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04. - 06. October 2022



RECAN GLOBAL

MUNICH · HALIFAX

RECan Global Virtual Conference

Mid-Year 2022 Canadian Real Estate Market Update

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2022 Virtual Conference Agenda

AGENDA

- ✦ **Conference Introduction**
 - ✦ Conference Objectives

- ✦ **Canadian Real Estate Market Update**
 - ✦ Canada – Geopolitical Update
 - ✦ Current Canadian Economic Update
 - ✦ Canadian Real Estate Markets
 - Industrial Market Update
 - Office Market Update
 - Multi-Residential Update
 - ✦ Asset Examples

- ✦ **RECan Overview and Structure**

- ✦ **Conference Summary / Q&A**



Conference Objectives

Objectives

- Geopolitical Update
- Update on the current Canadian economic environment
- Outline key data from our targeted asset types (industrial, office, multi-family)
- Provide examples of recent investment opportunities in Canada
- Understanding of RECan Global and its Funds
- RECan to be considered the viable alternative for your Canadian Real Estate investment strategy

Mid-Year 2022 Canadian Real Estate Market Update



Canada's Geopolitical Position

- ✦ Politically Stable – current government has been in power for **7 years**
- ✦ Canadian economy is comparatively strong (GDP Forecast, **Canada 3.8%** (2022) and **2.6%** (2023) vs EU area **2.6%** and **1.4%** respectively), benefitting from strong government investment during the pandemic
- ✦ Inflation is impacting the Canadian economy (**Canada 3.0%** 2023 CPI forecast vs **EU area 4.0%** CPI forecast), but higher commodity prices and a strong dollar are mitigating the inflation impacts.
- ✦ The Bank of Canada is one of the most proactive and credible central banks in the fight against inflation, putting Canada in a strong position to minimize the length and severity of this inflationary period
- ✦ Falling oil/gasoline prices (**25% decline** since June) in Canada are having a positive impact on inflation. German gasoline prices have remained relatively flat during the same period. As of Sept 12, average price in Canada is € 1,32/L vs Germany € 2,00/L
- ✦ The war in Ukraine is having a diminished impact on Canada, as trade with countries directly affected by the war is minimal
- ✦ Energy Self-sufficiency – **Canada is a net exporter of oil, natural gas, and electricity, meaning** we produce more of each commodity than we consume. Quebec produces 1/3 of all electrical production in Canada and over 99% of that production is from renewable sources (hydro-electric, wind, solar)

Sources: OECD, Bank of Canada, globalpetrolprices.com, Canada Energy Regulator

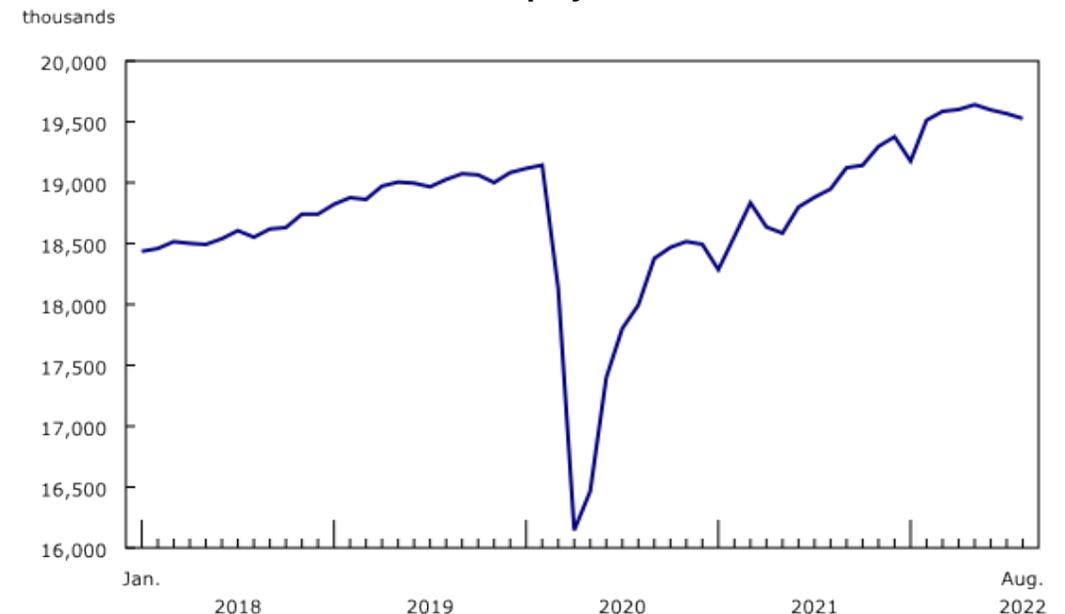
Mid-Year 2022 Canadian Real Estate Market Update



Economic Update

- Canadian GDP Growth remains strong in 2022 (OECD forecast)
 - Canada benefits from higher commodity prices and the stronger Canadian dollar helps ease the inflation impact on imported goods. Canada also has minimal exposure to countries directly impacted by the war in Ukraine.
 - 2022 GDP Growth Forecast: **3.8% (2.6% EU, 2.5% US)**
 - 2023 Forecast **GDP growth: 2.6% (1.4% EU, 1.2% US)**
- Employment exceeds pre-pandemic levels
 - Full-time employment in August 2022 was 19.53 million people (unemployment rate of 5.4%) compared to 19.14 million in February 2020 (pre-pandemic).
 - This represents a gain of almost 400,000 full-time jobs since the start of the pandemic and almost 3.4 million jobs (21%) from the pandemic-era lows.
 - Canada has added over 1.2 million jobs since the start of the year

Table1. Total Employment 2018-2022



Sources: OECD, BofC, Statistics Canada

Mid-Year 2022 Canadian Real Estate Market Update



Economic Update

- ❖ Consumer Price Index (CPI)- Table 2
 - **CPI was 7.0%** in August 2022 (year-over-year) down for the second straight month (**9.1% EU** and **8.3% US**). This decline is mainly attributed to a decline in gasoline prices, which have fallen 25% since June.
 - Excluding gasoline, **Core CPI declined 30 bps to 6.3%** in August.
 - The Bank of Canada is forecasting a decline of inflation to 3% by the end of 2023 and back within its policy range of 2% in 2024.
- ❖ Cost of Capital – Table 3
 - The Bank of Canada (BoFC) has raised its “Policy Interest Rate” by 175 bps since July, and 300 bps since the start of 2022.
 - The BoFC has stated that inflation has been higher, and more persistent, than expected.
 - Markets appear to have faith in the BoFC’s well-founded ability to tame inflation as 10-year Government of Canada (GOC) bond yields have essentially remained flat at approx. 3.2%, notwithstanding the 175 bps rise in the Policy Interest Rate since July.
 - The spread between average cap rates and the 10-year bond narrowed to 244 bps in Q2 as interest rates rose faster than capitalization rates. Cap rate increases in Q3 & Q4 are expected to raise this spread above 300 bps by the end of the year. (see chart of page 8)

12-month % change **Table 2 - CPI (Inflation) 5 years 2017-2022**

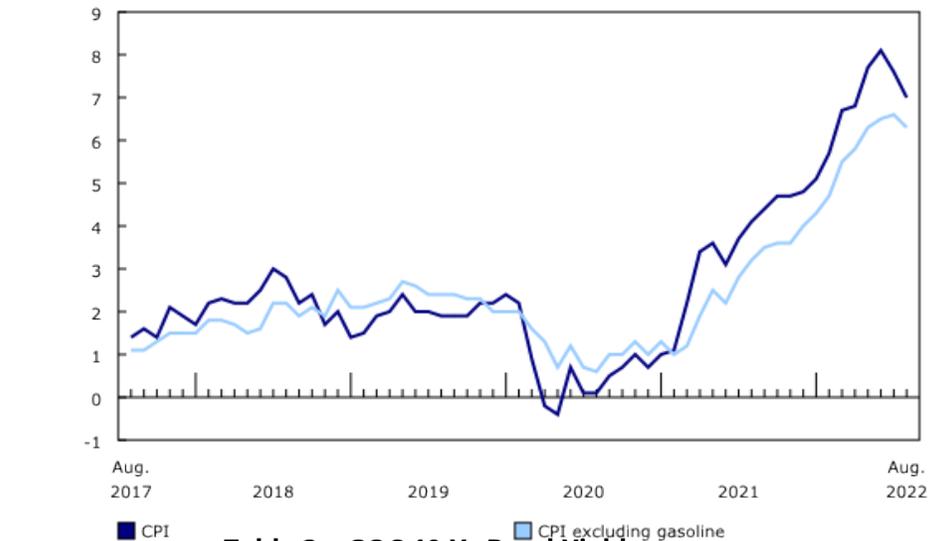


Table 3 - GOC 10-Yr Bond Yields



Sources: BofC, Statistics Canada, CBRE

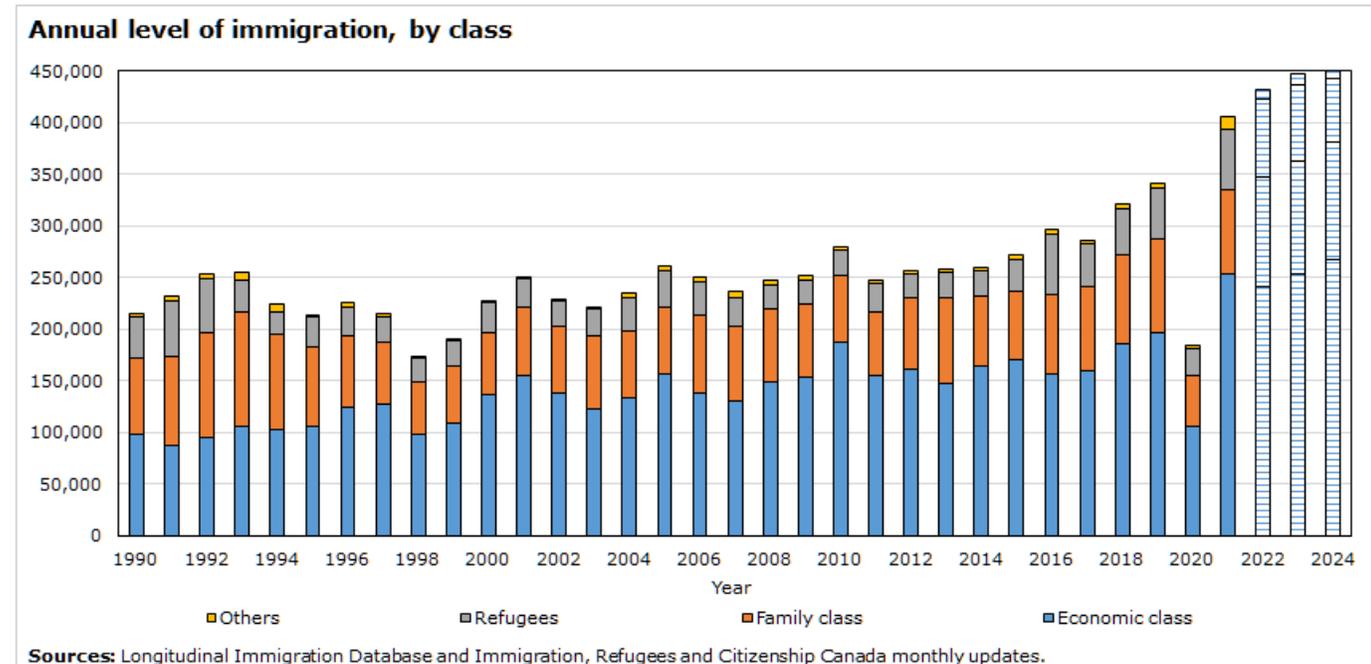
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Economic Update

Immigration

- This spring Canada increased its immigration target to 431,000 in 2022, 447,000 in 2023 and 451,000 in 2024.
- The 2022 target represents 1.12% of Canada's population. In context, 1.12% of Germany's population would be 935,000 new immigrants each year. Germany currently is averaging 330,000 net new immigrants.
- 60% of new immigrants to Canada arrive through employment related immigration programs and another 26% through family reunification. Less than 14% of new immigrants since 2010 have been refugees.
- Between 2010 and 2022 over 80% of Canada's labour force growth has been through immigration, representing approximately 1.7 million new immigrants in the labour force.
- The unemployment rate for immigrants arriving in the last 5 years was just 7.6% in August. This is the lowest rate since tracking started in 2006.
- Increased immigration levels are helping to drive Canadian real estate markets. Not only do new immigrants rent housing and provide much need labour force growth, but given the level of economic immigration in Canada these immigrants are also helping fuel the comeback in the retail sector as well.



Sources: Statistics Canada

Mid-Year 2022 Canadian Real Estate Market Update



Canadian Real Estate Update

Canadian Real Estate Liquidity/Transaction Volume

- 2022 YTD investment volume was \$38B CAD, reflecting a strong 1st quarter.
- Forecasted investment volume for 2022 is +/- \$48B CAD, down from a record \$54 billion in 2021
- Investment volumes expected to rebound in 2023 due to pent up demand, when real estate pricing reflects the current interest rate environment

Reasons

- Cost of capital increasing, reflecting increasing interest rates
- Spread between 10 yr GOC Bond and average cap rate has narrowed to 244 bps, well below historical averages
- Allocations to real estate within alternative strategies is challenged by the “denominator affect”
- Industrial/Logistics continues to be the asset classes of choice
- Canada remains a strong and stable investment option for international investors



Mid-Year 2022 Canadian Real Estate Market Update



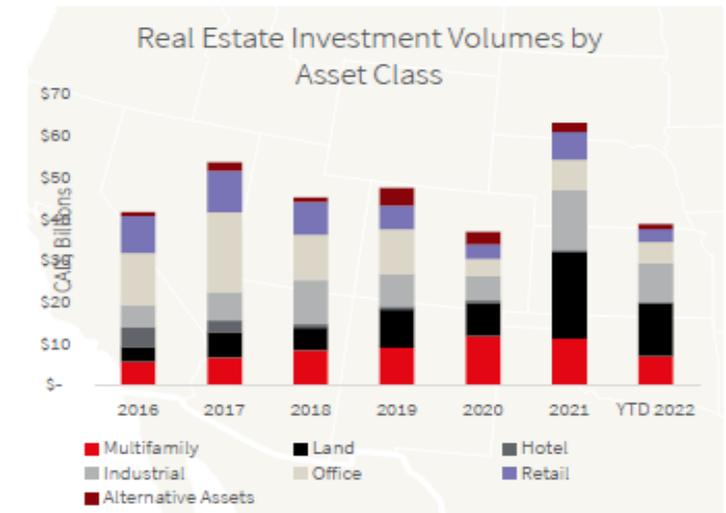
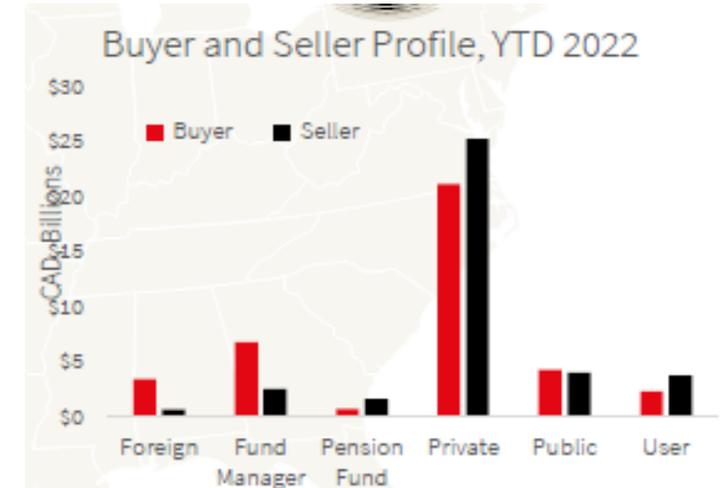
Canadian Real Estate Update

Purchaser Profile

- Private Capital accounted for over 50% of investment volume 2022 YTD, but their share is expected to decline in Q3 & Q4 as increasing mortgage rates impact return expectations for more highly levered private buyers
- Pension Funds and Fund Managers are expected to account for a larger share of transaction volume for the remainder of 2022 and into 2023
- Foreign Investment has increased in volume for 6 straight quarters.

Asset Class Preferences

- Industrial/Logistics, Multi-Family, and Land continued to be the dominant asset classes
- Land acquisition is predominantly for industrial and multi-residential development
- Market fundamentals within industrial and multi-family point to continued upward pressure on rental rates
- Food-anchored community retail is also “in demand”

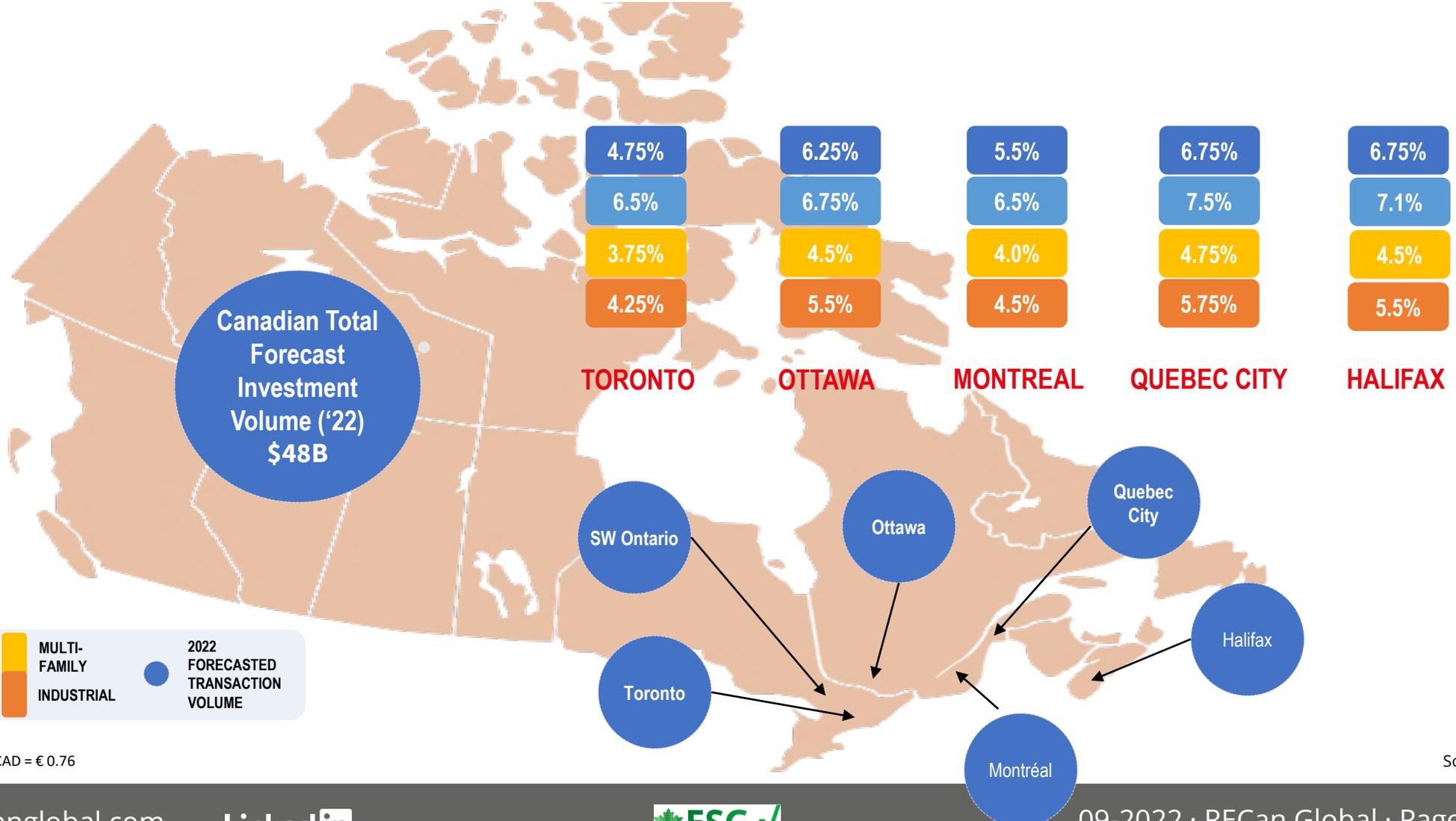


Source: JLL Research, CBRE

Mid-Year 2022 Canadian Real Estate Market Update



2022 Forecast Investment Volumes & Q2 22 Average Cap Rates



* All amounts in \$ CAD. \$1.00 CAD = € 0.76

Source: CBRE, JLL

Mid-Year 2022 Canadian Real Estate Market Update



Canadian Industrial/Logistics Market Update

2022 Q2 National Statistics

- ❖ Vacancy Rate remained at a record low of 1.6%.
- ❖ Rental Rates increased by 24.2% year-over-year
- ❖ Supply – 6.1M ft² (565,000 m²) of new supply in the quarter, with an additional 44M ft² (4.1M m²) under construction. Over 50% of this total will be delivered by the end of 2022, with 75% of the space already pre-leased (as of June 2022).
- ❖ Absorption (Take Up) – Notwithstanding the 3.7M ft² of new inventory, absorption totaled 9.4M ft² (870,000 m²) in Q3.

Key Highlights

- ❖ Demand is being driven by supply chain/logistics requirements, with tenants such as Amazon demanding larger and larger buildings.
- ❖ Demand is expected to outstrip supply for the foreseeable future
- ❖ RECan's target markets account for 66.2% of the 2.1B ft² (190M m²) of inventory in Canada's major urban markets
- ❖ The vacancy rate in RECan's target markets remained at 1.0% in Q2 2022



Source: CBRE, JLL

Mid-Year 2022 Canadian Real Estate Market Update



Canadian Industrial Market Inventory

Industrial Inventory

Market	Square Feet
Greater Toronto Area	993,855,000
Montreal	317,197,000
Vancouver	230,764,000
Edmonton	184,917,000
Calgary	153,901,000
Winnipeg	79,062,000
Saskatoon-Regina	43,212,000
Ottawa	37,640,000
Quebec City	15,000,000
Halifax	10,899,000
Victoria	10,000,000
Total Major Markets	2,076,447,000
Total RECan Markets	1,374,591,000

66%

🇨🇦 Approximate value of industrial space in Canada's major urban markets:

CAD \$400 Billion (EUR €300 Billion)

🇨🇦 Approximate value of industrial space in RECan's target markets:

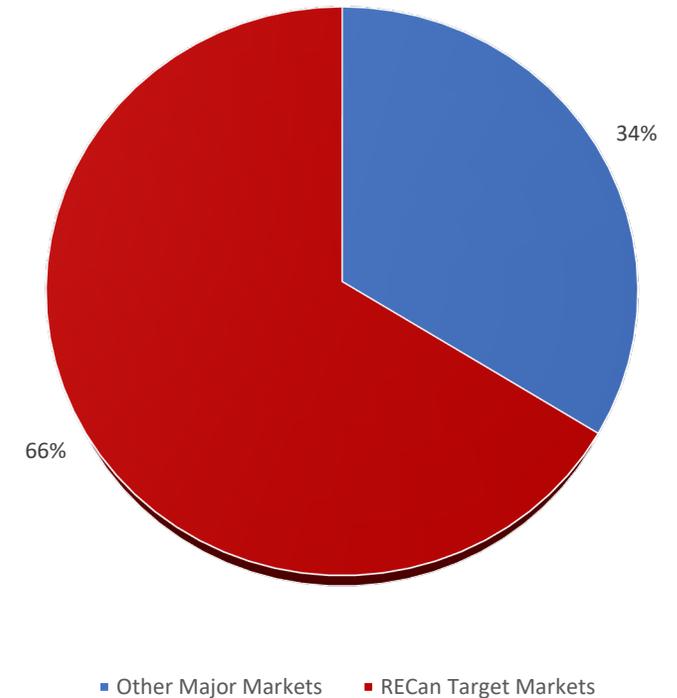
CAD \$275 Billion (EUR €210 Billion)

🇨🇦 1 m² = 10.764 ft²

Total Major Markets = 193,000,000 m²

Total RECan Markets = 128,000,000 m²

Percentage of Industrial Space in RECan's Target Markets



Source: JLL Research

Mid-Year 2022 Canadian Real Estate Market Update



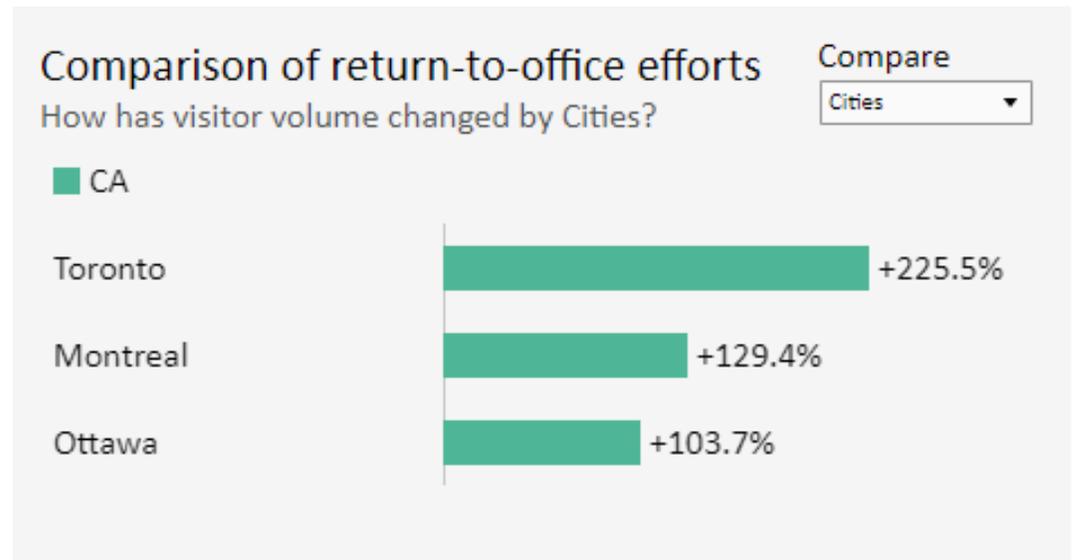
Canadian Office Market Update

2022 Q2 National Statistics

- National Vacancy Rate was 16.5 in the 2nd quarter of 2022
- Rental Rates increased by \$1.19/ft² to \$22.23/ft² (\$239/m²) since the start of the year
- Supply – 15.1M ft² (1.4M m²) currently under construction, including 835,000 ft² which commenced in Q2 2022
- Absorption (Take Up) – Negative absorption of 463,000 ft² (43,000 m²) is a significant improvement over previous quarters

Q2 Key Highlights

- Absorption in the rest of the country (excluding Toronto and Vancouver) was essentially flat in Q2
- Sublet space continues to decline as a share of overall vacancy
- Avison Young's Vitality Index measures foot traffic for office properties in major markets. Since the start of 2022 foot traffic has picked in Toronto (225%), Montreal 129%, and Ottawa (104%) as the return to the office picks up steam.
- Anecdotally, since summer vacations ended at the end of August, vehicle traffic and parking volumes have increased substantially



Source: Avison Young, CBRE, JLL

Mid-Year 2022 Canadian Real Estate Market Update



Canadian Office Market Inventory

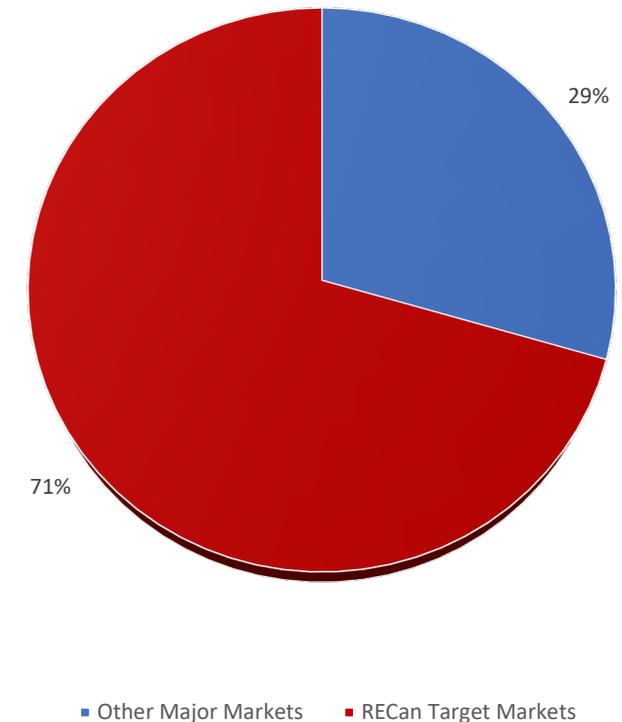
Office Inventory

Market	Square Feet
Greater Toronto Area	292,213,000
Montreal	106,825,000
Calgary	75,630,000
Vancouver	63,219,000
Ottawa	40,160,000
Edmonton	27,649,000
Halifax	20,805,000
Quebec City	20,670,000
Victoria	15,000,000
Winnipeg	12,402,000
Saskatoon-Regina	7,127,000
Total Major Markets	681,700,000
Total RECan Markets	480,673,000

71%

- Approximate value of office space in Canada's major urban markets **CAD \$205 Billion (EUR €156 Billion)**
- Approximate value of office space in RECan's target markets **CAD \$145 Billion (EUR €110 Billion)**
- 1 m² = 10.93 square feet
 Total Major Markets = 63,000,000 m²
 Total RECan Markets = 45,000,000 m²

Percentage of Office Space in RECan's Target Markets



Source: JLL Research

Mid-Year 2022 Canadian Real Estate Market Update

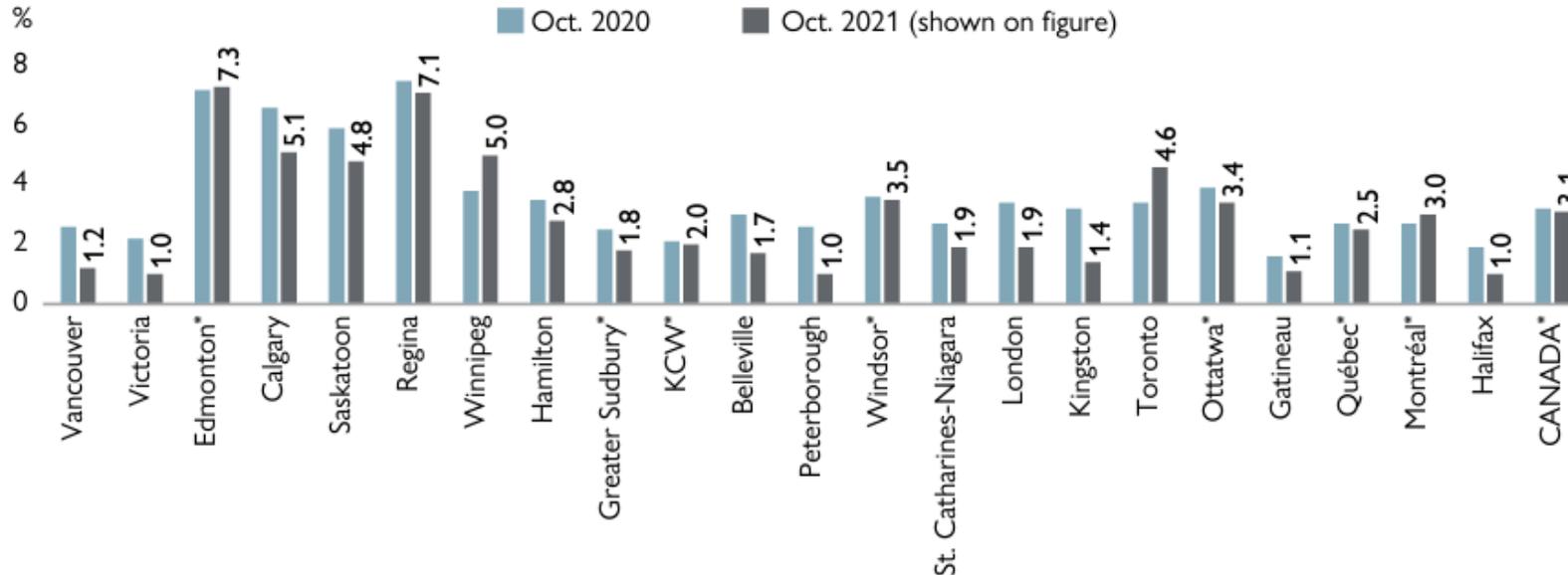


Canadian Multi-Residential Market Update

Current National Statistics

- The National Vacancy Rate decreased by 10 bps to 3.1% in 2021, in line with the 30-year avg vacancy of 3.2%. National vacancy has not exceeded 5.0% in the past 30 years (vacancy rates are published annually)
- Average Rental Rates have increased by \$196/month (11.1%) in the past 12 months as demand for housing accelerates
- Investment Sales of remained steady CAD \$5.0B in H1 2022 , similar to H1 2021.

Multi-Residential Vacancy Rates by City



Source: CMHC, rentals.ca

Mid-Year 2022 Canadian Real Estate Market Update



Canadian Multi-Residential Market Inventory

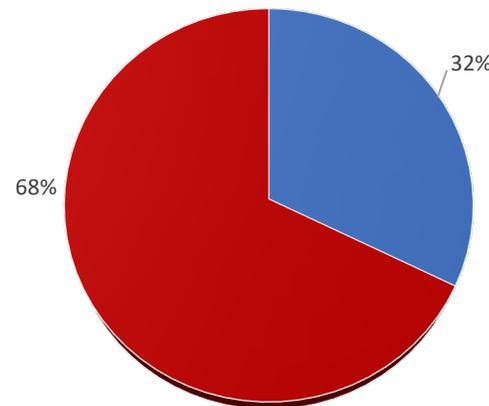
Population and Apartment Units in Major Markets

Market	Metropolitan Area Population	Total Apartment Units
Toronto	6,623,515	315,630
Montreal	4,256,675	590,305
Vancouver	2,652,235	110,753
Southwest Ontario *	1,695,419	123,396
Calgary	1,559,557	40,689
Edmonton	1,479,072	69,883
Ottawa / Gatineau	1,258,908	87,209
Winnipeg	851,946	60,629
Quebec City	830,494	91,787
Halifax	447,738	50,769
Saskatoon	256,231	14,202
Regina	223,710	13,640
Kelowna	158,035	6,650
Total Major Markets	22,293,535	1,575,542
Total RECan Markets	15,112,749	1,259,096

68%

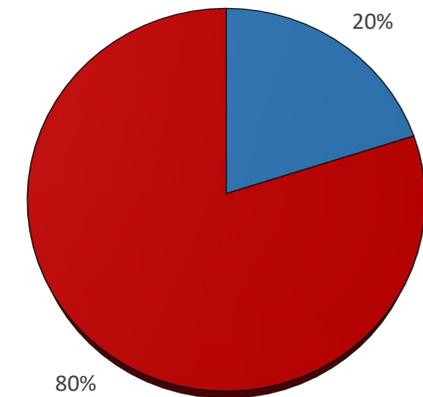
80%

Percentage of Population in RECan's Target Markets



■ Other Major Markets ■ RECan Target Markets

Percentage of Apartment Units in RECan's Target Markets



■ Other Major Markets ■ RECan Target Markets

- ✦ Approximate value of multi-residential apartment buildings in Canada's major urban markets **CAD \$230 Billion (EUR €156 Billion)**
- ✦ Approximate value of multi-residential apartment buildings in RECan's target markets **CAD \$150 Billion (EUR €102 Billion)**

* Southwest Ontario includes London, Kitchener, Waterloo, Cambridge, Guelph, and Hamilton

Source: JLL Research

Mid-Year 2022 Canadian Real Estate Market Update



Canadian Real Estate Asset Example (Industrial)

Industrial Transaction – 441 500 ft² (41 000 m²) Industrial Portfolio - Toronto, Ontario

- Leading industrial/commercial node in Canada operated by major institutional landlord
- Access to multiple major hwy/transportation network
- 8 building, 12 tenant portfolio offers diversification and economies of scale for management
- Near term average rental expiries offers opportunity to capitalize on rental rates averaging 40% below market
- Occupancy at 100% testament to strong industrial user demand

Why this asset would have suited the Commercial Fund

- Major Industrial real estate market (largest in Canada)
- Mid level investment size with diversification through multi building/tenant portfolio
- Near term lease roll-over to capitalize on below market rental rates
- Broad debt options available for this portfolio



Mid-Year 2022 Canadian Real Estate Market Update



Canadian Real Estate Asset Example (Office)

Office Transaction – 195 000 ft² (18 000 m²)

\$45 - \$50M CAD - Toronto, Ontario

- ✦ Institutionally owner/managed suburban office campus
- ✦ 100% Occupied by 20+ national/regional tenants
- ✦ Significant renovations/modernization within the last 5 years
- ✦ Ample parking (4 spots / 1000 ft²), great highway access and transit options
- ✦ One of the strongest suburban office nodes in the country, with a vacancy rate of just 5.6%

Why this asset would have suited the Commercial Fund

- ✦ Attractive pricing reflecting current interest rate environment
- ✦ Strong suburban location within the Ottawa market
- ✦ Sizable capital allocation
- ✦ Core quality Class “A” buildings, reduced future capital requirements
- ✦ ESG Compliant
- ✦ Income security – Average lease term 6+ years



Mid-Year 2022 Canadian Real Estate Market Update



Canadian Real Estate Asset Example (Multi-Residential)

Multi-Residential Transaction – 52 Units - \$20M Halifax, NS

- 3-year-old, 7 storey concrete apartment building
- 100% occupied
- Well located in central Halifax, with stunning views of the harbour
- 52 underground parking stalls and storage lockers
- Large average unit size 1 128 ft² (105 m²)
- Assets located in close proximity to public transport (bus and ferry) and numerous amenities

Why would asset have suited the Multi-Residential Fund

- Highly desirable location with ample parking and close to transit options.
- Very strong rental market (vacancy of 1%)
- Well constructed, energy efficient building with minimal future capital requirements
- Stable and secure asset





RECan Overview and Structure

RECan Overview/Structure

- Offices and Management Team in Munich, Luxembourg and Halifax Canada
- Partners each having between 20-32 years of real estate experience in Germany and Canada
- Umbrella Fund: RECan Canadian Diversified Real Estate Funds
 - Sub-Fund 1: [RECan Canadian Commercial Real Estate Fund I](#)
 - Sub-Fund 2: [RECan Canadian Multi-Residential Real Estate Fund I](#)
- Fund structure: SCS, SICAV-RAIF (Reserved Alternative Investment Fund), Luxembourg
- AIFM structure with Pancura providing investors with regulatory oversight and Pandomus providing central administration
- PG Asset Management Inc., a Canadian entity with common ownership to RECan Global, will provide exclusive, local asset sourcing, financing, and asset management services to the Funds
- External Independent Advisory Committee – oversight and direction
- Currency Hedging available through 7-Orca

Key Take-Aways – USP's

- German and Luxembourg based oversight for investor capital
- Local Canadian based team to execute on asset sourcing and asset management
- ESG: In addition to financial and technical criteria, RECan's ESG policy will be applied to acquisitions and asset management decisions. All RECan funds are compliant with Sustainable Finance Disclosure Regulations - Article 8.
- Fund Products positioned to take advantage of Canadian investment opportunities and deliver favorable risk adjusted returns
- Each sub-fund will be operated independently (no shared assets) and investors will have the ability to invest in one, or both sub-funds.
- Common regular Luxembourg SICAV-RAIF SCS structure with recognized partners and options like a securitization bond and currency hedging



Conference Summary – Q&A

Conference Summary

- Canada is a safe, stable and predictable economic environment
- Canadian real estate fundamentals will allow for a quick return to long-term growth
- RECan Global investment product targets high growth, core assets in stable economic environments
- Risk-adjusted return expectations in Canada are highly competitive with both the US and European markets
- RECan Global structure offers oversight of capital within Germany/Luxembourg (AIFM) and a local team in Canada executing strategy
- Canada continues to be favored option for European real estate allocations in North America

Question & Answers



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