Resilience Persists. Investment Continues.

Morguard Canadian Economic Outlook and Market Fundamentals
27th Annual Edition

2026 First Quarter Update

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Q1

ABOUT

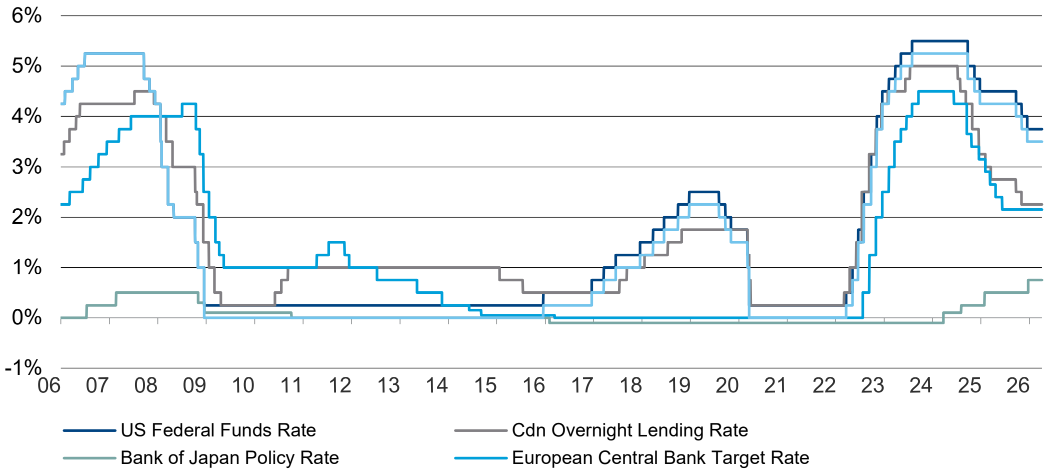
FINANCIAL REPORT

POLICY RATE HELD AS UNCERTAINTY REMAINED ELEVATED

The Bank of Canada (BoC) maintained its target for the overnight rate in the first quarter, as economic uncertainty remained elevated. The BoC held its target policy rate at 2.25% on January 28 and March 18, 2026. The Bank Rate and deposit rates were also unchanged.

OFFICIAL POLICY RATES

International Monetary Conditions



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

The elevated level of economic uncertainty was partly driven by the U.S.-Iran conflict, which factored into the decision to maintain the policy rate. The BofC noted "the war in the Middle East has increased volatility in global energy prices and financial markets, and heightened the risks to the global economy". As the conflict unfolded, the price of oil and natural gas increased sharply, contributing to higher inflation in the first quarter. The closure of the Strait of Hormuz created a significant supply chain bottleneck, disrupting global goods distribution. The potential for the conflict to spread across the Middle East resulted in further heightened economic and geo-political uncertainty. In addition, the probability that energy price inflation would spill over into other goods and services increased. The BoC is expected to maintain its policy rate over the near term, given a weaker economic and labour market outlook. However, should core inflation pressures increase and broaden beyond the energy sector, the BofC will likely be compelled to act.

INFLATION PRESSURE INCREASED AS ENERGY PRICES SPIKED

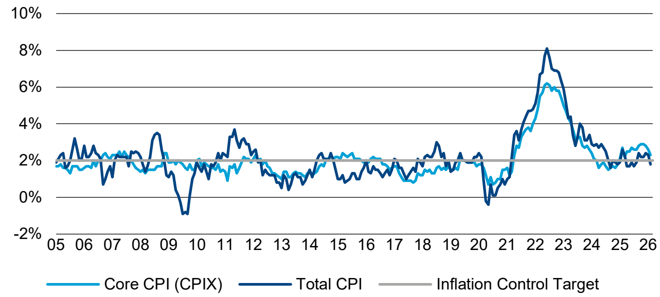
Inflation pressure increased in the first quarter, driven largely by higher energy prices. The Consumer Price Index (CPI) rose to 2.4% year-over-year in March 2026, up from 1.8% in February. The rise was due in large part to the impact of the U.S.-Iran conflict on energy prices. The price of gasoline surged by 21.2% monthly in March, representing the largest increase on record. Year-over-year, gasoline pricing rose modestly by 5.9%. According to Statistics Canada, energy prices rose 3.9% on a year-over-year basis in March, after falling by 9.3% in February. Meanwhile, energy prices rose by 13.1% on a month-over-month basis. Canadians continued to pay higher prices for essentials in the first quarter. The cost of food purchases in-store rose 4.4% year-over-year in March, up from 4.1% in February. The price of fresh vegetables rose by 7.8%, representing the largest increase since August 2023. Short-term inflation is expected to persist, largely driven by the conflict in the Middle east and continuing first quarter trends.

ENERGY PRICE SPIKE FUELED S&P/TSX COMPOSITE INDEX GAIN

The S&P/TSX Composite Index recorded a seventh consecutive quarterly gain in the first quarter, driven largely by a spike in energy prices. The Energy sector posted a 41.3% increase, nearly four times higher than that of the next best-performing sector. This advance was fuelled by the sharp rise in energy prices resulting from the U.S.-Iran conflict. Seven of the top-performing stocks in the first quarter were in the Energy sector. Materials recorded the second-strongest performance, supportd by three of the quarter's top-performing stocks. Materials and Utilities posted double-digit gains of 10.4% and 10.2% respectively. Overall, the S&P/TSX Composite Index rose by a modest 3.3% in the first quarter. Losses were recorded across most sectors in the index, partially offsetting gains elsewhere. The Information Technology sector posted the steepest decline in the first quarter falling 19.5%. Ten stocks in the sector posted losses, led by Shopify at -26.0%. Financials, which comprises 31.0% of the Index, dipped by a relatively modest 2.7%. Performance within the banking sector was mixed, with the Royal Bank and Bank of Nova Scotia posting losses and the Bank of Montreal, CIBC and National Bank recording gains. In summary, the Index's modest first-quarter gain was largely attributable to strength in th energy sector driven by elevated energy prices.

NATIONAL INFLATION

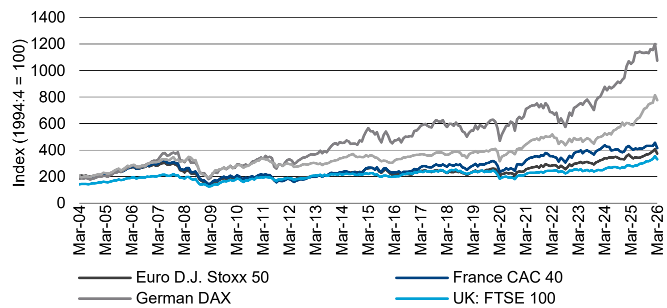
CPI Measures, % Change Over 1 Year Ago



Source: Bank of Canada, Statistics Canada

GLOBAL INDICES

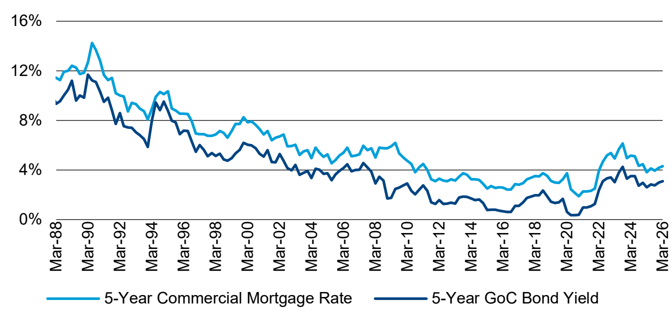
Trending of Global Price Return Indices



Source: RBC Capital Markets

MORTGAGE SPREADS

Commercial Mortgage Rates Vs. 5-Year GOC Bonds



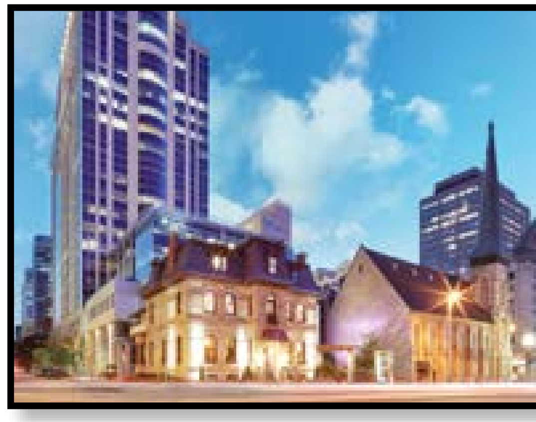
Source: RBC Capital Markets, Bank of Canada

The price of gasoline surged by 21.2% monthly in March, representing the largest increase on record.

INVESTMENT REPORT

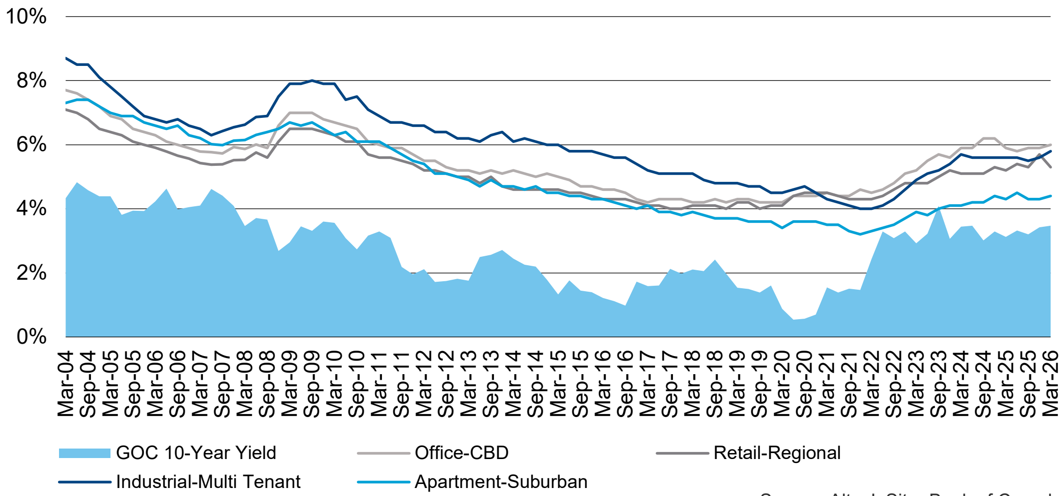
SOLID INVESTMENT SALES VOLUME TOTAL REPORTED

A solid investment sales volume total was reported in Canada's commercial income-producing property market in the first quarter of 2026, amid elevated economic uncertainty levels. More than $4.4 billion in sales of property valued at least $10 million was reported in Canada's top five markets combined. This total was the second-highest of the past seven quarters.



YIELD SPREADS

Cap Rates vs. 10-Year GOC Bonds



Source: AltusInSite, Bank of Canada

The first-quarter transaction volume reflected a sustained level of investor confidence. Industrial property continued to generate strong interest with $1.6 billion in sales recorded. Interest in multi-suite residential rental property remained high, with $1.4 billion in sales. Sales of purpose-built residential rental property surged in the Greater Montreal Area (GMA), accounting for half of transactions closed and 55.6% of transaction volume. Several significant office properties were sold in the first quarter, as investor confidence in the sector's performance outlook continued to gradually increase. Confidence in the retail property market remained relatively high, although quarterly sales volume was modest. The $218.8 million in retail property sales volume represented a 10-quarter low. However, retail property sales volume exceeded the $1.0 billion mark for the first time in two years in the final quarter of 2025. Retail centres with grocery store anchors or value-add potential remained popular acquisition targets. There was little change in overall property values in the first quarter, consistent with the trend observed in the second half 2025 trend. This valuation stability was supportive of the solid investment transaction volume reported in the first quarter, against an uncertain economic backdrop.

CONFIDENCE EXHIBITED IN MULTI-SUITE RESIDENTIAL RENTAL PROPERTY SECTOR

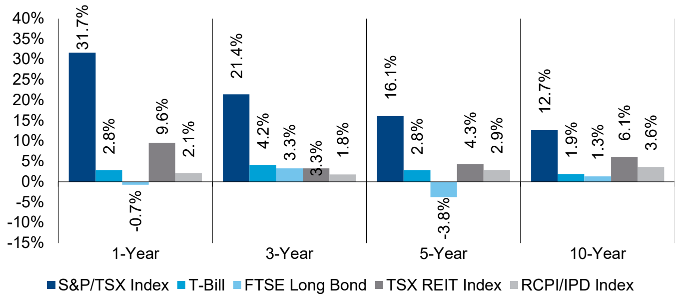
Investors continued to exhibit confidence in Canada's multi-suite residential rental property sector in the first quarter. This confidence was reflected in the $1.4 billion in transaction volume reported. Investors continued to seek out acquisition opportunities in major urban centres despite recent softening in the rental market. Attractive Canada Mortgage and Housing Corporation (CMHC) financing and a solid medium- to long-term performance outlook supported the rationale for investing in this sector. This rationale was also supported by a positive track record of performance during periods of economic weakness. Investment market activity increased significantly in the GMA, which accounted for more than half of the sales recorded in the first quarter. Priveda Capital, for example, acquired Le Sommet at 3475 de la Montagne Street for $90.5 million, representing the highest price paid for an individual asset. This acquisition was indicative of the confidence investors continued to exhibit in Canada's the multi-suite residential rental property sector in the first quarter.

STRONG INTEREST IN INDUSTRIAL PROPERTY ACQUISITIONS PERSISTED

Strong interest in industrial property acquisitions persisted in the first quarter of 2026. This interest was evidenced in the nearly $1.6 billion in investment sales volume recorded, which was higher than the quarterly average and only slightly below the three-year average. Well-located, highly functional warehouse and logistics properties with stable long-term leases in place attracted a range of buyers. Multi-tenant, small-to medium-bay assets often attract buyers with privately sourced capital. Investors continued to view industrial property favourably, despite an elevated level of economic uncertainty. Uncertainty levels have increased significantly over the past year, due to the negative effects of U.S. tariffs on Canadian exports and the U.S.-Iran conflict. Buyers continue to be drawn to a sector where prevailing yields remain attractive. However, investors were forced to compete with owner-users when bidding on acquisition opportunities. Owner-users accounted for the largest share of industrial property sales in the first quarter. This buyer group continued to exhibit a preference for ownership rather than paying near-record-high lease rates. This demand pressure was supportive of a largely stable property value trend. High-quality industrial properties offered for sale were generally well received as strong interest in industrial property acquisitions persisted in the first quarter.

RELATIVE PERFORMANCE

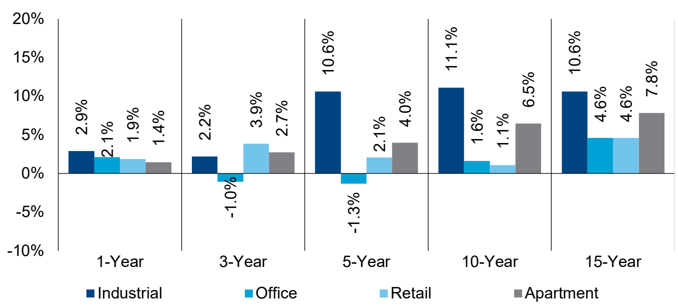
Comparing Annualized Returns To Dec 2025



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

MSCI RETURNS

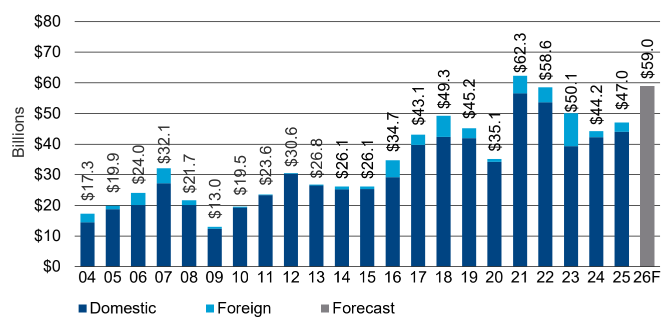
Annualized Returns By Property Type To Dec 2025



Source: © MSCI Real Estate 2026

INVESTMENT ACTIVITY

Total Investment Volume



Source: CBRE Limited; Morguard

Owner-occupiers accounted for the largest share of industrial property sales in the first quarter.

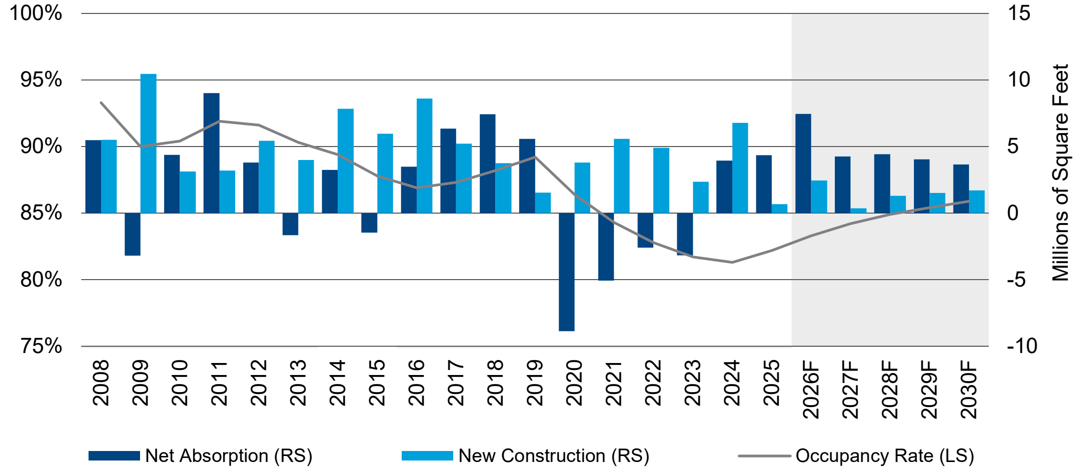
LEASING REPORT

POSITIVE OFFICE LEASING MARKET MOMENTUM REPORTED

Positive momentum was reported in Canada's office leasing market in the first quarter of 2026, continuing the trend of the second half of 2025. This momentum was evidenced in the 2.1 million square feet of positive net absorption according to CBRE. This positive net absorption drove the national all-class office market vacancy rate down by 70 bps to 17.4%.

OFFICE DEMAND & SUPPLY

National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors (Q4 2025)

Positive office leasing market momentum drove the national downtown vacancy rate lower and supported relatively tight conditions in the Class A market segment. Canada's downtown vacancy rate fell by 60 bps to 18.2%, with the Class A rate falling by 50 bps to 15.9%. The suburban vacancy rate held steady at 16.4% while the Class A suburban vacancy rate declined by a modest 30 bps to 17.5%. The nation's downtowns accounted for 2.0 million square feet of the 2.1 million square feet of positive net absorption in the first quarter, with 65,000 square feet of suburban space absorbed.

Toronto led with 1.9 million square feet of space absorbed across all building classes combined. Vancouver and Calgary posted strong first quarter results, with 495,000 square feet and 340,000 square feet of space absorbed, respectively. Tenants continued to exhibit strong preference for Class A downtown space with attractive amenity offerings. However, the availability of space in premium-quality buildings remained limited. Consequently, demand for space in lower-tier Class A buildings has strengthened. This trend reflects the positive office leasing market momentum reported in the first quarter.

INDUSTRIAL LEASING MARKET STABILIZED

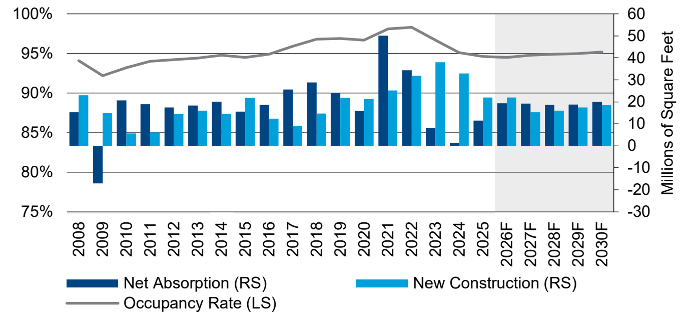
Canada's industrial leasing market stabilized in the first quarter, having softened over the past year. This stabilization was reflected in the nation's availability rate. The national industrial availability rate was unchanged in the first quarter, remaining at the 5.5% reported at the end of 2025. This rate had risen by 110 bps and 60 bps in 2024 and 2025, respectively as demand moderated and new supply deliveries remained elevated. Availability either declined or held steady in more than half of the 11 markets tracked by CBRE in the first quarter. Positive leasing momentum supported this relatively stable availability pattern. Approximately 4.2 million square feet of space was absorbed over the first three months of the year, which was nearly double the trailing three-year quarterly average. Most of this space was absorbed in four markets, with Toronto leading at 2.0 million square feet and over 300,000 square feet in each of Montreal and Edmonton. Waterloo posted a strong quarter with just shy of 1.2 million square feet of space absorbed. Recent leasing market momentum was somewhat surprising given an uncertain economic, geopolitical and trade environment. As a result, market conditions may weaken in the short term, despite the first-quarter stabilization.

MULTI-SUITE RESIDENTIAL ASKING RENTS CONTINUED TO DECLINE

Posted asking rents in Canada's the multi-suite residential rental property market continued to decline in the first quarter, extending the trend observed over the past year and a half. The national average posted purpose-built asking rent was 3.9% lower year-over-year as of March 2026, as reported by Rentals.ca. However, this average remained 6.7% higher than the average reported three years earlier. The most significant year-over-year decline was in the two-bedroom unit size category, at 4.8%. The three-bedroom average fell by a modest 0.3%, marking an end to the relatively healthy gains of the past year. The studio and one-bedroom unit size categories registered almost identical declines of 3.8% and 3.7%, respectively. Double-digit declines were reported in several submarkets outside of the nation's largest urban centres. The sharpest year-over-year declines reported were in Cote-Saint-Luc at 19.9%, Longueuil at 12.0%, and Brossard at 11.7%. The erosion of purpose-built posted asking rents over the past year and a half was driven by the continued delivery of new supply and weaker demand patterns. During this same period, availability levels increased, particularly in the high rent market segments in Vancouver and Toronto. Posted asking rents are expected to continue to decline over the near term, consistent with the first quarter trend.

INDUSTRIAL DEMAND & SUPPLY

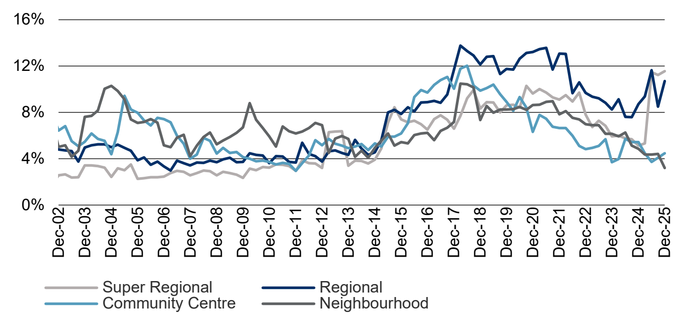
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors (Q4 2025)

RETAIL VACANCY RATES

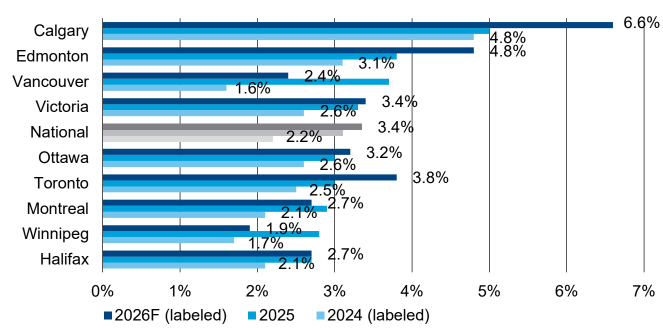
National Trending Across Property Types



Source: © MSCI Real Estate 2026

CMA'S RENTAL VACANCY

Rates for Structures of 3 units+



Source: CMHC (HMO Feb 2025 & Summer Update)

The national industrial availability rate was unchanged in the first quarter, matching the 5.5% level reported at the end of 2025.

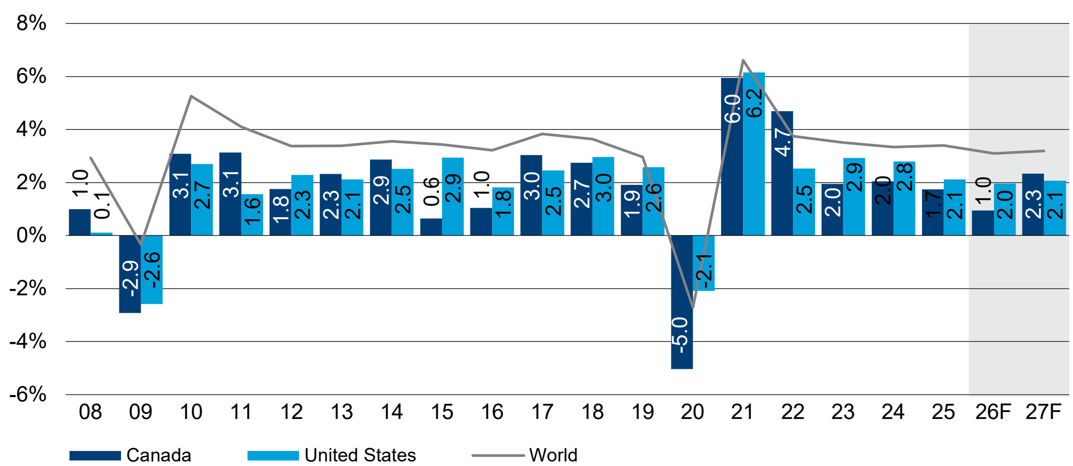
ECONOMIC REPORT

ECONOMY EXPANDED SLIGHTLY TO START THE YEAR AFTER A SLUGGISH END TO 2025

Canada's economy expanded slightly to begin the year after a sluggish end to 2025. Real Gross Domestic Product (GDP) expanded by 0.1% month-over-month in January 2026, following a 1.6% annualized contraction in the fourth quarter of 2025. Canada's economy is expected to continue to expand at a modest and uneven pace over the balance of the year.

ECONOMIC GROWTH

Real GDP Growth — Historical & Forecast



Source: Conference Board of Canada (Mar 2026); International Monetary Fund (April 2026)

The slow-growth economic outlook can be attributed to several factors. Trade tensions with the U.S. will continue to have a negative impact on growth through to at least the fall of 2026. Canada's manufacturing, steel and aluminum and forestry sectors are expected to be adversely affected by tariffs implemented by the U.S. administration last year. While trade tensions remain elevated, business and consumer confidence levels will remain low, alongside subdued hiring activity. Economic activity will be constrained to some degree by the ongoing U.S.-Iran conflict's effect on trade and inflation. Oil prices have spiked recently because of the ongoing conflict, which is expected to continue to weigh on domestic demand and household finances. The slow economic growth outlook can also be attributed to inflation. More specifically, the cost of food and other essentials is expected to continue to rise in 2026, reducing discretionary spending. This moderation in spending is one of several factors contributing to the slow-growth economic outlook.

WEAK LABOUR MARKET PERFORMANCE POSTED

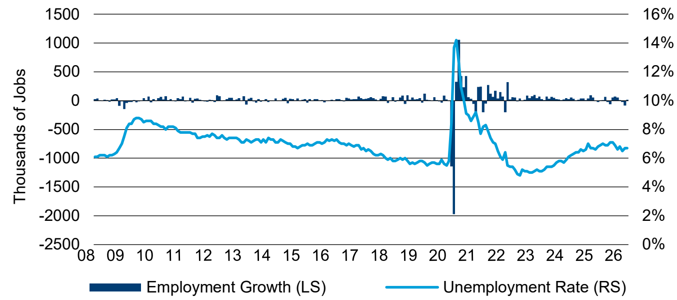
A relatively weak labour market performance was posted in the first quarter, contrasting a relatively solid final quarter of 2025. A cumulative 109,000 jobs were lost in the first two months of 2026, with little change in employment reported in March. Employment was up by 87,000 in March year-over-year, due in large part to gains in the final four months of 2025. The employment rate was unchanged in March at 60.6%, following a cumulative decline of 0.3% over the first two months of the year. The March rate was down 0.3% year-over-year. Hiring activity remained weak in the first quarter as businesses were reluctant to hire in an uncertain economic environment. At the same time, layoffs were relatively low and in line with the pre-pandemic average. The nation's unemployment rate remained elevated in the first quarter. This rate stood at 6.7% in March, matching the February level and 20 bps higher than January. The nation's average hourly wage continued to rise in the first quarter, with increases ranging between 3.5% and 3.6% year-over-year from January through to March, holding the composition of employees by occupation and job tenure constant. Essentially, wage growth was in line with inflation, during a period of weak labour market performance.

RESALE HOUSING MARKET SLUMP CONTINUED

Canada's resale housing market slump continued in the first quarter. Resale home sales have declined in four consecutive months ending in March 2026 and remained 17.3% lower than the 10-year average at the end of the first quarter. Several headwinds continued to weigh heavily on the Canada's resale market in the first three months of 2026. Canada's population declined in 2025, marking the first annual decrease since Confederation (1867), resulting in a significant decline in demand. Buyers have been reluctant to enter the market while economic uncertainty remains elevated. The Middle East conflict had a negative impact on Canada's housing market performance over the recent past. Mortgage rates increased in March 2026 as bond yields rose along with inflation expectations. In addition, the weak labour market performance of the first few months of 2026 also weighed on Canada's housing market. Weak demand conditions were also reflected in supply-side fundamentals. New listings declined in six out of the seven-month period ending in March 2026. Listing cancellations climbed to an average of 22.2% in the first quarter because of weak demand conditions. This increase was indicative of the Canadian resale housing market slump that continued through to the end of the first quarter.

LABOUR MARKET

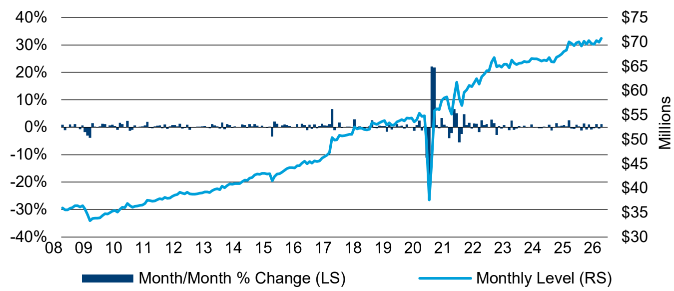
Month-Over-Month Trending



Source: Statistics Canada

RETAIL SALES

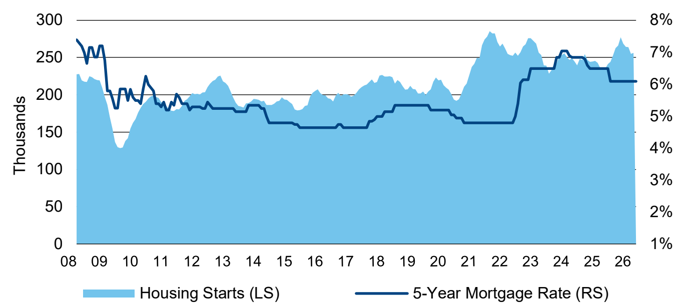
Month-Over-Month Trending



Source: Statistics Canada

HOUSING MARKET

Monthly Trends



Source: Statistics Canada, CMHC, Bank of Canada

A cumulative 109,000 jobs were lost in the first two months of 2026, with little change in employment reported in March.

INVESTMENT MARKET TRANSACTIONS

OFFICE

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER	MARKET
Windsor Station	Mar-26	$49.6 M	326,027	$190	Laurier Capital/Grp. Society	Montreal
North American Ctr	Mar-26	$140.0 M	1,200,000	$117	Europro/Questra	Toronto
10830 Jasper Ave	Feb-26	$24.0 M	233,164	$103	Josan Properties	Edmonton
150 Slater St	Feb-26	$143.5 M	477,448	$301	Regional Group	Ottawa
1130-1140 Sherbrooke St W	Jan-26	$49.0 M	230,738	$212	Tidan Inc.	Montreal
Tour Deloitte	Jan-26	$279.0 M	513,354	$543	DekaBank	Montreal
Oceanic Plaza*	Jan-26	$246.0 M	351,365	$700	BentallGreenOak	Vancouver
Yonge Corporate Ctr	Jan-26	$140.0 M	657,803	$213	Europro (YCC) Inc.	Toronto

INDUSTRIAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER	MARKET
5085 North Fraser Wy	Mar-26	$53.3 M	106,100	$502	Groupe Montoni	Vancouver
1100 Thornton Rd S	Mar-26	$32.5 M	129,432	$251	Dream Industrial REIT	Toronto
Pure REIT Oakville Portfolio	Mar-26	$30.8 M	111,015	$277	Fax Capital	Toronto
100 Nordeagle Ave	Feb-26	$115.4 M	420,000	$275	Crombie REIT	Toronto
Carttera Mississauga Portfolio	Feb-26	$195.2 M	546,108	$358	Cadillac Fairview	Toronto
Scott Industrial Ctr	Jan-26	$20.6 M	56,588	$363	Trivan Capital	Vancouver
215 Traders Blvd	Jan-26	$13.6 M	41,191	$329	FAX Capital	Toronto

RETAIL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER	MARKET
1101-1133 Alberni St Podium	Mar-26	$55.0 M	40,996	$1,342	Aquilini Investment Group	Vancouver
Faubourg Bois-Franc	Mar-26	$44.5 M	133,847	$332	Fiera Real Estate	Montreal
5940 des Grandes-Prairies Blvd	Feb-26	$14.2 M	111,221	$128	Groupe Mach	Montreal
1068-1070 Pape Ave	Jan-26	$17.4 M	25,552	$681	Goldmanco	Toronto
13311 Yonge St	Jan-26	$25.0 M	43,000	$581	Legacy Ventrae Corp	Toronto

MULTI-SUITE RESIDENTIAL

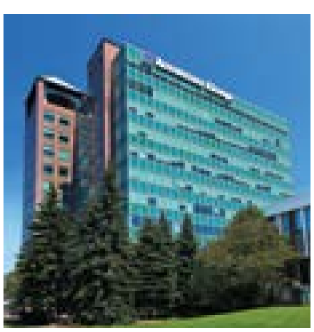
PROPERTY	DATE	PRICE	# UNITS	/UNIT	PURCHASER	MARKET
440-450 Sherbrooke St E	Mar-26	$25.8 M	91	$282,967	Augusta Capital Inc.	Montreal
725, 785 du Roussillon St	Mar-26	$43.0 M	221	$194,570	Orem Capital	Montreal
1155 Saint-Charles St W	Mar-26	$60.0 M	166	$343,373	MC Properties	Montreal
3475 de la Montagne St	Mar-26	$90.5 M	290	$312,069	Priveda Capital	Montreal
3545-3577 Rivard St	Mar-26	$70.8 M	355	$199,296	Recan	Montreal
170 Sentinel Rd	Mar-26	$15.0 M	60	$250,600	Sorbara Group	Toronto
Valade St, Bienville Ave, Longueuil	Feb-26	$47.0 M	280	$167,857	Groupe Hazout	Montreal
2920 Fairlea Cres	Feb-26	$33.3 M	113	$294,956	Lankin Investments	Ottawa
TMDL GTA Portfolio	Feb-26	$134.0 M	481	$278,586	Starlight Investments	Toronto
132 Berkeley, 93 Rear Ont. St (50%)	Feb-26	$29.8 M	177	$336,158	Concert Properties	Toronto
1111, 1121 Mistral St	Feb-26	$55.0 M	224	$245,536	KIN Asset Management	Montreal
Zimmerman Montreal Portfolio	Feb-26	$70.0 M	318	$220,126	Hillpark Capital	Montreal
163 MacLaren St	Feb-26	$18.0 M	64	$281,250	Tricorp Realty Inc	Ottawa
12 Park St E	Feb-26	$21.8 M	60	$363,917	Canahahns Company	Toronto
Hanard Investments Portfolio	Jan-26	$126.4 M	408	$309,822	Starlight Investments	Toronto
Place Hurteau	Jan-26	$33.0 M	100	$330,000	Groupe Inspire	Montreal

*share sale

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 March 31, 2025, Morguard had $18.7 billion of total assets under management and employed 1,200 real estate professionals in 11 offices throughout North America.

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



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The Altus Group, Avison Young, Bank of Canada, Bank of Japan, BMO Economics, BMO Nesbitt Burns, CBRE Econometric Advisors, CBRE Limited, CIBC World Markets, Canada Newswire, Canadian Mortgage and Housing Corporation (CMHC), Canadian Mortgage Loans Services Limited, The Canadian Real Estate Association (CREA), Colliers International, Conference Board of Canada, Cushman & Wakefield, Developers and Chains e-news, Economy.com, European Central Bank, The Federal Reserve Board, Frank Russell Canada (RCPI), The Globe and Mail, ICR Commercial Real Estate, International Council of Shopping Centres (ICSC), Insite-Altus Research, 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, RealNet Canada Inc., Statistics Canada, Scotia Capital, TD Economics, Toronto Star, Torto Wheaton Research, Urban Land Institute, United States Department of the Treasury, York Communications

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