2022 CANADIAN ECONOMIC OUTLOOK

AND MARKET FUNDAMENTALS REPORT
24TH ANNUAL EDITION

MORGUARD

PURSUING GROWTH. BUILDING CONFIDENCE.

Morguard

CONTENTS

NATIONAL

METROPOLITAN

ABOUT

KEITH
READING

NATIONAL ECONOMIC & REAL ESTATE OUTLOOK

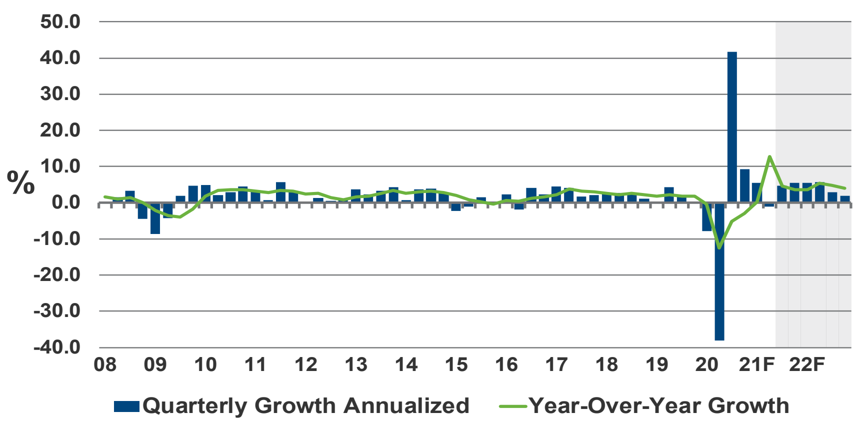
ECONOMIC REPORT

THE ROAD TO RECOVERY HAS BEEN BUMPY

Canada's road to economic recovery has been bumpy, due in part to the prolongation of the COVID-19 pandemic. Real Gross Domestic Product (GDP) expanded by a robust 5.6% on an annualized basis during the first quarter of 2021. Subsequently, an annualized decline of 1.1% was reported for the period between April and the end of June.

CANADIAN REAL GDP GROWTH

% Change



Source: Conference Board Of Canada

A decline in residential housing investment and weaker export sector performance were the main causes of the contraction. Exporting activity slowed substantially as a result of the ongoing pandemic-driven supply chain disruptions. Generally, the third wave of the pandemic weighed significantly on the Canadian economy during the second quarter. Canada's Real GDP stood roughly 2.4% below the pre-pandemic level reported at the end of 2020. During the height of the pandemic last year, the national economy contracted by an unprecedented 45.9% over the first half of 2020. The economy sprang back to life in the second half, with growth of 41.7% and 9.3% in the third and fourth quarters, respectively. The bounce back was a direct result of the relaxing of pandemic restrictions and reopening non-essential businesses in several regions. A sharp increase in residential housing resale activity also boosted economic output during the second half. Economic growth is expected to strengthen significantly over the second half of 2021, after a spotty performance over the previous year.

HIGHLIGHTS

Canada's economic recovery from the unprecedented pandemic-driven correction is expected to strengthen over the near term, following a period of inconsistency as a result of the implementation of lockdown measures in several jurisdictions.

Labour market conditions have improved significantly in 2021, with the services sector leading the job-growth charge.

Retail sales volume was dictated primarily by pandemic lockdowns during the past year, with a healthy advance recorded in the first quarter of 2021 followed by a sharp decline in the second quarter.

Canada's red hot housing market cooled in the spring and summer of 2021, although activity and pricing remained well above the long-term average.

LABOUR MARKET REBOUND CONTINUED TO EVOLVE

Canada's labour market rebound continued to evolve over the recent past, continuing the trend that began to unfold in the latter half of 2020. Approximately 325,000 jobs were created in June and July of 2021 combined, building on the 1.0% increase posted in the first quarter. Job growth has picked up in the broader services sector in 2021, with the reopening of high-touch businesses across the country. The nation's services sector industries accounted for roughly 52.0% of the nation's June/July employment growth. Furthermore, all of the 93,000 jobs created in August 2021 were in the services sector. Previously, employment growth was concentrated in goods-production industries during much of 2020 and early 2021. The services sector became the nation's leading job growth driver in 2021 with the relaxing of pandemic restrictions on consumer interactions. Labour shortages persisted in some services sectors including food services and accommodation. However, employment growth surpassed labour market gains, resulting in a downward unemployment rate trajectory. The national unemployment rate rested at 7.1% in August, having declined from the pandemic-period high of 13.1% posted at the end of the second quarter 2020. However, despite the sharp decline in the unemployment rate, employment levels remained 0.8% below the February 2020 level. In addition, employment in the high-touch industries was still 10.0% below the pre-pandemic level as of August 2021. Moreover, the total hours worked stood 2.6% below the pre-pandemic level in the same month. The emergence of COVID-19 variants will have a negative impact on the near-term labour market recovery as it evolves.

RETAIL SALES RECOVERY WAS LESS THAN SMOOTH

Canada's retail sales recovery of the past year was somewhat less than smooth. Consumer outlays increased substantially with the loosening of pandemic restrictions across much of the country during the first quarter of 2021. During this period, real retail sales increased by a robust 6.8%. However, between April 1st and the end of June real retail consumption dropped 3.4%. The first-half retail sales growth pattern was largely tied to pandemic restrictions on in-person shopping. When restrictions were loosened, shoppers returned to physical stores to try to make up for lost time and purchase items that would have been acquired during the lockdown period. Conversely, when stores were locked down, retail sales growth slowed significantly across the country. In addition, consumer confidence levels also changed with the ebb and flow of COVID-19 infections and lockdowns of the recent past. Retail expenditures were bolstered by the continued transfer of government funds to Canadian households. In 2020, the federal government implemented several programs to help households pay their bills, when an unprecedented number of jobs were lost due to the pandemic. Retail consumption is expected to ramp up over the second half of 2021, given increased distribution of vaccines, the continued loosening of pandemic restrictions, and rising consumer confidence levels. However, there are several downside risks to the consumption outlook. The most prominent of these is a surge in COVID-19 infections as a result of the emergence of variants, resulting in another round of lockdowns. The winding down of various public sector financial stimulus measures and income supports is another potential downside risk. During 2021, inflation increased beyond the Bank of Canada's (BofC) preferred level. The continuation of this trend would likely erode retail sales growth. The unfolding of one or more of these downside risks would result in the continuation of the less than smooth retail sales recovery trend of the recent past.

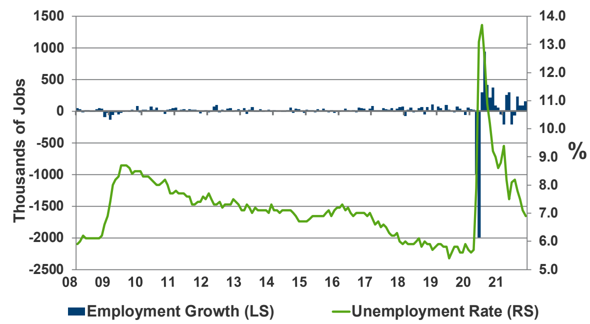
NATIONAL ECONOMIC PULSE

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).

LABOUR MARKET

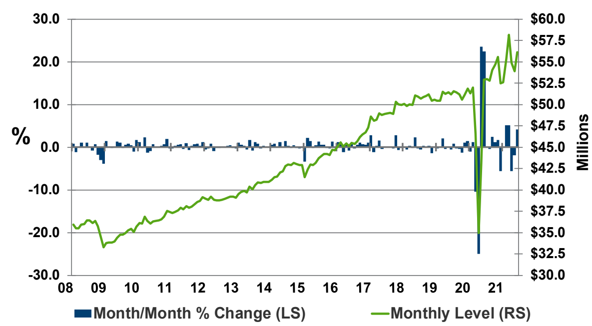
Month-Over-Month Trending



Source: Statistics Canada

RETAIL SALES

Month-Over-Month Trending



Source: Statistics Canada

RED HOT HOUSING MARKET BEGAN TO COOL

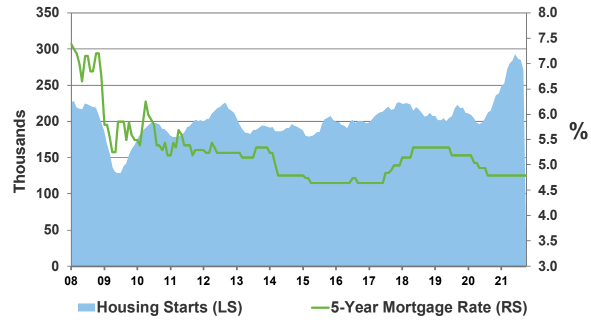
Canada's red hot resale housing market started to cool during the spring and summer months of 2021, following a period of robust activity and price growth. Existing home sales declined by 28.0% between the March peak and August of 2021. Five consecutive monthly declines were recorded over the same time period. Sales volume had reached an unsustainable record-high level in March. Despite the recent decline, sales activity remained very brisk by historic standards through to the end of the second quarter. The resale housing market remained tight across the country, even as activity levels slowed. Market conditions continued to favour the seller across much of the country, with demand outdistancing supply. The sales slowdown coincided with a more moderate price growth trend. The national average resale home price dipped slightly during the second quarter 2021. Previously, pricing had increased by a quarterly average of 10.0% between the third quarter of 2020 and the first quarter 2021. Moreover, the average sale price had increased by 12.3% year-over-year during 2020. The recent resale market cooling was driven by several factors. The implementation of tighter mortgage stress tests eroded demand. Reduced affordability levels priced some buyers out of the market in some regions. Condominium sales accounted for an increased share of resales over the past several months. However, this was not the only cause of the recent price-growth moderation. Despite the recent resale market cooling, prices are expected to remain above the long-term average over the near term.

ACCOMMODATIVE MONETARY POLICY WAS MAINTAINED

Canada's central bank maintained its accommodative monetary policy stance over the recent past, having previously implemented an unprecedented level of support to combat the negative effects of the pandemic on Canadian households and businesses. The bank's key policy interest rate rested at its effective lower bound of 0.25% from January 2021 through to the end of the third quarter. Additionally, the BofC maintained a program of quantitative easing over the same time period. The program was trimmed from $4.0 billion in asset purchases per week to $2.0 billion weekly in the first half of 2021. Further trimming is expected in the second half, assuming labour market conditions continue to strengthen and inflation pressures begin to ease. Additional monetary stimulus may be required if the economic and labour market recoveries falter. In the fall of 2021, the bank indicated it would hold its key interest rate at the effective lower bound until the nation's economic slack is absorbed and inflation pressures ease. The bank is expected to continue to hold the line on material monetary policy changes in 2022, barring a stronger-than-expected economic and job market performance over the near term.

HOUSING MARKET

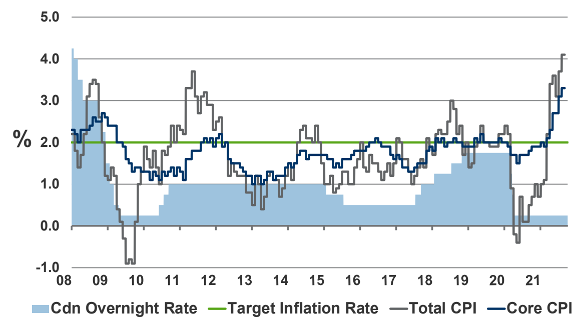
Monthly Trends



Source: Statistics Canada, CMHC, Bank of Canada

MONETARY CONDITIONS

Inflation Measured As % Δ Over 1 Year Ago



Source: Bank of Canada

Canada's central bank maintained an accommodative monetary policy stance following the initial COVID-19 outbreak, having implemented an unprecedented level of support to combat the pandemic's negative effects on households and businesses.

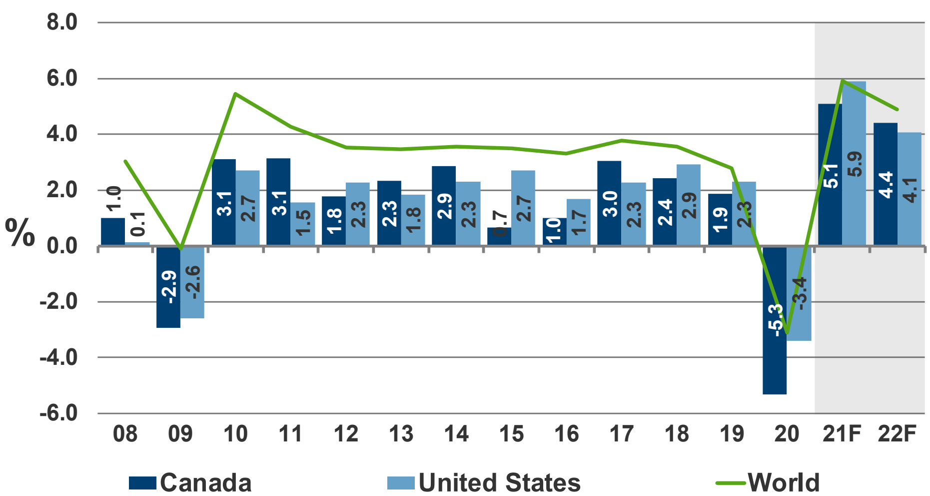
ECONOMIC OUTLOOK

ECONOMIC RECOVERY WILL ACCELERATE

Canada's economic recovery will accelerate in the second half of the year, with more moderate expansion forecast for 2022. Robust economic expansion is predicted in the second half of the year, given a largely successful vaccine distribution program and rising consumer confidence levels. The CBOC has forecast a 6.7% increase in real GDP for 2021, to be followed by a 4.4% advance in 2022.

ECONOMIC GROWTH

Real GDP Growth – Historical & Forecast



Source: Conference Board Of Canada (Sept 2021); International Monetary Fund (October 2021)

The sharp increase in economic output will be driven in part by a significant rise in retail consumption levels, with the return of shoppers to the country's malls and main shopping streets. Consumers will boost spending on various services, many of which were unavailable during pandemic lockdown periods. Residential investment volume will remain well above the long-term average, which will also support the above-average economic growth trend. The most prominent downside economic risk is the negative impacts of emerging COVID-19 variants. A surge in infections would erode business and consumer confidence and dampen economic progress over the near term. Inflation could also negatively impact growth as well. The winding down of various government programs enacted to drive economic growth and provide financial support to Canadian households during the pandemic presented an additional downside risk. However, Canada's economic recovery is expected to accelerate over the near term, given an assumed mitigation of these risks.

LABOUR MARKET CONDITIONS WILL IMPROVE SUBSTANTIALLY

Canadian labour market conditions will improve substantially over the near term, building on the first-half 2021 gains. Accelerated economic growth during the second half of 2021 will drive national employment markedly higher. During this period, employment will increase by approximately 546,700, according to the CBOC. Subsequently, a more modest increase of 232,780 is forecast for 2022. Labour market conditions will tighten over the second half of 2021, as employment growth outpaces labour force gains. An unemployment rate of 6.3% is forecast at the end of 2021, having declined by 160 bps over the second half. A more moderate downward unemployment rate trajectory is expected in 2022, with the average falling a further 30 bps to 6.0%. A much slower recovery is forecast for business sectors that were ravaged by the pandemic lockdowns. Several high-touch business sectors will continue to struggle to source workers. On balance, however, labour market conditions will improve significantly over the near term.

HOUSING MARKET STRENGTH TO PERSIST

Canadian resale housing market characteristics will remain relatively strong over the near term, after a period of moderation. Resale housing activity levels will continue to surpass the long-term average. Activity levels will be supported by healthy demand patterns, low interest rates, consumer confidence, and job market advancement. Conditions will remain tight, with demand continuing to outdistance supply. As a result, prices will rise at a relatively moderate pace when compared to the run up in the latter stages of 2020 and early 2021. The forecast price growth is in line with the resale home market's overall strength predicted for the near term.

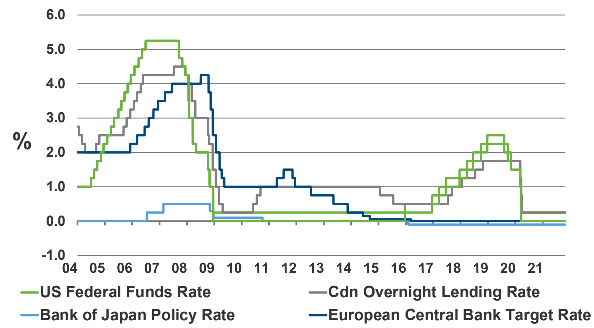
RETAIL SALES GROWTH TREND WILL MODERATE

Canadian retail sales growth will moderate over the near term. The CBOC is predicting a relatively modest 3.1% advance for 2021, following a much stronger gain of 6.0% in 2020. Growth was dictated to a large extent by pandemic lockdowns and the resulting pent-up demand since the summer of 2020. Beginning in the second half of 2021, a more sustainable retail sales growth trend is expected to unfold. Continued supply-chain challenges will negatively impact near-term spending. However, Canadian retail sales will continue to rise at a relatively moderate and sustainable pace.

Accelerated economic growth during the second half of 2021 will drive national employment markedly higher.

OFFICIAL POLICY RATES

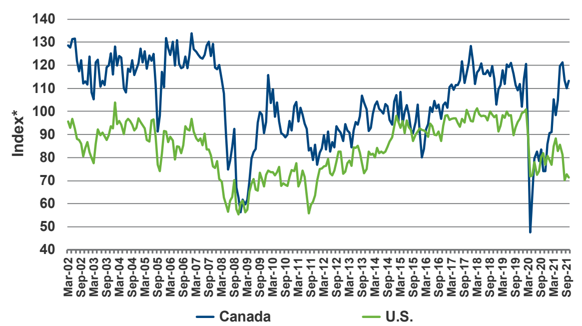
International Monetary Conditions



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

CONSUMER CONFIDENCE

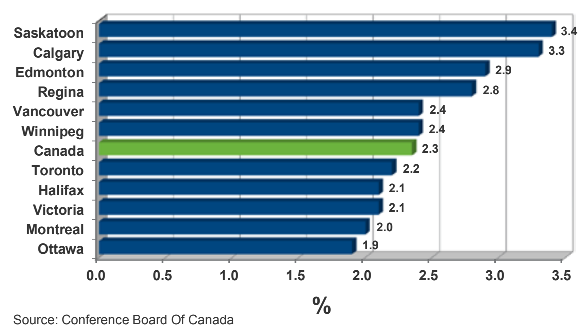
Consumer Optimism About Economic Conditions



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

CMA REAL GDP GROWTH

2022 – 2025 Forecast



Source: Conference Board Of Canada

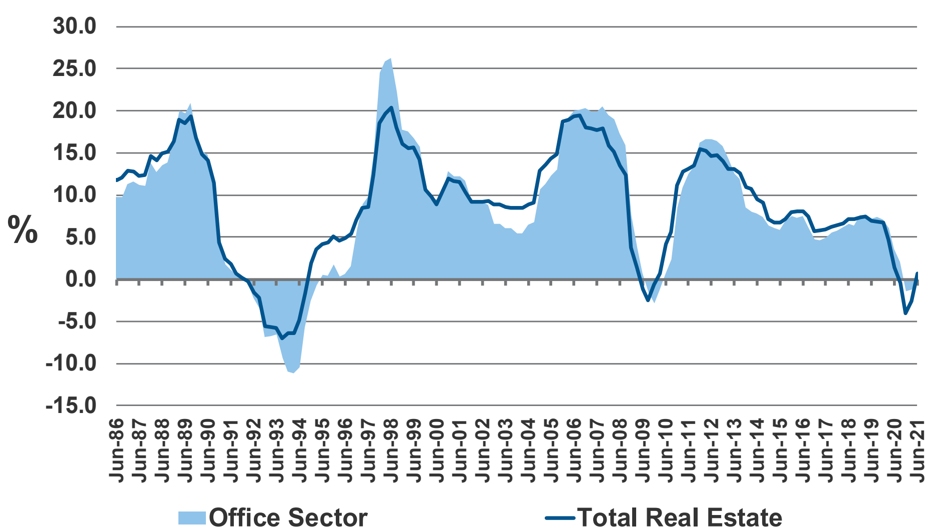
OFFICE OUTLOOK

VACANCY ROSE SHARPLY WHILE DEMAND STALLED

Vacancy levels rose sharply across the country over the recent past, due largely to the continued unfolding of the COVID-19 pandemic. The national vacancy rate rested at 15.3% at the end of the second quarter of 2021, having risen 450 bps year-over-year. A rate of 14.9% was posted for the nation's combined downtown areas at the end of June 2021.

ANNUALIZED RETURNS

Rolling 1-Year RCPI/IPD Office Performance



Source: RCPI; © MSCI Real Estate 2021

The vacancy rate had risen 490 bps year-over-year and represented a 21-year high. The nation's suburban vacancy rate stood at 15.7% at the end of the first half of 2021. Suburban vacancy had increased by 390 bps year-over-year and was the second highest rate reported in over 20 years. The sharp increase in vacancy of the recent past was a result of the negative effects of the pandemic. The combination of pandemic lockdowns and increased economic uncertainty eroded business confidence. The employees of many organizations worked from home during the lockdown periods.

At the same time, some private sector tenants looked to shed excess space by making it available for sublease. Others vacated space when their leases expired while their employees continued to work remotely. Expansion activity dried up across much of the country, as companies chose to hold off on leasing decisions while awaiting greater clarity on the business and public health outlooks. The combination of weaker demand and the shedding of excess space drove vacancy levels markedly higher.

INVESTMENT ACTIVITY REMAINED RELATIVELY MUTED

Office property investment activity remained relatively muted over the recent past, due primarily to the sector's somewhat uncertain outlook. A total of $1.9 billion in office property sales was reported for the first six months of 2021 in the country's largest markets. The figure was down markedly from the almost $3.0 billion in sales recorded over the same time period a year earlier. Office property investment sales activity has slowed significantly since the onset of the pandemic in early 2020. Investors have focused on core properties with financially secure tenants on long-term leases. Initially, the investment focus shifted to lower risk assets with the increase in sector uncertainty and decline in business confidence levels. In the early stage of the pandemic, workers left the office to work from home. The timing and extent to which workers would return to their offices was unclear. At the same time, leasing market fundamentals began to erode. The return to work speculation increased. As a result, investor risk appetites decreased substantially. In turn, sales of riskier assets plunged and values edged lower. Conversely, core office property yields were relatively stable. By early 2021, the office sector outlook had begun to improve, following a period of heightened uncertainty and relatively muted investment sales activity.

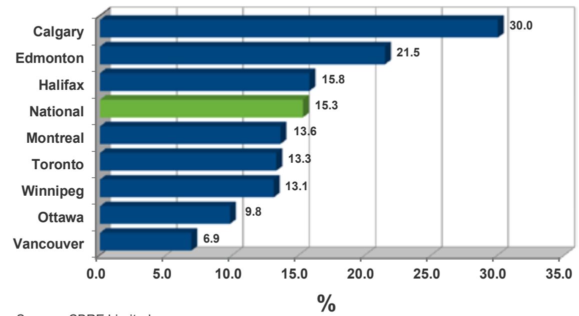
LEASING ACTIVITY WILL INCREASE

Activity levels in Canada's office leasing market will increase over the near term, with the relaxing of pandemic restrictions and return of workers to their offices across the country. Office tenants will look to firm up their longer-term leasing plans, as business operations normalize. As a result, a significant number of companies will look to extend their leases on either a short or long-term basis. In addition, some users will look to scale down or increase their premises to accommodate growth or adapt to changes in the use of space brought on by the pandemic. Having assessed their requirements, businesses will look to secure suitable space and lease terms. The resulting increase in leasing activity will have a positive impact on leasing fundamentals. Vacancy levels will initially stabilize and eventually begin to decline, following the sharp rising trend of the past year. The leasing market tightening will eventually result in upward pressure on market rents. Investor confidence levels will increase with the strengthening of the sectors leasing fundamentals, which will begin with the increase in activity levels forecast over the near term.

Leasing conditions continued to soften across much of the country while landlords eagerly awaited the return of workers to their offices and the resumption of more normal market activity.

VACANCY RATES

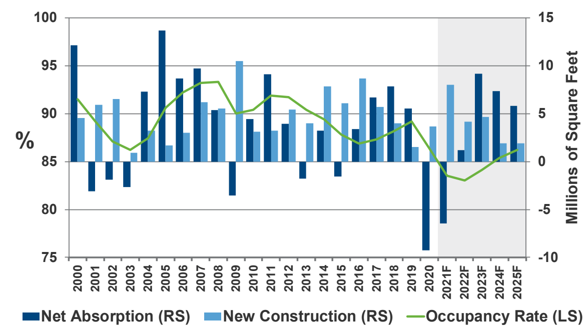
To Second Quarter – 2021



Source: CBRE Limited

OFFICE DEMAND & SUPPLY

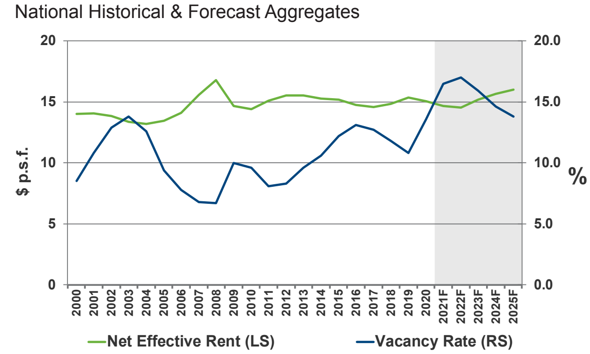
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
385 Bouchard Blvd	Sep-21	$15.0 M	137,874	$109	Jesta Management
275 Viger E Ave	Aug-21	$74.0 M	198,876	$372	BentallGreenOak
2350 Cohen St	Apr-21	$15.0 M	44,340	$338	Northwest Value

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
1595 Telesat/Naismith Dr	Oct-21	$40.6 M	333,944	$121	Crux Capital
1870 Alta Vista Dr	Sep-21	$31.6 M	112,000	$282	Groupe Mach
141 Laurier Ave W	Jun-21	$22.0 M	110,500	$200	Jennings Real Est.
80 Elgin St	Jun-21	$25.0 M	70,740	$354	National Capital
2220 Walkley Rd	Feb-21	$18.3 M	83,275	$219	Jennings Real Est.

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
175 Commerce Valley W	Nov-21	$33.7 M	113,274	$297	Groupe Mach
Allstate Corporate Ctr	Nov-21	$179.5 M	577,214	$311	Groupe Mach
55 Town Centre Crt	Oct-21	$31.4 M	218,000	$144	Private
Meadowvale Crt I & II	Oct-21	$49.0 M	143,975	$340	CanFirst Capital
1550 Enterprise Rd	Oct-21	$19.2 M	100,535	$191	Gord Properties
1 Eva Rd	Oct-21	$34.0M	91,068	$378	Broccolini
1155 North Service Rd	Sep-21	$19.0 M	79,000	$241	E.N. Asset Mgt
5875 Explorer Dr	Aug-21	$17.6 M	51,595	$340	Groupe Mach
5515 North Service Rd	Aug-21	$20.2 M	86,030	$235	Private
131 McNabb St	Jul-21	$13.1 M	57,971	$225	Jd Development
1415 Joshuas Crk Dr	Jul-21	$32.7 M	86,463	$378	Canadian Urban
59 Hayden (400-600)	Jul-21	$27.3 M	39,267	$694	Fidelity Prop. Mgt.
1125 Leslie St	Jul-21	$30.0 M	61,000	$492	Downing St. Group
College Square	Jun-21	$58.8 M	250,233	$235	Crown Realty
5255 Satellite Dr	Jun-21	$22.0 M	91,788	$240	Rathcliffe Capital
100 Gough Rd	May-21	$47.5 M	111,840	$425	BentallGreenOak
110 Yonge St (50%)	Mar-21	$58.0 M	160,541	$723	Sutter Hill Mgt.
2 E. Beaver Creek Rd	Mar-21	$19.2 M	78,588	$244	EL Regency Group
850 Adelaide St W	Feb-21	$17.0 M	21,103	$806	Dream REIT
68 Claremount St	Feb-21	$14.8 M	31,750	$466	Dream REIT
55, 105 Comm. Vall. W	Feb-21	$115.0 M	375,255	$306	Soneil Investments

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
10325 Bonaventure Dr	Feb-21	$16.5 M	70,000	$235	Trez Capital

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
11044 82 Ave	May-21	$12.0 M	59,073	$201	Private
10130 112 St	Jan-21	$14.3 M	189,304	$75	112 Campus Ltd.

VANCOUVER

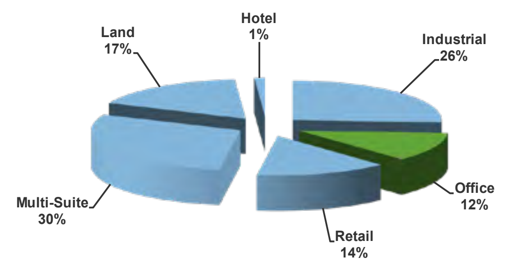
PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
207 W Hastings St	Nov-21	$65.0 M	80,000	$813	Allied REIT
815 Hornby St	May-21	$93.0 M	75,000	$1,240	Reliance
888 Dunsmuir St/Howe*	Apr-21	$240.0 M	255,000	$941	Sunnyland Group
20385 64th Ave	Apr-21	$20.5 M	57,327	$358	Private
1077 Great Northern*	Mar-21	$103.0 M	119,844	$859	Low Tide/PCI
13888 Wireless Way*	Feb-21	$31.0 M	116,530	$266	Concert 8

*share sale

Investors continued to focus on acquiring prime properties with strong financial covenants and stable tenants on long-term leases in the country's major metros.

TOTAL SALES BY PRODUCT

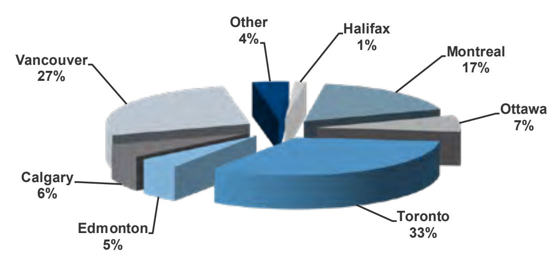
18 Months to June 2021



Source: CBRE Limited

OFFICE SALES BY CMA

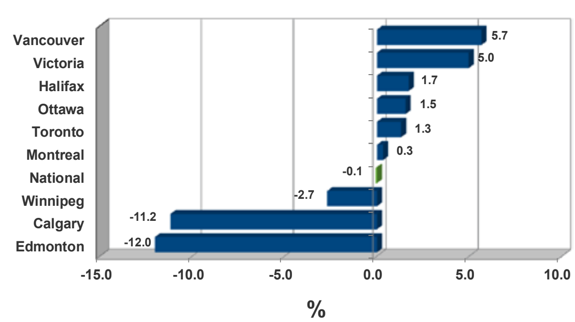
18 Months to June 2021



Source: CBRE Limited

OFFICE TOTAL RETURNS

For The 1-Year Period Ending June 2021



Source: © MSCI Real Estate 2021

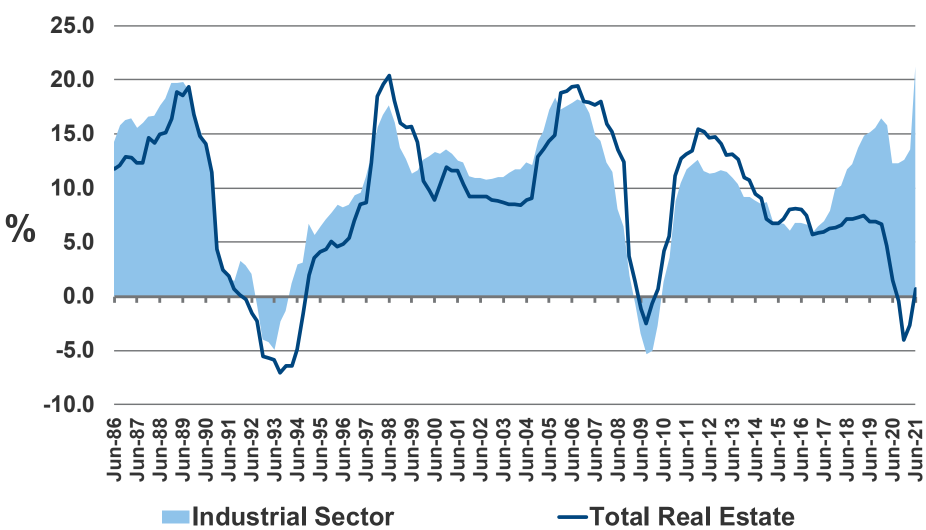
INDUSTRIAL OUTLOOK

AVAILABILITY DWINDLED TO RECORD-LOW LEVEL

Available industrial supply dwindled to a record-low level recently, with demand outdistancing supply across much of the nation. The national industrial availability rate rested at a record-low of 2.3% at the end of the first half of 2021. The rate had dropped 120 bps year-over-year according to CBRE data, despite the potentially negative impacts of the ongoing COVID-19 pandemic.

ANNUALIZED RETURNS

Rolling 1-Year RCPI/IPD Industrial Performance



Source: RCPI; © MSCI Real Estate 2021

Leasing conditions were very tight in the country's three largest markets. Availability rates of 1.1%, 1.2% and 1.4% were reported at the midway mark of 2021 for Vancouver, Toronto and Montreal, respectively. The tightening of industrial leasing market conditions was driven by the ongoing strength of the sector's demand cycle. Warehouse, logistics and e-commerce businesses have expanded at a relatively rapid rate over the past 12 to 18 months. Bulk space users were also active, particularly in regional distribution centres like Calgary and Toronto.

Expansion space has become increasingly difficult to source, despite the addition of a relatively healthy volume of new supply in several markets. For the most part, new developments have been leased up prior to completion or shortly thereafter. In general, functional available space has been particularly hard to find in all size categories. Market rents have reached benchmark high levels in most regions of the country, due to a combination of robust leasing demand and record-low availability.

BULLISH PHASE OF THE CYCLE WAS EXTENDED

The bullish phase of the Canadian industrial property sector investment market cycle was extended recently. The extension of the bullish phase was evidenced in the sector's near-term transaction volume trend. Transaction closing volume continued to peak, with $7.4 billion of investment sales recorded during the first half of 2021. The first-half total represented a continuation of the peak that began in 2018. Transaction volume has been limited somewhat by product availability. As a result, multiple bid scenarios have been common. Generally, investment demand has outstripped supply, particularly for warehouse and logistics properties in established industrial parks with stable tenants on long-term leases. The extension of the bullish phase of the cycle was also evidenced in recent sector investment performance characteristics. Properties contained in the MSCI Index registered a stellar annual average return of 21.2% for the year ending June 30, 2021. Capital growth keyed the strong result, which spiked 890 bps over the previous 12-month period. The sharp rise in sector property values over the recent past was an indication that the bullish phase of the industrial investment cycle had been extended.

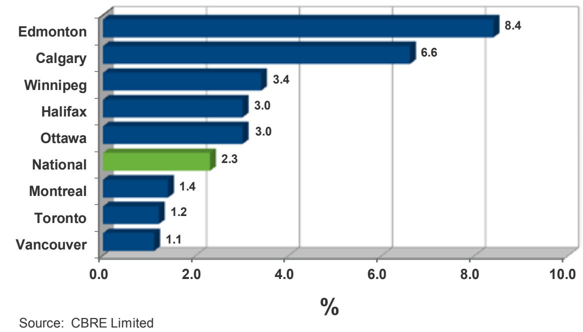
SECTOR WILL CONTINUE TO OUTPERFORM

The Canadian industrial sector is expected to continue to outperform over the near term, in keeping with the trend of the past few years. The national leasing outlook is generally strong and stable. Conditions will remain tight, with availability rates resting at or near the record-low levels of the recent past. New construction activity will increase, although not enough to provide relief for tenants looking to expand. In most regions of the country, occupiers will continue to find it hard to source available functional space in prime industrial parks. Leasing demand will outdistance supply, ensuring rents hold at the peak for the cycle with further increases likely in markets where availability is at record-low levels. Warehouse, logistics and e-commerce users will remain the sector's main leasing demand-drivers. A strong leasing outlook including rent growth will continue to drive robust investment sales activity across the country. Healthy investment performance characteristiscs will also continue to attract a range of investment groups to the sector. Strong leasing fundamentals including rent growth will drive property values moderately high and cap rates lower. In short, the industrial sector will continue to outperform over the near term, continuing the trend of the past few years.

Constrained supply remained an issue for tenants looking to expand or relocate in the country's major markets, with record low availability and record-high rents reported in the nation's prime industrial parks.

AVAILABILITY RATES

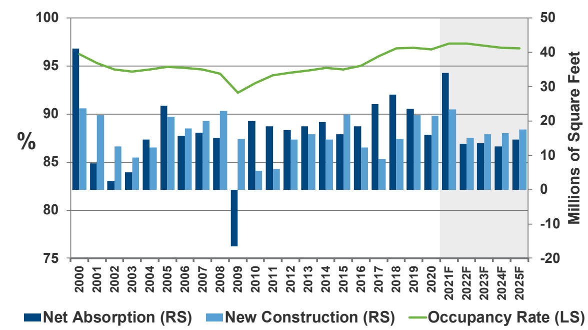
To Second Quarter – 2021



Source: CBRE Limited

INDUSTRIAL DEMAND & SUPPLY

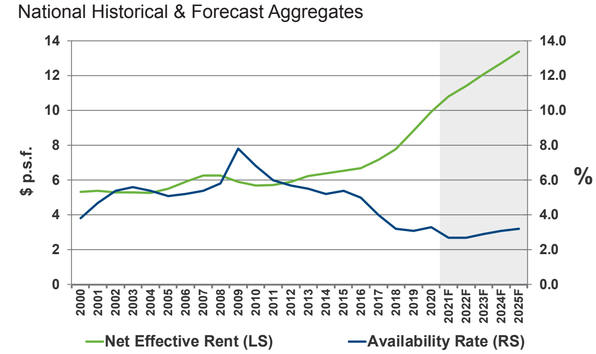
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
5977 Trans-Canada	Aug-21	$26.4 M	91,458	$289	Dream REIT
3100 des Batisseurs St	Jul-21	$35.0 M	178,542	$196	Dream REIT
491-571 Lebeau Blvd	Jun-21	$17.5 M	155,129	$113	Groupe Quint
9989 Ray Lawson Blvd	Jun-21	$22.2 M	168,332	$132	Mondev
5700-6150 Henri-Bour.	Jun-21	$46.0 M	243,761	$189	Canadian Urban
2301 De Cannes Brul.	May-21	$17.8 M	89,339	$199	Crestpoint
3055 Anderson St	Mar-21	$61.8 M	365,694	$169	Dream REIT
3500 Douglas Floreani	Feb-21	$90.8 M	424,422	$214	Concert Properties
401 Marie-Curie St	Jan-21	$114.2 M	527,391	$216	Dream REIT
Groupe Mach Portfolio	Jan-21	$116.1 M	845,288	$137	Pure Ind. REIT

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Huntington Portfolio	Jul-21	$50.1 M	217,214	$230	Crestpoint
1680 Vimont Crt	Apr-21	$26.1 M	137,404	$190	Dream REIT
Summit REIT Portfolio	Apr-21	$49.2 M	283,495	$174	ProREIT

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
KingSett GTA Portfolio	Sep-21	$61.1 M	261,817	$233	Berkshire Axis
735 Intermodal Dr	Sep-21	$38.0 M	159,645	$238	Pure Ind REIT
1160-1170 Birchmount	Aug-21	$78.5 M	362,682	$216	Soneil Investments
202 South Blair St	Aug-21	$40.6 M	306,704	$132	Soneil Investments
7400-7420 Bramalea	Aug-21	$90.2 M	328,268	$275	Pure Ind REIT
Artis GTA Portfolio	Jul-21	$750.0 M	2,526,632	$297	Pure Ind REIT
Carttera Portfolio	Jul-21	$183.0 M	605,423	$302	LaSalle Investmts.
Saand Portfolio	Jun-21	$38.1 M	226,035	$169	Redstone Group
390 Orenda Rd	Jun-21	$38.0 M	170,311	$223	Lark Investments
8350 Lawson Rd	May-21	$90.6 M	321,028	$282	GWL Realty Adv.
2481-2529 Royal Wdsr	May-21	$18.1 M	83,000	$218	Nicola Wealth
Invar Pickering Portf.	May-21	$72.8 M	372,711	$195	Soneil Investments
240 Summerlea Rd	Apr-21	$17.7 M	87,254	$203	Pure Ind. REIT
2160-2180 Highway 7	Apr-21	$40.0 M	184,150	$217	Cortel Group
100-110 Iron St	Mar-21	$125.3 M	524,636	$239	Triovest
279 Humberline Dr	Mar-21	$17.5 M	107,500	$163	Dream REIT
190 Bovaird Dr W	Feb-21	$39.3 M	210,000	$187	Triovest/Desjardins
777 Bayly St W	Jan-21	$68.0 M	342,830	$198	Summit REIT

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
6600 72nd Ave SE	Sep-21	$67.0 M	498,618	$134	Skyline REIT

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Henday Industrial Pk	Aug-21	$94.6 M	618,363	$153	Sun Life Assur.
Northport Bus. Park	Feb-21	$116.0 M	845,856	$128	Crestpoint

VANCOUVER

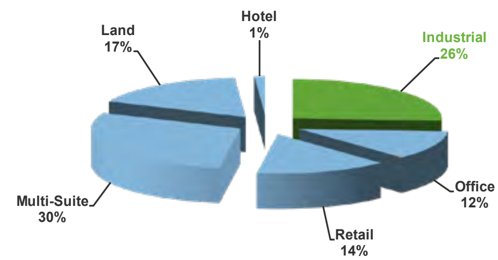
PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Mayfair Square*	Apr-21	$49.0 M	164,577	$298	HOOPP
12111 Riverside Way	Mar-21	$38.5 M	133,623	$288	GWL Realty Adv.
Dozyn Dezyn Portfolio	Mar-21	$104.5 M	412,897	$253	CanFirst Capital

*share sale

Robust investment market activity was reported across the nation, with investors looking to increase their exposure to a sector that had outperformed during the pandemic and boasted a strong outlook.

TOTAL SALES BY PRODUCT

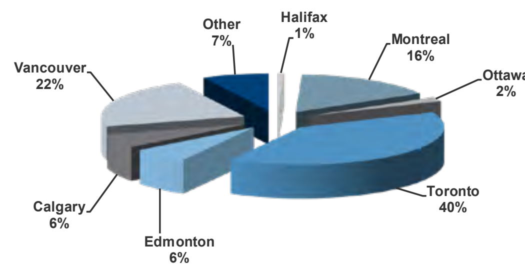
18 Months to June 2021



Source: CBRE Limited

INDUSTRIAL SALES BY CMA

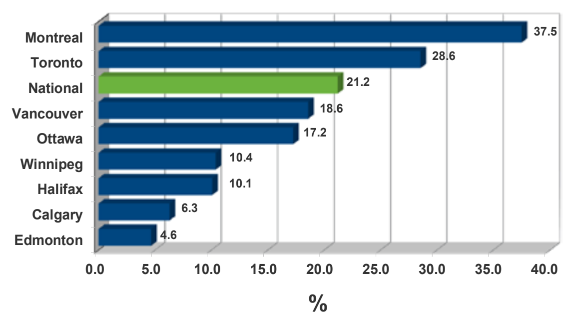
18 Months to June 2021



Source: CBRE Limited

INDUSTRIAL TOTAL RETURNS

For The 1-Year Period Ending June 2021



Source: © MSCI Real Estate 2021

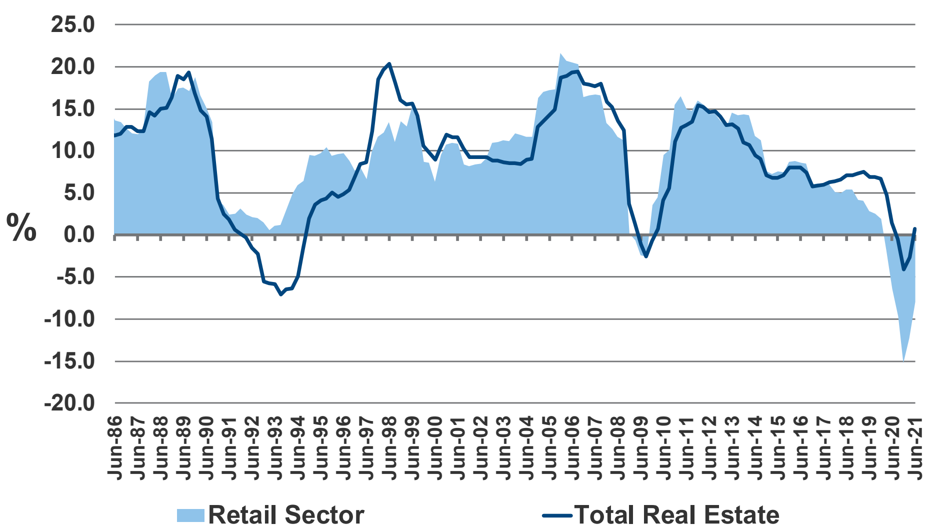
RETAIL OUTLOOK

LEASING FUNDAMENTALS CONTINUED TO SOFTEN

Retail sector leasing market fundamentals continued to soften over the past year, due largely to the ongoing negative impacts of the pandemic. Leasing demand remained generally weak, following the initial COVID-19 outbreak in the spring of 2020 through much of 2021.

ANNUALIZED RETURNS

Rolling 1-Year RCPI/IPD Retail Performance



Source: RCPI; © MSCI Real Estate

Non-essential store expansions were infrequent, given an uncertain revenue outlook. There were a few expansions, particularly in the discount and grocery and other essential retail categories. Many non-essential retailers focused on trying to drive revenue by adopting or enhancing existing pick-up and delivery platforms. In some cases, however, operators were unable to adapt and experienced sharp revenue declines or were forced to close on a permanent basis. Still others relied on one or more of the Canada Emergency Rent Subsidy, Canada Emergency Wage Subsidy, rent abatements, and rent deferrals in order to continue to operate. Leasing activity was made up primarily of short-term renewals and extensions. The leasing demand-softening in conjunction with store closures drove vacancy levels higher in most markets and retail space subcategories. Downward pressure on rents was another byproduct of the demand weakness. Landlords were forced to focus rent collections, which declined significantly as a result of the pandemic-related non-essential store lockdowns. Landlord and retailer revenues declined over the past 12 to 18 months, a period during which retail leasing fundamentals continued to soften.

INVESTMENT MARKET CONDITIONS WERE GENERALLY BEARISH

Retail property sector investment market conditions remained largely bearish over the past year, in keeping with the medium-term trend. Investment sales activity continued to fall short of the most recent peak in 2017/2018, when sales averaged $9.5 billion annually. National retail property investment transaction volume totalled a modest $3.6 billion over the first six months of 2021. There have been relatively few significant transactions completed over the past couple of years, given heightened sector uncertainty levels and the negative impact of the pandemic. On the one hand, owners have been somewhat reluctant to sell large-scale assets in a down market. On the other hand, investors have hesitated to acquire retail assets that they perceive to be higher risk relative to other sectors. Investors have exhibited increased interest in needs-based retail offerings. The bearishness of the national retail investment market was evidenced in recent performance characteristics. Properties contained in the MSCI Index registered an annual average total return of (7.9%) for the year ending June 30, 2021. The negative result was a function of a 10.9% capital decline over the period. The capital decline was indicative of the broader sector trend and the bearish investment market conditions of the recent past.

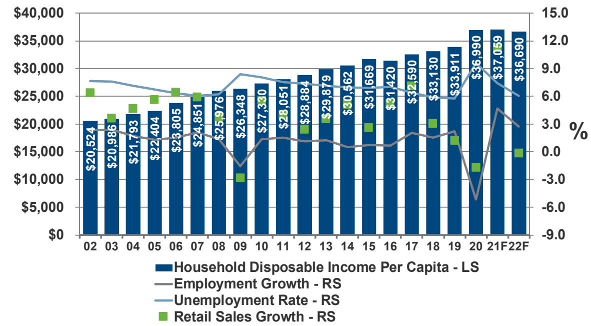
SECTOR FUNDAMENTALS TO GRADUALLY STABILIZE

Retail property sector fundamentals are expected to gradually stabilize over the near term, with the continued loosening of pandemic restrictions on non-essential stores. Retailers will return to some semblance of normal operations in late 2021 or early 2022. In turn, sales revenue will improve to some extent. As a result, rent collections and landlord revenues will rise, which will partially offset additional expenses incurred as a result of the pandemic. Some retailers will continue to adjust their operational plans, to maximize revenue in the post-pandemic era. Leasing activity will pick up initially, as operators roll out plans that were postponed. By late 2022, leasing market conditions will have begun to stabilize, along with market rents and vacancy. As a result of this stabilization, investor confidence levels will begin to slowly rise. Needs-based properties will continue to be a preferred acquisition target while assets with largely non-essential store tenant rosters begin to transact more frequently. Generally, retail property sector fundamentals will gradually stabilize over the near term, following a period of extreme volatility.

Retail leasing fundamentals remained relatively weak during the past year, as the ongoing pandemic restrictions resulted in the erosion of both retailer and landlord incomes.

CONSUMER STRENGTH

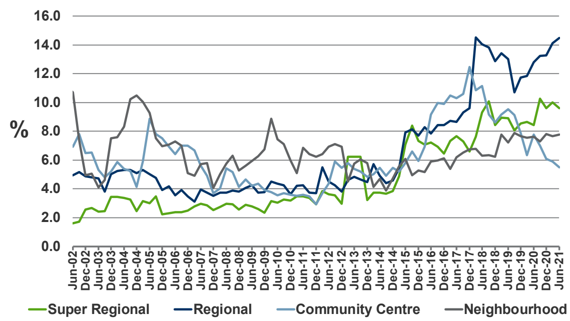
Measuring Canadian Purchasing Power



Source: Conference Board of Canada

RETAIL VACANCY RATES

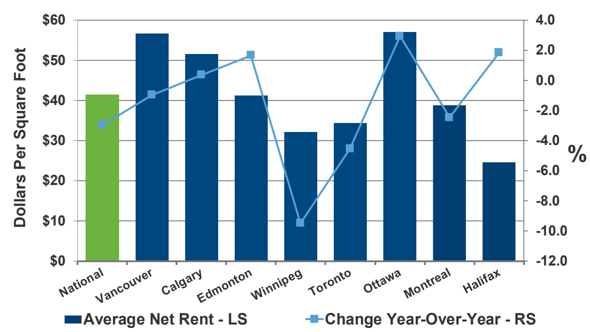
National Trending Across Property Types



Source: © MSCI Real Estate 2021

RETAIL RENTS

Average Net Rents As At June 2021



Source: CBRE

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Devimco Portfolio	Jul-21	$40.2 M	119,303	$295	Broad Group
Ctre Jacques-Cartier	Apr-21	$21.0 M	216,000	$97	Guzzo/HS Prop.
13845-14000 St Simon	Mar-21	$13.2 M	49,960	$264	Worth Capital

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Avalon Ctr	Nov-21	$25.9 M	85,630	$303	Hazelview/Trinity
1465 Merivale Rd	Sep-21	$32.9 M	78,848	$417	GWL Realty Adv.
Bayshore Ctr (50%)	Jun-21	$193.5 M	882,200	$439	KingSett Capital
2440 Bank St	Mar-21	$15.5 M	40,000	$388	Private

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
570 Longworth Ave	Nov-21	$13.1 M	29,733	$441	Goldmanco Inc.
Bowmanville Mall	Nov-21	$37.3 M	123,700	$302	Private
1887-1901 Eglinton Ave W	Oct-21	$12.5 M	10,650	$1,174	Clifton Blake
4099 Erin Mills Pkwy	Oct-21	$31.0 M	62,801	$494	Queenscorp Group
8134 Yonge St	Aug-21	$17.9 M	12,100	$1,479	Kaka Plaza Corp.
170 North Queen St	Jul-21	$31.5 M	81,450	$387	Memory Express
Sinclair Place	Jul-21	$15.0 M	28,492	$526	Li Limited Group
Valiant Durham Portf.	Jun-21	$69.1 M	200,700	$344	Strathallen Capital
111 St Clair Ave W	Jun-21	$20.4 M	22,338	$911	Private
Oakwoods Centre	May-21	$42.4 M	75,152	$564	Accu Holdings
65 Front St E	Apr-21	$19.3 M	21,949	$877	Allied REIT
364 Queen St W	Mar-21	$14.3 M	12,306	$1,158	LDI Holdings
Bramrose Square	Mar-21	$45.8 M	186,312	$246	Starbank Devts.
2901 Sheppard Ave E	Mar-21	$24.2 M	26,740	$903	Starbank Devts.
410 @ Steeles	Feb-21	$61.3 M	261,581	$234	410@Steeles Inc
524 Queen St W	Feb-21	$14.5 M	15,600	$926	Lightpoint
170-176 Ossington	Jan-21	$12.0 M	15,910	$754	Private
318 Queen St W	Jan-21	$13.4 M	10,100	$1,322	Memnon Mgt.

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
6520 Falconridge Blvd	May-21	$28.1 M	56,610	$496	Legacy Properties
Chinook 58	May-21	$26.0 M	37,351	$696	Elevate Develpmt.
Shoppes at Sundrige	Mar-21	$17.7 M	39,605	$446	Hillsboro Group
14815 Bannister SE	Feb-21	$11.1 M	39,202	$283	Britmar Develpmts.

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Parsons Place	Jul-21	$10.5 M	32,510	$321	Elite Group
Meadowbrook (50%)	Mar-21	$14.6 M	70,733	$412	BMO Life Assur.

VANCOUVER

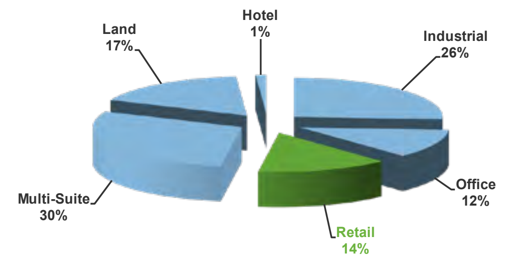
PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Nordel Centre	Jul-21	$21.4 M	42,294	$505	Westcorp Holdings
Impact Plaza*	Jul-21	$75.0 M	134,250	$559	Private
Eagleridge Place	Jun-21	$23.5 M	41,951	$560	Suri Investments
2912 Granville St	Apr-21	$17.9 M	12,150	$1,473	B.A. Robinson C.
Lougheed SuperCentre	Mar-21	$42.0 M	81,142	$518	Surrey Cedar Ltd.
Rodeo Square	Mar-21	$23.3 M	34,782	$670	Private
Bridgeport Centre	Feb-21	$20.3 M	44,080	$461	Private
Parallel Marketplace*	Feb-21	$31.4 M	72,081	$436	Skyline REIT

*share sale

Investment sales volume continued to fall short of the long-term average in 2020 and the first half of 2021, given elevated levels of risk due to the negative impacts of the pandemic and changes in consumer behaviour on the sector over the past few years.

TOTAL SALES BY PRODUCT

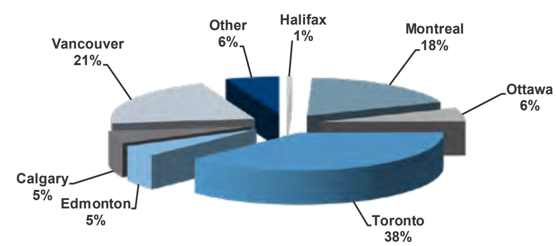
18 Months to June 2021



Source: CBRE Limited

RETAIL SALES BY CMA

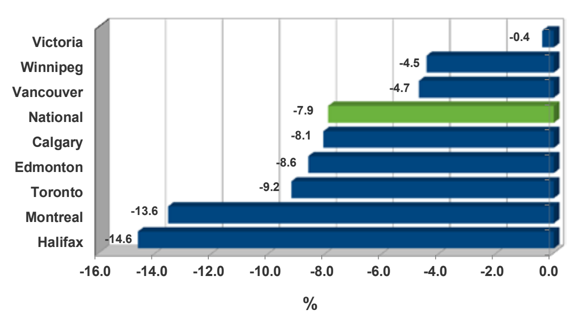
18 Months to June 2021



Source: CBRE Limited

RETAIL TOTAL RETURNS

For The 1-Year Period Ending June 2021



Source: © MSCI Real Estate 2021

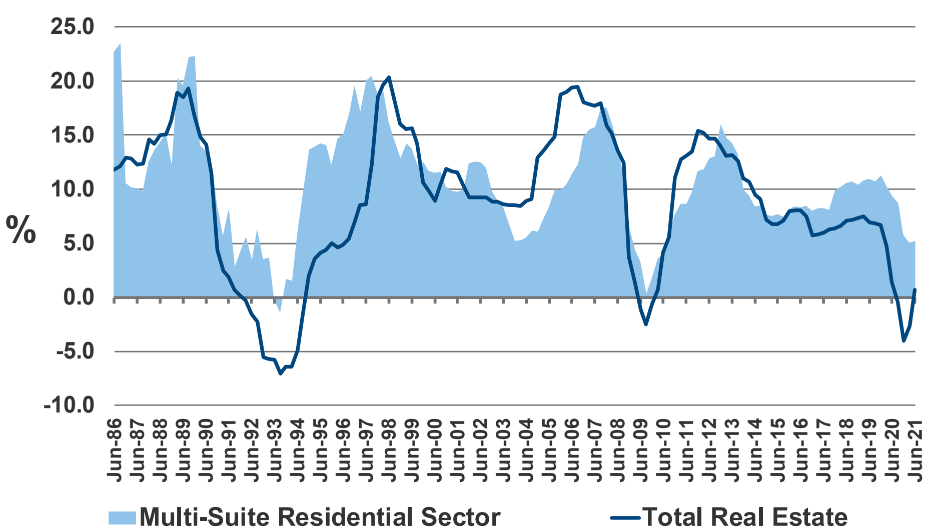
MULTI-SUITE RESIDENTIAL OUTLOOK

MODEST SOFTENING OF RENTAL MARKET FUNDAMENTALS REPORTED

A modest softening of multi-suite residential rental sector fundamentals was reported over the recent past, due in large part to the ongoing pandemic restrictions. Rental demand weakened in the late spring of 2020, a trend that carried through into 2021. Canada's international borders remained closed during this period.

ANNALIZED RETURNS

Rolling 1-Year RCPI/IPD Residential Performance



Source: RCPI; © MSCI Real Estate 2021

As a result, international migrants and foreign students were not allowed to enter the country, many of whom have traditionally rented accommodation. The demand weakening was more pronounced in the downtown and central areas of the nation's major cities, which have been a preferred location for international arrivals. Additionally, post-secondary institutions were unable to offer in-person classes. As a result, Canadian residents were unable to study away from home and rent accommodation. Weaker youth employment patterns as a result of the pandemic restrictions also negatively impacted rental demand. As demand characteristics softened, vacancy began to rise. The national vacancy rate rose 100 bps to a four-year high of 3.2% over the 12-month period ending October 2020. The upward trend was more pronounced in the downtown and central areas of Canada's larger metros. Suburban vacancy was relatively stable. Rent growth slowed significantly year-over-year, which was in keeping with the slight softening of multi-suite residential rental market fundamentals of the recent past.

INVESTMENT MARKET TRENDS WERE BROADLY POSITIVE

Canadian multi-suite residential rental sector investment market trends were broadly positive during 2020 and much of 2021. Investment demand outstripped supply across the country, in keeping with medium-term trends. The asset class remained a prime target of a range of institutional and private investment groups. Buyers looked for acquisition opportunities in the country's largest metropolitan areas. The demand-pressure drove transaction volume to a benchmark high level in several regions. Multi-suite residential rental properties were trading at a record pace during the first half of 2021, with $6.6 billion in closed transactions recorded for the period. Generally, investors continued to bid aggressively, particularly for concrete high-rise properties or assets with development or rent upside potential. Cap rates continued to compress, with cycle-low averages reported in most regions. Sector investment performance patterns were also broadly positive during 2020 and much of 2021. Properties contained in the MSCI Index registered an annual average total return of 5.2% for the 12-month period ending June 30, 2021, on the heels of a 9.4% return over the previous 12-month period. The healthy near-term performance pattern was one of several broadly positive investment market trends reported over the recent past.

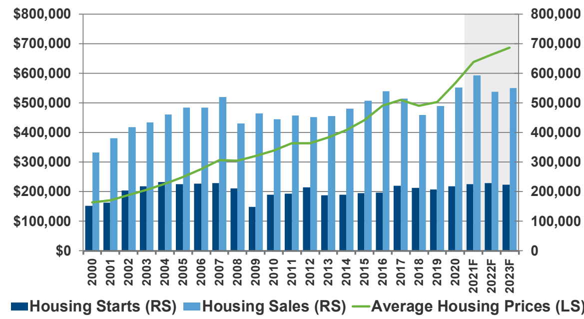
STRONGER SECTOR FUNDAMENTALS TO UNFOLD

Multi-suite residential rental sector fundamentals will gradually strengthen over the near term, following a brief period of modest erosion. Rental demand will gradually strengthen in 2022, as post-secondary schools and offices continue to open. Additionally, rental demand will increase with the return of international students to the country's major urban centres. A significant portion of post-secondary students have traditionally rented off-campus accommodation. The forecast demand strengthening will drive vacancy levels steadily lower, particularly in the central and downtown submarkets of the nation's major cities. As vacancy levels decline, central area and downtown effective rents will stabilize, as fewer landlords offer incentives to prospective tenants. The combination of stronger demand and declining vacancy will eventually drive rents to a benchmark high level in most markets. Rent growth outlook will continue to support the multi-suite residential rental sector's position as a preferred acquisition target with investors. As a result, sales activity will continue to peak, assuming product availability.

Multi-suite residential rental market conditions are forecast to gradually strengthen over the near term, following a period of moderately weaker demand due to restrictions on international migration and in-class post secondary education.

CANADIAN HOUSING MARKET

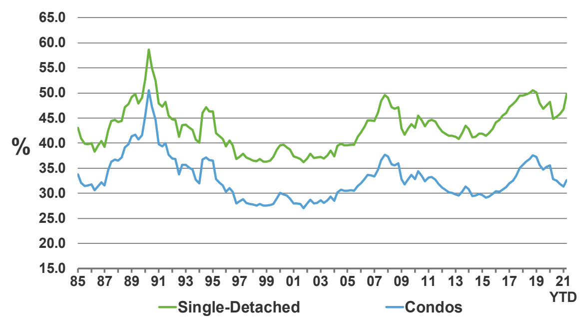
Pricing vs. Demand



Source: Conference Board Of Canada; CREA; CMHC

NATIONAL AFFORDABILITY INDICATOR

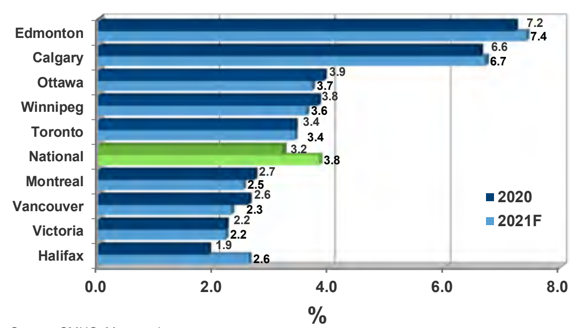
% of Income to Service Home Ownership Costs



Source: RBC Economics - RBC Housing Affordability Measure

CMA'S RENTAL VACANCY

Rates for Structures of 3 units+



Source: CMHC; Morguard

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SUITES	P.S.	PURCHASER
Domaine Salaberry	Aug-21	$31.7 M	248	$127,621	Recan
Complexe Sur Le Parc	Jul-21	$21.2 M	160	$132,663	Groupe Hazout
GMA Portfolio	May-21	$30.6 M	151	$202,318	CAPREIT
30 St Joseph Blvd E	Apr-21	$41.1 M	89	$461,798	Akelius
425 Sicard St	Feb-21	$20.6 M	73	$281,716	Skyline Group
Le Montefiore	Jan-21	$34.0 M	94	$361,702	Centurion REIT
600 Cote-Vertu Blvd W	Jan-21	$20.0 M	88	$226,705	Choucair Group
Raamco Portfolio	Jan-21	$300.0 M	2,242	$133,810	Banvest Inc.

OTTAWA

PROPERTY	DATE	PRICE	SUITES	P.S.	PURCHASER
Island Park Towers	Aug-21	$267.0 M	642	$415,888	Homestead
324 Cambridge St	May-21	$43.8 M	200	$218,750	Private

TORONTO

PROPERTY	DATE	PRICE	SUITES	P.S.	PURCHASER
1287 Costigan Rd	Sep-21	$62.6 M	105	$595,714	Realstar Group
200 Jameson Ave	Sep-21	$32.2 M	100	$322,000	Crestpoint
Weston Common	Sep-21	$338.9 M	841	$401,902	Dream Unlimited
4750 Bathurst St	Jul-21	$19.0 M	64	$296,875	Starlight Investmts
920 Inverhouse Dr	Jun-21	$33.0 M	95	$347,379	InterRent REIT
3434 Eglinton Ave E	Jun-21	$61.5 M	216	$284,722	MetCap Living
Rockcliffe Portfolio	May-21	$46.7 M	100	$467,192	InterRent REIT
Borges & Reynar Portf	May-21	$103.7 M	485	$213,720	CAPREIT
135 Allan St	Apr-21	$31.5 M	70	$450,000	Realstar Group
333 Sidney Belsey Cr	Apr-21	$78.0 M	264	$295,455	Akelius
26 Park St E	Apr-21	$28.1 M	82	$342,073	Canahahns Co Ltd
7555 Goreway Dr	Apr-21	$68.0 M	272	$250,000	SiteLine Group
251-285 The West Mall	Apr-21	$25.3 M	66	$382,576	NJS Capital
Plaza Portfolio	Apr-21	$56.0 M	210	$266,667	Golden Equity
95 Kennedy Rd N	Mar-21	$12.9 M	44	$293,182	Cloverleaf
831 Kennedy Rd	Mar-21	$14.4 M	50	$287,000	Hazelview
20 Tuxedo Crt	Feb-21	$64.0 M	210	$304,882	Q Residential
eCentral (50%)	Jan-21	$150.8 M	466	$647,267	Woodbourne Capit.

CALGARY

PROPERTY	DATE	PRICE	SUITES	P.S.	PURCHASER
Missao	Sep-21	$25.1 M	95	$264,673	Strategic group
Newton Place	Aug-21	$44.2 M	323	$136,687	Mainstreet Equity

EDMONTON

PROPERTY	DATE	PRICE	SUITES	P.S.	PURCHASER
Rideau Tower	Jul-21	$28.4 M	134	$212,000	Har-Par Investmts.
Jasper House	Mar-21	$19.8 M	115	$171,739	Rosedale Estates

VANCOUVER

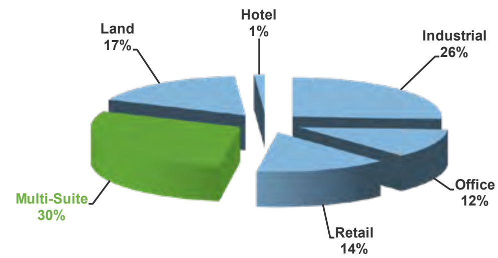
PROPERTY	DATE	PRICE	SUITES	P.S.	PURCHASER
2670 Library Ln	Sep-21	$54.5 M	75	$726,000	Starlight Investmts
Tamarac Apartments	Jun-21	$29.8 M	75	$396,667	Starlight Investmts
Sundance Apartments*	Mar-21	$55.5 M	99	$560,606	Quadreal Group
The Saint George*	Feb-21	$52.9 M	96	$551,042	Quadreal Group
The Westwind	Feb-21	$24.5 M	42	$583,333	Prospero
Park Towers*	Feb-21	$50.0 M	83	$602,410	Starlight Investmts
Vancouver Portfolio	Jan-21	$292.5 M	614	$476,384	Crestpnt./InterRent

*share sale

Multi-suite residential rental property investment demand outstripped supply by a significant margin, as investors strived to increase their holdings in a sector with a generally positive outlook.

TOTAL SALES BY PRODUCT

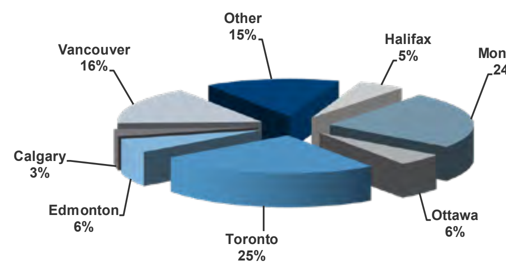
18 Months to June 2021



Source: CBRE Limited

MULTI-SUITE SALES BY CMA

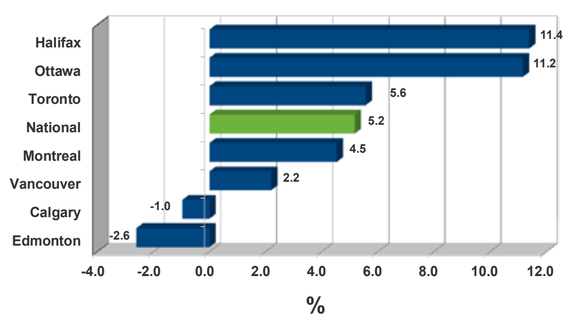
18 Months to June 2021



Source: CBRE Limited

MULTI-SUITE TOTAL RETURNS

For The 1-Year Period Ending June 2021



Source: © MSCI Real Estate 2021

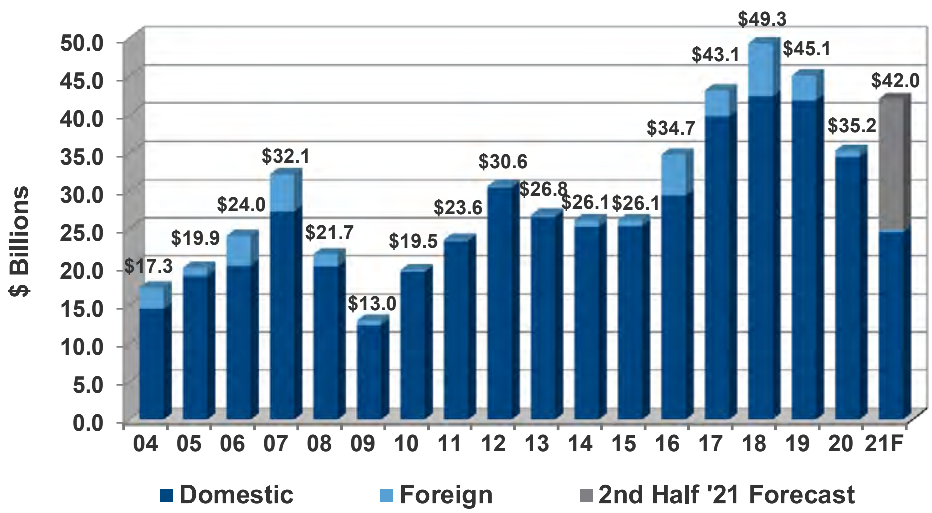
INVESTMENT OUTLOOK

INVESTOR CONFIDENCE VARIATION REPORTED

There was a significant degree of variation in confidence levels exhibited by investors in the Canadian commercial investment property sector during 2020 and much of 2021. To a large extent, the variation was tied to the individual asset class outlooks and risk. Investors continued to exhibit confidence in the office sector on a selective basis.

INVESTMENT ACTIVITY

Total Investment Volume



Source: CBRE Limited; Morguard

Properties with strong covenants and stable tenants on long-term leases were preferred. However, investors were less willing to acquire properties with riskier profiles. Investors approached the asset class with caution, as leasing fundamentals softened significantly with the unfolding of the COVID-19 pandemic. Uncertainty had increased surrounding the return of workers to their offices and the subsequent performance outlook. Confidence in the retail sector remained relatively low, given an increasingly uncertain outlook as a result of the pandemic. Investors exhibited the highest confidence in the industrial property sector of the major asset classes. The industrial sector had outperformed since the onset of the pandemic. Availability rested at an all-time low in most regions and rents continued to rise to new a benchmark-high. The outlook for the sector was one of continued outperformance, making it a preferred acquisition target for a range of investment groups. Investors exhibited relatively high levels of confidence in the nation's multi-suite residential rental sector, given a generally healthy performance outlook. Overall, commercial property sector investor confidence varied by asset class.

Investor preference for industrial and multi-suite residential rental property continued in 2021 while prime office properties with strong covenants and stable tenants on long-term leases were also well-received.

INVESTMENT CAPITAL FLOW STRENGTHENED

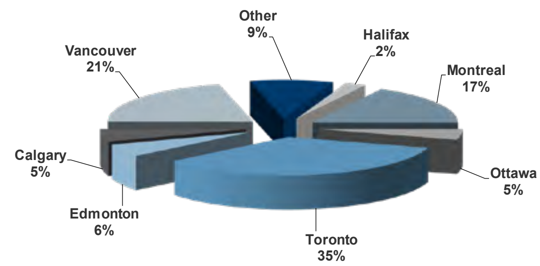
The flow of investment capital into Canada's commercial property sector increased substantially recently, driven in part by a wave of pent-up demand. Just over $24.8 billion in debt and equity funds were pumped into the sector during the first six months of 2021. The continuation of this pace would result in a record-high annual sales total for the year. A modest increase in retail sector capital flow was also recorded recently. Just shy of $3.6 billion in transaction volume was posted for the first half of 2021, which was slightly ahead of the 2020 pace. Investor confidence had plunged in 2020, due to the pandemic's negative effects on the sector. In terms of capital flow, the industrial and multi-suite residential rental sectors outperformed. Approximately $7.4 billion of industrial property sales was reported over the first half of 2021, following the $8.2 billion of transaction volume recorded in 2020. Multi-suite residential rental sector transaction volume totalled $6.6 billion over the first six months of 2021, representing an even stronger pace than the previous year. The two sectors combined accounted for 54.4% of the total capital that flowed into the Canadian commercial property market in the first half of 2021. The performance was not overly surprising, considering heightened investor confidence levels in both sectors. The flow of investment capital into Canada's commercial property sector is expected to remain relatively healthy over the near term, having strengthened significantly in the first half of 2021.

INVESTMENT PERFORMANCE DISPARITY PERSISTED

Canadian commercial investment property sector investment performance varied by asset class over the past year, as evidenced in MSCI Index results. Retail sector performance characteristics were the weakest of the major asset classes. Properties contained in the MSCI Index registered a (7.9%) return for the 12-month investment horizon ending June 30, 2021. The disappointing outcome was the result of a cumulative capital decline of 11.2% over the period. Coincidentally, the income performance trended slightly lower. The office sector return was slightly negative for the same 12-month time period. The income component performance was stable and positive. However, the combined capital value of the properties declined. The capital erosion was not overly surprising, given the leasing market softening of the recent past and an increasingly uncertain performance outlook. The industrial sector continued to outperform with a total return of 21.2% for the 12-month period ending June 30, 2021. The performance was driven by cap rate compression and strong rent growth patterns in most regions. The multi-suite residential rental sector return was the second highest return of the major property sectors. A total return of 5.2% was registered for the 12-month period ending June 30, 2021. The performance was largely income-driven while the capital component was relatively stable. Investment performance was expected to vary by property sector over the near term, continuing the trend of the past year.

NATIONAL SALES BY CMA

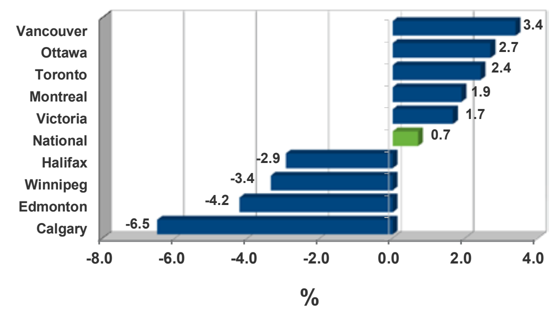
18 Months to June 2021



Source: CBRE Limited

ALL PROPERTY TOTAL RETURNS

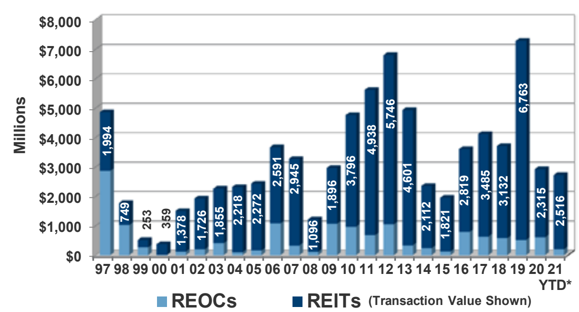
For The 1-Year Period Ending June 2021



Source: © MSCI Real Estate 2021

REIT CAPITAL ACTIVITY

Public Equity Issuance



Source: RBC Capital Markets

*Sept 2021

Investment capital flow reached a near record-high level during the first half of 2021, due largely to pent-up demand following a sharp decline during the initial unfolding of the pandemic.

INCONSISTENT CAP RATE TREND OBSERVED

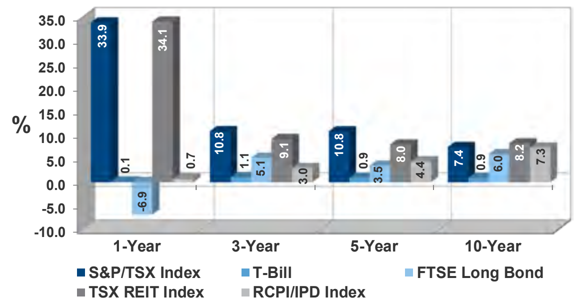
The Canadian commercial investment property sector cap rate trend was somewhat inconsistent over the recent past. In the office sector, cap rates have been relatively stable for quality properties with strong covenants and stable long-term tenants. Downtown AA office cap rate averages have changed by 20 bps or less year-over-year in the Vancouver, Montreal and Toronto markets, respectively, as of the end of June 2021. However, averages have increased for riskier assets, particularly for secondary markets and locations. The office sector's uncertain outlook due to pandemic and recent performance weakness were the main drivers of the recent cap rate trend. Retail property valuations have declined over the past few years, due in part to the negative effects of changes in consumer behaviour on the broader industry. For example, Tier two regional centre average cap rates have increased by between 10 to 40 bps year-over-year in Alberta, British Columbia, and Ontario. Industrial sector cap rates continued to compress, falling to benchmark low levels in the country's largest markets. Single-tenant property cap rates declined by between 40 to 70 bps year-over-year as of June 30, 2021, according to Altus Group survey data. On average, valuations increased at a more modest rate in smaller Canadian metros. Investors bid aggressively on industrial properties brought to the market, with the promise of continued rent growth and a healthy leasing market outlook. Multi-suite residential rental sector yields have also compressed, despite moderately weaker occupancy and demand characteristics due to the pandemic. Rents have generally continued to rise, which along with robust investment demand and a healthy performance outlook supported downward cap rate pressure. Over the near term, a measure of cap rate inconsistency is forecast for Canada's commercial real estate investment sector, in keeping with the recent trend.

SECTOR OUTLOOK IS GENERALLY POSITIVE BUT THERE ARE RISKS

The commercial property investment market outlook is generally positive, against a backdrop of elevated risk. The national economic recovery will continue to evolve, following the unprecedented pandemic-driven recession of 2020. The nation's economic growth trend will moderate in 2022, after a second-half 2021 surge. In the office sector, the return of workers to their offices will kick off a flurry of activity, leading to an eventual stabilization of rents and performance in 2022. The struggles of the retail sector will continue. However, occupancy and rent collections will gradually stabilize, as physical stores continue to right-size and limits on customer capacity are removed. Economic growth will support healthy industrial sector leasing trends and investment performance. The loosening of pandemic restrictions will result in improved multi-suite residential rental sector demand and performance. While commercial property sector conditions are expected to improve, there are several downside-performance risks. A resurgence of the COVID-19 pandemic, inflation, a Chinese economic slump and resulting contagion, record-high household debt, the impact of the winding down of government support programs, and supply chain disruptions are some of the more prominent downside risks. On balance, however, the outlook for the Canadian commercial real estate sector is generally positive.

RELATIVE PERFORMANCE

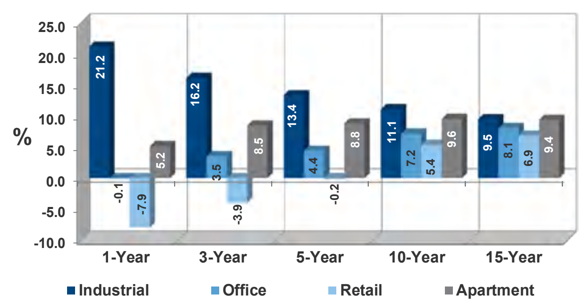
Comparing Annualized Returns To June 2021



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

MSCI RETURNS

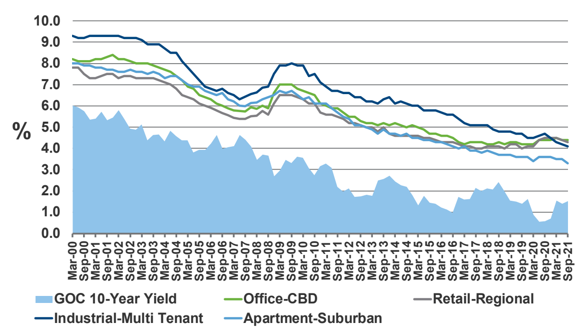
Annualized Returns By Property Type To June 2021



Source: © MSCI Real Estate 2021

YIELD SPREADS

Cap Rates vs. 10-Year GOC Bonds



Source: AltusInSite, Bank of Canada

METROPOLITAN ECONOMIC & REAL ESTATE OUTLOOK

METROPOLITAN

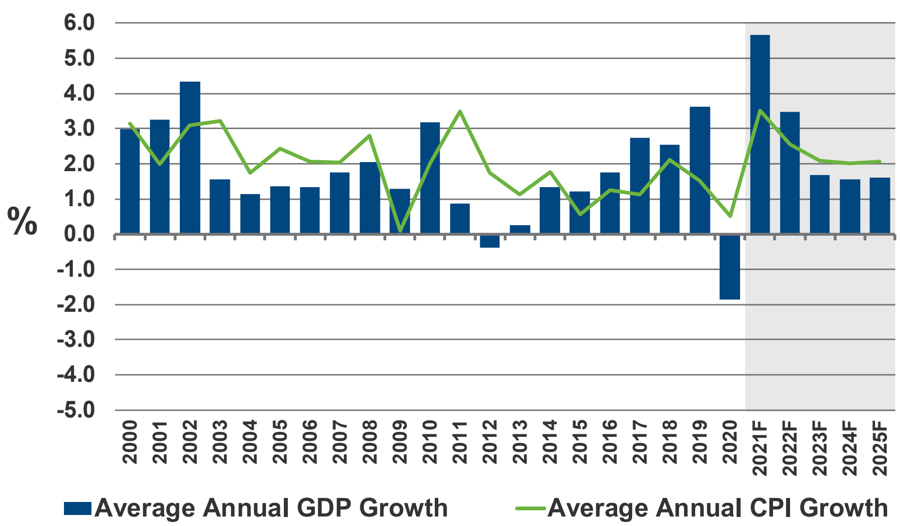
HALIFAX, NS

ECONOMIC SNAPSHOT

The Halifax Census Metropolitan Area (CMA) economy was expected to recover relatively quickly from the pandemic-driven 2020 contraction. Real GDP was forecast to rebound by 4.9% in 2021. Another strong economic performance is predicted for 2020, with GDP rising another 3.7%. The growth forecast assumes pandemic restrictions are loosened and vaccines are distributed widely. The region's job market bounced back in 2021, with employment levels surpassing the pre-pandemic level by March. Government transfers and employment growth supported healthy retail sales and household disposable income gains.

ECONOMIC GROWTH

Halifax Historical & Forecast Aggregates



Source: Conference Board Of Canada

LABOUR MARKET RECOVERY WAS RELATIVELY SWIFT

The Halifax CMA's job market recovery was relatively swift. By March 2021, regional employment was 2.9% higher than the pre-pandemic level. The jobs lost due to the pandemic were recovered by September 2020. The CBOC projected the creation of 10,180 new jobs in 2021, more than recouping the 6,700 lost in 2020. Job losses in the professional, scientific, and technical services sector have been fully recouped. However, employment in the so-called high-touch service sectors remained below the pre-pandemic highs. Employment growth was expected to drive the region's unemployment rate down to 7.1% by the end of the year, from the three-year high 8.6% average reported at the end of 2020. In short, the Halifax CMA's job market recovery has been relatively swift, driven in large part by tight pandemic restrictions and the widespread distribution of COVID-19 vaccines.

SOLID RETAIL SALES GROWTH TREND FORECAST

A solid retail sales growth trend is forecast over the near term for the Halifax CMA, following the contraction recorded in 2020. Retail sales are projected to rise by 3.3% this year, followed by a more robust 4.5% lift in 2022. The forecast is predicated on an increase in consumer confidence, the continued distribution of vaccines and the subsequent loosening of pandemic restrictions on physical store capacity. Government transfers helped push Halifax CMA household income levels higher by a record 11.2% in 2020. The resulting increase in household spending power is expected to drive retail sales growth over the near term. In addition, job growth projected for 2021 and 2022 will also support the region's solid retail sales growth forecast.

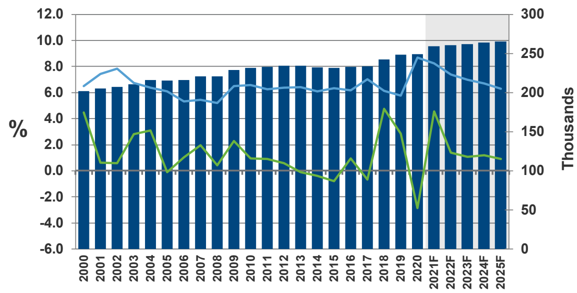
ECONOMIC GROWTH TO MODERATE

The Halifax CMA economy will expand by a relatively moderate rate over the medium term. The regional economy is projected to grow by less than 2.0% annually in both 2023 and 2024. The growth moderation will follow a two-year period of robust advancement, as the regional economy bounces back relatively rapidly from the pandemic downturn. The region's shipbuilding industry will continue to boost economic output, assuming the building of 15 Canadian Surface Combatant warships goes ahead in 2023. Services sector output will increase over the near term, before settling into a more moderate growth pattern. Housing construction activity will slow down over the medium term, given an increased volume of unoccupied recently built homes. Job market advances will also moderate over the medium term. Previously, jobs lost during the pandemic lockdown period were recovered by the fall of 2020. The winding down of government transfers to the region's households will initially support strong retail sales growth. However, sales growth will ease over the medium term, in keeping with the broader economic growth trend.

The Halifax CMA economy will expand by a relatively moderate rate over the medium term. The regional economic is projected to grow by less than 2.0% annually in both 2023 and 2024.

LABOUR MARKET

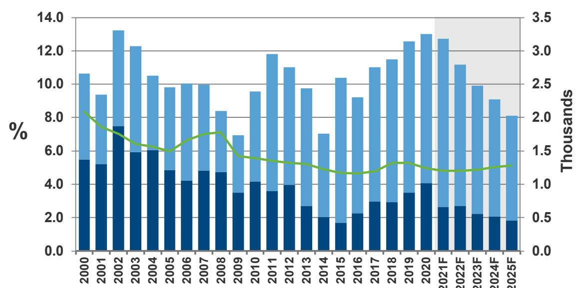
Halifax Historical & Forecast Aggregates



Source: Conference Board Of Canada

HOUSING SECTOR

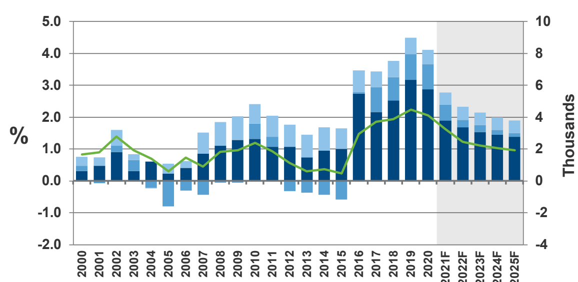
Halifax Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Halifax Historical & Forecast Aggregates



Source: Conference Board Of Canada

LEASING MARKET RESILIENCE WAS EVIDENCED

Evidence of the Greater Halifax Area (GHA) office leasing market's resiliency was observed over the recent past. GHA vacancy was relatively stable over the past 12 to 18 months, despite the negative impacts of the pandemic on the region's economy. At the midway mark of 2021 the GHA vacancy rate rested at 15.8%, a modest 30 bps higher than the average reported at the end of 2019. Over the same time-period, the national vacancy rate rose 450 bps. Moreover, Toronto, Montreal and Vancouver vacancy increased by 660, 290, and 350 bps, respectively. The resiliency of the GHA's office leasing market was evidenced in the recent sublease availability trend. A modest increase in sublease availability was reported in the GHA at the onset of the pandemic. In several other Canadian markets, a more pronounced spike in sublease availability was reported, which drove vacancy levels markedly higher. Despite the GHA's near-term resiliency, leasing demand fundamentals have been relatively weak over the recent past. Private sector organizations either cancelled or postponed long-term leasing decisions, given ongoing uncertainty surrounding the public health and economic outlooks. Leasing activity has been made up of renewals and subleases, rather than expansions. Market rents have been relatively stable, with landlords offering incentives to some tenants. The stabilization of rents coincided with the observance of the GHA leasing market's resilience over the recent past.

INVESTMENT SALES ACTIVITY PLUNGED

Sales of GHA office sector investment property slowed to a crawl over the recent past. There were two main causes of the markedly reduced activity level. The first was a sharp increase in sector uncertainty due to the pandemic. Investors were unsure of the sector's fundamental outlook in the post-pandemic era. For many investors, the occupancy and space usage outlooks were somewhat uncertain. In addition, the rent outlook was also less than clear, which complicated the process of underwriting properties brought to the market. The second cause of the investment activity slowdown was product availability. Generally, vendors were hesitant to sell assets during a period of markedly reduced leasing and expansion activity. There were no major asset sales reported over the recent past. Transaction volume totalled only $29.7 million over the 12-month period to the end of June 2021, down from $91.0 million reported over the same time period a year earlier and well below the five-year average for the period. GHA office sector investment performance remained moderately attractive during this period of relatively muted sales activity. Properties contained in the MSCI Index posted an annual average return of 2.7% for the year ending June 30, 2021. The performance was driven entirely by the income component. The moderately positive overall performance coincided with a sharp drop in investment sales activity.

SECTOR FUNDAMENTALS TO GRADUALLY STRENGTHEN

GHA office property sector fundamentals will gradually strengthen over the near term. The region's moderately positive economic outlook will support office space demand. Expansion activity will increase, having slowed substantially due to the pandemic and resulting uncertainty. As expansion activity gradually increases vacancy will stabilize. Additionally, sublease availability will decline while private sector organizations solidify their long-term premises plans. Landlords will be less likely to offer incentives to prospective tenants, as demand patterns strengthen. As a result, owners of properties in this market will experience healthier financial performance patterns. Investors will continue to look to the GHA office sector for opportunities to invest. Properties with stable and secure tenant rosters will attract the attention of both local and national groups. However, availability will likely fall short of demand. Despite the shortfall, investors will look for opportunities in a market where sector fundamentals are forecast to gradually strengthen.

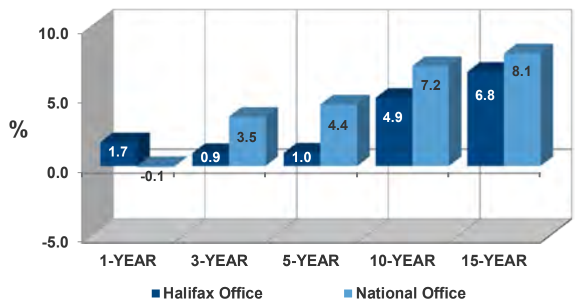
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

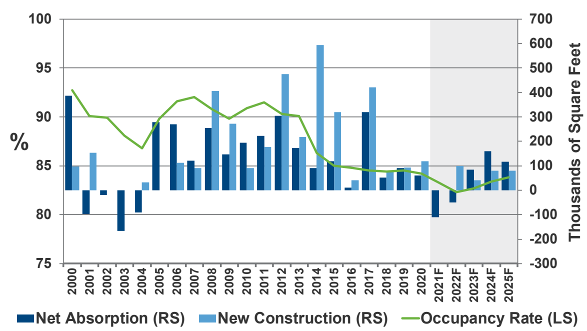
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

OFFICE DEMAND & SUPPLY

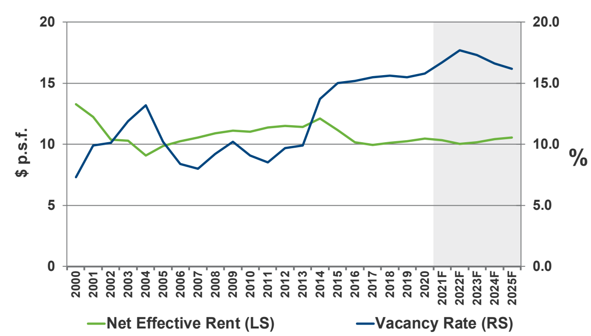
Halifax Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

Halifax Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET STRENGTH PREVAILED

The GHA industrial sector's impressive run of leasing market strength continued over the recent past, despite ongoing economic headwinds. Industrial leasing demand outstripped supply on a consistent basis during much of 2020 and 2021. Functional space was in demand, with both tenants and owner occupants looking to expand or relocate their operations. The unfolding of the pandemic added to the demand-pressure, as companies involved in the logistics and warehouse and e-commerce industries looked to expand and/or optimize their space. Demand has consistently outdistanced supply, resulting in tighter leasing market conditions. The market's availability rate had fallen to a record-low 3.0% at the midway mark of 2021, down 350 bps year-over-year, according to CBRE data. In some cases, industrial users were forced to look to new supply to source functional space. However, there were only a small number of available new projects, in part due to a shortage of industrial land. The market's demand supply shortfall resulted in benchmark high rents, in keeping with the national trend. The upward pressure on rents reflected the market's ongoing strength.

POSITIVE INVESTMENT MARKET TRENDS WERE REPORTED

Broadly positive investment market trends were observed in the GHA industrial sector over the past year, in keeping with the national performance trend. Investors continued to exhibit confidence in the asset class and region. Regional and national groups continued to scour the market for investment opportunities. Functional buildings with stable tenant rosters were the most highly coveted properties, along with properties that could be expanded or where rents were below market. Investor confidence was evidenced in recent transaction closing volume totals. A total of $71.0 million in GHA industrial property sales was recorded during the first six months of 2021, up from just $9.3 million a year earlier. The first-half 2021 total was spread across 24 transactions, up substantially from the five sales completed a year earlier. Transaction closing volume would have increased more sharply if one or more significant portfolios or larger-scale assets were made available for purchase. Healthy investor confidence levels and the recent increase in transaction closing volume coincided with stronger investment performance. Properties contained in the MSCI Index registered an annual average rolling return of 10.1% for the 12-month period ending June 30, 2021. The performance was markedly better than the 2.1% return recorded for the same time period a year earlier. The performance was largely income driven. The investment performance strengthening was in line with the broadly positive GHA industrial property investment market trends of the recent past.

SECTOR OUTLOOK IS GENERALLY POSITIVE

The GHA industrial sector outlook is generally positive, driven in large part by the region's economic progression over the next couple of years. Moderate economic growth will support demand for industrial space. Tenants and owner/occupiers will compete for a limited number of available options both for sale and for lease. Availability levels will continue to range at or near the recent record low levels. Functional space will be highly coveted and will be leased relatively quickly. Tight conditions will ensure rents hold at the benchmark highs across all market segments. Rent growth will bolster investment performance for some owners. Generally positive leasing trends forecast over the near term will positively impact investment market fundamentals. Investors will continue to source properties in a market with a healthy outlook. Bidding on available properties will be aggressive, as investors looked to capitalize on market conditions. The bidding environment will ensure property values hold at the peak for the cycle at a minimum, with modest cap rate compression a possibility. The valuation forecast is in keeping with the generally positive broader sector outlook.

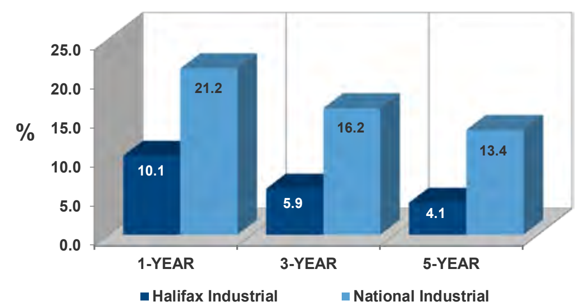
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

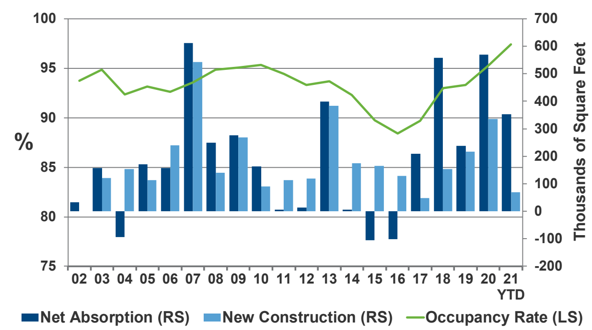
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

INDUSTRIAL DEMAND & SUPPLY

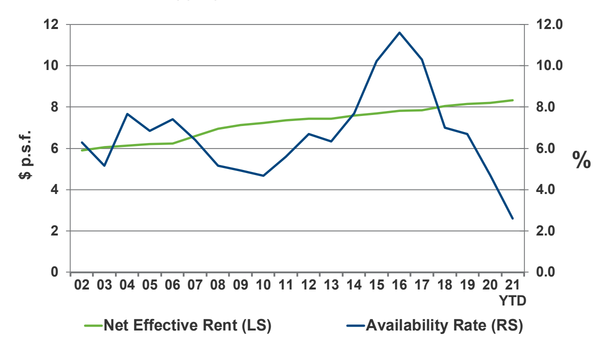
Halifax Historical Aggregates



Source: CBRE Limited

INDUSTRIAL RENT & AVAILABILITY

Halifax Historical Aggregates



Source: CBRE Limited

ELEVATED LEVEL OF LEASING MARKET RISK PERSISTED

An elevated level of leasing market risk was observed in the GHA retail sector over the recent past. Much of the risk was related to the ongoing negative impact of pandemic restrictions on in-person shopping and long-term shifts in the broader retail industry. Demand for retail space remained sluggish through much of 2021, due in part to concerns surrounding the potential spread of COVID-19 variants. Retailers generally postponed or cancelled expansion programs, preferring to strengthen their balance sheets and bolster revenues. As a result, expansion activity remained well below the pre-pandemic level. The only notable expansions occurred in a few retailer categories, including grocery, restaurant and drug stores. An indicator of the elevated level of leasing market risk was the continued closure of stores in the GHA. However, the losses were at least partially offset by the opening of several new outlets. Brick and mortar stores that opened or are scheduled to open in 2021 include: Playdium, BIGS, Dollarama, LL Bean, The Paint Shop, Bombay Spices, Pine House, New Indian Bazaar, Ardene and Atlantic Superstore. Even with these openings GHA retail vacancy levels ranged markedly higher than the long- term average over the past couple of years. The Regional centre average vacancy rate stood in the mid-to-high teens throughout 2020 and 2021. Over the same time-period, downward pressure on rents was a constant. Downward rent pressure and rising vacancy were indicative of the elevated leasing market risk of the recent past.

INVESTMENT MARKET WEAKNESS PERSISTED

Investment market conditions remained relatively weak over the past year, in keeping with the national asset class performance trend. Transaction closing volume continued to range well below the long-term average. Only $23.8 million in retail property sales was recorded for the first six months of 2021. Activity levels were relatively muted, despite increasing from the 2020 pace when $27.2 million in property sales was reported by CBRE. The muted sales trend was a function of the market's relatively weak demand characteristics of the past year. Investors have generally remained on the sidelines with respect to retail acquisitions over the past year, given heightened near and medium- term asset class uncertainty. However, investors have exhibited a willingness to acquire assets with a grocery store anchor. Private and often local groups have exhibited interest in properties with development potential, however, the broader demand trend has been relatively weak. The recent GHA retail sector investment market weakness was also evidenced in MSCI Index data. Properties tracked in the index registered an annual average total return of (14.6%) for the year ending June 30, 2021. The negative result was solely capital-driven. The downward capital trend of the past year was indicative of the broader retail sector investment market weakness.

STABILIZATION TO SLOWLY UNFOLD

A measure of stability is expected to slowly unfold in the GHA's retail sector over the near term. The emergence is predicated on the continued roll out of vaccines and the full reopening of brick-and-mortar stores. After a period of adjustment, the regional leasing market will transition to some level of normalcy. Retailers will look to rationalize their physical store portfolios and maximize revenue. At the same time, landlords will look to stabilize or increase occupancy across their portfolios. Initially, vacancy levels may increase, as some operators downsize. However, occupancy patterns will eventually level off. Market rents will likely take longer to stabilize. Landlords will be forced to be creative to lure tenants to their properties and support their existing operators. Investors will continue to exercise a degree of caution when assessing potential acquisitions. Private capital will be the most active of buyer groups over the near term, a period during which sector fundamentals will slowly stabilize.

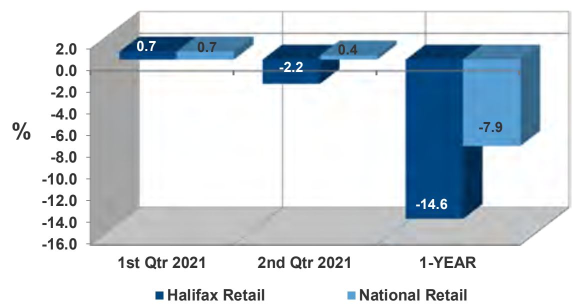
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

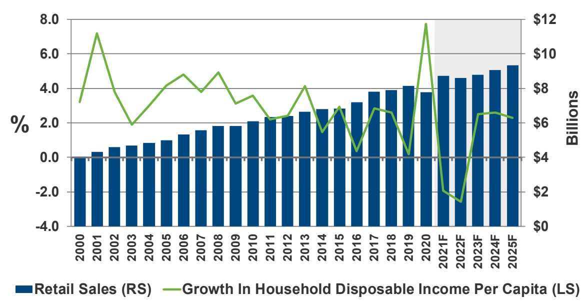
For The Period Ending June 2021



Source: © MSCI Real Estate 2021 *Prior data unavailable due to confidentiality rules applied based on mkt size

RETAIL CONDITIONS

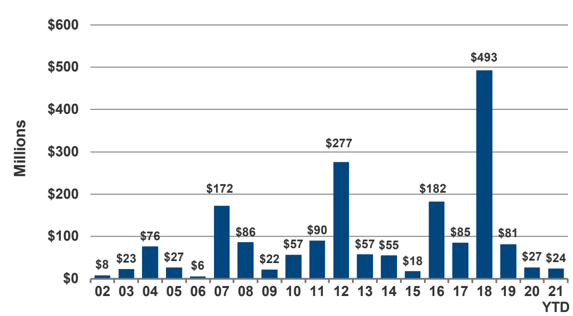
Halifax Historical & Forecast Aggregates



Source: Conference Board Of Canada

INVESTMENT ACTIVITY

Halifax Retail Investment Volume To June 2021



Source: CBRE Limited

SLIGHT SOFTENING OF RENTAL MARKET CONDITIONS REPORTED

A slight softening of GHA multi-suite residential rental market conditions was reported recently. Both supply and demand characteristics softened due primarily to the negative impacts of the pandemic. On the supply side of the ledger, vacancy increased for the first time since 2014. A market average vacancy rate of 1.9% was posted in October 2020, up 90 bps year-over-year. The increase was a byproduct of weaker rental demand patterns. International migration declined significantly in 2020 with the closure of Canadian borders. Most international migrants have tended to rent accommodation upon arrival. Another significant source of rental demand was depleted with the suspension of in-person post-secondary education and the preference of many students for remote learning during the pandemic. The rental demand downdraft was most pronounced in student-centric nodes such as Peninsula South, according to the Canada Mortgage and Housing Corporation (CMHC). Demand softened in the smaller building market segment, which has traditionally housed a significant share of the region's student population. Demand was relatively stable for higher quality properties with above-average amenity offerings. Despite the demand softening of the recent past, rents continued to rise. The GHA's average monthly rent rose 4.1%, year-over-year as of October 2020. The GHA's renters seemed willing and able to pay higher rents, however. The average GHA multi-suite residential rent climbed to a benchmark high, despite slightly weaker overall rental market fundamentals.

INVESTMENT FUNDAMENTALS WERE STABLE AND HEALTHY

GHA multi-suite residential rental sector investment fundamentals were stable and healthy over the recent past. Investment demand continued to outpace supply, which has been a market constant over the past several years. Both private and institutional groups looked to source acquisitions in a region boasting a solid track record of performance and attractive yields. Positive investor sentiment supported healthy transaction closing volume. Investors acquired $153.8 million worth of multi-suite residential rental sector property during the first six months of 2021. The first-half transaction total was one of the strongest on record. The stability and overall health of the GHA multi-suite residential rental investment market was evidenced in recent MSCI Index results. GHA properties contained in the MSCI Index registered an attractive annual average total return of 11.4% for the year ending June 30, 2021. The result represented a second consecutive double-digit return. The strong result was a function of stable and healthy income and capital performance characteristics. The investment performance pattern of the recent past was in keeping with the broader investment market trend.

DEMAND-DRIVERS TO REBOUND

GHA multi-suite residential rental sector demand-drivers are expected to rebound over the near term. The rebound is dependent on the continued distribution of COVID-19 vaccines and the reopening of Canada's borders. The vaccine rollout and reopening will facilitate an increase in international migration and return of students to in-person classes at the region's post-secondary institutions. As a result, rental demand will increase significantly, which will boost occupancy levels and drive rents higher. In turn, investment performance will strengthen. Stronger demand patterns and healthier rental market conditions will continue to attract investors to the region. Institutional and private groups will scour the market for opportunities to invest. As in the past, institutional groups will have difficulty acquiring properties of scale. However, private groups are likely to have more success in sourcing smaller properties that may require capital improvements. Generally, vendors will be able to achieve their pricing objectives. Investor confidence levels will rise with the forecast demand-driver rebound.

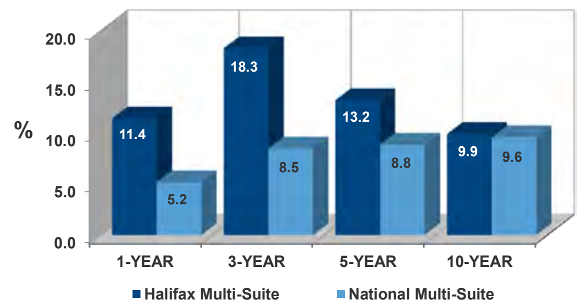
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

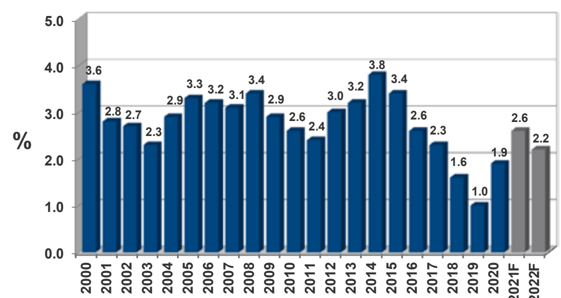
For The Period Ending June 2021



Source: © MSCI Real Estate 2021 *Q4 2019 return was the result of property sales at premium pricing

AVERAGE RENTAL VACANCY

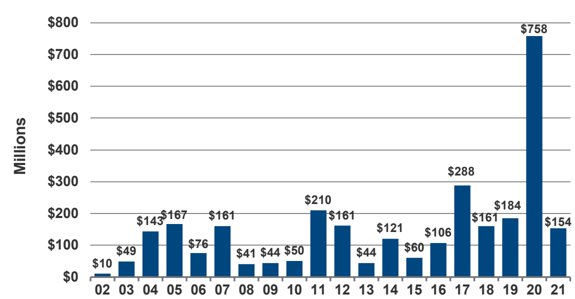
Halifax Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

INVESTMENT ACTIVITY

Halifax Multi-Suite Investment Volume To June 2021



Source: CBRE Limited

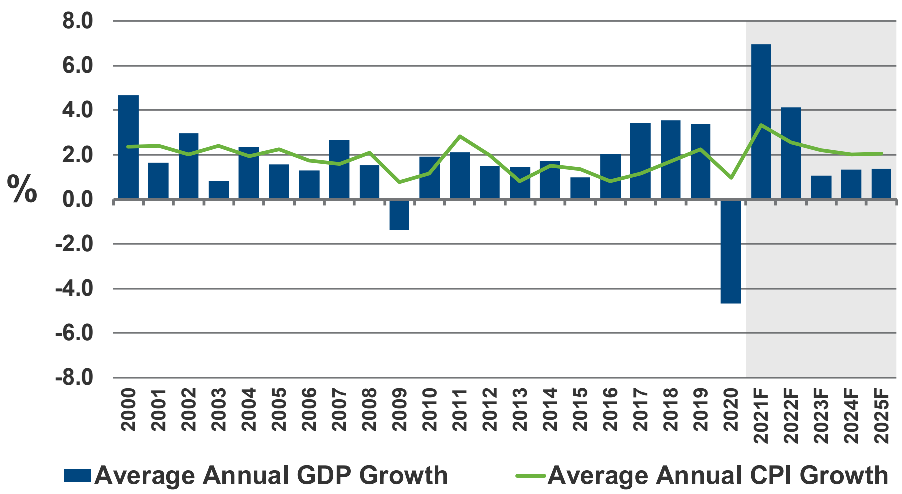
MONTREAL, QC

ECONOMIC SNAPSHOT

The Greater Montreal Area (GMA) economy was on pace to expand by roughly 5.0% in 2021, following a 4.5% contraction in 2020. The regional economy will continue to rebound in 2022 with a forecast 4.2% advance, assuming COVID-19 infection rates are controlled. The reopening of international borders is expected to boost accommodation and food services output, following a 28.7% decline in 2020. Employment will increase in most business sectors in 2021 and 2022. A surge in retail sales volume is predicted for 2021, after last year's first-half plunge.

ECONOMIC GROWTH

Montreal Historical & Forecast Aggregates



Source: Conference Board Of Canada

LABOUR MARKET RECOVERY CONTINUED TO UNFOLD

The GMA labour market recovery from the pandemic-driven downturn continued to unfold over the recent past. The recovery phase of the cycle persisted in early 2021. GMA employment is forecast to increase by approximately 3.4% in 2021. Employment growth in 2021 is expected to drive the unemployment rate down to a more respectable 8.3% by the end of the year. Employment had plunged by more than 12.0% in the first half of 2020, due to the pandemic lockdowns. In the third quarter, employment levels increased substantially. Restrictions were tightened in the final few months of the year, resulting in more modest job creation volume. The ranks of the employed shrank by 4.1% overall in 2020. However, most of the losses were expected to be recouped this year. By 2022, GMA employment is expected to move beyond the pre-pandemic level, with the continued unfolding of the region's labour market recovery.

SUBSTANTIAL INCREASE IN RETAIL SALES EXPECTED

GMA retail sales will increase substantially over the near term, mirroring the national trend. For 2021, the CBOC is forecasting a 7.2% rise in retail sales, with a more moderate gain in the following year. Several factors will drive the near-term retail sales surge. A 10.5% increase in household disposable income in 2020 increased the spending power of many GMA residents. As pandemic restrictions loosen, some of these funds will be used to purchase retail goods and services. The continued job market recovery will support healthier retail consumptions patterns. In addition, pent-up demand on the part of the region's residents will translate into increased retail sales. The 2021 sales surge will contrast the 4.5% contraction recorded in 2020. Retail sales dropped by an unprecedented 16.2% during the second quarter, with the implementation of pandemic restrictions. Sales volume slowed again in the first few months of 2021. However, sales are expected to increase substantially during the second half and in the following year.

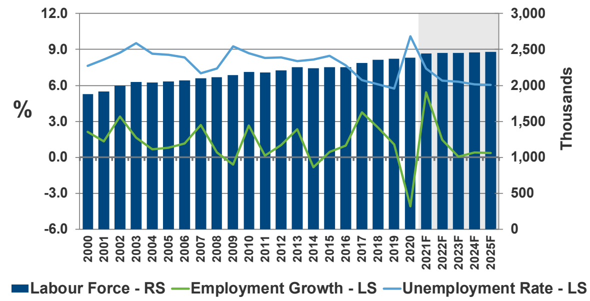
RECOVERY PACE WILL SLOW

The GMA economic recovery pace will slow after an initial growth spurt. The region's economic growth trend will moderate between 2023 and the end of the first half of the decade. Over the same time-period, employment levels will steadily rise. As a result, the unemployment rate will gradually decline, averaging just over 6.0% between 2023 and 2025. The combination of a moderately healthy job growth trend and rising income levels will support relatively strong retail sales patterns. Housing starts will slow down significantly over the forecast horizon. To some extent, the slowdown will have a negative impact on the region's recovery. In short, the GMA's recovery will slow over the medium term, following a sharp increase in economic output this year and in 2022.

The region's economic growth trend will moderate between 2023 and the end of the first half of the decade. Over the same time-period, employment levels will steadily rise.

LABOUR MARKET

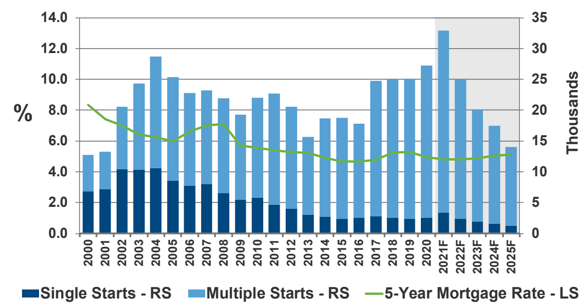
Montreal Historical & Forecast Aggregates



Source: Conference Board Of Canada

HOUSING SECTOR

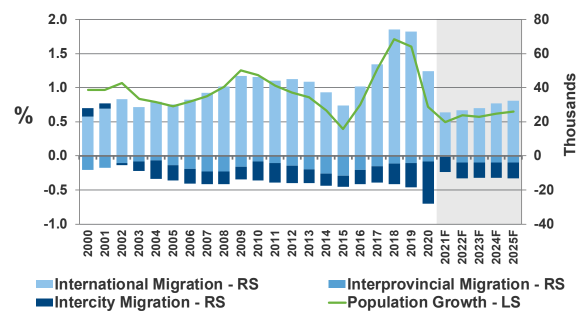
Montreal Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Montreal Historical & Forecast Aggregates



Source: Conference Board Of Canada

LEASING FUNDAMENTALS WERE ERODED

GMA office leasing fundamentals were eroded over the recent past, following a prolonged period of strength. The erosion was a byproduct of the negative impacts of the pandemic on the region's business sector. A significant number of the region's tenants looked to dispose of unused space, either by subletting or by not renewing their leases upon expiry. As a result, vacancy levels increased significantly in the latter half of 2020 and much of 2021. Vacancy increased more sharply in Montreal's downtown area, driven in large part by a surge in sublease availability. In the Central Business District, more than 924,000 square feet of space was available for sublease at the midway mark of 2021, which represented a 20-year high and was more than four times the total reported a year earlier. The surge in sublease availability drove the market average vacancy rate 360 bps higher over the same 12-month period to 13.6%, which was a four and a half year high. The combination of tepid demand, markedly higher vacancy and sublease availability resulted in downward pressure on rents. For the most part, face rents held at pre-pandemic levels. However, landlords were forced to offer incentives to entice prospective tenants to commit to space their buildings. Therefore, effective rents decline below the most recent peak levels. The erosion of net effective rents was a byproduct of the softening of GMA leasing market fundamentals of the recent past.

INVESTMENT ACTIVITY UNDERWHELMED

GMA office property investment sales volume trended markedly lower over the past year. A total of $168.1 million in office property sales was reported for the first six months of 2021. Property sales totalled $867.1 million over the same time period a year earlier. Both activity levels and transaction closing volume have declined significantly since the onset of the pandemic in the spring of 2020. As the pandemic unfolded, leasing fundamentals softened substantially. Office tenants sent their employees home to work. In addition, private sector tenants placed excess space on the sublease market or vacated space upon lease expiry. Investors retreated to the sidelines, as leasing demand stalled and vacancy levels increased. Acquisition activity slowed substantially, as the sector outlook became increasingly uncertain. Investors targeted low-risk assets with strong covenants and tenants with long-term leases in place. GMA office sector investment performance has weakened over the recent past, due to markedly weaker leasing fundamentals and downward pressure on values. Properties tracked in the MSCI Index registered an annual average return of 0.3% for the 12-month period ending June 30, 2021, down from the 5.0% average over the previous period. The capital component eroded significantly while the income performance was relatively stable and healthy. The weaker performance coincided with a marked slowdown in investment activity levels in the GMA's office sector.

GRADUAL STABILIZATION OF MARKET FUNDAMENTALS FORECAST

A gradual stabilization of GMA office market fundamentals is forecast, which is in line with the national outlook. The return of workers to their offices in late 2021 will add a measure of stability to the market, which has been largely absent since the onset of the pandemic restrictions on businesses. The region's moderate economic growth outlook will support an increase in business confidence. Private sector tenants will begin to assess their space needs and make longer term decisions, as they gradually settle into a more normal pattern of operations. Subsequently, leasing demand will improve and vacancy will gradually stabilize. The stabilization of the GMA leasing market will support increased investor confidence. Buyers will look to take on added risk and look beyond the market's prime towers for acquisition opportunities. In turn, investment activity will increase, as GMA office sector fundamentals continue to slowly stabilize.

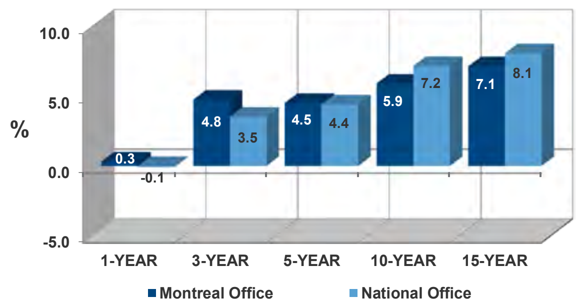
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

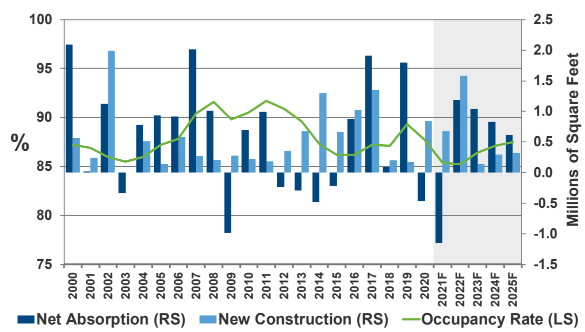
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

OFFICE DEMAND & SUPPLY

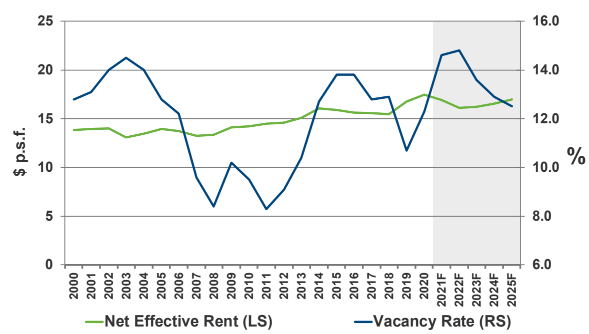
Montreal Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

Montreal Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

DEMAND CONTINUED TO EXCEED SUPPLY

Demand for industrial space continued to exceed supply across the GMA over the recent past, continuing the trend of the past few years. Industrial users struggled to source functional space in which to expand their operations. As a result, tenants were forced to make do with space that was less than ideal for their operational objectives. Companies in the warehouse and distribution, e-commerce, and last-mile delivery business sectors have been the most active in seeking out expansion options over the recent past. The shortage of options was a byproduct of record-low availability. The GMA availability rate stood below the 2.0% mark at the end of June 2021, according to both Colliers and CBRE market survey data. Availability has hovered below the 3.0% mark over the past couple of years. New supply provided little relief for tenants looking to expand or relocate across the GMA. Construction activity has increased; however, most of the recently completed space was leased up prior to or shortly after completion. For the most part, tenants were faced with benchmark high rents when they were able to source available space in which to expand or relocate. Landlords generally pushed rents higher when negotiating renewals and extensions with their existing tenants. In most cases, tenants had relatively little leverage upon lease expiry. The landlord's advantageous position was a byproduct of a market dynamic that saw demand exceed supply.

INVESTMENT MARKET HEATED UP

The GMA industrial investment market heated up over the past year, in extending the bullish phase of the cycle. Capital flowed into the market at a record pace. Just shy of $1.3 billion of industrial investment property sales volume was reported for the first half of 2021. The first-half total was more than twice the $597.0 million reported for the same time-period a year ago. Transaction volume was expected to reach a record annual high for the year. The relative strength of the industrial sector's near-term leasing fundamentals and healthy outlook supported the surge in investment activity and transaction closing volume. A range of investment groups continued to scour the region for acquisitions. Private and institutional buyers actively pursued off-market opportunities. Functional properties with stable long-term tenant rosters were popular. However, properties with development potential and value-add attributes were also well-received. Multi-bid scenarios were common, resulting in aggressive bids and peak pricing. Cap rates continued to compress. Cap rate compression and rent growth supported strong investment performance over the recent past. Properties tracked in the MSCI Index posted an annual average return of a stellar 37.5% for the 12-month period ending June 30, 2021, which represented a third consecutive double-digit return. Strong investment performance was one of several factors that supported the recent surge in the volume of capital invested in this market over the recent past.

MORE OF THE SAME FORECAST

The GMA industrial property sector will continue to generate relatively healthy performance characteristics over the near term. Increased e-commerce activity and the reopening of the regional economy will continue to drive demand for industrial space. However, supply will fall markedly short of demand, which will limit expansions and relocations to some degree. Functional space will remain in short supply, given record-low or near record-low availability levels. Construction completions will offer little relief, as new supply is leased up quickly. As a result, users will be forced to pay cycle-high rents when negotiating new leases and renewals. Healthy leasing conditions will continue to drive investment activity and upward pressure on values, in keeping with the trend of the past 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).

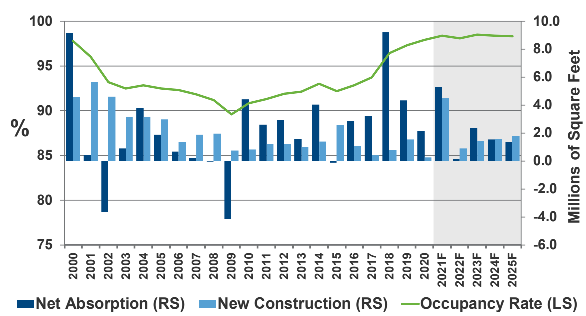
HISTORICAL PERFORMANCE

For The Period Ending June 2021

Source: © MSCI Real Estate 2021

INDUSTRIAL DEMAND & SUPPLY

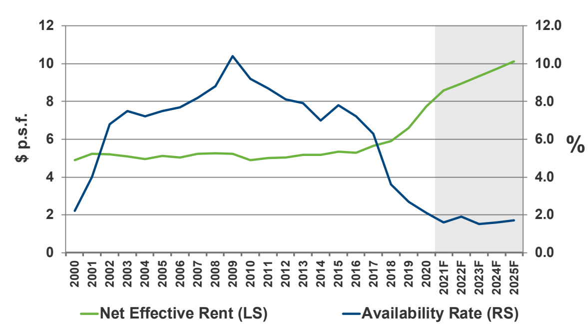
Montreal Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

Montreal Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

SUSTAINED LEASING MARKET HEADWINDS REPORTED

Sustained leasing market headwinds were reported in the GMA's retail sector recently, in keeping with the national trend. There were two main headwind drivers. The first was the ongoing broader changes in the retail industry. The second was the near-term negative impacts of pandemic restrictions on in-store shopping, resulting in markedly reduced revenues for both retailers and landlords. GMA expansions slowed sharply during 2020 and much of 2021, as non-essential retailers looked for ways to drive sales amid ongoing in-store shopping restrictions. Some grocery and other services retailers expanded, but not nearly enough to offset ongoing non-essential store closures and downsizing activity. Markedly reduced leasing demand, downsizing and store closures eroded supply fundamentals. The GMA vacancy rate stood at a 20-year high of 6.9% at the end of 2020, with an expectation of further increases for 2021. Regional centre vacancy continued to range in double-digit territory, with the continued hollowing out of the mid-market retailer market segment. Leasing market headwinds were reflected in GMA asking and contract rents. Downward rent pressure has been a constant over the recent past. Landlords have focused on rent collections and working with tenants to help them navigate an environment of sustained sector headwinds.

INVESTMENT MARKET WEAKNESS PERSISTED

GMA retail property investment market conditions remained relatively weak over the past year, in keeping with the broader national asset class performance trend. Investment performance continued to trend downward, as evidenced in recent MSCI Index results. GMA retail properties tracked in the index registered a second consecutive negative annual average return. An average total return of (13.6%) was posted for the year ending June 30, 2021, following a (9.6%) return for the previous 12-month period. A cumulative capital decline of 30.4% was recorded over the two-year period. Recent capital flow trends offered further evidence of the GMA retail sector investment market weakness of the past year. Approximately $435.8 million of capital flowed into the GMA retail property sector over the first six months of 2021. The first-half total was down 24.0% from the most recent peak for the same time-period in 2016, when a total of $572.2 million of capital flowed into the sector. Over the past few years, investor confidence in the retail sector has declined, due to an increase in sector uncertainty and markedly weaker performance patterns. Sector uncertainty spiked with the unfolding of the pandemic and restrictions on non-essential in-store capacity. The negative effects of the pandemic on retail sector performance included the continuation of relatively weak investment market conditions.

RECOVERY WILL BE UNEVEN AND LENGTHY

The GMA retail property sector recovery cycle will be somewhat uneven and lengthy. To a large extent, the rationale for the forecast is tied to the structural changes underway in the broader industry. Over the near term, leasing activity is expected to eventually return to pre-pandemic levels with the reopening of physical stores at full capacity. However, changes in consumer behaviour, demographic shifts, and increased online shopping will continue to be a challenge for GMA retailers and landlords. Certain retail segments will be able to adjust on the fly and thrive while others will see casualties. A significant share of GMA retail growth will occur when retailers take occupancy of newly constructed space. Notable projects include Solar Uniquartier in Brossard, Esplanade Cartier in Sainte-Marie, and Espace Montmorency in Laval. The sector's uneven and lengthy recovery will impact investment market conditions. Demand for properties with grocery and other service retail anchor tenants will attract strong interest. Investors will remain selective when assessing most other retail assets. Activity levels will remain below the long-term average, given heightened sector risk over the near-to-medium term.

TRENDING STATISTICS

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

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

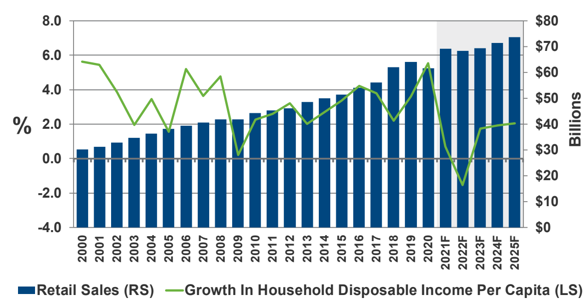
HISTORICAL PERFORMANCE

For The Period Ending June 2021

Source: © MSCI Real Estate 2021

RETAIL CONDITIONS

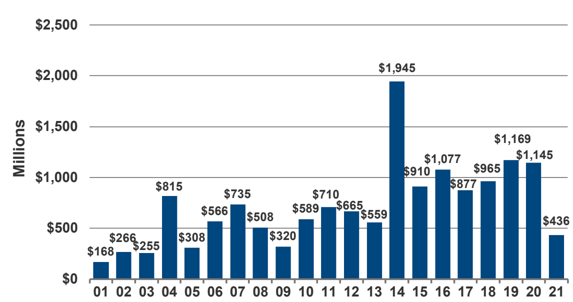
Montreal Historical & Forecast Aggregates



Source: Conference Board Of Canada

INVESTMENT ACTIVITY

Montreal Retail Investment Volume To June 2021



Source: CBRE Limited

MODEST RENTAL MARKET SOFTENING UNFOLDED

A modest level of multi-suite residential rental market softening was recorded in the GMA since the onset of the pandemic in early 2020. The softening took place largely on the Island of Montreal, due to weaker demand patterns. Demand slowed for higher-priced units in larger buildings in central locations. Consequently, Island of Montreal vacancy rose and threatened to eclipse the 4.0% mark in 2021, more than double the 1.5% average posted prior to the onset of the pandemic in late 2019. The demand downdraft was caused by the sharp decline in the volume of international migrants with the closure of Canadian borders in 2020. In addition, in-person classes at the GMA's post-secondary institutions resulted in a sharp decline in students looking for rental accommodation in central locations. Suburban rental demand was stabilized during 2020 and 2021, resulting in a relatively flat vacancy trend. Suburban vacancy remained below the 2.0% threshold. New projects were leased up relatively quickly and rents continued to rise. The rising suburban rent trajectory helped drive the GMA average market rent higher as well. Landlords on the Island of Montreal, however, offered incentives to prospective tenants, resulting in lower effective rents. Incentives offered by some landlords were an indicator of the modest GMA rental market softening of the recent past.

CAPITAL FLOWED INTO THE MARKET AT RECORD HIGH PACE

Investment capital flowed into the GMA multi-suite residential rental sector at a record high pace recently, despite the negative impact of the pandemic. There was a record high $1.6 billion in debt and equity capital invested in this market during the first six months of 2021. Funds invested into the market were expected to reach a record annual high in 2021, barring a significant slowdown in sales activity over the second half of the year. The surge in investment activity was evidence of the high levels of investor confidence in the sector and region. Investors were cognizant of how well the sector had performed during the pandemic. In addition, they were keenly aware of the healthy outlook for the broader sector and region. High-rise properties were preferred by institutional investors. Private capital groups were also active bidders on high-rise offerings. Generally, low and medium-rise properties were well-received and were sold with relative ease. Properties offering upside rent potential were highly coveted, as were assets with expansion land. Many product offerings received more than one bid, resulting in upward pricing pressure. In turn, cap rates continued to compress, with the establishment of benchmark-high values. At the same time, investment capital flowed into the GMA multi-suite residential rental sector at a record pace, despite the potentially negative impacts of the pandemic.

PERFORMANCE OUTLOOK IS SOLID

The GMA multi-suite residential rental outlook is generally solid, after a period of modest softening. Rental market conditions will stabilize over the near term, with the return of post-secondary students and international migrants to the region. This assumes Canadian borders are reopened and the efficacy of COVID-19 vaccines. As the GMA's economy picks up steam, and job growth improves, rental demand will generally firm. The demand strengthening will eventually drive rental market vacancy down closer to the all-time lows of the pre-pandemic era. Coincidentally, market rents will continue to rise. Market conditions will take longer to strengthen on the Island of Montreal, where vacancy levels doubled and demand softened more acutely. The broadly positive rental market outlook will continue to drive above-average investment performance and demand. Investors will continue to look for acquisition opportunities in the GMA and surrounding area. Property values will likely rise modestly, given anticipated rent growth and an improved rental market performance outlook.

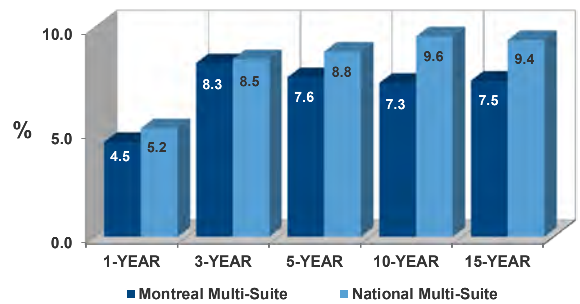
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

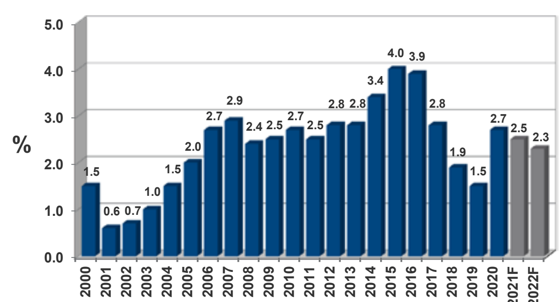
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

AVERAGE RENTAL VACANCY

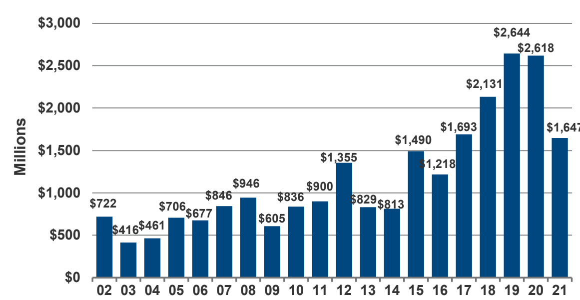
Montreal Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

INVESTMENT ACTIVITY

Montreal Multi-Suite Investment Volume To June 2021



Source: CBRE Limited

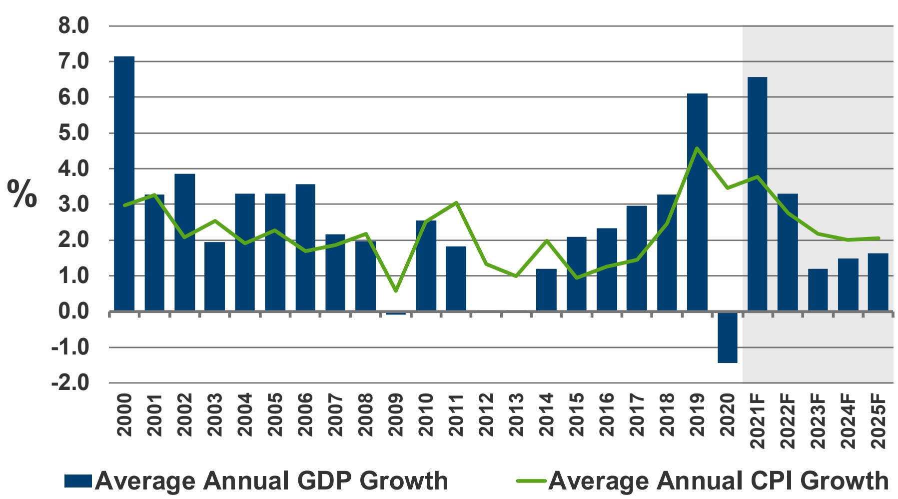
OTTAWA, ON

ECONOMIC SNAPSHOT

A healthy economic bounce-back is forecast for 2021, following an unprecedented 4.2% contraction in 2020. Greater Ottawa Area (GOA) real GDP will expand by 3.5% in 2021, according to Oxford Economics. In 2020, the region suffered a relatively mild recession, due in large part to the stabilizing effect of the public sector. Public administration output increased by 1.1%, as most workers were able to work from home. Prior to 2020, GOA GDP had expanded by at least 2.0% annually between 2015 and 2019. The 2021 rebound will support positive labour market performance characteristics, following a 6.0% drop in employment levels in 2020.

ECONOMIC GROWTH

Ottawa Historical & Forecast Aggregates



Source: Conference Board Of Canada

JOB MARKET CONDITIONS TO STRENGTHEN SIGNIFICANTLY

GOA job market conditions are expected to strengthen significantly over the next couple of years, a period during which the unprecedented number of jobs lost due to the pandemic will be recouped. Employment is projected to rise by 3.7% in 2021, followed up with a 3.9% increase in 2022. The 2021 rise equates to the recovery of roughly 26,000 jobs. By the end of 2022, employment levels will have risen beyond the 2019 average. The increase in employment forecast over the next couple of years assumes the continued distribution of vaccines to most GOA residents and the reopening of the region's tourist attractions and related sectors including accommodation and food services. Employment growth will drive the region's unemployment rate progressively lower. The regional unemployment rate is projected to drop to 6.2% in 2022, down from the three-year high 7.5% average in 2020. In summary, a material strengthening of GOA job market conditions is forecast over the next couple of years, beginning sometime in the latter half of 2021.

RESIDENTIAL CONSTRUCTION ACTIVITY TO SLOW

Housing starts will slow over the near term, following a two-year activity surge. Housing starts will dip to roughly 10,000 in 2021, with a forecast 9,800 in 2022. The region's population is expected to grow at a lower rate than in 2019 and 2020, resulting in fewer new housing starts. Housing starts spiked in 2019 and somewhat surprisingly last year. Consecutive 35-year high start totals in each of 2019 and 2020 at 11,200 and 13,000, respectively. Low interest rates, household income growth and high household savings rates were cited as the main drivers of the GOA's residential housing market's health of the recent past. Prior to the pandemic, population growth and low inventory levels supported increased housing start activity. However, housing starts are expected to slow over the near term.

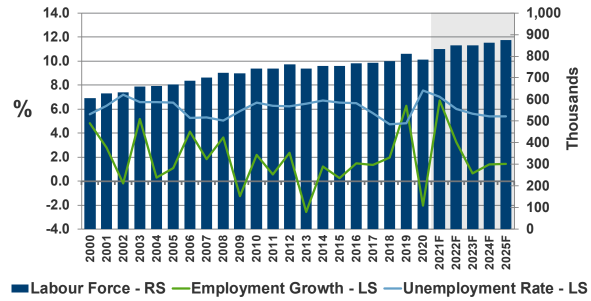
RELATIVELY MODERATE RECOVERY PREDICTED

A relatively moderate economic recovery is predicted for the GOA over the next few years. GOA real GDP will expand by 3.5% and 2.8% in 2021 and 2022, respectively. The main reason for the more moderate recovery pace is that the region suffered a significantly milder recession than other Canadian cities due to the pandemic lockdowns. In addition, the region's public sector acted as a buffer against a more severe economic decline. GOA economic growth will continue to moderate between 2023 and the end of the first half of the decade, in keeping with the national trend. Despite the growth moderation, labour market conditions will steadily improve. The regional unemployment rate will gradually decline to below the 6.0% mark by 2024. Employment levels and retail sales will continue to increase. Population growth will continue to unfold over the forecast horizon, which will support increased economic output and a relatively moderate recovery.

Low interest rates, household income growth and high household savings rates were cited as the main drivers of the GOA's residential housing market's health of the recent past.

LABOUR MARKET

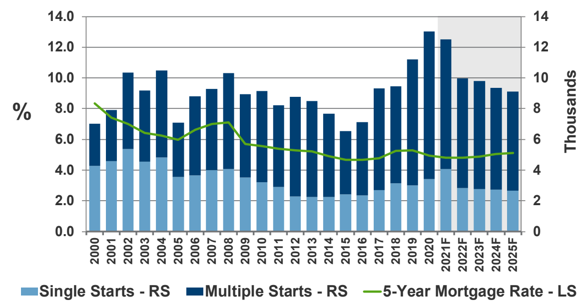
Ottawa Historical & Forecast Aggregates



Source: Conference Board Of Canada

HOUSING SECTOR

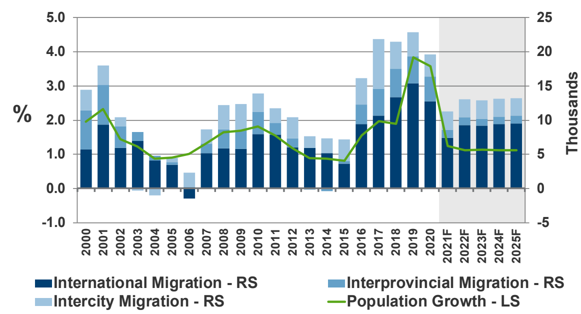
Ottawa Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Ottawa Historical & Forecast Aggregates



Source: Conference Board Of Canada

EARLY SIGNS OF STABILIZATION OBSERVED

Early signs of Greater Ottawa Area (GOA) office leasing market stabilization were observed during 2021. One of the early signs of stabilization was a modest uptick in overall activity including tours in the spring and summer months. Previously, leasing activity had stalled with the onset of the pandemic and shutdown of the non-essential sectors of the GOA economy. Most private sector organizations sent their employees home to work when possible and cancelled or postponed expansion or relocation plans. Changes in supply characteristics offered further evidence of the early signs of leasing market stabilization. The market's upward vacancy trend began to slow during the second quarter 2021, following a string of sharp increases over the preceding 12-month period. Over the same time-period, vacancy had reached a three-year high level. Moreover, sublease availability began to decline recently, having surged over the previous year. Some tenants allowed their leases to expire while their employees continued to work remotely. Leasing activity remained below pre-pandemic levels, with relatively few expansions reported. For some market participants, the leasing outlook remained uncertain, despite the early signs of stabilization. The market's return to normalcy was still dependent to a large extent on the federal government's plan to green and downsize its footprint over the next few years.

INVESTMENT MARKET ACTIVITY REMAINED SOMEWHAT SUBDUED

GOA office property investment market remained somewhat subdued over the past year, in line with the national trend. Investment sales of GOA office property totalled $123.8 million over the first six months of 2021, according to CBRE figures. The first-half 2021 pace was down sharply year-over-year, with $341.7 million in transaction volume during the first half of 2020. Transaction closing volume has decreased significantly over the past few years, having peaked in 2017 when GOA office property sales totalled just over $1.0 billion. There were two main causes of the investment sales slowdown of the past year. Firstly, there was a relatively small number of prime larger-scale properties brought to the market. Secondly, many investors retreated to the sidelines when leasing fundamentals softened significantly during 2020 and early this year, due to the negative impacts of the pandemic. Investors targeted assets with stable tenant rosters on long-term leases, of which there were relatively few brought to the market for purchase over the past year. As investment activity slowed, investment performance softened. GOA properties posted a modest annual return of 1.5% for the year ending June 30, 2021, down from 4.4% over the previous 12-month period. The weaker performance was a byproduct of weaker market fundamentals, which coincided with a period of markedly reduced investment sales activity.

SECTOR PERFORMANCE WILL STRENGTHEN

GOA office sector performance characteristics are expected to strengthen over the near term. Leasing market conditions will improve, with the return of workers to their offices and the continued reopening of non-essential business sectors. Private sector organizations are expected to dust off their expansion plans, which should boost leasing demand. Healthier demand patterns will support a more stable vacancy trend and a slow decline in sublease availability. As vacancy stabilizes, incentive offerings will be reduced to pre-pandemic levels. To some extent, the federal government's plan to reduce its office space portfolio over the next 20 years will have a negative impact on growth. However, the overall leasing outlook is largely positive, which along with the market's long-term track record will continue to attract investors. Buyers will continue to target the market's prime towers, especially those with long-term government leases. Competition for a limited number of available properties will ensure property values hold at the peak for the cycle, against a backdrop of stronger sector fundamentals.

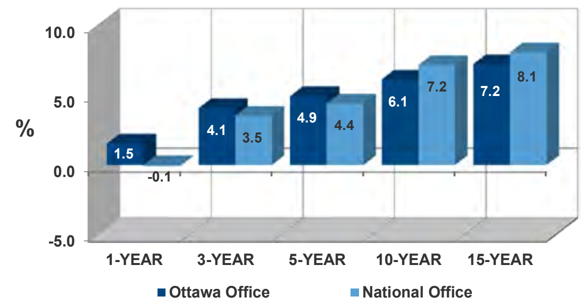
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

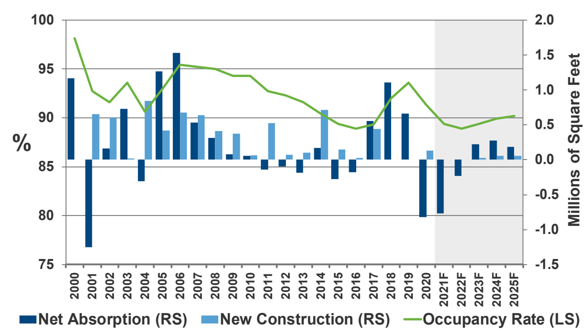
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

OFFICE DEMAND & SUPPLY

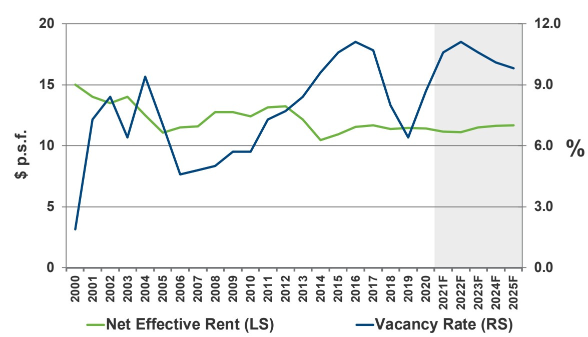
Ottawa Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

Ottawa Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

TIGHT LEASING MARKET CONDITIONS PERSISTED

Tight conditions persisted in the GOA industrial leasing market over the recent past, continuing the trend of the past few years. The market's average availability rate stood at just 3.0% at the midway mark of 2021, representing an 18-month low. The market's positive demand characteristics of the past year drove availability levels lower. E-commerce, warehouse and distribution and logistics companies have been the market's primary demand drivers. However, sourcing available space in the GOA's existing industrial inventory has been challenging. Highly functional space was particularly hard to secure, which has limited growth in some sectors of the GOA's economy. New supply has offered little relief from shortage of functional space in this market. Approximately 3.0 million square feet of new supply was under construction as of the end of the first half of 2021. However, 2.8 million of the total was comprised of Amazon's YOW3 fulfillment centre on Citigate Drive. While speculative development activity has increased, this space was expected to lease-up before or shortly after completion. When tenants were able to source functional space, they faced benchmark high rents. The upward pressure on market rents was a function of healthy demand patterns and the continuously tight leasing market conditions of the recent past.

INVESTOR CONFIDENCE WAS ELEVATED

Investor confidence in the GOA's industrial sector remained elevated over the recent past, in keeping with the national trend. As a result, investment capital flowed into the sector at a near record-high rate. GOA industrial investment property sales totalled $180.9 million over the first six months of 2021, up sharply from the $29.6 million in sales reported over the same time-period a year earlier. The first-half 2021 transaction pace was in line with the most recent peak period of 2018/2019 when annual sales volume averaged $351.5 million. Investors confidently placed investment capital into a sector that had performed strongly during the pandemic period and was expected to continue to do so over the near-to-medium term. Properties made available for acquisition have been generally well-received over the past few years. Aggressive and multi-bid scenarios were common, resulting in upward pressure on values. Pricing peaked during 2021, with demand outdistancing supply by a significant margin. Cap rates continued to compress, as prices reached a record high for the cycle. Cap rate compression positively impacted sector investment performance. Properties contained in the MSCI Index posted an annual average return of 17.5% for the year ending June 30, 2021. The sector has posted four consecutive double-digit annual returns, a performance that justified the elevated investor confidence levels of the recent past.

REPEAT OF RECENT SECTOR PERFORMANCE TRENDS FORECAST

Most of the GOA industrial property sector performance trends of the past year will be duplicated over the near term. Leasing market conditions will remain tight, with demand continuing to outdistance supply by a significant margin. As a result, availability will continue to range at or near the 18-month low of 3.0% reported at the end of the first half of 2021. Companies in the e-commerce, warehouse and distribution, and logistics sectors will remain key leasing demand-drivers. The region's niche manufacturing sector will add to the leasing demand pressure over the near term. The combination of healthy demand and limited supply will ensure market rents hold at the benchmark high. The strong leasing outlook will support positive investment performance patterns. Healthy leasing market trends will boost investment performance and draw investors in search of attractive yields. However, the volume of available properties will fall short of demand, in keeping with the long-term trend. In summary, GOA industrial sector near-term performance trends will mirror those of the recent past.

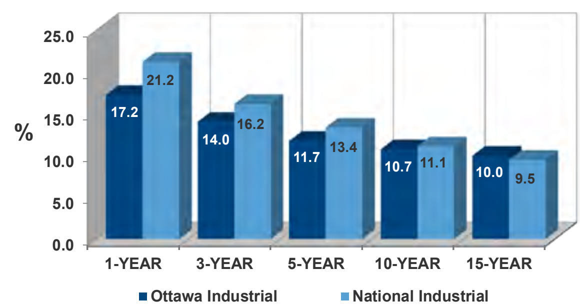
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

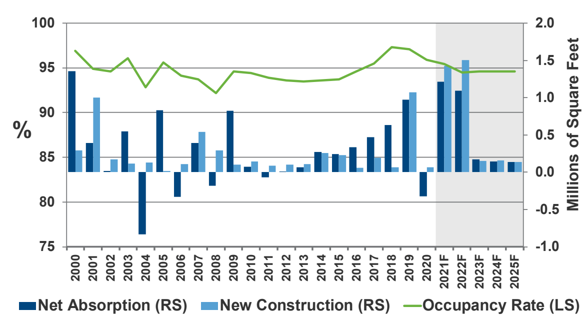
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

INDUSTRIAL DEMAND & SUPPLY

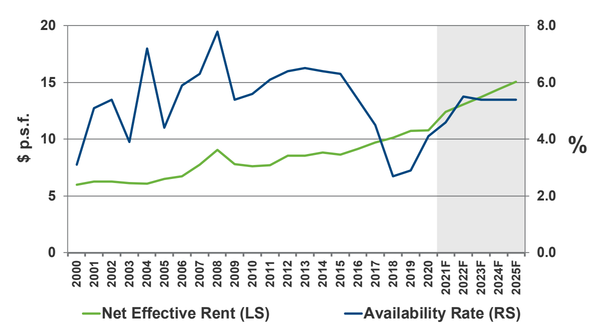
Ottawa Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

Ottawa Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET RESILIENCY WAS EXHIBITED

A measure of resiliency was exhibited in the GOA's retail leasing market over the recent past. Leasing activity had bounced back and closed in on the pre-pandemic level by the end of 2020, a trend that continued into early 2021. Further evidence of the market's resiliency was contained in recent availability patterns. Vacancy began to stabilize in late 2020 according to three separate market surveys. In 2020, the market's Regional centre vacancy average rose sharply and came to rest just below the 20.0% mark. However, the Power Centre and Community/Neighbourhood centre average was relatively stable. The number of retailers moving out versus moving in provided further evidence of the GOA's leasing market resiliency. According to a recent Jones Lang LaSalle report, the number of retailers moving out of physical locations was only slightly higher than the number moving in during the second and third quarters of 2020. This market dynamic may have contributed to the stabilization of asking rents reported over the same time-period. However, the asking rent stabilization coincided with the erosion of landlord incomes. In some cases, retailers were unable to pay all or part of their contracted rent or declared bankruptcy, thereby reducing landlord incomes. Despite the income erosion, the broader leasing market exhibited a measure of resiliency.

INVESTMENT ACTIVITY REMAINED SUBDUED

GOA retail property sector investment activity remained subdued, in keeping with the trend of the past few years. Transaction volume totalled a relatively healthy $311.6 million for the first half of 2021, which implies healthy levels of investment activity. However, the first-half transaction volume total was misleading. The sale of a 50.0% interest in Bayshore Centre accounted for 62.1% of the total. GOA retail investment activity levels continued to range below the long-term average. There have been a relatively small number of significant transactions recorded in this market over the past few years. Many investment groups retreated to the sidelines as the negative effects of the pandemic unfolded. Prior to the pandemic, investment activity had already declined below the long-term average level, given an increased level of broader industry uncertainty. Changes in consumer behaviour and the growth of online shopping negatively impacted certain brick-and-mortar segments of the market. Retail sector performance patterns have softened over the past few years, a trend that intensified during the pandemic. Non-essential mid-market retailers and their landlords have seen their revenues drop significantly. As a result, sales of GOA properties with largely non-essential mid-market tenant rosters have slowed significantly, in keeping with the broader market trend.

MARKET CONDITIONS WILL CONTINUE TO SOFTEN

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

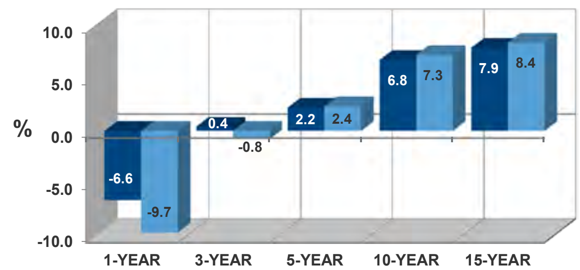
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

For The Period Ending Sept 2020*

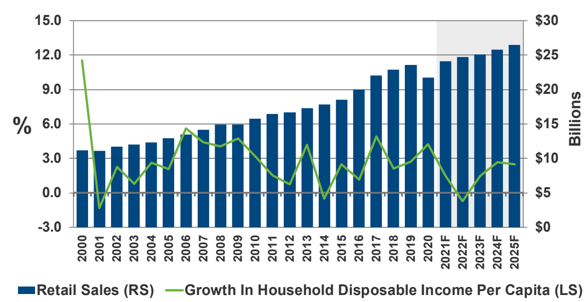


Source: © MSCI Real Estate 2021

*More recent data unavailable due to confidentiality rules applied based on mkt size

RETAIL CONDITIONS

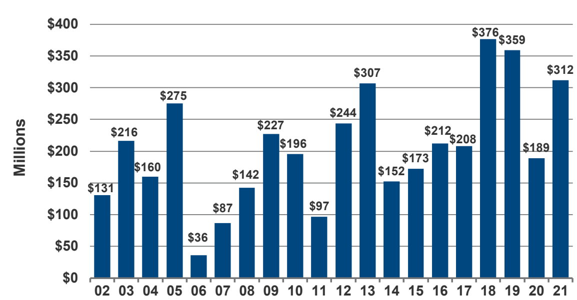
Ottawa Historical & Forecast Aggregates



Source: Conference Board Of Canada

INVESTMENT ACTIVITY

Ottawa Retail Investment Volume To June 2021



Source: CBRE Limited

RENTAL DEMAND MODERATED

GOA multi-suite residential rental demand moderated over the past year, due largely to the restrictions implemented to combat the spread of the COVID-19 virus. The closure of Canada's international borders to reduce the spread of the virus eroded rental demand. Consequently, international migration and the flow of international students to the GOA's post-secondary schools declined sharply, which contributed to the demand moderation in 2020 and 2021. The cancellation of in-person post-secondary school classes resulted in fewer students arriving from other parts of the province and country. Therefore, rental demand moderated in areas surrounding the GOA's post-secondary institutions. Young workers found it difficult to obtain employment over the past year, which reduced the number of first-time renters in the market. GOA rental market vacancy increased significantly, due to the demand moderation of the past year. The CMHC reported a market average of 3.9% in October 2020, double the rate of a year earlier. Vacancy was expected to level off in 2021, with the loosening of pandemic restrictions. At the same time, market rents were expected to continue to climb, having risen 8.0% and 5.2% year-over-year in 2019 and 2020, respectively. Demand was expected to strengthen, having moderated over the recent past.

ROBUST DEMAND SUPPORTED HEALTHY CAPITAL FLOW TREND

Robust investment demand supported the GOA multi-suite residential rental sector's healthy near-term capital flow trend. Institutional and private capital groups scoured the region for investment opportunities. The market's track record of low vacancy and rising rents were a major draw. A positive rental market outlook attracted a range of buyers to the sector and region during 2020 and 2021. High-rise properties were coveted by institutional groups, with private groups more active in the mid-and low-rise segments of the market. Robust investment demand ensured transaction closing volume remained at the peak for the cycle. There was a total of $304.4 million in GOA investment property sales reported for the first six months of 2021. The first-half pace was in line with 2019/2020 when annual sales averaged $657.1 million. The GOA's healthy capital flow trend of the recent past coincided with a period of strong investment performance. Assets tracked in the MSCI Index registered an annual average total return of 11.2% for the year ending June 30, 2021. The attractive result was a function of capital growth and a stable and positive income component performance. GOA property values have steadily increased while cap rates continued to compress. The combination of robust demand and aggressive bidding drove values higher and supported a healthy capital flow trend.

GRADUAL STRENGTHENING FORECAST

GOA multi-suite residential rental market conditions will gradually strengthen over the near term, having softened as a result of the pandemic. After a brief pause, rental demand will stabilize, with the reopening of the regional economy. The combined impacts of population growth, the return of post-secondary students, and economic recovery will support stronger rental demand patterns either in late 2021 or early 2022. Demand is expected to keep pace with new supply over the near term, with roughly 2,481 new rental units under construction and forecast for completion by 2022. As a result, vacancy will begin to level off some time in the second half of 2021. Vacancy will stand above the pre-pandemic record low but remain relatively healthy. Market rents will continue to rise as market conditions improve. The healthy rental market outlook will support attractive investment performance patterns. Investors will continue to look to the region as an attractive yield source. However, product offerings will fall short of demand, which is typical for this market. On balance, GOA multi-suite residential sector fundamentals are forecast to strengthen over the near term, in keeping with the national trend.

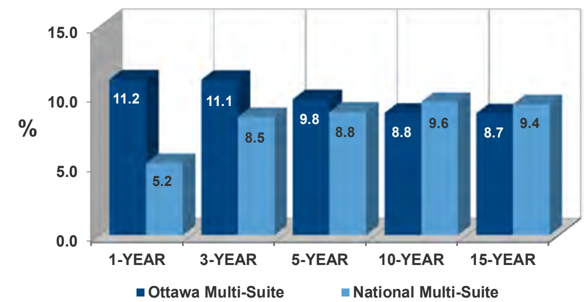
TRENDING STATISTICS

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).

HISTORICAL PERFORMANCE

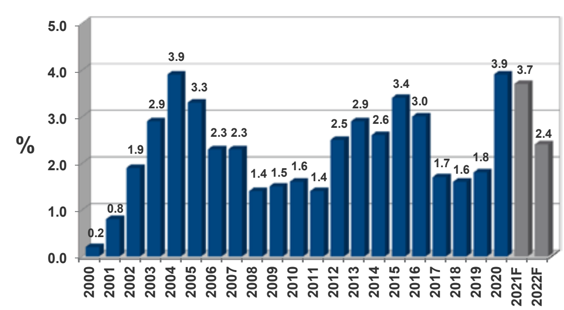
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

AVERAGE RENTAL VACANCY

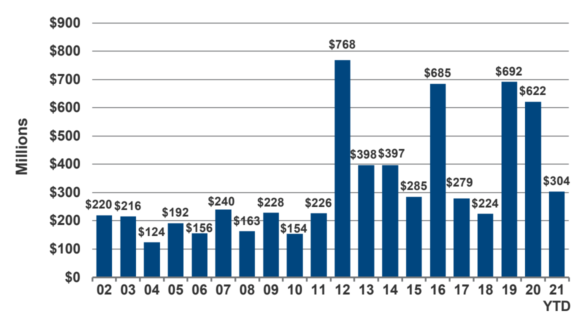
Ottawa Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

INVESTMENT ACTIVITY

Ottawa Multi-Suite Investment Volume To June 2021



Source: CBRE Limited

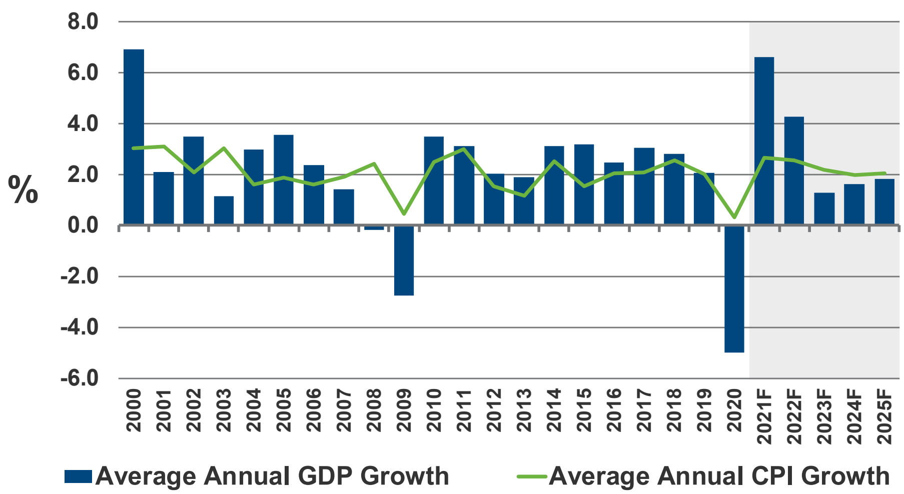
TORONTO, ON

ECONOMIC SNAPSHOT

The Greater Toronto Area (GTA) economy is forecast to expand by a healthy 3.6% in 2021, driven in part by the distribution of COVID-19 vaccines. Previously, real GDP was expected to expand by roughly 5.0%. However, a slower-than-expected loosening of pandemic restrictions due to a fourth wave has tempered growth expectations for 2021. Next year, real GDP is predicted to expand by a more robust 4.0%, as restrictions are loosened more extensively. As economic output increases in 2021 and 2022, labour market conditions will tighten. However, it will take several years for the GTA unemployment rate to return to the 6.0% average recorded in 2019.

ECONOMIC GROWTH

Toronto Historical & Forecast Aggregates



Source: Conference Board Of Canada

LABOUR MARKET TRENDS WILL BE LARGELY POSITIVE

GTA labour market trends will be largely positive over the near term, in keeping with the national outlook. Employment will continue to rise during the latter half of 2021 and 2022. The ranks of the employed will expand by 3.9% in 2021, having dipped in the first quarter with the unfolding of the COVID-19 pandemic's third wave. Subsequently, the nation's largest regional economy will drive employment 3.3% higher in 2022. In 2020, employment dropped sharply, with 450,000 positions lost during the first pandemic lockdown. Employment gains will push the regional unemployment rate lower this year and into 2022. An average of 7.8% is predicted for 2022 by Oxford Economics. However, it will take several years for the rate to return to the pre-pandemic level. Previously, the GTA unemployment rate had peaked at 13.6% in the second quarter 2020. The downward pressure on the unemployment rate forecast over the near term is in line with the largely positive GTA labour market outlook.

HOUSING MARKET TO REMAIN STABLE AND HEALTHY

GTA housing market conditions will remain stable and healthy over the near term, having outperformed over the recent past. Existing home sales volume will surpass the long-term average this year and in 2022, driven by low interest rates and an increase in the number of households looking for more space while working from home. In February 2021, resale pricing spiked to a record-high across the GTA. Activity levels also increased in early 2021, however, as the year progressed, supply declined steadily. For the most part, resale market conditions favoured the seller. New home starts increased substantially, despite the onset of the pandemic. A three-year high 40,000 total new housing starts is forecast for 2021, following an 8,100 rise to 38,600 in 2020. Increases will be tallied in both the single-detached and multi-housing segments. The downtown condominium market will forge ahead over the near term, against a backdrop of generally stable and healthy housing market conditions.

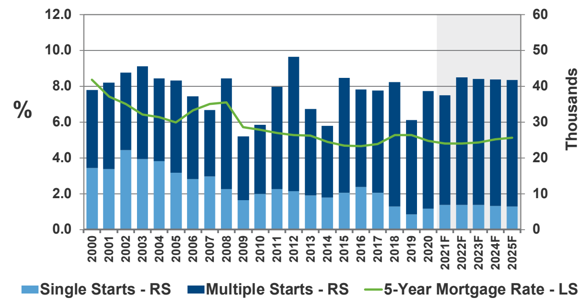
SOLID MEDIUM-TERM GROWTH OUTLOOK FORECAST

A solid medium-term economic growth trend is predicted for the GTA. Real GDP is expected to advance by an annual average of 2.2% between 2023 and 2025. Growth will moderate over the period after a relatively robust recovery from the unprecedented pandemic contraction. Retail sales will be a key driver of economic growth over the investment horizon. By 2023, GTA employment levels will have surpassed the pre-pandemic level. However, the unemployment rate will remain markedly higher than the pre-pandemic level through to the end of the first half of the decade. Increased employment levels will be supportive of the GTA's solid medium-term economic growth outlook.

GTA housing market conditions will remain stable and healthy over the near term, having outperformed over the recent past.

HOUSING SECTOR

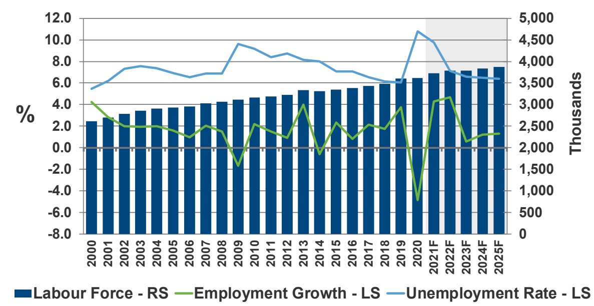
Toronto Historical & Forecast Aggregates



Source: Conference Board Of Canada

LABOUR MARKET

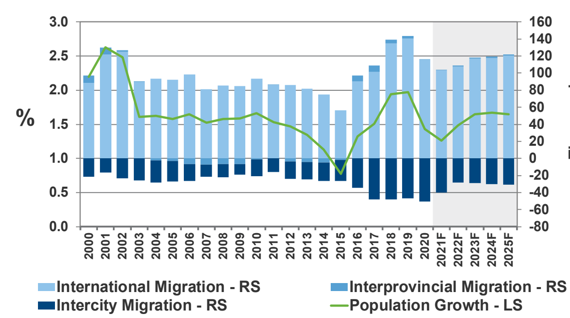
Toronto Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Toronto Historical & Forecast Aggregates



Source: Conference Board Of Canada

EARLY SIGNS OF RECOVERY WERE REPORTED

The GTA office leasing market began to exhibit early signs of recovery from the negative impacts of the pandemic during the first half of 2021. Some of the GTA's office space users began to revisit expansion and relocation plans and reassessed their near-term requirements. As a result, property tours and leasing activity started to increase. The impetus for the increase in leasing activity was the surge in vaccines distributed across the GTA and the anticipated return of workers to their offices in the second half of 2021. Recent supply trends were indicative of the early signs of recovery. During the first half of 2021, GTA vacancy rose at a relatively modest pace, when compared with the second half of 2020. GTA vacancy rose 240 bps to 13.3% between the end of 2020 and the midway mark of 2021. Over the previous six-month period, vacancy rose 4.1% to 10.9%. Another early sign of recovery was the decline in the volume of sublease space introduced to the market during the first half of 2021. Sublease availability increased by roughly 1.1 million square feet in the first half of 2021, down from the 3.6 million square foot spike in the latter half of 2020. Moreover, in the downtown submarket roughly 815,000 square feet of sublease space was either leased or removed from the market between the first and third quarters of 2021, according to CBRE figures. The sharp decline in downtown sublease availability was one of several early signs of a leasing market recovery.

INVESTORS WERE SELECTIVE

An elevated level of caution was exercised by investors over the recent past when assessing potential GTA office sector property acquisitions. The cautious approach was a byproduct of the leasing market softening and uncertain sector outlook due to the negative impacts of the pandemic. Institutional investors targeted properties with strong covenants and long-term leases in place. Sales of riskier assets have slowed significantly since the onset of the pandemic. Private investment groups have been active and have bid on several assets brought to the market. Elevated levels of caution and a reduced number of large-scale offerings resulted in lower transaction closing volume. A modest $698.4 million in GTA office property sales was reported by CBRE over the first six months of 2021. The total was up slightly from the same time period a year ago. However, the first-half 2020 total had dropped by 67.6% from the previous six-month period. The pace at which GTA office properties have sold recently has slowed significantly from the most recent peak period between 2017 and 2019. The slowdown in investment activity unfolded during a period of weaker investment performance patterns. GTA office properties contained in the MSCI Index posted an annual average return of 1.3% for the year ending June 30, 2021. The performance softening was of several factors that justified the elevated level of investor caution.

LEASING MARKET NORMALCY TO EMERGE

A return to normalcy is projected for the GTA office leasing market over the near term. Initially, the return will be driven by the reopening of offices across the GTA in the fall of 2021. Subsequently, the continued loosening of pandemic restrictions and increases in capacity will further the return to the leasing market pre-pandemic norms. Increasingly, tenants will roll out their long-term space plans, which will boost leasing activity. In some cases, tenants will look to the sublease market for discounted space and to upgrade their premises. As leasing activity increases, landlords will begin to reduce incentives previously offered. New supply completions will likely slow the rate at which market conditions return to normal. However, increased economic output and improved business confidence will lead to the lease-up of the resulting backfill space over the medium term. As leasing conditions normalize, investors will continue to target the region's best properties. The eventual increase in investor risk appetites will signal the completion of the market's return to normalcy.

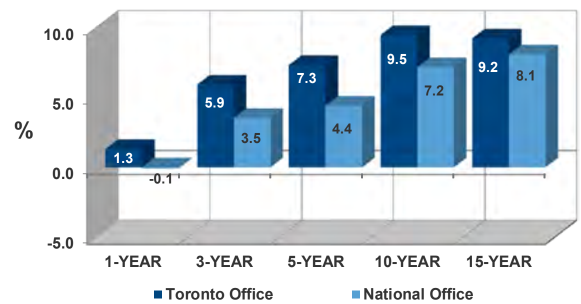
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

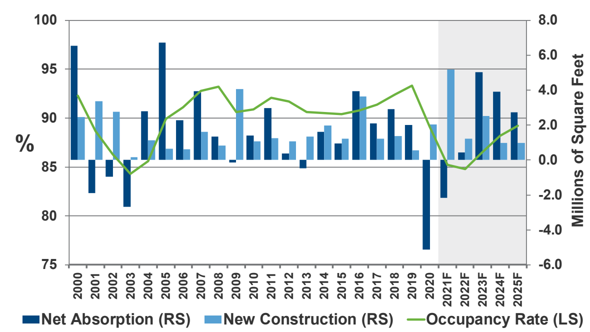
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

OFFICE DEMAND & SUPPLY

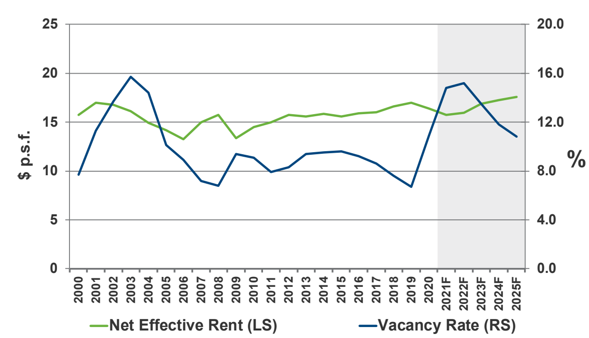
Toronto Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

Toronto Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

AVAILABILITY DECLINED TO RECORD-LOW LEVEL

GTA industrial sector availability declined to a record-low level recently, due in large part to a robust demand trend. The GTA availability rate rested at roughly 1.0% at the midway mark of 2021, which matched the 20-year low level set in the third quarter of 2019. Moreover, availability had declined 80 bps year-over-year. Expansion and relocation options were very limited across the GTA, which presented a significant challenge for users. Functional space was in very short supply, despite a marked increase in new construction activity and completions. Just shy of 5.9 million square feet of new supply was completed in the first half of 2021, following a 20-year annual high of 12.1 million square feet in 2020. Leasing demand was sufficiently strong enough to drive availability down to record-low levels, despite the surge in construction activity. E-commerce-related businesses, warehouse and distribution companies and logistics operators were the primary leasing demand drivers over the recent past. Big box space was highly coveted by these typically large users. However, users were forced to lease suitable space on the periphery of the GTA, given a shortage of options in the market's established nodes. New benchmark high rents were set across the market in the first half of 2021. Landlords were able to command progressively higher rents, given record-low availability.

INVESTMENT SALES WERE BRISK

The recent GTA industrial property investment sales pace has been brisk, which was indicative of elevated investor confidence levels in this market. Approximately $2.9 billion in GTA industrial property was sold during the first six months of 2021. The first-half pace represented a continuation of the peak phase of the GTA industrial sector capital cycle that began in 2018. A range of investment groups looked to increase their exposure to the nation's largest and deepest market. More specifically, investors tried to increase their holdings in a market with a promising occupancy and rent growth outlook and strong near-term performance characteristics. Large-scale distribution, warehouse, and logistics space was the primary target of institutional and private capital groups. However, properties with expansion and rent upside potential were also well-received. Competition for investment offerings was intense, given the preferred status of the industrial sector and more specifically the GTA region. To some extent, the GTA's preferred status was a byproduct of its recent investment performance track record. GTA industrial properties tracked in the MSCI Index posted an impressive 28.6% average total return for the 12-month period ending June 30, 2021. Cap rate compression was the main driver of the stellar performance. Continued compression forecast for the near term will boost performance, and support the continuation of a brisk investment sales cycle.

GTA INDUSTRIAL SECTOR WILL CONTINUE TO OUTPERFORM

The GTA industrial property sector is expected to continue to outperform over the next few years. Leasing demand will continue to outpace supply, resulting in persistent market imbalance. Surging e-commerce activity and economic growth will support largely positive leasing demand patterns. Relatively robust demand will ensure availability remains in the low single digit range. The demand pressure will also ensure market rents hold at the benchmark high for the cycle. The positive leasing outlook will continue to draw investment capital to the region. Functional properties with solid leasing track records will attract strong interest, as investors look to capitalize on the sector's growth trajectory. Bidding on available properties will be competitive and aggressive, which will support the further compression of cap rates over the near term. Investment sales volume will continue to surpass the long-term average, assuming product availability. In short, another period of strong performance is projected for the GTA industrial sector over the near term.

TRENDING STATISTICS

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

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

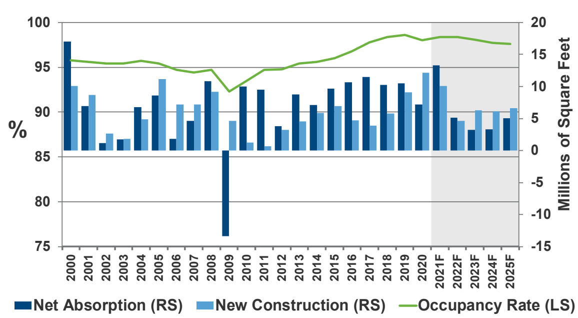
HISTORICAL PERFORMANCE

For The Period Ending June 2021

Source: © MSCI Real Estate 2021

INDUSTRIAL DEMAND & SUPPLY

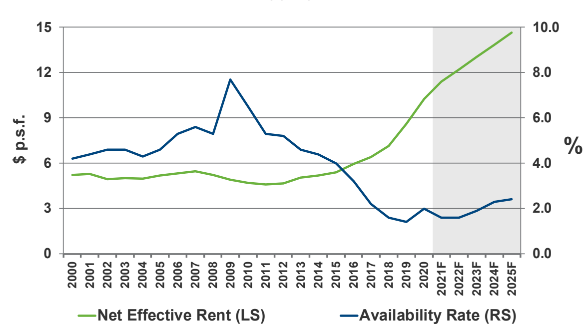
Toronto Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

Toronto Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET TRENDS WERE UNDERWHELMING

The GTA's retail leasing market trends of the recent past were largely underwhelming, in keeping with the national trend. Leasing demand remained well below pre-pandemic levels, with most retailers continuing to struggle with drastically reduced sales revenue and restrictions on in-person shopping. Expansions were few and far between in most retail categories. The exception was the grocery and other services retail sectors. Moreover, some operators were unable to meet their rental obligations in full or in part and were forced to turn to their landlords for assistance. Supply fundamentals have softened over the recent past, due largely to the ongoing struggles of many of the market's retailers. The GTA retail vacancy rate is expected to continue to rise in the second half of 2021, having risen 120 bps to 5.6% at the end of 2020 from the onset of the pandemic. Regional centre vacancy rate rose more sharply and will likely reach into double-digit range in the second half of 2021. Some GTA landlords have been faced with increased vacancy, reduced income, and downward pressure on rents. The primary focus of landlords has been rent collections and working with existing tenants who have struggled with sharp drops in sales revenue. The relaxing of pandemic restrictions in late 2021 was expected to provide a boost for the GTA's retailers and landlords, following a period of largely disappointing leasing market trends.

INVESTMENT MARKET TRENDS REMAINED BEARISH

GTA retail property sector investment market trends were generally bearish over the past year, in keeping with the national trend. GTA investment activity levels remained disappointingly low. GTA investment sales totalled $1.4 billion in the first half of 2021. There were few major GTA properties sold over the past year, despite a modest increase in transaction volume. Investment demand remained muted, due primarily to an uncertain industry outlook. Pandemic lockdowns eroded both landlord and retailer revenues over the past year, resulting in the postponement of retailer expansions and a thinning of landlord margins. In some cases, retail operators were forced to close their doors on a permanent basis while others relied on government programs to survive. Some owners have reduced their exposure to the sector. At the same time, investors have retreated to the sidelines and held off on major retail acquisitions. Essential store-anchored assets continued to transact, along with properties with additional density and redevelopment potential. Sales of assets with non-essential retail tenant rosters have slowed substantially. GTA retail sector near-term investment performance was bearish. Properties contained in the MSCI Index posted an annual average return of negative 9.2% for the year ending June 30, 2021. A cumulative decline in the value of these properties of 11.9% was reported, which was in keeping with largely bearish investment market trends of the past year.

PERIOD OF ADJUSTMENT WILL UNFOLD

A period of adjustment is expected to unfold in the GTA's retail sector over the near term. By the late stages of 2021, shoppers will likely return to physical stores in progressively larger numbers, which will have a positive impact on retailer sales revenues. Subsequently, retailers are expected to review their space requirements and make longer term leasing decisions. In turn, leasing activity will increase substantially, which includes expansions, consolidations and store closures. Eventually, leasing market conditions will begin to stabilize, at which time investors will have gained greater clarity with respect to the broader sector outlook. In doing so, investment activity levels will increase, having dropped well below the long-term average over the past few years. However, it will take some time for investment sales activity to rise substantially, following the near-term period of retail sector adjustment.

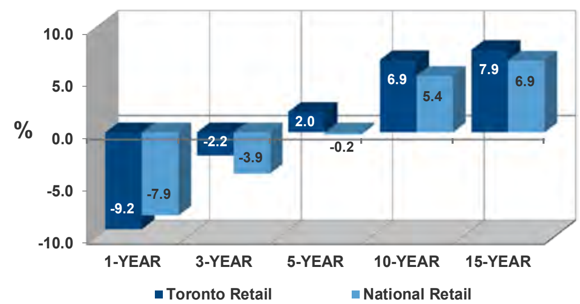
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

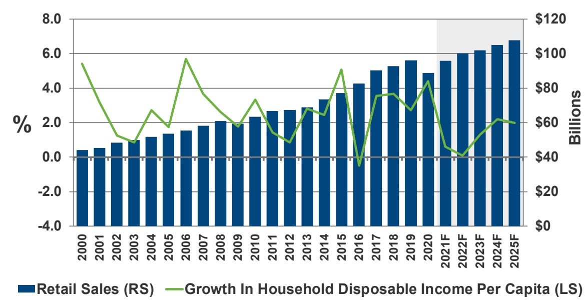
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

RETAIL CONDITIONS

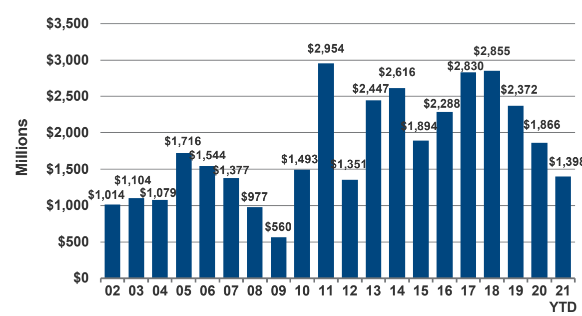
Toronto Historical & Forecast Aggregates



Source: Conference Board Of Canada

INVESTMENT ACTIVITY

Toronto Retail Investment Volume To June 2021



Source: CBRE Limited

RENTAL DEMAND SOFTENED

GTA multi-suite residential rental demand softened over the past year, a trend that emerged with the onset of the pandemic in the spring of 2020. The demand softening was a byproduct of several factors. The unprecedented number of jobs lost during the pandemic eroded rental demand. Rental demand softened due to markedly reduced youth employment levels, which remained below pre-pandemic levels through to the end of the first half of 2021. Younger workers typically move out of the households they were born into and rent accommodation. The ongoing closure of Canada's international borders has also had a negative impact on rental demand. The resulting plunge in international migration volume eroded demand, particularly in the GTA's central locations. Lastly, the GTA's post-secondary student population fell far short of the long-term average, with the cancellation of in-person classes. Therefore, rental demand in submarkets with proximity to the GTA's colleges and post-secondary schools slowed significantly. The demand softening was reflected in recent GTA vacancy patterns. By the fall of 2020, the GTA vacancy rate had reached a record high 3.4%, up from 1.5% a year earlier. Despite the increased vacancy, market rents have continued to rise. However, effective rents in the downtown area's more expensive properties have declined, with landlords often offering incentives to attract renters. Downtown demand softened substantially over the recent past which was in keeping with the broader GTA market trend.

INVESTMENT SALES ACTIVITY PLATEAUED

GTA multi-suite residential rental property investment sales activity plateaued recently, holding close to the peak level for the cycle. Investment transaction volume of $1.5 billion reported for the first six months of 2021 was in line with the pace of the most recent peak period. Between 2018 and 2020, annual GTA investment sales averaged $3.1 billion. Investor confidence levels in the GTA multi-suite residential sector have remained high over this period and throughout 2021. Institutional buyers targeted high-rise towers with concrete frames. Private groups, joint ventures and partnerships have also actively pursued acquisitions in the GTA. Vendors have been able to achieve their pricing objectives upon disposition. Investors were willing to meet the demands of GTA vendors in a competitive bidding environment. The combination of aggressive bidding and pressure to place capital into the sector pushed prices to benchmark high levels. At the same time, cap rates continued to gradually compress. Despite the upward pricing pressure and yield compression, investment sales activity remained at the peak level for the cycle.

SECTOR OUTLOOK IS GENERALLY POSITIVE

The GTA multi-suite residential rental sector near-term outlook is generally positive. Rental demand fundamentals are expected to strengthen over the near term, with the continued distribution of vaccines to GTA residents and the loosening of pandemic restrictions. The reopening of Canadian borders will be a key driver of improved demand patterns in the GTA's more expensive downtown area properties. The demand-strengthening will drive the GTA vacancy rate progressively lower. In addition, GTA rents will continue to rise. In some areas of the GTA, rents will climb to a record-high mark. The healthy rental market outlook will support above-average investment sales volume over the near term. Investors will look to the GTA for properties that have a solid track record of providing attractive yields and income growth. Vendors will have little trouble achieving their pricing objectives. The bidding environment will remain competitive and aggressive, for stabilized properties and those with value-add attributes. The forecast bidding environment is a byproduct of the sector's generally positive near-term outlook.

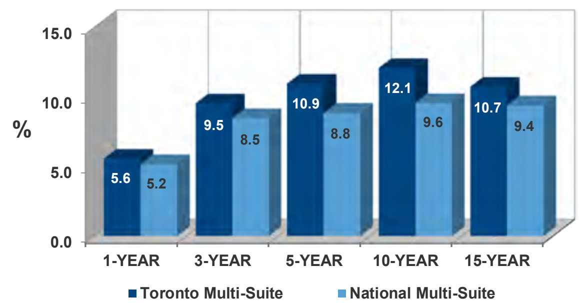
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

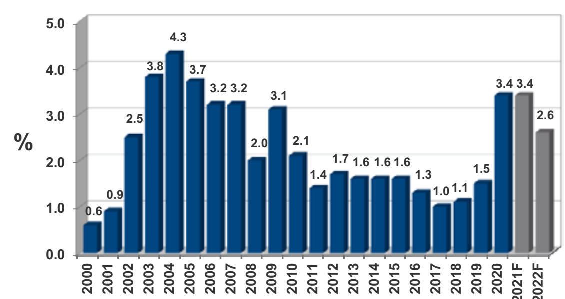
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

AVERAGE RENTAL VACANCY

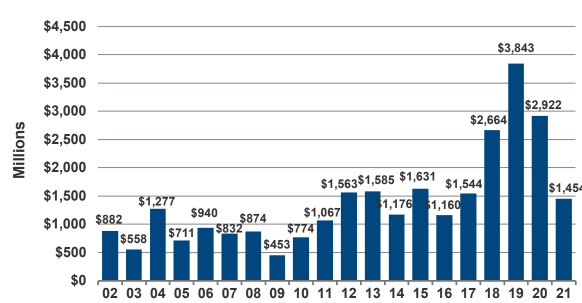
Toronto Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

INVESTMENT ACTIVITY

Toronto Multi-Suite Investment Volume To June 2021



Source: CBRE Limited

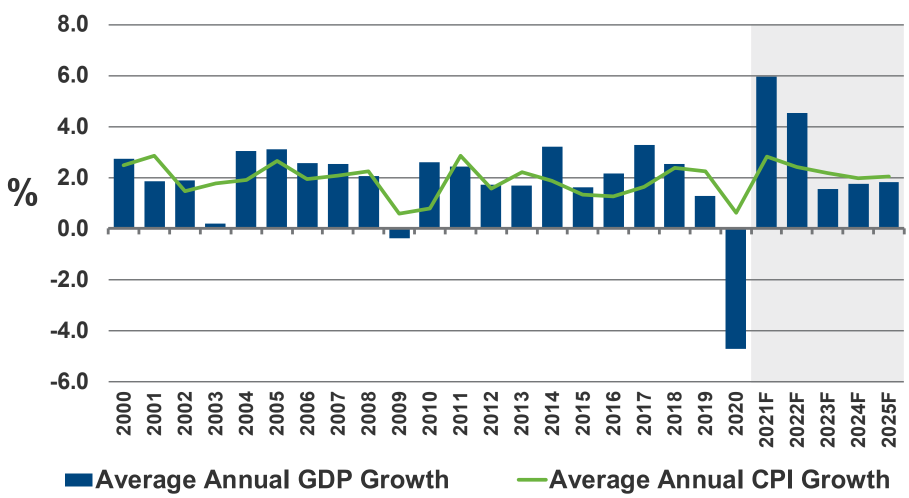
WINNIPEG, MB

ECONOMIC SNAPSHOT

The Greater Winnipeg Area (GWA) real GDP is forecast to expand by 4.6% this year, followed by a less robust 3.8% in 2022. This expansion represents a rapid recovery from the 4.3% decline registered in 2020, largely due to COVID-19 pandemic restrictions. The decline was the worst dating back to 1991. Employment levels will return to the pre-pandemic level by the end of 2021, driven by a healthy economic growth trend. The combination of continued economic expansion and employment growth will drive retail sales steadily higher over the next few years. Somewhat surprisingly, GWA retail sales increased by 2.7% in 2020, due to pent-up demand after the first lockdown period.

ECONOMIC GROWTH

Winnipeg Historical & Forecast Aggregates



Source: Conference Board Of Canada

LABOUR MARKET RECOVERY WILL BE RELATIVELY QUICK

The GWA labour market recovery will be relatively quick. The CBOC is forecasting employment growth of 1.5% in 2021. By the end of the year, employment will have bounced back to the pre-pandemic level. Subsequently, employment is expected to increase more sharply in 2022, with the loosening of pandemic restrictions on consumer and economic activities. The region's unemployment rate will be driven down to 6.9% by the end of 2021. The GWA unemployment rate had dipped to a 10-year low of 5.3% in 2019, a low dating back 25 years. To some extent, the GWA's public sector buffered against a more significant labour market decline during the pandemic lockdowns. Consequently, the GWA labour market recovery will be relatively quick.

HEALTHY RETAIL SALES GROWTH TREND FORECAST

A healthy retail sales growth trend is forecast over the near term, in keeping with the national trend. Retail sales will increase by an annualized rate of 3.5% and 3.2% in 2021 and 2022, respectively. Several factors will support the region's healthy sales trend. Initially, pent-up demand will boost sales, with the loosening of pandemic restrictions on brick-and-mortar store capacity. Employment growth will also drive increased spending over the near term. Household disposable income increased by 8.5% in 2020, largely due to government transfers to GWA households. The increase will support stable and rising household expenditures over the near term. Low interest rates and a sharp rise in single-detached housing starts forecast for 2021 will support stronger spending patterns. In summary, a healthy retail sales growth pattern is predicted for the GWA over the next couple of years, in keeping with the national trend.

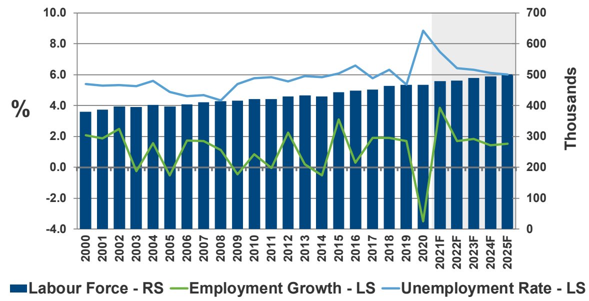
ECONOMIC EXPANSION TO MODERATE

The GWA economic expansion rate will moderate over the medium term, after a two-year run of stronger growth. Between 2023 and 2025 the regional economy is forecast to expand by an annual rate of roughly 2.0%. The moderate growth trend will follow a period of markedly stronger expansion in the second half of 2021, which will persist into the following year. The slower economic growth trend will support more modest increases in employment levels. GWA employment is forecast to increase by between 1.3% and 1.6% annually between 2023 and 2025. Over the same three-year time period, the unemployment rate will hold steady at 6.4%, due to an offsetting rise in labour force participation. Retail sales growth will strengthen over the near term, despite moderate economic growth and relatively modest improvement in the region's labour market. Retail sales are forecast to rise by an annual average of just shy of 4.2% over the same three-year period. The GWA's robust medium-term retail sales growth trend will coincide with a period of moderate economic expansion.

Low interest rates and a sharp rise in single-detached housing starts forecast for 2021 will support stronger spending patterns.

LABOUR MARKET

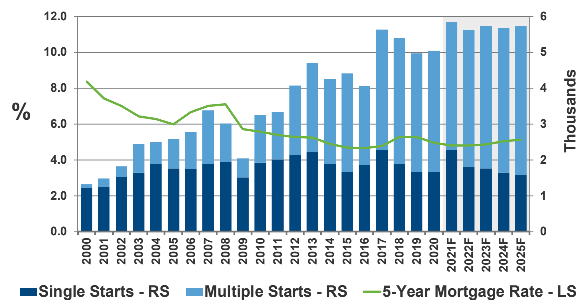
Winnipeg Historical & Forecast Aggregates



Source: Conference Board Of Canada

HOUSING SECTOR

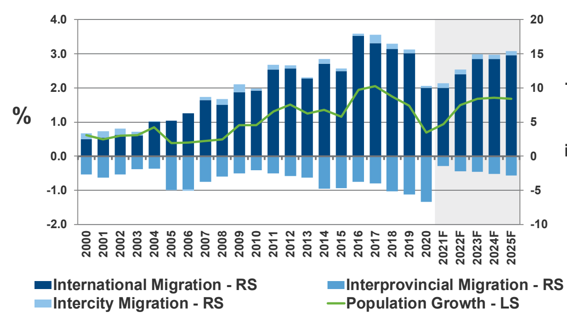
Winnipeg Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Winnipeg Historical & Forecast Aggregates



Source: Conference Board Of Canada

LEASING FUNDAMENTALS WEAKENED

GWA office leasing fundamentals weakened significantly over the recent past, due primarily to the negative effects of the pandemic on the region's private sector. Leasing demand softened substantially with the unfolding of the pandemic and the resulting increase in economic uncertainty. Private sector businesses vacated unused space while their employees transitioned to working remotely. At the same time, expansion plans were shelved, as the public health and economic outlooks deteriorated. There were fewer tenants looking to expand or relocate over the past 12 to 15 months, markedly lower than prior to the onset of the pandemic. The demand softening coincided with the erosion of the GWA's supply fundamentals. The market's average vacancy rate stood at a 20-year high of 13.1% at the midway mark of 2021. The GWA vacancy rate rose 260 bps year-over-year, which equated to 367,000 square feet of additional vacancy. Suburban vacancy rose 290 bps year-over-year to a relatively healthy 10.4%. Downtown vacancy rose by a more modest 2.4% to 14.1%. For the most part, asking rents were relatively stable. Some landlords offered incentives to tenants to lure them to their properties, which eroded net effective rents in some cases. The erosion of effective rents was an indicator of the broader weakening of GWA leasing fundamentals of the recent past.

INVESTMENT ACTIVITY CONTINUED TO SLOW

GWA office sector investment activity continued to slow over the recent past, as transaction volume fell below the medium and long-term averages. Investment transaction volume stood at a modest $21.3 million for the first six months of 2021. The first-half pace was only slightly better than 2020, when $40.7 million in sales volume was recorded. Over the past 18 months, transaction volume has been significantly lower than the five-, 10- and 20-year annual averages of $81.2 million, $111.2 million, and $105.3 million, respectively. To a large extent, the negative impacts of the pandemic eroded investor confidence. During much of the past year, leasing conditions softened and the demand and rent outlooks became increasingly uncertain. As a result, investors retreated to the sidelines. Coincidentally, investment performance softened. GWA office properties contained in the MSCI Index registered a negative 2.7% annual return for the 12-month period ending June 30, 2021. A slightly less negative result was posted over the previous 12-month period. The negative performance was a result of the continuous erosion of the sector's capital component, during a period when investment activity was relatively slow.

SECTOR FORECAST IS RELATIVELY STABLE

The near-term GWA office sector outlook is relatively stable, in keeping with its long-term track record. The stabilization will be driven to some extent by the region's economic diversity. By 2022, Regional economic output is expected to gradually increase, following an initial bounce back from the unprecedented pandemic-driven decline. Leasing market activity will rise to more normal levels with return of workers to their offices in late 2021. However, some companies will continue with work-from-home programs and reduce their office space footprints. As a result, vacancy will likely increase, before stabilizing some time in 2022. The leasing market stability will continue to support positive investment demand patterns. Investors will continue to target the region's prime office towers, which have traditionally provided attractive yields. As in the past, supply will be limited. On average, pricing will be lower than the pre-pandemic levels. Vendors will have little trouble achieving their objectives when selling properties, resulting in continued valuation stability. In short, stabilization will be the predominant market outlook theme over the near term.

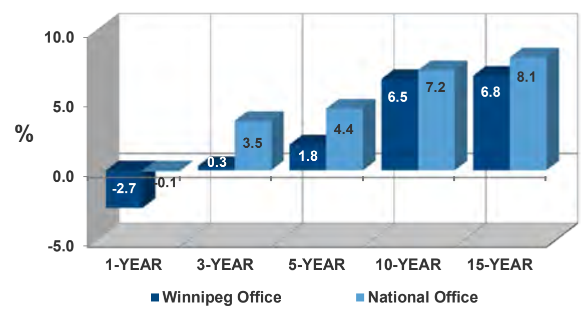
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

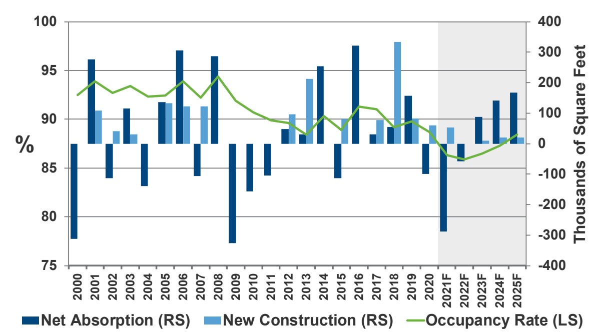
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

OFFICE DEMAND & SUPPLY

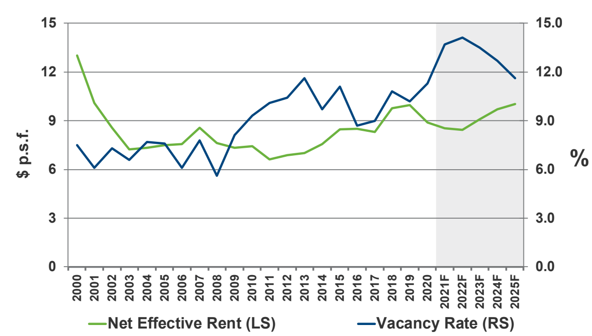
Winnipeg Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

Winnipeg Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

POSITIVE LEASING MOMENTUM REPORTED

Positive leasing momentum was reported in the GWA industrial sector recently, mirroring the national performance. Demand for GWA industrial space increased across the region through to the end of the first half of 2021, despite the potentially damaging effects of the COVID-19 pandemic. Growth in the market's e-commerce, manufacturing, and warehouse and distribution sectors resulted in increased demand pressure. Several large-scale businesses increased their industrial footprints during 2021, resulting in markedly tighter conditions. The GWA's average vacancy rate rested at 3.4%, according to two separate midyear 2021 market surveys by CBRE and Colliers International. Both companies indicated vacancy had declined 50 bps year-over-year. The market tightened during the first half of 2021, despite a marked increase in new supply completions over the recent past. In 2020, construction was completed on 465,000 square feet of new industrial space, which was the second highest annual total of the past 20 years. A further 175,000 square feet of space was under construction as of the end of June 2021. A byproduct of the positive leasing market momentum of the recent past was upward pressure on market rents. Tenants looking to relocate or expand faced benchmark-high rents. Landlords were able to negotiate higher rents on new leases and in renewal negotiations, against a backdrop of positive near-term leasing momentum.

SECTOR'S PREFERRED INVESTMENT STATUS WAS MAINTAINED

Investors continued to exhibit a preference for acquiring GWA industrial property over the recent past, a sentiment that was evidenced across the country. National and regional buyers scoured the GWA for acquisition opportunities. Warehouse and logistics space was highly coveted. Manufacturing space was also in demand. Investors looked to place capital into a sector that continued to outperform, despite the negative impacts of the pandemic on the local economy. GWA industrial properties have transacted at a healthy pace recently. In 2020, a total of $123.1 million of industrial property was sold. A modest $30.2 million in sales was reported for the first six months of 2021. However, the modest total was a byproduct of lower supply levels, rather than a demand downdraft. To some extent, the GWA industrial sector's preferred status was tied to its recent investment performance track record. Properties contained in the MSCI Index registered an attractive 10.4% return for the year ending June 30, 2021. The strong return was largely income driven. The GWA industrial sector's recent performance strength justified its preferred status with investors over the past few years.

DEMAND WILL CONTINUE TO OUTPACE SUPPLY

Demand for industrial space across the GWA will outpace supply over the near term, in keeping with the national trend. The demand-pressure will continue to come from the warehouse and distribution, e-commerce, and logistics sectors. However, expansion and relocation options will remain in relatively short supply. Construction activity will remain at elevated levels, as tenants look to development as an alternative to the GWA's existing building inventory. Much of this space will be leased prior to or shortly after completion, offering little relief for tenants and owner/occupiers. The supply shortfall will ensure market rents continue to rise at a moderate rate. Investors will have little trouble rationalizing acquisitions in this sector, given a healthy leasing outlook and low interest rates. Institutional and private capital groups will continue to confidently invest in the GWA's industrial sector. As a result, bidding on available assets will be competitive, resulting in modest upward pressure on valuations. However, supply will likely be limited, which has been the case historically. Investment demand will outdistance supply over the near term, mirroring the GWA's leasing market outlook.

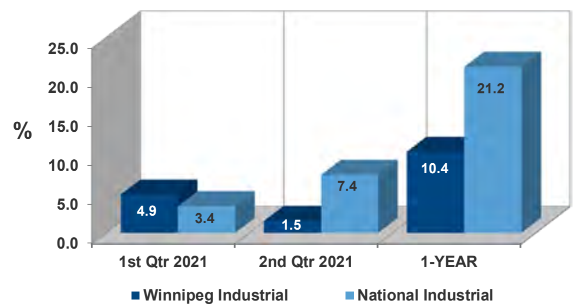
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

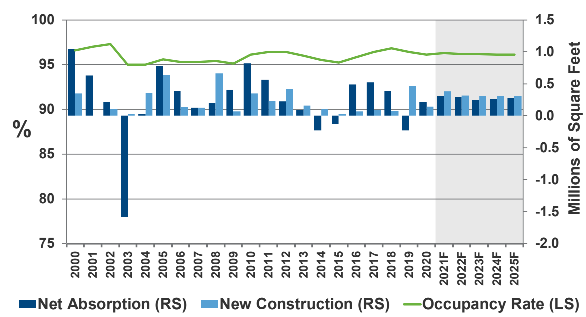
For The Period Ending June 2021



Source: © MSCI Real Estate 2021 *Prior data unavailable due to confidentiality rules applied based on mkt size

INDUSTRIAL DEMAND & SUPPLY

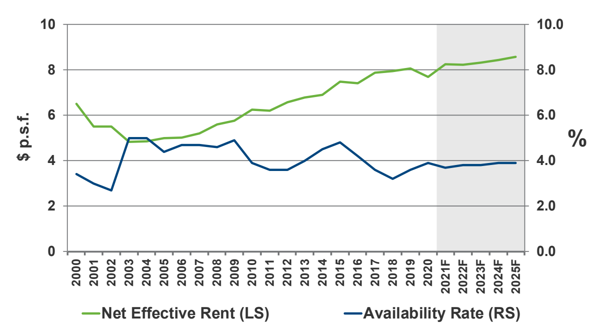
Winnipeg Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

Winnipeg Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING ACTIVITY LEVELS REMAINED BELOW PAR

GWA retail leasing activity levels remained below par following the onset of the COVID-19 pandemic. Expansion activity declined sharply with the onset of the pandemic and subsequent lockdowns that lasted through much of 2021. In the grocery sector, Safeway/Sobeys, Co-op and Save-On-Foods have invested capital to either improve existing outlets or open new stores. The cannabis sector has expanded in this market. In a few cases, retailers selling essential products opened new outlets. Retailers selling non-essential products, however, were forced to pivot to curbside pickup and various delivery platforms to generate revenue. The region's owners and managers of retail properties focused on rent collections. In some cases, collections fell sharply, as tenants struggled to adjust to ongoing in-person shopping stoppages. The leasing activity slowdown had a largely negative impact on GWA retail supply fundamentals. The region's development cycle remained muted, with only 60,000 square feet of new supply underway at the start of 2021. Vacancy continued to range well above the five-year average. CBRE reported a 9.0% average vacancy rate at the end of 2020, up 180 bps from the end of June of the same year. An average of 7.5% was reported for a smaller subset of properties tracked in the MSCI Index as of the end of the second quarter of 2021. The rate was almost 3.0% higher than the preceding five-year average. The resulting downward pressure on market rents was a byproduct of the sharp decline in leasing activity of the recent past.

INVESTMENT ACTIVITY SLOWED CONSIDERABLY

GWA retail investment sales activity has slowed considerably of late, mirroring the national trend. Investment sales volume totalled just $12.2 million over the first half of 2021, which followed a modest $32.1 million over the previous year. Investment sales activity over the 18-month period dipped well below levels reported over various time periods. Historically, transaction volume had averaged between $92.7 million and $133.9 million annually over various short and long-term time periods dating back 20 years. There were several factors that caused the sharp decline in GWA retail investment property sales. The most notable of these was the unfolding of the COVID-19 pandemic. Retail performance patterns softened significantly with the implementation of restrictions on non-essential retail operations. As a result, the sector's performance outlook became increasingly uncertain. Changes in consumer behaviour had already negatively impacted sector performance prior to the pandemic. Property values have declined steadily over the past few years. As investor confidence levels declined, sales activity slowed significantly. GWA investment sales volume declined more sharply over the past 18 months, as sector uncertainty levels surged.

SECTOR HEADWINDS TO PERSIST

GWA retail sector performance headwinds are expected to persist over the near term. Leasing demand will continue to underwhelm, as retailers concentrate on shoring up their balance sheets and adjusting to ongoing changes in consumer behaviour. Additionally, some will seek to strike an appropriate balance between physical space and digital platforms to drive revenue. These adjustments will likely result in an increased leasing market churn rate, in line with the national trend. Eventually demand will stabilize, though at a relatively moderate level. Near-term leasing patterns will do little to change the market's vacancy pattern. Vacancy will remain elevated, with the continued closure of stores in some retail categories. As a result, income streams and investment performance will continue to disappoint. However, investors will continue to target lower-risk properties, often with grocery and other service retail anchors. Properties with value-add attributes will also generate interest, despite persistent sector headwinds.

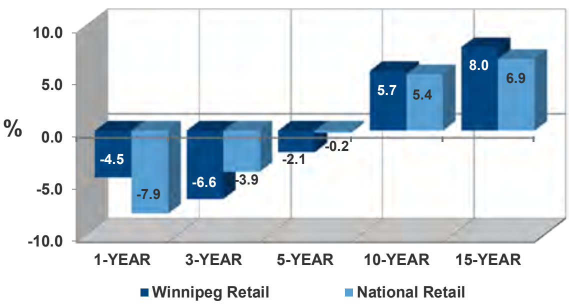
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

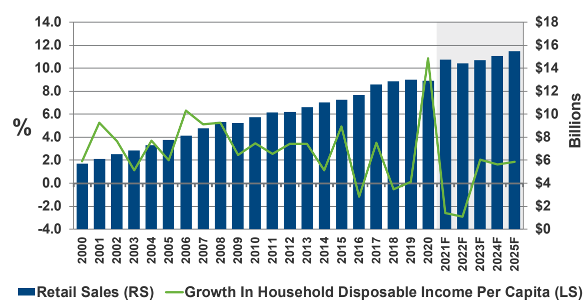
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

RETAIL CONDITIONS

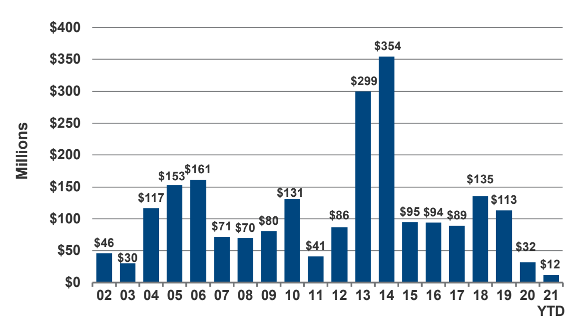
Winnipeg Historical & Forecast Aggregates



Source: Conference Board Of Canada

INVESTMENT ACTIVITY

Winnipeg Retail Investment Volume To June 2021



Source: Colliers International

RENTAL DEMAND PATTERNS SOFTENED

GWA multi-suite residential property sector rental demand patterns softened recently, in line with the national trend. One of the main drivers of the demand softening was weakened labour market conditions due to the pandemic lockdowns and layoffs. The region's labour market strengthened with the relaxation of pandemic restrictions. However, the number of either unemployed or underemployed workers remained higher during much of the past year than prior to the onset of the pandemic crisis in spring 2020. The rental demand softening was also a result of lower youth employment levels. Historically younger workers have been a key rental demand driver. Fewer young workers were employed during 2020 and much of 2021. Migration trends, both international and inter-provincial, softened over the same time-period furthering eroding demand. Demand for the market's lower priced units has been relatively stable. However, demand for the market's more expensive rental units has slowed significantly, forcing some landlords to offer incentives to prospective tenants. The demand softening coupled with increased new supply completions drove vacancy levels higher. The market average vacancy rate rose 80 bps year-over-year to 3.8%, as of October 2020. The average represented a high point dating back 22 years and the increase was the first on record since 2015. The recent erosion of the market's supply fundamentals coincided with softer rental demand patterns.

ABOVE-AVERAGE CAPITAL FLOW RECORDED

Investment capital flowed into the GWA multi-suite residential rental property sector at an above-average rate recently, as investors continued to exhibit confidence in the sector and region. Approximately $107.1 million of debt and equity capital was invested during the first six months of 2021. Previously, a total of $122.7 million in transaction volume was reported in 2020. The above-average transaction volume total of the first six months of 2021 was a byproduct of increased availability. At the same time, investor confidence levels were relatively high. Offerings were generally well-received. Investors were willing to acquire properties at prevailing yield rates. Vendors and buyers were able to come to an agreement on pricing, which helped drive transaction closing volume higher. High-rise properties were the most sought-after subcategory of properties. Wood-framed low-rise assets were also popular, particularly with local and regional buyers. In general, demand outdistanced supply. Investors looked to increase their exposure to an asset class with a solid track record of performance and a positive outlook. The motivation for some buyers was the fact that GWA yields were higher than those of Canada's larger cities. For others, portfolio diversification was the primary motivation to acquire properties in this market. In combination, the various motivations of investors supported an above-average flow of capital into the GWA.

SECTOR FUNDAMENTALS WILL IMPROVE

GWA multi-suite residential rental sector fundamentals will improve over the next couple of years. The timing of the improvement is highly dependent on the timing of a resolution to the COVID-19 pandemic. The loosening of restrictions will lead to the return of international and inter-provincial migrants and students, resulting in materially stronger rental demand characteristics. The return to full capacity for the GWA's services sector will strengthen labour market fundamentals, resulting in additional upward demand pressure. In turn, aggregate vacancy will stabilize whereas levels will remain elevated for newer and generally more expensive segments of the market. Investors will continue to look for acquisition opportunities, given the forecast sector fundamental strengthening and long track record of attractive performance characteristics. Therefore, competition for a limited number of assets made available for purchase will remain high over the near term, a period during which sector fundamentals will improve.

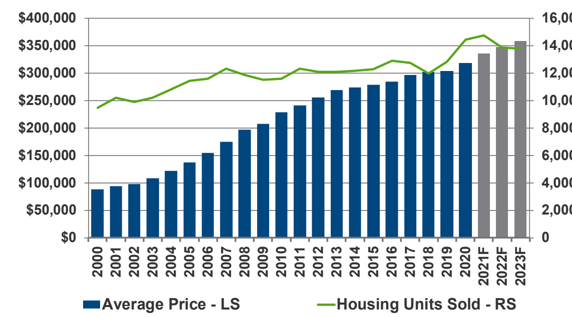
TRENDING STATISTICS

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

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

HOUSING MARKET

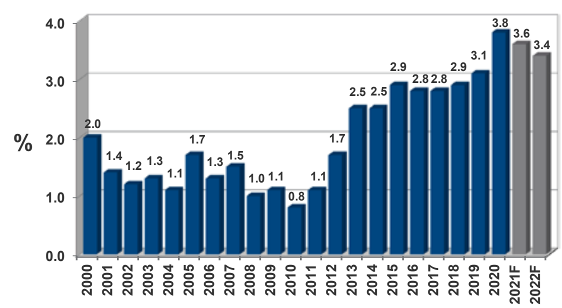
Winnipeg Pricing vs. Demand



Source: CREA (MLS®); CMHC

AVERAGE RENTAL VACANCY

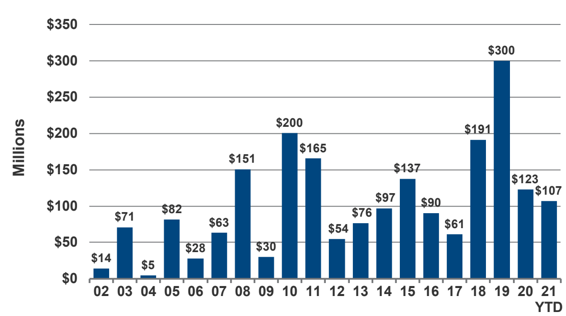
Winnipeg Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

INVESTMENT ACTIVITY

Winnipeg Multi-Suite Investment Volume To June 2021



Source: Colliers International

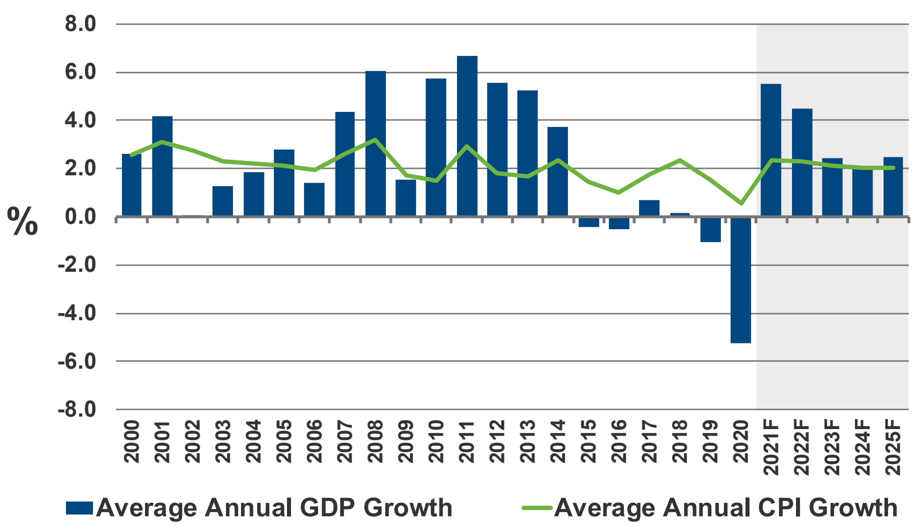
REGINA, SK

ECONOMIC SNAPSHOT

A strong near-term recovery is forecast for The Greater Regina Area (GRA) economy, in keeping with the national trend. Economic output will rise by 4.9% and 4.1% in 2021 and 2022, respectively. The region's economy contracted by 3.5% in 2020, due to the negative effects of COVID-19 pandemic restrictions. Economic growth will push GRA employment slightly higher this year, with a much stronger advance forecast for 2022. Labour force gains will ensure the region's unemployment rate remains well above the long-term average over the next few years. Additionally, the GWA employment growth rate will fall short of the national average.

ECONOMIC GROWTH

Regina Historical & Forecast Aggregates



Source: Conference Board Of Canada

LABOUR MARKET RECOVERY TO STRENGTHEN

The GRA's labour market recovery will strengthen in 2022, following relatively modest advancement this year. Employment will rise by 4.1% in 2022, building on a 1.9% increase in 2021. By the end of 2022, the 16,200 jobs lost during the first half of 2020 will have been recovered. The region's unemployment rate will drop to 8.4% in 2022, down sharply from the record-high 10.1% average forecast for 2021. Services sector will be a key factor in the strengthening of the GRA's labour market over the near term. Prior to the pandemic, labour market conditions had tightened significantly. The unemployment rate stood at 5.3% in 2019, before rising sharply to 8.1% due to the pandemic-driven job losses. However, GRA job market recovery momentum will increase in 2022, which will recoup jobs lost during 2020.

CONSTRUCTION ACTIVITY WILL INCREASE

Construction activity will increase in both the residential and commercial sectors over the near term, which will help drive regional economic growth. Residential housing starts are forecast to rise to 1,160 units in 2021, up from 766 in 2020. Previously, housing starts had dipped to a 21-year low of 537 in 2019. Demand for existing and new housing has improved recently, following a prolonged period of weakness. The CBOC is predicting output will continue to rise in the region's commercial construction sector. Government-funded projects will not only drive sector output but also create a significant number of jobs. One of the region's higher profile developments will see SaskPower invest $100.0 million to build the initial phase of a logistics warehouse at the Global Transportation Hub. In short, residential and commercial construction output will increase over the near term, which will help support regional economic expansion.

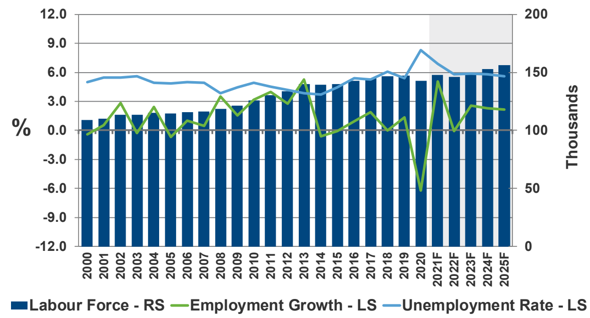
BETTER DAYS ARE AHEAD

Better days are ahead for the GRA economy, following an extended period of weakness. The regional economy is forecast to expand by roughly 4.9% and 4.1% in 2021 and 2022, respectively. In keeping with the national trend, the improved economic picture will be highly dependent on the continued distribution of COVID-19 vaccines and the loosening of pandemic restrictions on consumers and businesses. GRA employment levels will rise over the same two-year period. Total employment is expected to increase a modest 1.9% this year and a much stronger 4.1% in 2022. The job market strengthening will support healthy consumer spending patterns, beginning in 2022. Subsequently, the GRA's retail sales growth trend will improve, with volume expected to increase by between 2.6% and 3.0% between 2023 and 2025. In summary, economic conditions will continue to improve over the next few years, following a prolonged period of sluggishness.

Construction activity will increase in both the residential and commercial sectors over the near term, which will help drive regional economic growth.

LABOUR MARKET

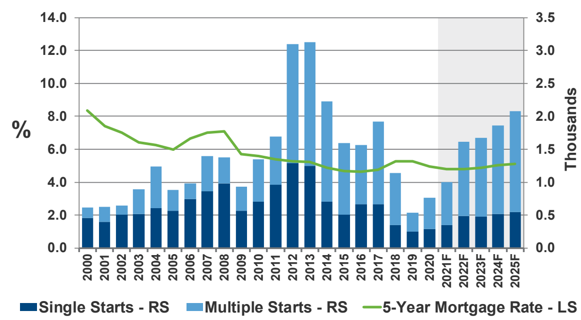
Regina Historical & Forecast Aggregates



Source: Conference Board Of Canada

HOUSING SECTOR

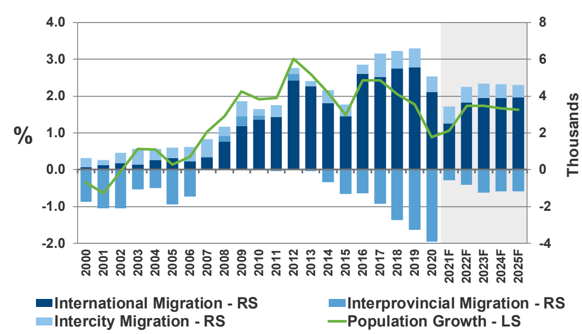
Regina Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Regina Historical & Forecast Aggregates



Source: Conference Board Of Canada

LEASING MARKET FUNDAMENTALS IMPROVED

GRA industrial leasing market fundamentals improved over the past year, despite an uncertain economic and public health backdrop. A moderate strengthening of the market's demand trend was evidenced in the second half of 2020 and much of 2021. Increased e-commerce activity supported expansion activity in the warehouse and storage and logistics industries. Growth in the region's residential renovation sector was also a driver of healthy industrial demand. Moderately healthier demand characteristics translated into modest downward availability pressure. The GRA industrial availability rate rested at a healthy 4.2% as of the first quarter of 2021, down 90 bps year-over-year according to Colliers International figures. Avison Young reported a rate of 3.7% at the end of the first half of 2021, down 10 bps year-over-year. The GRA average availability rate fell below the 5.0% mark for the first time in 10 years. For the most part, market rents were stable during 2020 and much of 2021, despite moderately stronger demand characteristics and a downward availability trend. Market rents ranged at levels required to justify new construction. However, a relatively small number of projects were completed and underway. To some extent, construction projects were either delayed or halted altogether, due to increases in material costs and labour. The relatively muted construction cycle coincided with a period of material improvement in GRA leasing market fundamentals.

INVESTMENT DEMAND REMAINED STRONG

Demand for GRA industrial investment properties remained strong over the past year. Investors continued to pursue opportunities across the region, particularly those with financially secure tenants on long-term leases. Local and regional groups were the most active of investor categories, in keeping with the market's long-term history. A relatively healthy $14.1 million of industrial property sales was reported over the first six months of 2021. This followed the $46.2 million in transaction volume recorded in 2020. For the most part, investment property offerings attracted strong interest from a range of investment groups. Vendors and purchasers were able to agree on pricing in most cases, resulting in a steady stream of transaction closings. Pricing was relatively stable during 2020 and much of 2021, as investment market conditions remained balanced. However, demand outstripped supply, which was not overly surprising, given a relatively small inventory of buildings in this market. Owners were somewhat reluctant to sell assets that had performed well over an extended time-period. Buyers looked to this market to diversify their portfolios or to invest in a sector with a comparatively healthy fundamental outlook. As a result, investment demand remained strong.

STABLE AND HEALTHY FUNDAMENTALS FORECAST

Generally stable and healthy near-term fundamentals are forecast for the GRA industrial sector. The GRA economy is forecast to expand by 4.9% in 2021 and 4.1% in 2022, which will support continued expansion in the industrial sector. Private sector business expansion will drive demand for industrial space, especially in the warehouse and distribution and resource-related industries. Demand will outpace supply, which will drive vacancy levels progressively lower. As conditions tighten over the second half of 2021 and into 2022, upward pressure on market rents will emerge. At the same time, speculative development activity will pick up, as tenants find it increasingly difficult to source functional expansion space in the existing building inventory. Broadly positive leasing market fundamentals will continue to support investment activity. Local groups will be the most active purchaser category, in keeping with the market's long-term history. The demand pressure will ensure values hold at the peak for the cycle. In keeping with the national trend, investors will look to capitalize on current and forecast market conditions, which are generally stable and healthy.

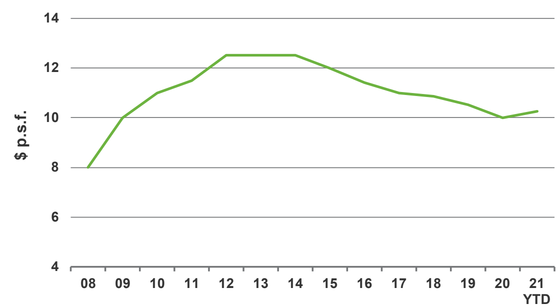
TRENDING STATISTICS

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).

INDUSTRIAL NET RENT

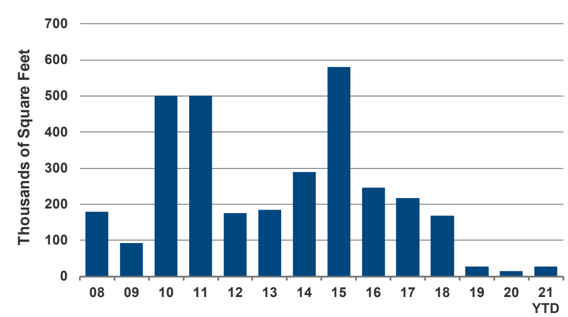
Regina Historical Aggregates



Source: Avison Young

INDUSTRIAL NEW SUPPLY

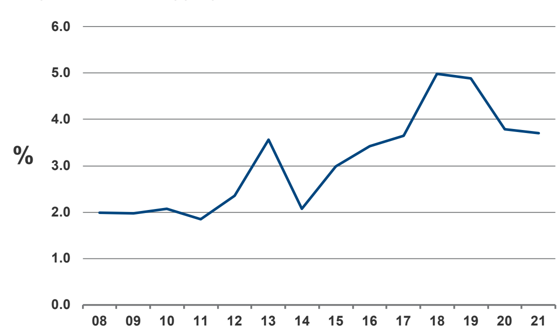
Regina Historical Aggregates



Source: Avison Young

INDUSTRIAL VACANCY

Regina Historical Aggregates



Source: Avison Young

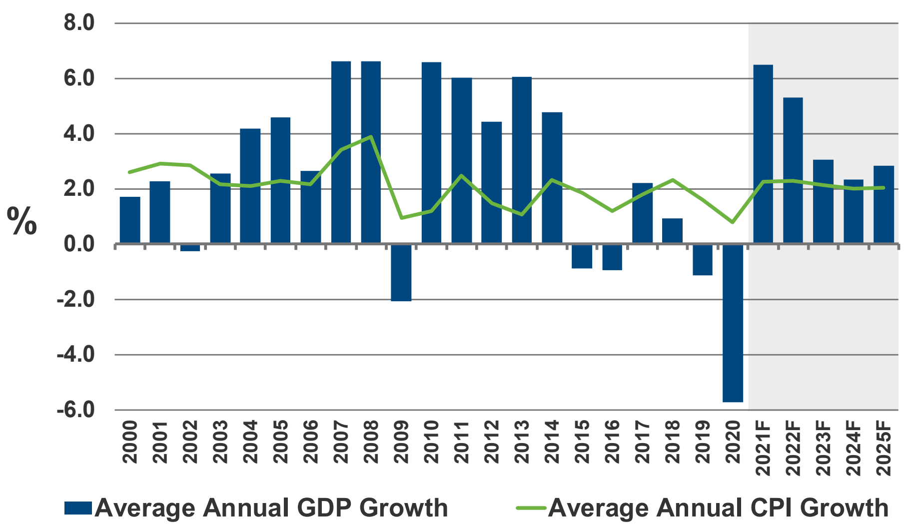
SASKATOON, SK

ECONOMIC SNAPSHOT

Economic output is forecast to bounce back to the pre-pandemic level in 2021. Greater Saskatoon Area (GSA) real GDP is predicted to increase by 5.4% over the 12-month period, followed up by a healthy 4.5% lift in 2022. Previously, the GSA tallied two successive economic contractions in 2019 and 2020. The near-term surge in economic activity will push employment levels markedly higher in 2022. Additionally, the GSA's unemployment rate will be driven progressively lower over the near-to-medium term. Healthier labour market conditions will support increased annual retail sales growth rates beginning in 2022.

ECONOMIC GROWTH

Saskatoon Historical & Forecast Aggregates



Source: Conference Board Of Canada

LABOUR MARKET TIGHTENING PREDICTED

The GSA labour market will tighten over the next few years, following the unprecedented job losses tallied during the 2020 pandemic lockdowns. GSA employment will increase substantially in 2022, after a modest 0.9% rise in 2021. Employment will rise 4.5% in 2022, with the recouping of the jobs lost due to the pandemic in 2020. The growth will push the region's unemployment rate down to 6.3% by the end of 2022, just 40 bps higher than the 2020 average. Over the next few years, the services sector will account for a significant share of the region's job growth, which will be a boon for the GSA's residents. Job growth slowed significantly between 2014 and 2019, signalling the end of the commodities sector boom. However, job growth will pick up substantially in 2022, resulting in tighter overall labour market characteristics.

CONSTRUCTION SECTOR OUTPUT WILL CONTINUE TO RISE

Construction sector output is forecast to continue to rise over the near term, mirroring the national trend. Sector output is predicted to increase by 7.8% in 2021, according to the CBOC. A relatively healthy 1,780 housing starts are expected in 2021, down slightly from the 1,900 starts in 2020. In 2019, housing starts had dipped to a 14-year low, having trended lower over the preceding four-year period. The downward trend was a byproduct of an excess inventory of unsold homes and weak demand fundamentals. Several commercial projects will drive sector output higher. Major upgrades to the City of Saskatoon's water treatment plant will boost sector output along with the $300.0 million Project Y development. The rise in construction sector output forecast over the next 12 to 24 months will be a boon for the GSA's economy and labour market.

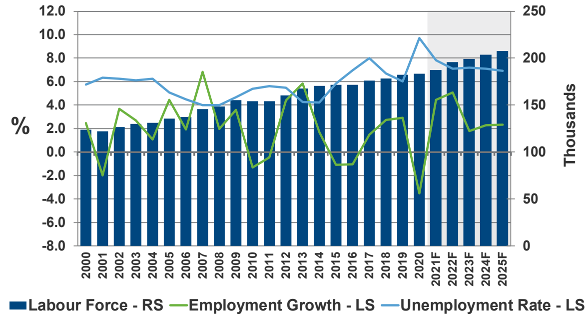
ECONOMIC OUTLOOK IS ABOVE AVERAGE

The GSA's economic outlook is generally healthier than the national average. Economic output is forecast to surge in 2021 and 2022, recouping losses incurred due to the negative effects of the pandemic. Subsequently, economic growth will remain moderately healthy through to 2025. Output will increase by an annual average of just shy of 2.9% between 2023 and 2025. The above-average growth outlook will support the region's forecast medium-term labour market strengthening. Total employment will rise by an annual average of 3.1% between 2022 and 2025. The growth outlook contrasts the tepid advances of the post commodities boom era. Healthier labour market trends will help drive retail sales growth over the next few years. The growth will be driven in part by low interest rates, job growth and rising income levels. In summary, the region's above-average economic outlook will support stronger job market conditions, positive retail consumption characteristics and an uptick in housing market demand.

The above-average growth outlook will support the region's forecast medium-term labour market strengthening. Total employment will rise by an annual average of 3.1% between 2022 and 2025.

LABOUR MARKET

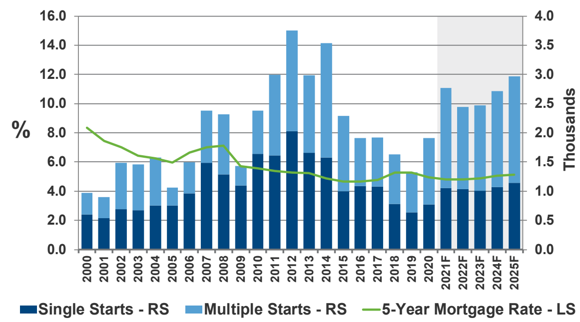
Saskatoon Historical & Forecast Aggregates



Source: Conference Board Of Canada

HOUSING SECTOR

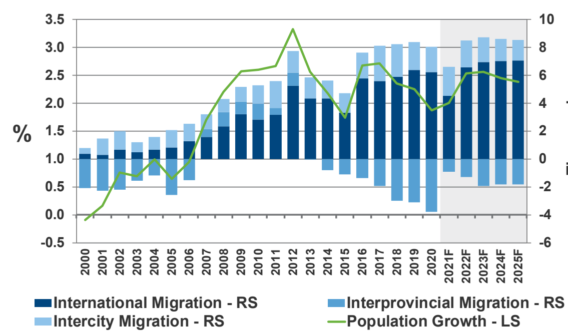
Saskatoon Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Saskatoon Historical & Forecast Aggregates



Source: Conference Board Of Canada

LEASING MARKET RISK INCREASED SUBSTANTIALLY

GSA retail leasing market risk has increased substantially over the recent past, due in large part to the ongoing negative impacts of the COVID-19 pandemic. Leasing demand stalled with the onset of the pandemic in early 2020. The subsequent restrictions on in-person shopping capacity eroded retailer revenues significantly. Over the balance of 2020 and much of 2021, retail operators focused their energies on adjusting to various lockdown measures and markedly reduced sales revenue. Others scrambled to set up curbside pick-up and delivery options for their customers. Generally, demand for retail space rested well below pre-pandemic levels, as most retailers postponed or cancelled their expansion plans altogether. Despite the recent demand drop off, vacancy levels have been relatively stable, even as some outlets were closed on a permanent basis. In Saskatoon's central core, for example, several restaurants closed their doors permanently. The market average vacancy rate rested at a relatively healthy 5.1% at the end of the first half of 2021, having edged 11 bps lower year-over-year according to ICR Commercial data. However, levels are expected to rise with the winding down of government subsidies and landlord supports. At the same time, downward pressure on rents will likely increase, given excess vacancy in certain market segments. In short, GSA retail leasing market risk increased substantially recently, due mostly to the negative effects of the pandemic.

SALES OF RETAIL INVESTMENT PROPERTY REMAIN SUBDUED

Sales of GSA retail investment property remained subdued, continuing the trend that began in 2020. A very modest $4.2 million in retail property sales was reported for the first six months of 2021. In 2020, GSA retail investment property sales totalled a modest $17.5 million. Investment sales volume dipped to a record-low dating back to the Great Recession of 2008. Retail property sales averaged $43.6 million annually between 2010 and 2019. Investment sales slowed over the past 18 months due primarily to a sharp increase in retail sector uncertainty due to the pandemic. Restrictions on non-essential physical store capacity eroded retailer and landlord revenues and leasing market fundamentals. GSA stores reopened relatively quickly, given lower COVID-19 infection rates. However, many investors chose to delay retail property investment decisions while property values declined, and investment performance softened. As a result, investment sales activity remained subdued through 2020 and much of 2021.

LEASING MARKET STABILIZATION TO GRADUALLY UNFOLD

The GSA retail leasing market will gradually stabilize over the near term, following an extended period of volatility. In 2022, the region's retailers are expected to have welcomed back their customers and returned to more normal operating capacity. GSA retailers will look to right size their physical store portfolios and optimizing store configurations. As a result, leasing activity will initially increase, before settling into a slower and more stable pattern. Subsequently, leasing demand will remain relatively tepid. Downsizing activity and store closures will drive vacancy levels higher during 2022, in keeping with the medium-term trend. The mid-market downturn of the past few years will continue, resulting in elevated vacancy levels for enclosed malls and lower-tier centres and strips. In the downtown area, vacancy levels will also remain above the pre-pandemic low, given the recent restaurant closures. Downward rent pressure will be a constant in these market segments over the near term while premium-space rents remain relatively stable. Excess vacancy will present opportunities for some tenants to upgrade their space or relocate to higher profile locations. Some owners will be forced to offer incentives to re-lease the resulting vacancy. By late 2022, GSA leasing market conditions will stabilize, after a relatively brief period of increased activity.

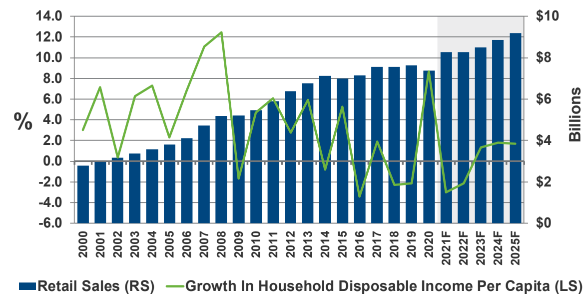
TRENDING STATISTICS

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).

RETAIL CONDITIONS

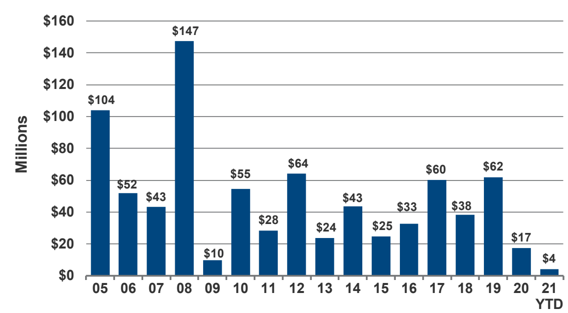
Saskatoon Historical & Forecast Aggregates



Source: Conference Board Of Canada

INVESTMENT ACTIVITY

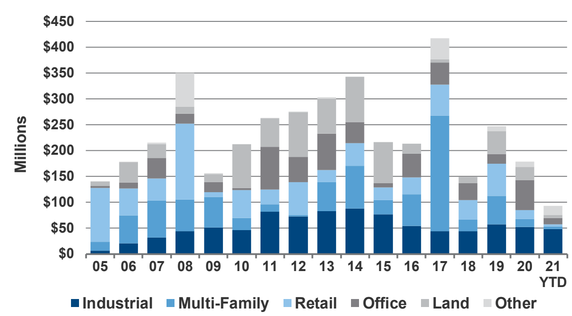
Saskatoon Retail Investment Volume To June 2021



Source: Colliers International

INVESTMENT ACTIVITY

Volume of Total Saskatoon Sales To June 2021



Source: Colliers International

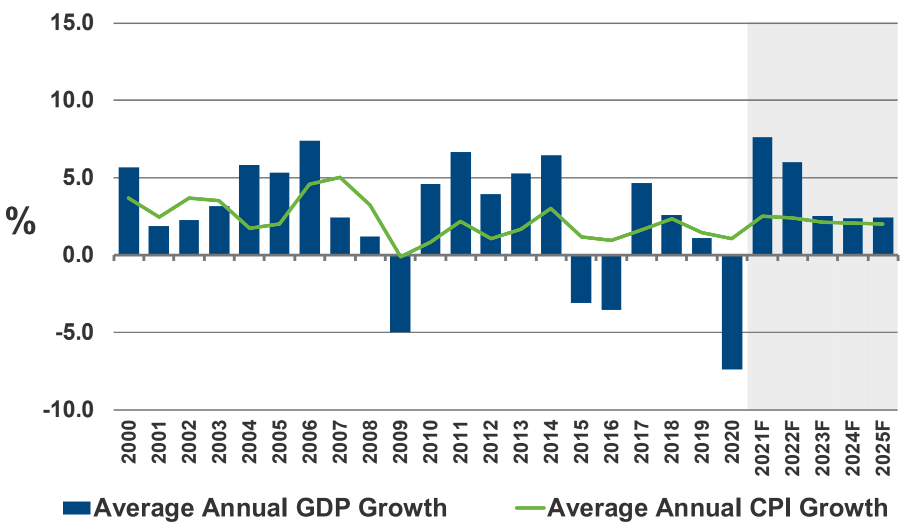
CALGARY, AB

ECONOMIC SNAPSHOT

Economic growth will accelerate in 2021, resulting in a 5.8% annualized increase in real GDP. The Greater Calgary Area (GCA) economy will see output surge, with the continued distribution of COVID-19 vaccines and controlling of further outbreaks. Economic output will advance by a healthy 4.1% in 2022. The 2021 and 2022 economic growth will support a robust employment growth trend. Employment will increase substantially over the two-year period, driving unemployment levels lower. Coincidentally, job growth will positively impact retail consumption patterns and the region's consumer-driven recovery.

ECONOMIC GROWTH

Calgary Historical & Forecast Aggregates



Source: Conference Board Of Canada

POSITIVE JOB MARKET PERFORMANCE PREDICTED

Largely positive job market performance characteristics are predicted for the GCA over the near term. Employment will rise sharply in 2021 and 2022. Subsequently, growth will moderate up until the end of the first half of the decade. The CBOC forecast calls for a 4.3% and 3.4% increase in total GCA employment in 2021 and 2022, respectively. Employment growth will average a modest 1.8% annually through to the end of 2025. The regional unemployment rate will decline sharply over the near term, with an average of 9.2% forecast for 2022. However, it will likely take several years for the rate to fall back down to the 7.1% pre-pandemic average of 2019. Employment levels have returned to pre-pandemic levels in some of the GCA's business sectors. Conversely, client-facing sector employment continues to fall short of the pre-pandemic levels. Positive job market performance characteristics forecast over the next few years will likely include increased employment levels in most sectors of the GCA economy.

ROBUST RETAIL SALES GROWTH TREND FORECAST

A robust retail sales growth trend is forecast for the GCA. Retail consumption will rise by a solid 3.5% in 2021, with an even healthier 3.9% increase forecast for 2022. Moreover, retail sales will continue to rise by an annual average of roughly 4.0% between 2023 and 2025, according to the CBOC's summer 2021 forecast. Several factors will drive retail sales growth over an extended time-period. Economic expansion will support job growth and rising levels of consumer confidence over the near term. Initially, GCA residents will look to spend some of the money they saved during the pandemic. The low cost of borrowing will also support retail consumption, especially bigger ticket items. GCA households will continue to willingly open their wallets or add to their debt loads to pay for goods and services as economic conditions improve. As a result, GCA retail sales growth will remain robust over the near-to-medium term.

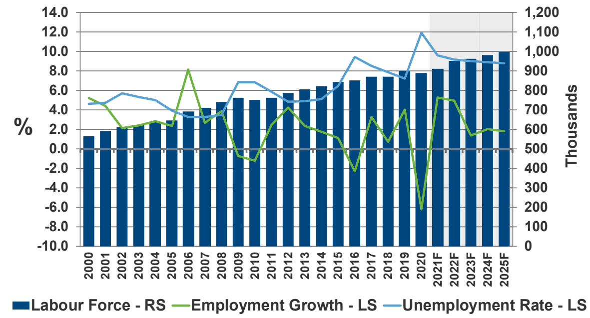
ECONOMIC PERFORMANCE WILL IMPROVE

The GCA is expected to gradually emerge from the economic downturn that began in 2014 with the commodities sector downturn. The regional economy is forecast to expand significantly in the second half of 2021 and 2022, barring another pandemic setback. Economic expansion will settle into a more moderate and sustainable pattern through until the midway mark of the current decade. Various government initiatives have or will be implemented over the near term to drive growth in specific business sectors. In April 2021, Calgary's city council approved the downtown revitalization plan, with $200.0 million invested over a four-year period. Economic diversification will be a key ingredient in the region's economic recovery over the next few years, given continued consolidation activity in the oil and gas sector. Diversification will be supportive of an improved economic performance pattern.

Economic expansion will support job growth and rising levels of consumer confidence over the near term. Initially, GCA residents will look to spend some of the money they saved during the pandemic.

LABOUR MARKET

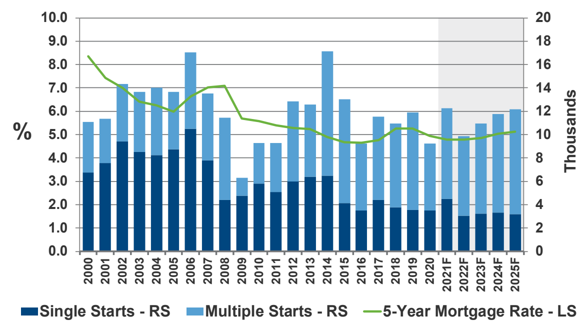
Calgary Historical & Forecast Aggregates



Source: Conference Board Of Canada

HOUSING SECTOR

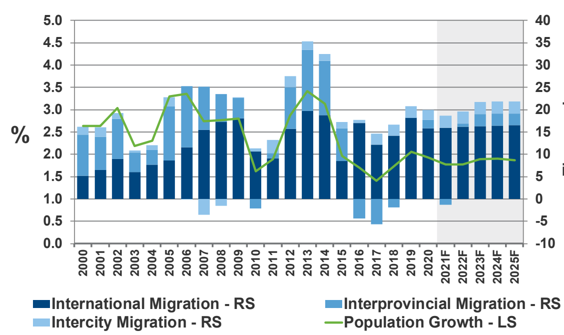
Calgary Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Calgary Historical & Forecast Aggregates



Source: Conference Board Of Canada

SUPPLY FUNDAMENTALS CONTINUED TO DETERIORATE

GCA office sector supply fundamentals continued to deteriorate over the recent past, in keeping with the medium-term trend. The market average vacancy rate had risen to a 20-year high of 30.0% by the end of June 2021, for all property classes combined. The average was up 550 bps from the same point in time a year earlier. The downtown and suburban averages also rose to 20-year highs recently, at 32.7% and 25.5%, respectively. The cause of the deterioration of GCA supply fundamentals over the recent past was largely due to two main factors. First, ongoing consolidation, mergers and acquisitions and rightsizing activity in the energy sector resulted in more space being added to the market for lease or sublease. Secondly, some organizations looked to offload space on the market, with the continued unfolding of the COVID-19 pandemic and resulting economic and public health uncertainty. In some cases, tenants reduced their footprints, which lowered the cost base during a period of reduced revenues. The abundance of available space presented an opportunity for some businesses. Several technology and information systems-related businesses have expanded or set up shop in the GCA. Access to premium downtown space at cycle-low rents was an attraction for some organizations. To some extent, the deterioration of GCA's office supply fundamentals of the recent past was expected to drive corporate leasing decisions over the near-to-medium term.

INVESTMENT SALES ACTIVITY SLOWED TO A CRAWL

GCA office sector investment market sales activity continued to slow over the recent past. Transaction volume totalled just $71.4 million for the first six months of 2021, down from the $182.0 million in sales reported for the same time-period a year earlier. Sales activity has declined sharply since the most recent peak in 2018, when $1.5 billion in transaction volume was recorded. Several factors contributed to the persistent decline in investment sales activity of the past few years. Investment confidence levels have remained relatively low, given the continued erosion of leasing market fundamentals over the past years resulting in record-high vacancy and cycle-low rents. As a result, investors have looked to acquire properties in this market on a selective basis. Properties with strong financial covenants and financially secure tenants on long-term leases have been well-received. However, the supply of properties with these attributes has been somewhat limited. There have been relatively few transactions involving assets with riskier tenant profiles. In some cases, investors have remained on the sidelines, with a plan to return to the market at a more opportune time. Barring a significant improvement in the sector, investment sales activity will continue to underwhelm.

LEASING MARKET CORRECTION WILL PREVAIL

The GCA leasing market downturn will persist over the next couple of years, representing an extension of the current phase of the cycle. Leasing demand will continue to underwhelm, although activity levels will rise over the near term with the loosening of pandemic restrictions and return of workers to their offices. Vacancy will continue to hover close to the recent benchmark-high level while rents generally remain close to the recent low levels. The ongoing leasing market weakness will continue to impact investment market conditions. Investors will continue to exercise caution when assessing potential acquisitions. At the same time, vendors will look to delay dispositions until market fundamentals improve. Consequently, investment activity will remain below the long-term average. Properties with financially secure tenants on long-term leases or of strategic value will generate interest. Owners will focus on maintaining occupancy levels and bolstering income performance over the next few years, as the leasing market correction of the past few years continues to unfold.

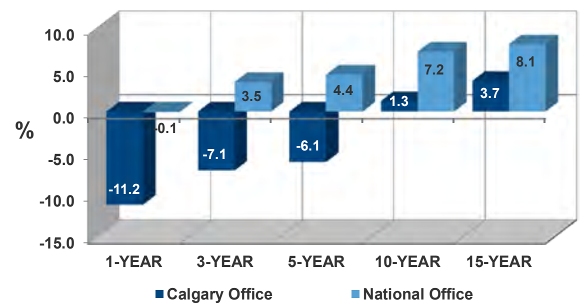
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

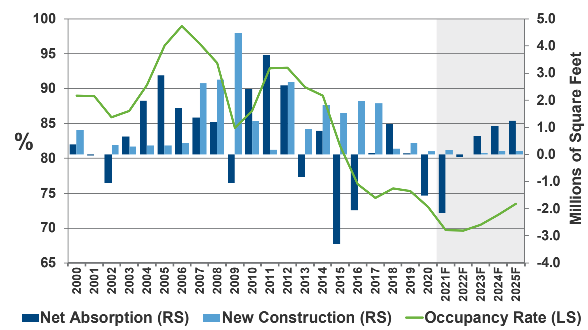
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

OFFICE DEMAND & SUPPLY

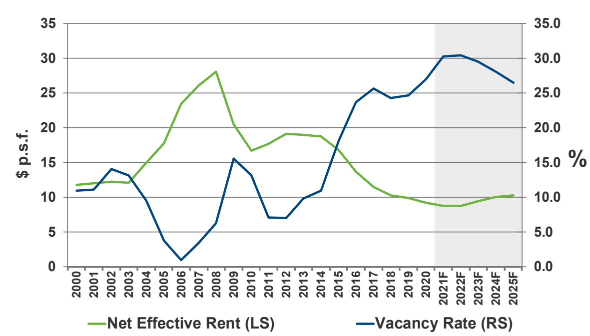
Calgary Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

Calgary Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING DEMAND-SURGE REPORTED

GCA industrial leasing demand surged recently, a trend that first emerged in the fall of 2020. Warehouse and storage and logistics companies were the main contributors to the demand-surge of the recent past. E-commerce growth and supply chain optimization were also key factors in the recent demand strengthening. Demand for large-bay logistics and distribution space increased, as online shopping activity surged and supply chain pressures intensified. Stronger overall demand patterns resulted in the absorption of almost 4.1 million square feet of GCA industrial space over the first half of 2021 alone. The first-half total represented a sharp increase over the 2.8 million square feet of space absorbed in 2019 and 2020 combined. Several tenants have taken occupancy of spaces greater than 100,000 square feet in 2021, adding to the absorption total. The demand-strengthening and subsequent absorption of space across the region drove availability lower. The market average availability rate stood at 6.6% as of the end of June 2021 according to CBRE statistics, which represented a six-year low level. The rate had fallen 310 bps year-over-year, having drifted 130 bps higher over the previous 12-month period. As conditions tightened, market rents began to gradually rise, and incentives were reduced. The upward pressure on rents was a result of the GCA's leasing market demand-surge of the recent past.

INVESTMENT DEMAND WAS ROBUST

Demand for GCA industrial investment property acquisitions has been relatively robust over the past year, mirroring the national asset class trend. Investors exhibited a healthy level of confidence in this market by acquiring properties at a relatively brisk rate. A total of $377.6 million of transaction volume was reported for the first six months of 2021, slightly higher than the total recorded over the same time-period a year earlier. Investment offerings were generally well-received, due in large part to a healthy leasing market performance in 2020 and 2021. Availability levels have declined significantly and demand has outdistanced supply. There have been shortages of bulk warehouse space and rents were on the rise. Multiple bids on product offerings have been common, which has driven prices on industrial investment property to benchmark high levels. At the same time, cap rates have compressed to cycle-low levels for most subcategories of industrial space. In keeping with the national trend, a range of investment groups have actively pursued GCA industrial property acquisitions. Institutional and private capital groups have focused on larger warehouse and distribution properties, which have been popular. Properties with extra density, redevelopment potential and rent upside have also garnered multiple and aggressive bids. Buildings brought to the market have transacted frequently and with relative ease, given relatively robust demand.

SECTOR FUNDAMENTALS TO CONTINUE TO IMPROVE

GCA industrial sector fundamentals will continue to improve over the near term, due largely to strong economic growth trend. The CBOC is forecasting a 5.8% rise in GCA GDP for 2021, which will recoup much of the previous year's decline. The healthy growth outlook is predicated on increased COVID-19 vaccination rates and lower infection rates. Increased economic activity will drive leasing market expansions across the region. In turn, available space will be absorbed at a healthy rate and the market's availability rate will trend moderately lower. As a result, market rents will continue to gradually rise. The positive leasing outlook will draw investment capital to the region, continuing the trend of the past several years. A range of purchaser groups will look to increase their exposure to the sector and region. Competition for a limited number of assets will be high, ensuring values hold at the cycle-high, against a backdrop of improved sector fundamentals.

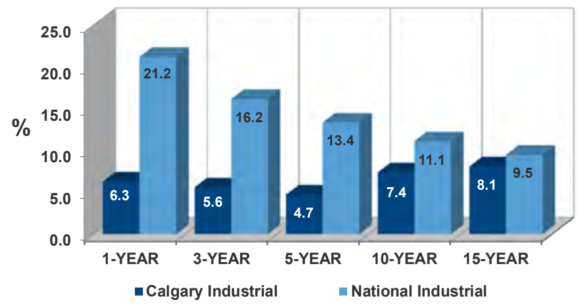
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

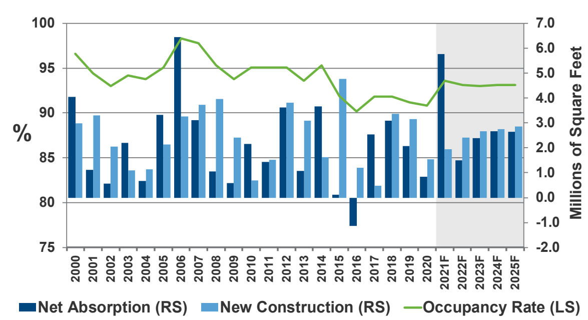
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

INDUSTRIAL DEMAND & SUPPLY

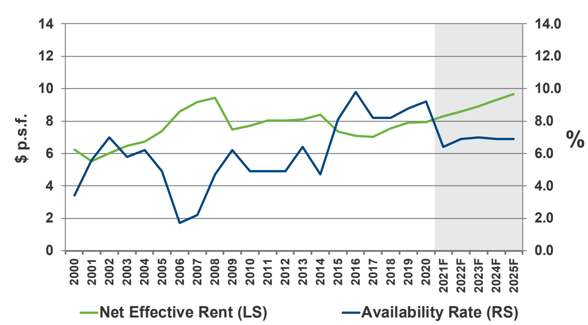
Calgary Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

Calgary Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET ACTIVITY REMAINED SLUGGISH

GCA retail leasing market activity remained sluggish over the past year, due primarily to the ongoing pandemic. Demand for retail space underwhelmed in most segments of the market. There were relatively few expansions reported through much of 2021 and 2020. Leasing activity was comprised of retailers who looked to secure space that was previously unavailable for several years. On balance, however, leasing demand continued to fall far short of levels reported prior to the onset of the pandemic in early 2020. Some retailers relied on government programs to continue to operate or to tie them over until they could adjust to changes in consumer behaviour that became more prominent during the pandemic period. Several smaller and often independent stores closed recently, as they were unable to adapt to the changing retail environment. GCA vacancy levels have been surprisingly stable, despite below par activity levels and ongoing store closures. The GCA's retail vacancy rate edged just 20 bps higher to 6.7% over the second half of 2020, according to CBRE. The generally larger assets tracked in the MSCI Index posted a modest 30 bps rise to 8.5% over the subsequent six-month period. Vacancy may have risen more sharply and rent collections may have declined without government supports, in a market where leasing activity remained sluggish.

INVESTMENT MARKET CONDITIONS WERE SOMEWHAT BEARISH

GCA retail property investment market conditions were somewhat bearish over the recent past, continuing the trend of the past few years. Investment performance has been decidedly negative. Properties contained in the MSCI Index registered an annual average total return of (8.1%) for the year ending June 30, 2021. A cumulative capital decline of 12.2% more than erased a positive income performance. Investment performance has been relatively weak over the past few years, with the erosion of market fundamentals due to the ongoing shifts in consumer shopping patterns that were accentuated during the pandemic period. Investment confidence levels have remained generally low given increased retail sector uncertainty and weaker performance patterns. Investors have been generally very selective when assessing potential acquisitions. There have been relatively few large-scale asset sales, given increased levels of uncertainty due to the pandemic. Interest has increased in properties with grocery store anchors and other essential retail tenants. Despite the heightened selectivity, transaction closing volume has increased. A total of $258.3 million in GCA property sales was reported over the first six months of 2021, up from $146.8 million over the same time-period a year earlier. Additionally, the first-half 2021 total was 13.7% higher than the five-year average for the time-period. However over the past few years transaction activity has generally fallen short of the most recent peak period, which was in keeping with the bearish phase of the cycle.

MODEST IMPROVEMENT FORECAST

A modest improvement in leasing market conditions is predicted over the near term. The improvement will come primarily in the form of increased leasing activity levels, with the eventual return to near pre-pandemic in-person shopping patterns. The resulting increase in operating revenues will likely drive increased rent collections for some landlords. At the same time, some stores will look to make longer-term brick and mortar leasing decisions. Renewals and extensions will increase, as stores look to concentrate on revenue growth and strengthening their balance sheets. In some cases, physical stores will be closed, given the shift in emphasis to digital platforms. Some landlords will continue to struggle with excess vacancy and downward rent pressure, as certain retail categories continue to shrink. The region's top malls will outperform while the broader market strengthens at a relatively modest pace over the next couple of years.

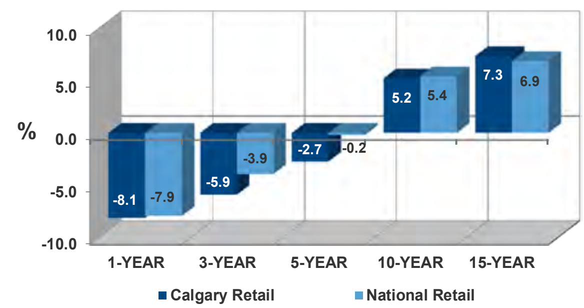
TRENDING STATISTICS

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).

HISTORICAL PERFORMANCE

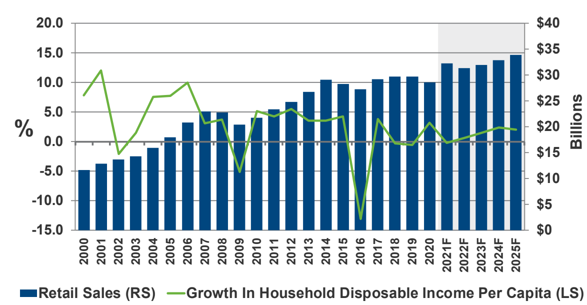
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

RETAIL CONDITIONS

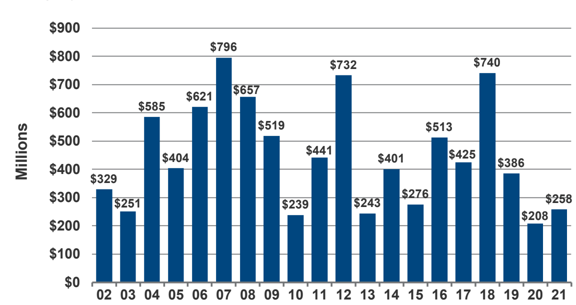
Calgary Historical & Forecast Aggregates



Source: Conference Board Of Canada

INVESTMENT ACTIVITY

Calgary Retail Investment Volume To June 2021



Source: CBRE Limited

RENTAL MARKET CONDITIONS SOFTENED

GCA multi-suite residential rental market conditions softened during much of 2020 and 2021. The softening was driven primarily by the negative effects of the COVID-19 pandemic. Demand for rental accommodation slowed substantially with the roll out of restrictions to combat the spread of the virus. Job losses and layoffs piled up in the spring and summer of 2021, which eroded demand. Employment in business sectors with a high proportion of young workers remained below pre-pandemic levels, resulting in reduced demand for rental units. In addition, the closure of Canadian international borders reduced the volume of immigrants and foreign students coming to the GCA region and resulted in weaker demand patterns. Historically most international arrivals have tended to rent accommodation. The softening of the GCA demand trend resulted in weaker supply characteristics. The GCA's average vacancy rate rose to 6.6% as of the fall of 2020, which represented a high mark dating back to 2016. The addition of 12,814 multi-suite residential rental units to the GCA's built inventory over the past five years also drove vacancy to a benchmark high. Generally, renters have enjoyed an increased number of alternatives when looking to relocate or enter the rental market. Additionally, some landlords have offered incentives such as free rent to lure renters to their buildings while holding the line of face rents. The incentives were offered by landlords during a period when the market had softened.

INVESTOR CONFIDENCE HAS RISEN

Investor confidence in the GCA's multi-suite residential rental sector has risen recently, in anticipation of stronger fundamentals over the near term. Various groups have exhibited increased confidence given an expectation of the return of post-secondary students and international migrants to the region in support of stronger demand patterns. The expectation was based on higher vaccination rates and a loosening of pandemic restrictions. The increased confidence levels coincided with a modest uptick in sales activity. During the first six months of 2021, investors acquired $160.9 million in GCA multi-suite residential rental property. The total was up sharply from the $74.5 million reported for the same time-period a year ago. The first-half total was 24.0% higher than the five-year average. In general, investment offerings have received aggressive and sometimes multiple bids. As a result, property values have begun to stabilize, after a modest downward trend over the past few years. Property values are expected to rise over the near term. In short, investors have become increasingly confident in the GCA multi-suite residential rental sector over the recent past, given a positive outlook.

MEDIUM-TERM STABILIZATION FORECAST

The GCA multi-suite residential rental property sector is expected to gradually stabilize over the medium term, after an extended period of weakness. By the start of 2022, rental market conditions will begin to strengthen. The outlook is predicated on the continued distribution of COVID-19 vaccines. Rental demand patterns will subsequently firm and rise, with the emergence of a modest economic growth trend and resulting job growth. The return of foreign students and international migrants will add another layer of demand. As the market's demand cycle improves, vacancy will begin to decline. Market rents will initially rise at a modest rate, followed by a period of stronger growth closer to the midway mark of the decade. Healthier rental market conditions will bolster investment performance. Investor confidence levels will remain relatively high, in keeping with the trend of the past few years. Transaction closing volume may rise, depending on product availability. Gradually, property values will begin to rise, with the strengthening of sector fundamentals. Investors will look to the region as a source of attractive, long-term yields. In summary, GCA multi-suite residential rental sector fundamentals will stabilize over the medium term, after a brief period of relatively weak performance.

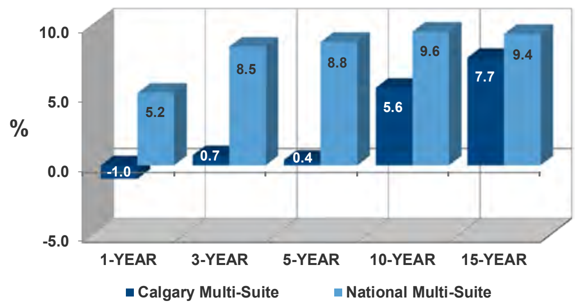
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

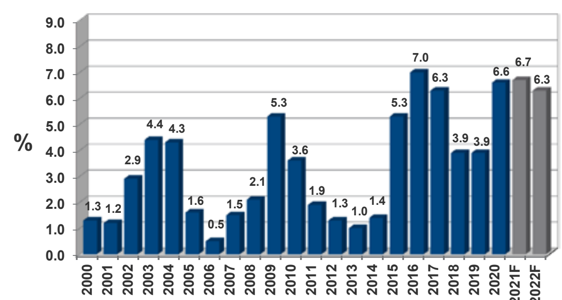
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

AVERAGE RENTAL VACANCY

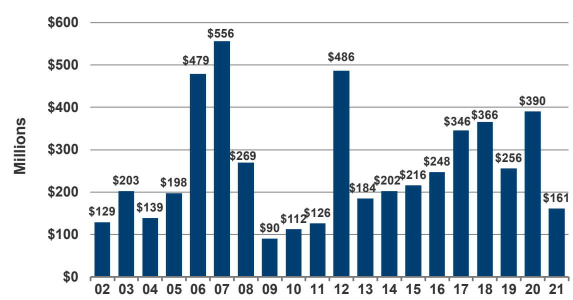
Calgary Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

INVESTMENT ACTIVITY

Calgary Multi-Suite Investment Volume To June 2021



Source: CBRE Limited

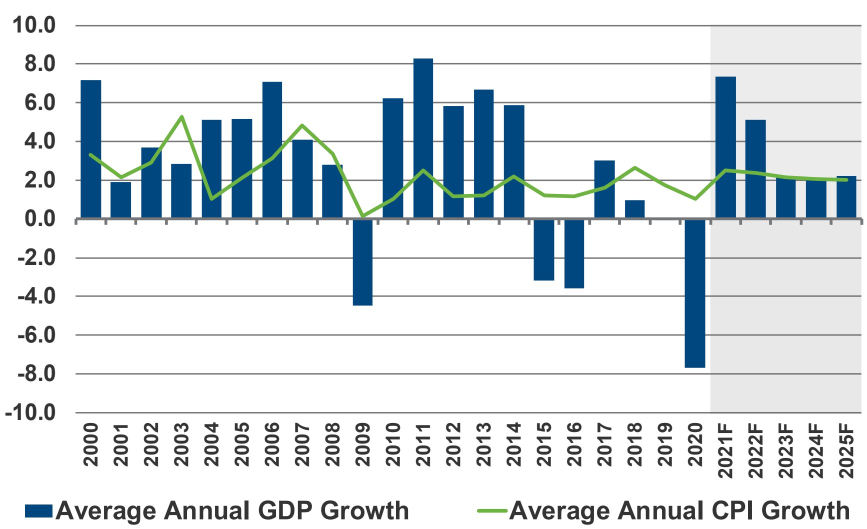
EDMONTON, AB

ECONOMIC SNAPSHOT

A relatively sharp increase in economic output is predicted for the Greater Edmonton Area (GEA) over the near term. Real GDP will expand by a healthy 6.4% in 2021, having contracted by an estimated 6.6% last year. Economic activity will increase substantially in 2022, with the CBOC forecasting real GDP will expand by 4.1%. The positive near-term growth outlook is dependent on how quickly vaccines are distributed. Economic growth will drive employment levels higher. However, the region's unemployment rate will remain significantly higher than the level reported prior to the onset of the pandemic.

ECONOMIC GROWTH

Edmonton Historical & Forecast Aggregates



Source: Conference Board Of Canada

MARKEDLY HEALTHIER JOB MARKET TRENDS FORECAST

Markedly healthier job market trends are forecast for the GEA over the near term. A sharp increase in GEA employment is expected this year and in 2022. Employment is forecast to rise by 3.9% and 4.5% in 2021 and 2022, respectively. The forecast growth will effectively reverse the record-high 8.1% decline recorded in the late spring of 2020. Employment in some sectors of the GEA economy will continue to decline over the near term. In 2021, accommodation and food services employment will fall by 23.9%, having plunged by 29.1% in 2020 according to CBOC figures. Employment in the primary and utilities sector will fall by 4.3% in 2021. Unemployment levels will steadily decline over the next few years. The creation of new GEA jobs over the near term will push the unemployment rate down to 9.1% by 2022 from 11.8% in 2020. The forecast lowering of the region's unemployment rate is in keeping with the markedly healthier job market trends expected over the near term.

HEALTHY CONSUMER SPENDING PATTERNS PREDICTED

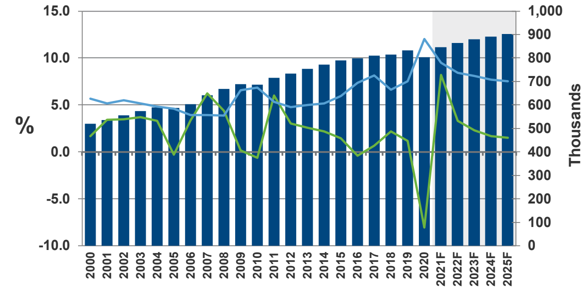
Consumer spending patterns will remain relatively healthy over the next few years. A marked increase in retail sales is predicted over the near term. Sales volume will rise by a solid 3.9% and 3.5% in 2021 and 2022, respectively. Previously, retail consumption fell by 3.8% in 2019 and 3.9% in 2020. The uptick in spending forecast over the next few years will be driven by several factors. Stronger economic and labour market performance will support increased retail purchasing volume. Low interest rates and the relaxing of pandemic restrictions will also support retail sales increases. The most prominent near-term downside retail sales growth risk is the potential for additional pandemic lockdown resulting from a marked increase in COVID-19 infections. Assuming infections remain relatively low, consumer spending patterns will likely strengthen over the near term.

RECOVERY PHASE OF CYCLE WILL SLOW DOWN

The recovery phase of the GEA's economic cycle will slow down, following a period of robust growth. The CBOC is projecting economic expansion will average approximately 2.5% annually between 2023 and 2025. The moderate growth trend will follow a period of more robust expansion. Real GDP is forecast to increase by an annual average of 4.2% in 2021/2022. Despite the growth moderation, labour market conditions will continue to strengthen. GEA employment will rise by just shy of 1.6% annually from 2023 to 2025. Over the same time-period, the region's unemployment rate will be dragged down to a five-year low of 8.4%. Coincidentally, household income per capita will steadily rise, in support of generally healthy retail sales growth. Economic fundamentals will continue to improve over the medium term, a period during the recovery phase of the cycle will ease.

LABOUR MARKET

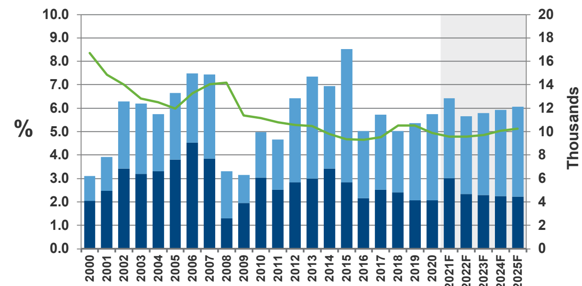
Edmonton Historical & Forecast Aggregates



Source: Conference Board Of Canada

HOUSING SECTOR

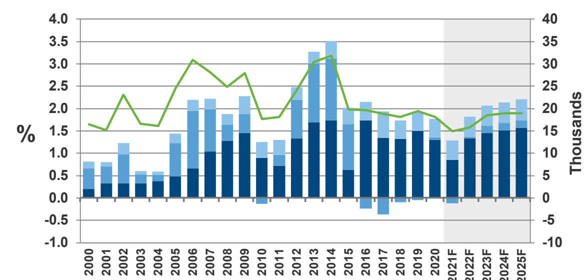
Edmonton Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Edmonton Historical & Forecast Aggregates



Source: Conference Board Of Canada

Stronger economic and labour market performance will support increased retail purchasing volume. Low interest rates and the relaxing of pandemic restrictions will also support retail sales increases.

VACANCY LEVELS CONTINUED TO RISE

GEA office leasing market vacancy levels continued to rise during the past year. Vacancy climbed to a new benchmark-high of 21.5% at the end of the first half of 2021, up 180 bps year-over-year. Over the same time-period, the downtown submarket average rose 70 bps to an all-time high 20.4%. Suburban office vacancy rose more sharply, with a 380-bps increase to 23.4%. Several factors drove vacancy up to historic high levels over the past year. The unfolding of the COVID-19 pandemic resulted in increased economic uncertainty. Consequently, some GEA businesses chose to reduce operating expenses by letting their leases expire while their employees continued to work from home. Several organizations looked to sublease excess space as revenues declined. Some private sector tenants delayed decisions with respect to their occupancy plans until the regional economic and public health outlooks improved. There was a relatively small number of tenant expansions reported over the past year, which would have dampened the rising vacancy trend to some extent. In some cases, tenants were able to relocate to higher quality space in the market's class A and AA buildings. Tenants looking at class B and C space were offered financial incentives. Generally, tenants were able to negotiate attractive rental terms over the past year, as vacancy rose to an all-time high level.

SELECTIVITY WAS THE ORDER OF THE DAY

Selectivity was the order of the day for investors when assessing acquisitions in the GEA's office sector over the recent past. Most placed greater emphasis on acquiring properties that had strong covenants and longer-term leases in place. In addition, investors showed interest in the region's prime towers or those with specific strategic value. However, there were few assets with these attributes available for sale. In some cases, vendors were reluctant to sell in a down market. Transaction activity slowed significantly over the past 18 months, due to the combination of investor selectivity and vendor hesitancy. GEA office sector transaction volume totalled a modest $334.4 million for the 18-month period ending at the midway mark of 2021. One of the few significant transactions completed over the period was the sale of Canadian Western Bank Place for $96.4 million in November 2020. Previously, transaction volume had averaged $567.2 million annually between 2017 and 2019. As investment activity slowed, performance characteristics remained weak. Properties tracked in the MSCI Index registered a negative annual average total return of 12.0% for the year ending June 30, 2021. Capital depreciation was the primary cause of the negative outcome, which has been a constant dating back several years. A string of weak investment performances was one of several factors that fuelled investor selectivity of the recent past.

SECTOR FUNDAMENTALS WILL GRADUALLY STABILIZE

GEA office sector leasing fundamentals are expected to gradually stabilize over the near term. The forecast is predicated on the relaxing of pandemic restrictions and a relatively healthy near-term economic growth outlook. Oxford Economics is predicting GEA real GDP will expand by 6.4% in 2021, with a 4.0% advance forecast for 2022. The surge in economic activity will translate into moderately healthier leasing demand patterns, to be followed by the return of workers to their offices in late 2021 or early 2022. As leasing demand gradually rebounds, vacancy will begin to level off. However, class B and C vacancy will remain elevated for at least the next few years. As a result, some landlords in this market segment will continue to offer financial incentives to prospective tenants for the foreseeable future. While some of the market's excess vacancy is absorbed over the near term, investors will continue to focus on the region's premium towers for acquisition opportunities. It will likely take several years for buyers to take on additional risk in this market, following an initial period of fundamental stabilization.

TRENDING STATISTICS

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

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

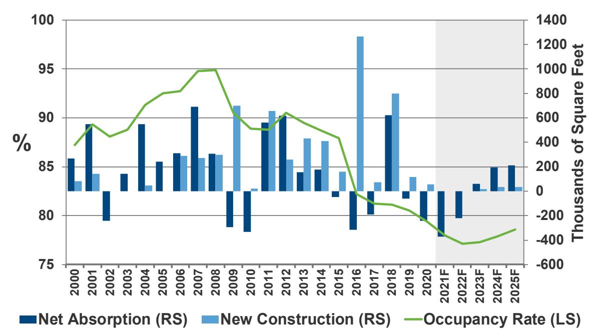
HISTORICAL PERFORMANCE

For The Period Ending June 2021

Source: © MSCI Real Estate 2021

OFFICE DEMAND & SUPPLY

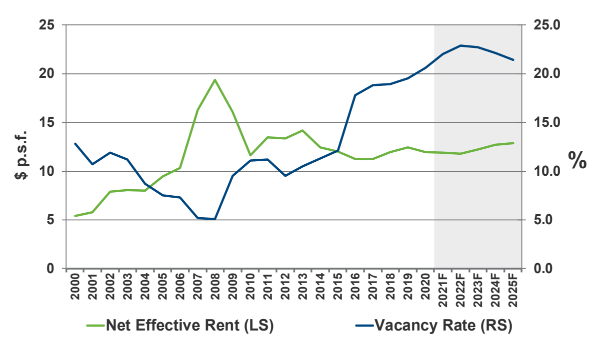
Edmonton Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

Edmonton Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING DEMAND CHARACTERISTICS STRENGTHENED

GEA industrial leasing demand characteristics strengthened significantly of late. The warehouse and distribution and logistics sectors were the main drivers of this trend. Companies involved in e-commerce and related operations were also key growth drivers over the past year. There were several market trends that were byproducts of recent demand strengthening. The first was the relatively rapid pace at which available space was absorbed. Roughly 1.4 million square feet of space was absorbed during the first six months of 2021. The total surpassed the annual totals for both 2020 and 2019. Second, rents for warehouse and distribution space began to firm and slowly rise, as tenant options dwindled. Third, availability edged lower, falling 30 bps to 8.4% over a six-month period ending at the midway mark of 2021. Fourth and lastly, stronger demand characteristics supported the commencement of several large new industrial developments in and around the GEA area. Panattoni, Quadreal, Sunlife, and Hopewell have major projects under construction across the region for completion in late 2021 and 2022. The amount of space leased in new developments and in the existing building inventory was a function of the recent leasing demand strengthening.

INVESTMENT MARKET FUNDAMENTALS STRENGTHENED

GEA industrial sector investment market fundamentals strengthened recently, following a period of muted performance. Investment sales activity increased significantly during the first half of 2021. There was a total of $519.6 million of industrial property sold during the six-month period, 67.2% higher than the 2020 total. The 2021 transaction pace was only slightly slower than the most recent peak period of 2018/2019. The GEA's industrial property sector was the most highly sought-after of the major property asset classes. As leasing conditions improved during the pandemic, investor confidence levels increased. Institutional and private capital groups targeted larger warehouse and distribution properties. Investor interest levels increased for smaller bay multi-tenant assets in 2021, when compared to the previous year. Investors looked increasingly to the GEA, as pricing in Toronto, Vancouver and Montreal rose to benchmark-high levels. The positive investment market momentum unfolded during a period of healthier investment market performance. Properties contained in the MSCI Index posted a solid 4.6% return for the 12-month period ending June 30, 2021. The return increased 440 bps year-over-year. The improvement was in keeping with the strengthening of the GEA industrial sector's investment fundamentals of the recent past.

SECTOR OUTLOOK IS BROADLY POSITIVE

The GEA industrial property sector outlook is broadly positive, in keeping with the market's recent performance pattern. The region's economic recovery will continue to support industrial business growth. Warehouse and logistics businesses will continue to drive demand for leased space. Additionally, e-commerce and fulfillment companies are expected to push occupancy levels higher. Generally healthy demand patterns will ensure availability levels are relatively flat, with the potential for some downward movement. However, new supply may offset some of the downward availability pressure temporarily. A steady supply of new developments will be brought to market and leased-up either before or shortly after completion. At a minimum, demand will be sufficiently strong enough to offset the new supply additions. However, it would not be overly surprising if demand outdistanced supply over the next 12 to 18 months. The demand supply balance will support flat to moderately higher rents. The positive fundamental will continue to draw investors to the region, looking to acquire properties offering attractive risk reward attributes and stable tenant rosters. As a result, property values will stabilize, with the potential for modest increases. The positive valuation outlook is in line with the broader market performance forecast.

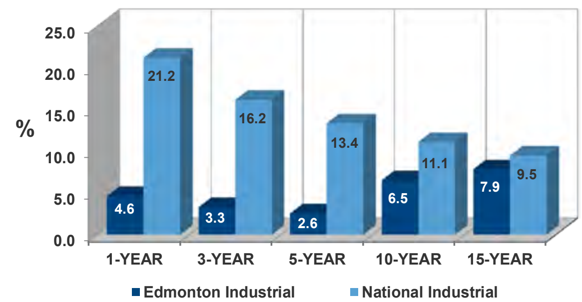
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

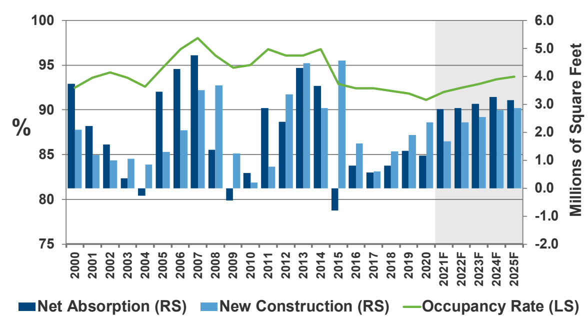
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

INDUSTRIAL DEMAND & SUPPLY

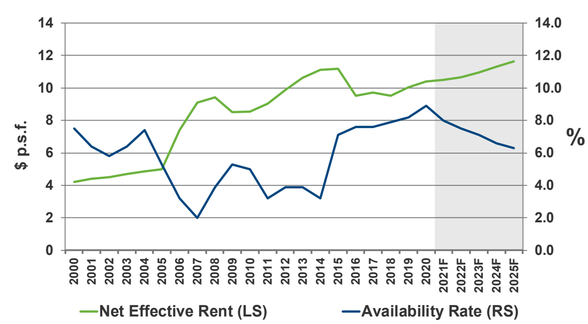
Edmonton Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

Edmonton Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET TURBULENCE CONTINUED

There was a relatively high degree of turbulence reported in the GEA's retail leasing market over the recent past. There were two main causes of the turbulence, the first being the continued shift in consumer behaviour patterns that began several years ago. The second was the more recent implementation of pandemic restrictions on in-store shopping capacity. The resulting fallout was significant for both GEA retailers and landlords. Retailers were forced to contend with abrupt declines in sales revenue. In some cases, some stores were forced to close for various time periods while others closed permanently. Smaller and independent retailers closed-up shop most frequently. A significant number of retailers relied on government supports and assistance from their landlords to continue to operate. Many of the GEA's landlords were also impacted by the continued leasing market disruption of the recent past. For some, rent collections declined sharply, which eroded property income. Increased vacancy and downward pressure on rents were also an issue for some of the GEA's landlords. The GEA market vacancy average was expected to continue to rise from the 15-year high of 6.3% reported at the end of 2020. The rising vacancy trend was a result of the near-term GEA retail leasing market turbulence.

INVESTMENT ACTIVITY CONTINUED TO DECLINE

GEA retail property investment activity continued to slow recently, with few significant transactions reported. A modest $103.5 million in sales of retail property was reported across the GEA during the first six months of 2021. The total was down from the $174.7 million over the same time-period in 2020 and markedly lower than the five-year average of $274.0 million. Investor confidence in the retail sector has waned recently, due to the adverse effects of the pandemic on retailers, landlords, and performance. There were very few significant assets traded in the GEA prior to and during the pandemic. Properties with grocery anchors and other essential retail tenants were in demand. However, there were few properties with these attributes offered for sale. Private capital scoured the market for assets with upside or development potential. Despite their efforts, relatively few transactions were consummated. To some extent, the investment sales slowdown reflected the sector's weaker performance pattern. GEA properties contained in the MSCI Index posted a negative 8.6% return for the year ending June 30, 2021. During the 12-month period, the cumulative capital value of the properties declined by 13.2%. The performance weakness was one of several elements that negatively impacted investor confidence and investment sales activity over the recent past.

SECTOR FUNDAMENTALS TO CONTINUE SOFTENING

GEA retail sector fundamentals will continue to soften over the near-to-medium term. The softening will occur primarily in the region's second and third tier market segment. The market's most popular malls will bounce back relatively quickly, with the relaxing of pandemic restrictions. The GEA's healthy near-term economic growth trend will be a boon for the sector, as job growth and retail spending improve. However, as government supports wind down, store closings are expected to increase. At the same time, some operators will struggle to adjust to changes in consumer behaviour that were enhanced with the unfolding of the pandemic. There will be expansions with the continued loosening of restrictions, however, store closures and rightsizing will more than offset this growth. As a result, vacancy levels will steadily rise resulting in downward pressure on market rents. Investors will remain largely on the sidelines, given heightened sector uncertainty and a less-than-rosy fundamental outlook. In short, GEA retail sector fundamentals will continue to soften over the near term, despite stronger physical store revenues with the loosening of pandemic restrictions.

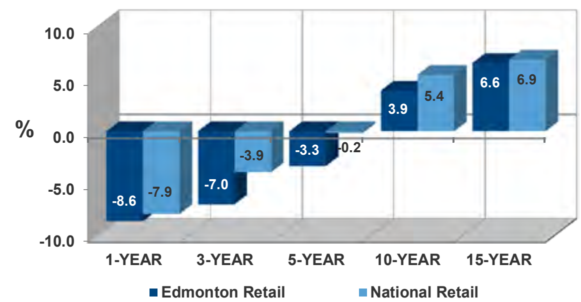
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

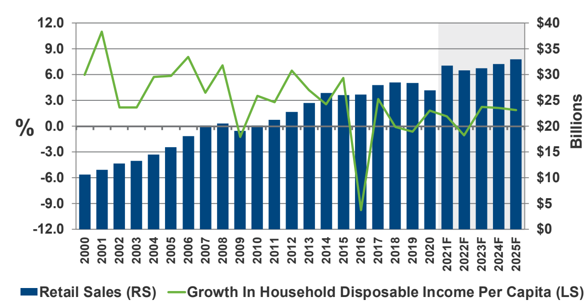
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

RETAIL CONDITIONS

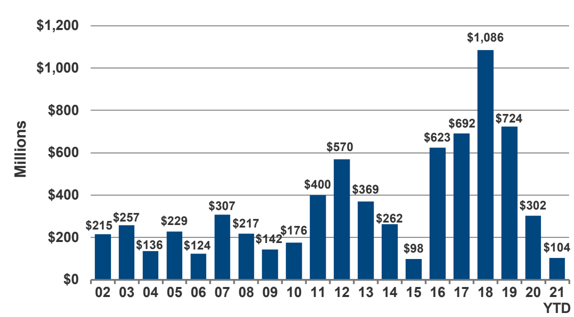
Edmonton Historical & Forecast Aggregates



Source: Conference Board Of Canada

INVESTMENT ACTIVITY

Edmonton Retail Investment Volume To June 2021



Source: CBRE Limited

RENTAL MARKET CONDITIONS WEAKENED

GEA multi-suite residential rental market conditions weakened over the past year, which was consistent with the broader national trend. Demand for rental accommodation remained below pre-pandemic levels during 2020 and the first half of 2021. Reduced international and inter-provincial migration eroded rental demand over the same time-period. A sharp decline in post-secondary students arriving from other provinces and countries also reduced rental demand. Historically, students have made up a significant portion of the region's rental households. Fewer young workers were able to secure employment due to the pandemic lockdowns, which also negatively impacted rental demand patterns. The demand downdraft coincided with a surge in new supply completions in the GEA. In 2020, the GEA's multi-suite residential rental inventory expanded by 3.1%, with double the number of new units completed than were in 2019. The combination of increased supply and weaker demand over the recent past pushed vacancy higher. The market average vacancy rate rose to 7.2% in late 2020, one of the highest ratios on record dating back 25 years. The rise was characteristic of the weakening of GEA rental market conditions reported recently.

INVESTMENT ACTIVITY REMAINED HEALTHY

GEA multi-suite residential rental sector investment activity remained healthy over the past year, extending a trend dating back several years. Just shy of $355.0 million in transaction volume was reported for the first half of 2021, following a solid $705.8 million in sales posted for 2020. Investor confidence levels supported the healthy liquidity levels of the past few years, despite weaker market fundamentals. A range of investment groups continued to place capital into the GEA region, with an expectation of stronger rental market fundamentals over the near term. The loosening of pandemic restrictions and return of students and international migrants was expected to fuel rental market progress. Recently built suburban projects were frequent acquisition targets of a range of investment groups. Downtown high-rises were also in demand. The promising sector outlook was the impetus for aggressive bids on product offerings. As a result, property values began to stabilize, following a period of modest erosion due to the pandemic's negative impact on demand. Despite the value stabilization, near-term investment performance remained relatively weak, which did little to deter investors from acquiring properties at a relatively healthy rate.

SECTOR FUNDAMENTALS WILL GRADUALLY IMPROVE

GEA multi-suite residential rental market conditions are expected to improve steadily over the near term, after an extended period of sluggishness. The improvement will be driven primarily by markedly stronger rental demand patterns. A robust economic growth trend in 2021 and 2022 will support positive labour market performance, which will boost rental demand across the region. The volume of international and inter-provincial migrants arriving in the GEA will also boost rental demand. A significant share of these new arrivals will be post-secondary students looking to rent accommodation while continuing their studies. Stronger demand characteristics will drive occupancy levels higher, although several new developments downtown will offset some of this progress. Just over half of the units in 13 of these projects were leased as of the end of the third quarter 2021. The demand strengthening will drive rents higher in 2022 while fewer landlords offer incentives to prospective tenants. The improved rental market outlook will continue to draw investment capital to the GEA. Investors will look to acquire assets with stable tenant rosters in established nodes. Various groups will be forced to bid aggressively, ensuring values hold at the peak for the cycle. As sector fundamentals steadily improve, competition for prime stabilized assets will likely intensify.

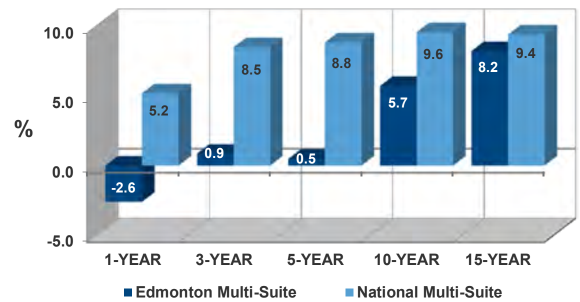
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

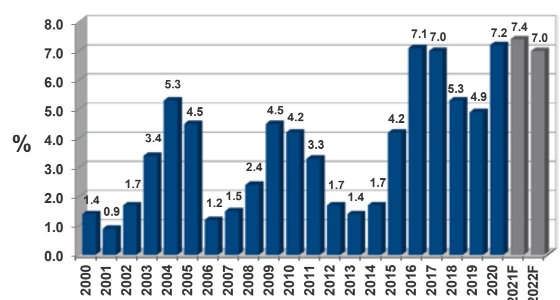
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

AVERAGE RENTAL VACANCY

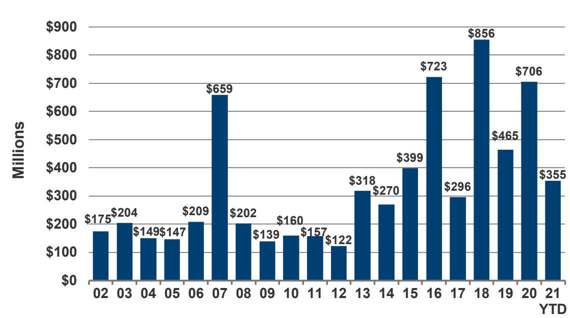
Edmonton Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

INVESTMENT ACTIVITY

Edmonton Multi-Suite Investment Volume To June 2021



Source: CBRE Limited

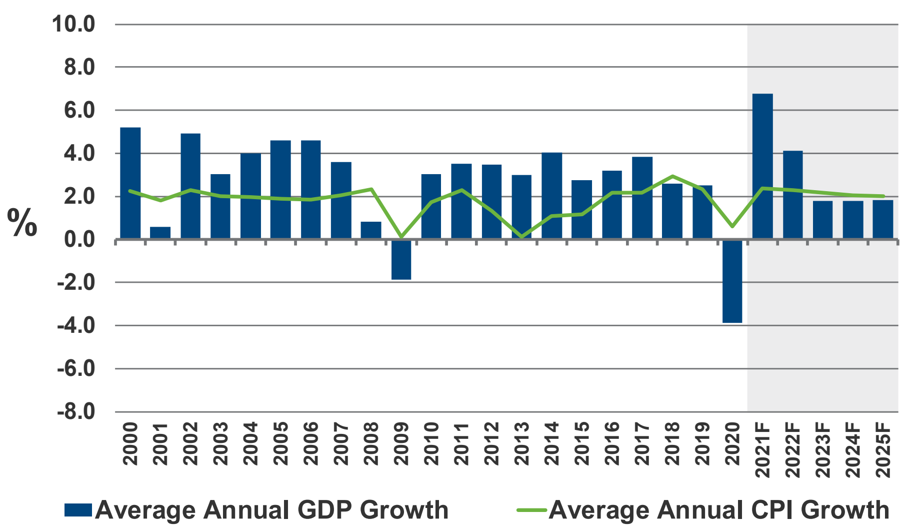
VANCOUVER, BC

ECONOMIC SNAPSHOT

Economic activity will increase substantially over the near term, having declined sharply in 2020 with the restrictions placed on the region's businesses to combat the spread of COVID-19. The GVRD economy is forecast to expand by just shy of 5.0% in 2021, followed by a less robust 3.7% advance in 2022. The forecast increase in economic output will contrast the 4.0% decline tallied in 2020. This will produce additional employment opportunities for GVA residents. Job growth will drive retail sales higher. Economic growth will begin to slow in 2022, with more moderate gains predicted through to the midway mark of the current decade.

ECONOMIC GROWTH

Vancouver Historical & Forecast Aggregates



Source: Conference Board Of Canada

JOB MARKET RECOVERY WILL BE RELATIVELY SWIFT

A relatively swift labour market recovery is forecast for the GVRD over the next couple of years. Regional employment will increase sharply in 2021 and at a more moderate level next year. The CBOC forecast calls for a 6.8% advance this year and a 3.2% lift in 2022. In 2020, 128,000 jobs were lost, reversing the gains of the previous three-year period. The only other decline was recorded during the Great Recession in 2008. In 2021, employment will increase in most sectors of the economy except for the industrial sector.

Subsequently, employment growth is expected to moderate in most sectors by 2023. Employment growth over the next few years will drive the region's unemployment rate markedly lower. The GVRD unemployment rate will fall to 6.5% this year and 5.3% in 2022. The rate had spiked to 9.2% in 2020, well above the 4.6% average for 2019. The unemployment rate is expected to level off between 2022 and 2025, due largely to a weaker employment growth trend. Over the near term, however, the pace at which the GVRD's labour market recovers will be relatively swift.

CONSTRUCTION OUTPUT WILL INCREASE AT A HEALTHY RATE

GVRD construction sector output will increase at a healthy rate over the near term, which will be a positive for the broader economy. Construction output is forecast to rise by 4.8% in 2021 and a modest 2.9% next year. The sector registered a somewhat stronger increase in 2020, at 6.0%. The growth moderation can be attributed to a slowdown in residential starts. Residential starts dropped 20.5% in 2020, with a further 8.4% decline to 20,484 units expected in 2021. Non-residential construction will surge in 2021, with projects underway in the infrastructure and commercial real estate sectors. Approximately 4.6 million square feet of office space is under construction across the GVRD as of the end of June 2021, most of which is in the downtown area. Just shy of 1.2 million square feet of industrial real estate is in various stages of development. Non-residential projects will contribute to the healthy increases in construction sector output forecast over the near term.

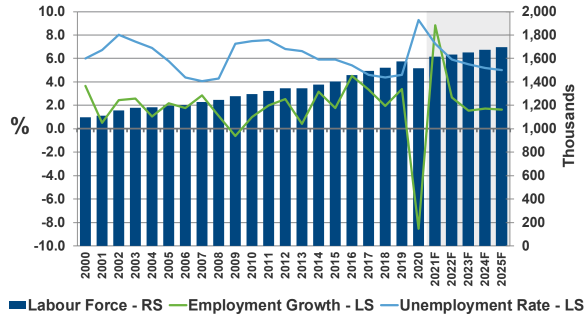
ECONOMIC GROWTH TO MODERATE

The GVRD economic growth trend will moderate over the medium term, after a period of markedly stronger expansion. Beginning in 2023, economic expansion will slow considerably. Real GDP will increase by a modest 1.5% in 2023, down sharply from the 3.7% advance over the previous year. Subsequently, growth will remain moderate, with expansion of less than 2.0% in each of 2024 and 2025. The growth moderation will dampen labour market advances between 2023 and 2025. Employment will rise by an annual average of just 1.2%. Over the same time period, the unemployment rate will flatten. In short, economic growth is expected to moderate over the medium term, a performance that will be repeated in most of the nation's larger metros.

GVRD construction sector output will increase at a healthy rate over the near term, which will be a positive for the broader economy. Construction output is forecast to rise by 4.8% in 2021 and a modest 2.9% next year.

LABOUR MARKET

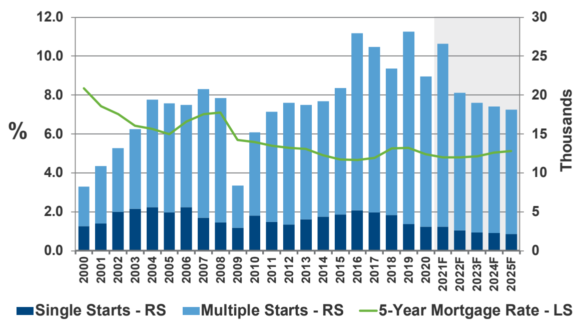
Vancouver Historical & Forecast Aggregates



Source: Conference Board Of Canada

HOUSING SECTOR

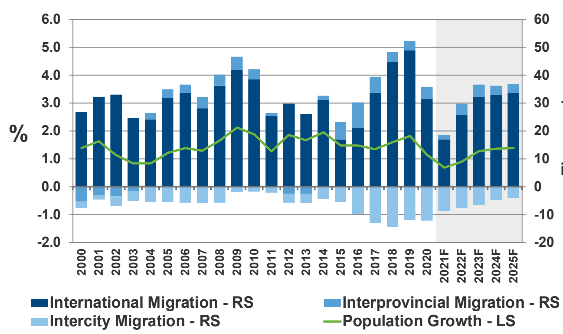
Vancouver Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Vancouver Historical & Forecast Aggregates



Source: Conference Board Of Canada

LEASING MARKET RESILIENCY WAS EVIDENCED

The resiliency of the GVRD's office leasing market was evidenced over the recent past. Leasing conditions remained relatively tight in 2020 and much of 2021, demonstrating the market's near-term resiliency. The market average vacancy rate stood at a healthy 6.9% at the end of the first half of 2021, with the downtown average resting 30 bps lower. The suburban rate of 7.3% was 40 bps higher than the market average. While leasing market conditions remained relatively tight, options for tenants looking to relocate or expand had increased. GVRD office vacancy had risen 280 bps year-over-year at the end of the first half of 2021. The rise was a byproduct of the pandemic. In some cases, tenants returned space to their landlords as their employees continued to work remotely. Others looked to sublease space to reduce costs, as revenues declined. As vacancy steadily increased over the past year, market conditions became somewhat more balanced. Market rents have been relatively stable over the past year, despite the negative impacts of the pandemic and resulting economic uncertainty. Increased sublease availability resulted in modest downward pressure on class B and C rents. However, class A and AA rents were relatively stable. This stability was in keeping with the broader GVRD leasing market's resiliency evidenced over the recent past.

INVESTMENT MARKET STABILIZATION BEGAN TO UNFOLD

GVRDA office sector investment market stabilization began to unfold recently, following a relatively brief period of moderately weaker performance. By early 2021, investors made their return to the market in search of acquisition opportunities, having stayed on the sidelines over much of the past year. The return of workers to their offices with the loosening of pandemic restrictions was somewhat of a catalyst for the investment demand stabilization. Investment activity stabilized during the first half of 2021, a trend that was driven in part by increased investor confidence. Transaction closing volume totalled $697.4 million for the period, down slightly from the same six-month period a year earlier. However, despite the increased market stabilization, sales volume remained markedly lower than the five-year average. Investment activity was forecast to increase over the balance of this year and into 2022, as sector market fundamentals continue to normalize. GVRDA investment performance also began to stabilize recently. Properties tracked in the MSCI Index registered an annual total return of 5.7% for the year ending June 30, 2021. The performance matched that of the previous year. During the second half of 2020, capital values declined but have since stabilized. The capital performance pattern of early 2021 marked the beginning of a period of more stable investment market conditions.

DEMAND AND SUPPLY TO INCREASE

GVRD leasing market demand and supply will increase over the next couple of years. Robust economic growth projected for this year and 2022 will translate into healthier leasing demand patterns. The GVRD economy will expand by 4.9% this year and 3.7% in 2022, according to the CBOC. The return of workers to their offices and economic expansion will support an increase in leasing activity across the region. At the same time, new supply completions will ramp up. Roughly 1.3 million square feet of new supply will be added to the GVRD's office inventory in the second half of 2021, just over 80.0% of which will be in the downtown submarket. The new supply surge will continue in 2022. The question to be answered is how much of the newly constructed and resulting backfill space will be absorbed. Vacancy will more than likely increase, coinciding with some level of downward pressure on class B and C rents. Investors will continue to look to increase their exposure to the GVRD office sector, despite higher vacancy and potentially lower rents over the near term. The sector's positive longer-term outlook and performance history will continue to be a draw, as demand and supply increase over the near term.

TRENDING STATISTICS

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

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

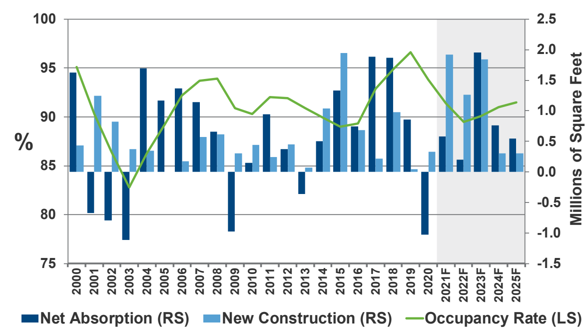
HISTORICAL PERFORMANCE

For The Period Ending June 2021

Source: © MSCI Real Estate 2021

OFFICE DEMAND & SUPPLY

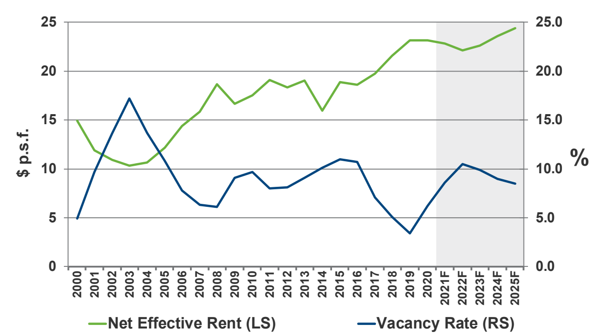
Vancouver Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

Vancouver Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET CONTINUED TO FIRE ON ALL CYLINDERS

The GVRD industrial leasing market continued to fire on all cylinders, a performance that was extended through to the fall of 2021. Demand generally outdistanced supply. Warehouse and logistics companies continued to absorb bulk space at a rapid rate. Companies whose operations were driven by e-commerce activity were particularly active. The most active organization of the past year was Amazon, which absorbed 1.0 million square feet of space over the 12-month period ending June 30, 2021. Leasing demand patterns have been strong for all size ranges of space over the past year, despite the potentially harmful effects of the pandemic. However, companies looking to expand, relocate, or upgrade their premises found it very difficult to source suitable alternatives. Functional space was particularly hard to source, given record low availability. The GVRD average industrial availability rate rested at a record-low level of roughly 1.0% at the end of the first half of 2021, according to more than one market survey. Available space was in very short supply, despite a robust development cycle. The combination of healthy demand and record-low availability pushed rents to new heights in all market segments. The setting of benchmark-high rents over the past year was indicative of a market that was firing on all cylinders.

INVESTMENT CAPITAL FLOWED AT RECORD-HIGH RATE

GVRD industrial investment property sales reached a record-high level during the first six months of 2021. Transaction volume totalled almost $1.5 billion, which was a record-high for the period dating back 20 years. The total was up 79.9% from the same six-month period a year ago. The strong activity pace was indicative of elevated levels of investor confidence in this market. Private capital and institutions injected funds into the sector with confidence. Warehouse and logistics space was the most coveted, especially assets with long-term leases in place. Smaller bay properties were also frequent targets of most buyer categories. Higher-risk properties were also in relatively high demand, with buyers looking for redevelopment and expansion opportunities. The recent surge in investment property sales was not overly surprising given the market's recent performance track record. GVRD properties contained in the MSCI Index posted a stellar annual average return of 18.6% for the year ending June 30, 2021. Cap rate compression contributed significantly to the strong performance, which coincided with record-high investment sales activity.

RECENT PERFORMANCE PATTERN WILL BE REPEATED

The GVRD industrial property sector will continue to outperform over the near term. Leasing market conditions will remain among the strongest in the country. Warehouse and logistics companies will absorb space at a relatively healthy rate, despite record-low or near record-low availability. Bulk space of 100,000 square feet or greater in the existing building inventory will be in very short supply, limiting expansion programs for some organizations. New supply deliveries will offer relief for a limited number of tenants in the market to expand or relocate. However, demand will continue to outdistance supply, resulting in upward rent pressure. GVRD industrial rents will be at levels required to justify new construction projects. To some degree, rent growth will offset rising construction and land costs. Investors will look to capitalize on the forecast rent growth by acquiring properties in this market. Local, regional, and national groups will target assets in this region. Institutions will continue to target larger-scale properties and portfolios in established parks. Regional and private groups will more often target assets with value-add attributes. The bidding environment will be competitive, especially for large properties catering to warehouse and logistics users. On balance, values will hold at the peak for the cycle, during a period when the recent sector performance pattern is repeated.

TRENDING STATISTICS

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

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

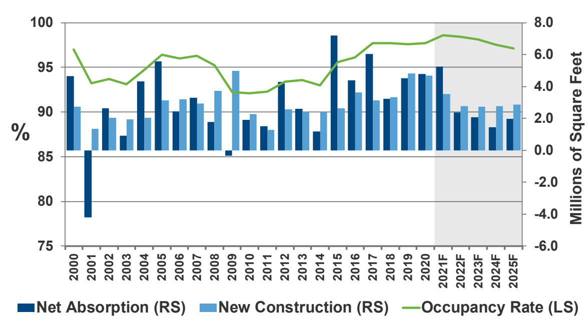
HISTORICAL PERFORMANCE

For The Period Ending June 2021

Source: © MSCI Real Estate 2021

INDUSTRIAL DEMAND & SUPPLY

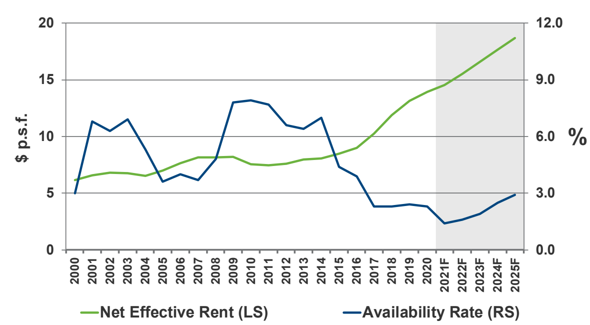
Vancouver Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

Vancouver Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

LEASING MARKET CONDITIONS HAVE SOFTENED

GVRD retail leasing market conditions softened over the recent past, in keeping with the broader national sector trend. Leasing demand softened significantly through much of 2020 and early 2021, due to the ongoing negative impacts of measures implemented to combat the spread of the COVID-19 pandemic. Some of the region's retailers have delayed their GVRD expansion plans until restrictions on consumer in-store shopping capacity are relaxed. Over the same time-period, some GVRD operators have adjusted their business plans to incorporate curbside pickup, delivery, and online shopping platforms to bolster revenues. However, in some cases, retailers have struggled to adjust and have either relied on government assistance or reduced their physical footprints. Still others have been forced to close their doors permanently. The demand softening of the recent past drove vacancy levels higher in some segments of the market. Class B and C strips, downtown submarket, and enclosed centre vacancy levels have risen during the pandemic period. The GVRD average aggregate vacancy rate remained at a 20-year high throughout 2020 and early 2021. Vacancy is expected to continue to rise in 2021, as government support programs wind down. As a result, market rents remained below the long-term average, prompting landlords to offer incentives to lease space. To make matters worse, some landlords saw rent collections decline sharply, which was a byproduct of the leasing market softening of the recent past.

MODEST INCREASE IN INVESTMENT PROPERTY SALES REPORTED

A modest increase in the GVRD retail investment property sales was reported recently, although activity levels remain well below the five-year average. There was $798.7 million in retail property sales completed over the first six months of 2021, according to CBRE figures. The total represented a 52.7% increase over the same six-month period a year earlier. Despite the near-term increase, investment sales activity remained well below the most recent peak in 2017 when $3.6 million in sales was reported. Less than $1.0 billion in transaction volume has been recorded annually from 2018 to 2020. Investor confidence has declined over the past few years, as sector performance was eroded by changes in consumer shopping behaviour. Confidence levels declined further recently, with the implementation of pandemic restrictions. Investment performance patterns weakened significantly over much of the same time-period. As investor confidence levels declined, sales of large-scale retail assets dropped sharply. Assets with grocery store anchors and other essential retail tenants have continued to trade at a relatively healthy rate. Despite the modest increase in the first half of 2021, GVRD investments sales activity has consistently fallen short of the 2017 peak over the past few years.

EROSION OF SECTOR FUNDAMENTALS TO CONTINUE

The erosion of GVRD retail sector fundamentals is expected to continue over the near term. After an initial surge with the loosening of pandemic restrictions, leasing demand will moderate substantially. Expansion activity will remain relatively modest over the next few years, as retailers focus on strengthening their balance sheets and optimizing their physical and omnichannel offerings. At the same time, some brands will continue to reduce their physical store footprints and real estate costs. This activity will ensure vacancy levels remain high in certain market segments. Landlords will look for creative ways to lease up excess space, with free rent and percentage rent being offered to attract tenants. Effective rents will remain below pre-pandemic levels, which will negatively impact investment performance. Despite the continued erosion of sector fundamentals over the near term, investors will look to acquire GVRD retail properties on a selective basis. Properties in established nodes with stable tenant rosters will transact relatively easily. However, riskier assets will appeal to a smaller group of buyers looking for value-add opportunities.

TRENDING STATISTICS

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

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

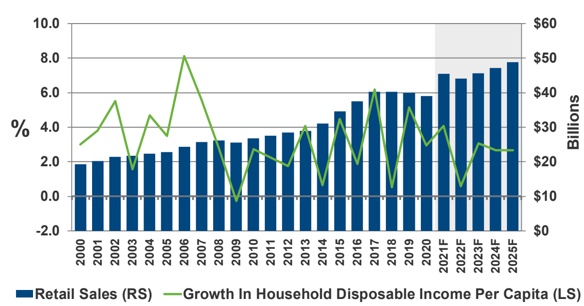
HISTORICAL PERFORMANCE

For The Period Ending June 2021

Source: © MSCI Real Estate 2021

RETAIL CONDITIONS

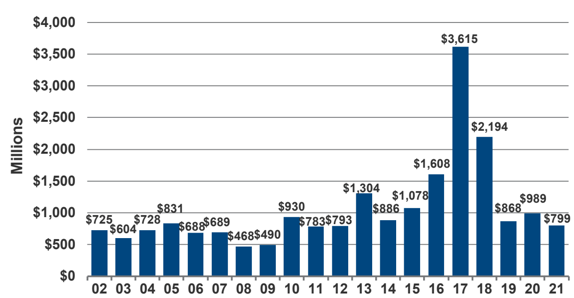
Vancouver Historical & Forecast Aggregates



Source: Conference Board Of Canada

INVESTMENT ACTIVITY

Vancouver Retail Investment Volume To June 2021



Source: CBRE Limited

RENTAL MARKET CONDITIONS REMAINED TIGHT

GVRD rental market conditions remained relatively tight over the recent past, despite weaker demand patterns. Aggregate vacancy rested at 2.6% at the end of 2020, up from the 1.1% average reported for the same sample of properties a year earlier. Vacant multi-suite residential rental units remained in relatively short supply across much of the region during 2020 and early 2021. Conditions were tightest in the suburban areas of the region. Since the onset of the pandemic an increased number of renters relocated to larger units outside of the region's central area. Lower suburban rents attracted some of these renter households. Some renters were able to work remotely and took the opportunity to relocate to less expensive rental accommodation outside of the downtown area. The increased number of families relocating to the suburbs drove vacancy levels slightly lower. Vacancy levels increased in the downtown area, particularly in buildings boasting the region's highest rents. On aggregate, however, conditions remained relatively tight in the GVRD rental market, despite weaker overall demand patterns. As a result, the average market rent continued to rise, albeit at a more modest rate. The market average rent increased by 2.0% year-over-year as of the end of October 2020. Previously, growth had been more robust. The continued rent growth was indicative of the ongoing rental market tightness of the recent past.

TRANSACTION VOLUME ROSE TO RECORD-HIGH LEVEL

GVRD multi-suite residential rental sector transaction rose to a record-high level recently, despite the ongoing negative effects of the pandemic. Transaction volume of just shy of $1.7 billion was reported for the first six months of 2021. The total represented a 20-year high for the six-month period and surpassed annual transaction volume totals dating back 20-years. Several significant individual and portfolio transactions were completed during the first half of 2021. By the end of 2021, a new 20-year high annual sales total will be posted. Investor confidence has remained relatively high over much of the past year. Investors were more than willing to increase their exposure to the market that had performed relatively well over the past year. Moreover, the sector was expected to continue to strengthen over the near-to-medium term. Concrete high-rise properties were a preferred acquisition for investors looking to increase their exposure to this market in rapid fashion. Smaller brick-framed properties were targeted most often by private capital groups. Regardless of the size of the property, vendors were generally able to achieve their pricing objectives. Aggressive bidding drove cap rates gradually lower, as transaction activity increased to a 20-year high level.

DEMAND CHARACTERISTICS WILL STRENGTHEN

GVRD multi-suite residential rental demand characteristics will strengthen over the near term, in keeping with the national trend. The progressive reopening of the region's economy in late 2021 and early 2022 will support stronger demand patterns across the region. The return of post-secondary students to in-class learning, resulting in increased rental demand in the central neighbourhoods of the GVRD. Finally, international migration volume will rise substantially in 2022. As a result, rental demand will strengthen, as most new international arrivals rent accommodation during their first year of residency. Stronger rental demand fundamentals will result in downward vacancy pressure. The pressure will be strongest in the central area of the GVRD, following a marked increase in vacancy levels due to the pandemic. The GVRD's average vacancy rate will slowly decline in 2022, having increased by 150 bps to 2.6% in 2020. In short, a marked improvement in rental market fundamentals is forecast over the near term, driven in large part by stronger demand characteristics.

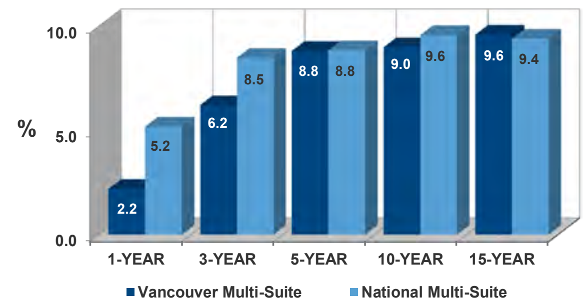
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

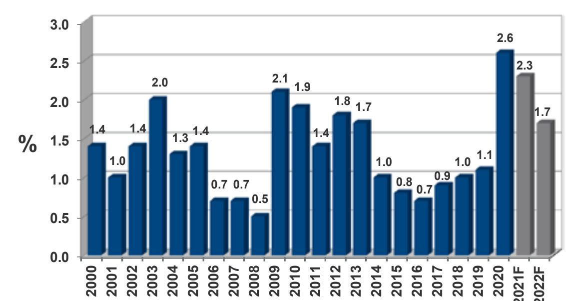
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

AVERAGE RENTAL VACANCY

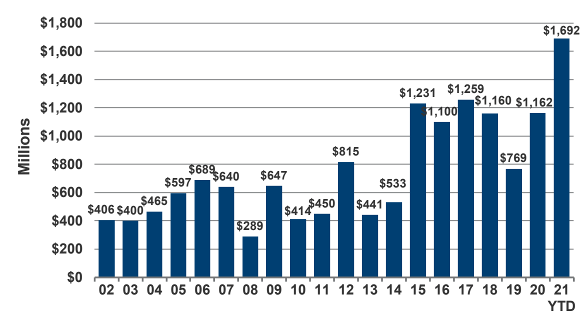
Vancouver Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

INVESTMENT ACTIVITY

Vancouver Multi-Suite Investment Volume To June 2021



Source: CBRE Limited

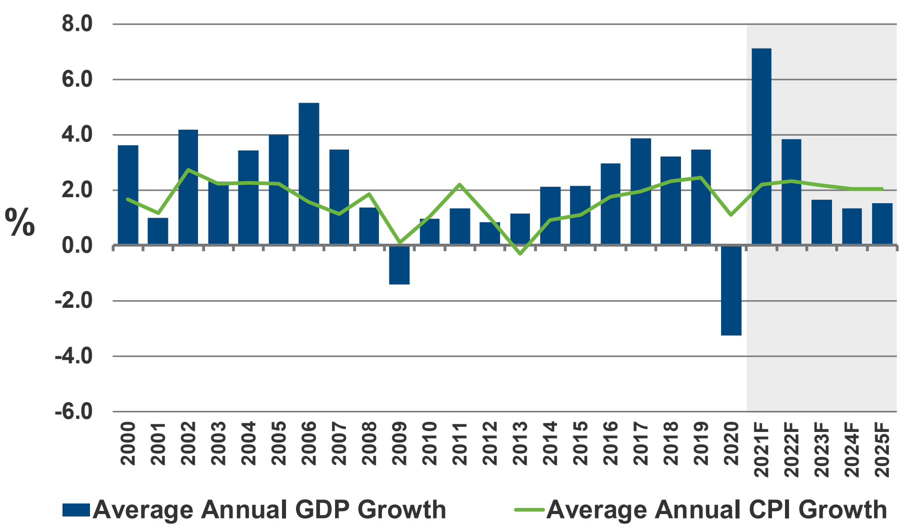
VICTORIA, BC

ECONOMIC SNAPSHOT

The Greater Victoria Area (GVIA) economy is projected to expand by roughly 4.9% in 2021, after a relatively modest contraction last year. The pandemic's impact on the region's economy was less severe than in many of the country's other metropolitan areas. There were generally fewer COVID-19 cases reported in the GVIA during the pandemic's first phase. The CBOC is forecasting a markedly stronger labour market performance in 2021, driven in large part by robust economic expansion levels. Job growth will drive unemployment levels significantly lower. Stronger labour market trends will support an increase in retail sales.

ECONOMIC GROWTH

Victoria Historical & Forecast Aggregates



Source: Conference Board Of Canada

SHARP INCREASE IN REGIONAL EMPLOYMENT PREDICTED

A sharp increase in GVIA total employment is forecast over the near term, on the heels of a significant decline due to the negative impacts of the pandemic. The CBOC is projecting a healthy employment increase of 4.6% in 2021 followed by a solid 2.9% rise in the following year. Six of the region's major industrial subcategories will register substantially higher employment levels in 2021, with services sectors leading the charge. The employment growth projection for 2021 and 2022 assumes a lessening of the pandemic's impacts and higher vaccination counts. Employment growth will drive the region's unemployment rate lower over the next few years, despite increased labour force participation. The rate will dip below the 5.0% in 2021 and continue to gradually decline over the medium term. Prior to the pandemic, the GVIA labour market was the strongest when compared with the rest of Canada's larger metros. In 2019, the region's unemployment rate rested at 3.4%, which was one of the lowest averages in the country. In the following year, the rate more than doubled and regional employment dropped sharply. A sharp increase in GVIA employment is forecast for 2021, resulting in a downward unemployment rate trajectory.

FIRM RETAIL SALES GROWTH TREND FORECAST

A firm retail sales growth trend is projected for the GVIA over the next couple of years, after a brief but sharp decline during the first wave of the pandemic. Retail sales will advance by 3.5% this year as predicted by the CBOC, with 2.0% and 3.9% increases forecast for 2022 and 2023, respectively. The forecast assumes an increase in GVIA consumer confidence with increased vaccine distribution to area residents. Some time in the near-future tourist traffic will increase, which will drive retail sales higher for stores in the downtown area. Previously, retail sales fell by 8.4% in the second quarter of 2020. However, aggregate annual retail sales increased by 2.1% in 2020, due largely to a strong second half. Retail sales growth will firm over the next few years, continuing the second-half trend.

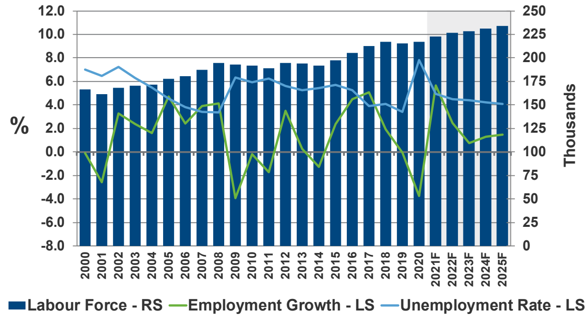
HOUSING CONSTRUCTION ACTIVITY TO SLOW

GVIA housing construction activity will slow over the next few years, despite an uptick in demand over the recent past. Residential housing starts are expected to decline in 2021, following last year's 8.2% dip. Subsequently, housing construction activity will continue to slow, with annual starts declining by an annual average of 5.9% between 2022 and 2025. The expected slowdown is to some extent a byproduct of the region's demographic profile, according to the CBOC. The region's demography is unlikely to change significantly over the next few years, a period during which residential construction activity will slow down.

Aggregate annual retail sales increased by 2.1% in 2020, due largely to a strong second half. Retail sales growth will firm over the next few years, continuing the second-half trend.

LABOUR MARKET

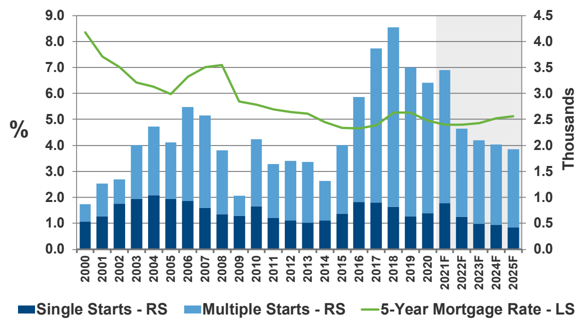
Victoria Historical & Forecast Aggregates



Source: Conference Board Of Canada

HOUSING SECTOR

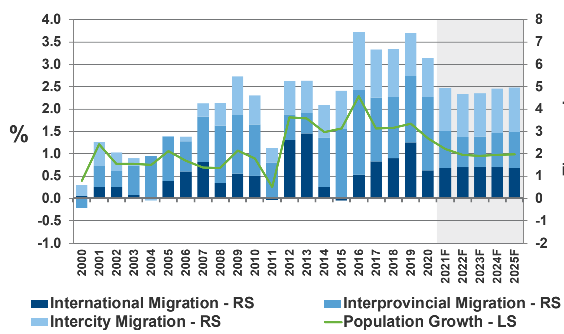
Victoria Historical & Forecast Aggregates



Source: Conference Board Of Canada

DEMOGRAPHIC TRENDS

Victoria Historical & Forecast Aggregates



Source: Conference Board Of Canada

LEASING MARKET WAS RELATIVELY STABLE

The Greater Victoria Area (GVIA) office leasing market was relatively stable over the recent past, when compared to most other regions of the country. This stability was evidenced in supply characteristics reported recently. The GVIA's aggregate vacancy rate stood at a healthy 7.3% at the end of June 2021, up a modest 140 bps year-over-year. By comparison, eight of Canada's remaining ten largest office markets posted vacancy increases of between 180 bps and 680 bps over the same time-period, according to CBRE figures. The other two markets posted modest vacancy. Further evidence of the GVIA office leasing market stability was contained in recent sublease availability patterns. Sublease availability made up just 7.0% of total availability in the GVIA as of the end of June 2021. Sublease availability has increased substantially in several Canadian markets over the recent past. Private sector tenants looked to sublease space as public health and economic uncertainty rose sharply. GVIA asking rents were relatively stable over the recent past, declining by a modest 1.7% year-over-year according to Colliers International. At the same time, leasing activity levels have slowed slightly. On balance, the GVIA leasing market has been relatively stable by comparison.

INVESTORS CONTINUED TO TARGET THE SECTOR

Investors continued to target GVIA office properties over the recent past, despite the impact of the pandemic on the region's private sector. Buyers looked for opportunities to invest in a market that performed relatively well during the unfolding of the COVID-19 pandemic. Institutional buyers exhibited a preference for properties with public sector tenants or financially secure businesses with several years left on their leases. Local, regional and often private capital groups used their intimate knowledge of the market to acquire riskier assets. Investors exhibited confidence in this market recently, resulting in a healthy capital flow trend. Transaction volume totalled $62.6 million over the first half of 2021. The sale of 1112 Fort Street to True North Commercial REIT is expected to close in October 2021, providing additional evidence of the market's healthy capital flow trend. In 2020, a total of $80.3 million in sales volume was recorded, which was slightly higher than the long-term trend. The rationale for investing in this market was supported by recent performance patterns. Properties contained in the MSCI Index posted an attractive annual average return of 5.0% for the year ending June 30, 2021. The performance was income-driven while property values were relatively stable. Positive investment performance helped draw investment capital to this market over the recent past.

MODERATELY POSITIVE LEASING PERFORMANCE FORECAST

Moderately positive leasing market performance characteristics are forecast for the GVIA over the near term. Workers will return to their offices in greater numbers during the second half of 2021 and early 2022. The return of more normal business operations across the region will kick off a period of increased leasing activity. As a result, demand will begin to increase, albeit at a relatively modest pace. Some private sector tenants will firm up their office space plans while others will prefer to secure space for a shorter term. Short term renewals and extensions will be a somewhat common scenario until the effects of the pandemic dwindle. The market's largest tenant, the provincial government, will continue to play an active role in the GVIA leasing market over the near term. State-of-the-art space will be preferred by some tenants who wish to retain their most valued employees. As demand improves, vacancy levels will flatten, having risen steadily over the past year. However, the introduction of new supply to the market will push vacancy higher at least temporarily. As a result, rents will be largely unchanged this year and in 2022. In summary, moderately positive leasing market characteristics are forecast for the GVIA over the near term, following a period of relative stable performance.

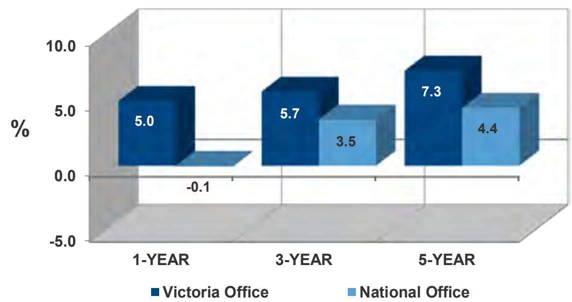
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

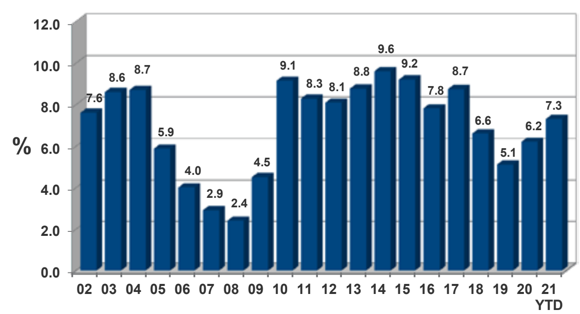
For The Period Ending June 2021



Source: © MSCI Real Estate 2021

VICTORIA OFFICE VACANCY

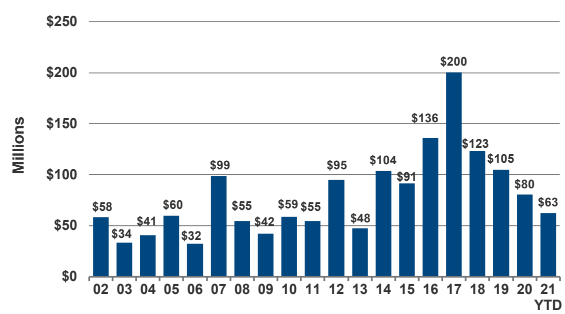
To Second Quarter – 2021



Source: Colliers International

INVESTMENT ACTIVITY

Victoria Office Investment Volume To June 2021



Source: Colliers International; RCA

LEASING DEMAND CONTINUED TO OUTDISTANCE SUPPLY

GVIA industrial leasing demand continued to outdistance supply recently, in keeping with the trend of the past few years. Companies in various industrial sectors looked to expand their operations in this market. The most active companies in the market for expansion space were in the warehouse and distribution, logistics, retail trade and manufacturing sectors. There were few existing options for organizations looking to relocate or consolidate. In a few cases, users were able to source available space that fit their business requirements. As a result, availability dropped to an all-time low level. The market average availability rate stood at a record-low 0.4% at the end of June 2021, according to Colliers International records. The rate had declined 60 bps from the 1.0% average reported at the end of 2020. The market continued to tighten recently, despite the potentially negative impacts of the pandemic. The combination of stable demand and declining availability translated into increased upward press on market rents. In addition, several development projects were announced recently, which will offer some relief for industrial users in the market for expansion space. Until these projects are completed, demand will continue to outdistance supply.

INVESTMENT DEMAND INTENSIFIED

Demand for GVIA industrial investment property acquisitions intensified over the recent past. The intensification was to some extent a byproduct of the sector's healthy near-term performance characteristics. The availability of industrial space for lease reached a critically low level of less than 1.0% and rents continued to climb. At the same time, fewer acquisition opportunities were made available to potential buyers. The resulting demand intensification translated into a more competitive bidding environment. Despite limited availability, capital flowed into the asset class at a relatively healthy rate. Transaction volume totalled $68.7 million for the first half of 2021, $4.7 million higher than the total for 2020. The first-half total was markedly higher than both the 10-and 20-year annual averages. The continuation of the first half pace would result in a record annual transaction volume high for 2021. The recent investment demand intensification and competitive bidding environment drove asset class pricing moderately higher. Coincidentally, cap rates continued to compress. Despite rising prices, investors continue to bid aggressively on available assets, as investment demand intensified.

LEASING RISK WILL REMAIN LOW

GVIA industrial leasing market risk will remain low over the near term, in keeping with the national trend. Leasing demand will continue to impress, given a healthy economic growth outlook over the next couple of years. The demand-pressure will continue to come from the warehouse and distribution and logistics sectors. Availability will continue to hover in the low single digits, as functional space is leased in relatively short order. Expansion opportunities will be limited, especially when highly functional space is required. The completion of new construction projects will offer some relief for tenants looking to expand. However, newly built space will be available for a limited time-period. Construction activity will surge in Langford and Colwood. In total, over 3.0 million square feet of new construction is expected to be completed over the next few years. Much of this space will be absorbed relatively quickly, given an expectation of largely positive demand fundamentals. Investors will continue to target acquisitions across the region, given the positive leasing market outlook. Historically, product availability has fallen short of demand, which will continue to be the case over the near term. When product is made available, investors will look to capitalize on market conditions and increase their exposure to this region. Aggressive pricing will ensure values hold at the peak for the cycle, in an environment of low levels of sector leasing risk.

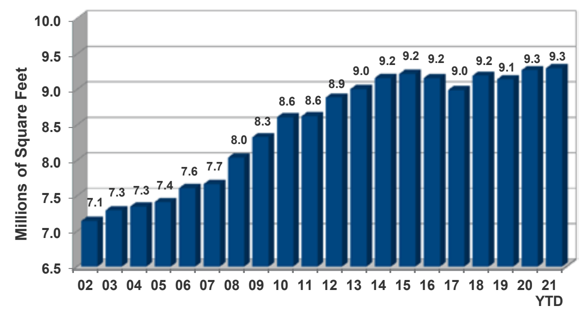
TRENDING STATISTICS

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

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

VICTORIA INDUSTRIAL INVENTORY

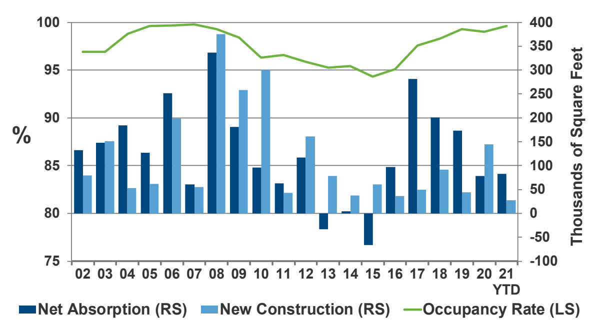
To Second Quarter – 2021



Source: Colliers International

INDUSTRIAL DEMAND & SUPPLY

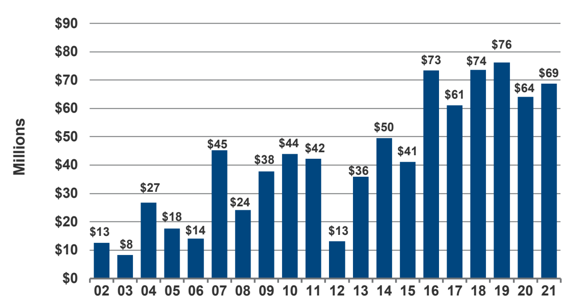
Victoria Historical Aggregates



Source: Colliers International

INVESTMENT ACTIVITY

Victoria Industrial Investment Volume To June 2021



Source: Colliers International; RCA

LEASING MARKET ACTIVITY UNDERWHELMED

Leasing market activity levels continued to underwhelm, due primarily to ongoing restrictions on non-essential brick and mortar store capacity to combat the spread of the COVID-19 virus. Generally, retailers have held off on expanding their physical store portfolios until the public health crisis is resolved. In the meantime, some stores have looked to government programs to continue to operate. Store revenues have declined substantially, along with rent collections for some landlords. Some stores have been forced to close their doors on a permanent basis while others have let their leases expire and will return to the market at some later date. Outlets have closed across the GVIA, which has pushed vacancy levels beyond the 6.0% average reported by Colliers International at the end of 2020. Several stores in the downtown area have been empty for some time. Vacancy levels will continue to rise in 2021, especially when government support programs wind down. Therefore, rents are not expected to rise any time soon. Determining rents has been a challenge over the recent past, given an underwhelming level of leasing activity and transactional evidence.

INVESTMENT MARKET WEAKNESS PERSISTED

GVIA retail property sector investment market conditions remained relatively weak over the past year, continuing the medium-term trend. Investors continued to shy away from acquiring retail assets in this market, given heightened levels of sector risk. Leasing fundamentals have softened due somewhat to changes in consumer behaviour of the past few years. More recently, sector risk spiked when retailer and landlord revenues declined as a result of the implementation of pandemic restrictions. As a result, investor confidence in the GVIA retail sector declined significantly. A modest $40.5 million of retail property sales volume was reported for 2020. GVIA sales had averaged a more robust $146.4 million annually over the preceding 5-year period and $156.0 million annually over the past decade. A total of $406.9 million in sales was reported for the first six months of 2021. The sharp increase was somewhat misleading. The sales of Eagle Creek Village and Mayfair Mall accounted for approximately $355.0 million of the total. The first-half sales total would have been a more modest $51.9 million if these two transactions were excluded from our analysis. As activity levels slowed, investment performance weakened. Properties contained in the MSCI Index registered an annual average return of 0.4% for the year ending June 30, 2021. The weak performance was in keeping with the broader GVIA investment market theme of the past year.

LEASING DEMAND WILL REMAIN RELATIVELY WEAK

Retail leasing demand will remain relatively weak in the GVIA over the near term, mirroring the national outlook. There will be a relatively small number of non-essential retail store expansions reported in the GVIA during the second half of 2021 and in early 2022. The relatively few operators expanding their physical space in this market will likely be in the grocery, restaurant, drug, and other service retail subcategories. Most operators will focus on driving sales to make up lost ground due to the restrictions on physical store capacity. In some cases, stores will look to adjust on the fly, as government financial support programs wind down. However, some will ultimately fail to adjust to changes in consumer shopping patterns and be forced to close. Vacancy will continue to rise over the near term, given store closures and limited expansion activity. Downtown streetfront vacancy will continue to rise, having climbed 290 bps in 2020 according to Colliers International. Vacancy levels in the region's shopping centres is also expected to increase, having risen by a relatively modest 80 bps in 2020. The rising vacancy trend will ensure the continuation of downward rent pressure over the near term, a period during which leasing demand will remain relatively weak.

TRENDING STATISTICS

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

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

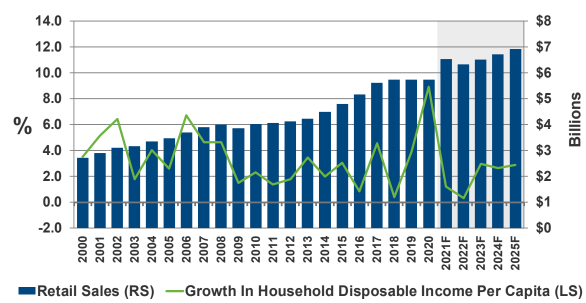
HISTORICAL PERFORMANCE

For The Period Ending June 2021

Source: © MSCI Real Estate 2021

RETAIL CONDITIONS

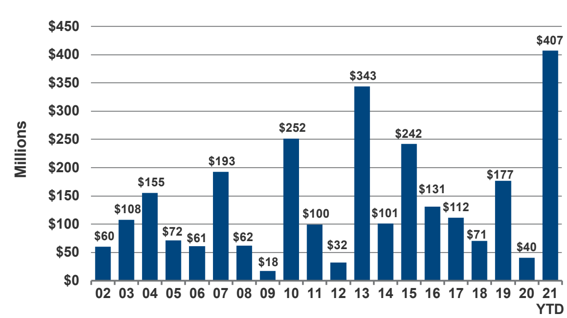
Victoria Historical & Forecast Aggregates



Source: Conference Board Of Canada

INVESTMENT ACTIVITY

Victoria Retail Investment Volume To June 2021



Source: Colliers International; RCA

RENTAL DEMAND SLOWED WHILE SUPPLY INCREASED

GVIAs multi-suite residential rental sector demand slowed over the recent past while supply levels increased. The demand-softening was largely a byproduct of the measures implemented to combat the spread of the COVID-19 virus. The closure of Canada's borders reduced the number of international migrants arriving in the GVIA, many of whom rent accommodation in their first year of residency. The border closure resulted in a marked reduction in the volume of students attending the region's post secondary institutions. Students have historically been a significant source of renter households. Lastly, many of the region's young workers either lost their jobs or have been unable to secure employment during the pandemic. This demographic has traditionally been a significant demand-driver in this market. Vacant supply increased across the region recently, due largely to the demand slowdown. The GVIA's average vacancy rate increased by 120 bps to 2.2% year-over-year as of October 2020 according to CMHC figures. Previously, the average vacancy rate had rested below the 2.0% mark dating back to 2013. Despite the year-over-year increase, rental market conditions remained tight. Many households found it difficult to source reasonably priced family-friendly accommodation. To make matters worse, rents have increased significantly. The market average rent increased by 3.3%, year-over-year as of the fourth quarter of 2020. Rents have now risen in five consecutive years. Rents have continued to rise despite weaker demand patterns and increased supply.

INVESTMENT SALES ACTIVITY ACCELERATED

GVIA multi-suite residential rental sector investment sales activity accelerated recently, after a modest slowdown in 2020. A record-high $436.8 million in multi-suite residential rental property sales was reported for the first half of 2021 by Colliers International. Previously, a slight slowdown in sales activity was reported. Annual sales totalled $366.4 million in 2020, which followed the previous record annual high of $505.2 million in 2019. A new record-high annual total was predicted for 2021, given a strong start to the year in the first half. National, regional, and local groups looked to increase their exposure to the GVIA's multi-suite residential rental sector over the recent past. High-rise properties were prime targets, although all property subcategories were also popular with investors. Buyers were attracted by the market's strong rental market fundamentals and healthy performance outlook. In addition, investors were aware of the market's recent and longer-term performance track record. Rents and values have increased over the recent past and cap rates have compressed. At the same time, the market has become increasingly competitive. Despite the heightened competition levels, investment activity levels have risen sharply.

SECTOR FUNDAMENTALS WILL REMAIN HEALTHY

GVIA multi-suite residential rental market fundamentals will remain healthy over the near term, continuing the trend of the past several years. An uptick in rental demand is forecast, with the return of post-secondary students to in-person classes. The eventual return of international migrants and students will support increased rental demand. As a result, vacancy will edge lower and perhaps drop below the 2.0% mark. Rents will continue to rise, as demand firms and conditions tighten in the last stages of this year and in early 2022. Affordability will remain an issue for the GVIA's lower-income households. In some cases, households will relocate to the periphery of the region for more affordable rental accommodation. Investor interest in acquiring assets in this market will remain relatively high. Buyers will be forced to pay peak prices for assets in a sector with a solid track record of performance. Moreover, healthy fundamentals including rent growth will form at least part of the rationale for investing in this sector and region.

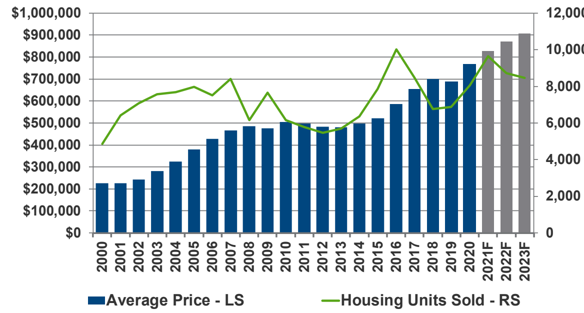
TRENDING STATISTICS

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

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

HOUSING MARKET

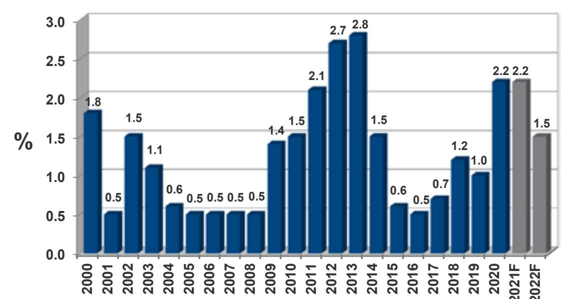
Victoria Pricing vs. Demand



Source: CREA (MLS®); CMHC

AVERAGE RENTAL VACANCY

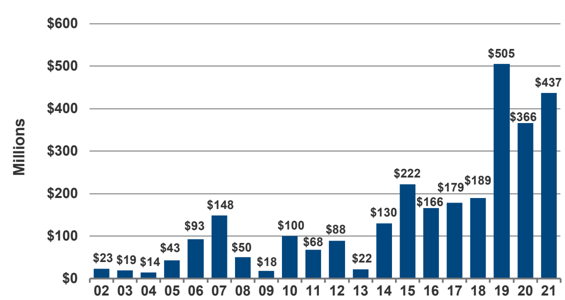
Victoria Apartment Structures Of Three Units & Over



Source: CMHC; Morguard

INVESTMENT ACTIVITY

Victoria Multi-Suite Investment Volume To June 2021

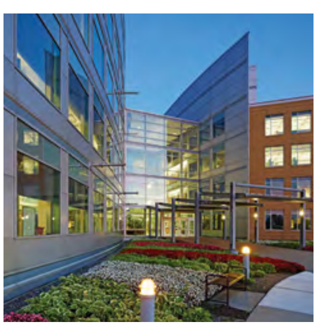


Source: Colliers International; RCA

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 September 30, 2021, Morguard had $19.4 billion of total assets under management and employed 1,300 real estate professionals in 12 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



ACKNOWLEDGEMENTS / RESEARCH RESOURCES

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

The Altus Group, Avison Young, Bank of Canada, Bank of Japan, BMO Economics, BMO Nesbitt Burns, British Bankers' Association, Brunsdon Martin & Associates, Canada Newswire, Canada Mortgage and Housing Corporation (CMHC), The Canadian Real Estate Association (CREA), CBRE Econometric Advisors, CBRE Limited, CIBC World Markets, Colliers International, Conference Board of Canada (CBOC), Cushman & Wakefield, Developers & Chains e-news, Economy.com, European Central Bank, The Federal Reserve Board, Frank Russell Canadian Property Index (RCPI), The Globe and Mail, ICR Commercial Real Estate, Altus-Insite Research, International Council of Shopping Centers (ICSC), International Monetary Fund, The Johnson Report (Winnipeg), Jones Lang LaSalle, MSCI, The Network, Ottawa Business Journal, PC Bond Analytics, PricewaterhouseCoopers, RBC Capital Markets, RBC Economics, Rogers Media, Scotia Capital, Statistics Canada, TD Economics, Toronto Star, Torto Wheaton Research, TSX Datalinx, United States Department of the Treasury, Urban Land Institute, York Communications

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.

Feedback, inquiries or requests for reproduction please contact:

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

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

MORGUARD.COM

Morguard