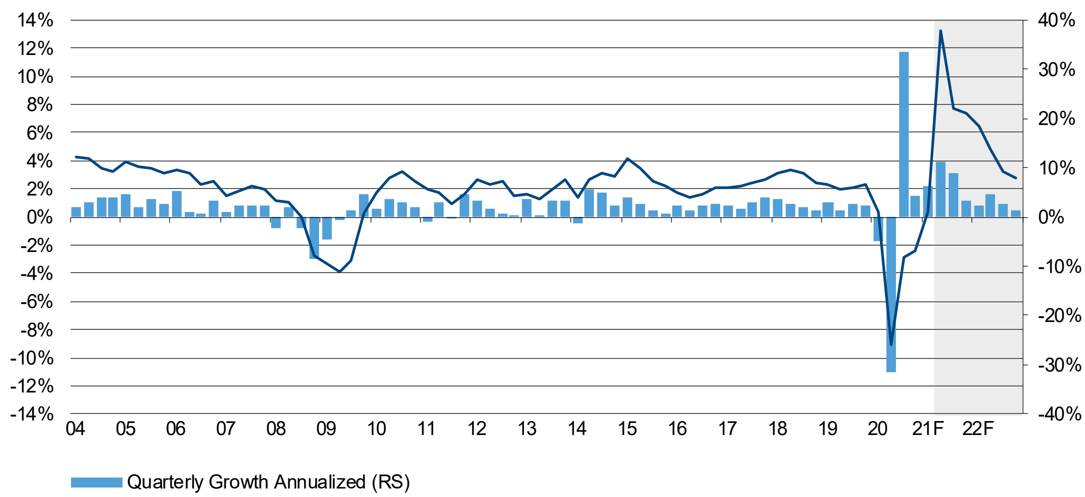
THE U.S. ECONOMY BOUNCED BACK



Robust economic growth was recorded during the first half of 2021, due primarily to an improved public health outlook, healthy household finances and increased business confidence. In the first few months of the year, increases in consumer spending, business investment and residential investment helped to recoup a significant share of the economic ground lost due to the pandemic.

U.S. REAL GDP GROWTH

% Change



Source: Oxford Economics (July 2021)

RECOVERY PHASE OF CYCLE FIRMED

The recovery phase of the U.S. economic cycle firmed during the first half of 2021, fuelled by the ongoing distribution of vaccines and loosening of pandemic restrictions. Economic activity picked up substantially during the late spring and summer, as businesses reopened and expanded operational capacity and consumer spending surged. A double digit Gross Domestic Product (GDP) advance was forecast for the summer of 2021, which represented the strongest growth spurt on record for the time period dating back to the mid-1980s. During the first six months of the year, economic growth was bolstered by double-digit increases in business investment, consumption, and residential investment. Labour market conditions strengthened with the uptick in economic activity during the first half of 2021, a period during which the recovery phase of the cycle firmed.

LABOUR MARKET IMPROVEMENT POSTED

Labour market conditions improved significantly in the first half of 2021, building on the second-half 2020 progress. Nonfarm payroll employment increased over the first six months of the year, due primarily to the continued distribution of vaccines and the reopening of the economy. Thus far, roughly 15.6 million jobs have been recovered of the losses racked up as a result of the pandemic, as of June 2021. During the second quarter, job growth started to strengthen in the nation's hardest sectors, leisure, and hospitality. However, national employment was down 6.8 million or 4.4% from the pre-pandemic level of February 2020. Despite dropping below the 6.0% threshold, the U.S. unemployment rate remained markedly higher than the pre-pandemic cycle low. By the early summer of 2021, an increased number of workers accepted job offers likely because wages and salaries had increased. Labour market conditions were expected to improve at a brisker pace in the second half of 2021, after solid gains were reported in the first half.

CONSUMER SPENDING SURGED

Consumer spending surged during the first two quarters of 2021, driven in part by wage and salary growth and pent-up demand. Government transfer payments to U.S. households supported healthy consumptions patterns as well. Economists were predicting double-digit sales growth for the second quarter, following an 11.4% advance over the previous period. Consumption surpassed the pre-pandemic level, driven in large part by the ongoing economic recovery and labour market growth. Sales were up 18.0% year-over-year as of June 2021, according to the Department of Commerce Department. Consumer spending was projected to surge in the second half of the year, building on healthy first-half gains.

Economic growth will strengthen in the second half of 2021, with another robust advance forecast for 2022.

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).

RECOVERY TO MODERATE OVER MEDIUM TERM

The U.S. economic recovery is forecast to moderate over the medium term, on the heels of a brisk near-term bounce back from the 2020 pandemic-driven recession. GDP is projected to expand by an annual average of approximately 2.0% through to the midway mark of the current decade. The moderate medium-term growth outlook is predicated on several factors. The winding down of fiscal and monetary policies will temper economic growth over the medium term. In turn, labour market progress will moderate. By 2023, the U.S. labour market will reach another peak and subsequently level off. However, labour market costs will remain close to the 30-year low, which will continue to support consumer spending and economic growth. Immigration policies will also support moderate increases in economic activity. Positive business and residential investment growth will continue to boost economic output, especially in high-growth markets. The moderate medium-term economic growth trend will unfold after a period of robust expansion.

The U.S. economy is projected to expand rapidly during the second half of 2021, after a year of generally positive results. Consumers are expected to shift their focus to services sector spending from the goods sector. As a result, the second-half economic growth rate will be the strongest on record in over 30 years. By 2023, the U.S. economic growth trend will moderate, after a period of above-average performance.

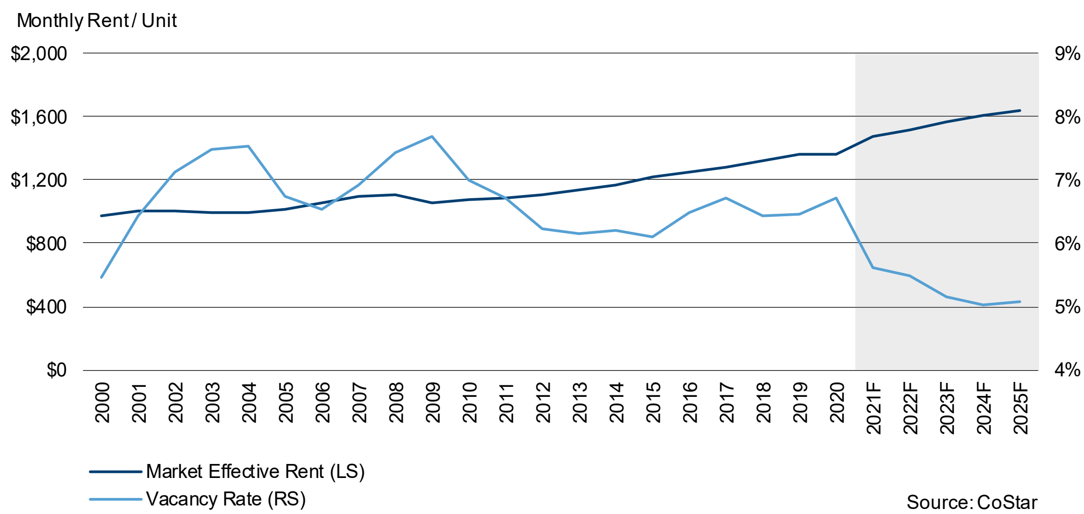
MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

RENTAL MARKET PROGRESS REPORTED

A material strengthening of multi-suite residential rental market fundamentals was reported during the first half of 2021. Economic recovery and an improved public health backdrop supported a sharp increase in rental demand, rent growth and substantial downward vacancy pressure. Healthier market fundamentals were evidenced in the downtown areas and suburbs of the country's major urban centres.

MULTI-RESIDENTIAL RENT & VACANCY

Historical & Forecast Aggregates



Source: CoStar

RENTAL DEMAND SURGED

Multi-suite residential rental market demand surged in the first half of 2021. Total net absorption of 380,000 units was reported over the first half by CoStar, surpassing annual totals for each of 2019 and 2020. First half absorption surpassed the 170,000 units introduced to the market, with completions slowing modestly during the period. Rental demand reached a record high in each of the first two quarters, with Sun Belt markets accounting for a large share of the units absorbed. Regions with high-growth economies attracted migrants, which fuelled the demand increase. Austin, Nashville, Raleigh, and Salt Lake City exhibited stronger-than-average rental demand patterns. Rental demand patterns improved in the downtown and suburban areas of most of the country's metros. The demand surge drove the national vacancy rate down to a 20-year low of 5.2% and rents materially higher.

RENT GROWTH TREND FIRMED

The U.S. multi-suite residential rent growth trend firmed during the first half of 2021, with rent increases reported in most regions. By the summer, CoStar reported the national average monthly rent had increased by 8.0% year-over-year, representing the strongest upward trend since 2015. Yardi Matrix reported a 6.3% rise over the same time-period. Rent increases were reported in both the urban and suburban nodes of most metros. At the same time, fewer landlords offered concessions to prospective tenants in most regions. Upward pressure on rents was reported in the country's more expensive downtowns. The combination of rent growth and government transfer payments bolstered the bottom lines of the nation's landlords. In the second half of 2021, rent growth was expected to moderate, having firmed during the first half.

SECTOR RECOVERY TO CONTINUE

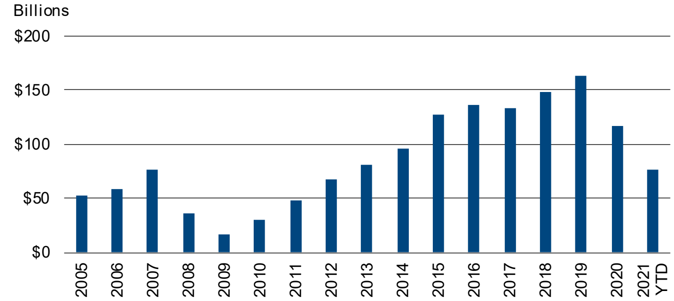
The multi-suite residential rental sector recovery will continue to unfold over the near term. Demand patterns will remain positive, driven by solid fundamentals including job growth, demographic trends, and the relaxation of pandemic restrictions. Market rents will slowly increase, having risen more sharply in the latter half of 2020 and first half of 2021. However, the potential for further eviction moratoriums in pandemic hot spots may offset rent growth in many regions. Rental market conditions will continue to tighten with vacancy falling to a new benchmark low. Construction completions are expected to ebb over the near term, which will support the supply-side tightening. In short, rental market recovery will continue to unfold over the near term, albeit at a relatively moderate pace.

INVESTMENT MARKET NORMALIZED

Multi-suite residential rental sector investment market characteristics normalized over the recent past. Investment activity returned to pre-pandemic levels in most regions. National sales volume neared the first-half 2019 peak. A total of $75.2 billion in property sales was reported by CoStar over the first six months of 2021. During this period, investors were most active in Sun Belt markets and high growth metros. Bidding for properties in these regions was competitive. Sales activity was below the pre-pandemic level in gateway metros, although signs of increased activity were observed. Property valuations have risen, in keeping with the pre-pandemic trend. Rent growth and rising valuations supported positive investment performance patterns during the first half of 2021, as the broader market continued to normalize.

INVESTMENT ACTIVITY

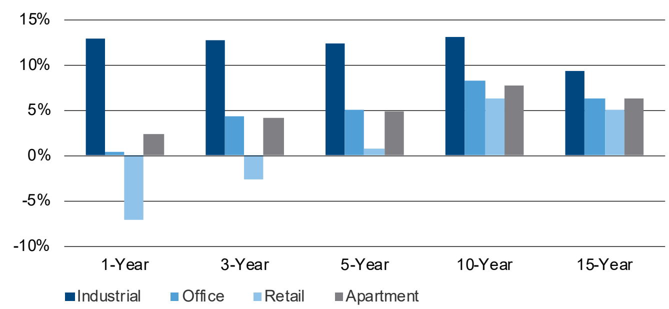
Multi-Suite Total U.S. Investment Volume to June 2021



Source: CoStar

U.S. MSCI RETURNS

Annualized Returns by Property Type to March 2021



Source: ©MSCI Real Estate 2021

Rental market demand reached a record-high level during the first half of 2021, which drove vacancy down to a 20-year low, pushed rents higher across the country, and supported increased investor confidence in the sector.

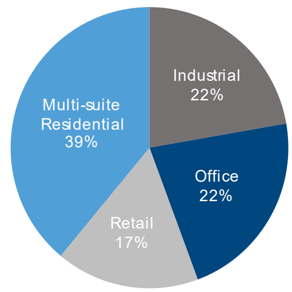
POSITIVE ACQUISITION MOMENTUM TO PERSIST

Positive acquisition momentum is forecast for the multi-suite residential rental investment property sector over the near term. Increasingly, investors will source properties in major markets with attractive yield attributes and secure income streams in a sector boasting a healthy fundamental outlook. Regions with above average economic growth trajectories, suitable demographic profiles, and large college presences will generate strong interest. Properties in markets with established and growing technology sectors will also attract both private and institutional capital. The nation's Sun Belt will continue to account for a significant share of sales, during a period of positive sector acquisition momentum.

Investment activity surged in the first half of 2021, with increases in sales recorded in high-growth and Sun Belt markets and much of the rest of the nation.

TOTAL SALES BY PRODUCT

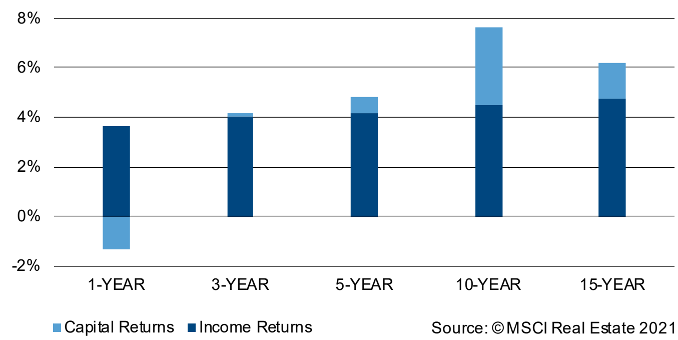
18 Months to June 2021



Source: CoStar

US MULTI-SUITE ANNUALIZED RETURNS

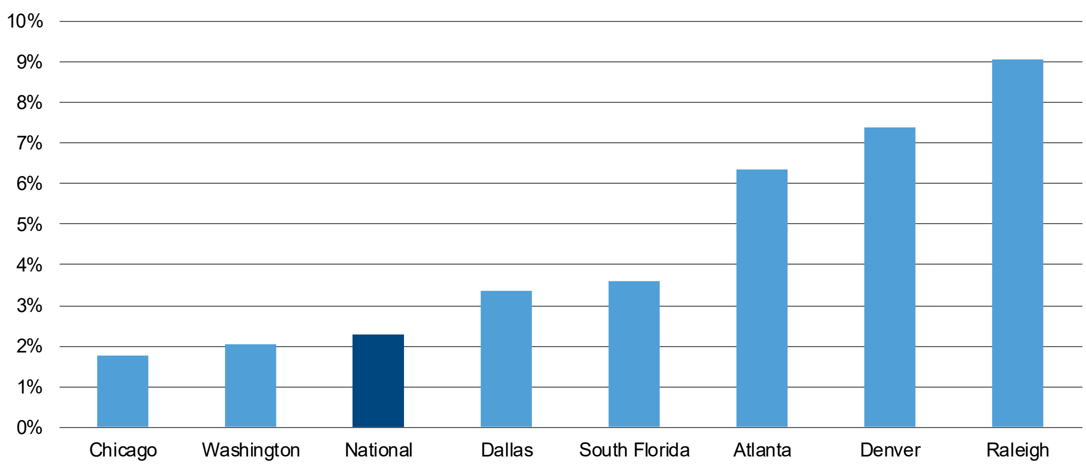
Performance For The Period Ending March 2021



Source: ©MSCI Real Estate 2021

MULTI-SUITE TOTAL RETURNS

For The 1-Year Period Ending March 2021



Source: © MSCI Real Estate 2021

INVESTMENT MARKET TRANSACTIONS

WASHINGTON DC

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
8100 Gibbs Way	Mar-21	$115.5M	478	$241,632	Cantor Fitzgerald
4400 Rena Rd	Mar-21	$76.0M	410	$185,366	Quantum Equities
3560 Malvern St	Mar-21	$132.0M	500	$264,000	Fairfield Residential
14600 McGraws Corner	Mar-21	$43.5M	140	$310,714	Capital Square Adv.
12105 Polo Dr	Jan-21	$134.1M	491	$273,117	DSF Group
20155 San Joaquin Ter	Jan-21	$158.5M	504	$314,484	Heitman

RALEIGH

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
6615 The Lakes Dr	May-21	$82.7M	600	$137,750	Bridge Investment Grp.
430 Allister Dr	Apr-21	$120.0M	434	$276,498	TA Realty
Taurus Portfolio	Feb-21	$104.0M	530	$196,266	Cortland Partners

ATLANTA

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
6405 Rex Lane	May-21	$82.1M	269	$305,000	Starlight Investments
1716 Terrell Mill Rd SE	Apr-21	$39.0M	266	$146,617	Spaxel
6500 Halcyon Way	Mar-21	$103.5M	300	$345,000	Walton Street Capital
396 Piedmont Ave NE	Mar-21	$54.0M	225	$240,000	Croatan Investments

PALM BEACH

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
570 Christina Dr	Mar-21	$72.0M	268	$268,657	Pantzer Properties
320 W Palmetto Park Rd	Mar-21	$81.1M	248	$326,815	Harbour Group Int'l
1990 Augustine Rd	Feb-21	$48.3M	179	$269,832	Raia Capital Mgt.
3501 S Federal Hwy	Jan-21	$143.0M	456	$313,596	The Dermot Company

CHICAGO

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
732 Bluff St	May-21	$87.8M	492	$178,354	Golub & Company
205 W Touhy Ave	May-21	$45.8M	115	$397,826	Trilogy Real Estate Grp
1111 South Ashland Ave	Jan-21	$98.0M	418	$234,450	Related Companies
2800 Pontiac Dr	Jan-21	$86.0M	464	$185,345	Hayman Company

NEW ORLEANS

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
1040 Saint Charles Ave	Jan-21	$23.3M	163	$142,638	Lincoln Avenue Capital

DALLAS

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
2061 Wittington Pl	Apr-21	$110.0M	636	$172,956	UDR Inc.
Brookfield Porfolio	Apr-21	$100.0M	545	$183,486	S2 Capital LLC
256 E Corporate Dr	Feb-21	$53.4M	372	$143,548	Western Wealth Capital

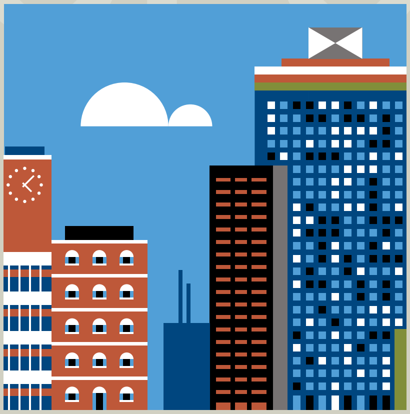
DENVER

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
2602 S Anaheim St	Jun-21	$134.0M	424	$316,038	29th Street Capital
11700 E 26th Ave	May-21	$94.8M	280	$338,576	Equity Residential
1200 Grant St	Apr-21	$84.3M	197	$427,665	Cortland Partners
2080 California St	Apr-21	$130.0M	354	$367,232	The Blackstone Group
7333 W 38th Ave	Mar-21	$64.4M	165	$390,424	Treeline Multifamily
2890 Brighton Blvd	Mar-21	$83.9M	241	$347,925	The Laramar Group
6440 S Syracuse Way	Jan-21	$47.8M	149	$320,638	Sunroad Holding Corp.
5458 Lee St	Jan-21	$101.6M	296	$343,176	Praedium Group
10500 Irma Dr	Jan-21	$100.5M	352	$285,511	Gelt Inc.
5650 N Argonne St	Jan-21	$100.4M	324	$310,000	Cortland Partners

Transaction volume reached successive record quarterly highs in the first and second quarters of 2021.

METROPOLITAN ECONOMIC AND MULTI-SUITE RESIDENTIAL RENTAL OUTLOOK

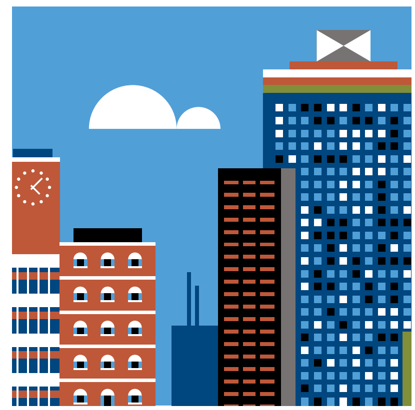
METROPOLITAN



WASHINGTON, DC

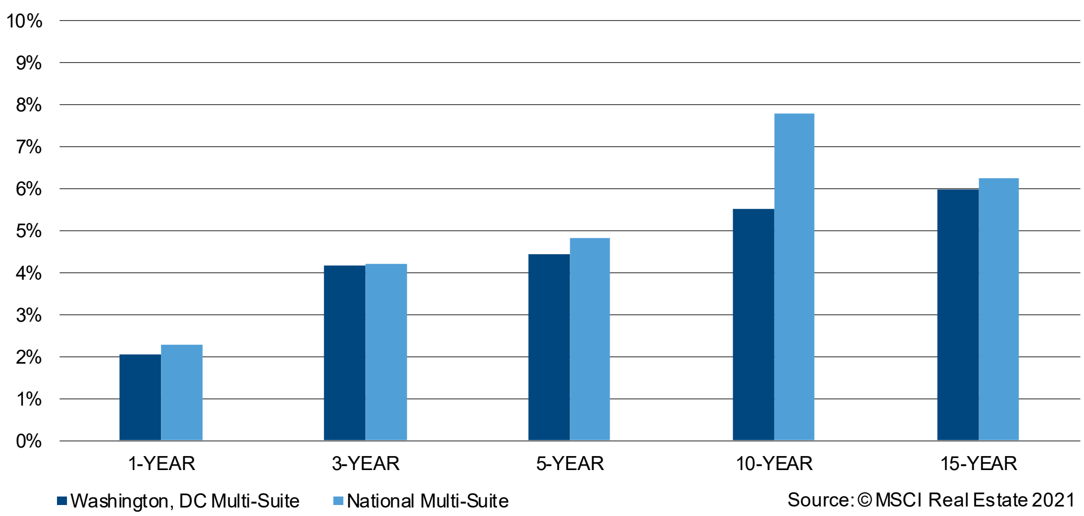
GRADUAL RECOVERY FORECAST

The Washington-Arlington-Alexandria (WAA) metropolitan statistical area's economy was forecast to gradually strengthen over the near term, after an initial surge this year. The regional economy was projected to expand by 7.0% in 2021 and a more modest 4.2% in 2022, according to Oxford Economics June 2021 forecast. Employment was expected to advance by an annual average of roughly 3.5% over the same two-year period.



HISTORICAL PERFORMANCE

For the period ending March 2021



Source: © MSCI Real Estate 2021

WAA employment was projected to return to pre-pandemic levels by the summer of 2022. Economic growth was expected to fuel employment growth of 2.6% and 4.1% in 2021 and 2022, respectively. Previously, roughly 175,000 jobs were wiped out across the region in 2020. The tourism, retail and hospitality industries were hardest hit, due to shelter-in-place measures. The return of college students will help support the region's near-term job market recovery.

Retail sales growth will moderate over the medium term, having spiked over the past year. Several factors were cited as key drivers of retail sales growth over the next few years. The American Rescue Plan will support increased household spending across the region. Roughly $2.3 billion in funds have been allocated to the District of Columbia. The anticipated return of students in the fall of 2021 will be a driver of increased spending over the near term.

RENTAL MARKET CONDITIONS TO SLOWLY IMPROVE

WAA rental market conditions will slowly improve over the near term, having weakened substantially during the pandemic. Rental demand is expected to strengthen with the return of workers to the downtown area and college students in the fall. The continued distribution of vaccines and relaxing of pandemic restrictions in the late spring and summer of 2021 will support positive rental demand patterns. At the same time, a new cycle of growth is expected to have commenced, following a period of modest recovery pace in 2020. However, vacancy levels were forecast to edge higher over the near term, against a healthier demand backdrop. An uptick in new construction completions was forecast for 2021, resulting in upward pressure on vacancy. Roughly 15,000 new units were scheduled for completion, up from 14,000 last year. Units under construction reached a 10-year high, as of spring 2021. With supply expected to outpace demand, near-term rent growth is unlikely. Landlords with excess vacancy were expected to continue to offer incentives to prospective tenants in a market where conditions are projected to gradually strengthen.

INVESTMENT PERFORMANCE SOFTENED

WAA multi-suite residential rental sector investment performance softened over the recent past. A modest 2.0% total return was reported for properties tracked in the MSCI Index for the year ending March 31, 2021. The buildings tracked posted a 1.8% capital decline for the period while income growth trended downward. The total return represented a 10-year low. Investment performance was expected to stabilize over the near term. As rental market conditions continue to improve, market performance is expected to strengthen over the medium term.

POSITIVE BUYING MOMENTUM FORECAST

Positive buying momentum is forecast for the WAA region over the near term, building on the surge in activity reported in late 2020. A range of local, regional, national, and global investors continued to look to the region as a source of stable and attractive yields. Sales activity slowed during the pandemic, but only for a relatively short period of time. In the second half of 2020, sales activity picked up, with over $4 billion in sales tallied. Roughly $2.7 billion was reported in the final quarter of 2020, which was one of the highest totals of the past decade. The sales momentum continued into 2021, the largest portion of which was focused in Virginia. Investment sales activity was expected to increase over the near term, in keeping with the national trend.

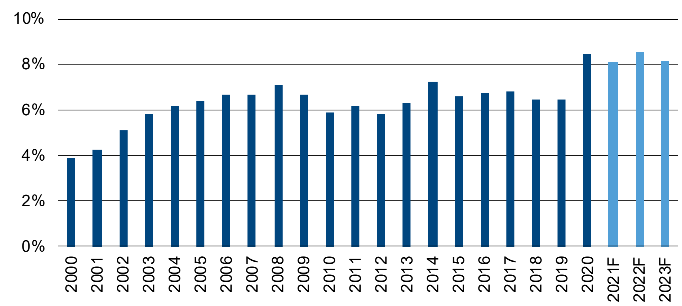
TRENDING STATISTICS

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).

AVERAGE RENTAL VACANCY

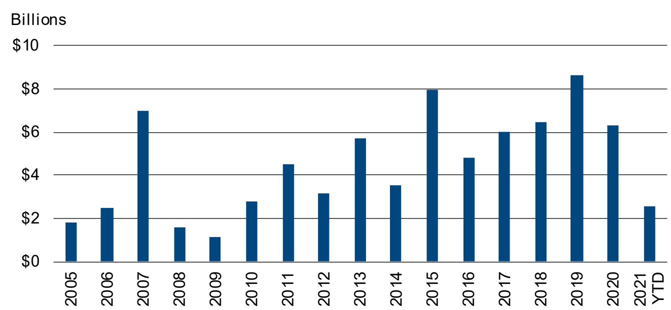
Washington, D.C. Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Washington, D.C. Multi-Suite Investment Volume to June 2021



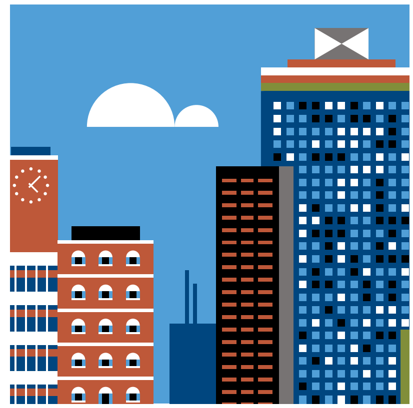
Source: CoStar

A gradual recovery is forecast for the Washington area multi-suite residential rental sector over the medium term, which will support increased investment.

RALEIGH, NC

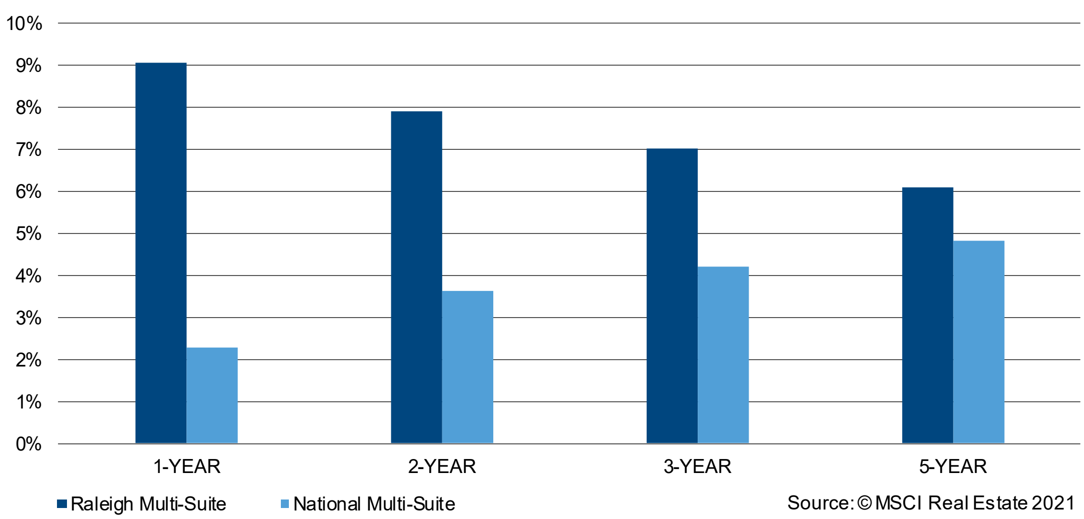
ABOVE-AVERAGE GROWTH PREDICTED

An above-average growth trend is predicted for the Raleigh MSA economy over the near term. The region's Gross Domestic Product (GDP) was forecast to rise 9.1% in 2021, followed by a more moderate advance of 5.2% over the following year. The economic performance will push employment 4.7% higher for 2021 and 3.14% higher in 2022. The region is expected to reaffirm its position as one of the country's growth leaders.



HISTORICAL PERFORMANCE

For the period ending March 2021



Raleigh's job market recovery was well underway by the midway mark of 2021. More than 70% of the jobs lost due to the pandemic had been recouped by the end of March, well above the national recovery rate. Oxford Economics predicted all jobs in Raleigh lost due to the pandemic would be recovered by the end of 2021. The region was expected to continue to draw migrants from larger northeast metros looking to work in the technology and professional services sectors.

Retail sales growth was expected to moderate over the medium term, after a strong 2021 performance. The relaxing of pandemic restrictions in the second half of the year will kick off a period of increased spending over the next few years. Raleigh is made up of a significant number of middle and upper-middle income households, which coupled with relatively low housing costs, will support continued increases in consumption levels over the near-to-medium-term.

RENTAL MARKET RESILIENCE TO PERSIST

Raleigh's multi-suite residential rental market will continue to exhibit a measure of resilience over the near term. Demand for rental accommodation will remain stable and healthy through the balance of this year and into 2022. The demand outlook is predicated on continued job growth and the return of college students to the region's campuses. Generally positive demand patterns will translate into positive vacancy trends. The region's average vacancy rate will range close to the 5.5% mark in 2021 and 2022. Previously, vacancy had eclipsed the 8.0% mark, as demand slowed during the height of the pandemic in 2020. Downtown vacancy spiked in 2020, as renters chose larger units in less dense suburban locales. As a result, suburban vacancy will continue to rest well below the regional average over the near term. However, on balance, vacancy patterns will remain healthy through to the end of 2021 and 2022, as a reflection of the market's forecast resilience.

RECENT INVESTMENT PERFORMANCE TREND TO CONTINUE

The recent Raleigh MSA multi-suite residential rental sector investment performance trend will continue over the near term. Property values are forecast to gradually rise, given a healthy sector outlook. Additionally, rental market conditions are expected to improve, which will support positive income growth patterns for owners. Consequently, the sector will likely generate attractive returns. Previously, properties tracked in the MSCI Index registered a 9.1% annual average return for the year ending March 31, 2021. Therefore, it is reasonable to believe, given a largely positive sector outlook, that investment performance will be attractive over the near term.

POSITIVE FUNDAMENTALS FORECAST

Largely positive investment market fundamentals are forecast for Raleigh's multi-suite residential sector over the near term. Investment sales volume will continue to rebound and return to the medium-term average annual level over the balance of 2021 and in 2022. Institutional and private groups will look to acquire properties in one of the nation's leading growth regions, which boasts strong demographic, economic and rental market fundamentals. Over the next 12 to 18 months, investment demand will at a minimum push property values moderately higher, with buyers looking to capitalize on rent growth. Therefore, cap rates will compress to some degree. In turn, owners of properties in this market will experience stable-to-rising income streams, during a period of largely positive investment fundamentals over the near term.

TRENDING STATISTICS

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

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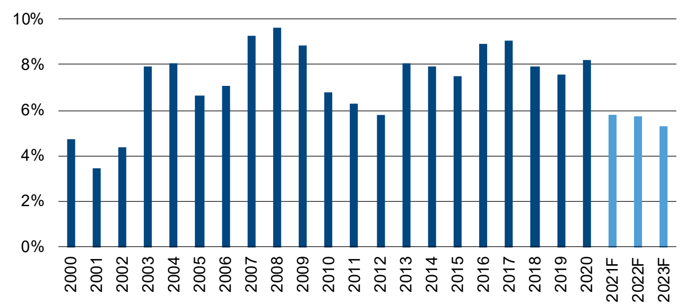
AVERAGE RENTAL VACANCY

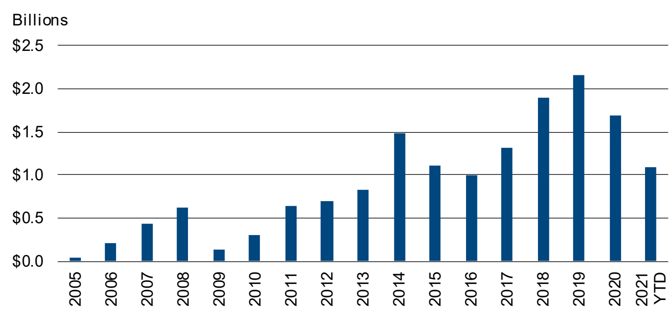
Raleigh Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Raleigh Multi-Suite Investment Volume to June 2021



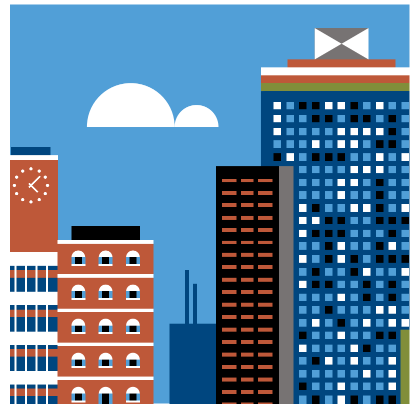
Source: CoStar

Healthy rental market fundamentals and attractive yields will continue to support investor confidence and sales activity over the near term.

ATLANTA, GA

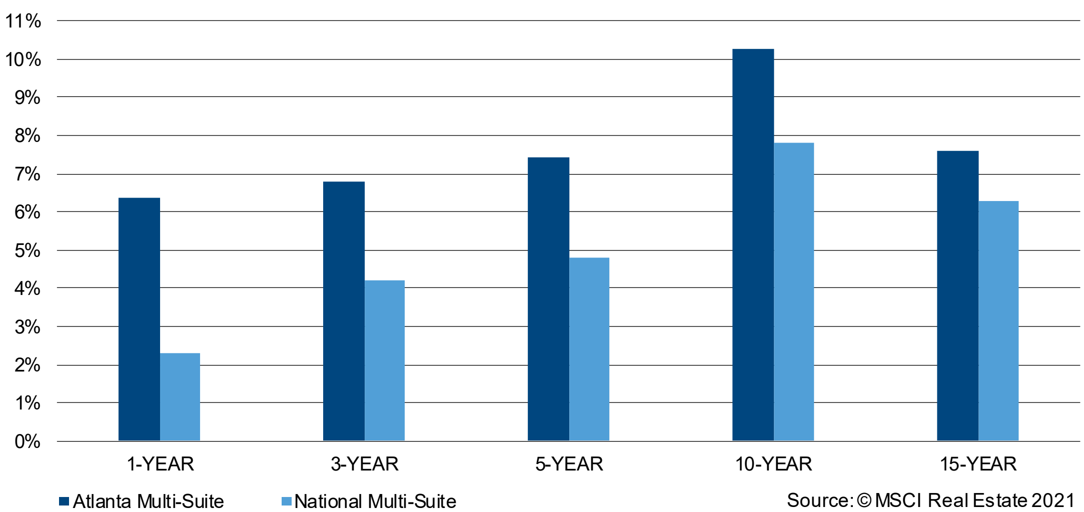
STEADY GROWTH TREND PREDICTED

The Atlanta-Sandy Springs-Roswell (ASSR) MSA economy is forecast to steadily improve over the next few years, in recouping lost ground due to the pandemic. GDP will surge by more than 8.0% in 2021, followed up with more modest but healthy 4.6% advance in 2022. Economic growth will support a 3.3% and 3.6% rise in employment for 2021 and 2022, respectively, after a 4.7% pandemic-driven decline in 2020.



HISTORICAL PERFORMANCE

For the period ending March 2021



ASSR labour market conditions will strengthen over the near term, following the unprecedented losses due to the pandemic lockdowns last year. Employment is projected to rise 3.3% this year, with a healthier 3.6% gain forecast for 2022. By the end of 2022, the region's unemployment rate will have dropped to 3.3%, down from 6.9% posted at the end of 2020. The strengthening of the region's labour market will be driven in part by above-average growth in white-collar sectors including information and business services.

Retail sales growth is forecast to moderate over the near term, in keeping with the national trend. Despite the moderation, growth will outpace the national and regional averages. Population and job growth will continue to boost spending across the MSA over the next couple of years, after an initial surge with loosening of pandemic restrictions. Personal disposable income will increase by an annual average of roughly 4.7% in 2020 and 2021, which will help drive spending. Sales growth, however, will moderate over the medium term.

RENTAL MARKET WILL OUTPERFORM

The ASSR multi-suite residential rental market will continue to outperform, continuing the trend that unfolded in the second half of 2020. Rental demand will remain robust, having bounced back quickly from the relatively brief first-half 2020 drop off. Strong household formation and migration patterns will boost rental demand while the region's large renter-by-necessity population will help stabilize the market. Demand patterns will also be supported by the return of college students, including recent graduates to the region looking to rent accommodation. Healthy rental demand patterns will drive vacancy levels progressively lower over the next few years. The overall average ASSR vacancy rate is projected to drop below the 6.0% mark by the end of 2021. Previously, a vacancy rate of 8.0% or higher was reported consistently between 2014 and 2020. Tighter market conditions forecast over the next few years will push market rents higher, a trend that will moderate at some point in 2022. The positive rent growth outlook is in keeping with the market's broader forecast.

SOLID INVESTMENT PERFORMANCE TREND TO PREVAIL

The ASSR multi-suite residential rental sector will continue to generate solid investment performance patterns over the near term. The performance outlook is predicated on continued rent growth and stable-to-rising property values. Recently, properties tracked in the MSCI Index posted an average annual total return of 6.4%, for the year ending March 31, 2021. This performance pattern will continue over the near term, given a largely positive fundamental outlook.

INVESTOR CONFIDENCE TO REMAIN HIGH

Investor confidence levels in the ASSR multi-suite residential rental sector will remain high over the near term. Institutional and private groups will look to the region for buying opportunities, due to the sector's stable and healthy performance outlook. Out-of-state and national groups will continue to drive sales, as was the case in the second half of 2020 and early 2021. Activity levels surged in the latter half of 2020 and first half of 2021, having slowed during the early phase of the pandemic. CoStar report record-high sales volume of $2.3 billion in the first quarter of 2021. Subsequently, approximately $2.0 billion in sales volume was recorded for April and May combined. With the prospect of continued rent growth and an above-average fundamental outlook investors are expected to continue to comb the region for properties to acquire over the near term.

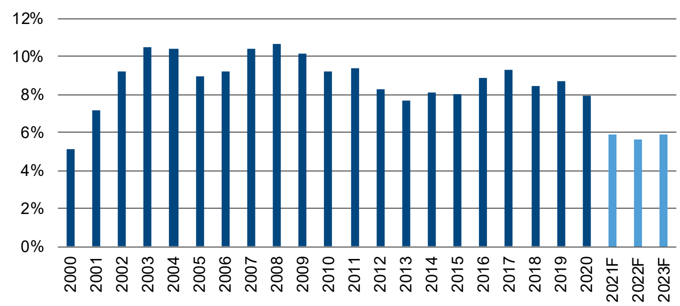
TRENDING STATISTICS

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).

AVERAGE RENTAL VACANCY

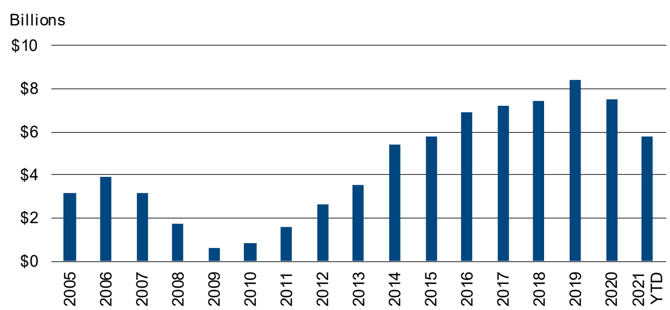
Atlanta Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Atlanta Multi-Suite Investment Volume to June 2021

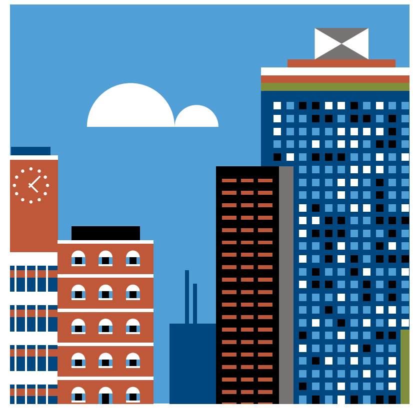


Source: CoStar

The Atlanta-Sandy Springs-Roswell multi-suite residential rental sector will continue to strengthen over the near term, in keeping with the national trend.

PALM BEACH, FL

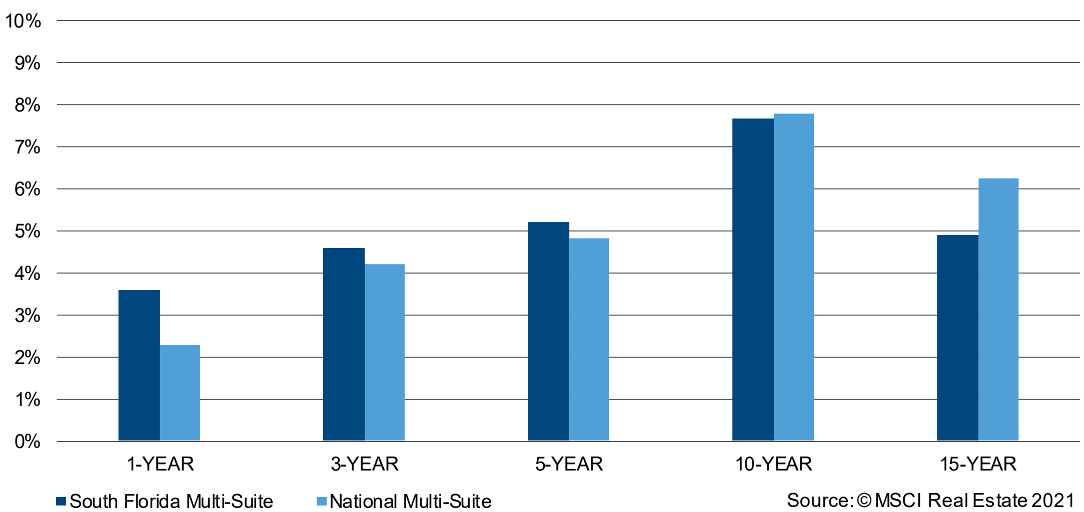
MODERATE RECOVERY PACE FORECAST



The Palm Beach MSA's economy will recover at a relatively moderate pace, compared to other medium and large metros. GDP will expand by 8.1% in 2021 and 4.9% in 2022, followed by an average annual growth rate of 1.5% over the subsequent three-year period according to a recent Oxford Economics' June forecast. Growth will, however, be sufficient to boost employment levels by 3.2% this year and a healthy 4.6% in 2022, a trend that will moderate substantially over the rest of the forecast horizon.

HISTORICAL PERFORMANCE

For the period ending March 2021



Healthier labour market characteristics are forecast for the Palm Beach MSA over the near term, driven by a combination of increased economic output with the relaxation of pandemic restrictions. Solid job growth totals are predicted for 2021 and the following year, which will drive the region's unemployment rate down to 3.9% by the end of 2022. The Bureau of Labour Statistics reported Palm Beach County employment was down 35,000 jobs from the pandemic low as of April 2021. However, these will be recovered over the near term.

Retail sales growth will mirror the national trend over the near term, before slowing toward the midway mark of the current decade. High net worth tourists and part-time residents will drive discretionary spending. Economic and job growth will also help boost consumption. Population growth and household formation are expected to drive retail consumption over the next few years. However, over the medium term, spending growth will slow, in keeping with the national trend.

POSITIVE RENTAL MARKET MOMENTUM TO CONTINUE

Positive momentum will continue to characterize the Palm Beach MSA rental market over the near term, in keeping with the trend of the recent past. Healthy and stable rental demand patterns will prevail, having surged during the latter half of 2020 and first half of this year. Rental demand will be buoyed by the region's relatively deep pool of low and middle-income households, many of whom have been effectively priced out of the housing market. Positive demand patterns will ensure vacancy levels remain below the region's 10-year average of just over 7.0%, according to CoStar. Vacancy is forecast to stabilize over the near term, having dropped 200 bps year-over-year as of the early spring of 2021. An uptick in new supply completions will offset the downward vacancy pressure, however, over the next few years. A total of more than 3,500 new rental units were under construction across the region in the late spring of 2021. Rental demand will drive market rents moderately higher. The upward rent trajectory will be a byproduct of the market's broader positive momentum forecast over the near term.

MODERATELY STRONGER PERFORMANCE FORECAST

A moderately stronger investment performance trend is forecast for the Palm Beach MSA's multi-suite residential rental sector over the next several quarters. The strengthening is predicated on forecast rent growth and healthier overall market fundamentals. As a result, sector returns should rise above the 3.6% total annual average reported in the MSCI Index for the year ending March 31, 2021. Over the near term, property values will stabilize, which along with continued rent growth will generate moderately stronger overal sector performance.

INVESTMENT ACTIVITY TO NORMALIZE

Palm Beach multi-suite residential rental sector investment market activity will continue to normalize over the near term, having stalled during the early phase of the pandemic. Investors will confidently look to acquire properties in a market with solid fundamentals and attractive return characteristics. Assuming product availability, transaction volume will steadily rise beyond the long-term average. Increased demand will support benchmark low cap rates, especially for recently built properties in prime locations. Some investors will look to acquire properties with value-add attributes to meet their needs. Institutional groups will acquire larger scale properties, in support of the normalization of investment activity over the near term.

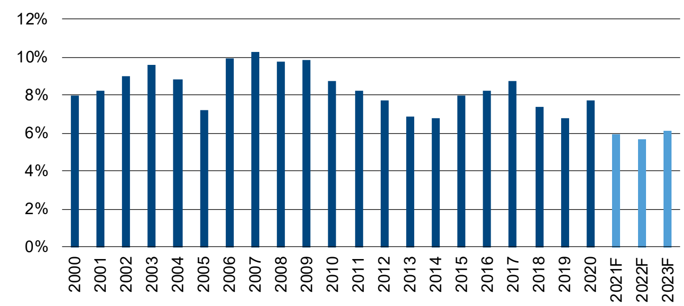
TRENDING STATISTICS

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).

AVERAGE RENTAL VACANCY

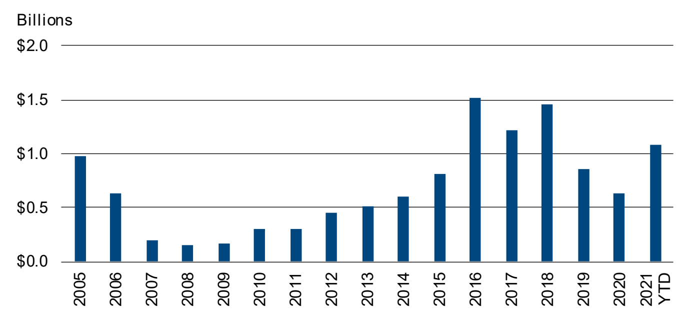
Palm Beach Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Palm Beach Multi-Suite Investment Volume to June 2021



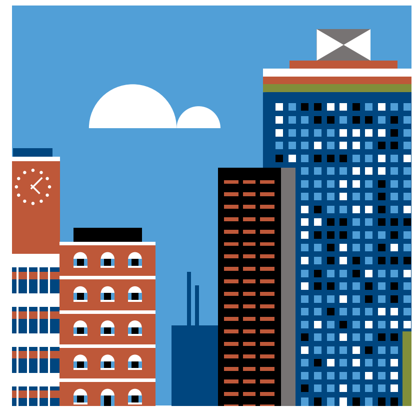
Source: CoStar

Moderately healthier rental market conditions predicted over the near term will support positive investment performance characteristics.

CHICAGO, IL

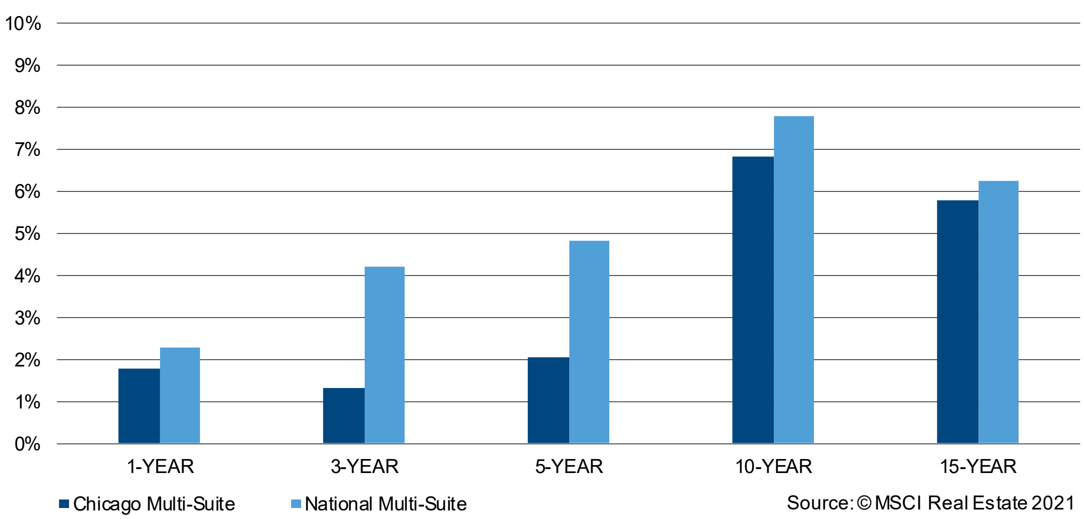
RELATIVELY LONG RECOVERY EXPECTED

The Chicago-Naperville-Elgin (CNE) MSA's economic recovery will be relatively long compared with other major urban regions. To a large extent, the underperformance is a function of the longer term weakening of the region's economic fundamentals, rather than solely the negative impact of the pandemic. The region had recouped 42.0% of jobs lost during the pandemic, 10.0% below the national average recovery rate.



HISTORICAL PERFORMANCE

For the period ending March 2021



The CNE MSA job market will take several years to fully recover from both the negative impacts of the pandemic and weakened longer term economic fundamentals. The recovery will last until the midway mark of the current decade, according to Oxford Economics. Employment will rise a modest 2.4% this year followed by a more robust 4.4% lift in 2022. Between 2023 and 2025 job growth will slow to a crawl, which will prolong the region's job market recovery.

Retail sales growth is forecast to lag behind the national average rate over the next few years. The underperformance is a byproduct of demographic trends and the region's relatively high sales tax rate. A declining population horizon will present significant downside consumption risk. The slower-than-average labour market recovery is expected to have a negative impact on sales growth, which will generally lag behind the national average for several years.

RENTAL MARKET FUNDAMENTALS TO STRENGTHEN

CNE multi-suite residential rental market fundamentals will continue to strengthen over the near term. The strengthening will be driven largely by relatively robust demand characteristics. Demand surged during the first half of 2021, having slowed substantially during the onset of the pandemic and much of 2020. An improved economic and labour market outlook over the next few years will support continuously stable and healthy demand. Positive rental demand patterns will result in the relatively rapid absorption of vacant units across the region and drive vacancy rates progressively lower. In 2021, vacancy will edge slightly higher, due to an uptick in new building completions. Subsequently, construction completion volume will decline below the five-year average rate resulting in tighter rental market conditions. The combination of healthy demand characteristics and tighter conditions will result in higher rents. Averages will rise in all market segments, which will boost landlord incomes. The forecast rental market strengthening over the forecast period will bolster the income streams of most property owners.

INVESTMENT PERFORMANCE SHOULD IMPROVE

CNE multi-suite residential rental sector investment performance should improve over the near term. The forecast is predicated on forecast rent growth and upward pressure on property values. Landlord income was eroded over the recent past, as vacancy levels increased during the pandemic. However, rental demand increased substantially during the first half of 2021 and rents began to rise. This market dynamic is expected to persist over the next couple of years, assuming the forecast economic recovery unfolds. The combination of stronger sector fundamentals and stable-to-rising property values will support improved investment performance over the near term.

INVESTMENT SALES TO INCREASE

Investment sales activity will increase during the second half of 2021 and in 2022. Rising rents and healthier fundamentals will draw investors to the region in greater numbers in search of attractive yield opportunities. Value-add and suburban properties will continue to generate strong interest. Eventually, downtown sales will pick up as rental market fundamentals continue to strengthen. Investors will continue to exhibit some hesitancy in acquiring properties in this market, given expected tax increases. However, a range of private and institutional investors will acquire properties to capitalize on improving sector fundamentals, resulting in increased activity.

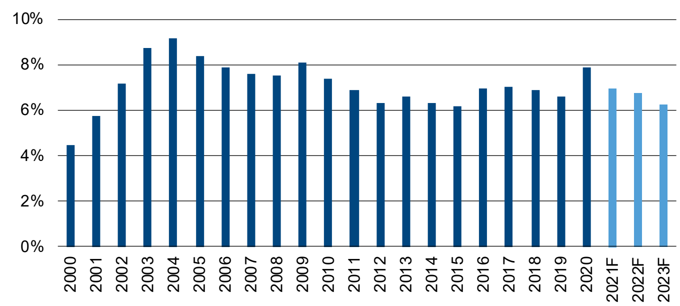
TRENDING STATISTICS

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).

AVERAGE RENTAL VACANCY

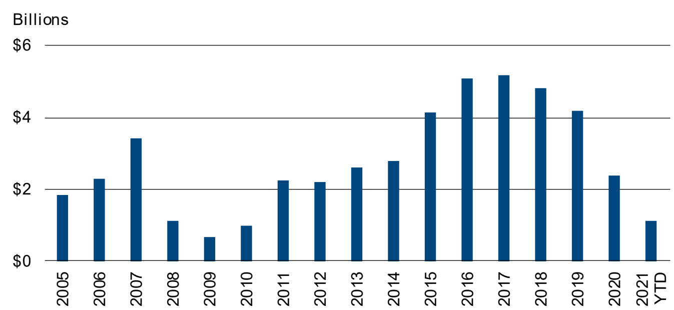
Chicago Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Chicago Multi-Suite Investment Volume to June 2021

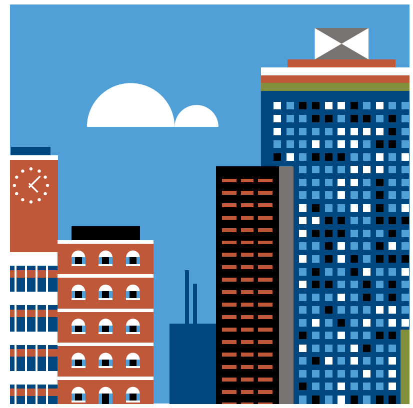


Source: CoStar

Market fundamentals will continue to strengthen over the next couple of years, which will support increased investment activity and rent growth.

NEW ORLEANS, LA

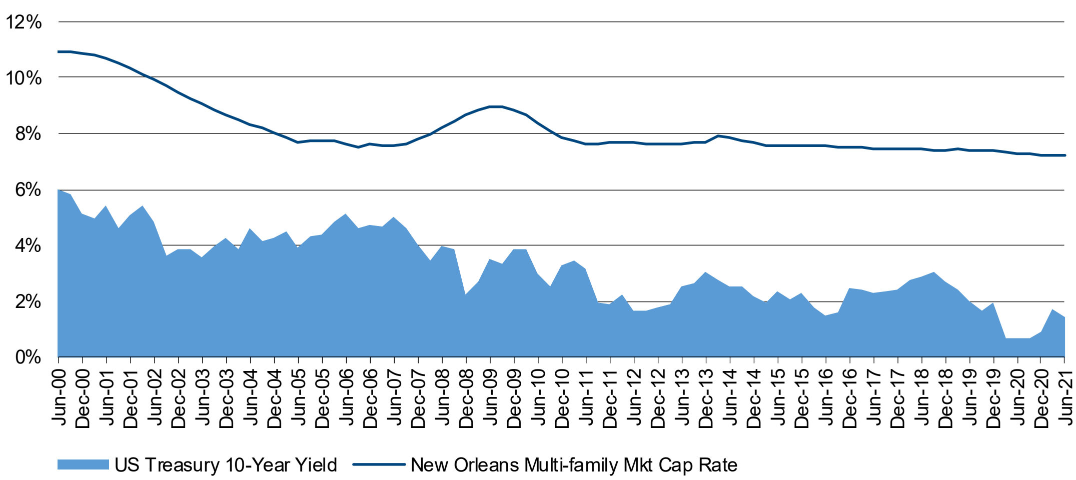
ECONOMY TO CONTINUE TO UNDERPERFORM



The New Orleans-Metairie (NOM) economy will underperform over the near term, continuing the trend of the past several years. The underperformance is a function of the region's reliance on tourism and manufacturing and limited exposure to high-growth industries. The regional economy is forecast to expand by a robust 7.9% in 2021, with the relaxing of pandemic restrictions. Growth will moderate over the subsequent four-year period, with expansion of roughly 2.1% on average annually.

YIELD SPREADS

New Orleans Multi-Res Cap Rates vs. 10-Year Treasury Yield



Source: CoStar, U.S. Department of the Treasury

An extended recovery period is projected for the NOM labour market. The unprecedented number of jobs lost due to pandemic restrictions will take until 2025 to be recouped, according to Oxford Economics' spring 2021 projection. Roughly 40.0% of the jobs lost had been recovered as of the end of the first quarter 2021. A successful roll out of vaccines will see a quicker jobs recovery in the region's high-profile tourism sector. However, several other sectors will see slower job growth over the next three to five years.

Retail sales growth will fall short of the national average over the next few years in keeping with the post-Katrina trend. To a large extent, the below-average trend is a function of the region's less than stellar economic and job growth outlooks. The region has a larger-than-average share of low-income households, which will also limit sales growth over the forecast period. Many medium-to-high income households left the region permanently following Hurricane Katrina, which will negatively impact sales results over the forecast period.

RENTAL DEMAND PATTERNS TO IMPROVE

NOM multi-suite residential rental demand patterns are projected to improve over the near term. The positive demand outlook is predicated largely on the successful roll out of vaccines, a lowering of COVID-19 infections, and the return of prospective renters to the region's central area. Economic growth and job market recovery will add to the upward demand trajectory in the second half of 2021 and beyond. Improved rental demand will result in downward pressure on vacancy levels, particularly downtown. During the pandemic, renters exited the densely populated downtown area and relocated to suburban properties with larger units. The market average vacancy rate is forecast to decline steadily from the recent 8.8% high reported by CoStar at the end of 2020. As the market tightens, rents will gradually rise. The upward rent pressure will unfold due to an improvement in rental demand patterns over the near term.

CONSTRUCTION ACTIVITY TO SLOW SUBSTANTIALLY

Construction activity will slow substantially over the next few years, after a two-year surge of new building completions. An annual average of just 98 units will be completed between 2021 and 2023. Previously, 1,756 and 1,181 units were completed in 2019 and 2020, respectively. The slowdown in construction activity is in response to the relocation of renters to the suburbs during the unfolding of the pandemic. In turn, downtown rental demand slowed significantly, and vacancy levels increased. The resulting uncertainty caused the development community to delay new construction projects until market conditions improve.

INVESTMENT MARKET CONDITIONS TO STABILIZE

Stabilization will be the overriding investment market theme over the near term. Demand patterns will mirror those of the recent past. Private groups will continue to target properties outside of the downtown area, where rents and vacancy have held up relatively well during the pandemic downturn. Conversely, downtown activity will remain muted until demand strengthens. Value-add offerings will be generally well-received, along with class B and C properties catering to renter-by-necessity tenants. Rent growth will boost the bottom lines of owners and will push values moderately higher. National groups will continue to selectively acquire properties in this market, against a backdrop of largely stable conditions.

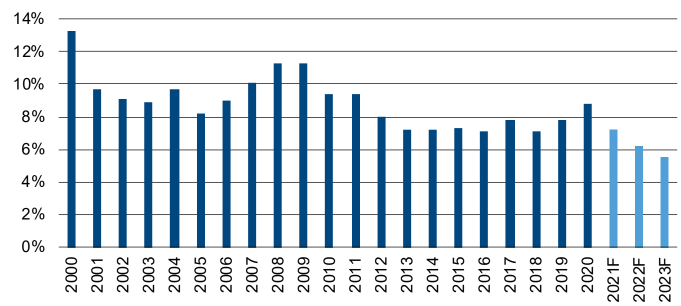
TRENDING STATISTICS

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).

AVERAGE RENTAL VACANCY

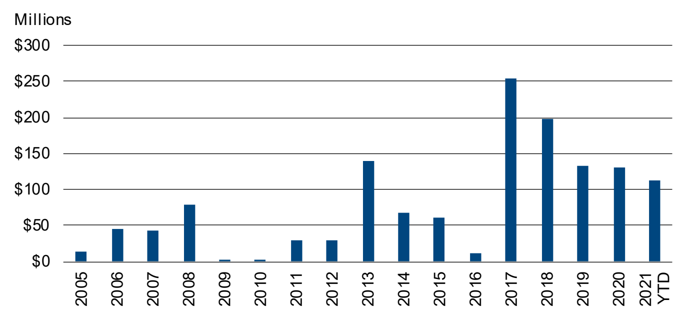
New Orleans Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

New Orleans Multi-Suite Investment Volume to June 2021



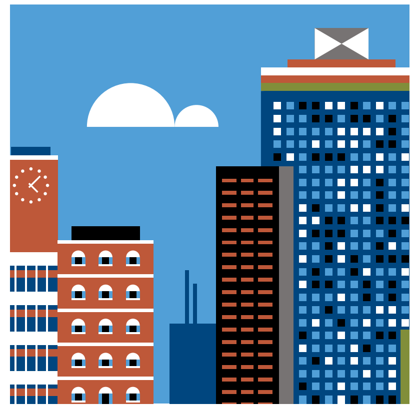
Source: CoStar

Relatively stable multi-suite residential rental sector investment market conditions are forecast over the near term.

DALLAS, TX

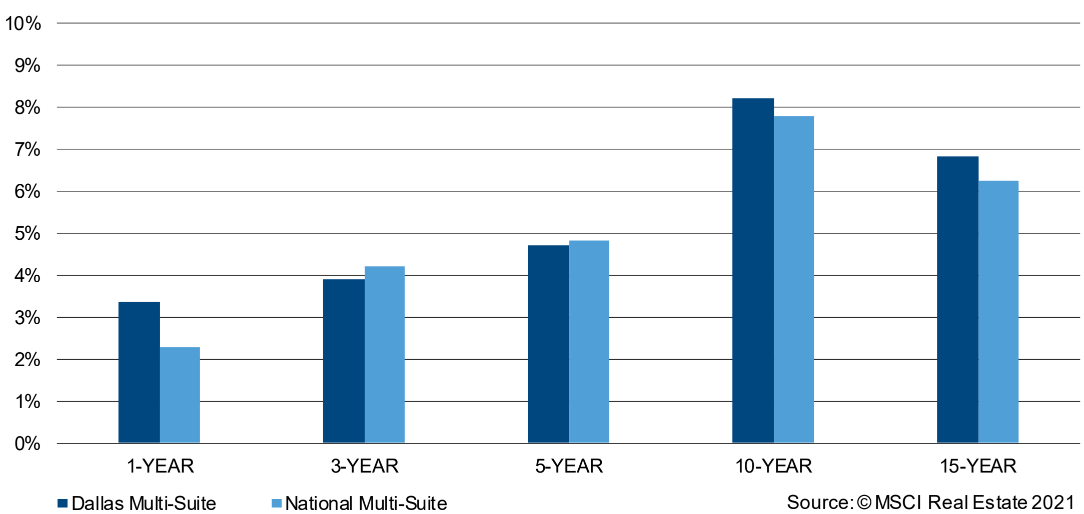
ECONOMY TO OUTPERFORM

The Dallas-Fort Worth-Arlington (DFWA) economic growth trend will outpace the national average over the near term. Businesses will look to expand in a region that boasts an educated workforce, strong in-migration, a diversified economy, and relatively low housing costs. The regional economy is on pace to expand by 8.5% this year and 4.9% in 2022. Subsequently, expansion will average close to 2.2% annually between 2023 and 2025, outpacing the national average growth rate.



HISTORICAL PERFORMANCE

For the period ending March 2021



Source: © MSCI Real Estate 2021

The DFWA job market recovery will be relatively swift. The regional economy will outperform over the next few years, which will boost employment levels and drive the unemployment rate progressively lower. Employment will advance by an annual average of close to 3.4% in 2021-2022. The region's economic growth and diversity will help drive the unemployment rate down 180 bps and 100 bps in 2021 and 2022, respectively, ending the two-year period at 4.3%.

The DFWA retail sales growth rate is expected to outstrip the national average over the next few years. Strong in-migration volume and population growth will support increased consumption. Additionally, economic and job market recovery will drive sales higher. The presence of a large volume of middle and upper-income households will drive growth beyond the national average, through to the end of the first half of the current decade.

RENTAL DEMAND TO OUTSTRIP SUPPLY

DFWA rental demand will outstrip supply over the next few years, resulting in moderately tighter conditions. The region's robust economic and labour market outlook is expected to support healthy rental demand patterns. At the same time, population growth and the continued stream of companies setting up shop in the area will add to the rental demand pressure over the forecast period. Broadly positive demand characteristics will ensure the relatively quick absorption of both existing property vacancy and newly constructed rental units. A slowdown in construction over the next few years will enhance the downward vacancy trend. With demand outpacing supply, rents will steadily rise. Rent growth has been relatively strong during the first half of 2021, following a largely flat trend over the previous year. In summary, rental demand is forecast to outdistance supply in the DFWA multi-suite residential rental sector over the next few years, in keeping with the long-term trend.

INVESTMENT PERFORMANCE TO IMPROVE

DFWA multi-suite residential rental sector investment performance will improve over the near term. The forecast improvement is based on stronger market fundamentals, including above-average rent growth and lower vacancy levels. The sector should generate more attractive returns, relative to the moderately positive 3.4% total return reported for properties contained in the MSCI Index for the 12-month period ending March 31, 2021. Over the near term, property values are expected to increase, which along with rent growth should bolster investment performance.

HEALTHY INVESTMENT ACTIVITY LEVEL WILL BE SUSTAINED

A healthy level of investment activity will be sustained in the DFWA multi-suite residential rental sector over the near term. Investors are expected to look to the region as a less expensive alternative to higher profile metros such as New York City and Los Angeles. The region's economic growth outlook and demographic profile will attract buyers looking for rent growth and relatively attractive yields. Neighbourhoods with links to mass transit and an array of amenities will have little trouble attracting buyers. Downtown properties that have seen occupancy stabilize and rents begin to rise will also generate strong interest. Ongoing uncertainty surrounding the pandemic will reduce activity slightly, however, activity will continue to range at or above pre-pandemic levels over the near term.

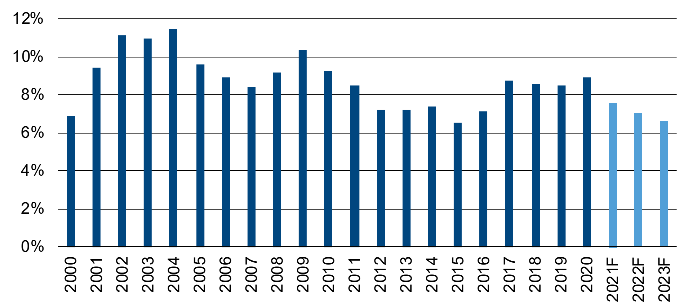
TRENDING STATISTICS

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).

AVERAGE RENTAL VACANCY

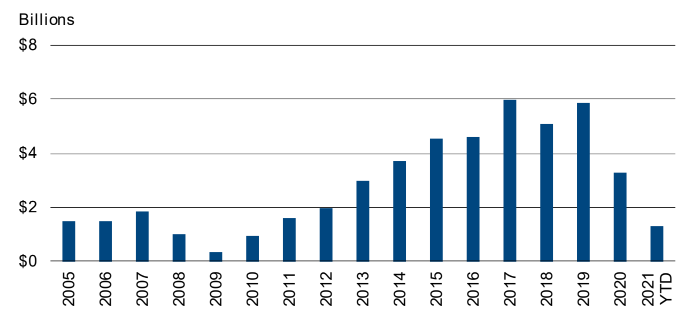
Dallas Multi-Suite Residential



Source: CoStar

INVESTMENT ACTIVITY

Dallas Multi-Suite Investment Volume to June 2021



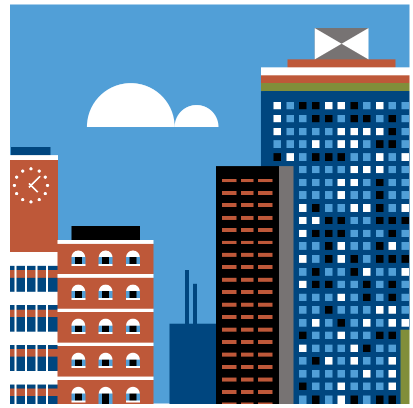
Source: CoStar

The DFWA recovery cycle will continue to unfold over the next couple of years, resulting in healthier fundamentals including a firm rent growth trend.

DENVER, CO

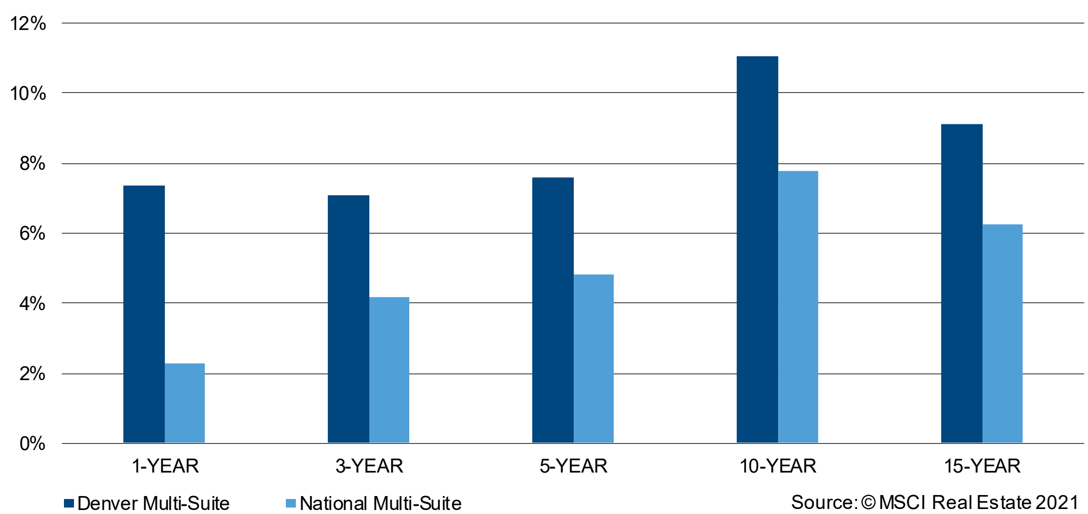
ROBUST GROWTH TREND FORECAST

A relatively robust growth trend is forecast for the Denver-Aurora-Lakewood (DAL) MSA over the medium term. The regional economy is projected to expand by an annual average of 2.7% between 2022 and 2025. Economic growth will support continued job market progress, with employment rising 3.4% this year and 4.3% in 2022. The region's business services, and information sectors will be key drivers of economic growth over the forecast period.



HISTORICAL PERFORMANCE

For the period ending March 2021



Source: © MSCI Real Estate 2021

DAL MSA job growth will surpass the national average through to the midway mark of the current decade. Employment will rise 3.4% in 2021 and 4.3% next year. The region's job market exhibited a measure of resilience last year during the pandemic-driven recession. Companies involved in the business services and information technology fields will be key job growth drivers over the medium term. More broadly, the DAL MSA growth trend will outpace the national average.

The DAL MSA's retail sales growth trend is expected to moderate over the medium term, after a surprisingly healthy performance in 2020. Growth will settle into a moderate pattern between 2022 and 2025, following a double-digit advance in 2021. Sales will increase by between 2.0% and 2.2% annually between 2023 and 2025. The continued reopening of the region's leisure and tourism sector will support moderate retail sales growth over the medium term.

BALANCED RENTAL MARKET CONDITIONS FORECAST

Balanced rental market conditions are forecast for the DAL MSA multi-suite residential sector over the near term. Rental demand will remain stable and healthy, given the continued influx of migrants to the region and an improved job market. Over the next couple of years, demand will return to the pre-pandemic peak. The overall strength of the market's demand trend will translate into downward vacancy pressure. However, new construction completions will offset some of this pressure. Vacancy rates will edge progressively lower through to 2025. The demand-supply balance will impact the market's rent growth trend. Market rents will slowly rise over the forecast period. The number of landlords offering concessions to prospective tenants will decline over the next couple of years, having surged due to the pandemic in 2020. In short, conditions in the DAL multi-suite residential rental market will be relatively balanced over the next few years.

BULLISH INVESTMENT MARKET TRENDS FORECAST

Largely bullish investment market trends are forecast for the DAL MSA's multi-suite residential rental sector over the near term. Investment demand will remain relatively robust. Institutional and private groups will look to the region as a source of attractive yields and income growth. Activity levels surged in the second half of 2020 and the first half of 2021. Previously, activity slowed significantly during the first half of 2020, with the unfolding of the pandemic and resulting rise in sector risk. Investment performance will continue to impress over the near term, given a healthy rental growth and fundamental outlook. Properties tracked in the MSCI Index posted an annual average return of 7.4% for the year ending March 31, 2021. Performance is expected to strengthen over the near term, against a generally bullish investment market backdrop.

SUPPLY RISK WILL BE A CONSTANT

Supply risk will be a constant in the DAL multi-suite residential rental sector over the next few years. Demand for newly constructed rental accommodation will outdistance supply, given the continued relocation of highly educated and affluent households to the region. The rising cost of ownership in the DAL area will support increased demand for newly built rental suites. Market rents will continue to justify new developments, which will meet the needs of renters over the near term. More than 15,000 newly constructed rental units were forecast for completion for 2021-2022, indicating supply risk will be a market fixture over the next few years.

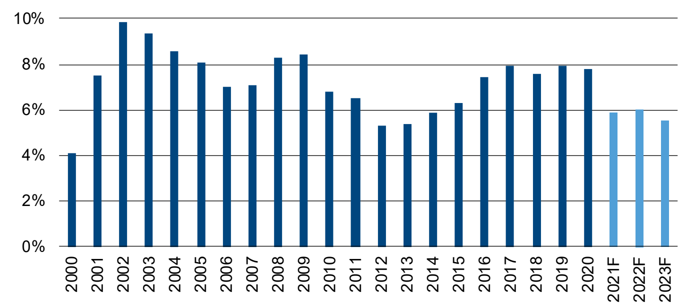
TRENDING STATISTICS

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

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

AVERAGE RENTAL VACANCY

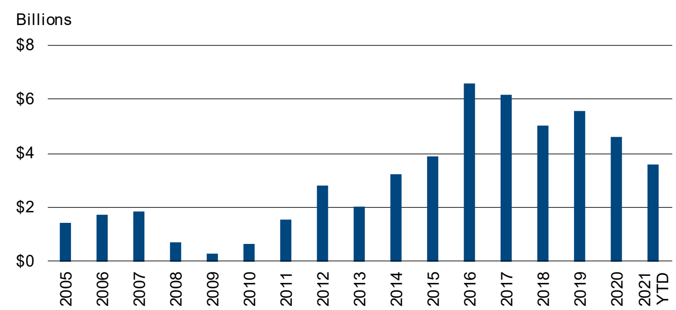
Denver Multi-Suite Residential



Source: CoStar

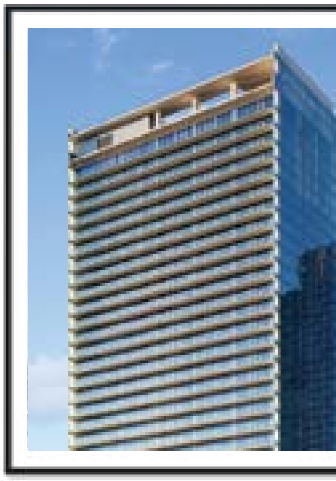
INVESTMENT ACTIVITY

Denver Multi-Suite Investment Volume to June 2021



Source: CoStar

The DAL MSA's multi-suite residential rental market rebounded from the 2020 downturn, driven by a markedly stronger demand trend.



ABOUT

Morguard is a fully integrated real estate company with a diversified, high-quality portfolio of assets across North America. We have built our business with strong leadership, proven management and significant long-term growth for over 45 years. As of December 31, 2020, Morguard had $19.0 billion of total assets under management and employed 1,500 real estate professionals in 12 offices throughout North America.

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Publicly Traded Real Estate Investment Trusts	Morguard REIT
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ACKNOWLEDGEMENTS / RESEARCH RESOURCES

In the course of compiling the statistical information and commenting on real estate markets, nationally, regionally and across United States metropolitan areas, we acknowledge the assistance and feedback from the following parties in completing this report:

Bank of Canada, Bank of Japan, Bureau of Economic Analysis, Cision Newswire, CBRE Econometric Advisors, CBRE Limited, CIBC World Markets, Colliers International, Conference Board of Canada (CBOC), CoStar Group, Cushman & Wakefield, Economy.com, European Central Bank, Fannie Mae, The Federal Reserve Board, Freddie Mac, International Monetary Fund, Jones Lang LaSalle (JLL), Marcus & Millichap, MSCI, Oxford Economics, PC Bond Analytics, PricewaterhouseCoopers, RBC Capital Markets, RBC Economics, Real Capital Analytics, Inc., Statistics Canada, TD Economics, TMX Datalinx, United States Census Bureau, United States Department of the Treasury, Yardi Matrix, Zillow

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