



RECAN GLOBAL

MUNICH · HALIFAX

Canadian Real Estate Market Update

Mid-Year 2021

Canadian Real Estate Market Update

Economic Update



Continued optimism for GDP Growth in 2021

- 2021 Forecast GDP **growth - +6%**

Employment continues to advance (table 1)

- Employment rose by 94,000 (+0.5%) in July, adding to the 231,000 (+1.2%) increase in June. The **unemployment rate fell 0.3 percentage points to 7.5%**.

Bank of Canada (BoFC) holds Interest Rate

- Since March 2020 the overnight rate has been maintained at **0.25%**
- September 8th 2021 BoFC policy rate announcement indicates **no change** to the overnight rate

Consumer Price Index (CPI)

- Rose **3.7%** on a year-over-year basis in July, up from a 3.1% gain in June. The BoFC indicates this rise in inflation is temporary and expects CPI increases to fall back within the targeted 1.0% - 2.0% range in 2022

Cost of Capital

- 10 yr Bond Yield at **1.21%** (September 8, 2021)
- Market Mortgage spreads – **130-170 bps** over 10 yr GOC bond

Table 1
Employment Growth

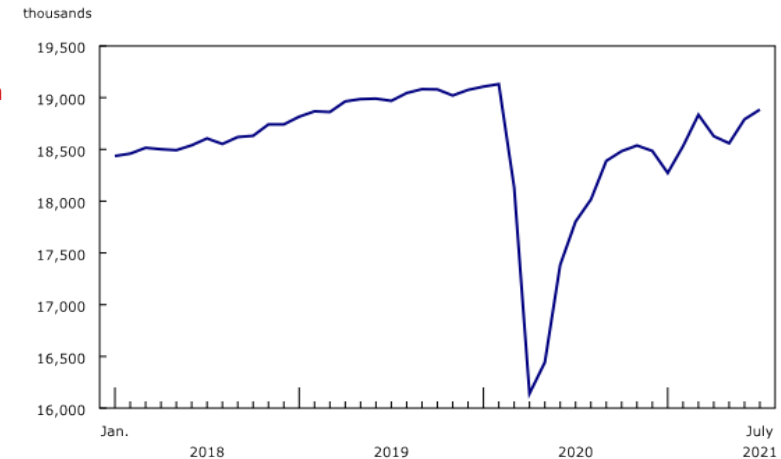
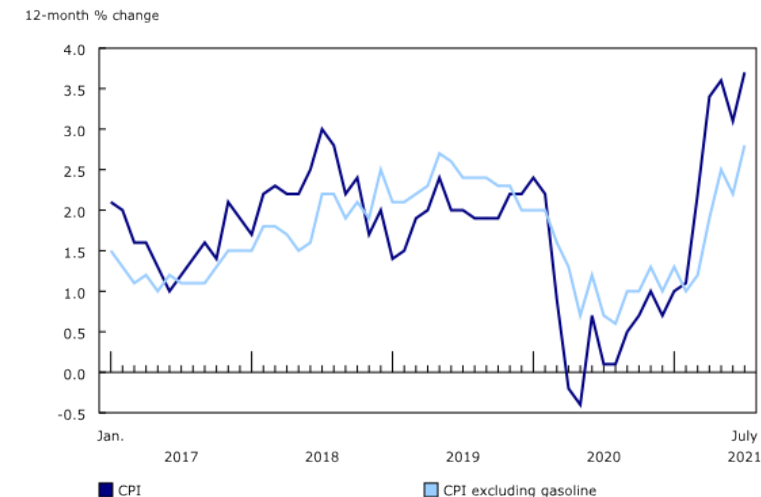


Table 2
Canadian CPI



Sources
-Bank of Canada
-Statscan
-Government of Canada

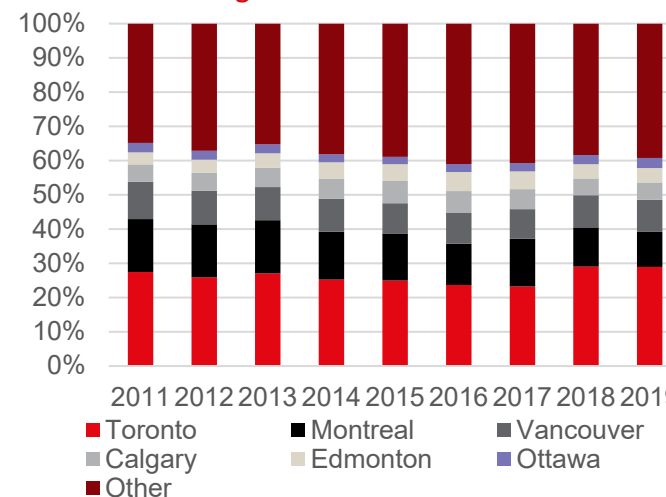
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Real Estate Markets – Key Factors



- **Record investment volumes carry forward in 2021**
 - Total Volume forecast to **exceed** rolling average of **+\$40B** (see Table 1)
- **Industrial and Multi-Residential asset class continue to dominate investor appetite**
- **Yield compression and rental growth in the Industrial sector driving valuation gains**
 - Low vacancy levels and continued high demand expected to maintain this trend
- **Immigration levels offer driver for Multi-Residential sector and Real Estate market as a whole**
 - 50% of immigrants locate in Toronto, Montreal or Vancouver (see Table 2)
 - RECan target markets include Toronto and Montreal
- **Office Market in most major markets stabilizing, suburban markets attracting investor interest**
- **Inflation pressure being experienced in construction costs**
 - Rental rate growth as a function of rising replacement costs provides **inflationary hedge**

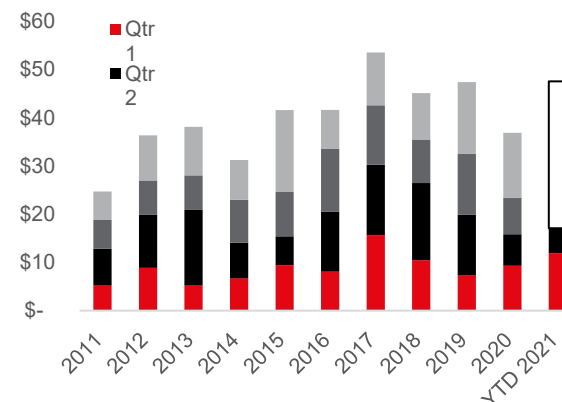
Table 2 Immigrant Destinations in Canada



Year	National Immigration
2011	259,110
2012	260,040
2013	263,100
2014	267,920
2015	240,760
2016	323,190
2017	272,710
2018	303,330
2019	313,600
2020	184,000
2021 target	401,000
2022 target	411,000
2023 target	421,000

Table 1

Canadian Investment Volumes



Source
-JLL
-CBRE

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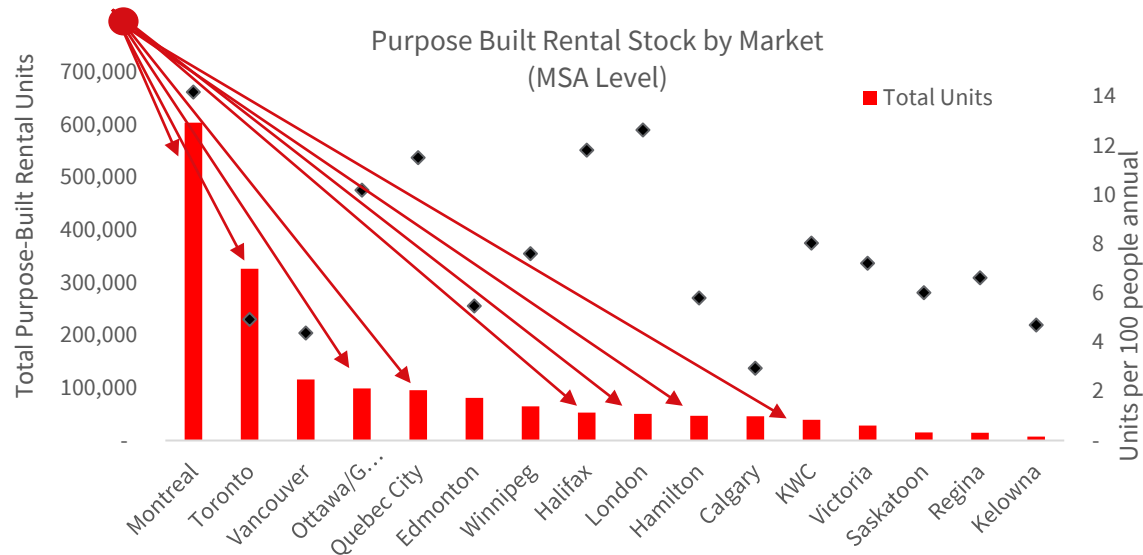
RECan Sub-Funds



RECan Multi- Residential Sub Fund

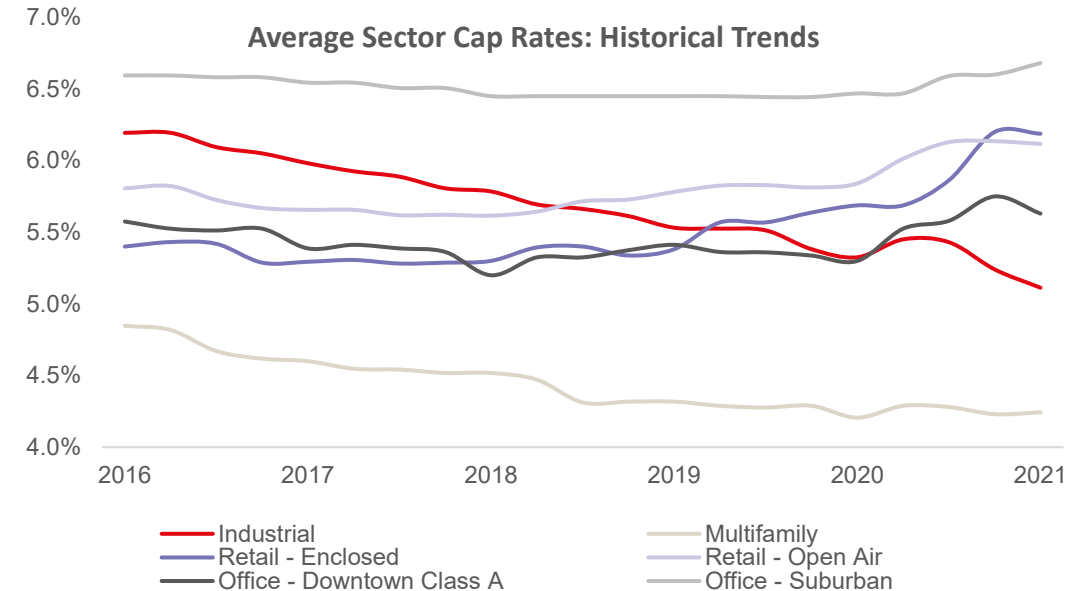
- **Canadian Market Under supplied with strong demand fueled by demographics and immigration**
 - As noted earlier, target immigration levels of >400K people annually for 2021, 2022, 2023
 - Continued upward pressure on rental rates
- **Low cost of debt driving investment demand coupled with stability of income**

RECan Target Markets



RECan Commercial Sub Fund

- **Industrial Market Leasing demand exceeding supply**
 - Vacancy levels < 3% Nationally, primary markets < 2%
 - >10M sqft absorption highest in history
- **Office Market experiencing stability in major Canadian Cities**
 - Covid-19 work patterns becoming more certain as vaccinations levels exceed 75% nationally and vaccine mandates are implemented
- **Retail investment focused on “essential tenant base” such as drug/grocery/bank**
 - Retail sites offering development density being repositioned



Source
JLL
CBRE

Canadian Real Estate Market Update

Summary



- **Canadian Commercial Real Estate market continues to provide excellent liquidity**
 - Investment volumes forecast to exceed annual historic averages (>\$40B)
 - Cost of capital remains attractive
 - Institutional allocations to real estate continues to increase
- **Industrial and Multi-Residential dominate investor interest in income producing asset classes**
 - Industrial Asset Class
 - National Vacancy Rate ↓ 60bps to 2.3% in Q2 2021
 - Net Rental Income and Absorption with rental rates ↑ \$0.28/sqft and >5M square feet of absorption in the 2nd quarter
 - Multi-Residential Asset Class
 - Rental growth slowed for first time in 2020 (Covid-19 impact). Rate growth forecast to advance in 2021+
 - Immigration, population growth, demographics, rising cost of home ownership all contributing to tenant demand
 - Available supply of rental stock does not satisfy demand
- **Notable Transactions in the Marketplace**
 - 980,000sqft industrial building in Toronto - \$195M
 - 417,000sqft industrial building in Toronto - \$56M
 - 642 Units three tower multi-residential in Ottawa, Ontario - \$267M
 - 675,000sqft retail mall, Halifax – Price not disclosed
 - 787 Units multi-residential, Toronto - \$159M (50% interest)
 - 227,000sqft industrial, Montreal, Quebec – Price not disclosed



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