CANADIAN REAL ESTATE: OPTIMISM TO BUILD

Morguard

27TH ANNUAL EDITION

2025 CANADIAN ECONOMIC OUTLOOK AND MARKET FUNDAMENTALS REPORT

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NATIONAL

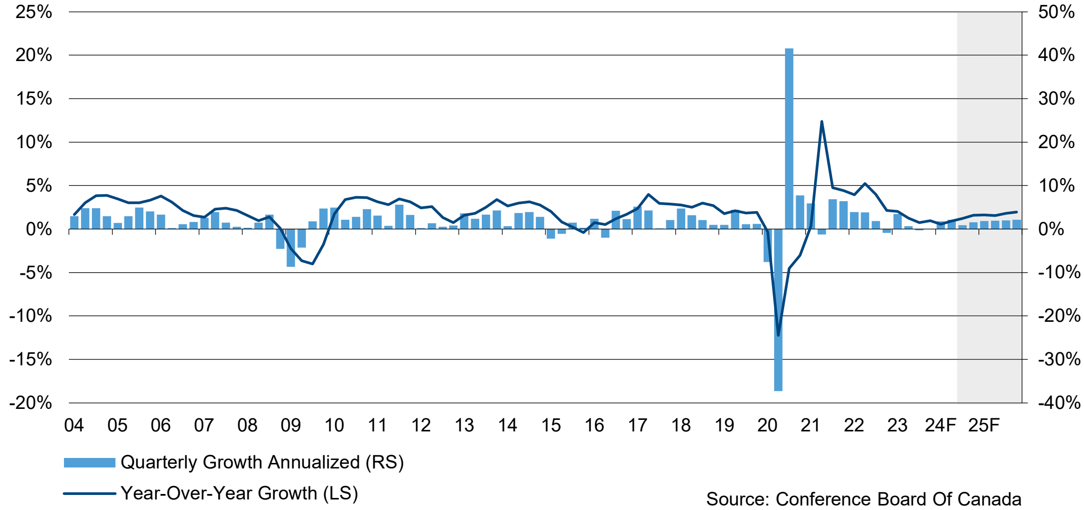
ECONOMIC REPORT

ECONOMIC UNDERPERFORMANCE PERSISTED

Canada's economy continued to underperform over the recent past, a trend that began in the second half of 2023. Economic output advanced at an annualized rate of 1.7% quarter-over-quarter in the first quarter of 2024. The first-quarter advance was followed by a stronger 2.1% gain. Canada's Gross Domestic Product (GDP) per capita declined in each of the first five months of 2024, due largely to weak household spending trends.

CANADIAN REAL GDP GROWTH

% Change



Source: Conference Board Of Canada

Several factors contributed to the economic underperformance of the recent past. Borrowing costs remained relatively high. As a result, households spent less on discretionary items and more on servicing debt. Spending on big ticket items, such as automobiles, underwhelmed while financing rates remained high. The ongoing housing market slump resulted in reduced output in the nation's finance, insurance, and real estate sector. The high cost of debt capital also negatively impacted business investment and construction sector output. Simultaneously, households were forced to pay higher prices for rental accommodation, food, and other necessities as inflation levels remained elevated. By the summer of 2024, Canadian economic activity and job growth had slowed significantly. As the second half got underway, the Canadian economy continued to underperform, consistent with the recent trend.

LABOUR MARKET SOFTENED SUBSTANTIALLY

Canada's labour market softened substantially over the recent past. Employment flatlined between April and June of 2024. The percentage of Canada's population aged 15 and older decreased by 0.2% in June, marking a ninth consecutive decline. The nation's employment rate fell by 1.3% from the 62.4% peak rate recorded in both January and February of last year. The nation's unemployment rate rose steadily over the recent past, as labour market slack continued to build. Canada's unemployment rate stood at 6.4% as of June 2024, which was 1.3% higher than the April 2023 average. Canada's labour market has been particularly challenging for young workers in the 15 to 24 age group over the past year. Young workers accounted for roughly 40.0% of the rise in unemployment levels year-over-year as of the midpoint of 2024. The unemployment rate for the young worker cohort rested at a lofty 13.5% at the midway mark of 2024. Unemployment levels increased because of a weaker job growth trend and continued population-growth driven labour force expansion during the first half of 2024. More broadly, Canada's labour market softened substantially during the first half of 2024.

CONSUMER SPENDING GROWTH PATTERN WEAKENED

Consumer spending patterns weakened during the first half of 2024, following an extended period of above average performance. Consumer expenditures increased by a modest 0.6% in the second quarter, down markedly from the 3.6% advance recorded in the previous quarter. The spending slowdown can be attributed to several factors. Canadian households continued to allocate a larger portion of their income to servicing debt than in the past, as borrowing rates remained high. At the same time, household finances continued to be squeezed by still high inflation. Retail spending growth softened during the first half of 2024, as job growth activity eased. As Canada's economy and job growth slowed, spending on big-ticket interest rate sensitive items such as automobiles, residential homes, and vacations declined. By the spring of 2024, price growth pressure had eased substantially, along with domestic demand. In response, the Bank of Canada (BofC) initiated a series of rate cuts. The bank's policy rate was reduced by 25 bps in June, July, and September to stimulate economic activity and boost domestic demand. Additional rate cuts and a moderately positive consumer spending growth pattern are predicted in 2025, having weakened substantially over the recent past.

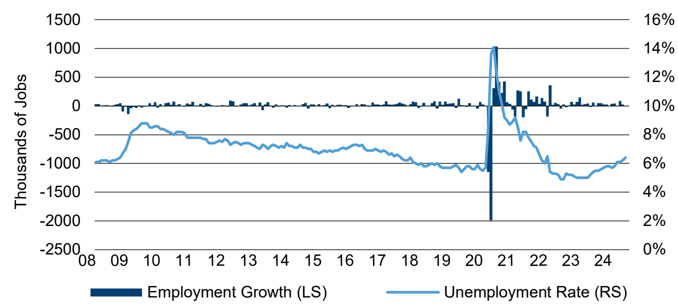
TRENDING STATISTICS

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., absorption or new supply could be +/-, yet indicate a growing/shrinking trend over a specified time horizon).

LABOUR MARKET

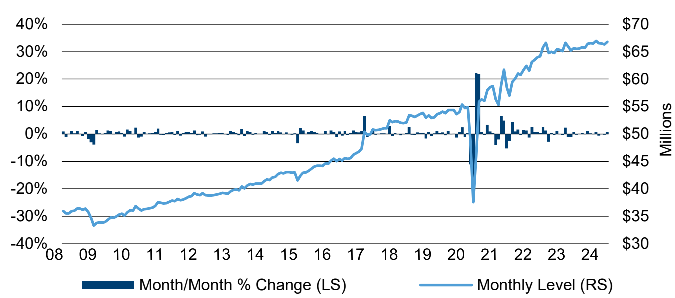
Month-Over-Month Trending



Source: Statistics Canada

RETAIL SALES

Month-Over-Month Trending



Source: Statistics Canada

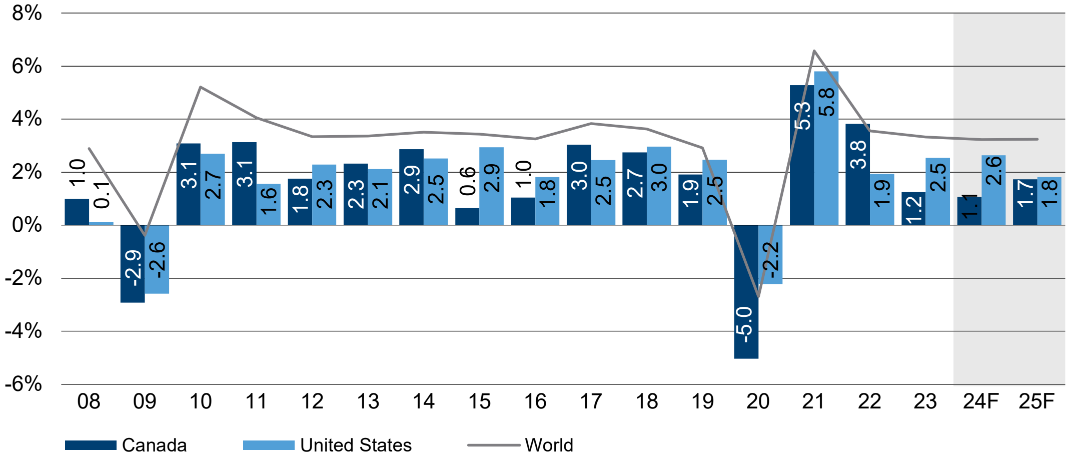
ECONOMIC OUTLOOK

ECONOMIC GROWTH OUTLOOK IS MODEST

Canada's economic growth outlook is modest, consistent with the trend of the past couple of years. Canadian real GDP is expected to expand by roughly 1.0% in 2024 with a 1.5%-1.7% gain predicted for 2025. Canadian economic growth will remain moderate over the medium term with advances close to 2.0% projected for 2026/2027. Economic activity is expected to increase modestly in 2025 as domestic demand gradually strengthens.

ECONOMIC GROWTH

Real GDP Growth — Historical & Forecast



Source: Conference Board of Canada (Sept 2024); International Monetary Fund (Oct 2024)

Canada's modest economic growth outlook is attributable to several factors, including the continuation of the BofC's rate cut cycle, moderately stronger consumer and government spending volumes, and a markedly healthier business investment trend. Consumer expenditures are expected to rise by roughly 2.0% in 2024, with a more modest gain forecast in the following year. Government spending will remain relatively brisk. Lower interest rates and inflation are expected to fuel increased business investment in 2025. Housing market activity is projected to strengthen in 2025, driven largely by lower mortgage rates. Household income growth will partially offset the impact of higher interest rates on mortgages that come up for renewal in 2024/2025. Roughly $275.0 billion of fixed rate mortgages are coming up for renewal in 2025, according to RBC. In summary, Canada's economy is expected to continue to grow at a modest rate over the near term.

LABOUR MARKET PERFORMANCE PATTERN TO UNDERWHELM

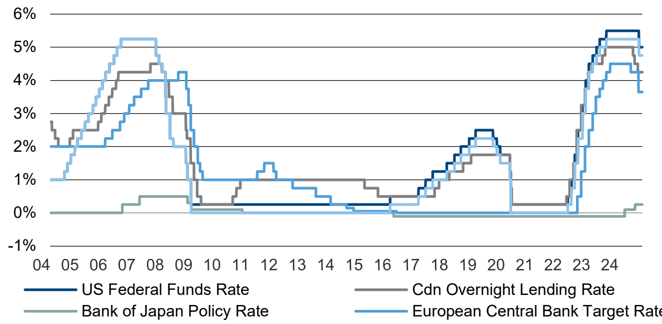
Canada's near term labour market performance pattern is expected to underwhelm. National employment is projected to rise by a modest 1.5% in 2024 with a less robust 1.0% gain forecast for 2025. A monthly average of roughly 27,000 new jobs created is expected in 2024. The average will drop to just over 13,000 jobs in 2025. Job growth activity began to slow in the second half of 2023 due largely to the negative effects of higher interest rates and inflation on Canadian businesses. An average of 40,000 new jobs were created monthly in the first half of the 2023 a figure that dropped to 23,000 in the second half. Labour market demand is expected to continue to outpace supply over the near term. Canada's labour force is projected to expand by a robust 2.7% this year with a more muted 1.3% advance forecast in 2025. Labour force expansion will be driven largely by immigration-driven population growth. However, we may see labour force expansion ease with the implementation of the government's announced non-permanent resident policy changes. Canada's unemployment rate is projected to peak in the high 6.0% range in either late 2024 or early 2025, due largely to a weak labour market demand trend. The projected rise in the unemployment rate is consistent with the underwhelming labour market performance pattern forecast over the near term.

RETAIL SALES GROWTH IS PROJECTED TO GRADUALLY EASE

Canada's retail sales growth trend is projected to ease over the near term. Retail sales growth of close to 2.0% is forecast for 2024 by Oxford Economics, down from the 2.2% advance recorded in 2023. The gradual growth downdraft is attributable largely to the lingering effects of higher debt servicing costs and inflation on household finances. Canadian households will continue to hold off on big ticket purchases to at least the end of 2025 while borrowing costs remain elevated. Spending on discretionary items will continue to fall short of expectations despite rising income levels. Population growth will help support increased spending. Housing market activity is expected to gradually rise resulting in a modest increase in spending on household-related goods. In 2025, retail sales growth is expected to continue to moderate. National retail sales volume is projected to rise by a modest range of between 1.0%-1.5%. Retail spending patterns are expected to begin strengthening in the second half of 2025 following a period when sales growth is expected to ease.

OFFICIAL POLICY RATES

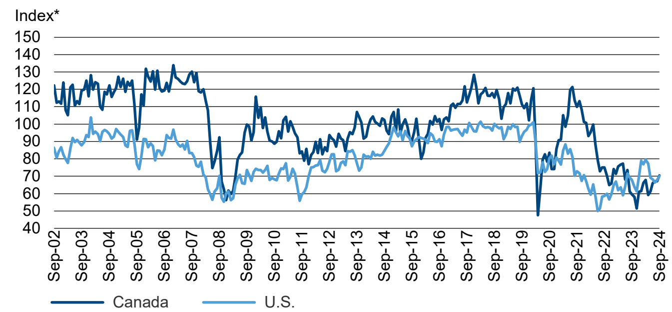
International Monetary Conditions



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

CONSUMER CONFIDENCE

Consumer Optimism About Economic Conditions

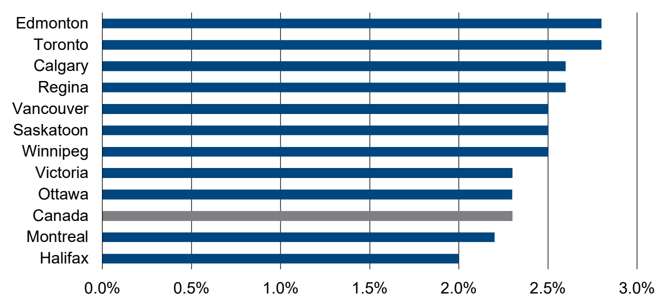


*Base year: Cdn = 2014, U.S. = 1966

Source: CBOC, University of Michigan

CMA REAL GDP GROWTH

2025 - 2028 Forecast

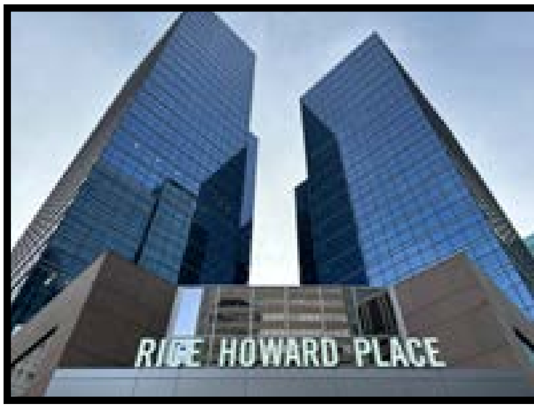


Source: Conference Board Of Canada

OFFICE OUTLOOK

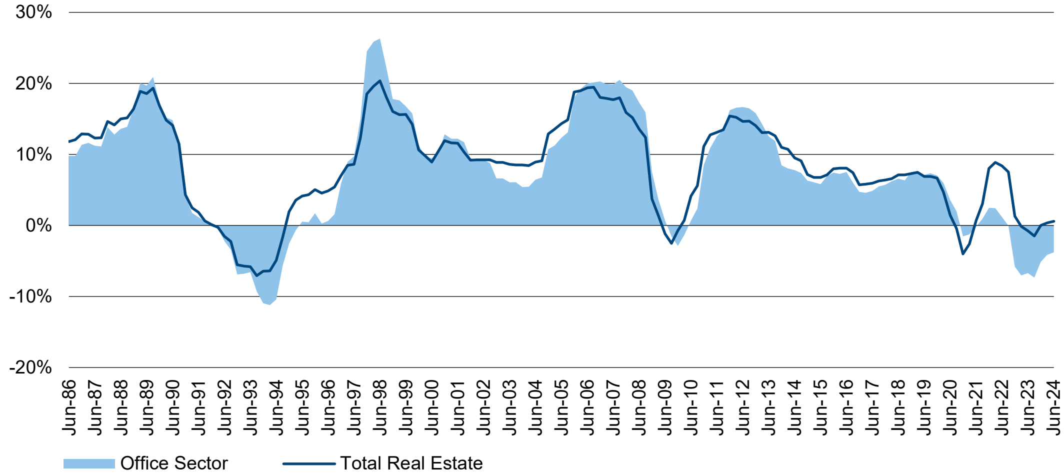
DOWN PHASE OF CYCLE WAS EXTENDED

The down phase of Canada's office leasing market cycle was recently extended. Vacancy continued to rest at or near the cycle high across much of the country and in most submarkets. The national vacancy rate stood at 18.5% at the end of the first half of 2024, 30 bps higher than the average reported a year earlier. Vacancy has risen by 200 bps over the past two years, due largely to a weak demand trend and new supply deliveries.



ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Office Performance



Source: RCPI, © MSCI Real Estate

Leasing demand remained relatively weak over the recent past, which was consistent with the post-pandemic trend. Built out sublease space was a popular target of tenants looking to avoid the high cost of construction and take occupancy relatively quickly. As a result, sublease availability has declined significantly. Leasing activity in Canada's premium-quality towers has been relatively brisk. Businesses looked to capitalize on market conditions to secure high-quality, highly-amenitized space. As a result, modest upward rent pressure was recorded for space in the nation's premium-quality towers. Class B and C rents held at the cycle low while vacancy rested at all-time high levels. More than 2.8 million square feet of space was absorbed in the first half of 2024, most of which was in newly constructed towers in Toronto and Vancouver. As Canada's construction pipeline thinned, the down phase of the leasing cycle was extended.

INVESTMENT PERFORMANCE CONTINUED TO DISAPPOINT

Office property sector investment performance continued to disappoint over the recent past. Properties included in the MSCI Index posted a total return of -3.8% for the year ending June 20, 2024. A cumulative capital decline of 9.1% was recorded over the same period. The capital decline offset a stable and positive income component performance and was consistent with the broader office market trend. Capitalization rates decompressed gradually during the latter half of 2023 and first half of 2024 while market fundamentals continued to weaken. Continued downward pressure on office property values and rents translated into a disappointing near-term investment performance pattern.

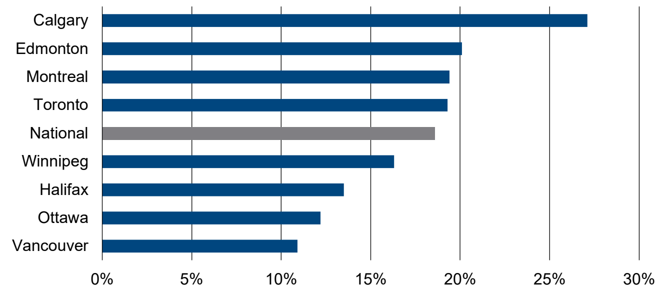
INVESTMENT ACTIVITY REMAINED MUTED

Sales of office investment property remained muted over the recent past, which was in line with the post-pandemic trend. Modest office investment transaction volume of just shy of $600 million was reported for the first six months of 2024. Relatively few significant transactions were recorded over the same period, which was in line with the past few years. First-half 2024 transaction volume would have been significantly lower if properties sold for residential conversion were excluded from the total. Investor confidence remained low while the pandemic-influenced leasing market downturn of the past few years continued to unfold. Investment sales activity is expected to remain below average over the near term.

Continued downward pressure on office property values and rents translated into a disappointing near-term investment performance pattern.

OFFICE VACANCY RATES

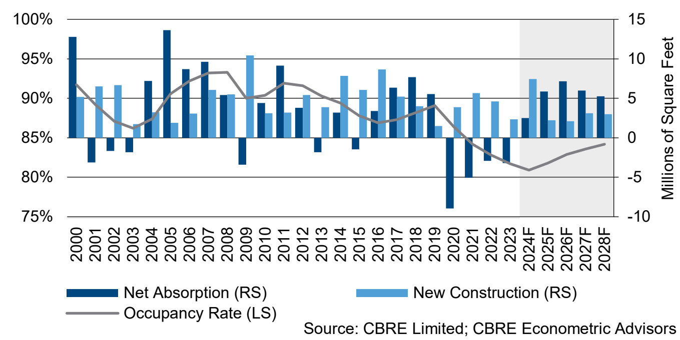
To Third Quarter - 2024



Source: CBRE Limited

OFFICE DEMAND & SUPPLY

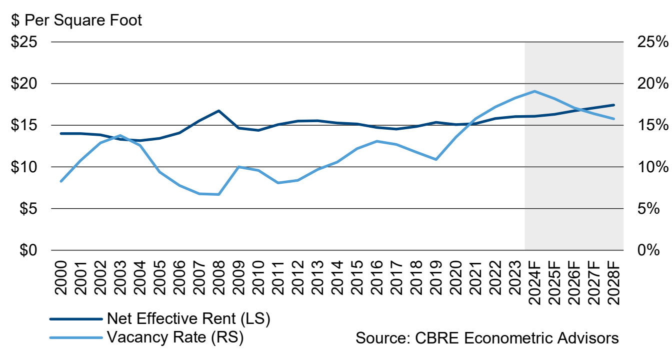
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

OFFICE RENT & VACANCY

National Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

INVESTMENT SALES ACTIVITY TO INCREASE GRADUALLY

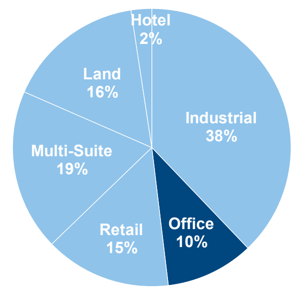
Sales of Canadian office properties are expected to increase gradually over the near term. The increase assumes investor confidence levels slowly rise, and lending market conditions improve. Investor confidence will begin to rise as economic activity and leasing market conditions stabilize. Private capital will continue to account for the largest portion of sales, in line with the recent trend. Properties with secure tenants on long term leases will continue to generate interest. At the same time, government subsidies will drive sales of properties for conversion to alternative uses. In short, investment sales activity is expected to increase gradually over the near term.

LEASING MARKET RISK TO REMAIN ELEVATED

Canadian office leasing market risk will remain elevated over the near term, which is consistent with the post-pandemic trend. Demand patterns will mirror those of the past few years. The ongoing popularity of hybrid workplace models will help ensure demand continues to fall short of supply. Tenants are expected to continue reducing their office footprints when their leases expire, resulting in persistent upward pressure on vacancy in most regions. The country's prime towers will continue to outperform. However, class B and C vacancy will continue to range at or near all-time high levels. Overall, office leasing market risk will remain elevated over the near term.

TOTAL SALES BY PRODUCT

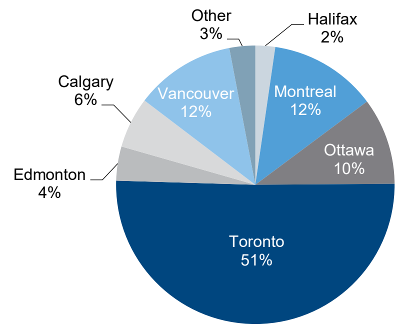
18 Months To June 2024



Source: CBRE Limited

OFFICE SALES BY CMA

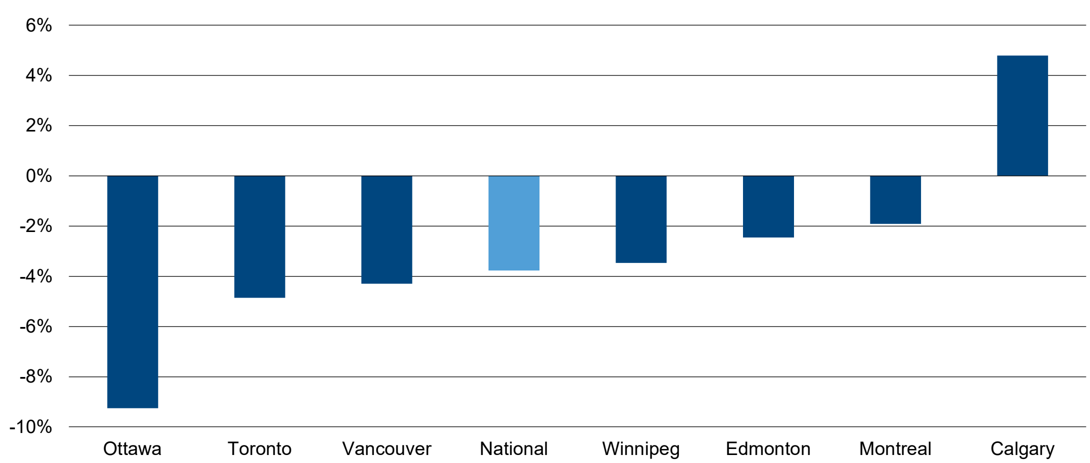
18 Months To June 2024



Source: CBRE Limited

OFFICE TOTAL RETURNS

For The 1-Year Period Ending June 2024



Source: © MSCI Real Estate 2024

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
3400 Jean-Beraud Ave	Nov-24	$27.0 M	156,270	$173	Groupe Mach
4436-4450 St-Laurent Blvd	Sep-24	$18.8 M	88,017	$213	MTRPL
Nexus REIT Portfolio	Sep-24	$34.5 M	286,446	$120	Developpement Metro
480 Saint-Laurent Blvd	Aug-24	$32.5 M	133,290	$244	Elbran
1600, 1616 Rene-Levesq. W	Aug-24	$15.5 M	256,574	$60	Groupe Mach
1430-34 Ste Catherine St W	Jun-24	$11.2 M	43,606	$256	5am Capital
1299-1303 Greene Ave	May-24	$16.0 M	49,722	$322	Fondation 1303 Greene
10-12 Notre-Dame St E	Apr-24	$11.3 M	23,574	$477	VP Real Est. Group Inc

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
2 Gurdwara Rd	Sep-24	$15.3 M	94,460	$162	Inside Edge Properties
1335 Carling Ave	Sep-24	$11.3 M	69,369	$162	Private
36-38 Antares Dr	Aug-24	$11.3 M	86,378	$130	TriVan Capital
200 Sacre Coeur Blvd	Jul-24	$18.5 M	201,979	$92	Heafey & Boless
1600 Carling Ave	Apr-24	$27.0 M	183,272	$147	Regional Group
1601 Telesat Crt	Apr-24	$16.1 M	223,291	$72	Devcore Group
181 Queen St	Feb-24	$125.3 M	270,543	$463	Dep't of Public Works

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
55 Town Centre Crt	Nov-24	$17.3 M	222,285	$78	Private
Woodbine Corporate Ctr	Oct-24	$52.0 M	359,943	$144	Smart Investment Ltd
5750 Explorer Dr	Oct-24	$17.4 M	108,496	$160	Crown Realty Partners
2330 Kennedy Rd	Sep-24	$18.0 M	103,517	$174	Private
10 Lower Spadina Ave	Aug-24	$23.7 M	59,801	$396	Arkfield
LaSalle Burlington Portfolio	Aug-24	$28.9 M	258,873	$112	Bellridge Capital
3600 Steeles Ave E	Jul-24	$115.0 M	855,269	$134	Triple Properties Inc
1900, 1908 Ironoak Way	Jul-24	$35.3 M	101,697	$347	Binscarth Holdings LP
624 King St W	Jun-24	$18.0 M	18,104	$994	Private
5575 North Service Rd	Jun-24	$12.5 M	95,052	$131	NexGen Property Mgt
45-47 Sheppard Ave E	May-24	$83.5 M	231,471	$361	LEV NYC Inc
110 Sheppard Ave E	May-24	$29.0 M	162,267	$179	Minett Capital
5100 Spectrum Way	Apr-24	$17.3 M	73,568	$235	Voyzant Inc
25 Dockside Dr	Apr-24	$232.5 M	484,477	$480	George Brown/Halmont
199 Four Valley Dr	Apr-24	$35.0 M	100,398	$349	Private
180 Duncan Mill Rd	Feb-24	$28.1 M	145,037	$194	Kingo
Flatiron Building	Feb-24	$15.4 M	19,500	$790	Lee Chow Group
2655, 2695 N Sheridan Way	Feb-24	$25.6 M	158,233	$162	Crown Realty Partners

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Atrium I & II	Aug-24	$18.7 M	217,461	$85	Astra Group Corp.
Encor Place	May-24	$21.5 M	359,131	$60	Soltron Group
640 5th Ave SW	Apr-24	$13.9 M	252,978	$55	Kanas Corporation

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Sun Life Place	Aug-24	$33.0 M	289,076	$114	Ironwood IV Inc
Broadmoor Pl II, III, IV	Apr-24	$28.0 M	222,476	$126	CJ Broadmoor Inc

VANCOUVER

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
*401 W Georgia/402 Dunsm	May-24	$300.0 M	269,000	$1,115	Deka Immobilien

*share sale

Sales of office investment property remained muted over the recent past, which was in line with the post-pandemic trend.

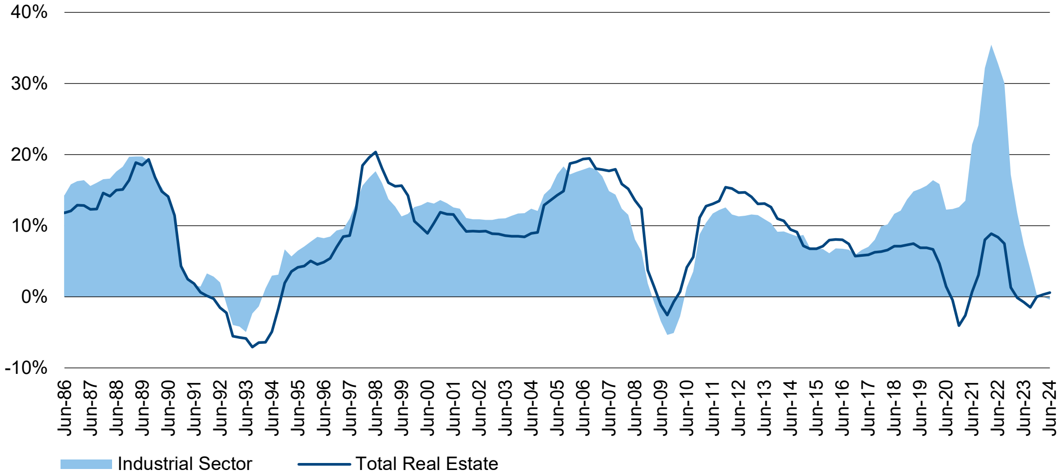
INDUSTRIAL OUTLOOK

LEASING DEMAND SLOWDOWN UNFOLDED

Canada's industrial leasing market demand slowdown continued to unfold over the latter half of 2023 through to the midpoint of 2024. Leasing demand patterns softened because of the combined effects of higher interest rates, inflation, and reduced domestic demand. In addition, the pandemic-influenced pent-up demand of the past few years continued to taper off. As a result, both headlease and sublease availability continued to rise.

ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Industrial Performance



Source: RCPI, © MSCI Real Estate

The national industrial availability rate rested at 4.2% at the midpoint of 2024, having risen 220 bps year-over-year. The rate was 270 bps higher than the all-time low of 1.5% recorded in the third quarter of 2022, according to CBRE figures. Sublease availability has increased significantly during the latter half of 2023 and first half of 2024. Sublease space accounted for 16.6% of total availability as of the midway mark of 2024, representing a cycle high. The rising availability trend was driven in part by new supply deliveries. New supply deliveries jumped to a record high of more than 16.8 million square feet in the final quarter of 2023. As availability levels continued to rise, asking rents began to level off and subsequently decline in several regions of the country. Tenants looking to expand or relocate were faced with an increased number of available options and in some cases, lower rents. This dynamic resulted from the leasing demand slowdown of the recent past.

INVESTMENT PERFORMANCE SOFTENED

Canadian industrial property sector investment performance softened recently following an extended period of positive outcomes. Properties included in the MSCI Index generated a -0.4% total return for the year ending June 30, 2024, representing the first negative annualized result since the first quarter of 2010. Capital erosion more than offset a positive and stable income performance during the same period. The capital value of properties included in the index edged higher in both the first and second quarters of 2024, consistent with the broader national industrial market trend. Over the near term, property values are expected to continue rising, resulting in a healthier industrial property performance pattern.

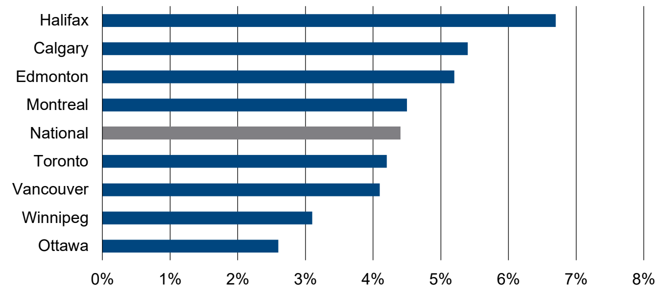
TRANSACTION PACE QUICKENED

The pace of Canadian industrial investment property sales quickened over the recent past, which drove annual transaction volume to a 24-year high. Approximately $20.7 billion of transaction volume was reported in 2023 with a further $7.1 billion of industrial property sold across the country in the first six months of 2024. Private capital purchasers accounted for much of the investment sales activity recorded in 2023 and the first half of 2024. Institutional groups were relatively inactive while awaiting further pricing clarity and lending market stability. High-quality warehouse and logistics properties with stable tenants on long-term leases remained preferred investor acquisition targets. This market dynamic supported the quickening pace of industrial property investment transactions of the recent past.

The pace of Canadian industrial investment property sales quickened over the recent past, which drove annual transaction volume to a 24-year high.

INDUSTRIAL AVAILABILITY RATES

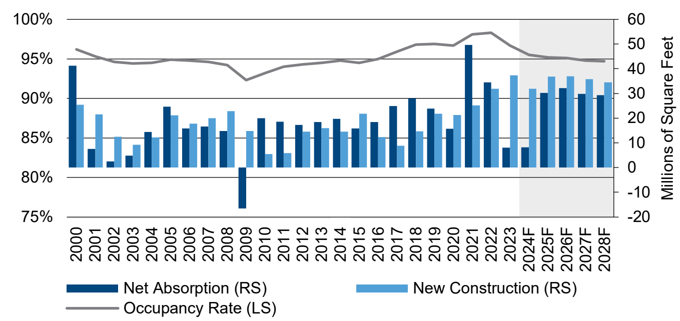
To Third Quarter - 2024



Source: CBRE Limited

INDUSTRIAL DEMAND & SUPPLY

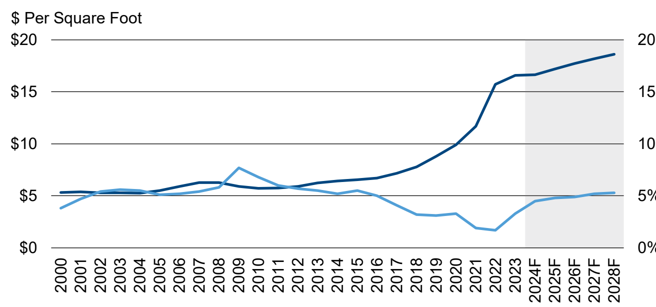
National Historical & Forecast Aggregates



Source: CBRE Limited; CBRE Econometric Advisors

INDUSTRIAL RENT & AVAILABILITY

National Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

BRISK SALES PACE TO CONTINUE

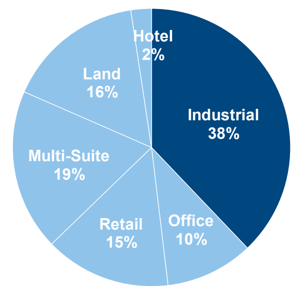
Sales of industrial investment property will continue at a relatively brisk pace over the near term, in keeping with the recent trend. Investors are expected to exhibit confidence in the sector given a largely positive fundamental outlook. Private capital will remain the most active of purchaser groups along with owner/users. Institutional groups will become increasingly active in 2025 as lending market conditions and property pricing continue to stabilize. Capitalization rates and values will level off, which will help boost sales activity. Properties with near term leases expiring at below-market rents will attract buyers along with high-quality warehouse and logistics offerings. In short, sales of industrial investment property will remain brisk over the near term.

LEASING MARKET STABILIZATION EXPECTED

Canada's industrial leasing market is expected to begin stabilizing in the second half of 2025, having softened over the recent past. Leasing demand will begin to strengthen in the second half of 2025 due largely to a more stable and positive economic growth trend. Lower interest rates and inflation are also expected to support the forecast strengthening of leasing demand. Demand will gradually align with new supply, resulting in a stable availability trend. Asking rents will begin to level off in the second half of 2025, having declined modestly in the first half. The expected rent stabilization is in line with the broader leasing market outlook.

TOTAL SALES BY PRODUCT

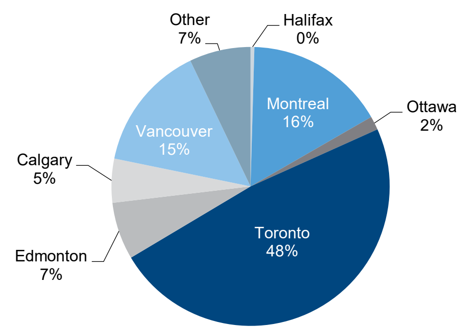
18 Months To June 2024



Source: CBRE Limited

INDUSTRIAL SALES BY CMA

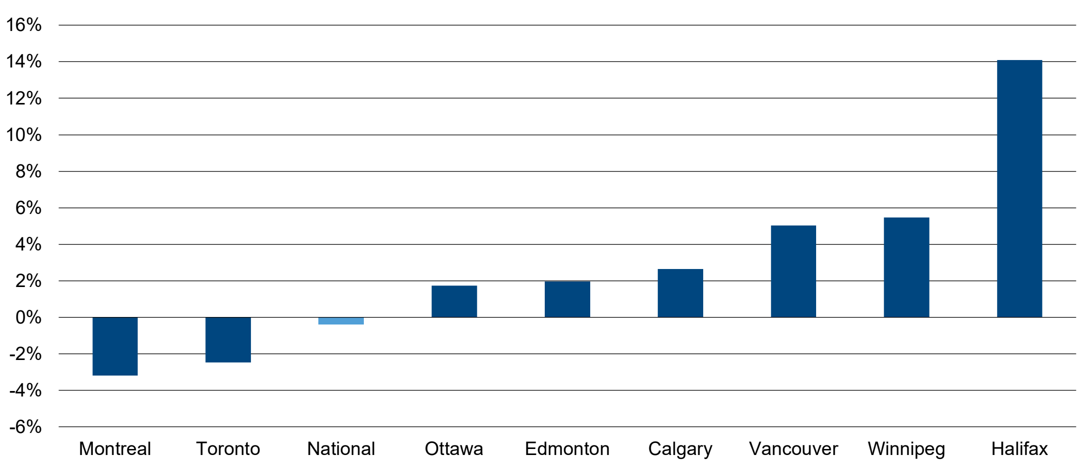
18 Months To June 2024



Source: CBRE Limited

INDUSTRIAL TOTAL RETURNS

For The 1-Year Period Ending June 2024



Source: © MSCI Real Estate 2024

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
1585, 1785 Beaulac St	Oct-24	$56.7 M	234,697	$242	Brookfield Properties
8301 Elmslie St	Oct-24	$32.0 M	120,000	$267	Broccolini
Joseph Dubreuil/32e Ave	Sep-24	$17.0 M	75,703	$225	Brasswater
2095 de l'Industrie Rd	Aug-24	$20.0 M	69,000	$290	Rainbow Capital
165-167 Hymus Blvd	Jul-24	$34.6 M	220,713	$157	KingSett Capital
Zorg Portfolio	Jun-24	$136.7 M	681,748	$200	Groupe Mach
6742, 6846 Jarry St E	May-24	$15.4 M	113,400	$135	Groupe Petra
Cansett Portfolio	Apr-24	$66.5 M	313,511	$212	Woodbourne/Epic
Groupe CRH Portfolio	Apr-24	$39.7 M	118,047	$336	Beton Provincial Ltee
Jacad Small-Bay Portfolio	Mar-24	$87.7 M	437,214	$200	Vista Properties

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
2655 Queensview Dr	Aug-24	$7.6 M	30,123	$252	Westrich Pacific Corp

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
1500 Birchmount Rd	Oct-24	$60.5 M	289,882	$209	TAS
6941 Kennedy Rd (50% int)	Sep-24	$89.6 M	710,711	$252	Crestpoint
1575 South Gateway Rd	Sep-24	$52.5 M	161,055	$326	Enticor Properties Inc
261 Abbotside Way	Sep-24	$48.6 M	138,617	$350	DH Management
8450 Boston Church Rd	Aug-24	$361.0 M	1,335,030	$270	Prologis Canada
31-33 Melford, 429 Tapscott	Aug-24	$34.7 M	165,620	$210	Melscott Inc
6360-6380 Vipond Dr	Jun-24	$27.2 M	96,790	$281	Dodson Lesmark
GWL Scarborough Portfolio	Jun-24	$60.1 M	186,898	$322	Kolt Investments
AIMCo Portfolio	Jun-24	$149.4 M	599,610	$249	Pure Industrial REIT
1049 Squires Beach Rd	May-24	$28.6 M	123,703	$231	Dan Hagler Investmts
Pure REIT Mississauga	May-24	$27.9 M	80,248	$348	Cosa-Nova
CanFirst Portfolio	May-24	$72.0 M	332,915	$216	Dream Industrial REIT
1000 Clark Blvd	May-24	$38.0 M	156,093	$243	Dream Industrial REIT
253 Summerlea Rd	Apr-24	$17.9 M	55,716	$321	Berkshire Axis
Quadreal McNicoll/Denison	Apr-24	$34.7 M	101,405	$342	Fax Real Estate
379 Orenda Rd	Mar-24	$16.6 M	114,000	$146	Lark Investments Inc
GTA East Portfolio	Feb-24	$71.8 M	313,067	$229	Dream Industrial REIT
190 Wilkinson Rd	Feb-24	$17.1 M	50,035	$341	Spring Town Bus Parks
6360-6380 Vipond Dr	Jan-24	$26.1 M	96,790	$270	Roshel
2385 Meadowpine Blvd	Jan-24	$44.6 M	130,239	$342	Brookfield Properties
240 South Blair St	Jan-24	$67.0 M	291,281	$230	Rainbow Capital

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
8616-8700 Venture Ave SE	Jun-24	$18.0 M	88,795	$203	York Realty Inc
292136 Crossiron Dr	Feb-24	$62.3 M	436,271	$143	Concert Properties

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Edmonton Portfolio	Mar-24	$52.0 M	445,505	$117	Anthem Properties
9404 39 Ave	Mar-24	$12.0 M	98,730	$122	York Realty

VANCOUVER

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
*15050 54A Ave	May-24	$93.3 M	315,128	$296	Bosa Properties
1302 Derwent Wy	Mar-24	$73.0 M	224,000	$326	Dayhu Investments Ltd
Eastlake Campus (50% int.)	Jan-24	$69.0 M	304,234	$454	Adera Group
21720 Fraserwood Wy	Jan-24	$63.0 M	137,620	$458	RCG Group

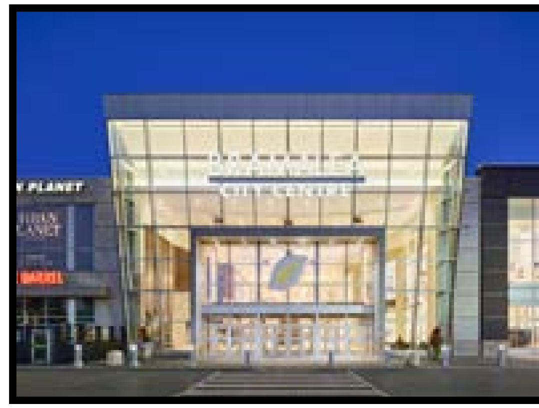
*share sale

Canada's industrial leasing market is expected to begin stabilizing in the second half of 2025, having softened over the recent past.

RETAIL OUTLOOK

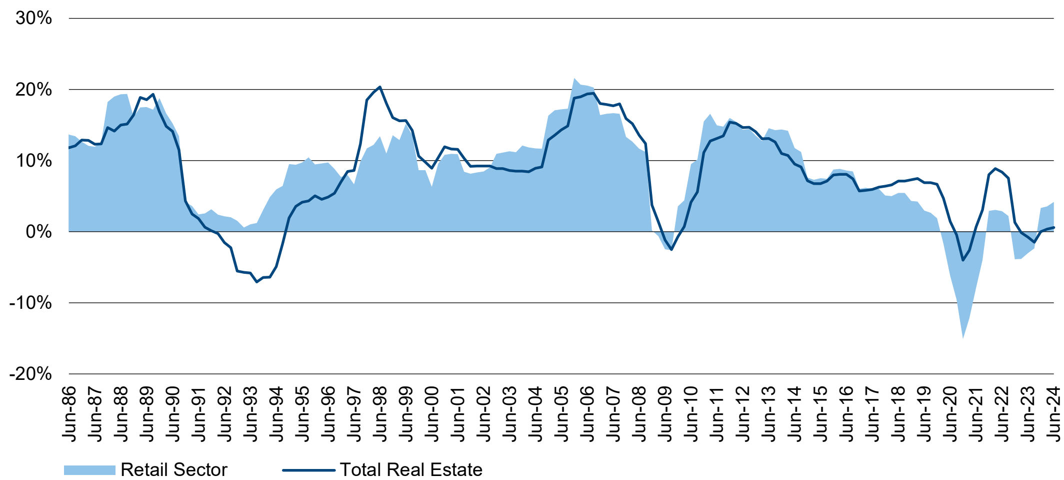
LEASING MARKET TIGHTENED

Canada's retail leasing market tightened over the recent past as high-quality available space became increasingly scarce. The tightening was more pronounced in the open-air market segment. Demand outpaced supply in the country's most productive shopping centres and strips. National and international retailers expanded their brick-and-mortar portfolios which included new retail offerings, concepts, and formats.



ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Retail Performance



Source: RCPI, © MSCI Real Estate

The availability of retail space dwindled during 2023 and the first half of 2024. The national vacancy rate stood at a relatively healthy 6.2% at the midway mark of 2024, down from 7.0% a year earlier. Vacancy levels were markedly higher in the downtown cores of most cities, where foot traffic remained below pre-pandemic levels. For the most part, retail leasing demand was strongest in the nation's suburban areas. Relatively few new retail developments have been completed recently, largely due to the high costs of financing, materials, and labour. Most of the newly built space was leased up relatively quickly. As market conditions tightened, asking rents for high-quality space increased. Landlords held the upper hand when negotiating rents and terms for premium-quality space in most regions. Space with in-place improvements was highly desirable given the high cost of capital. By the midpoint of 2024, leasing market conditions had tightened significantly.

INVESTMENT PERFORMANCE IMPROVED

Retail property investment performance significantly improved recently following a three-year period of uneven results. Properties included in the MSCI Index generated a moderately positive total return of 4.2% for the year ending June 30, 2024, which was entirely income driven. The income component performance strengthened slightly over the same period and more than offset a modest capital decline. Retail capital values have declined significantly since the onset of the pandemic. However, the downward valuation pressure eased in 2023 and early 2024 as market fundamentals improved substantially. As downward pressure on retail property values eased, investment performance improved significantly.

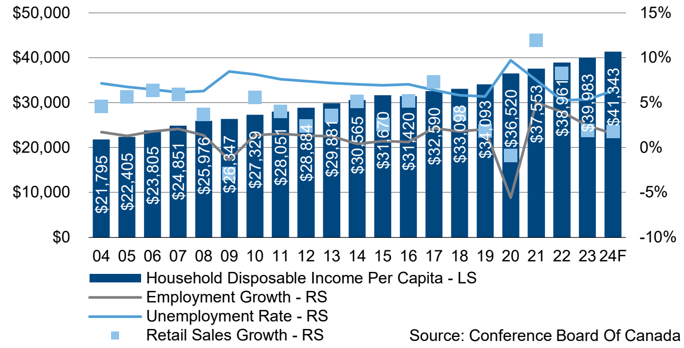
INVESTMENT SALES VOLUME TICKED UP

Retail investment property sales volume ticked up recently. More than $3.9 billion of investment transaction volume was reported for the first six months of 2024, which was 30.0% higher than the total for the same period a year earlier. Investors continued to target productive centres across the country in addition to centres and strips with tenants selling necessities. Institutional buyers remained relatively inactive. This group of buyers chose to wait to re-enter the market until the lending market conditions and valuations stabilize. Private capital continued to account for the largest share of retail investment sales activity over the recent past, a period during which investment sales volume ticked up.

More than $3.9 billion of investment transaction volume was reported for the first six months of 2024, which was 30.0% higher than the total for the same period a year earlier.

CONSUMER STRENGTH

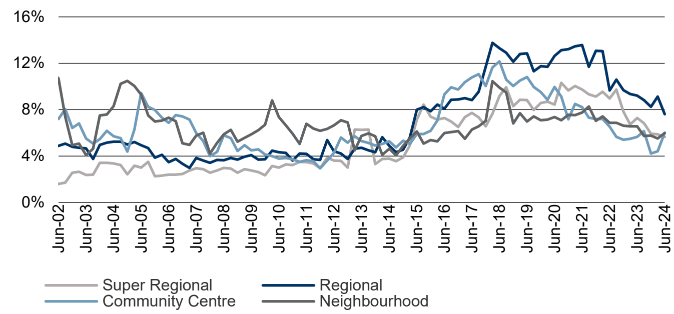
Measuring Canadian Purchasing Power



Source: Conference Board Of Canada

RETAIL VACANCY RATES

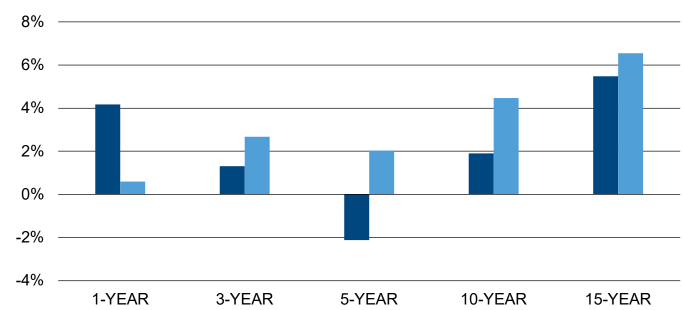
National Trending Across Property Types



Source: © MSCI Real Estate 2024

HISTORICAL PERFORMANCE

For the period ending June 2024



Source: © MSCI Real Estate 2024

INCREASED INVESTMENT MARKET ACTIVITY EXPECTED

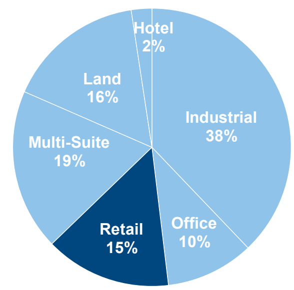
Increased investment market activity is expected in Canada's retail sector over the near term. Investment sales activity is expected to pick up in the second half of 2025, assuming interest rates continue to decline and the lending market stabilizes. Product availability will also factor into the forecast activity increase. Institutional groups will return to the market to source acquisitions that will meet their risk-adjusted return expectations. Private capital will remain relatively active, in line with the recent trend. Properties with strong performance track records and grocery-anchored centres and strips continue to generate interest along with new developments. In short, investment market activity is expected to increase in the retail sector over the near term.

LEASING MARKET STABILIZATION FORECAST

Canada's retail leasing market is expected to stabilize over the near term. A balanced demand supply market dynamic is predicted for 2025 as demand eases. Vacancy will level off across much of the country, having fallen between the midway mark of 2023 and 2024. Leasing demand patterns are expected to soften over the near term as retailers hold off on expansions while interest rates and inflation remain elevated. At the same time, consumer spending is expected to slow over the balance of 2024 and in early 2025, which will erode retailer revenues and confidence. In short, Canada's retail leasing market is expected to stabilize over the near term.

TOTAL SALES BY PRODUCT

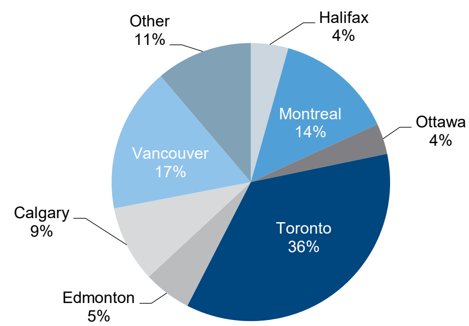
18 Months To June 2024



Source: CBRE Limited

RETAIL SALES BY CMA

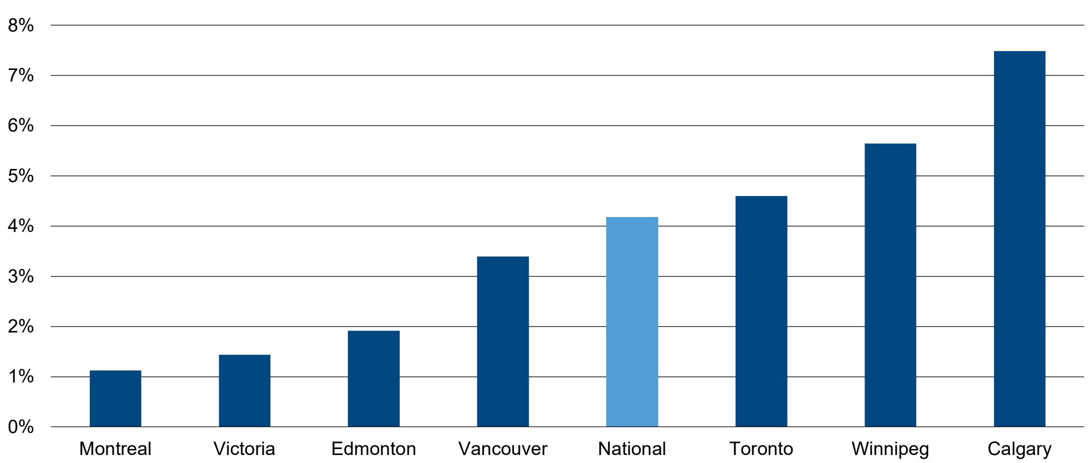
18 Months To June 2024



Source: CBRE Limited

RETAIL TOTAL RETURNS

For The 1-Year Period Ending June 2024



Source: © MSCI Real Estate 2024

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Centre Commercial Forest	Nov-24	$15.0 M	116,824	$128	HS Properties Inc
CF Carrefour Laval (50% int.)	Aug-24	$553.2 M	1,242,990	$890	Cadillac Fairview
Promenade de Montarville	Aug-24	$23.6 M	155,000	$152	United Properties
Carrefour de la Seigneurie	Apr-24	$20.7 M	79,855	$259	Salthill Capital
Plaza Boisbriand	Feb-24	$8.6 M	38,455	$224	Harden

OTTAWA

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Richmond Village Marketpl.	Nov-24	$20.3 M	67,046	$302	Salthill Capital
Carlingwood Shopping Ctr	May-24	$73.5 M	632,700	$116	Streamliner/Anthem

TORONTO

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Van Mills Ctr	Oct-24	$34.5 M	45,299	$762	1900 Drive Holdings
10 Neighbourhood La	Oct-24	$14.0 M	31,826	$440	Supertrin Commercial
7666-7690 Yonge St	Sep-24	$14.0 M	25,400	$551	Private
2955-2965 Hazelton Pl	Aug-24	$8.2 M	9,461	$861	INOX Industries
701 Rossland Rd E	Jun-24	$13.7 M	47,098	$291	Private
1542 Jane St	Jun-24	$6.2 M	5,409	$1,146	Fiallo Holdings Corp.
257-319 Kingston Rd E	May-24	$25.6 M	70,980	$360	Novista Holdings Inc
16925 Yonge St	May-24	$21.5 M	42,000	$512	Private
1224 Dundas St E	May-24	$55.3 M	203,192	$272	Soneil Investments
4002 Trafalgar Rd	May-24	$5.4 M	26,000	$208	Melrose Investments
Yonge Davis Ctr	Mar-24	$31.0 M	52,600	$590	Arkfield
Georgetown Market Place	Mar-24	$64.5 M	339,846	$190	Private
Oak Ridges Plaza	Feb-24	$10.4 M	20,990	$495	13025 Investments Inc
Lawrence Plaza (50% int.)	Jan-24	$100.0 M	270,724	$739	RioCan REIT

CALGARY

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Shaganappi Plaza	Aug-24	$6.0 M	14,463	$414	Macro Realty and Mgt.
Chaparral Shopping Ctr	Jun-24	$10.3 M	15,812	$651	Saigon Pharmacy
3333 Sunridge Way NE	Jun-24	$13.3 M	52,830	$252	SRT Management Ltd
Louson Investments Portf.	Jun-24	$10.0 M	11,050	$905	Triovest
Royal Oak Park/Royal Oak Pl	Jun-24	$79.0 M	146,252	$540	Salthill Capital
Heritage Towne Ctr	May-24	$37.5 M	133,767	$280	Arlington Realty
140-150 Crowfoot Cres NW	May-24	$34.7 M	51,058	$679	Walia Group of Comp
100 Ranch Market	May-24	$25.1 M	97,126	$258	Ranch Market Plaza
10 Copperpond Passage NE	Apr-24	$6.3 M	8,600	$727	10 Copper Pond Ltd
Seton Gateway (50% int.)	Jan-24	$33.5 M	127,921	$523	First Capital
The Quarry	Jan-24	$138.7 M	374,643	$370	Rosedale Developmts.

EDMONTON

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
Klarvatten Plaza	Mar-24	$7.7 M	34,948	$219	Klarvatten Ventures
Blue Quill Ctr	Mar-24	$8.6 M	30,405	$283	Private
7508 Gateway Blvd	Feb-24	$6.2 M	16,445	$377	Zinq Ventures Inc.
Crossroads Shopping Ctr	Feb-24	$13.4 M	27,040	$496	Elite Real Estate Group

VANCOUVER

PROPERTY	DATE	PRICE	SF	PSF	PURCHASER
6899 King George Blvd	Jun-24	$40.0 M	23,123	$1,730	Private
2705-2709 Granville St	Jun-24	$9.7 M	5,927	$1,637	Granvillerich Holdings
7560 Vedder Rd	Jun-24	$19.0 M	65,000	$292	JCR Properties

Investment sales activity is expected to pick up in the second half of 2025, assuming interest rates continue to decline and the lending market stabilizes.

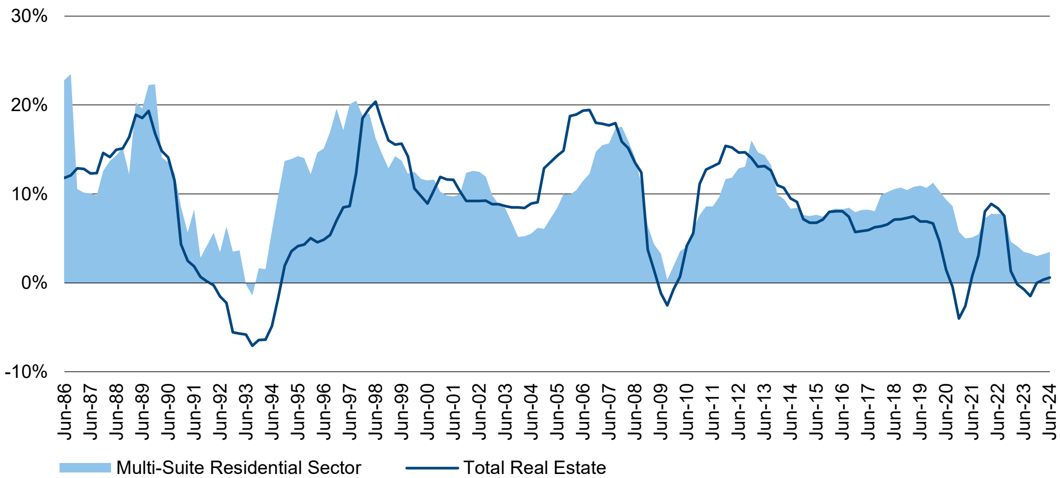
MULTI-SUITE RESIDENTIAL OUTLOOK

RENT GROWTH DECELERATED

Rent growth in Canada's multi-suite residential rental market decelerated recently following the robust gains of the past few years. The average asking monthly rent for the nation's top 35 markets rose by a modest 6.2% year-over-year, as of August 2024. The increase was the smallest dating back more than two years. Growth of 8.9%, 11.0%, and 13.7% was posted for July, June, and May respectively, according to a Rentals.ca report.

ANNUALIZED RETURNS

Rolling 1-Year RCPI/MSCI Multi-Suite Performance



Source: RCPI, © MSCI Real Estate

The rent growth deceleration was attributed to three main factors. First, new multi-suite residential rental property construction completions climbed to a multi-decade high in 2024. Second, rental demand softened significantly with the unfolding of a population growth slowdown during the spring and summer of 2024. Third, job growth activity also slowed, resulting in a marked reduction in family formation activity. As rental demand patterns softened, downward vacancy pressure eased. While market conditions remained tight, available options for tenants looking to relocate or enter the market increased. In addition, available options in the secondary condominium rental market also increased. However, tenant turnover rates in both the primary and secondary rental markets remained low. In addition, rents continued to rest at or near record high levels in all unit-size categories despite the rent growth deceleration of the recent past.

INVESTMENT PERFORMANCE STEADIED

Multi-suite residential rental property investment performance steadied over the recent past. Properties included in the MSCI Index registered a total average return of 3.5% for the year ending June 30, 2024. The moderately positive return matched the result posted for the previous year. The most recent performance was entirely income driven. The capital component performance was effectively zero over the same period. Property values in the broader multi-suite residential rental property market stabilized during the first half of 2024, following a relatively brief and modest decline in the latter half of 2023. As values stabilized, multi-suite residential rental property investment performance steadied.

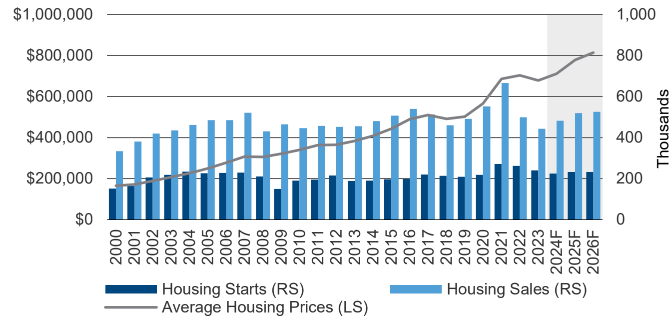
INVESTOR SENTIMENT REMAINED POSITIVE

Investor sentiment regarding multi-suite residential rental property acquisitions remained positive over the recent past, consistent with the trend of the past few years. The positive sentiment was evidenced in recent transaction volume data. Transaction volume of just over $5.4 billion was reported by CBRE for the first six months of 2024, up 36.7% from the same period a year earlier. Transaction volume was limited largely by property availability. In a few instances, properties were taken off the market when vendors were unable to achieve their pricing objectives. Investors scoured the country's large urban centres for acquisition opportunities. High-rise concrete and newly built properties generated strong interest. Private capital targeted properties with value-add attributes and rental rate upside over the recent past, a period during which investor sentiment remained positive.

Transaction volume of just over $5.4 billion was reported by CBRE for the first six months of 2024, up 36.7% from the same period a year earlier.

CANADIAN HOUSING MARKET

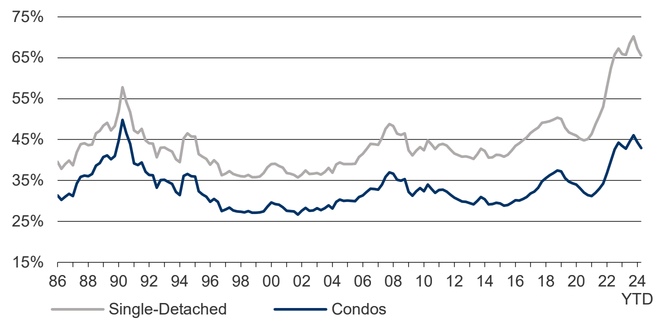
Pricing Vs. Demand



Source: Conference Board Of Canada, CREA, CMHC

AFFORDABILITY INDICATOR

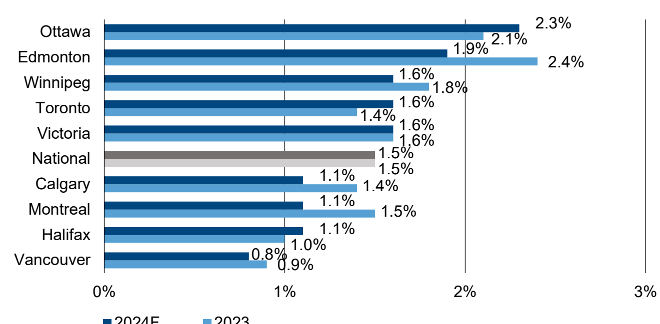
% Of Income To Service Home Ownership Costs



Source: RBC Economics - RBC Housing Affordability Measure

CMA'S RENTAL VACANCY

Rates for Structures of 3 units+



Source: CMHC, HMO Spring 2024

INVESTMENT DEMAND WILL EXCEED SUPPLY

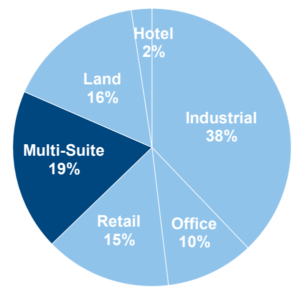
Demand for multi-suite residential rental investment property will continue to exceed supply over the near term. Investors will continue to look for acquisition opportunities in a sector that can generate attractive yields with a healthy long term fundamental outlook and a history of positive investment performance. Low cost CMHC financing will support the rationale for investing in this property type. Concrete high-rise towers and newly built mid and low-rise properties will generate interest from a range of investment groups. Transaction volume will depend largely on individual asset and portfolio availability. Asset pricing is expected to continue aligning with market fundamentals, which will help drive sales activity. On aggregate, investment demand will exceed supply.

INCREASED RENTAL MARKET BALANCE FORECAST

Increased multi-suite residential rental market balance is forecast over the near term. Rental market demand is expected to slow modestly in 2025 due to weaker job and population growth patterns and lower federal government permanent resident targets. Vacancy will rise slightly as demand eases and new supply completions reach a record high dating back several decades. Rent growth is expected to continue to moderate over the near term, a trend that began in the summer of 2024. In summary, multi-suite residential rental market conditions will be somewhat more balanced over the near term.

TOTAL SALES BY PRODUCT

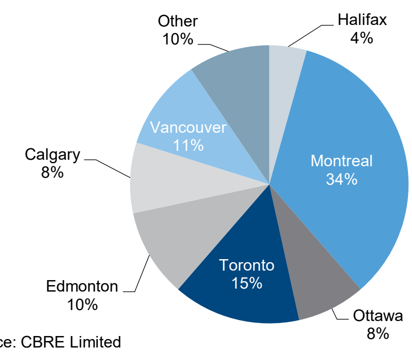
18 Months To June 2024



Source: CBRE Limited

MULTI-SUITE SALES BY CMA

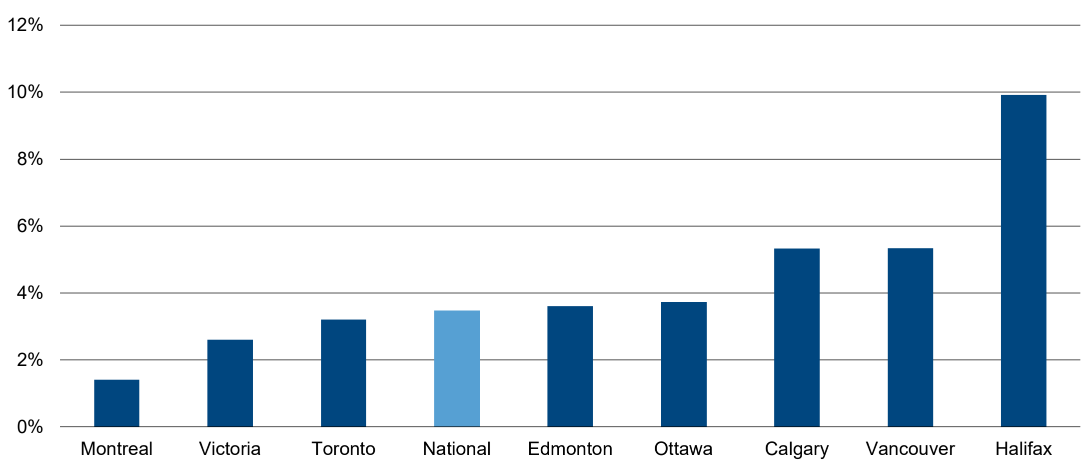
18 Months To June 2024



Source: CBRE Limited

MULTI-SUITE TOTAL RETURNS

For The 1-Year Period Ending June 2024



Source: © MSCI Real Estate 2024

INVESTMENT MARKET TRANSACTIONS

MONTREAL

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
Delmar-Heane Portfolio	Sep-24	$25.6 M	148	$172,635	Ziemia Capital
Canvar Group Portfolio	Aug-24	$102.1 M	317	$322,121	Fitzrovia
33 Brunswick Blvd	Aug-24	$20.0 M	116	$172,414	KJ Realties Inc
445 Sicard St	Aug-24	$36.6 M	106	$345,157	Skyline Group
640 de la Cote-Vertu Blvd	Jun-24	$24.2 M	88	$275,000	Catera Properties Inc
220-260 Bishop-Power Blvd	Jun-24	$25.3 M	158	$159,810	Apex Properties Inc
2700 Rufus-Rockhead St	May-24	$93.6 M	193	$484,776	Akelius
3645 Sherbrooke St E	Feb-24	$15.0 M	96	$154,688	Entourage

OTTAWA

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
91 Valley Stream Dr	Aug-24	$45.0 M	136	$330,882	Homestead
Nuovo 514-532 Rochester St	Jul-24	$78.5 M	144	$545,139	CAPREIT
525, 545, 555 Recolte Private	Jul-24	$21.0 M	54	$388,889	CAPREIT
330 Metcalfe/173 Cooper St	Jun-24	$48.0 M	241	$199,170	CLV Group

TORONTO

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
1475 Whites Rd	Nov-24	$127.1 M	227	$559,917	Starlight/BGO
75-77 Huron Heights Dr	Oct-24	$33.5 M	110	$304,091	Lankin Investments
120 Torresdale/300 Antibes	Sep-24	$216.3 M	618	$350,000	Starlight Investments
Blackstone/Starlight Portfolio	Sep-24	$130.2 M	346	$376,301	Equiton
6509 Glen Erin Dr	Sep-24	$79.5 M	326	$243,865	Minto Group
Greenrock Portfolio	Sep-24	$437.2 M	1,188	$368,000	Brookfield Properties
Kelvingrove/Glen Leven	Jun-24	$38.3 M	116	$329,741	Paradise Develpmts
1640 Lawrence Ave W	Jun-24	$25.9 M	94	$275,319	Lankin Investments
71 Parkwoods Village Dr	Apr-24	$22.3 M	81	$274,691	Pulis Investments
2000, 2012 Sheppard Ave W	Apr-24	$101.0 M	320	$315,625	QMW
41 River St	Feb-24	$26.2 M	29	$903,448	Roland Real Estate
25 Lorne Ave	Feb-24	$16.8 M	67	$250,000	Lankin Investments
3385 Dundas St W	Jan-24	$88.0 M	131	$671,756	Realstar Group

CALGARY

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
All Investments Ltd Portfolio	Jun-24	$45.0 M	199	$226,121	Avenue Living
505 4th St SE	Jun-24	$88.4 M	190	$465,263	Manulife Financial
909 7th Ave SW	May-24	$50.0 M	219	$228,311	SureFire Properties
905 13 St SE	May-24	$16.6 M	59	$280,508	Avala Equities
10 Frobisher Blvd SE	May-24	$31.0 M	150	$206,667	Avenue Living
1302, 1310 14 Ave SW	Feb-24	$48.3 M	179	$269,553	Globe Capital Mgt.
Underwood Apts (50% int.)	Jan-24	$52.9 M	225	$470,000	RioCan REIT
The Level at Seton Circle	Jan-24	$77.8 M	295	$263,559	Boardwalk REIT

EDMONTON

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
6201 MacEwan Blvd	Aug-24	$54.1 M	262	$206,393	Northland Properties
9922 111 St	Jul-24	$79.3 M	179	$443,203	CAPREIT
10205 100 Ave	May-24	$51.0 M	328	$155,488	Leston James Financial
9915, 9939 115 St NW	Apr-24	$43.0 M	204	$210,784	Har-Par Investments
9660 229 St	Jan-24	$45.3 M	199	$227,387	Boulevard Equities

VANCOUVER

PROPERTY	DATE	PRICE	SUITES	PER SUITE	PURCHASER
*1754, 1770 Pendrell St	Aug-24	$137.0 M	173	$791,908	CAPREIT
2590 Lonsdale Ave	Aug-24	$42.2 M	64	$659,375	CAPREIT
10020 Dunoon Dr	Mar-24	$30.0 M	68	$441,176	Union Allied Capital

*share sale

Asset pricing is expected to continue to align with market fundamentals, which help drive sales activity.

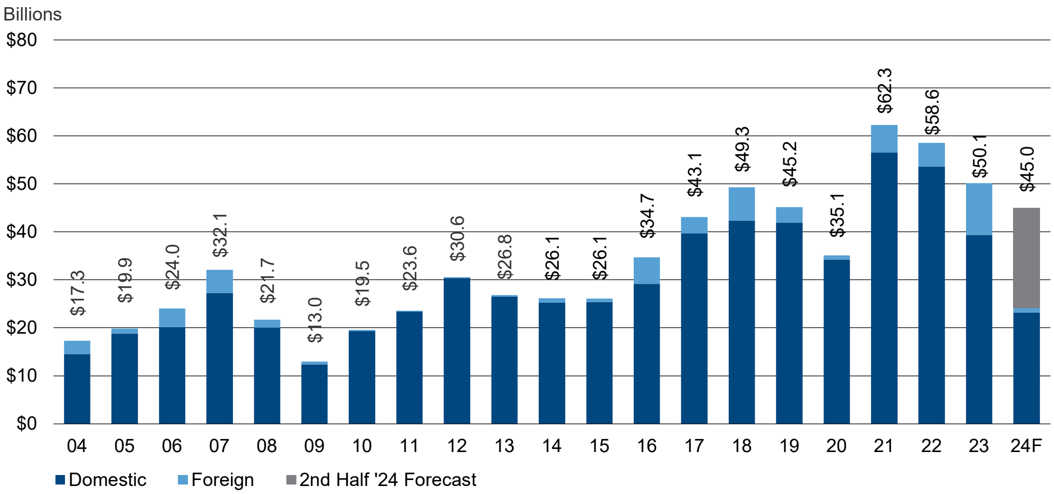
INVESTMENT OUTLOOK

INVESTOR CONFIDENCE INCREASED

Confidence in Canada's commercial real estate investment market increased over the recent past. The increase was due in large part to the start of a much-anticipated interest rate-cutting cycle in June of 2024. The BofC implemented three consecutive 25-bps rate cuts in June, July, and September. Confidence in Canada's commercial real estate market will continue to gradually rise over the near term, resulting in an increase in sales activity.

INVESTMENT ACTIVITY

Total Investment Volume



Source: CBRE Limited; Morguard

As investor confidence increased, sales of Canadian commercial real estate continued at a relatively healthy pace. Private capital remained the most active of purchaser groups while institutional buyers were relatively inactive. Industrial and multi-suite residential rental properties generated strong interest. Buyers were more selective when targeting retail acquisitions. Confidence in the office sector remained low as the leasing market downturn continued. Government incentives fueled the sale of several office properties in Calgary for conversion to residential. Investment performance continued to underwhelm. Properties included in the MSCI Index eked out a 0.6% total return for the year ending June 30, 2024, which was entirely income driven. Commercial property values continued to fluctuate, although signs of stabilization were observed. In short, investor confidence increased over the recent past, a trend that is expected to persist over the near term.

INVESTMENT CAPITAL FLOW EXCEEDED THE LONG-TERM AVERAGE

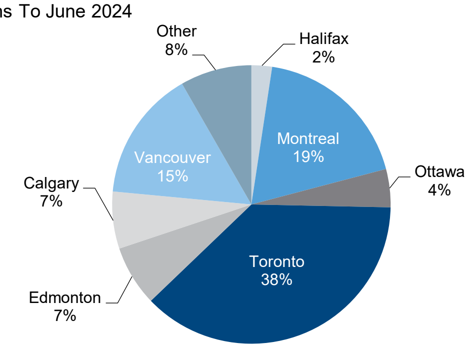
The flow of investment capital into the Canadian real estate market exceeded the decade average recently. A total of $23.2 billion of investment capital flowed into the Canadian real estate market in the first half of 2024 following the $50.1 billion in 2023, according to CBRE figures. Transaction volume averaged $40.7 billion over the previous decade and $32.5 billion over the decade preceding the pandemic. Investors continued to exhibit confidence in the Canadian commercial real estate market. Private capital groups accounted for the largest share of transaction volume during 2023 and the first half of 2024. Institutional groups remained on the sidelines awaiting lending market stabilization. Institutional groups continued to allocate investment funds to European and U.S. markets. In Canada, the multi-suite residential rental and industrial property types were most popular with a range of investment groups. High rise concrete and recently built multi-residential rental properties and warehouse and logistics facilities were highly sought-after. Properties with income-upside were also frequently targeted acquisitions. Interest in retail acquisitions increased, as market fundamentals improved. Investment activity in the office sector remained muted given an uncertain performance outlook. On aggregate, the flow of investment capital into Canada's commercial real estate market recently exceeded the long-term average.

PERFORMANCE WEAKNESS CONTINUED

Canada's commercial real estate investment performance weakness of the recent past continued over the near term. Standing investment properties included in the MSCI Index posted a total average return of 0.6% for the year ending June 30, 2024, which was entirely income driven. Capital values exhibited signs of stabilization during the same period, consistent with the broader real estate market trend. The retail and multi-suite residential rental property types outperformed with returns of 4.2% and 3.5%, respectively. The office and industrial property types underperformed, as capital erosion more than offset stable and positive income performance. Industrial property began to level off while office property valuations continued to steadily decline. A cumulative capital decline of just over 4.0% was recorded for properties included in the index. In summary, investment performance in Canada's real estate market investment performance remained relatively weak over the recent past, consistent with the recent trend.

NATIONAL SALES BY CMA

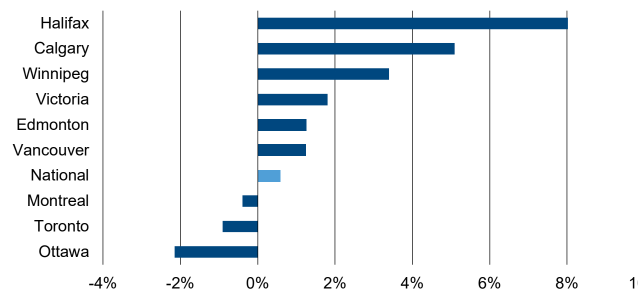
18 Months To June 2024



Source: CBRE Limited

ALL PROPERTY TOTAL RETURNS

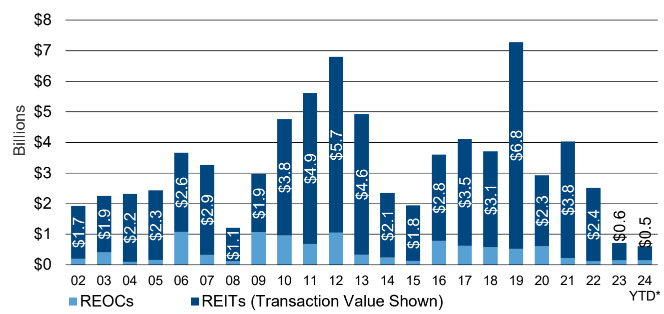
For The 1-Year Period Ending June 2024



Source: © MSCI Real Estate 2024

REIT CAPITAL ACTIVITY

Public Equity Issuance

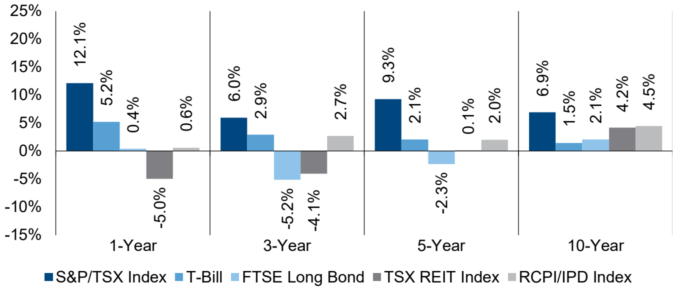


*To October 2024

Source: RBC Capital Markets

RELATIVE PERFORMANCE

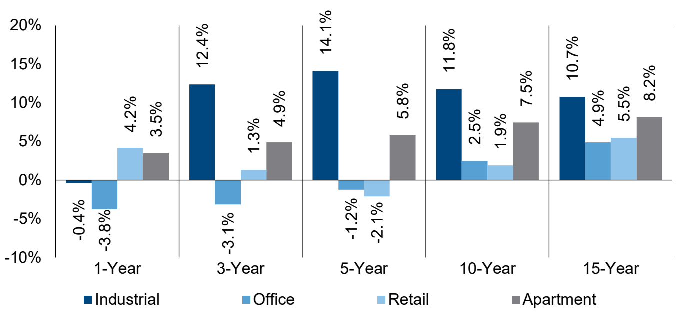
Comparing Annualized Returns To June 2024



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

MSCI RETURNS

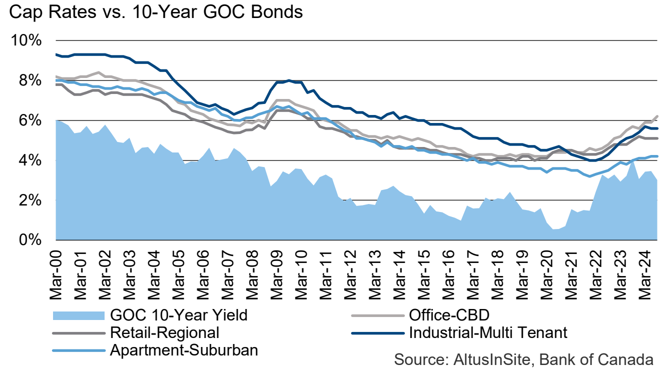
Annualized Returns By Property Type To June 2024



Source: © MSCI Real Estate 2024

YIELD SPREADS

Cap Rates vs. 10-Year GOC Bonds



Source: AltusInSite, Bank of Canada

INVESTMENT MARKET ACTIVITY INCREASE EXPECTED

Investment market activity is expected to increase over the near term. Investor confidence will gradually rise in 2025, due largely to economic and lending market stabilization. As confidence continues to build, sales of Canadian commercial investment real estate will increase. Institutional groups will return to the market in search of investment opportunities that meet their risk-adjusted return requirements. Simultaneously, investors will adjust their real estate portfolio weightings, resulting in increased market liquidity. Private capital groups will continue to account for a significant portion of investment sales activity. As institutions become more active, the bidding environment will become more competitive. As a result, property values are expected to continue to stabilize and subsequently rise. Capitalization rates will eventually begin to compress. We may see a sharp increase in large single asset and portfolio investment offerings as the year progresses, which will support a healthier capital flow trend. In summary, Canadian commercial real estate investment sales activity is expected to increase over the near term.

INVESTMENT PERFORMANCE WILL CONTINUE TO STRENGTHEN

Canadian commercial real estate investment performance will continue to strengthen over the near term, with the unfolding of a modest market recovery. Lending market conditions are expected to stabilize, along with the economic outlook. In turn, investor confidence and market activity are expected to increase at some point in 2025. Property values will stabilize and eventually rise as real estate market risk eases. Office property values are expected to take longer to stabilize as the sector undergoes significant structural changes due to the ongoing popularity of various work-from-home workplace strategies. Industrial and multi-suite residential rental values are expected to edge higher in 2025, driven by continued rent growth and a healthy, long-term performance outlook. Retail values will also slowly stabilize, although further downward valuation pressure is expected for properties with riskier profiles. Downtown properties in most Canadian cities will continue to underperform barring a stronger-than-expected rise in foot traffic. Population growth boost performance for specific property types, including retail and multi-suite residential rental, which is consistent with the recent trend. In conclusion, Canadian commercial real estate investment performance is expected to strengthen over the near term.

METROPOLITAN ECONOMIC & REAL ESTATE OUTLOOK

HALIFAX / 27

MONTREAL / 33

OTTAWA / 39

TORONTO / 45

WINNIPEG / 51

REGINA / 57

SASKATOON / 60

CALGARY / 63

EDMONTON / 69

VANCOUVER / 75

VICTORIA / 81

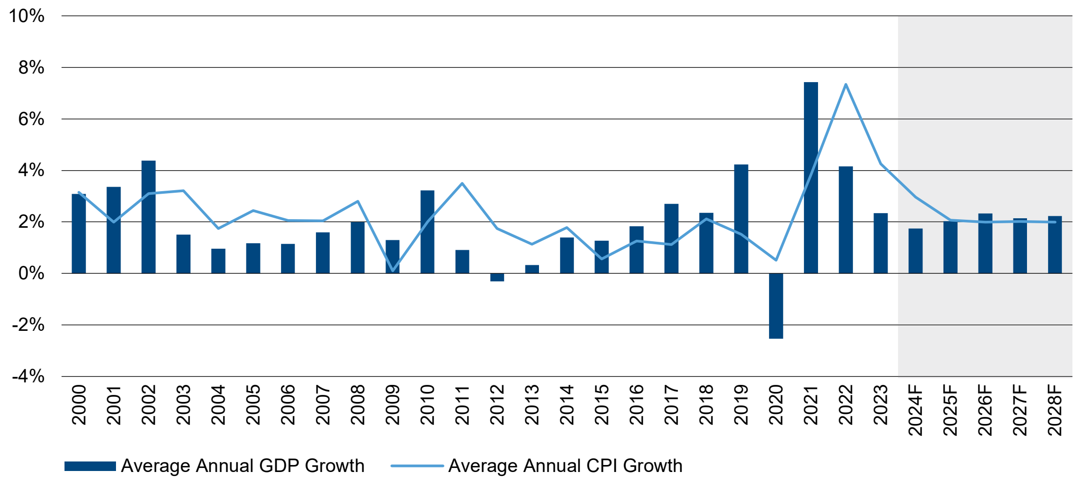
HALIFAX, NS

ECONOMIC SNAPSHOT

The Halifax Census Metropolitan Area's (CMA) economic growth trend is expected to strengthen in 2025 following a projected 1.4% annualized gain in 2024. Growth slowed substantially in the second half of 2023 following a two-year period of strong performance. Halifax CMA employment is expected to increase by just 0.5% in 2025, down from a forecast 2.2% rise in 2024 and a markedly stronger 4.4% gain in 2023.

ECONOMIC GROWTH

Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

EMPLOYMENT GROWTH TO MODERATE

Employment growth in the Halifax CMA is expected to moderate in 2025, continuing a trend that began in the second half of 2023. The Conference Board of Canada forecasted employment growth of 2.2% in 2024 and 0.4% in 2025. CMA employment increased by 4.4% in 2023, due in large part to a robust economic growth trend. Demand for manufactured goods is expected to weaken significantly in 2024. As a result, manufacturing employment is projected to decline by 4.6%. Wholesale and retail trade employment is expected to fall by an average of 4.0% in 2024/2025. The Halifax CMA's unemployment rate will stabilize in 2024 and subsequently rise by 20 bps to a relatively healthy 5.8% in 2025. In short, the Halifax CMA's economic and employment growth trends are expected to strengthen in 2026, having moderated during 2024/2025.

STABLE RETAIL SALES GROWTH PATTERN FORECAST

A stable retail sales growth pattern is forecast for the Halifax CMA over the near term. Annual retail sales growth of 3.5% in 2024 and 3.1% in 2025 is predicated. Several factors will contribute to the Halifax CMA's positive retail sales growth pattern. Lower inflation rates and borrowing costs are expected to support increased retail spending volume during the same two-year period. The CMA's forecasted economic and job market strengthening will also support increased discretionary spending. Continued upward pressure on wages will increase the spending power of Halifax CMA residents. Population growth will help drive spending volume higher, in line with the recent trend. Population growth will continue to boost spending. In short, a stable retail sales growth trend is forecast for the Halifax CMA over the near term.

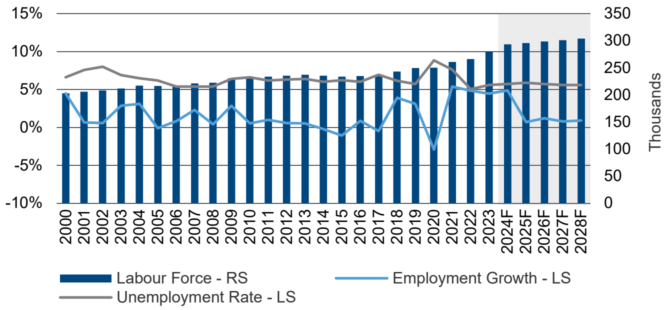
HOUSING DEMAND TO REMAIN ELEVATED

Halifax CMA housing market demand is expected to remain elevated over the near term. Population growth will continue to be a primary driver of increased housing market demand over the next few years. International migration is expected to contribute significantly to the region's population growth trend in 2025/2026. Housing starts will peak in 2024 and subsequently exceed the historical average over the medium term because of the elevated housing market demand trend. Roughly 5,400 housing starts are forecast for 2024 followed by 4,300 units in 2025. The CBOC predicted a rise in construction sector output of 1.4% in 2024 driven largely by an increase in residential investment. In summary, housing market demand is expected to remain elevated over the near term.

Population growth will continue to be a primary driver of increased housing market demand over the next few years.

LABOUR MARKET

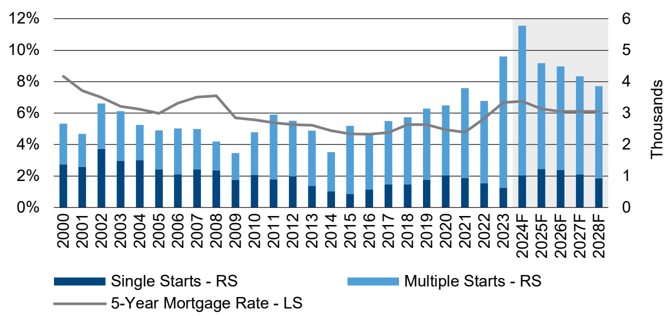
Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

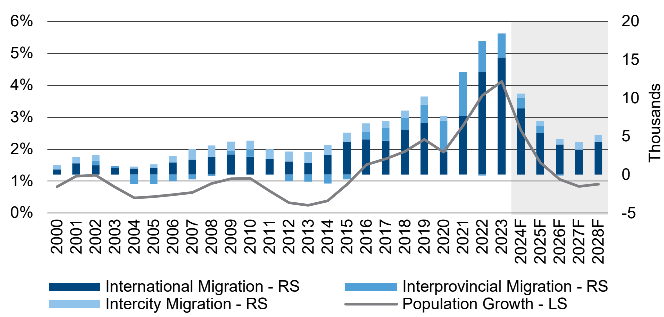
Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET STABILIZATION EXPECTED

There is little change expected in Halifax CMA office leasing market conditions over the near term. The market's average vacancy rate will continue to range in the low-to-mid teens through to early 2025. Vacancy rested within a relatively narrow range of between 13.6% and 14.8% in 2023 and the first half of 2024. Vacancy stood at 13.6% as of the midway mark of 2024, as reported by CBRE. Class B and C vacancy will remain elevated while tenants continue to focus on securing space in high-quality, amenity-rich space. More broadly, office leasing demand characteristics will mirror those observed over the recent past over the near term. Relatively few expansions will take place as tenants look to reduce premises costs during a period of relatively weak economic performance. Some will downsize or right-size given employee preferences for hybrid workplace formats. Shorter-term renewals and extensions will continue to account for a large share of leasing activity as tenants continue to assess their long-term business plans. Owners of class B and C buildings will continue to face the ongoing challenge of excess vacancy and increased competition levels. Asking rents in this market will be largely flat while activity levels remain below the pre-pandemic average. In short, office leasing conditions in the Halifax CMA are expected to stabilize over the near term.

ELEVATED CAUTION LEVELS WILL BE EXERCISED

Investors will continue to exercise an elevated degree of caution when assessing acquisition opportunities in this market over the near term. Buyers will seek pricing on acquisitions in this market that will offset relatively high borrowing costs and above-average office market risk. Halifax CMA office market risk increased substantially in the aftermath of the pandemic. Demand for leased space slowed across the country over the past few years and vacancy levels increased to a cycle high with the increased popularity of hybrid and remote work. As market risk increased, buyers have focused primarily on low-risk properties with stable tenant rosters. Investors will continue to focus on stabilized, high-quality assets over the near term. Properties with public sector tenants will continue to generate strong interest. However, properties with riskier profiles will remain less attractive to buyers. Modest downward pressure on property values reported over the past year may persist over the near term, barring a significant improvement in sector fundamentals. In short, investors will continue to exercise an elevated level of caution regarding acquisitions in this market over the near term.

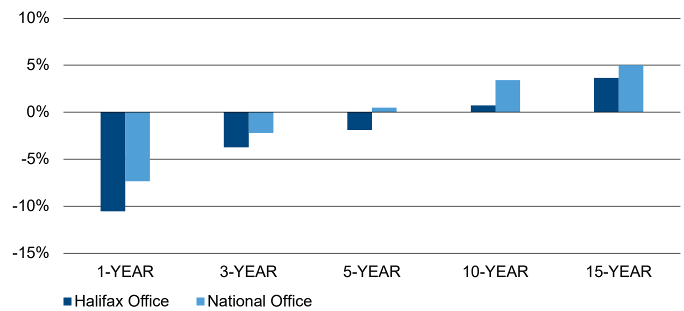
TRENDING STATISTICS

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 2023*

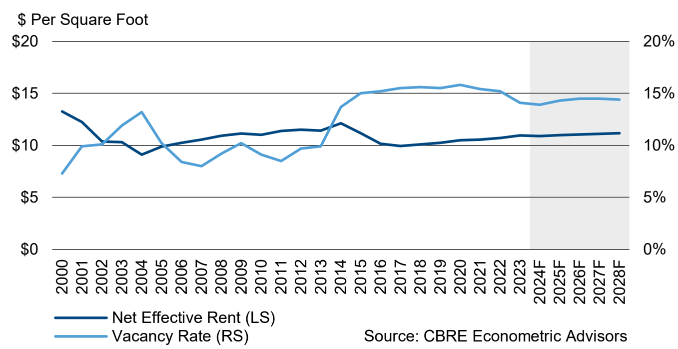


*Current data unavailable

Source: © MSCI Real Estate 2024

OFFICE RENT & VACANCY

Halifax Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Class B and C vacancy will remain elevated while tenants focus on securing space in high-quality towers that are amenity rich.

LEASING MARKET OUTLOOK IS GENERALLY POSITIVE

The near-term GHA industrial leasing property market outlook is generally positive following the peak performance pattern of 2022 and much of 2023. Businesses will continue to exhibit interest in leasing state-of-the-art warehouse and logistics space when looking to expand or relocate. The region's warehouse, storage, and logistics companies will continue to account for most of the leasing activity in this market over the near term, consistent with the trend of the past few years. New supply will more than meet the demand for high-quality space for the foreseeable future. Approximately 640,000 square feet of new supply was under construction as of the midway mark of 2024, most of which was in the Bayer's Lake submarket. Lease rates are expected to continue to rise at a moderate pace despite increased availability. Increasingly, landlords will offer incentives to prospective tenants to maintain face rents. Leasing market conditions are expected to remain relatively tight over the balance of this year and in 2025, despite a forecast rising availability trend. The supply of state-of-the-art space will remain somewhat limited. New supply starts slowed in the first half of 2024, a trend that will persist over the near term. On balance, the GHA leasing market outlook is largely positive.

BULLISH INVESTOR SENTIMENT TO PREVAIL

The GHA industrial property sector's bullish investor sentiment of the past few years will persist over the near term. A range of local and national groups will look to acquire properties in a market with an attractive risk-adjusted return profile. Buyers will continue to focus on acquisitions with rent-growth potential. In general, properties made available for acquisition will be well-received given the industrial sector's healthy performance outlook. Investment returns are expected to hold firmly within a healthy range over the near term, continuing the trend of the past few years. GHA industrial properties contained in the MSCI Index generated a 14.1% total return for the year ending June 30, 2024. Investment returns are expected to remain attractive over the near term given a solid fundamental outlook. The GHA's industrial property sector's historic investment performance track record will add to the rationale for investment in this market and sector. Recently constructed buildings with warehouse and logistics tenants in place will continue to attract buyers. However, transaction volume will rest below the long-term average while borrowing costs remain high. In short, investor sentiment regarding GHA industrial property acquisitions will remain bullish over the near term.

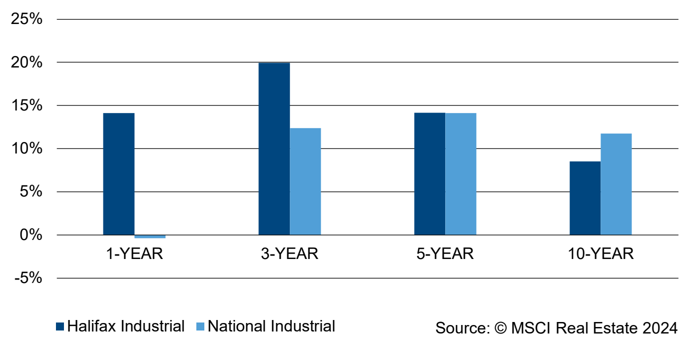
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
AVAILABILITY 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

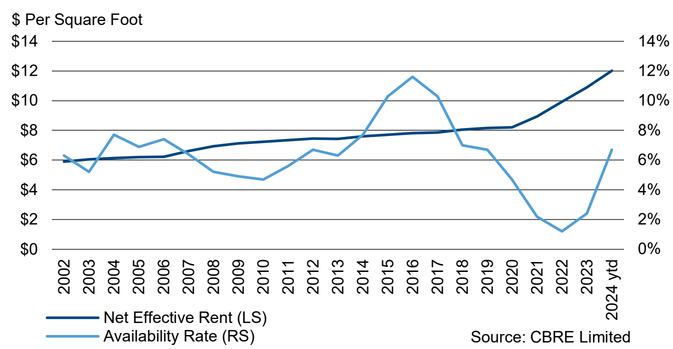
For the period ending June 2024



Source: © MSCI Real Estate 2024

INDUSTRIAL RENT & AVAILABILITY

Halifax Historical Aggregates



Source: CBRE Limited

Approximately 640,000 square feet of space was under construction as of the midway mark of 2024.

MODERATELY POSITIVE LEASING TRENDS FORECAST

Moderately positive GHA retail leasing market trends are forecast over the near term, in line with the recent trend. Leasing demand will outstrip supply as retail store operators look to expand in a region that has seen its population expand rapidly over the past year. In the past year, several well-known retailers have expanded or entered this market. La Maison Simons opened its 17th store spanning 56,000 square feet at Mic Mac Mall in the spring of 2024. Winners and Steve Madden also opened new stores at Mic Mac Mall at roughly the same time while various food services and quick-service restaurant operators have recently set up shop in this market. Modest downward vacancy pressure is forecast over the near term as demand continues to outpace supply. The GHA market average vacancy rate will fall gradually from the 9.1% reported at the beginning of 2024. Vacancy edged progressively lower in the second half of 2023 and early 2024, having peaked in the double-digit range in 2022 and early 2023. Regional centre vacancy will remain elevated over the near term. Power centre and neighbourhood/community centre leasing market conditions will remain relatively tight. In conclusion, moderately positive leasing market trends are forecast for the GHA's retail property sector over the near term.

UNEVEN DEMAND CHARACTERISTICS FORECAST

Uneven investment demand characteristics are forecast for the GHA's retail property sector over the near term, consistent with the trend of the past few years. The region's most productive centres will be highly sought-after and sell with relative ease. Properties with grocery store anchors and other tenants selling necessities will attract interest. However, the availability of properties with these attributes will be limited. Properties with untapped density will draw buyers, particularly those with intimate local market knowledge and private funding sources. Private capital groups will continue to target properties that can be repositioned or redeveloped. The retail components of recently built condominium towers which will be popular acquisition targets. Conversely, properties with riskier profiles will appeal to a relatively small group of buyers. Investors will cite the GHA's moderately positive near-term economic outlook and population growth forecast to rationalize acquisitions in this region. Property values will be relatively stable over the near term. Overall, uneven demand characteristics are forecast in the retail investment property market over the near term.

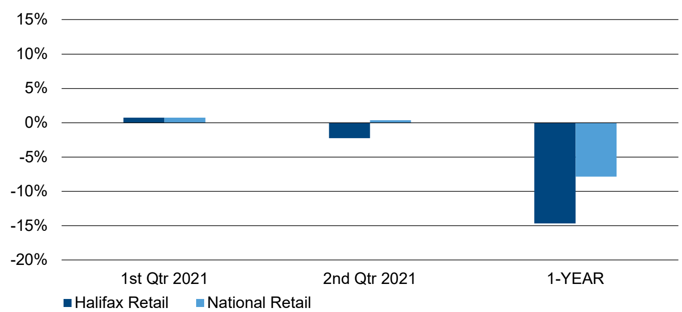
TRENDING STATISTICS

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*

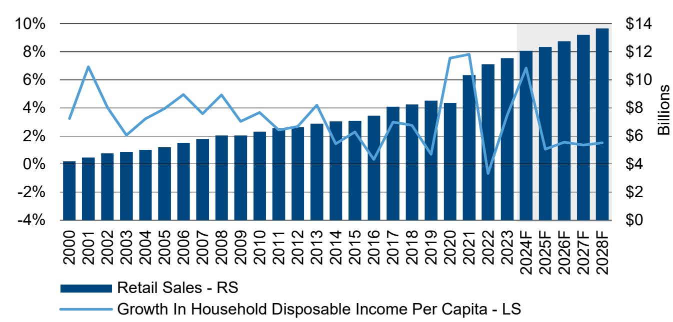


*Current data unavailable

Source: © MSCI Real Estate 2024

RETAIL CONDITIONS

Halifax Historical & Forecast Aggregates



Source: Conference Board of Canada

The retail components of recently built condominium towers will be popular acquisition targets.

RENTAL MARKET SUPPLY WILL BE HIGHLY CONSTRAINED

GHA multi-suite residential rental market supply will remain highly constrained over the near term, in line with the trend of the past few years. A strong population growth trend and modest job growth will help ensure rental demand exceeds supply in the second half of 2024 and into 2025. Population growth will be driven by both international and inter-provincial migration. Migration volume increased to a decade high in the province of Nova Scotia in 2023, resulting in a rental demand surge. Vacancy was driven lower and rested at just 1.0% as of October 2023. New construction completions climbed to a decade high level recently, which may push vacancy modestly higher over the short term. However, rents will continue to rise as supply constraints persist. Rents are expected to rise at a healthy rate. The average monthly rent for properties tracked in this market by the CMHC rose by 11.9% between October of 2022 and 2023, which was four times higher than the decade average. Rent growth is expected to ease over the near term, as international migration slows. In addition, rental demand is expected to slow as lower interest rates help more renter households transition to homeownership. Despite the demand slowdown, GHA multi-suite residential rental supply is expected to remain constrained over the near term.

INVESTMENT MARKET STABILITY FORECAST

Investment market stability is forecast for the GHA's multi-suite residential rental property sector over the near term. Investment demand patterns will mirror those of the recent past. Buyers will continue to target properties across the region with strong occupancy and rent growth profiles. Recently built properties will draw a range of private and institutional buyer groups. However, there will be relatively few large-scale acquisition opportunities in this market valued at $20.0 million or greater. As a result, the flow of investment capital into this market will remain below average. Owners will hold on to assets that are expected to outperform over the long term. Job and population growth will continue to support stable and healthy rental demand patterns, which will draw buyers. Vacancy will remain low, and rents will rise to benchmark-high levels. Property values will be relatively stable, which is consistent with the recent trend. Property yields will continue to stabilize and exceed levels available in larger Canadian markets. In conclusion, the GHA multi-suite residential rental investment market is expected to stabilize over the near term.

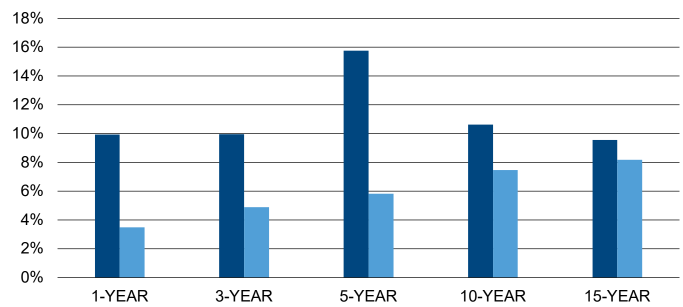
TRENDING STATISTICS

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

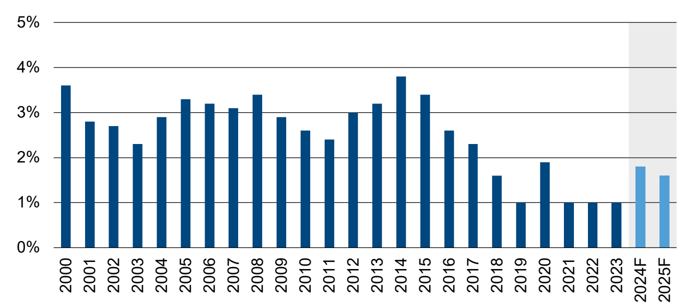
For the period ending June 2024



Source: © MSCI Real Estate 2024

AVERAGE RENTAL VACANCY

Halifax Multi-Suite Residential



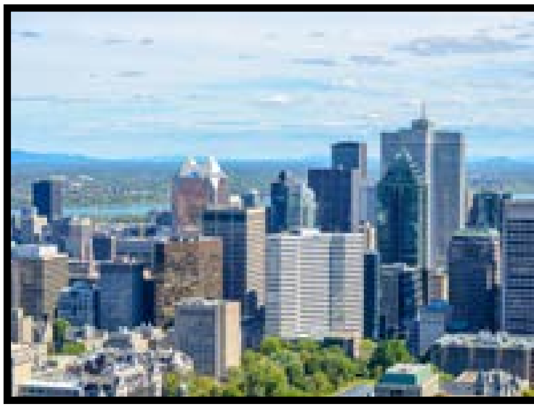
Source: CMHC; Morguard

Job and population growth will continue to support stable and healthy rental demand patterns, which will draw buyers.

MONTREAL, QC

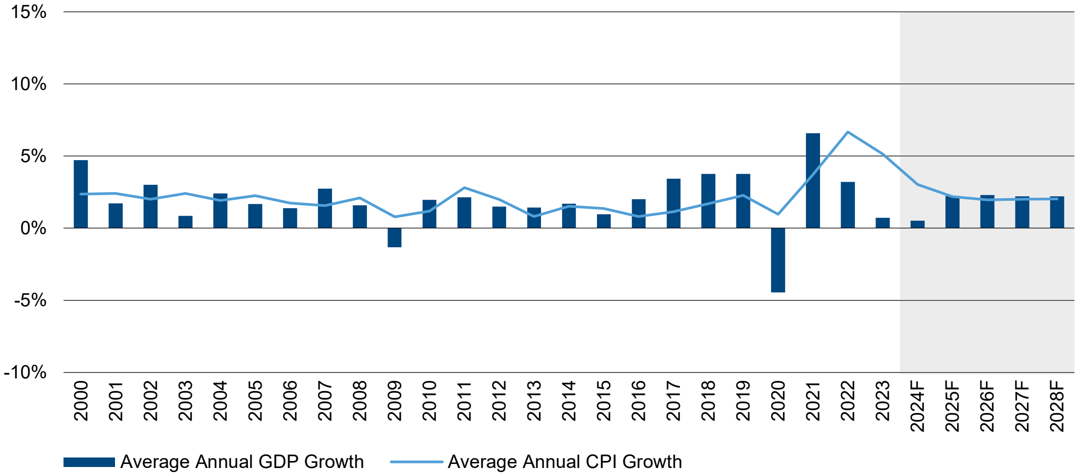
ECONOMIC SNAPSHOT

The Greater Montreal Area (GMA) economy is expected to shift into a higher gear in 2025 following a two-year period of muted expansion. The GMA economy is projected to expand by just shy of 2.5% in 2025. Real GDP is forecast to advance by 0.7% in 2024, matching the 2023 gain. The lingering effects of higher interest rates and inflation will impede economic progress in the second half of 2024. However, the GMA economy is expected to shift into a higher gear in the subsequent year.



ECONOMIC GROWTH

Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET TO STRENGTHEN

The GMA labour market will strengthen in 2025 following a two-year period of relatively weak performance. A stronger economic growth trend is expected to support increased job creation activity and drive the unemployment rate lower. Lower interest rates will also lead to an increase in employment levels. The CBOC is projecting GMA employment growth of 2.8% in 2025 following a 0.6% contraction in 2024. Employment gains will subsequently average close to 1.0% annually over the medium term. The GMA unemployment rate will gradually decline to 5.5% in 2025. In 2024, the unemployment rate is expected to rise to a three-year high of 5.8% due largely to labour force growth. After 2025, the unemployment rate is projected to decline slightly and subsequently stabilize. In short, the GMA's labour market is expected to strengthen considerably in 2025.

RETAIL SALES GROWTH TO ACCELERATE

Retail sales growth is expected to accelerate in 2025, having decelerated in 2024. The CBOC predicts that retail sales will grow at an accelerated rate next year following a forecast 1.4% lift in 2024. The negative effects of higher interest and inflation rates are expected to taper off in 2025. In addition, economic activity and job growth will increase, resulting in a stronger retail spending pattern. The spending power of GMA residents is expected to increase as wages continue to rise. In 2024, retail spending growth moderated due largely to weaker economic and job growth trends. The region's dominant manufacturing sector will see output increase by a modest 0.4% in 2024 as consumer goods demand slows. However, retail sales growth is expected to accelerate in 2025, which will positively impact the region's manufacturing sector.

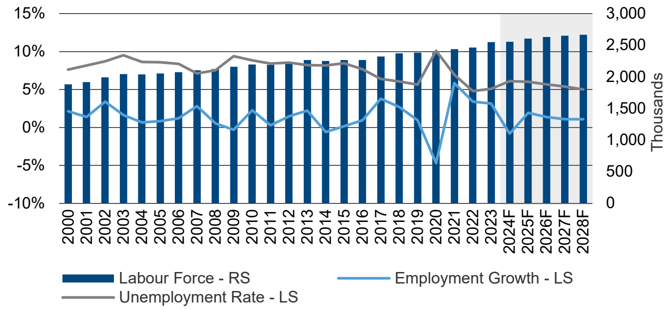
HOUSING STARTS TO INCREASE MODESTLY

A modest increase in GMA housing starts is projected over the near term. The CBOC is predicting just shy of 17,000 housing starts in 2024 with a slight increase to 18,000 starts forecast for 2025. Interest rates are expected to continue to fall during the first half of 2025, consistent with the second-half 2024 trend. As interest rates continue to fall, housing market demand is expected to gradually strengthen. However, new household formation activity is projected to slow over the near term, which is expected to partially offset the forecasted increase in housing demand. Housing starts plunged to a 21-year low in 2023 due in large part to higher interest rates and the resulting demand downturn. However, GMA housing starts are expected to increase modestly over the near term.

As interest rates continue to fall, housing market demand is expected to gradually strengthen.

LABOUR MARKET

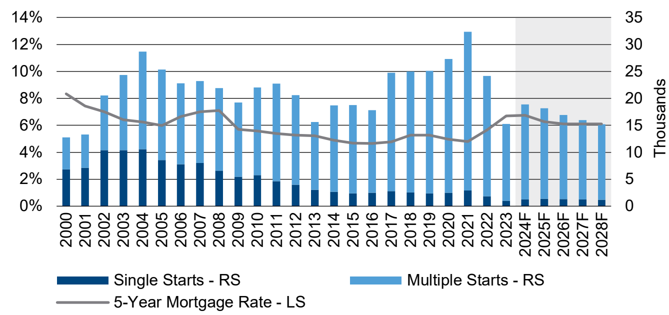
Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

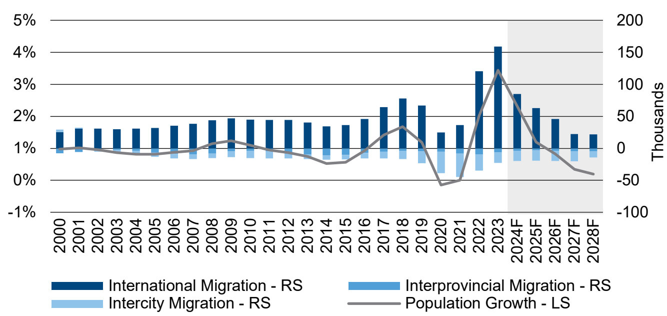
Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET WEAKNESS TO CONTINUE

The office leasing market weakness of the past few years is expected to continue over the near term. Leasing demand patterns will continue to disappoint due largely to the ongoing popularity of hybrid workplace models and the resulting downsizing and consolidation activity. In some cases, tenants with leases expiring in the short term will reduce their office footprints to reduce expenses. The reductions will be permanent for some, though others may lease space in the future. Some tenants will lease space on a short-term basis while continuing to assess their long-term requirements. Expansion activity will remain muted while interest rates remain high and economic uncertainty persists. Elevated vacancy levels will be a constant in the GMA office leasing market over the next couple of years, as demand remains below the pre-pandemic level. The GMA vacancy rate is expected to eclipse the 20-year high average of 18.8% recorded at the midway mark of 2024 over the near term. Downtown vacancy will continue to rest below the suburban average, consistent with the recent trend. Conditions in the GMA's class A market segment will remain substantially tighter as the flight-to-quality trend persists. As a result, class A will be somewhat more stable while downward pressure on class B and C rents continues. On balance, however, the leasing market weakness of the past few years is expected to persist over the near term.

INVESTMENT MARKET WILL CONTINUE TO LACK VIGOUR

The GMA's office property investment market will continue to lack vigour over the near term. Transaction volume will remain below the pre-pandemic average over the balance of 2024 and into early 2025. Sales activity is expected to remain muted while access to conventional financing is limited and leasing market risk is elevated. Cash buyers will fill the activity void to some extent until the financing market stabilizes. Investment performance will continue to disappoint over the balance of this year and in 2025. Properties contained in the MSCI Index registered a total average return of -1.9% for the year ending June 30, 2024. Downward pressure on values is expected to ease over the near term. As a result, we may see returns increase slightly but remain weak. Investment demand patterns will remain choppy. Investors will continue to focus on acquiring high-quality properties with stable tenants on long-term leases. Riskier, less desirable properties will sell relatively infrequently. Interest in class B and C properties will remain relatively low in an investment market that will continue to lack vigour over the near term.

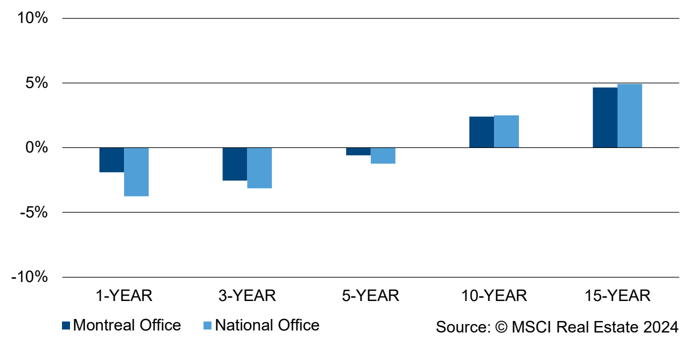
TRENDING STATISTICS

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).

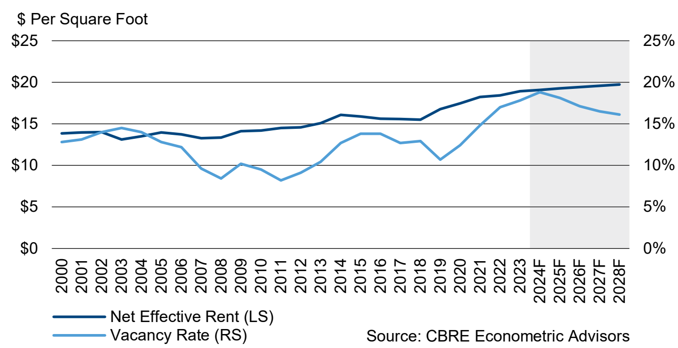
HISTORICAL PERFORMANCE

For the period ending June 2024



OFFICE RENT & VACANCY

Montreal Historical & Forecast Aggregates



Investors will continue to focus on acquiring high-quality properties with stable tenants on long term leases.

LEASING MARKET WILL CONTINUE TO SOFTEN

The GMA industrial leasing market is expected to continue to soften over the near term, in line with the recent trend. The availability rate will continue to slowly rise over the final few months of 2024 and in early 2025. The GMA industrial availability rate rested at 4.0% at the midpoint of 2024, having risen steadily over the previous year. A state of equilibrium will be reached over the near term if availability exceeds 5.0%. Available options for tenants looking to lease state-of-the-art large-bay space will be limited despite a rising availability trend. Older and less functional space options will be somewhat more plentiful. Moderately positive leasing demand patterns are forecast over the near term. Economic growth is expected to continue to drive demand for industrial space. Competition for high-quality warehouse and logistics space is expected to remain elevated. Older less functional availability will generally take longer to lease up. Rent growth will continue to slow, as availability steadily rises. Over the past few years, rents rose by as much as 40.0%. The rent growth moderation is indicative of the continued leasing market softening forecast over the near term.

INVESTMENT MARKET STRENGTHENING EXPECTED

The GMA's industrial real estate investment property market is expected to strengthen over the near term. The strengthening is attributable to more than one factor. Investment sales activity will increase as interest rates continue to fall. Lending market stability will boost investor confidence. Institutional buyers will step off the sidelines to look for high-quality warehouse and logistics properties that will meet their risk-adjusted return requirements. Private capital groups will continue to source product in this market. Properties with near-term leases expiring at below market rents will generate interest. As confidence and sales activity rise, property values will continue to stabilize. Values will begin to rise in the second half of 2025, as leasing market fundamentals stabilize. In addition, capitalization rates will begin to gradually compress. As a result, investment performance patterns will improve. Property values began to decline in the second half of 2023, having peaked in 2022. As capitalization rates decompressed, investment performance softened. GMA properties included in the MSCI Index generated an average total return of -3.2% for the year ending June 30, 2024. Investment performance is expected to improve over the near term, which is in line with the broader property market outlook.

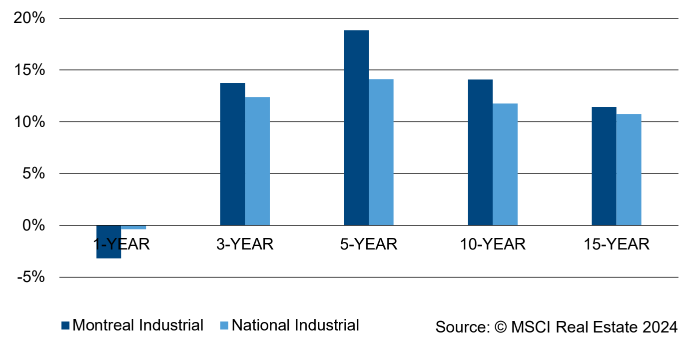
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
AVAILABILITY 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

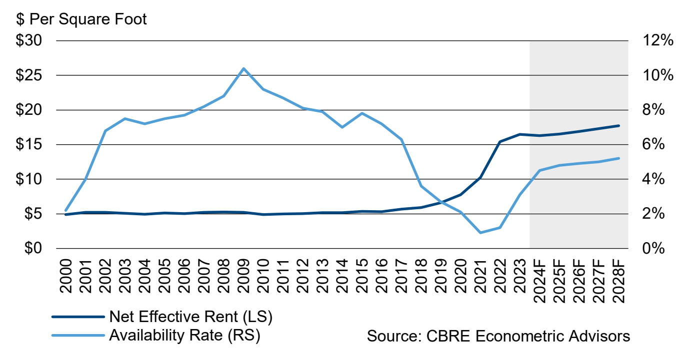
For the period ending June 2024



Source: © MSCI Real Estate 2024

INDUSTRIAL RENT & AVAILABILITY

Montreal Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

GMA properties included in the MSCI Index generated an average total return of -3.2% for the year ending June 30, 2024.

LEASING MARKET STABILIZATION FORECAST

The GMA's retail property leasing market is expected to stabilize over the near term, which will represent a continuation of a trend that unfolded in the second half of 2023. Expansion activity will remain moderate. Store revenues are expected to level off given a relatively weak near-term retail sales growth forecast. In some cases, retail store expansions will be postponed as revenues decline. As leasing demand slows, vacancy will essentially flatline. The average vacancy rate for properties included in the MSCI Index rested at 7.7% as of the end of the first quarter of 2024. The MSCI vacancy rate was consistent with the rate reported by CBRE at the beginning of 2024. The forecast demand-supply balance forecast over the near term will support vacancy and rental rate stabilization. Rents will rise modestly for premium quality space in the GMA's most productive centres and strips. However, downward pressure on rents for space in the downtown core and in older strips and centres will offset these gains. In short, stabilization is expected to remain the overriding GMA retail leasing market theme over the near term.

INVESTMENT MARKET OUTLOOK IS MIXED

The GMA retail property investment market outlook is somewhat mixed. Variation in investor confidence levels is expected to persist over the near term. Investors will continue to exhibit confidence in the GMA's more productive centres and strips. Despite strong interest, however, core-quality offerings will remain relatively scarce. Properties with grocery anchors and tenants selling necessities will continue to generate interest, although offerings with these attributes will also be somewhat limited. In general, demand for stabilized, high-quality properties is expected to exceed supply. As a result, sales activity will remain muted. Sales activity is expected to rise in the second half of 2025, assuming the lending market stabilizes and borrowing costs come down. Institutional buyers are expected to re-enter the market as investment market risk declines. As a result, competition for large-scale acquisitions in this market will increase. In addition, property values are expected to continue to stabilize over the near term, in support of a stronger investment performance pattern. Properties included in the MSCI Index generated a total average return of just 1.1% for the year ending June 30, 2024. In summary, the GMA retail property investment market performance outlook is somewhat mixed.

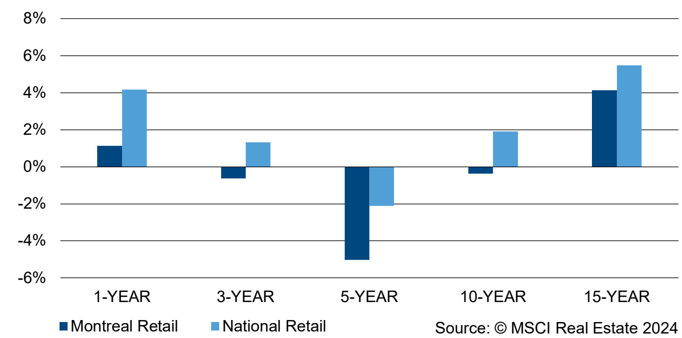
TRENDING STATISTICS

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

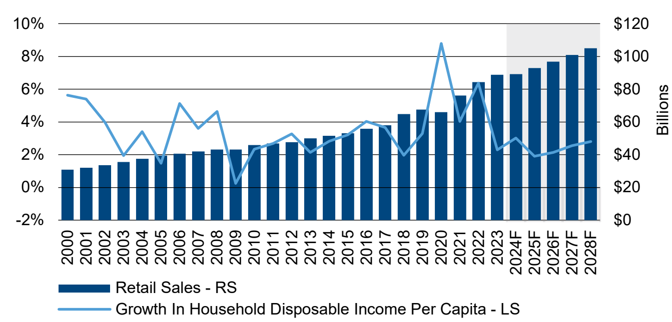
For the period ending June 2024



Source: © MSCI Real Estate 2024

RETAIL CONDITIONS

Montreal Historical & Forecast Aggregates



Source: Conference Board of Canada

Sales activity is expected to rise in the second half of 2025, assuming the lending market stabilizes and borrowing costs come down.

LOW LEVELS OF RENTAL MARKET RISK PREDICTED

Low levels of rental market risk are predicted for the GMA multi-suite residential sector over the near term, in keeping with the medium-term trend. Rental demand is expected to outpace supply in the final few weeks of this year and in 2025, which will help ensure risk remains low. International migration will exceed the long-term average, which will support a consistently robust rental demand trend. Historically, more than two-thirds of international arrivals have rented accommodation in their first year to two years of residency. The high cost of home ownership will force many renter households to stay put, in support of the market's positive demand trend. Mortgage interest payments will remain high, many renter households will continue to rent while housing prices and interest rates are prohibitively high. The forecast rental demand pressure will ensure vacancy rates hold close to the cycle-low and asking rents continue to rise. Vacancy is expected to stay below 2.0% during final few weeks of 2024 and in 2025. In addition, upward pressure on already record-high rents will persist. The pressure will be strongest in the highly competitive lower rent segment of the market. The positive rent growth outlook is indicative of the low levels of rental market risk forecast over the near term.

MINOR CHANGES IN MARKET CONDITIONS EXPECTED

Minor changes in GMA multi-suite residential rental property investment market conditions are forecast over the final few weeks of this year and in the first half of 2025. Investors will continue to exhibit confidence in this sector and market, which is consistent with the sentiment of the past few years. Concrete high-rise and new builds of scale will remain the primary acquisition target of institutional capital groups. Properties with proximity to mass transit and downtown towers will continue to generate interest from a range of buyer groups. The GMA's historical and forecast rent growth will continue to be a draw. Private groups will continue to acquire smaller assets at a relatively rapid pace. Purchasers will continue to access attractive financing through the CMHC's MLI Select Fund. A modest uptick in transaction volume is expected in 2025, assuming product availability. Property values and capitalization rates will continue to stabilize. Investment performance will improve slightly over the income-driven 1.4% total return posted for properties included in the MSCI Index for the year ending June 30, 2024. In short, minor changes in investment market conditions are expected over the near term.

TRENDING STATISTICS

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

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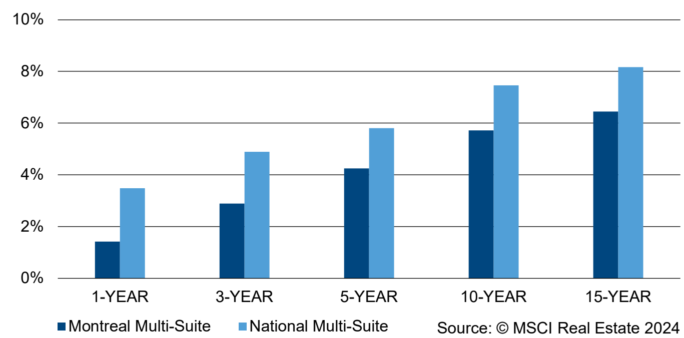
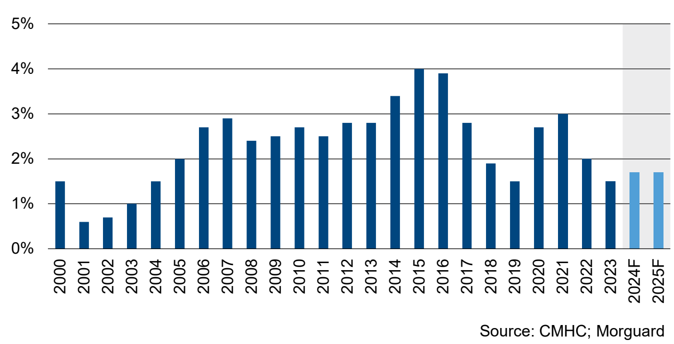
HISTORICAL PERFORMANCE

For the period ending June 2024



AVERAGE RENTAL VACANCY

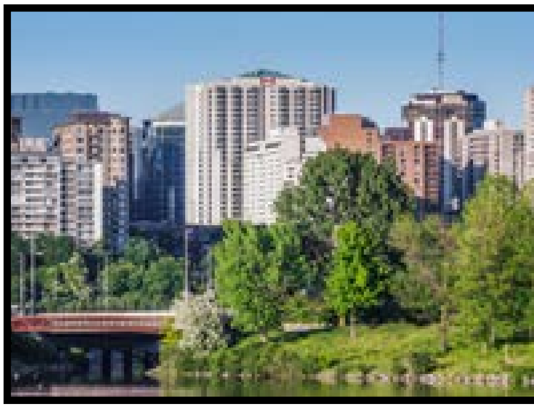
Montreal Multi-Suite Residential



Properties with proximity to mass transit and downtown towers will continue to generate interest from a range of buyer groups.

OTTAWA, ON

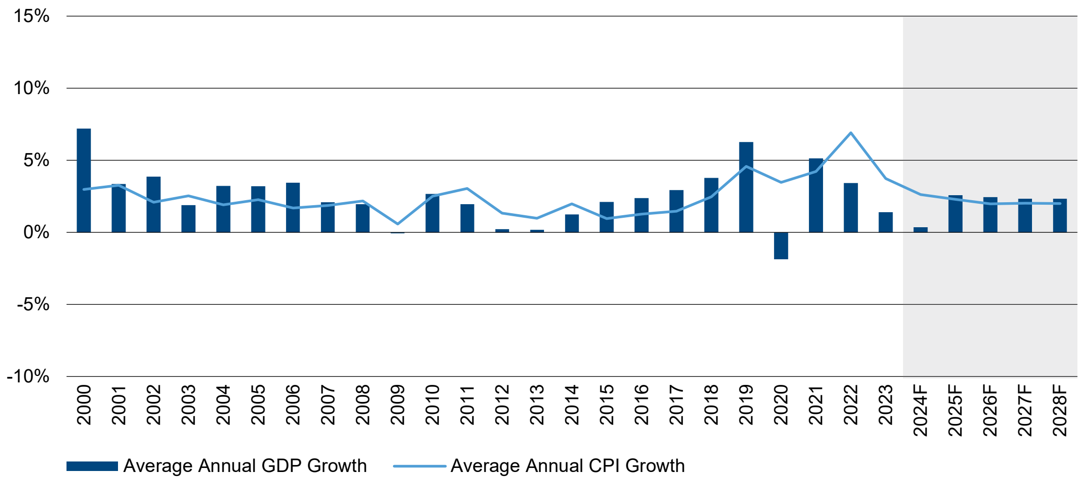
ECONOMIC SNAPSHOT



The Greater Ottawa Area (GOA) economic growth trend is expected to strengthen considerably next year, after an extended period of weakness. Real GDP is projected to increase by a solid 2.3% in 2025, up from a forecast of 0.3% in 2024. The 2025 gain is expected to support the creation of roughly 25,000 new jobs across the region. Job growth will help drive retail sales higher at a moderately healthy rate in line with the recent trend.

ECONOMIC GROWTH

Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB GROWTH ACTIVITY TO STRENGTHEN

Job growth activity in the GOA is expected to strengthen next year, due largely to a moderately stronger economic performance. Approximately 25,000 jobs are expected to be created in 2025, up from a forecast of 13,000 this year. The private sector will account for a larger share of GOA job growth in 2025 while public sector gains will be more moderate. Construction sector employment will rise steadily, due largely part to a forecast increase in housing construction and ongoing work on the LRT line. Conditions in the GOA labour market will remain relatively tight. The CBOC is predicting the GOA unemployment rate will rise to a three-year high of 5.2% in 2024, then subsequently fall below the 5.0% mark in 2026. In summary, job growth activity is expected to strengthen in 2025 following the forecasted moderation in 2024.

HEALTHY RETAIL SALES GROWTH TREND PREDICTED

A healthy retail sales growth trend is predicted for the GOA over the near term. Retail sales volume is expected to rise by a relativel robust 3.1% and 2.3% in 2024 and 2025, respectively. Population and job growth are expected to drive retail sales markedly higher over the forecast period. Increased private sector job creation activity will boost spending across the region. Discretionary income is projected to continue to rise over the near term, as interest rates gradually decline and inflation pressure continues to ease. GOA wages will rise steadily in 2024/2025 in support of the healthy retail sales growth trend over the same period.

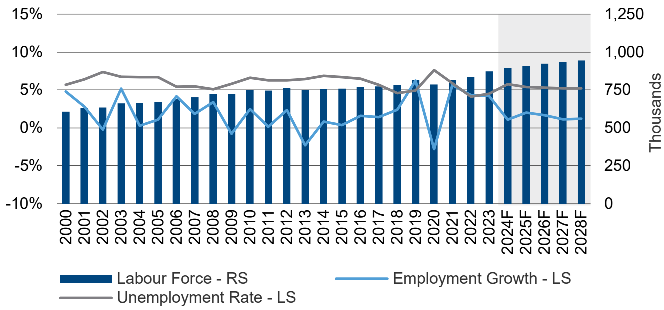
HOUSING STARTS TO INCREASE

GOA housing starts are expected to increase in 2025. Housing start volume is expected to rise to 14,560 units in 2025, as predicted by the CBOC. This total will represent a sharp increase over the just shy of 11,000 starts forecast for 2024. Several factors are expected to contribute to the housing start upswing. Demand for new housing is expected to increase with the forecast continuation of the second-half 2024 rate cut cycle. Population growth will also support increased new housing demand over the near term. In addition, housing starts are expected to increase because of the recently announced federal government initiatives and subsidies. In short, housing starts are projected to increase significantly in 2025.

GOA wages will rise steadily in 2024/2025 in support of the healthy retail sales growth trend predicted for the same period.

LABOUR MARKET

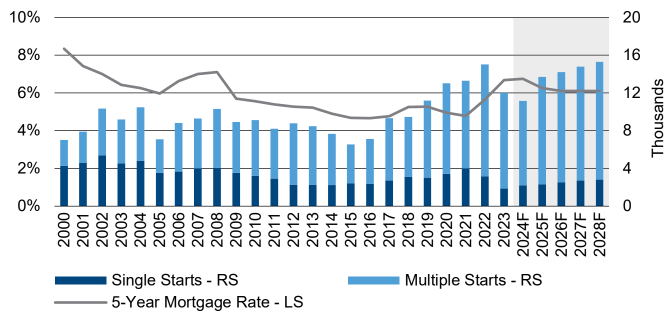
Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

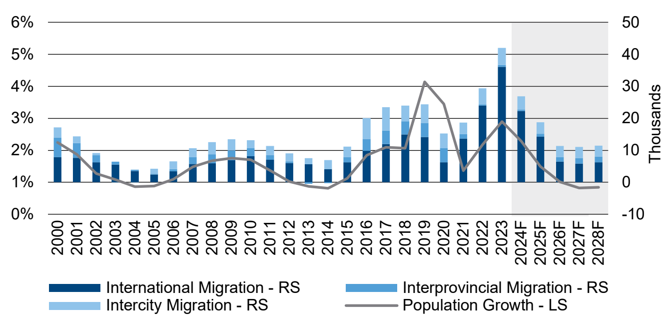
Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET OUTLOOK IS MIXED

The GOA office leasing market outlook is somewhat mixed. In some cases, private sector tenants will expand having firmed up their long-term occupancy plans. Others will reduce their footprints when transitioning to various hybrid workplace configurations. Over the past couple of years, tenants in this market were reluctant to sign long-term leases given an uncertain economic backdrop. Space in the GOA's premium-quality office towers will continue to attract tenants looking to secure efficient, state-of-the-art premises with access to a range of amenities. Leasing market progress will be offset to some degree by the federal government's plan to reduce its leased footprint by 50.0% over the next few years. Consequently, vacancy will likely increase as federal government leases expire over the near term. The GOA office vacancy rate stood at a relatively healthy 11.4% at the midway mark of 2024. Economic activity is projected to strengthen considerably in 2025. In turn, leasing demand will increase resulting in modest downward vacancy pressure. GOA vacancy rate will remain low when compared with most of Canada's major office markets. Market rents are expected to stabilize over the near term, although class A rents may rise slightly. In summary, the GOA office leasing market outlook is largely mixed.

INVESTORS WILL BE CAUTIOUS

Investors will exercise a heightened degree of caution when assessing acquisition opportunities in the GOA office market over the near term. Buyers will focus their efforts on properties with stable tenants on long-term leases and rental income upside. Institutional buyers will shy away from properties with excess vacancy, given a somewhat uncertain leasing market outlook. We may see a relatively small number of properties sold for residential conversion, consistent with the national trend. Transaction volume is expected to remain below the pre-pandemic average until lending market conditions stabilize. Vendors will hesitate to sell assets in a down market where values have fallen to a cycle low, and the buyer stack has thinned out. Property values may continue to edge lower over the near term, resulting in continued investment performance weakness. GOA properties tracked in the MSCI Index posted a total return of -9.2% for the year ending June 30, 2024. During this time period, values declined and more than offset a positive income performance. Performance may improve in the second half of 2025 as values stabilize. Investor caution is expected to remain elevated over the near term, consistent with the post-pandemic trend.

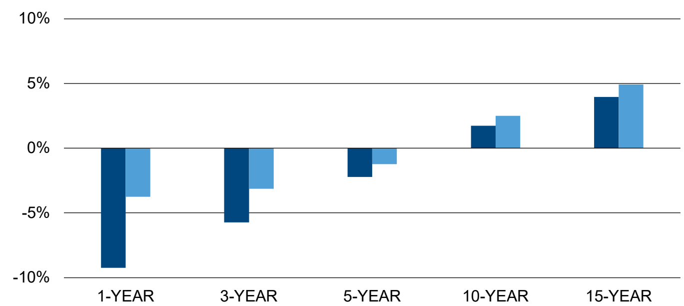
TRENDING STATISTICS

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

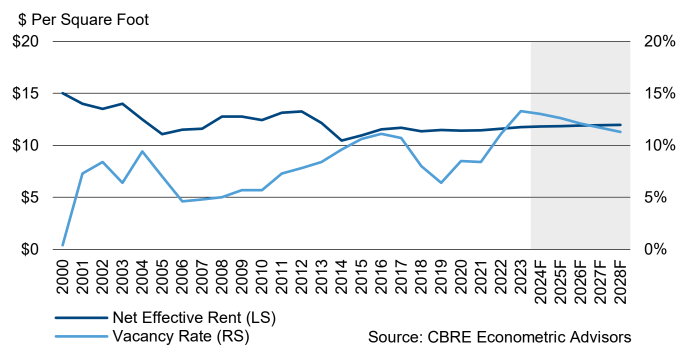
For the period ending June 2024



Source: © MSCI Real Estate 2024

OFFICE RENT & VACANCY

Ottawa Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Transaction volume is expected to remain below the pre-pandemic average until lending market conditions stabilize.

LEASING MARKET TO SOFTEN SLIGHTLY

The GOA industrial leasing market is expected to soften slightly over the near term, in line with the national trend. Leasing demand will continue to fall short of the peak levels reported over the past few years during the final few months of 2024 and in 2025. The demand moderation is attributable to a combination of a weaker economic growth trend and the tapering of the post-pandemic pent-up demand trend. In addition, some of the region's industrial users will look to ownership to avoid paying cycle-high rents when their leases come up for renewal. Availability is expected to gradually rise over the forecast period as supply outpaces demand. The GOA industrial availability rate is projected to rise above the 3.0% mark. The availability rate stood at 2.8% at the midpoint of 2024, which was 40 bps higher than a year ago. New supply will have little impact on availability with only a few projects slated for completion over the forecast period. Rents will generally rest close to the record-high levels of the recent past. Rent growth slowed substantially during 2024. Rent growth is expected to remain moderate over the near term, a period during which the GOA leasing will soften slightly.

INVESTMENT MARKET AVAILABILITY WILL BE CONSTRAINED

The supply of available GOA industrial investment property will be constrained over the near term. Vendors are expected to hold on to properties that have performed relatively well historically. Owners/users are expected to purchase industrial property at an increased rate while lease rates continue to rest at or near record-high levels. This market dynamic will result in a significant reduction in investment market availability through to the end of this year and in 2025. Investment demand will outdistance supply by a wide margin across all segments of the industrial market. The GOA's healthy leasing market and rent growth outlooks will attract buyers looking for attractive risk-adjusted yields and income stability. Warehouse and logistics properties will remain the prime investor targets. Institutions will focus on large-bay opportunities. Private capital is expected to account for the largest share of medium and smaller property transaction volume. Rent growth is expected to remain the main investment performance driver over the forecast period. MSCI Index properties generated a total return of 1.7% for the year ending June 30, 2024. Investment performance is expected to strengthen slightly over the near term, as capital values gradually stabilize. Investment market availability is expected to remain constrained against a slightly stronger performance backdrop.

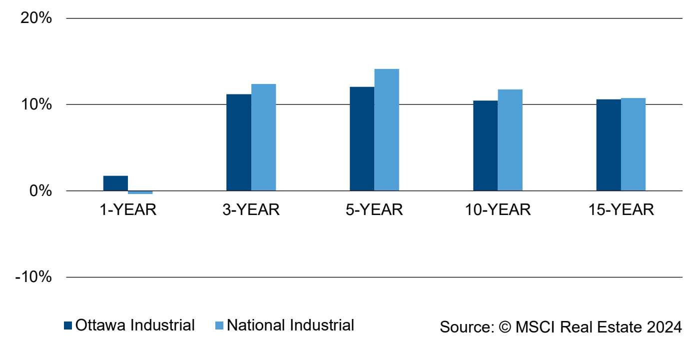
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
AVAILABILITY 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

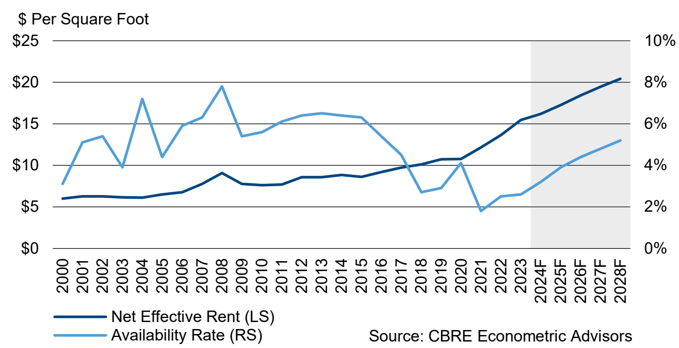
For the period ending June 2024



Source: © MSCI Real Estate 2024

INDUSTRIAL RENT & AVAILABILITY

Ottawa Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Rent growth is expected to remain the main investment performance driver over the forecast period.

LEASING ACTIVITY TO SLOW DOWN

Leasing activity in the GOA retail property sector is expected to slow down over the near term. The slowdown will be attributable to several factors. Retail sales growth will remain relatively weak during 2024, continuing the 2023 trend. Interest rates will gradually decline, but not quickly enough to positively impact the GOA's retail spending growth pattern. At the same time, consumer belt-tightening will reduce retail spending to some extent. Retailers will, in turn, hold off on expanding in this market in an environment of heightened economic uncertainty and weaker sales revenues. At the same time, operators will look to reduce their footprints to reduce costs. More broadly, operators are expected to focus increasingly on cost-certainty rather than brick-and-mortar expansion. As demand moderates, vacancy will rise on an aggregate basis and in certain segments of the market. Vacancy will rise modestly over the final few months of 2024 and in 2025. In 2023, demand outpaced supply, which resulted in significant downward vacancy pressure. During the same year, construction activity slowed as developers grappled with higher borrowing costs and labour shortages. Leasing market conditions had tightened considerably by the beginning of 2024. However, leasing market activity is expected to slow down over the final few weeks of this year and in 2025.

RETAIL INVESTMENT MARKET RECOVERY TO CONTINUE

The GOA's retail property investment market recovery is expected to continue over the near term. Investment demand will exceed supply, in keeping with the recent trend. Properties that have performed well in the aftermath of the pandemic will attract buyers. Centres and strips with stable income streams and national tenants are expected to remain popular. Investors will continue to exhibit a preference for properties with grocery store anchors and other tenants selling necessities. Transaction volume will be dictated largely by product availability, which is expected to remain somewhat limited. There was just one significant transaction completed in this market during the first eight months of 2024, which was the sale of Carlingwood Shopping Centre for $73.5 million. Investment performance is expected to improve modestly in 2025, as the recovery continues to unfold. Property values will continue to stabilize in 2025, which will boost overall performance. Rent growth will drive investment returns slightly higher. Capitalization rates will continue to stabilize. In conclusion, the GOA's retail property investment market recovery is expected to continue to unfold over the near term.

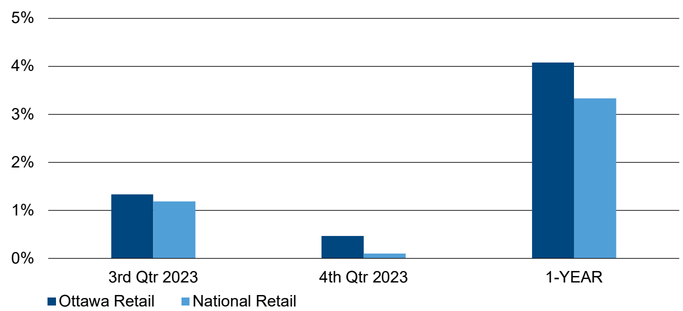
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

For the period ending Dec 2023*

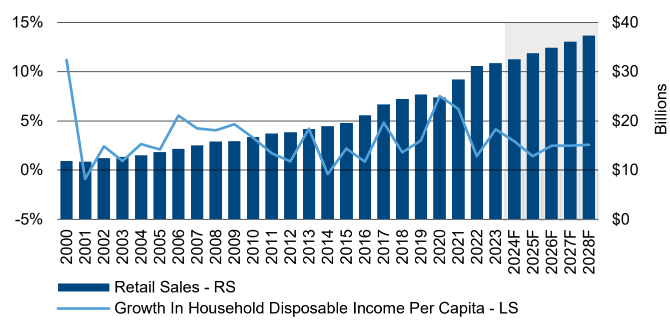


*Current data unavailable

Source: © MSCI Real Estate 2024

RETAIL CONDITIONS

Ottawa Historical & Forecast Aggregates



Source: Conference Board of Canada

Transaction volume will be dictated largely by product availability, which is expected to remain limited.

SUPPLY WILL BE CONSTRAINED DESPITE NEW SUPPLY UPTICK

GOA multi-suite residential rental market supply is expected to remain constrained through to the end of 2024 and in 2025, despite a new supply uptick. GOA vacancy will continue to rest at or near the 2.1% average posted in October 2023 for the CMHC's same-sample properties. Renters will struggle to source available units in this market over the forecast period, especially in low-rent buildings. Rental demand will outpace supply, which is consistent with the medium-term trend. International migration is expected to continue at a near record pace through to the midway mark of 2025 following the all-time high of 490,000 posted for the period between July 2022 and June 2023. The high-cost of homeownership will force many renter households to remain in their existing units. Supply constraints will persist in this market over the near term, despite the continuation of a relatively robust construction cycle. Construction activity and completions have increased substantially in this market over the recent past. Rents climbed to a record high level and rental demand exceeded supply. As a result, developer confidence increased. Despite the construction activity uptick, supply constraints are expected to remain a defining characteristic of the GOA's rental market over the near term.

INVESTMENT DEMAND TO OUTDISTANCE SUPPLY

Demand is expected to outpace supply in the GOA multi-suite residential rental property investment market through to the end of this year and in 2025. Investors will continue to target acquisitions in a market with attractive prevailing yields. Access to low-cost CMHC financing will continue to support the market's stable and healthy investment demand trend. Institutional buyers will focus primarily on recently constructed and condominium-quality high-rise towers. Stabilized properties will generate strong interest from a range of purchaser types. The market's historic performance track record and solid long-term fundamental outlook will add to the rationale for investing in this market and property type. Transaction closing volume will continue to exceed the medium to long-term average, assuming sufficient product availability. Sales of GOA investment property averaged $809.5 million annually in 2022/2023, which was a record high for any two-year period dating back to 2001. Investment demand is expected to outpace supply over the near term, consistent with the trend of the past few years.

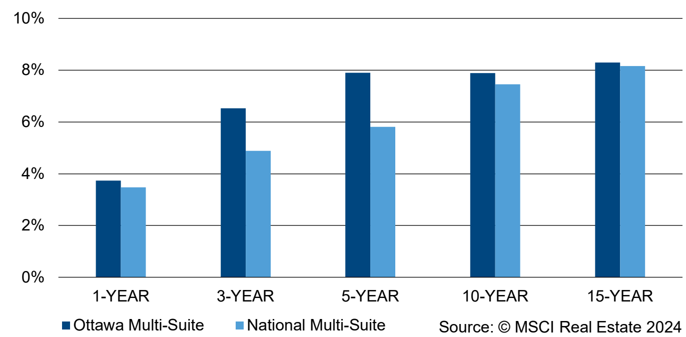
TRENDING STATISTICS

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

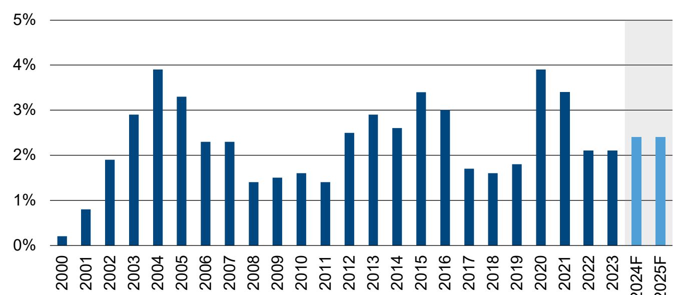
For the period ending June 2024



Source: © MSCI Real Estate 2024

AVERAGE RENTAL VACANCY

Ottawa Multi-Suite Residential



Source: CMHC; Morguard

GOA vacancy will continue to rest at or near the 2.1% average posted in October 2023 for the CMHC's same-sample properties.

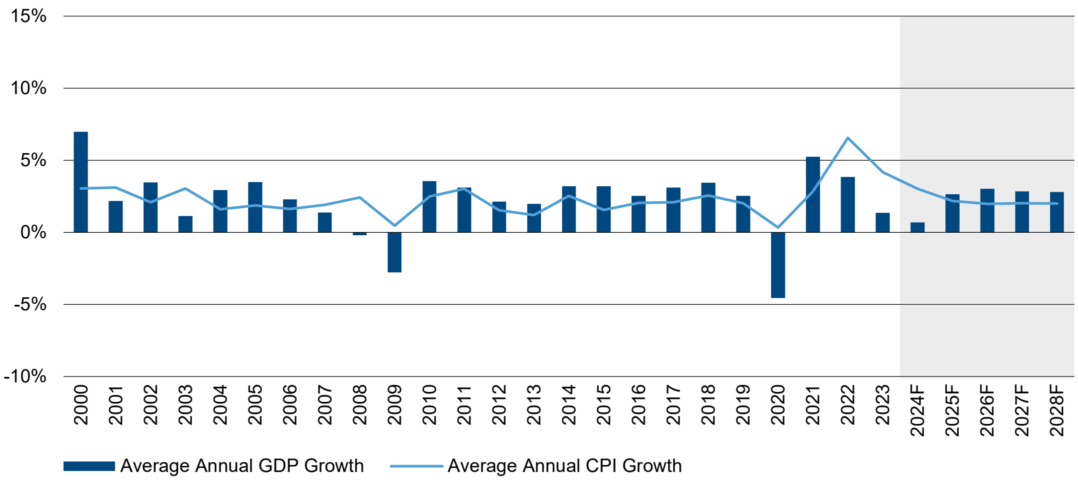
TORONTO, ON

ECONOMIC SNAPSHOT

A modest economic growth trend is predicted for the Greater Toronto Area (GTA) over the near term. Output is expected to rise by an annualized rate of 2.5% in 2025. The CBOC forecasts growth of just 0.5% in 2024, which can be attributed largely to the lingering effects of higher interest rates and inflation. Labour market fundamentals are expected to strengthen over the near term as the GTA's economy improves.

ECONOMIC GROWTH

Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

WEAK LABOUR MARKET PERFORMANCE FORECAST

A relatively weak labour market performance is forecast over the near term. GTA employment is projected to increase by just 1.3% in 2024 following a 2.9% advance in 2023. Approximately 47,000 jobs will be created in 2024, less than half of the 2023 total. The GTA's professional services sector is expected to lead job growth activity in 2024. The GTA's unemployment rate will rise steadily throughout 2024 to an average of 7.3%, which will mark a three-year high level. Labour market performance will strengthen in the second half of 2025 due largely to a stronger economic growth trend. The CBOC predicts the creation of close to 80,000 new jobs, which will help drive the unemployment rate down 40 bps to just under 7.0%. In 2024, GTA labour market performance will be relatively weak.

RETAIL SALES GROWTH PATTERN TO IMPROVE

The GTA retail sales growth pattern is expected to improve over the near term. Retail expenditures will increase by 2.6% in 2024 and 3.8% in 2025, respectively. Sales rose by just 0.5% in 2023. Several factors will contribute to the improved near-term retail sales growth pattern. Consumer confidence is expected to increase over the final few months of 2024 as interest rates gradually fall and inflation pressure declines, resulting in increased discretionary spending. By 2025, spending on big-ticket items will pick up. Population growth is also expected to drive retail sales higher. In short, a significant improvement in the GTA's retail sales growth trend is forecast over the near term.

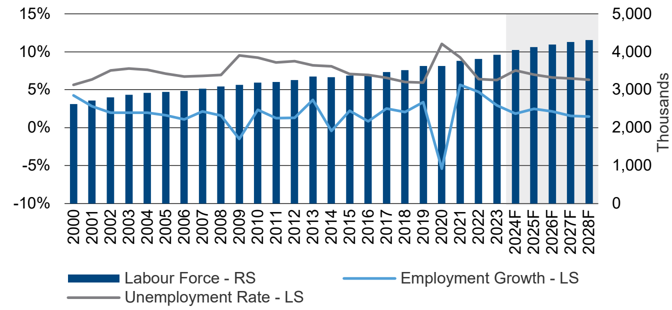
HOUSING STARTS TO REBOUND

GTA housing start activity is expected to rebound next year, following a forecasted decline in 2024. The CBOC projects 46,873 housing starts for 2025, representing a 12.2% increase year-over-year. The forecast for 2024 is 41,760 starts, representing a 12.0% year-over-year decline. The rebound in 2025 will be driven by several factors, including lower interest rates will fueling an increase in housing market demand and strengthened economic activity supporting a strong job growth trend. Additionally, new housing market demand will intensify along with residential investment. In short, GTA housing start volume is expected to rebound in 2025, having slowed substantially in 2024.

The CBOC projects 46,873 housing starts for 2025, representing a 12.2% increase year-over-year.

LABOUR MARKET

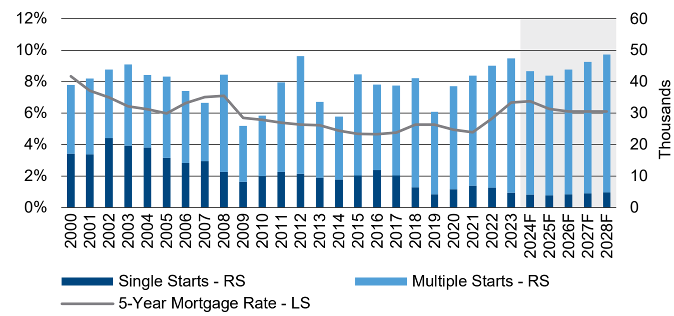
Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

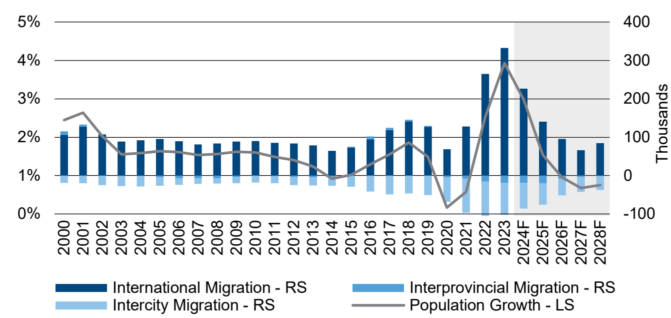
Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET SUPPLY RISK WILL REMAIN ELEVATED

GTA office leasing market supply risk is expected to remain elevated through to the end of 2024 and in the first half of 2025. Vacancy will continue to rest at or near the record high levels reported over the latter half of 2023 and first half of 2024. Overall leasing demand is expected to fall short of supply over the forecast period. Demand for the GTA's highest quality space will remain relatively strong. Leasing demand and activity in the GTA's class B and C properties will continue to fall short of the pre-pandemic average. Consolidation and downsizing activity are expected to continue at a relatively moderate pace when compared with the past few years. Tenants will continue to transition to various hybrid workplace models when their leases expire. As a result, class B and C vacancy will continue to rise. New supply will be less of a factor in this market over the near term. The GTA's construction pipeline has thinned, consistent with the national trend. GTA office rents will hold at the cycle low on an aggregate basis. Rents charged for space in the market's premium towers will edge higher, offset by downward rent pressure in most other market segments. Landlords will continue to offer cycle-high incentives to lure tenants to their buildings while maintaining face rates. In summary, GTA leasing market supply risk is expected to remain elevated over the near term.

INVESTMENT DEAL VELOCITY WILL INCREASE

Investment deal velocity in the GTA's office property market is expected to gradually increase next year. This forecast increase assumes the continuation of the interest rate cutting cycle that began in the second half of 2024. Additionally, lending market stabilization will facilitate an increase in investment sales. Private capital groups will continue to account for a significant share of investment sales volume in this market over the forecast period, consistent with the recent trend. Buyers will continue to exercise caution when assessing acquisition opportunities. Properties with stable tenants on long-term leases will attract buyers. However, sales of riskier properties will remain relatively low. Capitalization rates will likley stabilize and slowly decline. During 2023/2024, capitalization rates in this market rose by between 150 and 300 bps. Investment performance moved into a materially negative range. Investment sales plummeted, as investor confidence dropped. At some point in 2025, investment deal velocity is expected to gradually increase.

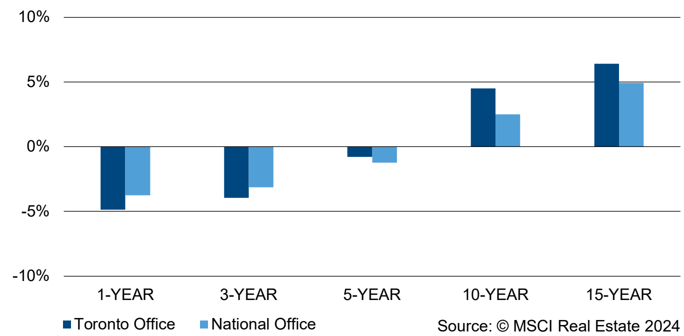
TRENDING STATISTICS

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).

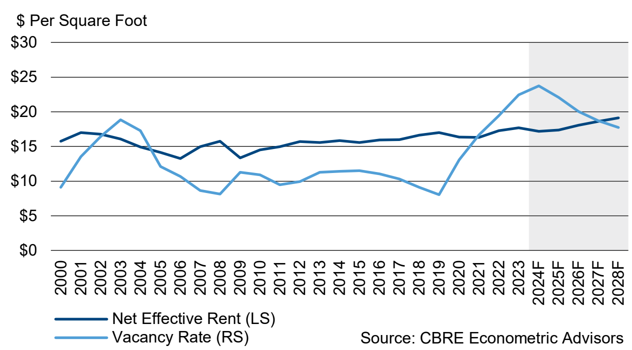
HISTORICAL PERFORMANCE

For the period ending June 2024



OFFICE RENT & VACANCY

Toronto Historical & Forecast Aggregates



Leasing demand and activity in the GTA's class B and C buildings will continue to fall short of the pre-pandemic average.

LEASING MARKET OUTLOOK IS MODERATELY POSITIVE

The GTA industrial leasing market outlook is moderately positive. Industrial users will continue to lease space at a relatively healthy pace. Tenants will continue to absorb available new supply and functional warehouse and logistics space across the GTA at a relatively brisk rate. Leasing activity slowed over the past two years, with the winding down of the pandemic-influenced pent-up demand trend. Users looking to relocate or expand in this market will be able to choose from a larger number of available options than in the past. Availability is expected to continue to rise in the GTA's existing building inventory. In addition, new supply will add to the upward availability pressure. The GTA availability rate stood at 4.2% at the midway mark of 2024, which was 280 bps higher than a year earlier. As availability continues to rise, downward pressure on rents will increase, particularly for space in older and less functional buildings. Despite the modest downward rent pressure, the outlook for the GTA industrial leasing market is moderately positive.

LARGELY POSITIVE INVESTMENT MARKET TRENDS PREDICTED

Largely positive investment market trends are predicted for the GTA's industrial property sector over the balance of this year and in 2025. Investment demand is expected to remain relatively robust. Investors will exhibit confidence in this market, given a solid long-term performance outlook. Large-bay warehouse and logistics acquisition opportunities are expected to generate interest from a range of investor groups. Properties with leases expiring at below market rents expiring over the near term will be highly sought-after. Acquisition opportunities with expansion potential will draw buyers as well. Medium and small-bay offerings are also expected to sell relatively easily. Investors will face stiff competition from owner-users looking to avoid leasing space at cycle-high rents. In 2021/2022, investment demand peaked, as rents reached record-high levels, and supply constraints intensified. Leasing demand and rent growth eased during the second half of 2023 and in 2024. Leasing conditions are expected to stabilize and gradually strengthen in 2025. As a result, investment demand and performance will strengthen. Capital values will begin to rise once again. In short, the GTA investment market outlook is largely positive, consistent with the recent trend.

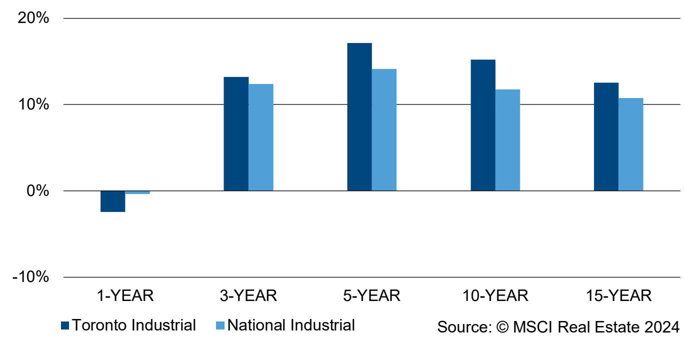
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
AVAILABILITY 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

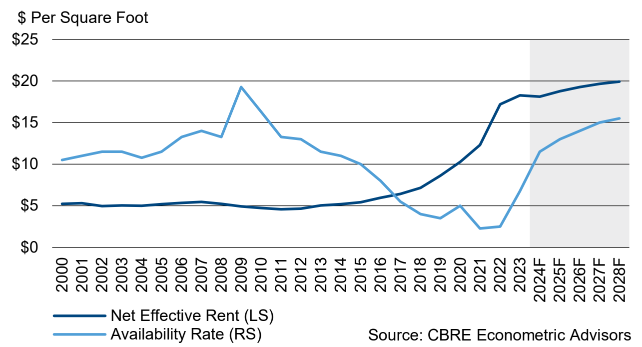
For the period ending June 2024



Source: © MSCI Real Estate 2024

INDUSTRIAL RENT & AVAILABILITY

Toronto Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Tenants will continue to absorb available new supply and functional warehouse and logistics space across the GTA at a relatively brisk pace.

LEASING OUTLOOK IS MODERATELY POSITIVE

The GTA retail leasing outlook is moderately positive, as certain segments of the market continue to outperform. The region's more productive centres will continue to attract established brands, luxury goods retailers, and new store concepts. Discounters and service retailers will look for opportunities to expand into new or expanding trade areas. Space in newly constructed condominium developments will also generate strong interest. In a few instances, retailers are expected to adjust their brick-and-mortar portfolios, resulting in store closures and reduced store sizes. Retail trade growth is expected to slow over the near term, which will negatively impact retailer balance sheets. However, leasing market demand will continue to outdistance supply, supporting a stable vacancy trend. CBRE reported a vacancy rate of 7.0% for properties it tracked across the GTA at the beginning of 2024. Vacancy will likely continue to rest in the mid-to-high single-digit range over the near term given a positive demand outlook. Rental rates will stabilize over the same period. Rents increased for high-quality well-located space in 2023 and early 2024. The stable rent rate forecast is consistent with the GTA's moderately positive retail leasing outlook.

INVESTORS WILL LOOK FOR INCREASED EXPOSURE TO THIS MARKET

Investors will look to increase their exposure to the GTA's retail property market over the near term. A range of investment groups will search for acquisition opportunities in the country's largest and deepest retail market. Retail properties with strong performance track records will be attractive to investors. Properties with tenants selling necessities will also be popular acquisition targets. Private capital will focus on stabilized properties as well as assets that can be expanded or repositioned. Institutional-grade offerings will be limited, in keeping with the recent trend. Property values are expected to gradually stabilize along with capitalization rates. Investment offerings will sell relatively quickly given a relatively balanced lending market. Transaction volume is expected to fall short of the 2021 peak over the near term barring a significant increase in large-scale property offerings. Investors are expected to acquire properties in this market despite ongoing headwinds. Economic, employment, and retail sales growth is expected to slow during the second half of 2024 and in early 2025. Despite these headwinds, investors are expected to look for opportunities to increase their exposure to the GTA retail property market over the near term.

TRENDING STATISTICS

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

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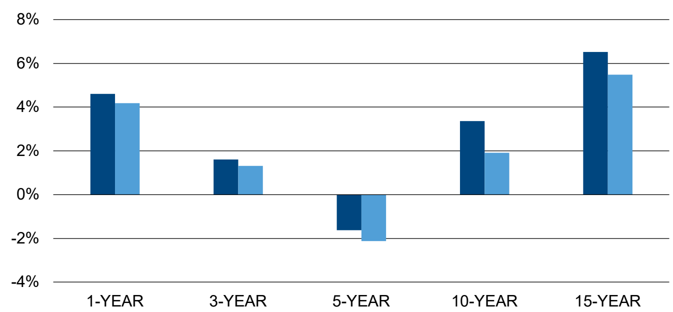
HISTORICAL PERFORMANCE

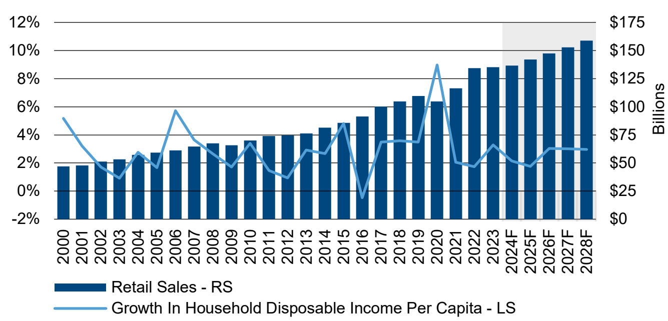
For the period ending June 2024



Source: © MSCI Real Estate 2024

RETAIL CONDITIONS

Toronto Historical & Forecast Aggregates



Source: Conference Board of Canada

Vacancy will likely continue to rest in the mid-to-high single-digit range over the near term given a positive demand outlook.

RENTAL MARKET RISK WILL REMAIN LOW

GTA multi-suite residential rental market risk is expected to remain low over the near term, in line with the trend of the past few years. The low-risk forecast is predicated largely on the ongoing housing market shortage and the resulting demand-supply imbalance. Rental demand is expected to continue to outpace supply. Demand for rental accommodation will remain brisk. International migration patterns are expected to add to the market's demand-pressure. However, the recently announced permanent resident target reductions for 2025 may result in a weaker demand trend. The prohibitively high cost of homeownership will force renter households to stay in their existing units. GTA multi-suite residential rental market vacancy is expected to remain critically low over the balance of 2024 and in 2025. Vacancy is expected to rest at or near the 2.0% mark over the forecast period. GTA vacancy of less than 2.0% has been the norm for this market dating back to 2010. New supply deliveries are expected to spike over the next few years. However, rental demand will continue to exceed supply. Rent growth will continue to slow over the near term following the record increases recorded over the recent past. Despite a slower rent growth forecast, GTA rental market risk is expected to remain relatively low over the near term.

INVESTMENT DEMAND WILL BE ROBUST

The robust investment demand pattern in the GTA's multi-suite residential rental property market of the past few years is expected to persist over the near term. Investors will continue to target acquisitions in a market with attractive prevailing yields. The market's track record of healthy and stable performance is expected to attract buyers. The rental market outlook is generally positive. Rents are expected to rise over the medium-to-long term in all unit-size categories. In addition, rental demand will continue to outpace supply, due largely to the GTA's ongoing housing market shortage. Population growth will add to the rental demand pressure in this market over the next several years. Adding to the rationale for investing in this market is its recent investment performance pattern. GTA properties contained in the MSCI Index generated a moderately positive total return of 3.2% for the year ending June 20, 2024. The investment performance outlook is moderately positive. Property values are expected to continue to stabilize while the income component performance remains healthy. The GTA multi-suite residential rental property sector has performed relatively well historically. In summary, the robust investment demand trend of the past few years is expected to persist over the near term.

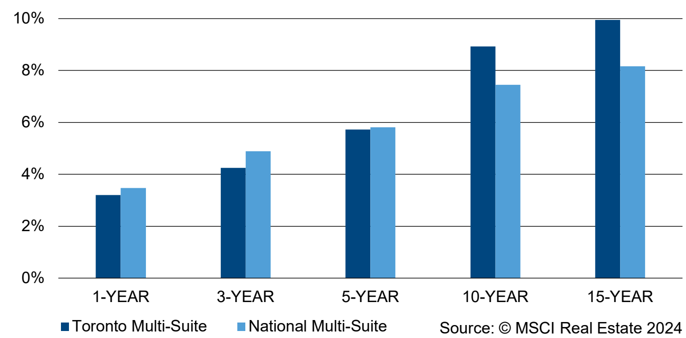
TRENDING STATISTICS

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

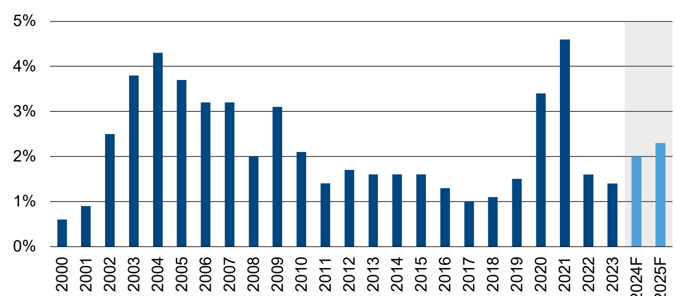
For the period ending June 2024



Source: © MSCI Real Estate 2024

AVERAGE RENTAL VACANCY

Toronto Multi-Suite Residential



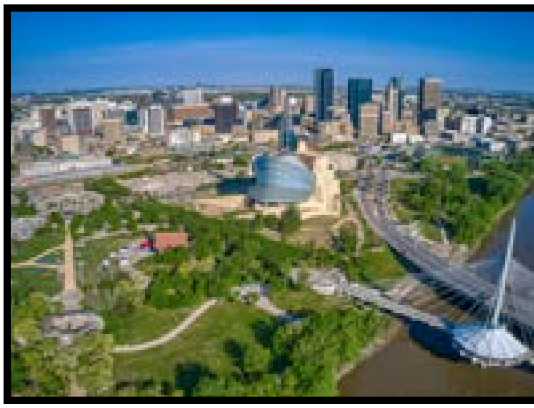
Source: CMHC; Morguard

GTA properties contained in the MSCI Index generated a moderately positive total return of 3.2% for the year ending June 30, 2024.

WINNIPEG, MB

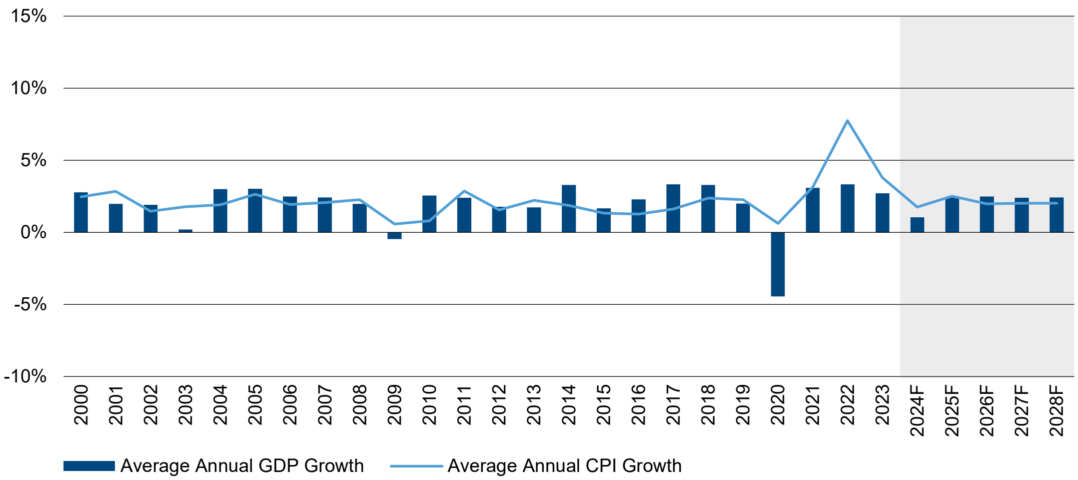
ECONOMIC SNAPSHOT

The Greater Winnipeg Area's (GWA) economic growth rate is expected to increase substantially over the near term, having moderated briefly over the recent past. Economic output will expand by a healthy 2.6% in 2025 following a modest 1.1% advance in 2024. The GWA economy will continue to support job growth activity. Stable and healthy labour market conditions are expected to prevail over the next few years. A robust retail sales growth trend is predicted over the near-to-medium term.



ECONOMIC GROWTH

Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET OUTLOOK IS STABLE AND HEALTHY

The GWA labour market outlook is generally stable and healthy. The market is expected to remain tight. The GWA's unemployment rate will range within a narrow bandwidth just below the 5.0% mark over the near-to-medium term. The forecast unemployment rate stability is indicative of the market's continued resilience. The CBOC is projecting a relatively healthy job growth outlook. GWA employment is expected to expand by 2.4% in 2024 with the same growth rate predicted for the region's labour force. Employment growth will moderate in 2025 with a 1.7% gain forecast. Labour force expansion will continue to be driven by population growth, fueled by international immigration. The average GWA wage will continue to rise modestly over the near term, due in part to the forecast labour market stability and health.

STRONG RETAIL SALES GROWTH TREND FORECAST

A strong retail sales growth trend is forecast for the GWA over the near term. Retail sales volume is expected to increase by an annual average of 3.6% in 2024/2025. A similar growth rate is predicted by the CBOC for 2026. Sales growth moderated substantially in 2023 following the previous year's pandemic-influenced double-digit increase. Several factors will contribute to the stronger retail sales growth pattern. GWA household finances will be less encumbered as interest rates and inflation levels continue to decline. Population and job growth will support increased retail consumption over the forecast period. Higher wages will increase the discretionary incomes of GWA households, which will help support a stronger retail sales growth trend over the near term.

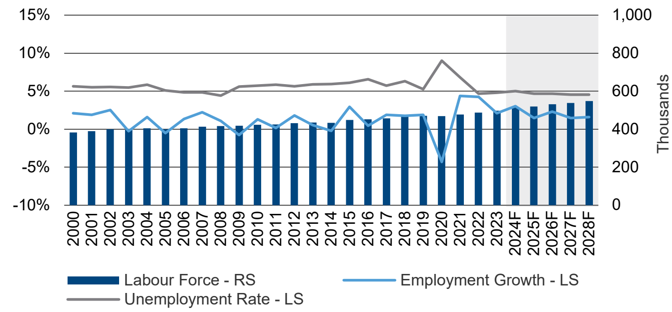
HOUSING START VOLUME TO TICK UP

GWA housing start volume is expected to tick up in 2025 following the forecasted 2024 decline. Approximately 5,700 new home starts are projected for 2025, up from the forecasted 4,900 units in 2024. In 2026, housing starts are expected to increase to 6,000 units. Demand for both affordable and market-priced homes will increase over the near-to-medium term. Lower interest rates are also expected to support increased housing market demand. Housing market demand will also increase as the GWA's population continues to expand. Multi-suite residential units will continue to account for more than half of the new home starts over the near term. In short, GWA housing start volume will tick up in 2025, a trend that is expected to continue over the medium term.

Retail sales volume is expected to increase by an annual average of 3.6% in 2024/2025.

LABOUR MARKET

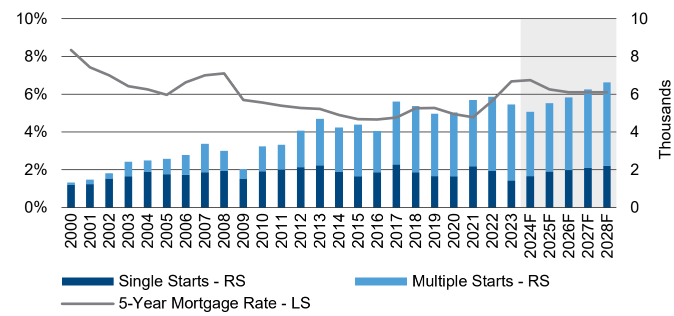
Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

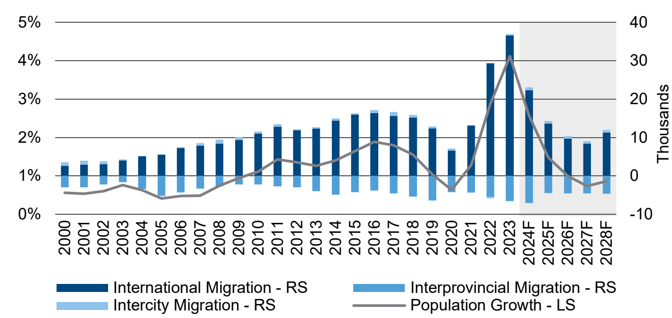
Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING VELOCITY TO UNDERWHELM

GWA office leasing market velocity is expected to continue to underwhelm over the near term, which is consistent with the post-pandemic trend. Private sector expansion activity will remain below the pre-pandemic average through to at least early 2025, in part due to the ongoing popularity of hybrid workplace formats. In addition, some GWA businesses will look to reduce or stabilize operating expenses during a period of heightened economic uncertainty. Vacancy is expected to stabilize over the near term, as downsizing activity continues to offset expansions in this market. The GWA's all-class vacancy rate will hold close to the 22-year high average of 16.3% reported by CBRE in the second quarter of 2024 until at least early 2025. The all-class vacancy rate stabilized recently, having risen sharply in 2020/2021. Subsequently, vacancy stabilized and rested within a very narrow bandwidth between the midway mark of 2023 and the end of the first half of 2024. Over the same period, suburban vacancy was markedly lower than the average recorded for the GWA's downtown submarket, ranging between 590 bps and 840 bps below downtown vacancy levels. Office rents will continue to stabilize over the near term, having declined significantly over the past few years. Landlords will continue to offer incentives to prospective tenants while maintaining face rents. This market dynamic will persist in 2025, a period during which leasing market velocity remains below the pre-pandemic level.

INVESTORS WILL BE SELECTIVE

Investors will be selective in their approach to GWA office property acquisitions over the near term. Institutional investors will focus primarily on large-scale low-risk properties with stable and secure income streams. We may see an increase in property offerings as owners look to reduce their exposure to the asset class. Investment sales activity will remain relatively low given a combination of reduced debt-financing availability and an elevated level of leasing market risk. Relatively few significant property sales are anticipated over the final few weeks of 2024 and in early 2025. During the same period, property values may edge lower. GWA office properties contained in the MSCI Index registered a -3.5% total return for the year ending June 30, 2024. The capital value of the properties included in the index declined by 9.0% over the same period. The downward pressure on values will likely begin to ease in the second half of 2025, which will support a more positive investment performance trend. In the meantime, investors will be selective in their approach to acquisitions.

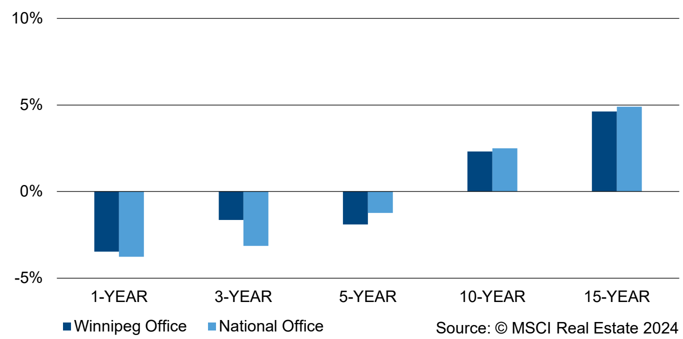
TRENDING STATISTICS

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

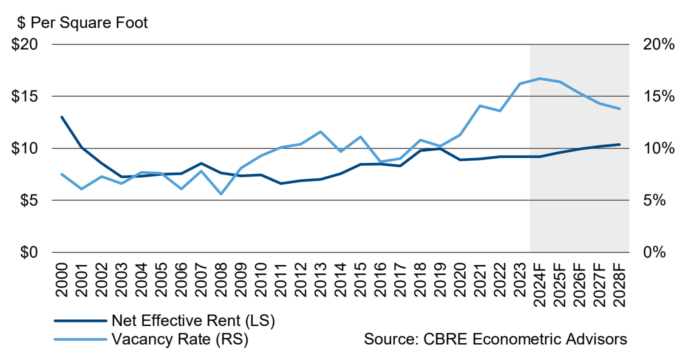
For the period ending June 2024



Source: © MSCI Real Estate 2024

OFFICE RENT & VACANCY

Winnipeg Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Relatively few significant property sales are anticipated in the final few weeks of 2024 and in early 2025.

LEASING MARKET OUTLOOK IS GENERALLY POSITIVE

The near-term GWA industrial leasing market outlook is generally positive. Users will continue to expand across the region, though at a somewhat slower rate than during the most recent market peak of 2020/2021. Small-to-medium sized bays will be absorbed with relative ease while large-bay availabilities are expected to take longer to lease up. In some cases, tenants will choose to purchase space to avoid paying record high lease rates. This trend will likely intensify as interest rates continue to fall. Leasing activity slowed during the second half of 2023 but remained relatively healthy. Asking rents remained at record high levels despite the slowdown. Industrial rents are expected to rise modestly over the near term. The slower growth trend will unfold as availability rises steadily. New supply delivered in 2024 or slated for completion in 2025 will be absorbed more slowly than during the past few years. Construction activity will remain relatively brisk, despite the forecasted leasing demand moderation. Several significant developments will be completed by the end of 2024 and early 2025. One of the GWA's largest projects underway is FastFrate's 140,000 square foot design-build development in Rosser. More than 500,000 square feet of new supply is projected for completion in 2024. The GWA's robust development cycle is somewhat indicative of the positive near-term leasing market outlook.

INVESTMENT DEMAND TO EXCEED SUPPLY

Investment demand in the GWA industrial property sector is expected to exceed available supply over the near term. Investors will continue to source acquisition opportunities in a market with attractive yield potential. Institutional buyers will remain relatively inactive, given a shortage of large-bay offerings. Private capital, including all-cash buyers, will continue to acquire mid-to-small bay investment properties at a relatively brisk pace. A premium will be placed on properties with near term leases expiring at below market rents. Property values are expected to stabilize over the near term following the modest declines recorded in the second half of 2023 and first half of 2024. The largely healthy leasing market outlook will continue to attract buyers to the region. The prospect of attractive investment returns is expected to bolster the rationale for investing in this market and property type. Properties contained in the MSCI Index posted a 5.5% total return for the year ending June 20, 2024. In conclusion, investment demand is expected to continue to exceed supply in the GWA industrial property market over the near term.

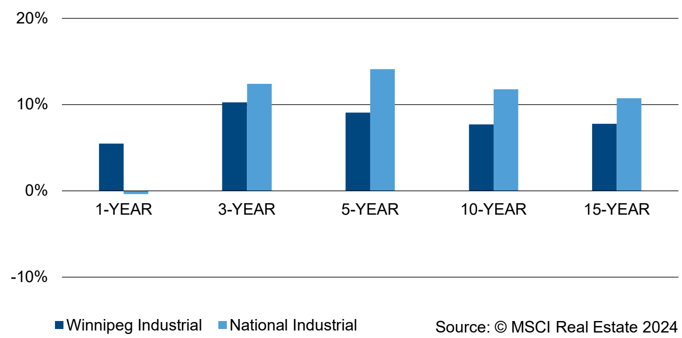
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
AVAILABILITY 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

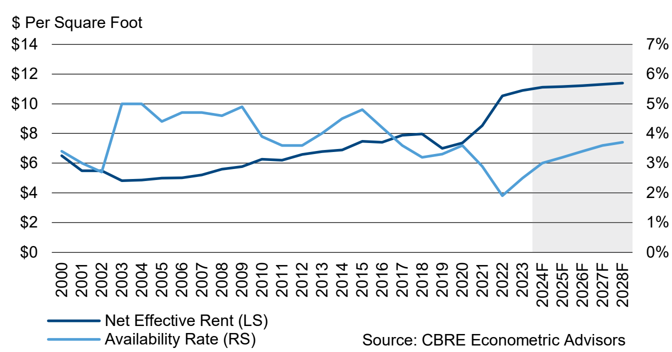
For the period ending June 2024



Source: © MSCI Real Estate 2024

INDUSTRIAL RENT & AVAILABILITY

Winnipeg Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Investment demand in the GWA industrial property sector is expected to exceed available supply over the near term.

STABILIZATION WILL BE DOMINANT LEASING MARKET THEME

Stabilization will be the dominant GWA retail leasing market theme over the near term. The market's supply-side strength of the recent past will be sustained through to 2025. A balanced demand supply market dynamic is expected to support a stable vacancy trend. The market average vacancy rate will continue to sit below the 5.0% mark, which is in line with the trend of the past few years. However, regional centre vacancy will remain elevated, in keeping with the medium-term trend. The ongoing struggles of stores selling mid-range priced goods will continue to negatively impact regional centre occupancy and performance. Conversely, power centre and neighbourhood/ community centre vacancy will remain below the market average. There are relatively few significant retail developments scheduled for completion in the GWA over the near term. Most of the newly constructed space will be absorbed prior to or shortly after completion. The rapid leasing of new supply in this market is expected to support its sustained supply-side strength. Retail rents are expected to flatten over the near term, given a balanced demand-supply market dynamic. Rents may edge higher for space in the market's most productive centres. Overall, the dominant near-term GWA retail leasing market performance theme will be stabilization.

INVESTMENT MARKET RECOVERY WILL CONTINUE

The GWA's retail property investment market recovery is expected to continue over the final days of 2024 and in 2025. Investment market activity will gradually increase, assuming interest rates continue to fall. Investor confidence will rise, as the lending environment stabilizes. In turn, sales of retail property will increase, assuming a sufficient supply of acquisition opportunities. There were relatively few significant transactions recorded during the first half of 2024. The sale of Garden City Square for $32.0 million was one of the few notable transactions recorded. Investment performance patterns will remain moderately positive as the recovery phase of the market cycle continues. Properties tracked in the MSCI Index generated an attractive average total return of 5.9% for the year ending June 30, 2024. The positive result was solely income driven. Property values stabilized during the same period, having declined significantly over the previous period. Values are expected to level off over the near term. In short, the GWA retail investment property market recovery is expected to continue to unfold over the near term.

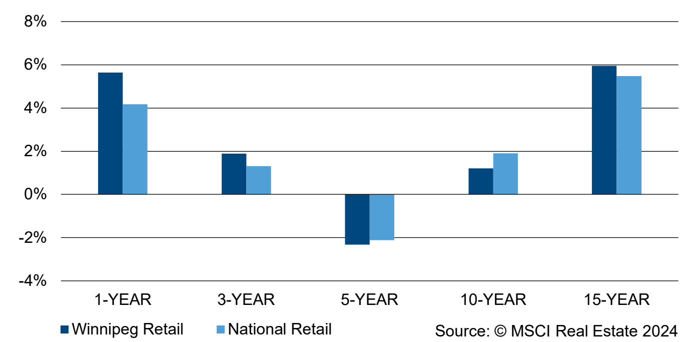
TRENDING STATISTICS

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

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

HISTORICAL PERFORMANCE

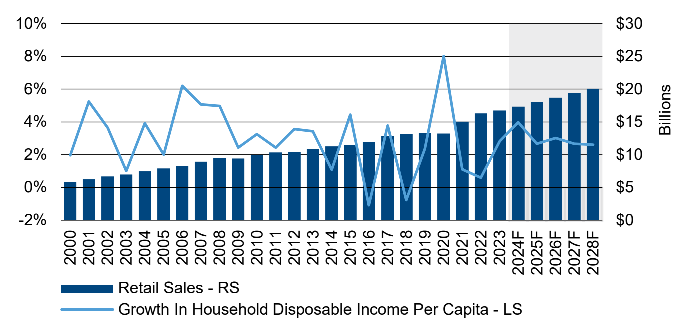
For the period ending June 2024



Source: © MSCI Real Estate 2024

RETAIL CONDITIONS

Winnipeg Historical & Forecast Aggregates



Source: Conference Board of Canada

Properties tracked in the MSCI Index generated an attractive average total return of 5.9% for the year ending June 30, 2024.

RENTAL MARKET DEMAND WILL OUTPACE SUPPLY

GWA multi-suite residential rental demand will continue to outpace supply through to the end of 2025 and much of the following year, resulting in a significant level of imbalance. Rental demand will be supported by the GWA's moderate economic and job growth trends. Migration patterns will provide an additional rental demand boost. The volume of new arrivals from other countries will remain elevated. Historically, most new arrivals have rented accommodation during their first year of residency in a new country. Demand pressure will be strongest in the GWA's lower-rent market segments while the cost of renting in this region rests at a record high. Supply constraints are expected to persist across the region and in all price ranges, which is consistent with the national trend. The GWA's average vacancy rate will hold close to the 2.0% mark during 2025. Vacancy rested at a decade-low of 1.8% as of October 2023, down 90 bps year-over-year. As vacancy declined, asking rents rose to a record high. Benchmark-highs were reported for all unit-size categories in the CMHC's same-sample of buildings at the end of 2023. The market average asking rent stood at $1,249 per month for all unit-sizes combined. Upward pressure on asking rents will continue through into 2025, as rental demand outpaces supply.

ROBUST INVESTMENT DEMAND TREND FORECAST

The robust investment demand trend is forecast over the remainder of this year and in 2025. Investors will continue to source acquisitions in this market, given an expectation of attractive prevailing yields. Institutional buyers will look for opportunities to diversify their portfolios by acquiring larger-scale high-rise properties. Concrete high rises will remain the acquisition of choice of institutional groups. Smaller, low-to-mid-rise properties will be a preferred acquisition choice of local and regional buyers. Properties with proximity to public transit will generate interest as well. Multi-suite residential rental property availability is expected to remain limited over the near term, which is in line with the historic trend. Owners will be somewhat hesitant to sell properties that have performed relatively well over various investment horizons. Others will hold onto their properties in anticipation of a healthy rent growth outlook. Investment property returns will be largely income driven, over the near term, against a backdrop of a relatively robust investment demand trend.

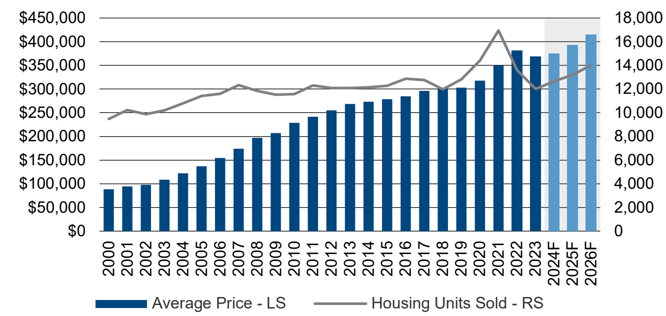
TRENDING STATISTICS

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).

HOUSING MARKET

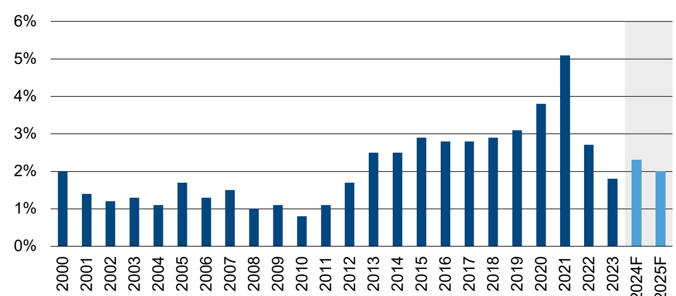
Winnipeg Pricing Vs. Demand



Source: CREA (MLS®); CMHC

AVERAGE RENTAL VACANCY

Winnipeg Multi-Suite Residential



Source: CMHC; Morguard

Investors will continue to source acquisitions in this market, given an expectation of attractive prevailing yields.

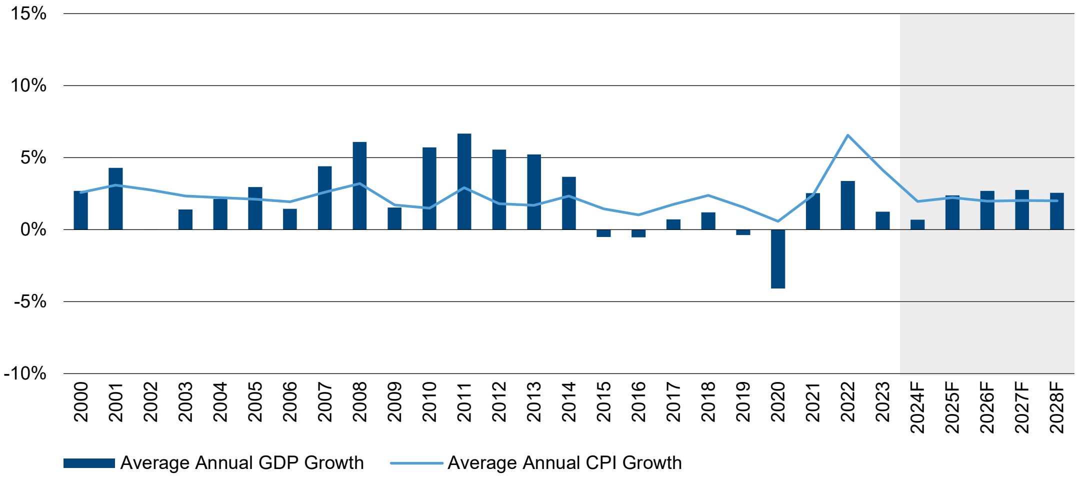
REGINA, SK

ECONOMIC SNAPSHOT

The Greater Regina Area (GRA) economy is expected to pick up steam in 2025 following a two-year period of deceleration. The GRA economy will expand by a moderately healthy 2.5% in 2025, with a slight uptick to 2.6% in 2026. Real GDP is projected to expand by just 0.5% in 2024 after a 1.1% gain was recorded in 2023. The GRA economy is expected to generate an increase in total employment of almost 2.4% annually in 2024/2025.

ECONOMIC GROWTH

Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB GROWTH WILL BE MODEST

A modest job growth trend is forecast for the GRA over the near-to-medium term. Total employment is expected to rise by approximately 1.3% in 2024/2025, as forecast by the CBOC. A healthier 1.9% lift is forecast for 2026. Job growth is projected in most sectors of the GRA's economy during 2024. The transportation and warehouse sector will lead all other sectors in job growth, with employment rising by 14.0% in 2024. The GRA's labour force is expected to expand at a modest pace between 2024 and 2026. Employment growth will outpace labour force gains over the same time period. Initially, the unemployment rate will increase by 50 bps to a relatively healthy 5.4% in 2024. A stronger job growth trend will drive the unemployment rate gradually lower in 2025/2026. GRA job growth will continue at a modest pace over the near-to-medium term, consistent with the national trend.

RETAIL SALES GROWTH STABILIZATION FORECAST

GRA retail sales growth is expected to stabilize over the next few years. Sales growth will average just over 2.5% annually during 2024/2025 following a slightly weaker advance of 2.3% in 2023. Subsequently, retail consumption will increase by an annual average of 3.6% between 2026 and 2028, which is more in line with the 10-year average of 3.9%. Population growth is expected to boost retail sales volume in the GRA over the near and medium term. Retail spending will pick up as interest rates continue to gradually fall. Reduced inflation pressure is expected to support the GRA's forecasted sales growth stabilization.

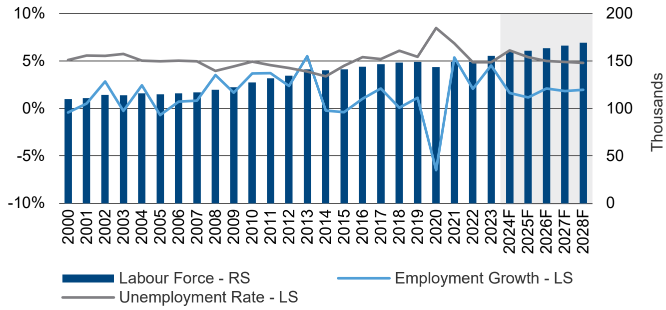
CONSTRUCTION ACTIVITY TO RAMP UP

Construction activity in the GRA is expected to ramp up in 2024/2025. Residential housing starts will increase considerably. The CBOC predicts 1,690 housing starts in 2025, up from a forecast of 1,340 units in 2024. Population growth and a lack of supply are expected to drive the uptick in housing starts. Several non-residential projects will contribute to the construction activity ramp up forecast over the near term. Noteworthy projects include the construction of a new parkade at the Regina General Hospital, the new Lawson Aquatic Centre, FCL's Integrated Agriculture Complex, and various public sector infrastructure projects. In summary, construction activity in the GRA is expected to ramp up in 2024/2025.

The CBOC predicts 1,690 housing starts in 2025, up from a forecast of 1,340 units in 2024.

LABOUR MARKET

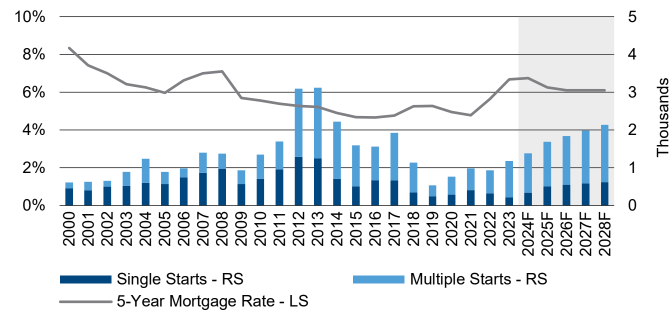
Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

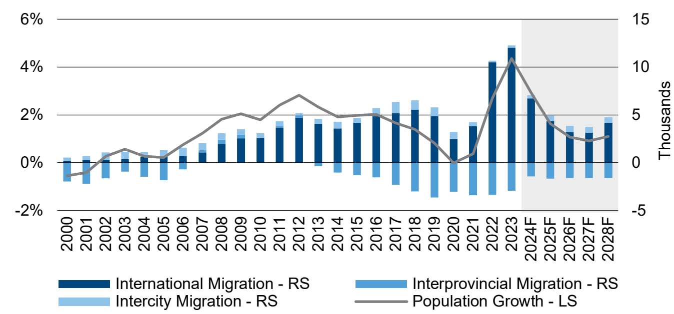
Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Regina Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET RISK WILL REMAIN LOW

GRA industrial leasing market risk will remain low over the balance of 2024 and in 2025. Stable and positive leasing demand patterns are forecast over the next 12 to 18 months, due in large part to the ongoing strength of the province of Saskatchewan's resource industries. Economic growth will drive demand for warehouse space, in keeping with the trend of the past few years. Users of industrial space looking to expand or relocate across the GRA will continue to have relatively few options. The supply of available state-of-the-art space options will be constrained. The GRA's industrial availability rate is expected to remain below the 5.0% mark in 2024/2025. Rental demand will match the supply of newly constructed space delivered to this market over the same time-period. Availability will rise over the short term as developments are completed, and subsequently fall as the newly constructed space is absorbed. Rents for newly constructed space will remain at or near the record high levels of the recent past, with averages stretching into the mid-teens. In some cases, users will be forced to operate in lower-cost and often less-functional space. In short, low levels of leasing market risk are forecast for the GRA's industrial property sector over the balance of this year and in 2025.

INVESTMENT OFFERINGS WILL GENERATE STRONG INTEREST

GRA industrial property investment offerings will continue to generate strong interest over the near term, in keeping with the long-term trend. Institutions looking for large bay acquisitions with long-term leases in place to increase portfolio diversity wiil find options limited in this market. Investment activity will continue to be comprised primarily of small and medium-sized property sales to local and regional private capital groups this year and in 2025. Properties with leases expiring over the near term at below-market rents will be highly sought-after. However, investors will face increased competition for available properties from users looking to own the space in which they operate. Tenants transitioned to the ownership market as rents climbed to record high levels. Rents peaked in 2022 and early 2023, which helped drive property values to a benchmark high. In 2024, rent growth began to ease and properties values trended moderately lower. Property values are expected to stabilize in early 2025, resulting in stronger investment performance. As market conditions improve and borrowing costs decline, investment activity will likely increase. At the same time, interest in investment offerings will remain strong.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
AVAILABILITY RATE		
NET ABSORPTION		
LEASE RATES		
NEW SUPPLY		

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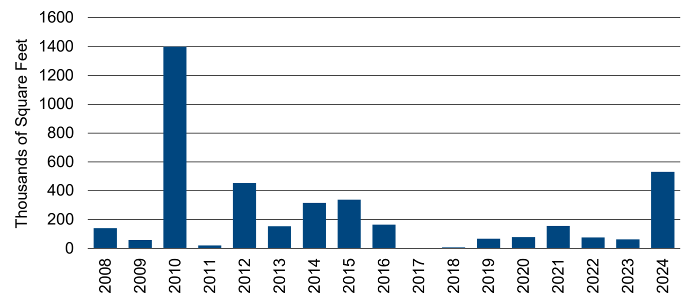
INDUSTRIAL NEW SUPPLY

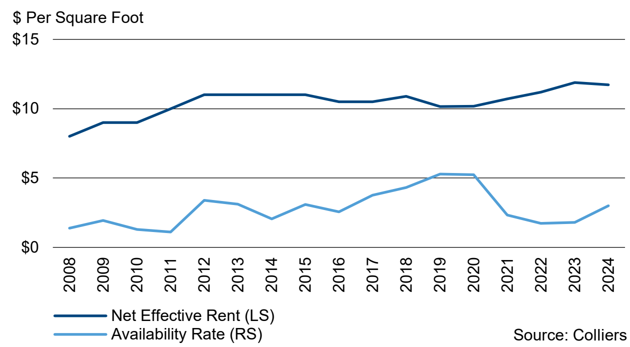
Regina Historicals To June 2024



Source: Colliers

INDUSTRIAL RENT & AVAILABILITY

Regina Historicals To June 2024



Source: Colliers

Properties with leases expiring over the near term at below-market rents will be highly sought-after.

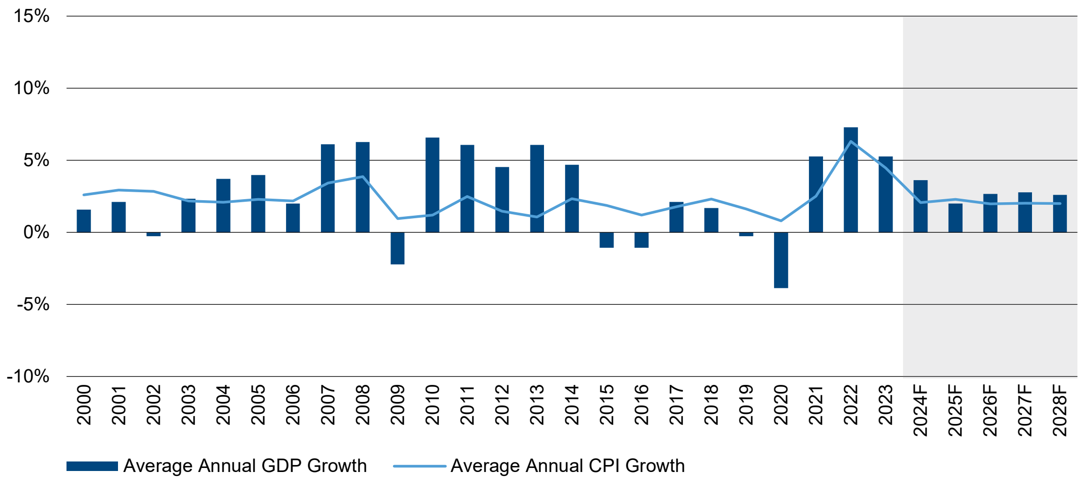
SASKATOON, SK

ECONOMIC SNAPSHOT

The Greater Saskatoon Area (GSA) economy is expected to continue to expand at an above average rate over the near term. Real GDP is projected to expand by a relatively modest 1.9% in 2024. The forecast expansion rate is the highest among the country's largest metropolitan areas tracked by the CBOC. However, the rate is less than half of the growth rate reported for 2023. GSA employment is expected to continue to rise over the near term, despite a weaker economic growth trend.

ECONOMIC GROWTH

Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

MODEST EASING OF JOB GROWTH TREND FORECAST

A modest easing of the GSA's job growth trend is forecast over the near term. Total GSA employment is expected to rise by 2.3% and 1.7% in 2024 and 2025, respectively, following a stronger 2.9% gain in 2023. Employment is forecast to rise significantly in the GSA's manufacturing and healthcare industries over the near term. Transportation and warehouse sector employment is projected to rise by 2.1% and 3.7% in 2024 and 2025, respectively. As the GSA's job growth trend eases, the unemployment rate is expected to rise. The rate is forecast to rise by 40 bps to 5.4% in 2024, after which a modest downward trend will emerge. The unemployment rate will gradually fall in 2026, as job creation activity picks up. The GSA's job growth trend will gradually strengthen over the medium term, after easing modestly over the near term.

POSITIVE RETAIL SALES GROWTH PATTERN PREDICTED

A positive retail sales growth pattern is predicted for the GSA over the near and medium term. The CBOC forecasts a retail sales increase of 3.1% for 2024 followed by a modest growth downshift to 2.6% in 2025. Retail sales growth is expected to average 3.5% annually in 2026/2027. Lower interest rates and inflation will drive spending higher in 2024/2025. Job growth during the same period will also support increased spending. Spending on household goods is expected to increase, as housing market demand strengthens. In summary, a positive retail sales growth pattern is predicted for the GSA over the near-to-medium term.

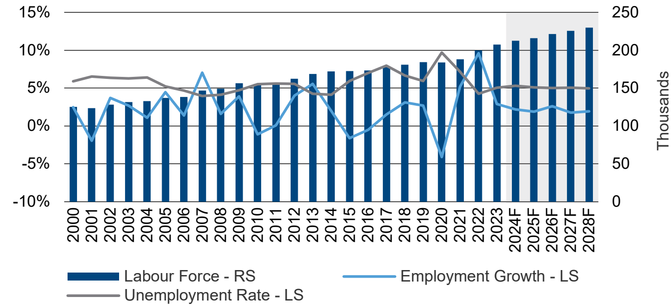
CONSTRUCTION SECTOR RECOVERY TO UNFOLD

A recovery is expected to unfold in the GSA's construction sector over the near term. Sector output is projected to increase by an annual average of 1.4% over the next few years, according to the CBOC's August 2024 forecast. Sector employment is expected to reach the pre-pandemic level in 2025 following a 6.1% dip in 2023. A pick up in residential and non-residential construction activity is anticipated over the next few years. Housing market construction will increase, as housing demand increases with the continued arrival of international immigrants. In addition, investment in urban reserves is expected to support increased non-residential building activity and the broader construction sector recovery.

A pick up in residential and non-residential construction activity is anticipated over the next few years.

LABOUR MARKET

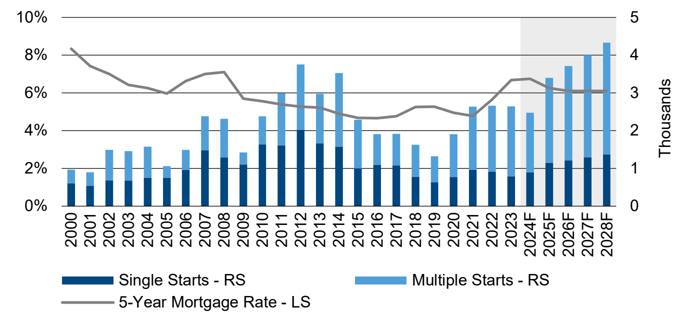
Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

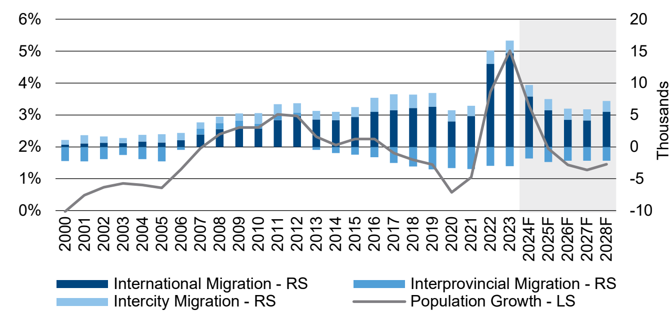
Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET STABILITY TO PREVAIL

Leasing market stability is projected to prevail in the GSA retail property sector over the near term. The stable and largely positive outlook is attributable largely to a healthy economic, job, and retail sales growth forecast. Lower debt-servicing costs and inflation levels will boost retailer revenues over the forecast period. As a result, expansion activity will continue at a moderately positive pace, which is consistent with the recent trend. Relatively few store closures are expected. Several store expansions were reported in 2024, many of which were in the restaurant and food services sector. Leasing demand patterns are expected to remain relatively healthy over the near term. New supply will be absorbed in relatively short order, reducing the probability of a significant rise in vacancy levels. Constructed activity slowed over the recent past as borrowing costs increased. Market conditions will remain tight, with vacancy resting below the 5.0% mark through to the end of 2025. The market's average vacancy rate stood at 3.6% at the midway mark of 2024, according to ICR Commercial figures. The vacancy rate edged only slightly higher year-over-year. Retail rents are expected to stabilize over the near term due largely to the market's balanced demand-supply dynamic. Newly constructed space will continue to command the market's highest rents, along with premium locations in the GSA's top-performing malls. Downward rent pressure will persist in the downtown area while foot traffic remains below the pre-pandemic norm. On balance, leasing market stabilization is projected to prevail in the GSA's retail property sector over the near term.

BUYERS WILL FOCUS ON STABILIZED ASSETS

Investors are expected to focus their efforts on acquiring stabilized retail properties in the GSA over the near term, in keeping with the medium-term trend. Shopping centres and strips with anchor tenants selling necessities will be highly sought-after. Grocery-anchored properties will attract multiple bids, in keeping with the medium-term trend. Assets that have strong performance track records will also generate significant interest when offered for sale. The income streams of riskier assets will be scrutinized more closely. Investment demand will outpace supply over the balance of this year and in 2025, due in large part to the region's relatively small asset base. By 2025, property values will stabilize, matching the national trend. The market's buyer pool will be made up largely of local private groups, mirroring the historical trend. In short, investors are expected to focus largely on stabilized property acquisitions over the near term.

TRENDING STATISTICS

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

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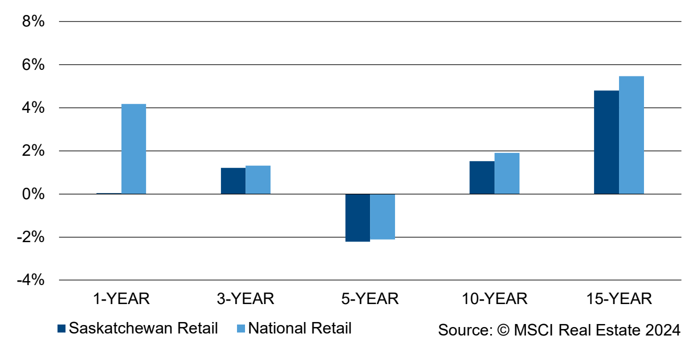
HISTORICAL PERFORMANCE

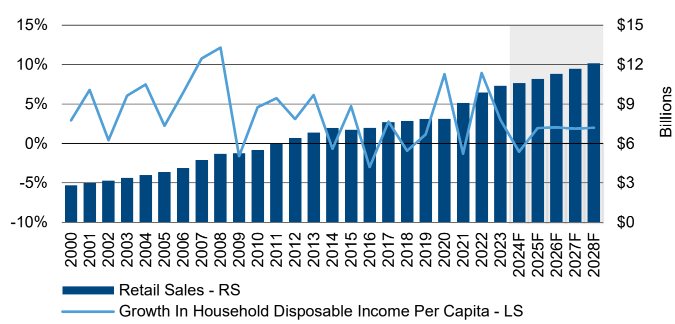
For the period ending June 2024



Source: © MSCI Real Estate 2024

RETAIL CONDITIONS

Saskatoon Historical & Forecast Aggregates



Source: Conference Board of Canada

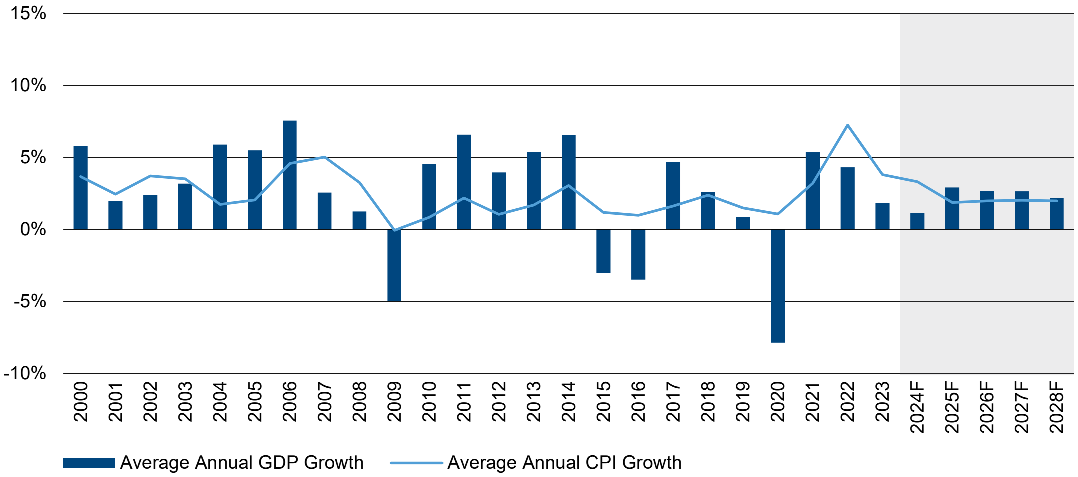
Investment demand will outpace supply over the balance of this year and in 2025.

CALGARY, AB

The Greater Calgary Area (GCA) economy is expected to advance at an above average rate over the near term, driven in part by the region's oil and gas industry. Real GDP is projected to expand by a relatively healthy 1.1% this year, followed by a more robust 2.5% advance in 2025. National real GDP is forecast to rise by 0.7% this year and 2.3% in 2025. Economic growth is expected to push GCA employment levels higher by 3.6% and 2.6% in 2024 and 2025, respectively.

ECONOMIC GROWTH

Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

EMPLOYMENT WILL RISE TO A RECORD-HIGH

GCA total employment is expected to rise to a record-high level over the near term, capping off a three-year period of strong growth. The CBOC forecast calls for a 3.6%, or 32,650, increase in total employment in 2024. As a result, employment will have reached a record high of 936,100. Healthy employment increases are expected in both the GCA's services and goods sectors. The transportation and warehouse sector is expected to see double-digit employment growth in 2024. The GCA's unemployment rate will increase to 6.5% in 2024, with labour force expansion exceeding employment growth. In 2025, this trend will be reversed, which will drive the unemployment rate 40 bps lower to 6.1%. GCA unemployment levels are expected to decline gradually after 2025, consistent with the national trend. In conclusion, GCA total employment will continue to rise and reach a record high over the near term.

STRONGER RETAIL SALES GROWTH TRAJECTORY TO EMERGE

A stronger retail sales growth trajectory is expected to emerge over the near term. Retail sales growth will strengthen substantially next year following the CBOC's forecast 1.3% gain in 2024. GCA retail spending is projected to rise by a solid 3.2% in 2025 and an average of just over 3.3% annually between 2026 and 2028. Lower borrowing costs and inflation will help drive spending volume higher over the near term. Robust population growth driven by inter-provincial and international migration is expected to boost consumer outlays across the region. Positive housing market and labour market performance are also expected to push retail sales higher. In short, a stronger retail sales growth trajectory is expected to emerge in the GCA over the near term.

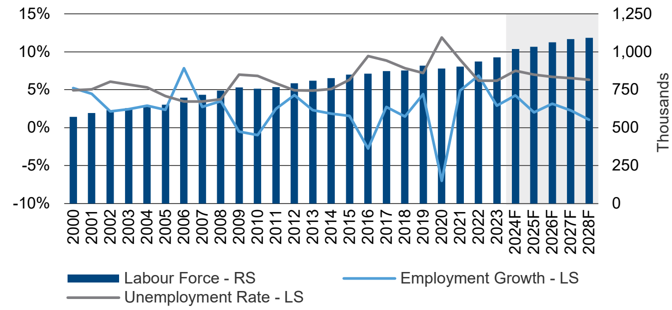
CONSTRUCTION SECTOR OUTPUT UPTICK PREDICTED

An uptick in construction sector output is predicted in 2024, following a modest contraction in the previous year. The CBOC is predicting a 2.2% increase in construction sector output for 2025, following a slight contraction in 2024. Output is expected to increase in both the residential and non-residential construction sub-sectors over the next few years. Housing market demand is expected to remain elevated over the near term, which will support increased residential construction output. Several non-residential projects underway or set to commence are expected to add to the construction sector output uptick predicted over the near term.

GCA retail spending is projected to rise by a solid 3.2% in 2025 and an average of just over 3.3% annually between 2026 and 2028.

LABOUR MARKET

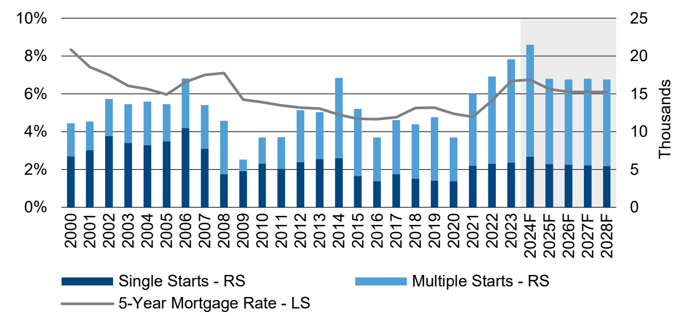
Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

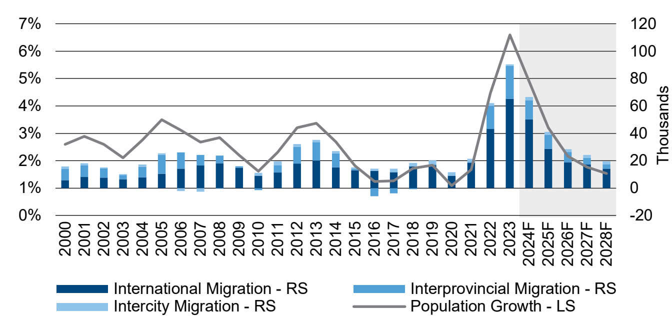
Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET OUTLOOK IS UNEVEN

The GCA office leasing market outlook is somewhat uneven. The GCA's class AA buildings will continue to outperform, in keeping with the trend of the past few years. Class AA vacancy will continue to rest in the mid-teens and rents will edge slightly higher over the balance of this year and in 2025. Much of the progress forecast for GCA's highest quality properties will be offset by ongoing weakness in the older class A, B, and C market segments. Space was absorbed in the class AA and A at a higher rate than in the rest of the market during the first half of 2024, a trend that will likely continue over the balance of 2024 and in 2025. Conversely, tenants in class B and C buildings will continue to return space to their landlords upon lease expiry as they transition to various hybrid workplace models over the near term, in keeping with the post pandemic trend. As a result, class A, B, and C vacancy will remain elevated relative to the class AA average. Downward pressure on class A, B, and C will persist especially for buildings with excess vacancy and limited demand. The continued removal of buildings from inventory for residential conversion will result in modest downward pressure on GCA aggregate vacancy. Vacancy will continue to vary significantly by building class, which is an indicator of the uneven leasing market outlook.

RECENT INVESTMENT MARKET TRENDS WILL CARRY FORWARD

Investment market trends observed in the GCA office property sector will carry forward into the first half of 2025. The forecast assumes interest rate cuts will occur at a modest pace and office market risk will remain elevated. A heightened level of caution will be exercised by investors in this market as the leasing market downturn continues to unfold. Institutional buyers will continue to place greater emphasis on acquiring downtown properties with secure long-term leases in place. There will be few properties available that fit this description as vendors remain reluctant to sell assets in a down market. Sales of older properties for conversion to residential use will continue at a relatively brisk pace. Overall activity levels will continue to underwhelm, given limited financing availability. Downward pressure on values will persist into 2025, though at a more modest rate than over the recent past. Investment performance will gradually strengthen, building on the entirely income-driven 4.8% total average return recorded for MSCI Index properties for the year ending June 30, 2024. In conclusion, the investment market trends observed over the recent past will carry forward into the first half of 2025.

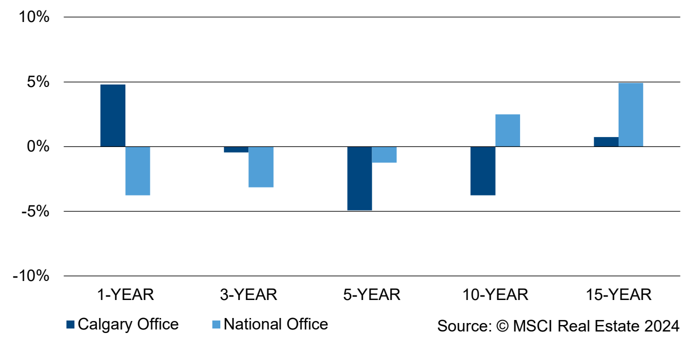
TRENDING STATISTICS

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

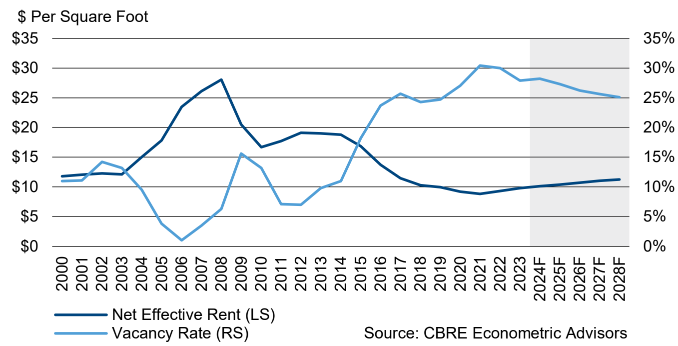
For the period ending June 2024



Source: © MSCI Real Estate 2024

OFFICE RENT & VACANCY

Calgary Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The continued removal of buildings from inventory for residential conversion will result in modest downward pressure on GCA aggregate vacancy.

LEASING MARKET STABILITY FORECAST

Stabilization will be the dominant theme in GCA's industrial property leasing market over the near term following a three-year period of rapid expansion growth. A balanced demand supply dynamic is predicted over the final few months of 2024 and in 2025. Initially, availability will rise modestly from the 5.9% average reported by CBRE at the midway mark of 2024. Construction activity will continue to slow, resulting in a stable vacancy trend. Little change in asking rents is predicted as demand gradually strengthens. A robust demand trend is predicted for newly constructed, highly efficient state-of-the-art space. However, availability levels will remain elevated in the market's older and less functional building inventory. The availability of space in older and less functional buildings increased during the second half of 2023 and the first half of this year. During this period, tenants looked to shed excess space either through the sublet market or upon lease expiry. As a result, the GCA's availability rate rose by 200 bps over the latter half of 2023 and the first half of 2024. Rent growth stalled during the same period. Rents in this market rose to a record high level over the past few years. Over the near term, stabilization will be the dominant theme in the GCA industrial leasing market.

INVESTMENT SALES ACTIVITY TO RISE STEADILY

Investment sales activity in the GCA's industrial property sector is expected to rise steadily over the near term. The forecast sales increase assumes interest rates will continue to decline, lending market conditions will stabilize, and there is a sufficient supply of available product. Investor confidence levels will subsequently increase. As a result, institutional buyers will re-enter the market, having retreated to and remained on the sidelines over the past few years. As investment activity increases, the bidding environment will become more competitive. In addition, acquisition pricing will stabilize. Investment activity slowed substantially during 2023 and 2024, as real estate and economic risk levels increased. The bid-ask gap widened and a period of price discovery ensued. Vendors were unwilling to sell assets in an environment of price instability. Values declined to varying degrees, The weak capital trend had a materially negative impact on performance. GCA properties contained in the MSCI posted a modest total return of 2.6% for the year ending June 30, 2024, which was entirely income driven. Property values are expected to stabilize over the near term, a period during which investment sales activity will rise steadily.

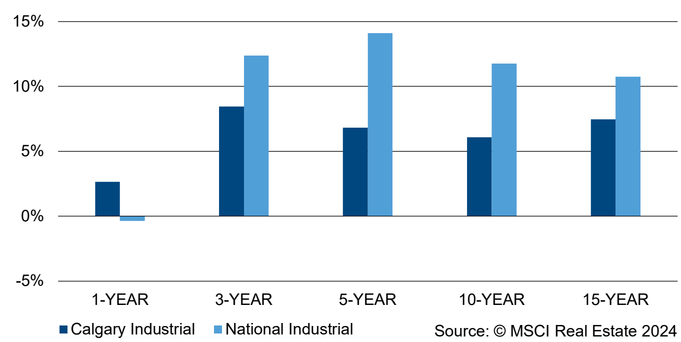
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
AVAILABILITY 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).

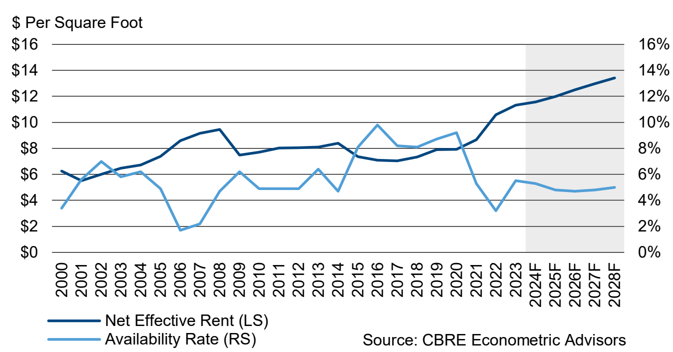
HISTORICAL PERFORMANCE

For the period ending June 2024



INDUSTRIAL RENT & AVAILABILITY

Calgary Historical & Forecast Aggregates



Property values are expected to stabilize over the near term, a period during which investment sales activity will rise steadily

LEASING MARKET PERFORMANCE OUTLOOK IS GENERALLY POSITIVE

The GCA's retail property leasing market outlook is generally positive. The positive outlook will be supported by economic, retail sales, and population growth that will exceed the national average this year and in 2025. Retailer revenue growth will continue at a relatively healthy pace, which will drive expansion activity in this market. Expansion activity will help ensure the GCA retail vacancy rate holds in low single-digit range through to the end of 2025. At the same time, the volume of newly constructed space delivered to the market will remain modest. Vacancy will increase temporarily with the completion of the redeveloped former Northland Village Mall and The Alpine and phase 2 of Township in 2025. This space will lease up relatively rapidly given a largely positive leasing demand pattern. The market's forecast demand-supply balance will support a stable near-term vacancy trend. Leasing market demand outpaced supply in 2023, resulting in significant upward rent pressure. By early 2024, the market's rent growth cycle had slowed. Rents are expected to rise modestly in 2025. The rent growth forecast is an indicator of the GCA's generally positive retail leasing market outlook.

INVESTORS WILL TAKE A MEASURED APPROACH

Investors will continue to take a measured approach to investing in the GCA retail property sector over the near term. Investors will focus on acquiring assets with specific attributes, which is in line with the trend of the past few years. Properties anchored by grocery stores or stores selling necessities will continue to generate strong interest. Investors will also target assets with strong near-term performance track records and national tenants on long-term leases. For the most part, the demand for the most highly sought-after investment properties is expected to outdistance supply, in keeping with the recent trend. Owners will hesitate to sell properties that have performed relatively well over the past few years. Consequently, investment transaction volume is expected to fall short of the most recent peak period. The positive investment performance pattern of the recent past will persist over the near term. Property values will continue to rise slowly, having stabilized in the second half of 2023. Properties included in the MSCI Index generated an attractive return of 7.5% for the year ending June 30, 2024. Despite the strong near-term performance pattern, investors are expected to continue to take a measured approach to investing in this market over the near term.

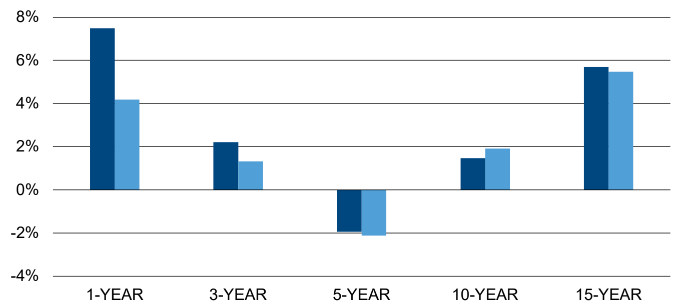
TRENDING STATISTICS

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

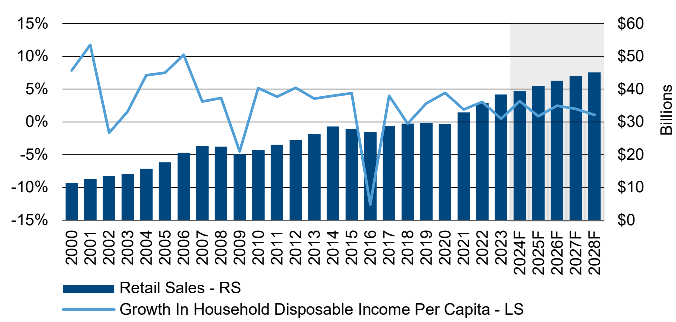
For the period ending June 2024



Source: © MSCI Real Estate 2024

RETAIL CONDITIONS

Calgary Historical & Forecast Aggregates



Source: Conference Board of Canada

The positive investment performance pattern of the recent past will persist over the near term.

PERSISTENT RENTAL MARKET TIGHTNESS FORECAST

Persistent tightness is forecast in the GCA's multi-suite residential rental market over the near term, in keeping with the recent trend. Vacancy is expected to rest below the 2.0% market through to at least the end of 2025. GCA vacancy matched the decade-low average of 1.4% in October 2023, having dipped 130 bps year-over-year according to CMHC figures. Strong rental demand characteristics are expected to ensure vacancy holds at or near the decade low over the near term. Economic expansion and job growth will support a healthy rental demand pattern. Near record-high international and inter-provincial migration volumes will add to the rental demand pressure. Families and individuals will be drawn to the GCA by its relatively low living costs compared with larger Canadian markets. A significant volume of renters will be forced to stay in their existing units over the near term due largely to the high cost of home ownership. Rental demand will outpace supply, resulting in continued upward pressure on rents. The average GCA two-bedroom rent increased by more than 14.0% between October 2022 and October 2023. Rents are expected to continue to rise as the supply of vacant units dwindles. Rent growth is expected to moderate somewhat in 2025, despite a persistently tight rental market backdrop.

INVESTMENT DEMAND WILL CONTINUE TO OUTPACE SUPPLY

Investment demand is expected to continue to outpace the supply of available GCA multi-suite residential rental property over the near term, in keeping with the national trend. Investors are expected to continue to source acquisition opportunities in a market where population growth supported a rental demand surge, rents climbed to record-high levels, and vacancy ranged fell below the 2.0% mark. Institutional groups will focus on GCA's high-rise concrete towers in the downtown area and properties with mass transit proximity. Regional and local private capital entities will seek a wider range of acquisition opportunities, including recently built low and mid-rise properties. Available properties with income upside will also be well-received when offered for sale. In addition, properties with expansion potential will be targeted. Availability, however, will fall short of demand due in part to the GCA's relatively small inventory of properties. Some vendors will be reluctant to sell assets that have performed well over various investment horizons and will continue to do so over the near term. On aggregate, investment demand will continue to outpace product availability over the near term.

TRENDING STATISTICS

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

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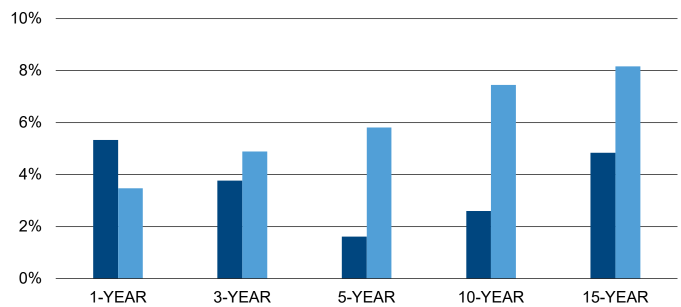
HISTORICAL PERFORMANCE

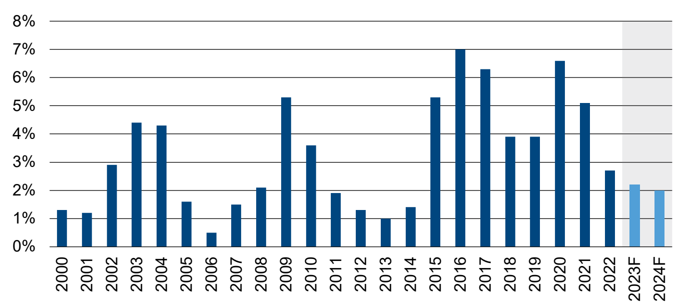
For the period ending June 2024



Source: © MSCI Real Estate 2024

AVERAGE RENTAL VACANCY

Calgary Multi-Suite Residential



Source: CMHC; Morguard

Rent growth is expected to moderate somewhat in 2025, despite a persistently tight rental market backdrop.

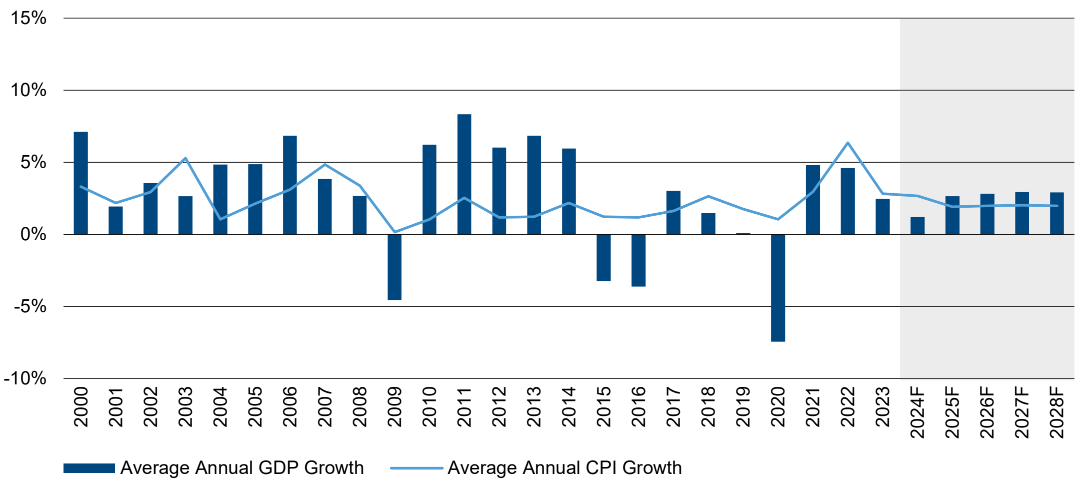
EDMONTON, AB

ECONOMIC SNAPSHOT

The Greater Edmonton Area (GEA) economy is expected to strengthen over the near term, driven in large part by a robust population growth trend and the region's oil production industry. Real GDP is projected to rise by 2.3% in 2025 following a forecasted 1.2% gain in 2024. Higher rates of interest and inflation had a negative impact on growth in 2024, which was consistent with the national trend. Labour market performance is also expected to improve in 2025 after moderating in 2024.

ECONOMIC GROWTH

Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

JOB GROWTH TO STRENGTHEN AFTER BRIEF PERIOD OF MODERATION

Job growth in the GEA is expected to strengthen in 2025, following the forecasted moderation in 2024. Total GEA employment is projected to increase by 3.3% next year following a more modest 2.1% gain this year. The lingering effects of higher interest rates and inflation will limit employment growth in 2024. By 2025, economic growth will pick up, resulting in increased job creation activity. The GEA's services sector will continue to generate the largest share of new positions over the near term, consistent with the trend of the past few years. New jobs will be created in several sectors of the economy, resulting in downward pressure on the GEA's unemployment rate. In 2025, the GEA's unemployment rate is expected to fall by 40 bps to 6.0% due largely to a stronger near-term job growth trend.

RETAIL SALES GROWTH IMPROVEMENT FORECAST

An improved retail sales growth trend is forecast over the near term. GEA retail sales volume is expected to rise by a moderately robust 3.3% in 2025 on the heels of a modest 1.3% lift forecast for 2024. The forecasted sales growth improvement will be driven in part by an accelerated job growth forecast. In addition, international and inter-provincial in-migration trends will continue to drive spending volume higher. Moreover, increased housing market activity will boost spending on household items. GEA consumer spending power will increase as the effects of higher interest rates and inflation continue to wane. In 2025, the GEA's retail sales growth trend is projected to improve significantly.

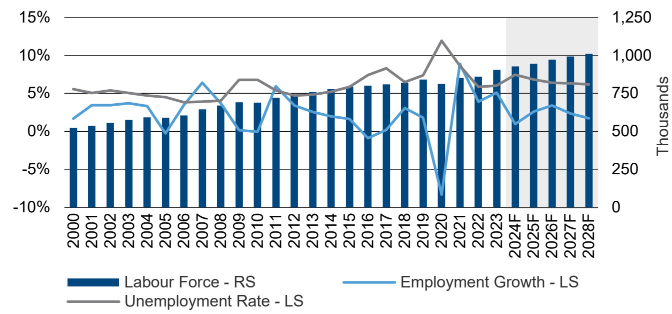
CONSTRUCTION OUTPUT TO INCREASE AT A HEALTHY RATE

Construction sector output is expected to increase at a healthy rate over the near term. The CBOC is predicting an increase in sector output of 2.9% in 2025 following the 1.3% contraction forecast for 2024. Housing starts are projected to increase to 13,719 units in 2024 with a stronger 15,245 starts forecast for 2025. Housing market demand will continue to rise over the same period, due largely to an influx of international and inter-provincial migrants to the region. Non-residential building activity is expected to increase over the near term, which will drive construction sector output markedly higher.

Non-residential building activity is expected to increase over the near term, which will drive construction sector output markedly higher.

LABOUR MARKET

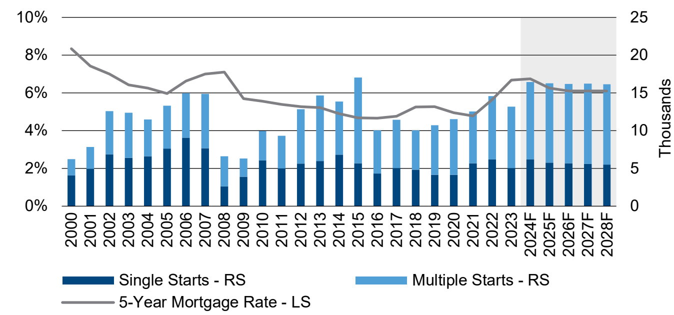
Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

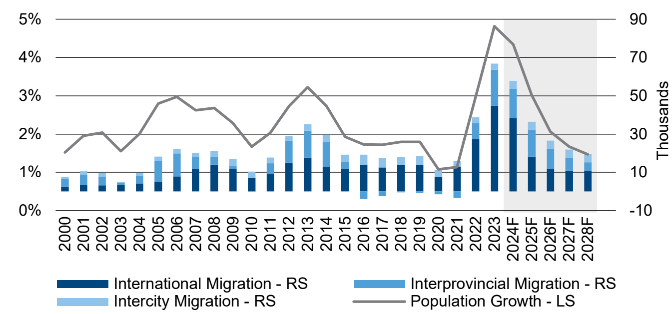
Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

PREMIUM-QUALITY DOWNTOWN BUILDINGS WILL OUTPERFORM

The GEA's premium-quality downtown towers are expected to outperform over the near term, in line with the trend of the past few years. Class AAA vacancy will remain markedly lower than the market average. Vacancy for this subset of buildings stood at a relatively healthy 12.7% at the midway mark of 2024, according to CBRE figures, almost 7.0% lower than the market average for all classes of space combined. In addition, office rents in the market's premium towers are expected to remain significantly higher than the market average. The flight-to-quality trend of the past few years will continue over the near term. Space in the market's premium towers is typically more efficient and located in areas with a range of amenities, including public transit. In the broader market, previously improved space will lease up relatively quickly due largely to the high cost of construction. Space in older class A, B, and C properties is typically less efficient but also less expensive. The ongoing flight-to-quality trend in this market will help ensure its premium downtown towers continue to outperform.

INVESTMENT SALES ACTIVITY SLUMP TO CONTINUE

The GEA office property investment sales slump of the past few years is expected to continue over the near term. Investor confidence levels will remain low due largely to expected extension of the down phase of the cycle. Buyers will exercise a high degree of caution when assessing acquisitions. Financing options will remain limited, which will curtail investment sales activity over the near term. Private capital is expected to continue to account for a significant portion of office property sales in this market over the near term, consistent with the national trend. We may see the sale of older properties with residential conversion potential. However, activity levels will remain well below the long-term average. Vendors will be reluctant to sell properties in a down market that has seen values decline to a cycle low. In addition, the potential buyer pool for properties brought to the market is expected to remain thin. The downward pressure on property values of the past few years had a negative impact on performance. GEA office properties included in the MSCI Index generated a negative total return of 2.4% for the year ending June 30, 2024. Capital erosion more than offset a relatively stable and positive income performance. Negative returns have been constant in this market over the past five years.

TRENDING STATISTICS

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

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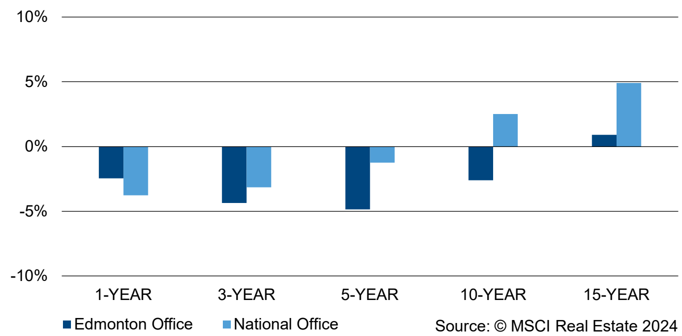
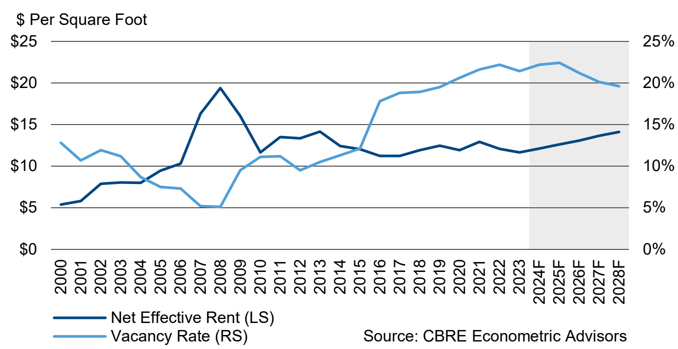
HISTORICAL PERFORMANCE

For the period ending June 2024



OFFICE RENT & VACANCY

Edmonton Historical & Forecast Aggregates



The GEA office property investment sales slump of the past few years is expected to continue over the near term.

LEASING MARKET STABILIZATION FORECAST

Leasing market stabilization is forecast for the GEA's industrial property sector over the balance of this year and much of 2025. The forecasted stabilization will be a byproduct of the market's increasingly balanced demand-supply dynamic. Economic expansion will support moderately positive leasing demand characteristics. Warehouse and logistics users will continue to expand in this market along with businesses with ties to the region's resources industry. New supply will meet the demand for state-of-the-art space in this market over the near term, in keeping with the recent trend. Just over 2.6 million square feet of new supply was under construction as of the midway mark of 2024, according to CBRE figures. Just over half of the total will be completed over the second half of 2024, roughly half of which was pre-leased. The market's balanced demand-supply dynamic will support a largely stable availability trend. Availability will rise over the short term with the delivery of newly constructed space and subsequently edge downward. The GEA's industrial availability rate will hover close to the 5.5% average reported at the end of the first half of 2024 through to the end of 2025. We may see rents decline slightly, as new supply drives availability levels higher. On aggregate, GEA leasing market fundamentals are expected to stabilize over the near term.

INVESTMENT SALES PACE WILL BE RELATIVELY BRISK

The GEA's industrial investment property sales pace is expected to remain relatively brisk over the near term, in keeping with the trend of the past few years. Investors will continue to target industrial properties with stable and secure income streams. Functional warehouse and logistics facilities will be the most highly sought-after. Buyers will look to invest in a sector and market with attractive prevailing yields and a healthy and stable leasing outlook. Institutional groups are expected to remain on the sidelines until lending market conditions improve and the bid-ask gap narrows. In the meantime, private capital and owner/users will continue to account for the largest portion of industrial property into early 2025 at least. Transaction volume is expected to exceed the $1.0 billion mark for a fourth consecutive year in 2024. The pace at which industrial investment property sells in the GEA will remain relatively brisk, assuming a sufficient supply of availability product, which will be in line with the trend of the past few years.

TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
AVAILABILITY RAATE		
NET ABSORPTION		
LEASE RATES		
NEW SUPPLY		

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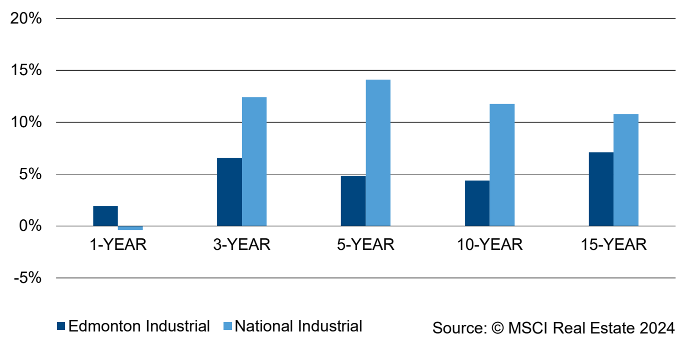
HISTORICAL PERFORMANCE

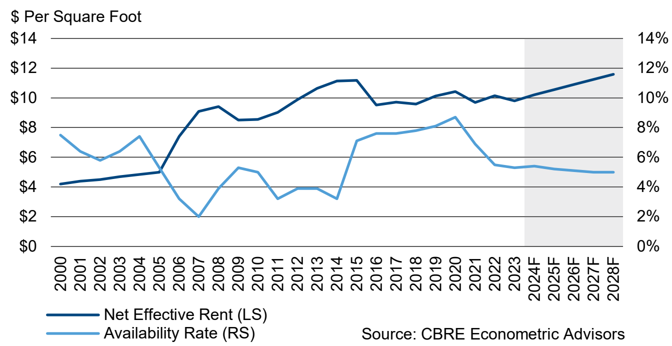
For the period ending June 2024



Source: © MSCI Real Estate 2024

INDUSTRIAL RENT & AVAILABILITY

Edmonton Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

The GEA's industrial availability rate will hover close to the 5.5% average reported at the end of the first half of 2024 through to the end of 2025

POSITIVE LEASING MARKET MOMENTUM FORECAST

Positive leasing market momentum is forecast in the GEA's retail property sector over the final few weeks of 2024 and in 2025. The positive momentum is expected to be driven by a combination of strong population growth, above average economic expansion, and continued wage growth. The Edmonton census metropolitan area population had grown by 6.0% as of June 30, 2024, year-over-year. Consumer spending power is expected to strengthen as debt-servicing costs and inflation decline. As a result, a healthy retailer revenue pattern is predicted over the near term. Retailers will continue to exhibit a preference for space in the market's more productive suburban centres and strips. Expansion activity will remain muted in the GEA's downtown and Old Strathcona regions where foot traffic remains below the pre-pandemic average. The positive retail leasing demand outlook will support a largely stable vacancy trend. GEA retail vacancy will continue to rest in the low single-digit percentage range. Rents may rise slightly for space in newly constructed centres and strips. However, rents are expected to level off overall. In summary, positive leasing market momentum is forecast for the GEA over the near term.

PRIVATE CAPITAL GROUPS WILL BE ACTIVE

Private capital groups are expected to remain active in the GEA's retail property investment market over the near term, which is in line with the trend of the past few years. Privately funded groups will look to acquire properties with the expectation of relatively attractive prevailing yields. Private capital has been the most active of purchaser groups in this market over the past few years. Private groups are expected to continue to access alternative financing options to achieve their acquisition goals. Relatively few large-scale shopping centres are expected to transact while pricing continues to fluctuate. Owners of larger-scale properties are expected to continue to focus on value creation rather than dispositions. The sale of small and medium-sized properties to private buyers is expected to account for much of the near-term transaction volume in this market. Grocery anchored properties will generate interest from a range of buyer groups, as well as strips and centres with tenants selling other necessities. Centres and strips with secure national tenants on long-term leases will also generate interest. We may see values decline slightly over the near term, a period during which private groups are expected to remain relatively active.

TRENDING STATISTICS

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

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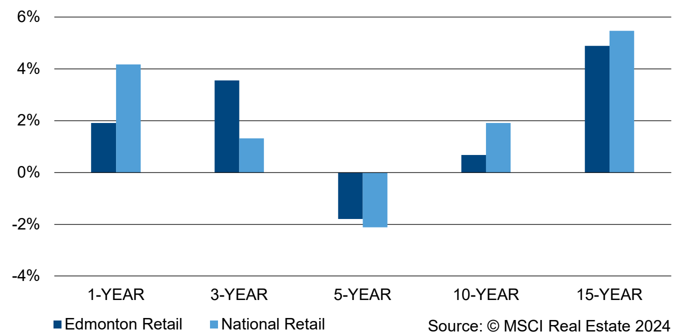
HISTORICAL PERFORMANCE

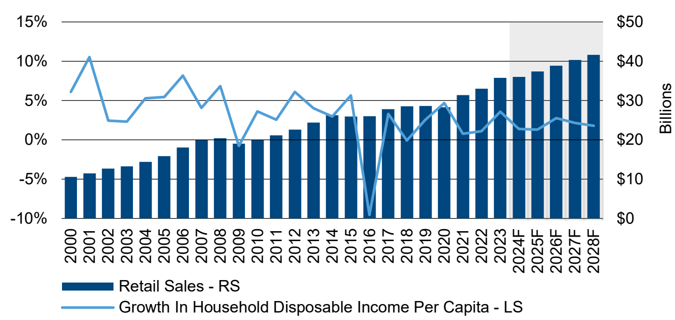
For the period ending June 2024



Source: © MSCI Real Estate 2024

RETAIL CONDITIONS

Edmonton Historical & Forecast Aggregates



Source: Conference Board of Canada

The positive retail leasing demand outlook will support a largely stable vacancy trend.

RENTAL MARKET IMBALANCE TO CONTINUE

The GEA multi-suite residential rental market demand-supply imbalance of the recent past will carry forward to the end of 2025. Demand for rental accommodation is expected to continue to peak. The demand peak will be supported by near record international and inter-provincial in-migration. An above average job growth trend will add to the rental demand pressure over the near term. However, the supply of available rental units will remain highly constrained. Tenant turnover rates are expected to remain below the long-term average over the near term due largely to the prohibitively high costs associated with owning a home in this market. At the same time, tenants will be reluctant to relocate to a higher quality unit while rents remain at all time high levels. Options to relocate or enter the market will be limited as vacancy continues to rest at or near the decade-low 2.4% reported by the CMHC in October 2023. New supply completions will be absorbed quickly, thereby offering little relief from the supply shortage. Asking rents are expected to continue to rise over the near term, given the continuation of the rental market imbalance of the recent past over the near term.

ROBUST CAPITAL FLOW TREND FORECAST

A robust capital flow trend is forecast for the GEA's multi-suite residential rental property sector over the balance of this year and in 2025. Investors will continue to exhibit confidence in a sector and market where attractive yields are attainable. Investors will continue to take advantage of low cost CMHC financing to meet their investment objectives. A healthy rental market outlook and record near-term population growth will continue to justify property acquisitions in this market. Sales of investment property are expected to continue at a near 20-year high pace in 2025, assuming there is a requisite supply of available product. Approximately $513.1 million of investment capital flowed into the GEA's multi-suite residential rental property sector in the first half of 2024, which was the second highest six-month total dating more than two decades. The strong sales pace will coincide with a stronger near-term investment performance pattern. Properties contained in the MSCI Index posted an annual average return of 3.6% for the year ending June 30, 2024. Investment performance is expected to gradually strengthen in 2025, a period during which investment capital will flow into the GEA multi-suite residential rental market at a robust rate.

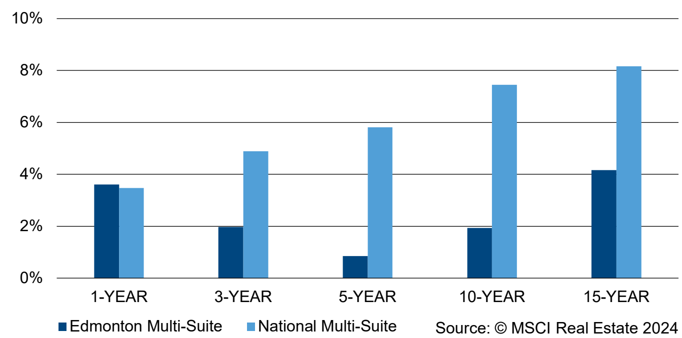
TRENDING STATISTICS

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

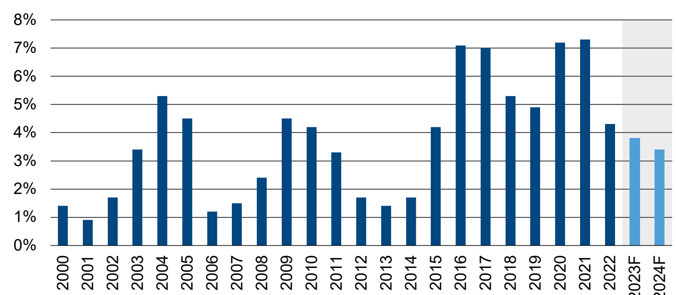
For the period ending June 2024



Source: © MSCI Real Estate 2024

AVERAGE RENTAL VACANCY

Edmonton Multi-Suite Residential



Source: CMHC; Morguard

Sales of investment property are expected to continue at a near 20-year high pace in 2025, assuming there is a requisite supply of available product.

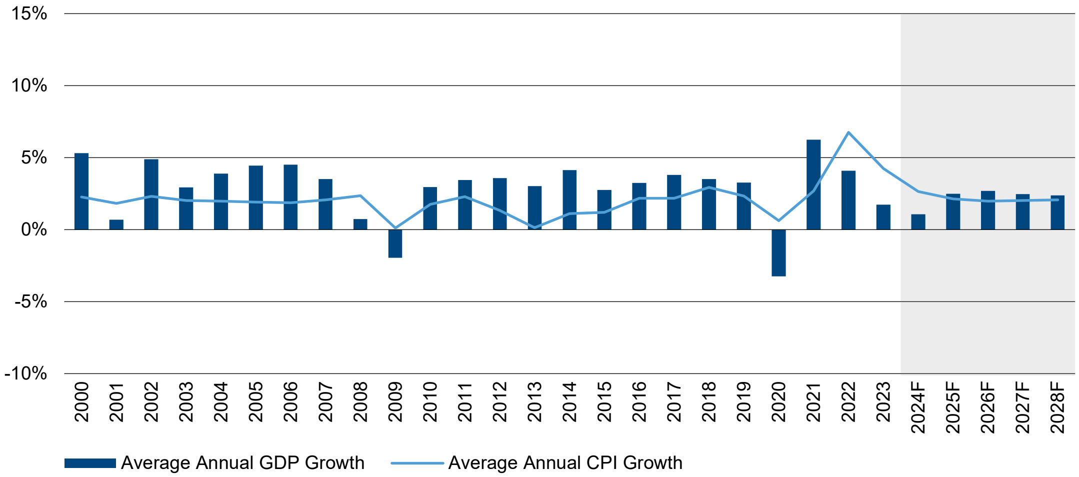
VANCOUVER, BC

ECONOMIC SNAPSHOT

The Greater Vancouver Area (GVA) economy is expected to pick up steam in 2025 as the lingering effects of higher interest rates and inflation continue to gradually taper off. Real GDP is projected to rise by an average of 2.6% annually in 2025/2026. Economic output will increase by a modest 1.0% in 2024, which is just shy of the national average. The solid labour market performances of the recent past will continue over the near term.

ECONOMIC GROWTH

Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET WILL CONTINUE TO STRENGTHEN

The GVA labour market is expected to improve continuously over the next couple of years. The regional economy will continue to expand, resulting in solid employment growth. GVA employment is projected to increase by 2.1% and 2.3% in 2024 and 2025, respectively. This growth will reflect the GVA's continued labour market resilience. The forecasted employment growth is expected to once again be driven by the GVA's services sector, spread across several sub-sectors. Employment growth will drive the GVA's unemployment rate lower over the next few years. The GVA unemployment rate is expected to fall by a modest 10 bps to 5.4% in 2024 with a healthier 30 bps decline forecast for 2025. The downward unemployment rate trajectory is indicative of the forecasted labour market strengthening.

RETAIL SALES VOLUME TO RISE AT A RELATIVELY HEALTHY RATE

GVA retail sales volume is expected to rise at a relatively healthy rate over the near term. Retail sales volume is projected to increase by a modest 1.7% in 2024. A more robust 2.9% increase is projected by the CBOC in 2025. Retail spending is expected to increase as the lingering effects of higher interest rates and inflation ease. GVA employment is projected to rise at a relatively robust rate over the next couple of years, which will drive retail sales volume higher. Population growth will continue to bolster the incomes of retail operators across the region. The GVA's population is expected to expand by a robust 3.8% in 2024 with more moderate increases projected over the medium term. In summary, GVA retail sales volume will rise at a relatively healthy rate over the near term.

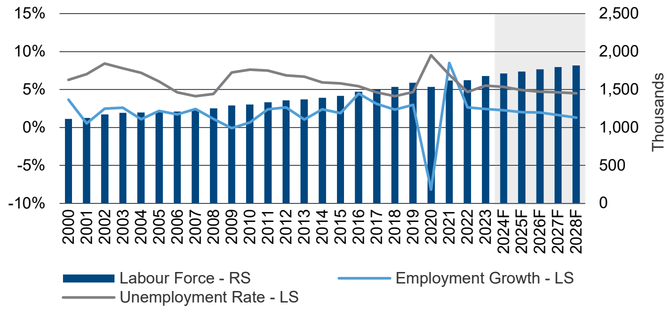
HOUSING STARTS ARE EXPECTED TO DECLINE

New housing starts are expected to decline over the near term following the 2023 peak. The CBOC is predicting 28,832 residential starts in 2024 followed by a further 26,466 in 2025. In 2023, residential housing starts reached a record high of 33,200. During the same year, builder confidence levels surged as the region's population increased significantly. Confidence increased when the government announced incentives to encourage the building of affordable homes. However, housing demand fell short of expectations in 2024. As a result, housing starts are expected to decline over the near term.

Retail spending is expected to increase as the lingering effects of high interest and inflation ease.

LABOUR MARKET

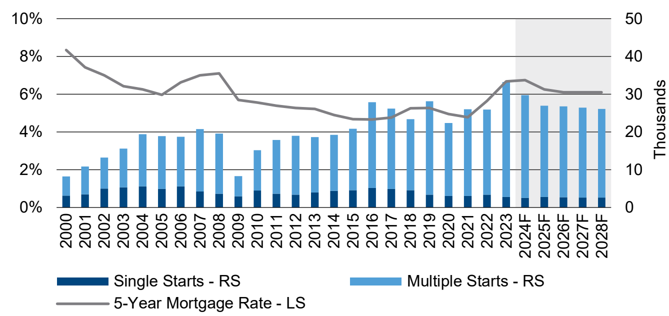
Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

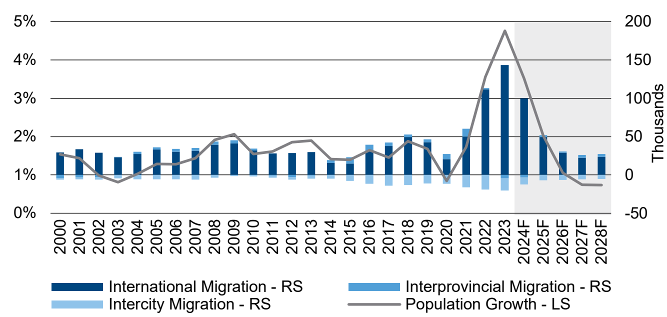
Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET RESILIENCE TO CONTINUE

The GVA leasing market will continue to exhibit a measure of resilience over the near term, in keeping with the medium-term trend. The forecasted resilience will be reflected in the market's near-term vacancy characteristics. The GVA is expected to continue to have one of the lowest vacancy rates in Canada and North America over the balance of 2024 and in 2025. GVA vacancy stood at a relatively healthy 9.7% at the end of the first half of 2024, more than 800 bps lower than the national average rate. Downtown vacancy rested at 10.8%, also more than 800 bps below the national average for the submarket. The GVA's construction pipeline will continue to thin out over the near term, which will prevent a significant vacancy run up. The forecasted leasing market resilience will be supported by the market's moderately positive demand outlook. Expansion activity will continue at a relatively moderate pace, due to ongoing growth in several office space using business sectors. Expansion activity will be offset to some extent by the ongoing popularity of hybrid workplace models and the resulting downsizing activity. As a result, vacancy may rise over the short term. Overall, a largely balanced demand-supply dynamic will fuel the GVA's continued leasing market resilience over the near term.

INVESTOR CONFIDENCE VARIATION FORECAST

Investor confidence variation is expected in the GVA office property investment market over the near term, which is in line with the post-pandemic trend. Interest in acquiring high-quality stabilized properties with secure tenants on long-term leases in the downtown area is expected to remain high. Interest in older property acquisitions will be more moderate. Private groups will continue to source acquisitions with upside potential that can be redeveloped or repositioned. Interest in acquiring higher risk properties will remain low. Financing availability is expected to remain limited. As a result, the bidding environment will remain less aggressive and competitive compared with the pre-pandemic period. In summary, investment confidence is expected to vary significantly in the GVA office property investment market over the near term.

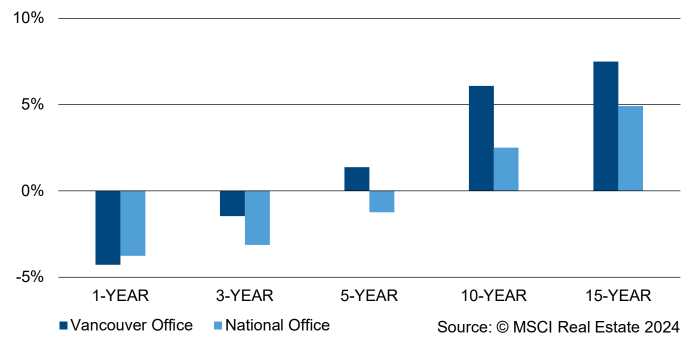
TRENDING STATISTICS

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

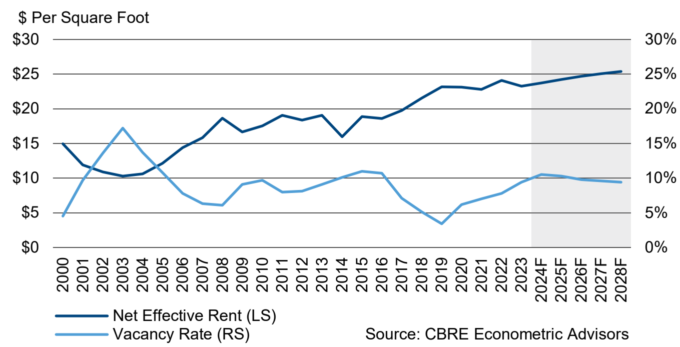
For the period ending June 2024



Source: © MSCI Real Estate 2024

OFFICE RENT & VACANCY

Vancouver Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

GVA vacancy stood at a relatively healthy 9.7% at the end of the first half of 2024, over 800 bps lower than the national average rate.

LEASING MARKET IS EXPECTED TO STABILIZE

The GVA industrial leasing market is expected to stabilize over the near term, following the modest softening trend of the past year. The forecast stabilization is predicated largely on the unfolding of a balanced demand-supply market dynamic. Moderately positive leasing demand patterns are forecast over the near term. Economic expansion will support this trend. Demand moderated slightly over the past year as the GVA economic slowed and the effects of the pandemic-influenced demand-surge of the past few years tapered off. The forecast demand-supply balance will be reflected in the market's availability trend. The GVA availability rate will rest within a relatively healthy and sustainable range of between 4.5% and 5.5% in 2025. In addition, asking rents will stabilize, with modest increases expected for newly built space. Industrial rents had already plateaued by the second half of 2024. The forecast leasing market stability will follow arguably the GVA's most prolific growth cycle. Warehouse and logistics space was leased at a torrid pace between 2021 and early 2023. As demand surged, asking rents increased to a record high. In addition, land prices and construction activity peaked. Over the near term, leasing market conditions are expected to stabilize, following the modest softening trend recorded over much of the past year.

INVESTMENT SALES PACE WILL BE SUSTAINED

The GVA industrial property investment sales pace of the past few years will be sustained over the near term. Investors will continue to target high-quality logistics and warehouse product in anticipation of attractive yields. Offerings with leases expiring over the near term at below market rents will continue to attract the attention of a range of investment groups. The GVA's relatively stable and healthy leasing market outlook will help justify acquisition decisions. The positive investor sentiment will continue to drive sales of industrial property. Roughly $1.4 billion of transaction volume was reported for the first six months of 2024, which represented an 18.1% increase over the same period a year earlier. A similar total is expected over the near term. Investment performance patterns are expected to continue to justify acquisitions in this market over the near term. Properties included in the MSCI Index generated a 5.0% average total annual return for the year ending June 30, 2024. In short, the investment sales pace of the past few years is likely to be sustained over the near term.

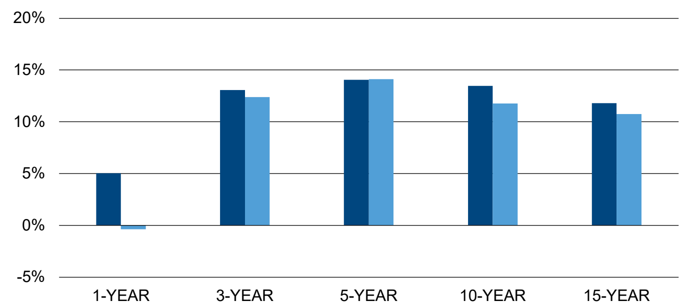
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
AVAILABILITY 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

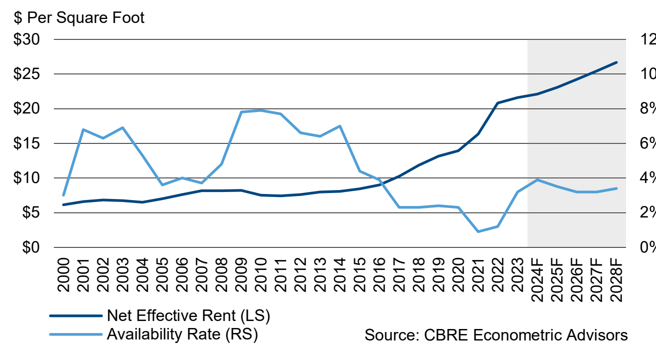
For the period ending June 2024



Source: © MSCI Real Estate 2024

INDUSTRIAL RENT & AVAILABILITY

Vancouver Historical & Forecast Aggregates



Source: CBRE Econometric Advisors

Offerings with leases expiring over the near term at below market rents will attract the attention of a range of investment groups.

LEASING MARKET OUTLOOK IS LARGELY POSITIVE

The GVA's retail property leasing market outlook is largely positive. Population growth and a moderate economic growth trend will continue to drive retail sales growth. The spending power of GVA residents will be boosted by lower borrowing costs and a modest downward inflation trend. Retail operators will continue to expand in both urban and suburban settings, as GVA consumers continue to spend. Expansion activity will be driven in part by discount and service-retail operators and businesses that sell necessities. Demand for built-out restaurant space will continue to exceed supply, due in part to the high cost of construction. Available retail space, however, will be in relatively short supply over the near term. Recently implemented City of Vancouver initiatives have helped fill vacant stores in Gastown and on Water Street. GVA retail vacancy will rest in the low-to-mid single digit range given a relatively balanced demand-supply market dynamic. Retail rents will edge higher over the near term, in keeping with the 2024 trend. Relatively few construction projects will be completed over the near term, which will help stabilize vacancy in this market. Two of the more significant developments underway are the 1.2 million square foot Oakridge Park redevelopment and The Post downtown. In summary, the near term GVA retail leasing market outlook is largely positive.

INVESTMENT MARKET RECOVERY TO CONTINUE

The GVA's retail property investment market recovery will continue over the near term, in keeping with the national trend. Sales of investment property will remain relatively brisk through 2025. Transaction volume totaled $821.4 million for the first half of 2024, well ahead of the previous year's first-half pace. Investors will continue to acquire retail assets in this market with confidence. Property yields will remain attractive, in keeping with the recent trend. Investor confidence is expected to firm up as the lending market stabilizes. Stabilized properties with national tenants on long-term leases will be targeted by a range of buyers. Strips and centres with grocery store anchors or other tenants selling necessities will also be highly sought-after. Properties on the city's most popular shopping streets will be well-received. As the investment market recovery progresses, investment performance is expected to gradually strengthen. Property values are expected to stabilize supporting the forecast investment performance strengthening. In summary, the GVA retail property investment market recovery is expected to continue over the near term.

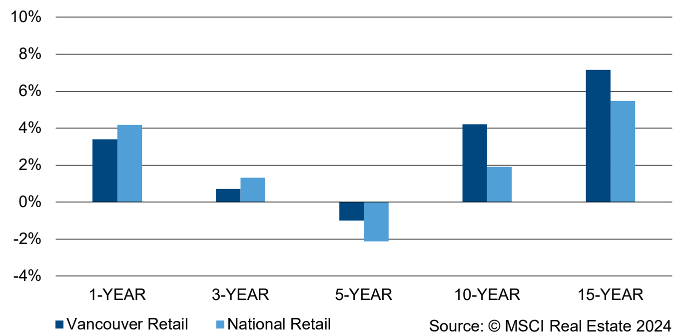
TRENDING STATISTICS

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

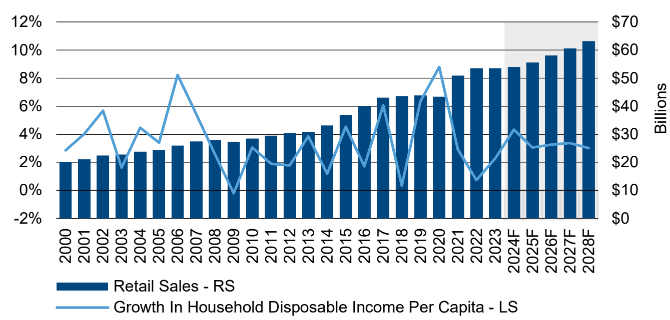
For the period ending June 2024



Source: © MSCI Real Estate 2024

RETAIL CONDITIONS

Vancouver Historical & Forecast Aggregates



Source: Conference Board of Canada

Investor confidence is expected to firm up as the lending market stabilizes.

RENTAL MARKET IMBALANCE WILL BE A CONSTANT

Rental market imbalance is expected to remain a constant in the GVA's multi-suite residential property sector through to at least the end of 2025. Demand for purpose-built rental accommodation will outpace supply despite the continued delivery of new supply. Population growth driven largely by international migration will remain a key source of rental demand. New supply will be absorbed quickly, in line with the trend of the past few years. At the same time, the high cost of condominium and single-family home ownership in this region will ensure rental households continue to rent. With demand continuing to outpace supply, rental market conditions will remain tight. Vacancy is expected to hover close to the 1.0% mark through to the end of 2025. As a result, asking rents will rise in some market segments. The GVA's average two-bedroom monthly rent rose by 8.6% year-over-year as of October 2023. The market's tenant turnover rate will remain below the long-term average. In conclusion, the GVA's multi-suite residential rental market imbalance of the recent past is expected to persist through to the end of 2025.

STABLE AND POSITIVE INVESTMENT DEMAND FORECAST

Demand in the GVA multi-suite residential rental property investment market is expected to remain stable and positive over the near term. Investors will continue to target properties in this region that can generate attractive yields. Institutional groups will continue to focus on high-rise concrete towers in the downtown area or with proximity to mass transit. Recently constructed and older low- and medium-rise properties are expected to generate interest, in keeping with the trend of the past few years. Buyers will continue to take advantage of attractive CMHC financing to facilitate acquisitions, which will help drive sales activity in this market. Transaction volume is expected to increase in 2025 following a strong first-half showing. Just over $676.4 million of transaction volume was recorded in the first half of 2024, up from $323.9 million over the same period a year earlier. Investment performance is expected to improve, along with market fundamentals. GVA properties included in the MSCI Index generated a total average return of 5.3% for the year ending June 30, 2024. The performance improvement will unfold against a stable and positive investment demand backdrop.

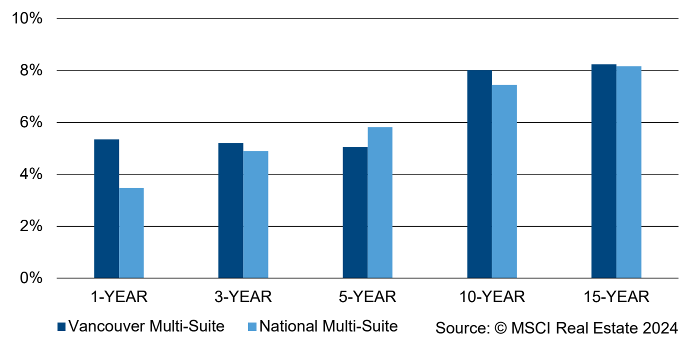
TRENDING STATISTICS

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).

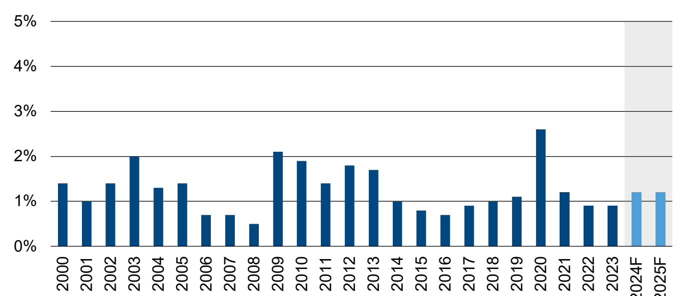
HISTORICAL PERFORMANCE

For the period ending June 2024



AVERAGE RENTAL VACANCY

Vancouver Multi-Suite Residential



Source: CMHC; Morguard

Just over $676.4 million of transaction volume was recorded in the first half of 2024, up from $323.9 million over the same period a year earlier.

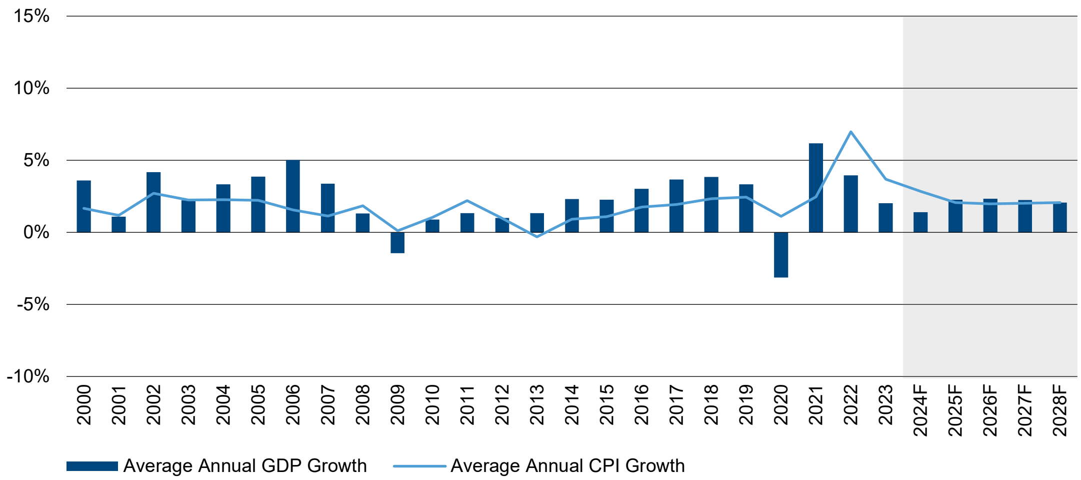
VICTORIA, BC

ECONOMIC SNAPSHOT

The Greater Victoria Area's (GVIA) economic growth trend is expected to strengthen in 2025 following a modest 2024 gain. GVIA real GDP is projected to expand by 2.4% in 2025, following a 1.3% increase in 2024. Interest rates are expected to continue to decline over the final few months of 2024 resulting in increased demand and economic activity. The GVIA labour market will remain tight in 2024/2025, which is consistent with the post-pandemic trend.

ECONOMIC GROWTH

Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

LABOUR MARKET OUTLOOK IS MOSTLY POSITIVE

The GVIA's near term labour market outlook is mostly positive. The CBOC is predicting employment growth of 2.4% in 2024, which is higher than the national average. Employment is projected to rise significantly in the GVIA's two largest sectors, healthcare and social assistance, and public administration. The GVIA's labour market is expected to remain relatively tight, as demand outpaces supply. The unemployment rate is expected to rise by 100 bps to 4.6% in 2024 and fall to 4.4% in the following year. Wage growth will continue to exceed inflation. The average GVIA salary is projected to increase by 4.1% and 2.5% in 2024 and 2025, respectively. Labour market participation will continue to rise and peak over the next few years. In conclusion, the GVIA's near term labour market outlook is generally positive.

RETAIL SALES GROWTH PICKUP EXPECTED

A retail sales growth pickup is expected in the GVIA over the near term. The CBOC projects retail sales growth of 2.6% and 3.8% in 2024 and 2025, respectively. A modest 0.9% increase was reported for 2023 as rising interest rates and inflation eroded the discretionary spending power of GVIA residents. At the same time, consumer confidence levels declined and spending on big-ticket items slowed. Spending patterns are expected to improve in 2025 along with economic growth. As the economy expands, job growth and consumer confidence are expected to increase. In turn, retail sales growth will strengthen, which is consistent with the national trend.

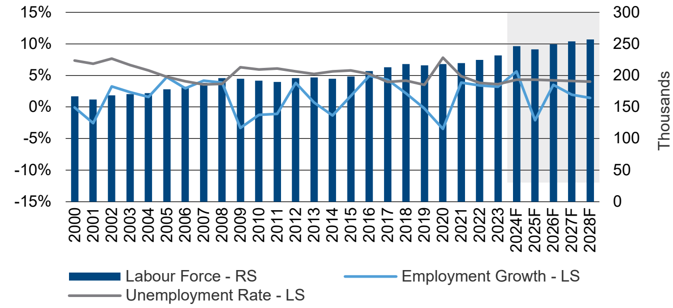
HOUSING STARTS TO DECLINE

GVIA housing starts are expected to decline this year and subsequently stabilize. The CBOC forecasted 4,000 housing starts in 2024 with a modest increase to 4,100 starts in 2025. A slight decrease in housing start volume is predicted for 2026. Housing starts averaged 4,850 annually over the previous three-year period. The lingering effects of higher borrowing costs are expected to continue to erode builder confidence. Builders will continue to face labour shortages over the near term. Multi-unit residential starts will also dip over the near term. The 3,500 starts projected by the CBOC for 2024 will represent a 1,100-unit year-over-year decline. In short, GVIA housing starts are expected to decline over the near term.

The CBOC forecasted 4,000 housing starts in 2024, with a modest increase to 4,100 starts in 2025.

LABOUR MARKET

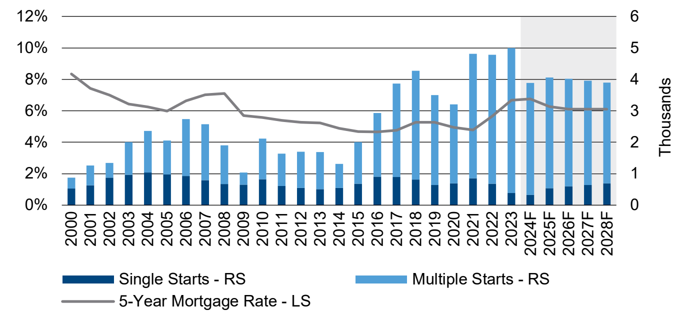
Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

HOUSING SECTOR

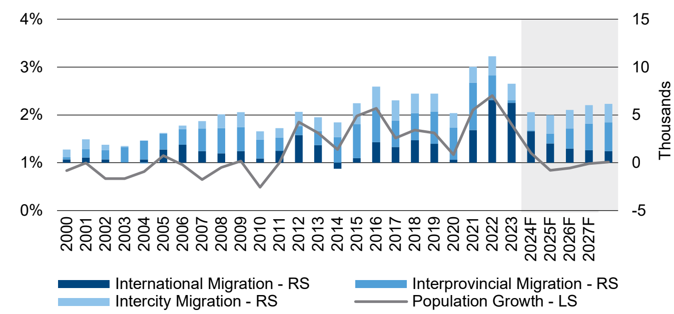
Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

DEMOGRAPHIC TRENDS

Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

LEASING MARKET RESILIENCE IS EXPECTED TO CONTINUE

The GVIA's leasing market resilience displayed over the recent past is expected to continue over the near term. The GVIA's vacancy rate is expected to remain below the 10.0% mark. Conditions in the class A market segment will be markedly tighter, with vacancy continuing to rest below the 5.0% threshold through to the end of 2025. Class B and C vacancy will continue to hover close to the all-class market average over the same period. New supply will have little impact on vacancy, as only one project is scheduled for completion over the near term. Telus Ocean will add 158,000 square feet of state-of-the-art space to the market by the end of 2025. This space is expected to be absorbed relatively quickly given the market's limited supply of class A space. The ongoing flight-to-quality trend will continue to account for a significant portion of GVIA leasing market activity over the near term. Tenants will look to sublease space as a low-cost option that can be occupied relatively quickly. Class B and C landlords will be forced to contend with increased competition and the demands of tenants. Landlord concessions are expected to remain higher than the pre-pandemic average as tenants look to offset the high costs of construction and moving. Leasing demand is expected to remain moderately positive. The return of federal employees to their offices is expected to drive occupancy levels higher, supporting the GVIA office leasing market's continued resilience.

INVESTMENT MARKET RISK IS EXPECTED TO RISE

GVIA office property investment market risk is expected to rise over the near term. The rise is attributable to a recent announcement made by the Premier of British Columbia, indicating that public sector departments will be distributed more widely across the province. As a result, public sector office leasing demand will likely decline and investment market risk will rise. In turn, investor confidence in this market could also decline. Investment sales would decrease with the rise in market risk. Investment sales activity has been relatively muted over the recent past due in part to the negative impact of hybrid workplace strategies on sector performance. As a result, vacancy has trended moderately higher. The presence of the public sector has limited the impact of the post-pandemic downturn on this market. However, the public sector will remain the market's largest occupier of office space. In short, GVIA office property investment market risk is expected to rise over the near term.

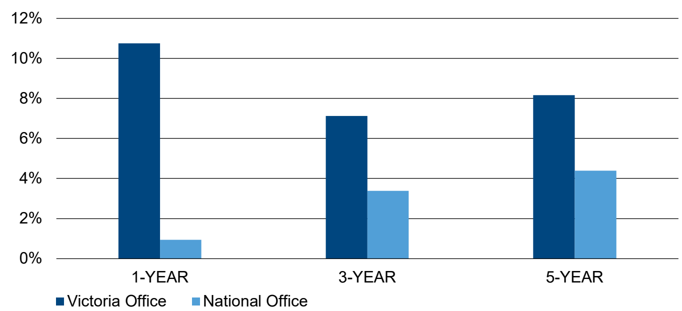
TRENDING STATISTICS

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 2021*

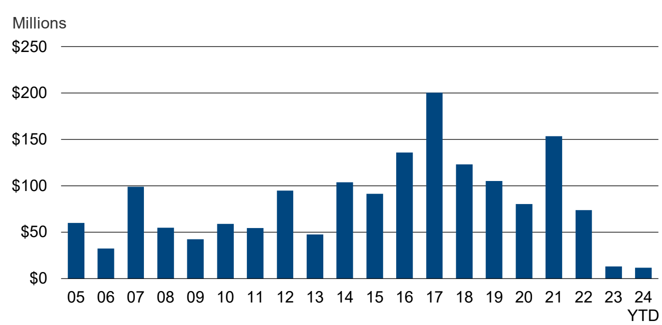


*Current data unavailable

Source: © MSCI Real Estate 2024

INVESTMENT ACTIVITY

Victoria Office Investment Volume To June 2024



Source: Colliers International; RCA

The ongoing flight-to-quality trend will continue to account for a significant portion of GVIA leasing market activity over the near term.

LEASING MARKET OUTLOOK IS LARGELY STABLE AND HEALTHY

The GVIA's industrial leasing market near-term outlook is largely stable and healthy. Leasing demand patterns are expected to remain largely positive across the market, which is consistent with the 2023 and first-half 2024 trends. New highly functional space will attract users in the market to expand or relocate. Industrial users are expected to continue exhibiting high interest in owning their business premises. Owning has become increasingly attractive compared with leasing space at cycle-high rents. Despite this trend, industrial market availability will remain in the low single-digit range, which is considered very healthy. Availability may rise slightly over the near term due largely to new supply completions. However, availability is expected to decline gradually in the second half of 2025, as the newly constructed space is gradually leased up. Industrial rents will begin to rise slowly in the second half of 2025 as economic activity picks up and business confidence rises. Industrial lease rates stabilized during the first half of 2024 following a three-year period of strong growth. In summary, the outlook for the GVIA's industrial leasing market is largely stable and healthy.

INVESTMENT DEMAND TO REMAIN BUOYANT DESPITE PERSISTENT HEADWINDS

GVIA industrial property investment market demand will remain buoyant over the near term, despite persistent headwinds. Private capital groups are expected to acquire properties at a relatively healthy pace while yields remain at an attractive level. Institutional buyers will exercise caution when assessing acquisition opportunities while borrowing costs and economic risk remain elevated. Users are expected to continue accoounting for a significant share of property sales over the near term, mirroring the trend of the past few years. Sales of newly constructed strata space will continue at a healthy rate. A solid $98.0 million in investment sales volume was reported for the first half of 2024, representing a 92.0% increase over the same period a year earlier. Property values edged lower as interest rates increased to a decade high in 2023 and remained elevated through to the midway mark of 2024. Institutional buyers retreated to the sidelines during the same period as sector and economic risk increased. Tenant expansions were delayed, leasing fundamentals softened, and business confidence declined. Over the near term, investment market demand is expected to remain buoyant despite persistent market and economic headwinds.

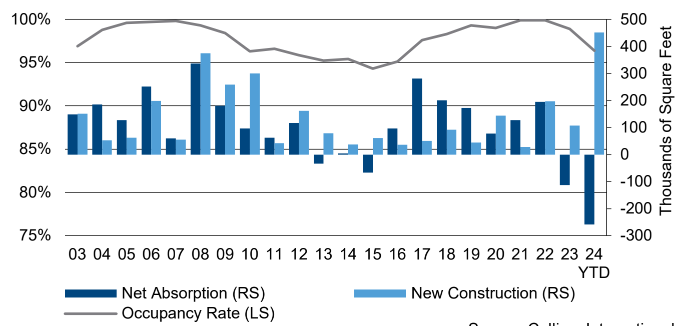
TRENDING STATISTICS

FUNDAMENTALS	Δ YTD	1-YEAR OUTLOOK
AVAILABILITY 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 DEMAND & SUPPLY

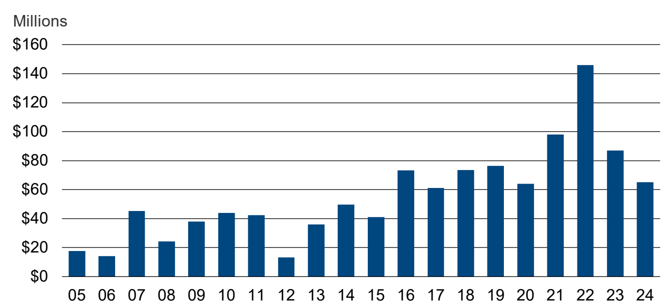
Victoria Historical Aggregates



Source: Colliers International

INVESTMENT ACTIVITY

Victoria Industrial Investment Volume To June 2024



Source: Colliers International; RCA

Industrial lease rates stabilized in the first half of 2024, following a three-year period of strong growth.

LEASING MARKET OUTLOOK IS SOMEWHAT MIXED

The GVIA's retail property leasing market outlook is somewhat mixed. Leasing demand characteristics are expected to remain moderately positive through the end of 2024 and into 2025. However, demand will remain relatively weak in the downtown area, as foot traffic continues to fall short of the pre-pandemic average. Tenants will continue to look for opportunities to expand or relocate in the region's most productive shopping centres. Vacant space in open-air centres will attract strong interest, which is consistent with the post-pandemic trend. Grocery-anchored properties will be a popular target for tenants in this market. New and existing restaurant and food service concepts will account for a significant share of leasing activity in this market over the near term. Built-out restaurant space will be highly sought after, given inflated construction costs. New supply will be leased up relatively quickly. GVIA vacancy is expected to rise slightly over the near term. Vacancy for properties included in the MSCI Index rested at a solid 3.2% at the midpoint of 2024. Competition for prime space in this market is expected to drive rents slightly higher. Market rents are expected to stabilize over the near term, despite a mixed market outlook.

PRIVATE CAPITAL IS EXPECTED TO REMAIN THE MOST ACTIVE BUYER GROUP

Private capital is expected to remain the most active buyer group in the GVIA's retail property investment market through at least the end of the first half of 2025, consistent with the long-term trend. Institutional buyers will remain on the sidelines until the lending market and interest rates stabilize. Historically, institutions have looked to the GVIA for portfolio diversification and above-average yields. Private capital groups will continue to source flexible financing arrangements to acquire properties in this market. Privately funded groups are expected to focus on smaller acquisitions. Properties with tenants selling necessities will generate interest along with smaller centres and strips with stable national tenants. Property values are expected to stabilize in 2025. As values stabilize, investment performance will improve. Properties included in the MSCI Index posted an income component driven average total return of 1.4% for the year ending June 30, 2024. As investment performance improves, private capital will remain the market's most active buyer, in keeping with the historic trend.

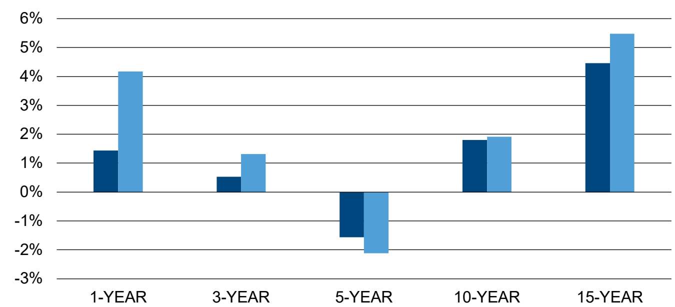
TRENDING STATISTICS

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

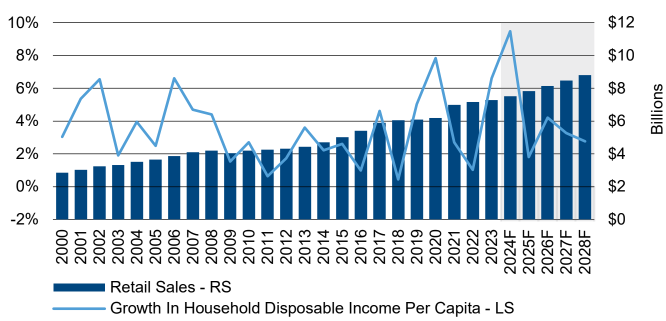
For the period ending June 2024



Source: © MSCI Real Estate 2024

RETAIL CONDITIONS

Victoria Historical & Forecast Aggregates



Source: Conference Board of Canada

Leasing demand characteristics are expected to remain moderately positive through the end of 2024 and into 2025.

SLIGHT RENTAL MARKET SOFTENING FORECAST

The GVIA multi-suite residential rental market is expected to soften slightly over the near term. Two main factors will contribute to the slight softening. Rental demand is expected to moderate somewhat in 2025 with fewer international students expected to study in GVIA's post-secondary institutions. However, International immigration and labour market growth will continue to support the largely positive near-term demand forecast. New supply completions will continue at an above average pace, resulting in modest upward vacancy pressure. The GVIA's rental stock increased by 5.0% year-over-year as of October 2023. Rental market conditions are expected to remain tight with vacancy hovering close to the 2.0% mark in 2025. The market average vacancy rate stood at 1.6% as of October 2023, according to CMHC figures. Market rents are expected to rise at a modest rate over the near term, in line with the national trend. The average two-bedroom rent rose by 7.9% year-over-year as of the end of 2023. The slower rent growth outlook aligns with the slight rental market softening forecast in the GVIA's multi-suite residential property sector. over the near term.

INVESTMENT SALES WILL CONTINUE AT A MODEST PACE

Investment sales activity in the GVIA's multi-suite residential rental property market is expected to continue at a modest pace over the near term. Vendors will continue to hold on to properties that have performed relatively well over the recent past and during periods of economic weakness and uncertainty. Owners of large high-rise properties will also be reluctant to sell during a period when many institutional buyers are on the sidelines. Institutional groups are expected to remain on the sidelines until the lending market and property values stabilize. Privately funded groups will focus on acquisitions that generally sell for less than $10.0 million. Recently built properties, both high-rise and low-rise, will attract buyers. Properties with proximity to post-secondary institutions and mass transit will generate interest. Investment offerings with rental upside as well as redevelopment and repositioning potential will appeal to investors. Availability is expected to continue to fall short of demand in this market over the near term. As a result, investment property sales are expected to continue at a relatively modest pace over the near term.

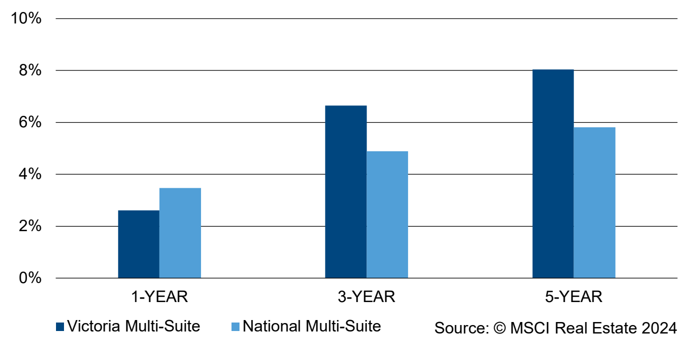
TRENDING STATISTICS

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

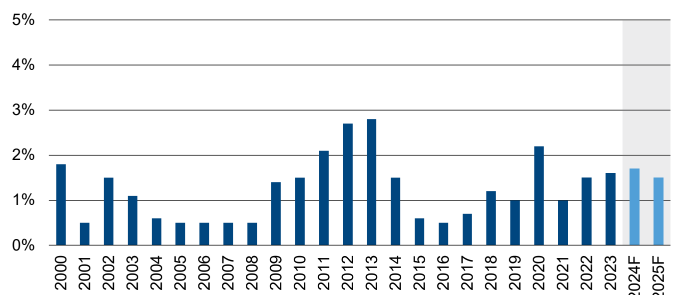
For the period ending June 2024



Source: © MSCI Real Estate 2024

AVERAGE RENTAL VACANCY

Victoria Multi-Suite Residential



Source: CMHC; Morguard

Properties with proximity to post-secondary institutions and mass transit will generate interest.

ABOUT

MORGUARD

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, 2024, Morguard had $18.5 billion of total assets under management and employed 1,200 real estate professionals in 11 offices throughout North America.

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Real Estate Advisory Company	Morguard
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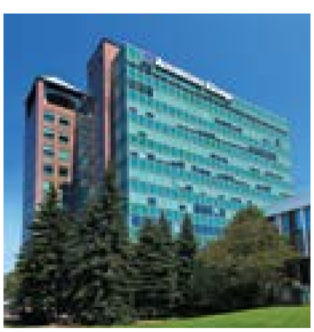

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