Canada | Mid-Year 2021

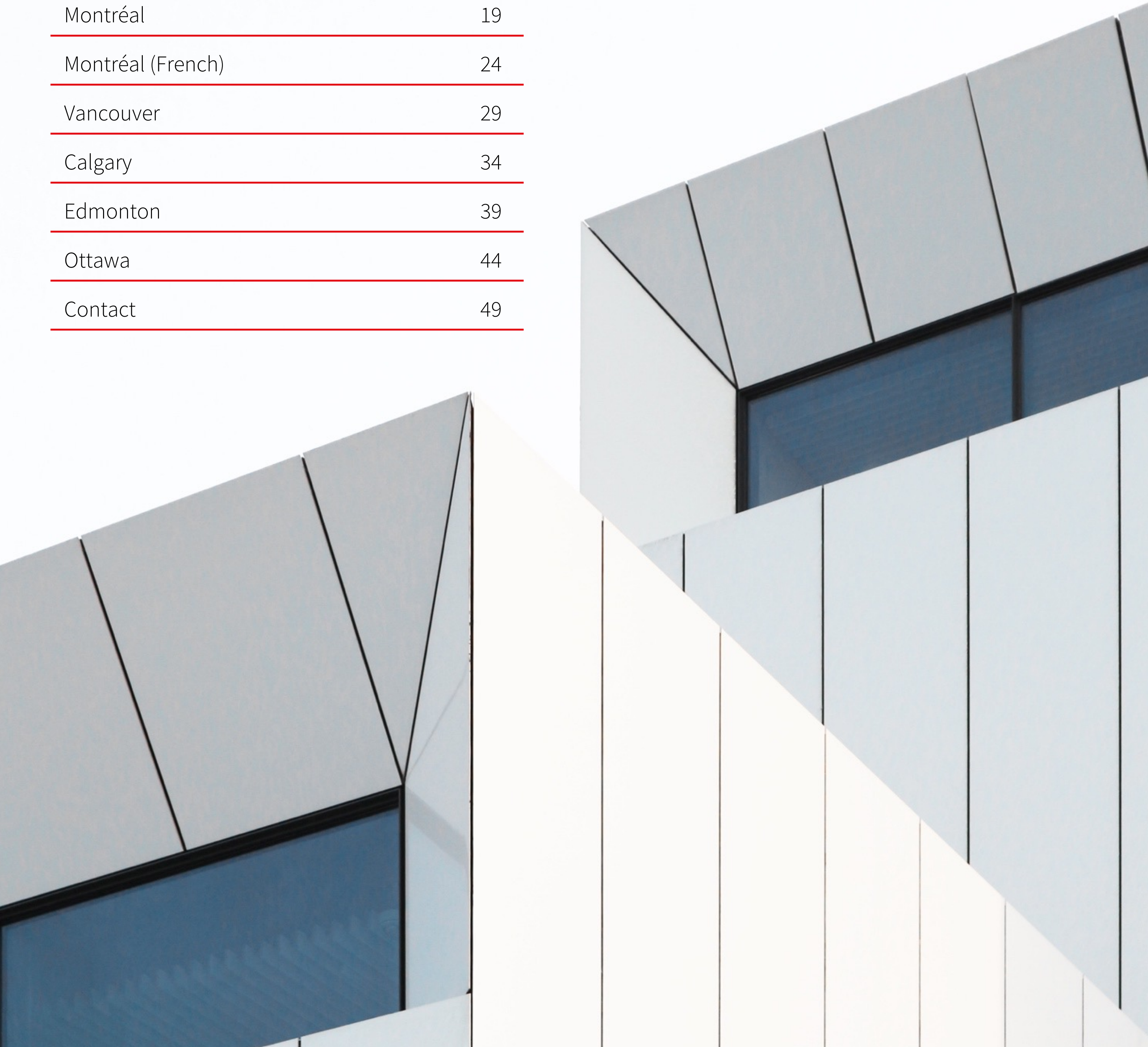
Research Report

Canada Investment Outlook

Canadian investment market rides strong rebound into the summer

Table of

Contents



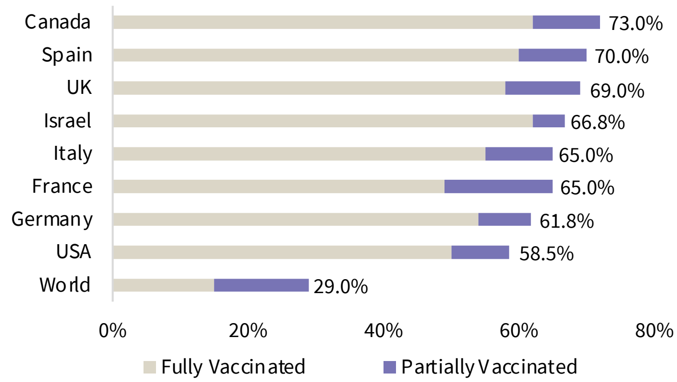
Macroeconomic overview

Economic activity in Canada has proceeded in lockstep with the pace of public health restrictions. The latest GDP flash estimate for June showed a 0.7% m/m jump as lockdown measures eased, fully compensating for the declines seen in April and May, when provincial health authorities re-imposed stay-at-home orders. Looking ahead to the second half of the year, economic conditions are expected to strengthen thanks to high vaccination rates (to-date, 66% of the population is fully immunized and 73% received at least one dose) and ample policy stimulus in the pipeline. The main risk is the delta variant, which is more virulent than earlier strains of the coronavirus. Nation-wide lockdowns are not expected, but certain social distancing restrictions will likely remain in place to ensure that hospitals are not overwhelmed by severe cases, largely amongst the unvaccinated. This means the economic rebound, while still significant, will be somewhat muted relative to earlier forecasts.

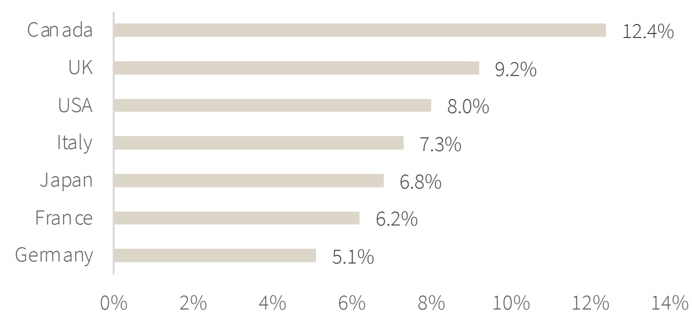
Consumption remains the driving force in the recovery thanks to a considerable accumulation of savings during the pandemic. The recovery in services may be hampered as a result of tightening social distancing measures, but momentum should be maintained in online sales. Other sources of aggregate demand will be expanding as well. Investment is expected to surge, as firms aim to increase their output capacity, overcome supply chain bottlenecks and find ways of reducing their exposure to rising wages and a growing difficulty in finding labour with the right skills. While the Delta variant continues to hit largely unvaccinated developing economies hard, our trading partners in the US and Europe are rebounding, helping to sustain Canadian export growth.

Although the economy remains 246,0000 jobs short of pre-pandemic levels, employment is up sharply, notably in sectors hard-hit by the virus. Labour market conditions are particularly tight for high-contact occupations in the travel and hospitality sectors. The combination of continuous government support to households through emergency programs such as the Canada Recovery Benefit (CRB), Delta concerns and childcare duties are contributing to the talent shortage. There is also a sense that workers are reevaluating their careers, feeling less a sense of urgency to return to their old jobs and looking for better opportunities instead. Tightening labour market conditions suggest an increase in the reservation wage – the minimum wage an employee would be willing to accept to work – as well as an increase in the equilibrium or "frictional" rate of unemployment. Overall, these forces suggest wages are likely to rise going forward.

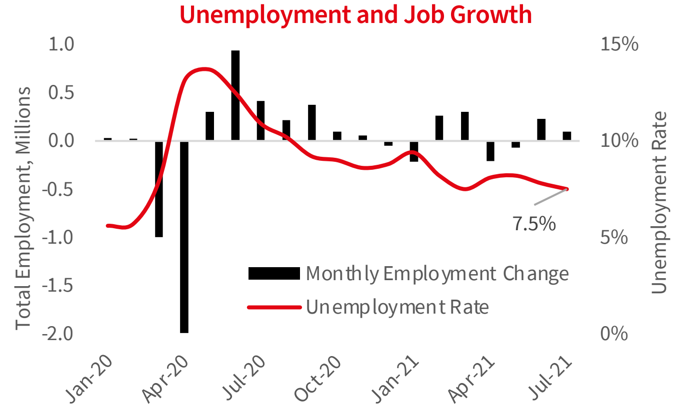
Vaccination Rates, August 8, 2021



Household Gross Savings Rate 2020, Change vs. 2019



Unemployment and Job Growth



Sources: JLL Research, StatCan

Macroeconomic overview

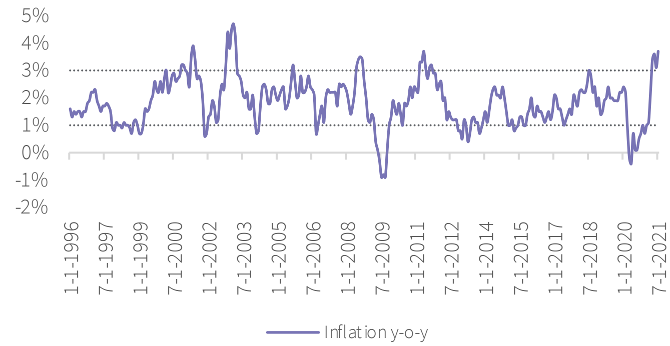
Inflation is quite elevated. The latest figure in July showed consumer prices jumping 3.7% year-over-year, the highest level in decades. However, price pressures of the last few months appear to be pandemic-driven and are unlikely to have staying power. Much of the increase in the year-over-year readings reflects the comparison with very weak prices during the peak of the pandemic last year – the so called "base effects". In addition, pandemic-induced global supply bottlenecks of certain building materials and semiconductors have driven overall cost increases. There is evidence these price pressures have started to abate, easing their impact on inflation.

Still, this is a delicate time for monetary policy. Should Delta and future variants continue to hamper business activity and prolong labour and supply shortages, "transitory" inflation may end up being higher and persist longer than forecast. Looking through the pandemic, the Bank of Canada (BoC) also needs to carefully consider whether its continued easy monetary stance could end up exacerbating the already tight labour market. A wage-price spiral remains a medium-term risk, especially if inflation expectations begin to rise

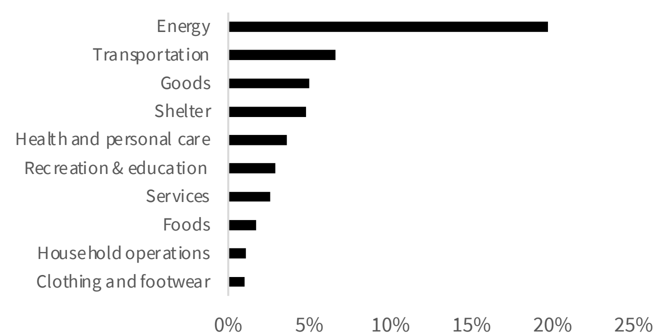
So far, the Bank does not seem too worried about inflation. In its latest Monetary Policy Report, the BoC expects the Consumer Price Index to revert back to levels closer to its 2% target towards the end of this year, justifying its maintenance of the overnight rates at almost zero. However, there are signs that it is pulling back from all-out stimulus. The Bank has already started to moderate monetary stimulus, reducing asset purchases from their peak of $5 billion a week to $2 billon now. The BoC is also expected to hike rates before most central banks, perhaps as early as mid-2022. That could be delayed, however, as the BoC is unlikely to want to diverge too much from the Fed out of concern of excessive exchange rate reaction.

All in all, we see the economy growing about 6% in 2021 and 4% in 2022. The wild card in our outlook is the evolution of the Delta variant. The stalling of reopening plans due to a surge in hospitalizations and ICU admissions caused by the 4th wave could yet disrupt the pace of recovery.

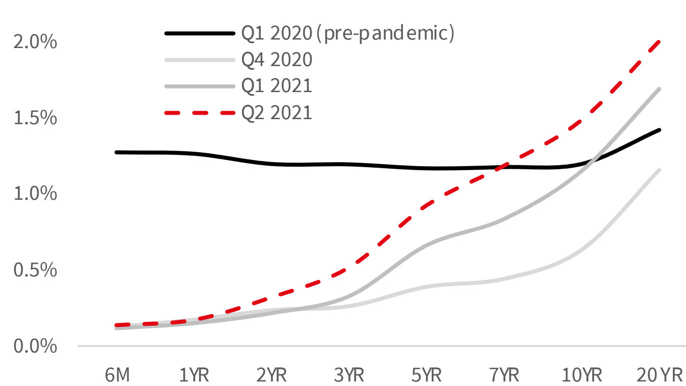
Bank of Canada: Consumer Price Index



Statistics Canada: Inflation Y-o-Y by category



Bank of Canada Yield Curve: Quarterly Average



Source: JLL Research, Bank of Canada

Politics, housing policies & elections 2021

Federal elections will take place on September 20.

Unsurprisingly, several key federal support programs were extended into late October, including the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Rent Subsidy (CERS). The latter, although generally undersubscribed, has been a lifeline for the businesses hardest hit by COVID, prompting growing calls within the commercial real estate industry to stretch the program beyond the October 23 expiry date. Regardless of the outcome of the upcoming elections, we expect to see ongoing federal stimulus until the recovery gains broad-based momentum.

Real estate remains a hot button topic for all the main parties. To address home affordability issues, the Liberals and the Conservatives have announced tough measures on foreign owners (see box). On top of Budget 2021's new national 1% tax on foreign-owned, vacant, or underused property that will kick-in next year, both parties' campaigns include a two-year ban on foreign home buying and renewed budgetary commitments to increase affordable housing, partly through vacant office space conversions into residential property. These proposed measures are not new. They reaffirm Budget 2021's $1.3 billion funding allocations to increase the stock of affordable units through the National Housing Co-Investment Fund and the Rental Construction Financing Initiative.

Other noteworthy measures contained in the 2021 Budget include immediate tax deductions of up to a maximum of $1.5 million per taxation year for certain "eligible" properties acquired on or after April 19, 2021, that become available before January 1, 2024. There is also the GST housing rebate extension to multiple individuals buying a residential property together. While there is no mention of this policy measure in the Liberals' platform, we assume it will remain in the 2022 Budget should they win the elections.

Addressing the lack of affordable housing was a major theme in all federal parties' 2021 platforms. Despite variations, they all included measures to discourage foreign home buying, tackle chronic rental undersupply and facilitate homeownership. Below is a summary of the key policy measures proposed by Canada's main parties:

Liberal Party Platform

- 2-year ban on foreign home buying
- Construction and repair of 1.4 million home units over 4 years, including through conversions of commercial space
- Investment on Indigenous housing and senior facilities
- Renovation tax credits to add affordable residential rental space to existing units
- Introduction of a Home Buyer's Bill of Rights that will include:
  - A temporary ban on "house-flipping"
  - A ban on "blind-bidding"
  - The establishment of a legal rights for a home inspection at any time during and after construction
  - A surtax on post-renovation rents that are considered "excessive" to discourage "renovictions"
- The creation of a tax-free First Home Saving Account for the under-40s
- Doubling the First-Time Home Buyer's tax credit to $10,000
- A 25% reduction in cost for CMHC coverage that could generate over $6,000 in cost savings
- An expansion of the tax on vacant housing

Conservative Party Platform

- A two-year ban on foreign home buying
- GST reductions and deferrals of capital gains tax to attract investment (including foreign investment) in affordable purpose-built rental housing
- The construction of 1m homes over the next three years
- Changes to mortgage stress test to increase homeowner accessibility to "discriminated" categories that include small business owners, contractors and other non-permanent employees as well as casual workers
- The conversion of 15% of government buildings into residential units

NDP Platform

- The construction of 500,000 affordable homes within 10 years
- The re-introduction of 30-year CMHC-insured mortgages
- The institution a 20% foreign buyer tax
- To double the homebuyer's tax credit to $1,500
- The creation of a rental allowance of up to $5,000 per year for qualifying low-income families
- Mandatory home inspections at the time of sale
- A tax sale rebate on construction of new affordable rental units

Capital markets overview

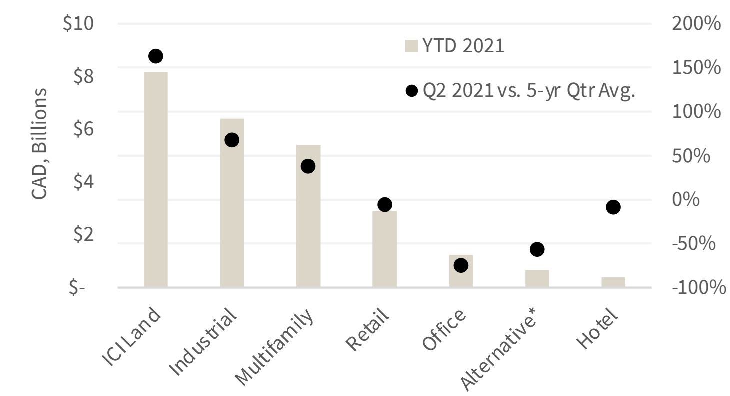
Despite concerns over the Delta variant and inflation, the investment market has rebounded strongly in 2021. As provincial and city governments phased out lockdown restrictions, consumption and foot traffic are back up. This has investors feeling more confident across most asset classes, reassured by a Canadian market where vaccination is among the highest in the world and fundamentals are recovering. Just as pent-up household savings during the pandemic led to a flood of consumer spending as restrictions eased, so too has pent-up dry powder – the unspent funds of real estate investors – boosted capital markets in 2021. The result: over $25 billion in property sales for the first half of the year, up 37% on the same period a year ago and on pace to challenge the record setting year of 2017.

Of course, this has not been distributed equally across property types. Investors continue to flock to “beds and sheds” – multifamily and industrial assets – which were up 38% and 68%, respectively, on their 5-year average quarterly sales volume. The most liquid asset class in Canada has been development land, which is up by 165% on its 5-year average quarterly sales volume. We estimate that the intended use on over 75% of these land transactions is either residential apartments, residential condominiums, or industrial buildings, further underscoring the dominance of these sectors in the investment landscape. Meanwhile, “high touch” sectors like office, hotel, and retail continue to see limited liquidity. Sale volumes in these sectors have fallen by 75%, 9%, and 6%, respectively off their 5-year average quarterly sales volume.

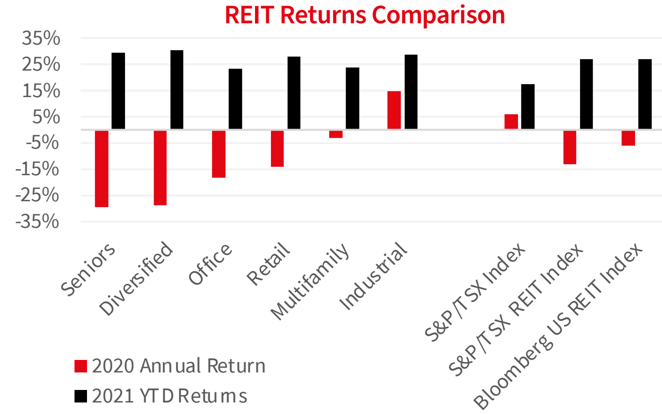
Moving into the second half of 2021, evidence is mounting that real estate markets are in an expansionary mode. Retail and hotel have seen liquidity improve from 2020 levels, with retail on track for its best year since 2018. Though cap rates continue to rise for non-grocery-anchored retail, investors are beginning to price in stronger rental growth. Office remains the most illiquid sector as buyers and sellers remain at odds over how to underwrite leases and vacancy continues to rise across Canada; however, the pace of added vacancy has slowed, and new subleases were at their lowest quarterly level since pre-COVID.

Market indices support this thesis: the Q2 MSCI/REALPAC Canadian Property Index posted a humble but positive 1.07% return year-to-date after falling by 4% in 2020. Meanwhile the S&P/TSX Capped REIT index earned a 27% return year-to-date through July, compared with 17.5% for the broader TSX. This reflects the strong underlying fundamentals in defensive areas like industrial and multifamily, but also runway for growth in some of the sectors that were hardest hit last year such as seniors housing and retail. While REIT valuations are rebounding, equity and debt issuances are down this year. However, nearly two-thirds of this fundraising came in the second quarter, suggesting that the pace of REIT access to capital is increasing. In our *End-Year 2020 Investment*

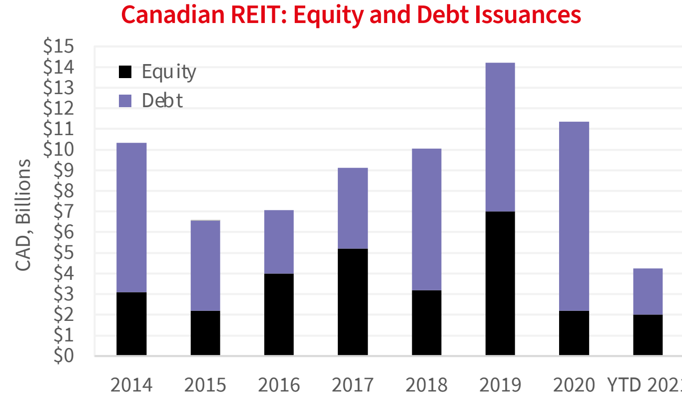
Investment Volumes by Asset Class



REIT Returns Comparison



Canadian REIT: Equity and Debt Issuances



Source: JLL Research, Bank of Canada
* Alternative Assets include data centres, seniors housing, self storage, cold storage, life science, call centres, and car dealerships

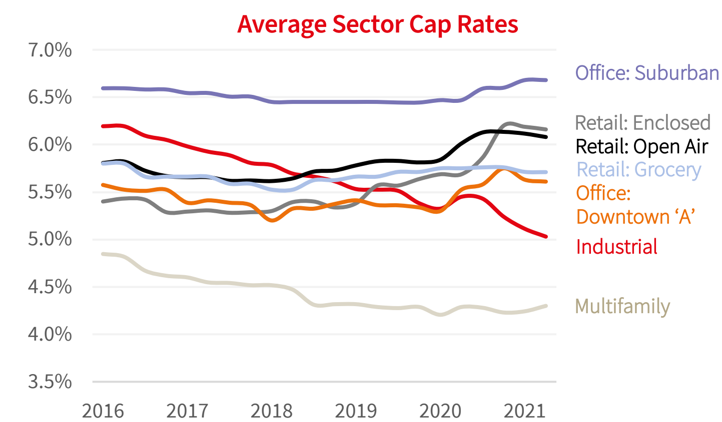
Capital markets overview

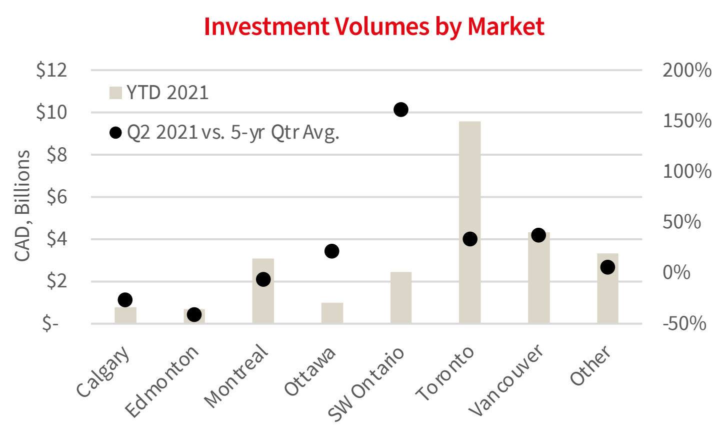
Outlook we speculated that 2021 could be an active year for mergers and acquisitions, since equity markets were pricing many REITs far below the appraised value of their portfolios. Indeed, we have seen two such transactions in Canada this year: Blackstone acquiring WPT Industrial for USD $3.1b, and Brookfield Asset Management buying the outstanding shares of Brookfield Property Partners for $6.5b.

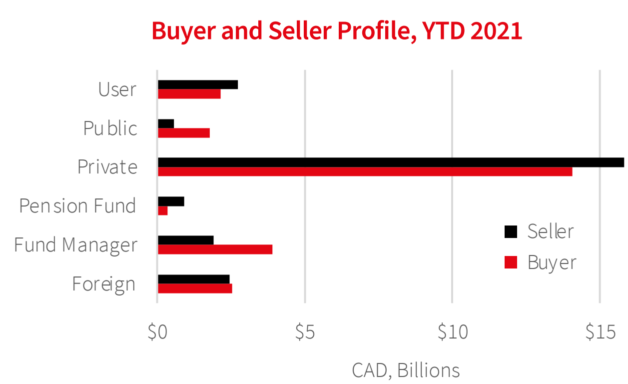
Rent collections remain mostly stable. REALPAC's latest surveys are showing rental delinquencies across industrial, multifamily, and office falling close to 1%, their lowest points since the beginning of the pandemic. However, rental delinquency is still elevated in the retail sector at 10-15% for open-air and close to 20% for enclosed. Rental non-payment has increased at some centres this year as landlords have lifted subsidies and other support programs. Reassuringly, landlords are requesting fewer deferrals on their mortgage payments. Based on their lender survey, REALPAC estimated loan deferral requests at about 10% of lender portfolios in Q2 2020, and this has since fallen to about 3.6% with the vast majority concentrated in the retail and hotel spaces. While deferral requests remain more elevated than usual in certain pockets of the market, it has not become a systematic issue: according to DBRS Morningstar, the Canadian commercial mortgage-backed security (CMBS) market peaked at 3.6% delinquency in May 2020 and has since fallen to well below 1%. The CMBS delinquency rate in the United States, by comparison, peaked at 8.7% and has since fallen just below 6%.

As transactional activity has picked up its pace, appraisers have more comparables and pricing assets has been less confounding. Industrial assets continue to see cap rate compression across Canada, with the national average having fallen over 40 bps in the past year to just over 5%. Multifamily has also seen compression throughout COVID with a slight uptick recently, perhaps due to the expected expiration of CERS payments. In both these sectors buyers in many cases are applying a pricing premium to assets with vacancy as they offer an opportunity to add value and step up rents. Cap rate movement in the retail and office sectors has varied widely by market and even by building, however pricing seems to have stabilized by now after sharp adjustments in 2020. Where pricing goes from here will depend in large part on the trajectory of the pandemic.

Transactional activity by market was mostly consistent with historical trends. Toronto has accounted for 38% of all market liquidity, an all-time high, with Vancouver (17%) and Montreal (12%) trailing. What is noteworthy is the emergence of the Southwestern Ontario market – which we define as including London, Hamilton, Kitchener-Waterloo-Cambridge, Guelph, and towns in between. This market surpassed $2 billion in deal volume in the first half of the year, making it the fourth largest Canadian investment market when aggregated. This reflects strong organic growth as well as spillover momentum from households and businesses that are priced out of the Toronto market.







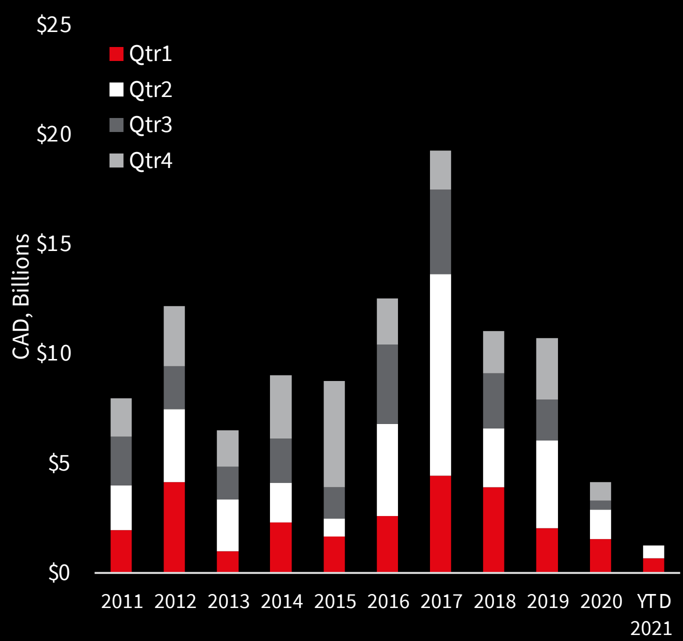
Source: RCA, Altus Realnet , Gettel Network, Commercial Edge, CoStar, JLL Valuations Advisory, REALNET, DBRS Morningstar
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Key Trends

Office

- **Fundamentals remain soft but are nearing a bottom:** Vacancy continued to be elevated in Q2 as Canada saw nearly 1.9m square feet of negative absorption. Nevertheless, these results constitute an improvement over Q1's 2.4m square feet of negative absorption. Other encouraging signs of a trend-reversal come from the deceleration in the pace of additional subleases.
- **Office pricing remains a mystery**: JLL internal surveys show very mild cap rate movement from a year ago, and in some cases cap rate compression for some suburban submarkets. A more telling metric at this point is office liquidity, which, at $1.25b after two quarters, is on pace for its slowest year since 2009.
- **Future of office to be defined by quality and flexibility**: In JLL's Workforce Preference Barometer - a survey of over 3,300 office workers across the globe - we found that home office productivity has waned over the past year and most employees are eager to maintain a presence in the office for 2 or 3 days a week. We also found that a better amenitized office environment correlates with eagerness to return, and indeed our absorption numbers suggest that the Class B and C market is suffering more than Class A. Building owners who provide quality amenities will be better equipped to navigate the current market, and tenants who offer flexible working arrangements will see better performance and lower turnover.
- **Landlords and tenants prepare for critical fall season**: With Canada approaching 70% full vaccination and lifting restrictions, most companies are preparing for a Q3 return to the office, though some have delayed this due to the spread of the Delta variant. Utilization rates during these next few months will be key in understanding tenant space needs, which will ultimately determine pricing.

Historical Office Investment

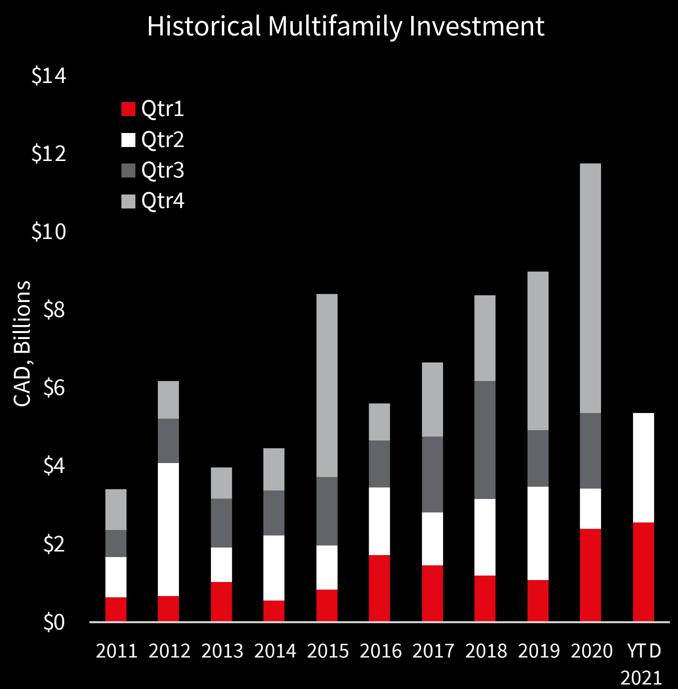


Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar, JLL Valuations Advisory
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Key Trends

Multifamily

- **Multifamily investment market remains red hot:** After a record setting year for multifamily investment sales in 2020, the market is on pace to challenge that record with $5.3b in sales through the first half of the year.
- **Focus on affordable housing:** All levels of government are offering programs to encourage the development of more affordable housing. CMHC will deploy up to $1.5b over the next year through its Rapid Housing Initiative; BC is offering low interest loans for developers; the city of Vancouver is acquiring underperforming hotels for conversions and Calgary's Greater Downtown Plan will seek to invest up to $1b in office-to-residential conversions. These are only a few of the many examples across Canada.
- **Market fundamentals recovering in 2021:** According to Rentals.ca's July Rent Report, rents in Canada have risen through 2021, though they mostly remain below pre-pandemic levels. Toronto (-9.7% year-over-year), Vancouver (-2.8%), and Montreal (-2.6%) have seen the most softening while Guelph (+11.8%), Kitchener-Waterloo (+11.1%), and Calgary (+6.4%) have seen the strongest growth in one-bedroom unit prices.
- **Federal government increases immigration targets:** To compensate for a lost year of immigration, the federal government has upped its target for 2021-2023 to 1,233,000 which will reinforce the already robust demand for multifamily housing across Canada.
- **Landlords tapering concessions**: Throughout much of the past year, landlords have been offering concessions and inducements to tenants, such as a month of free rent, a new television, or a year of free wifi. With apartment demand once again on the rise and touring activity resuming pre-pandemic levels, landlords are ending these programs.

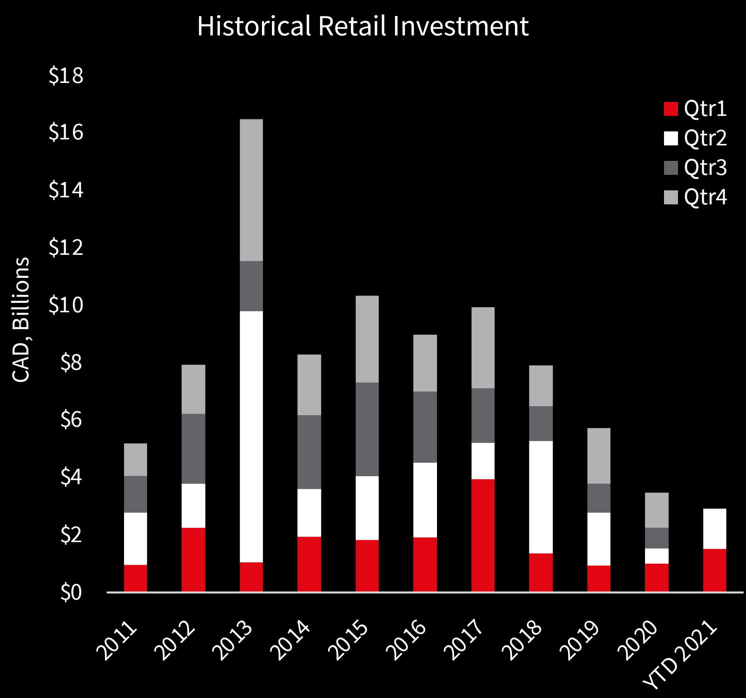


Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar, JLL Valuations Advisory
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Key Trends

Retail

- **Retail sales rebound:** Total retail investment volume reached $2.9b in the first half of 2021, nearly equal to sales volumes for all of 2020. While grocery-anchored retail remains far and away the darling of real estate investors, attractive pricing has gotten deals across the finish line for enclosed, standalone, and storefront retail.
- **Adaptability critical to navigating current retail market:** To generate more foot traffic and fill vacancies, retail owners are adopting shorter and more flexible lease structures to attract more independent brands. They are also bringing on more alternative uses like food trucks, events and entertainment, in many cases repurposing their parking lots to do so.
- **E-Commerce sales almost double in 2020:** According to data from eMarketer, e-commerce sales in Canada jumped from $44b in 2019 to $77b in 2020 and may climb to nearly $100b by 2022. E-commerce as a percentage of total sales nearly doubled from 6.9% to 12.7%.
- **Disputes between suppliers and grocers heats up:** In a year of constant global supply chain disruptions, grocers and suppliers have engaged in heated debate over who should bear the cost of understocked shelves. The Ministry of Agriculture and Agri-Food has given grocers and suppliers until the end of the year to update their code of conduct, otherwise the Ministry may set the rules.
- **Ghost kitchens on the rise:** As demand for food delivery services skyrocketed, many restaurants have determined that it makes more sense to source these deliveries from ghost kitchens (think WeWork for restaurants) than from their existing establishments. As a result, we are seeing more of these delivery-only restaurants pop up in major urban centres.



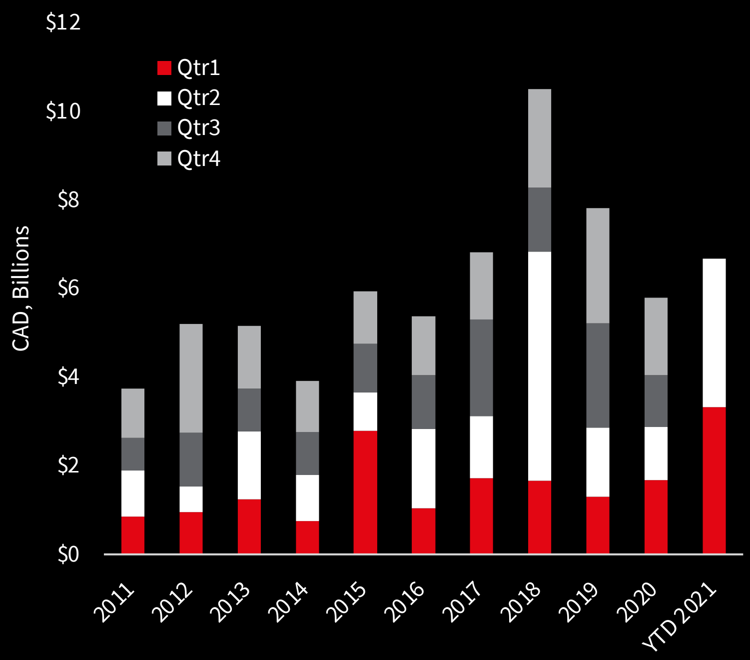
Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar, JLL Valuations Advisory
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Key Trends

Industrial

- **Investment volume already tops 2020:** With $6.5b in total liquidity through June, Canada's industrial market has already topped 2020 deal volume. Capital has poured into the sector as investors now have a year of evidence that industrial assets can perform during a downturn.
- **Pricing tightens across the board**: JLL's Mid-Year 2021 Real Estate Investment Survey found that industrial cap rates have fallen across all Canadian markets from a year ago. Toronto, Vancouver, and Montreal saw compression in the order of 25-30 bps y-o-y, while even smaller markets like Kitchener-Waterloo and Hamilton saw compression of 10-15 bps relative to 2020.
- **Institutional capital an eager buyer**: Fund managers and REITs accounted for more liquidity in the industrial sector than in any other area of the market and have been behind most of Canada's largest transactions.
- **Industrial construction at all-time high:** There are currently over 32 million square feet of industrial space under construction across Canada, equal to about 1.75% of total industrial stock. This is a record both in absolute square footage as well as proportionally.
- **Smart technologies and automation to drive industry:** In JLL's *The Future of Logistics Real Estate,* a survey of 720 logistics experts across 43 countries, 71% of respondents believe e-commerce will continue to grow as a demand driver. Respondents also indicate that they expect smart technologies, automation, and robotics to drive warehouse design and operations over the next five years.

Historical Industrial Investment



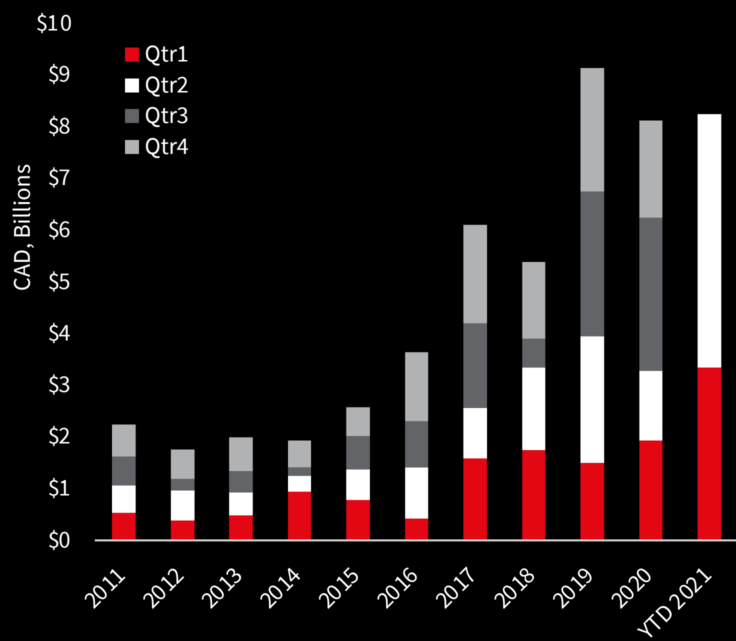
Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar, JLL Valuations Advisory
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Key Trends

Land

- **Canadian land set to blow past previous record:** Investors have put over $8.2b into land transactions in Canada through the first two quarters. This is just $900m shy of the 2019 record of $9.1b.
- **Most land transactions intended for residential or industrial use**: An analysis of all land transactions across Canada shows that at least 75% of deal volume can be attributed to land intended for either residential apartments, residential condominium, or industrial use. This does not include land purchased for single-family residential lots.
- **Retail densification a key component of development**: Retail landlords across Canada are partnering with residential developers to densify land surrounding their centres, especially for assets located along public transit corridors. RioCan, Choice Properties REIT, SmartCentres, First Capital, and Morguard are just a few prominent developers with millions of square feet residential densification in their pipeline.
- **Thinner underwriting margins may weigh on development pipeline:** Just as costs are increasing for a wide variety of construction materials like glass, lumber, and metals, rents are down particularly for studio and one-bedroom units that make up a large share of new residential supply. This could challenge the feasibility of some projects going forward.

Historical Land Investment

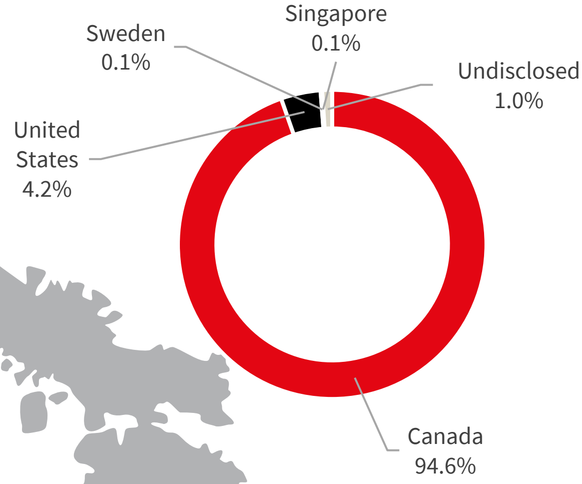


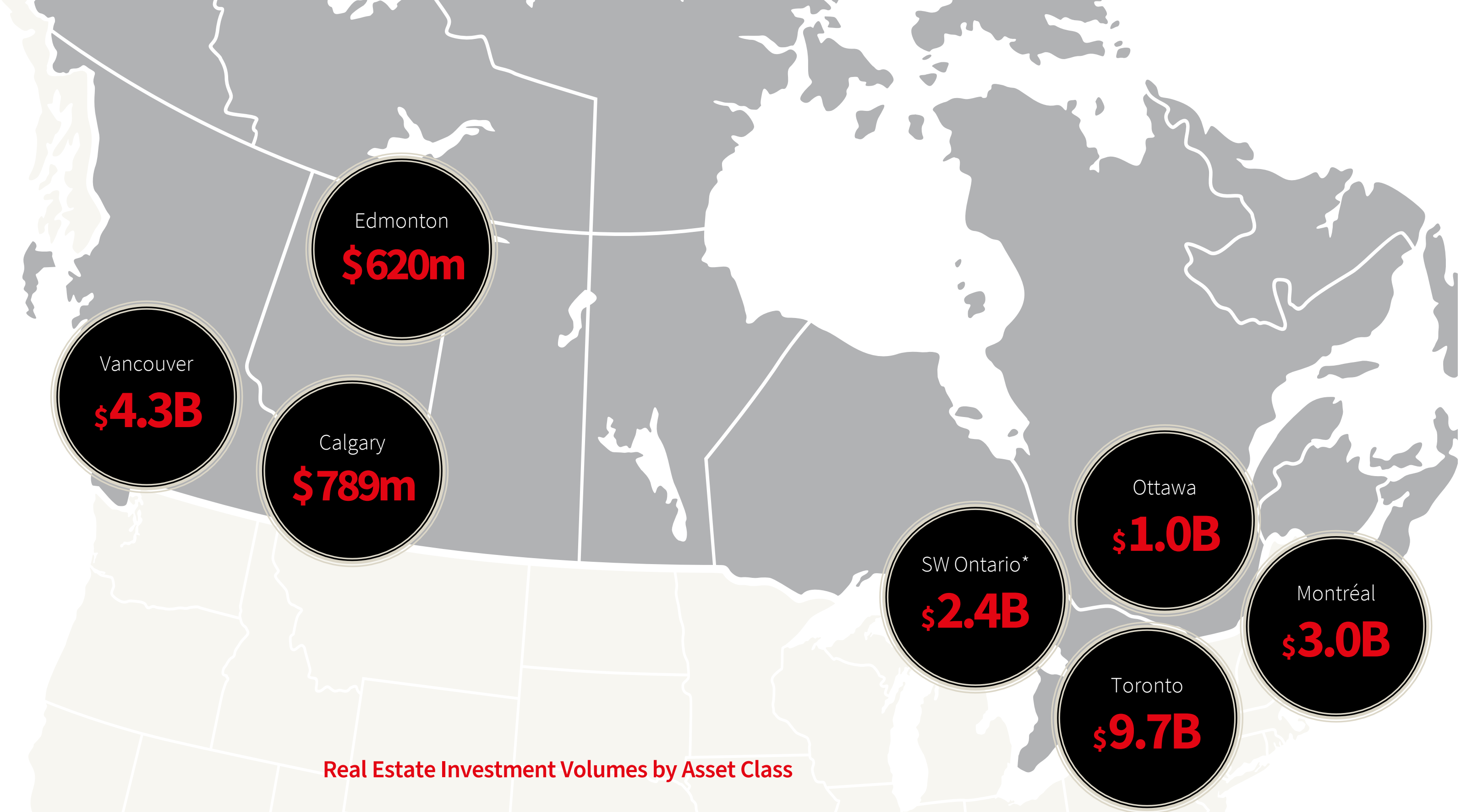
Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar, JLL Valuations Advisory
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Total investment volume, YTD 2021

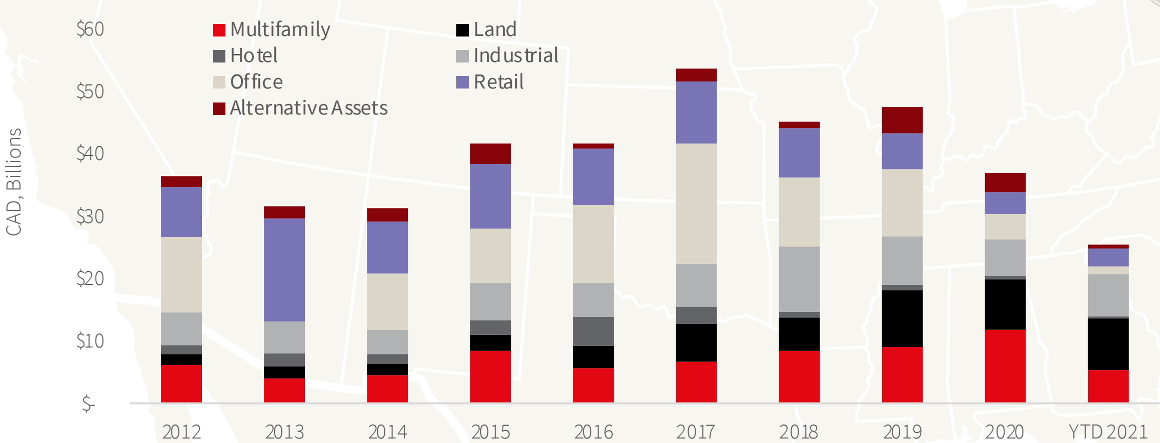
$25B

YTD Foreign Buyer Pool by Origin





Real Estate Investment Volumes by Asset Class



Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar, JLL Valuations.
All transactions > $5m, Direct and Entity Level | Excludes residential lots and residential occupier purchases | Market data as of latest available
*Southwest Ontario includes Hamilton, Kitchener, Waterloo, Cambridge, Guelph, Stratford, London, Woodstock, and Brantford

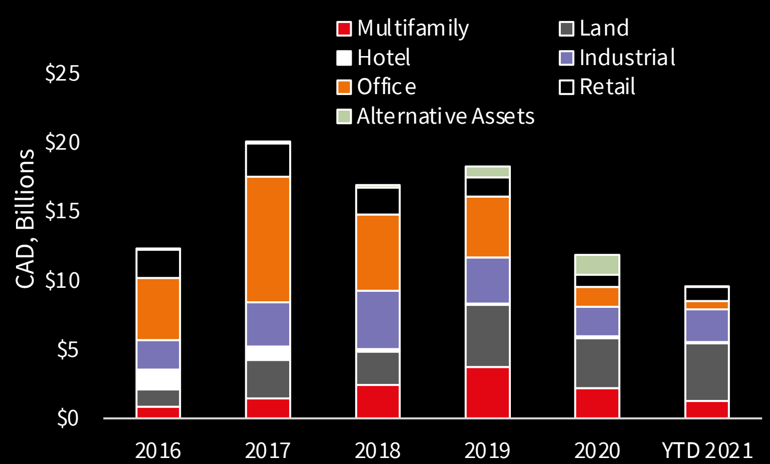
Toronto

Canada Investment Outlook | Mid-Year 2021

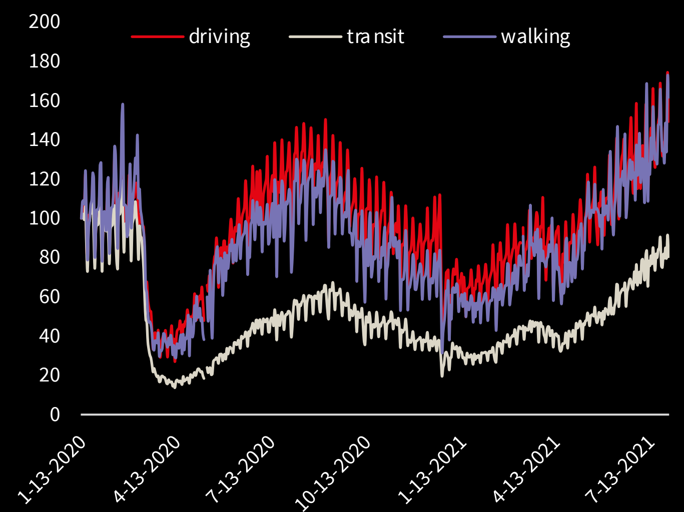
Toronto

Canada Investment Outlook | **Mid-Year 2021**

Historical Real Estate Investment by Sector



Apple Mobility Index (Jan 13, 2020 = 100)



Toronto Buyer Domicile, YTD 2021

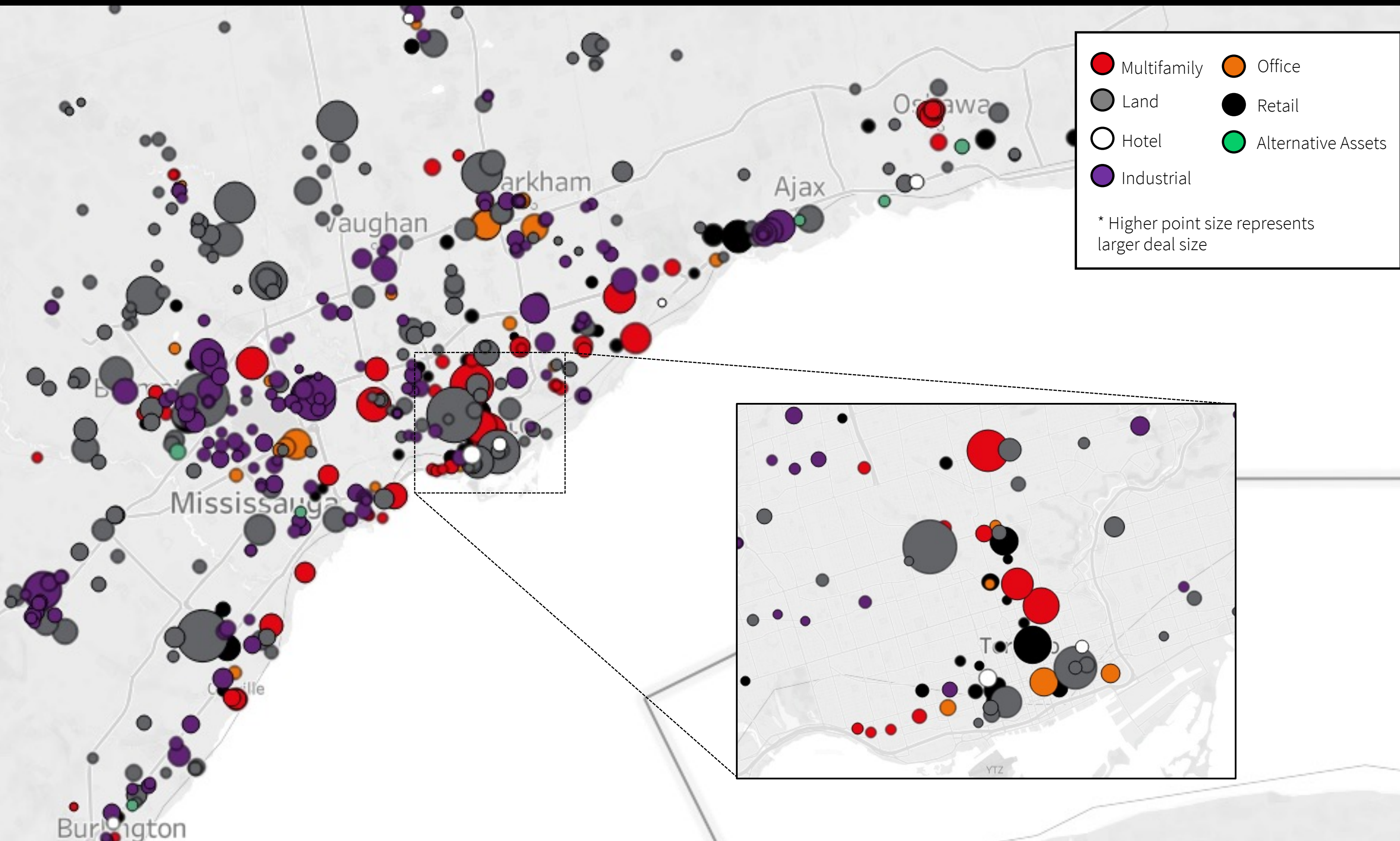
Canada **92%**

U.S. **5%**

Sweden **1%**

Rest of the world **1%**

Source: RCA, RealNet, JLL Valuations, Apple
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available



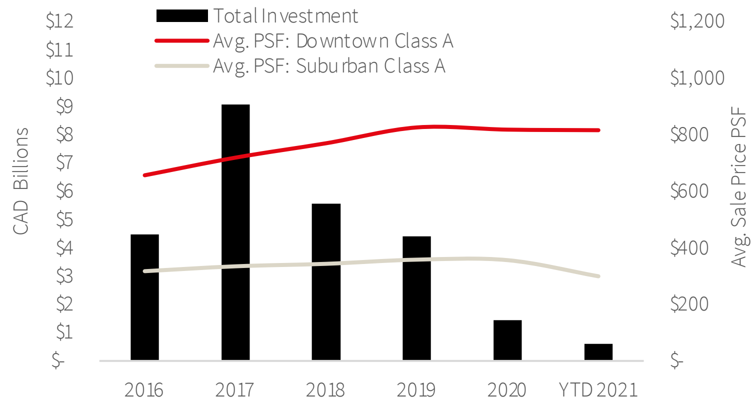
General

- The Toronto market has seen just over $9.5b in total commercial real estate investment for the first half of the year. Over 40% of this liquidity was on development land, including 7 of the 10 largest deals.
- Toronto city council voted to approve a 5-station addition to the GO Train system, known as SmartTrack, that would link Scarborough Town Centre with the west end of Toronto. Metrolinx hopes to recruit private sector partners to help finance the project as part of its Transit Oriented Communities program.
- The federal and Ontario provincial governments have committed $370m to the city of Hamilton to support an LRT system and other transit projects, together known as the BLAST network.
- According to a report from consulting company Rider Levett Bucknall (RLB), there are 125 active cranes operating across Toronto. Not only does this qualify Toronto as the top city in North America for active construction, but the city accounts for 43% of all active cranes across North America. Los Angeles, Seattle, and Washington, D.C. each followed with 9%.

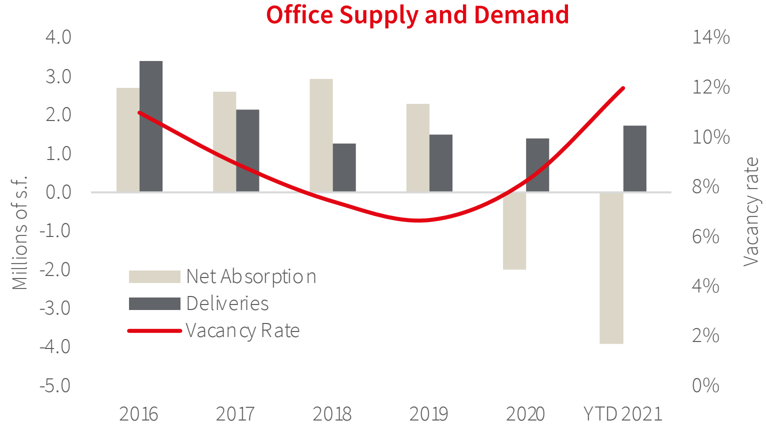
Office

- Total investment volume in the GTA office market was just short of $600m for the first half of the year, making 2021 by far the slowest year for office sales in at least a decade. It is worth noting that our H1 statistics do not include H&R REIT's sale of the Bell Campus in Mississauga to Oak Street Capital along with Calgary's The Bow tower. This transaction would value the Bell Campus at $457m ($415 p.s.f.), at an implied cap rate of 6.8%.
- The city of Toronto has launched the "We're Ready Toronto" campaign to bring some 550,000 office workers back downtown in the fall.
- Office fundamentals continue to soften. Net absorption for the overall Toronto market was -3.9m square feet on the year, and overall vacancy is now at 11.7%, the highest level seen since 2004.
- Toronto office owners continue to hold steady on rents. Despite rising vacancy, the headline net rent is up by 8.6% y-o-y, and by 1.9% q-o-q, to $23.66 p.s.f.
- There are some silver linings as we move into the fall season. Even as we continue to see negative absorption in the market, it was less negative in Q2 than in Q1, and should continue to improve in the fall. Meanwhile new additional space added to the sublease market in Q2 was half of what it was in Q1. Sublease availability in the downtown 'Class A' segment fell from 830,000 s.f. in Q1 to just 117,000 s.f. in Q1 as tenants are increasingly reclaiming and repurposing their sublease space.
- In light of this, cap rates have held steady both downtown as well as in the suburbs. The fall season will be critical to valuations as we get a clearer view of how tenants are using their office space.

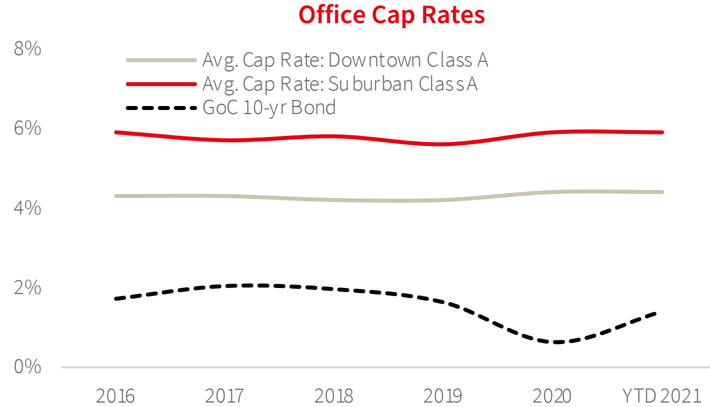
Office Investment and Price PSF



Office Supply and Demand



Office Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

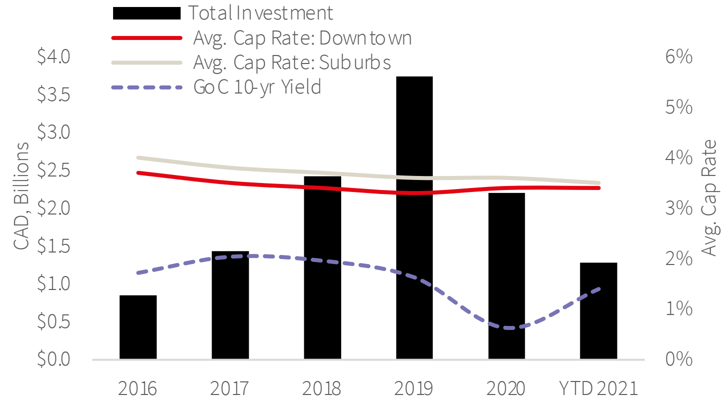
Multifamily

- Mutlifamily liquidity in the GTA has surpassed $1.2b for the first half of the year, putting the market on pace for a strong Southwestern Ontario markets like Hamilton, London, and Kitchener-Waterloo.
- According to Rentals.ca's July Rent Report, average rents in Toronto are down y-o-y by 11% and 7% for one-bedroom and two-bedroom units, respectively. While rents have recovered in Q2, they remain below pre-pandemic levels as a pause in the flow of immigration and remote working have thinned the renter pool.
- Stronger demand fundamentals in the suburbs have led to slight cap rate convergence between downtown and suburban product. The most recent *JLL Real Estate Investment Survey* reports an average downtown cap rate of 3.6% and an average suburban cap rate of 3.75%. A year ago, we estimated the suburban cap rate premium to be around 25 bps, and it has since fallen to about 15 bps.
- Toronto's condominium market is rebounding after a difficult 2020. Condo pricing is close to pre-pandemic levels, unsold supply is at a three-year low, and condo sales within the City of Toronto are accounting for over 40% of all sales, the highest market share in a few years.
- City council has recently passed legislation that will have important implications for the rental market. AirBnB and other short-term rentals units will be restricted to primary residences only, and all secondary residences must be listed as long-term rentals. Also of note is that city council could impose a 1% vacant home tax beginning in 2022.

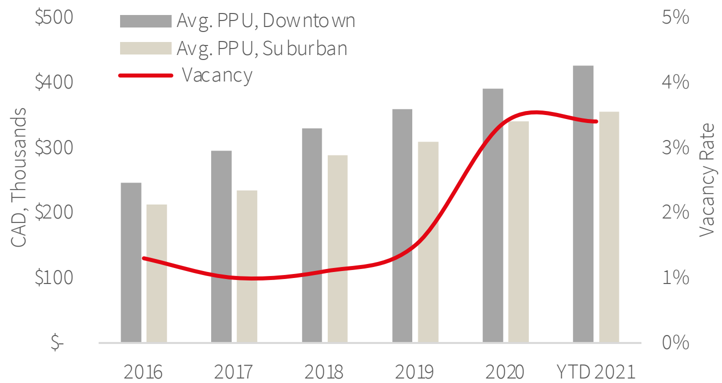
Retail

- With over $1b in total sales, GTA retail has already surpassed its 2020 totals. The largest transaction thus far in 2021 was Netherland's Ingka Group purchasing the retail podium at 388 Yonge Street, which will become IKEA's first downtown site in Canada. Private investors have accounted for approximately 60% of retail investment this year.
- Retail owners have seen occupancy compress nominally over the course of the past year, but not to the extent that was initially feared thanks to support from government and landlord programs. This excess vacancy has weighed on rents, but it will provide great opportunities to tenants who are looking to expand as the economy continues to rebound in the second half of the year.
- First Capital has agreed to sell a 50% interest in a lakeshore development site in Etobicoke for $156m, implying a value of over $11m per acre. The redevelopment will include 7.5m of residential and retail along with public parks, civic squares, two elementary schools, a library, a recreation centre, and a day care. RioCan, meanwhile, has sold a 50% interest in retail and residential properties adjacent to Yonge Sheppard Centre to BentallGreenOak. The transaction closed at $151m, at a blended cap rate of 4.1%.

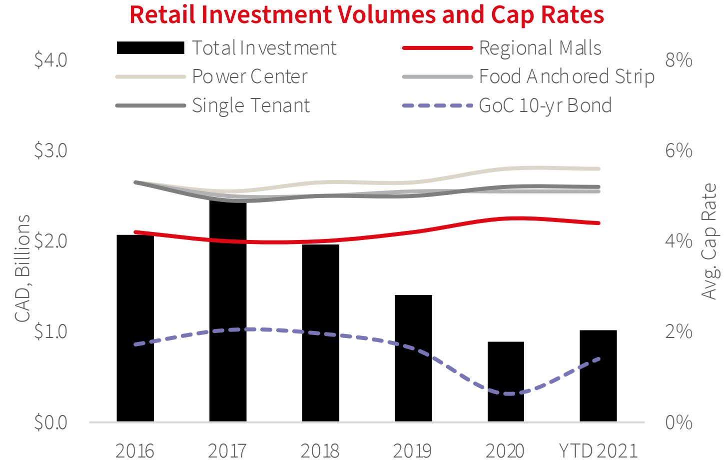
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS, Urbanation, CMHC

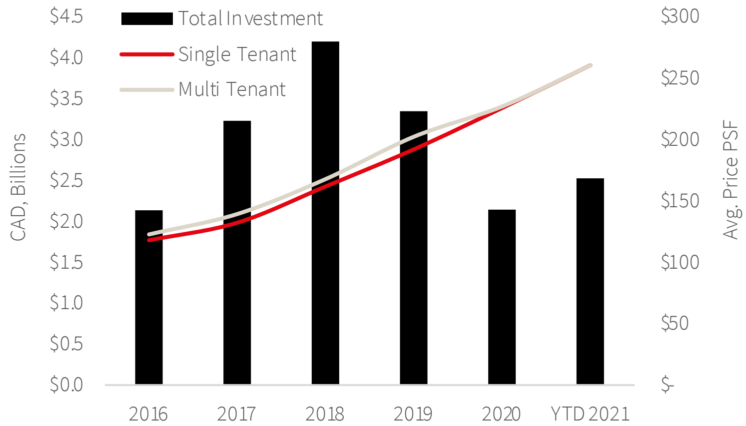
Industrial

- Total investment in the GTA industrial market reached $2.4b through June, putting it on pace for a record year. With near-100% occupancy, limited supply, and soaring rents across the sector, demand for industrial assets in the GTA has reached unprecedented levels.
- Year-to-date net absorption is just over 7.3m square feet, far outpacing the 5.4m square feet in completions so far this year. Total deliveries are expected to surpass 10 million square feet for the second consecutive year. We estimate that 90% of this year's construction pipeline is already leased out.
- Industrial pricing within the GTA has essentially doubled on a per-square-foot basis since 2016 and the observed strength in rental growth suggests that there is further runway for value appreciation. We estimate that average cap rates have fallen by 25-30 bps over the past year, both for single-tenant and multi-tenant space.
- The largest transaction so far this year was Artis REIT's divestment of its GTA industrial portfolio to PIRET. The deal earned the Winnipeg-based REIT $734m net of debt and closing costs, just shy of $300 per square foot.
- Skyrocketing rents are pushing users to take control of their real estate. Developers are planning more condominium industrial projects. In a telling transaction, VersaCold Logistics purchased their entire 1.2m square feet in cold storage portfolio to insulate themselves from rising rents.

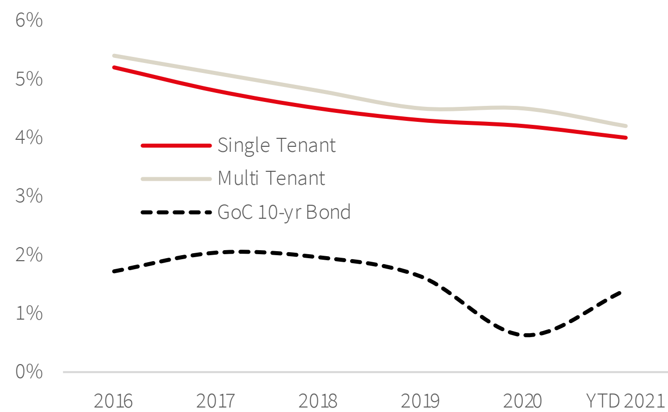
Land & Alternative Assets

- Through the first half of 2021, land transactions have accounted for over $4.1b in sale volume, just shy of the annual record set in 2019. Nearly 50% of land acquisitions in the GTA were on parcels zoned for multifamily residential use, with another 20% on industrial land.
- Cadillac Fairview paid $193m to acquire the remaining 50% ownership interest in Buttonville Airport from Armadale. The transaction suggests an implied value of $386m for the site, or $2.3 million per acre.
- Ontario's provincial government has awarded the contracts to redevelop Ontario Place to Austria's Therme Group, Quebec's Écorécréo Group, and Live Nation. Plans for the site include an all-age waterpark and a concert venue.
- The Ontario Ministry of Health and Long-Term Care has agreed to continue funding long term care facilities in full to guarantee their occupancy. While subsidies are not tied to margins, they are meant to cover operating costs.
- Marlin Spring bought 8 retirement residences from Revera and has launched its Spring Living platform for retirement communities.
- Stack Infrastructure will expand into Canada, partnering with First Gulf on a 56-mw data centre campus at 3950 Danforth. The first stage of the project will be operational in mid 2022. Digital Realty also opened a data centre in downtown Toronto.

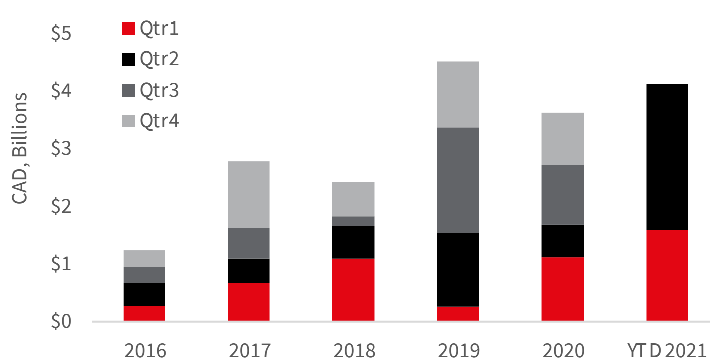
Industrial Investment Volumes and Price PSF



Industrial Cap Rates



Historical Land Investment



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

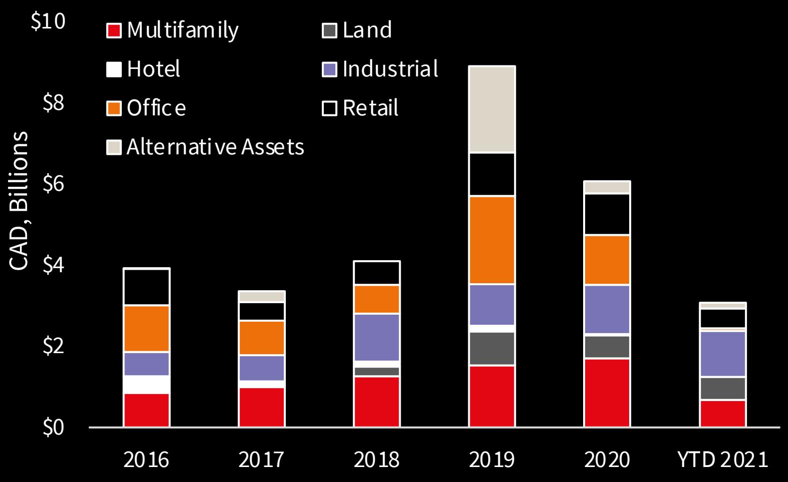
Montréal

Canada Investment Outlook | Mid-Year 2021

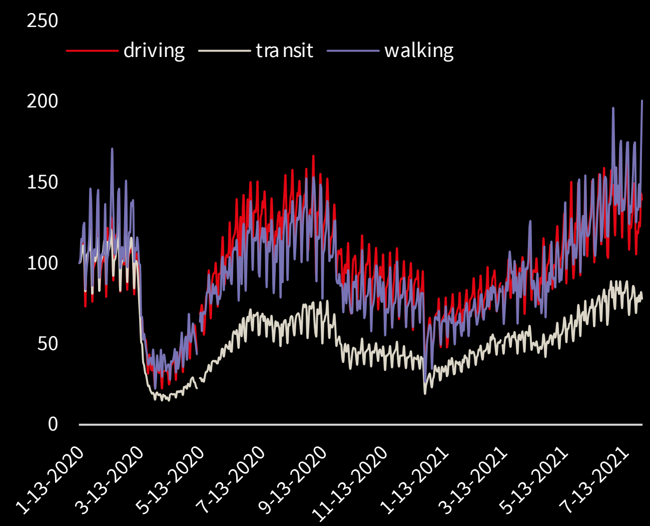
Montréal

Canada Investment Outlook | **Mid-Year 2021**

Historical Real Estate Investment by Sector



Apple Mobility Index (Jan 13, 2020 = 100)



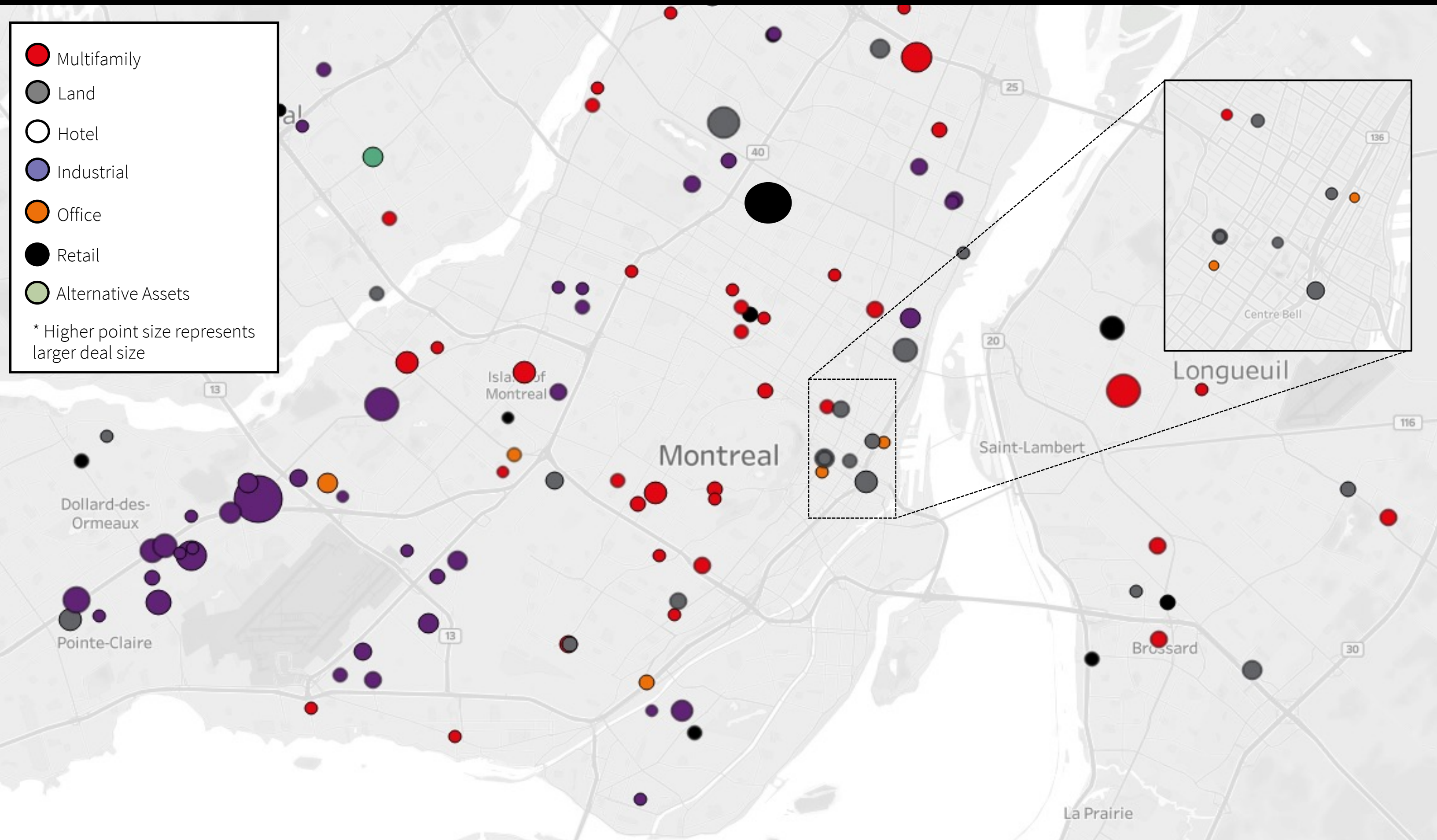
Montréal Buyer Domicile, YTD 2021

Canada **93%**

U.S. **6%**

Sweden **1%**

Source: RCA, JLL Valuations, Apple
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

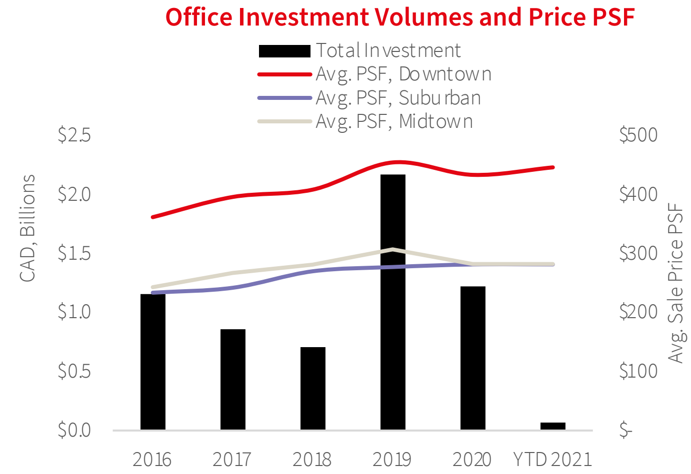


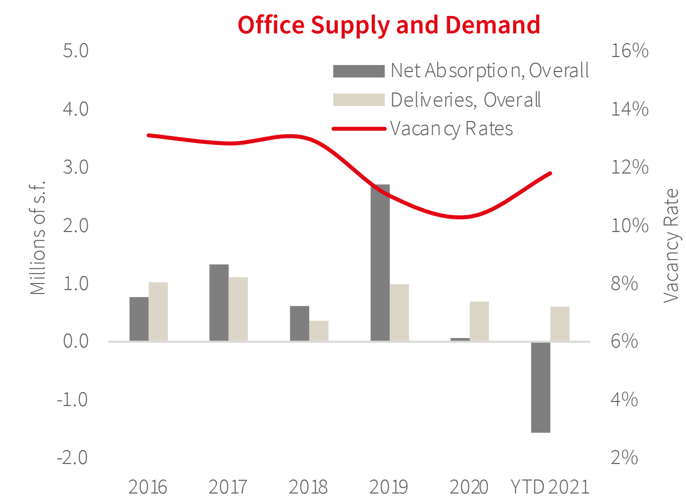
General

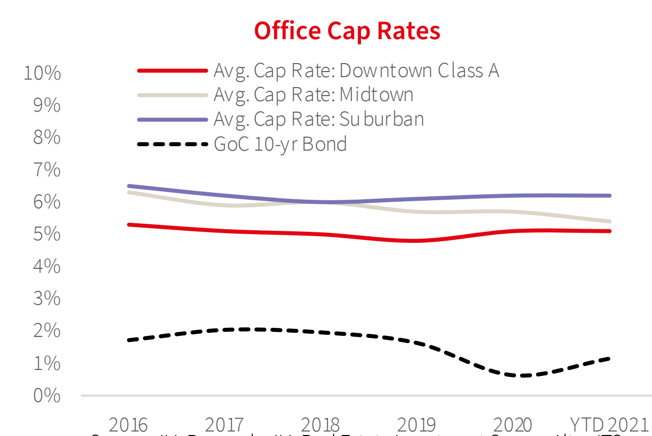
- In the first half of 2021, Montréal saw just over $3b in investment sales, putting it on par with last year's volumes. The industrial sector alone accounted for almost 37% of sales, followed by multifamily (22%), land (18%), and retail (16%).
- In 2020, while Montréal's economy slowed by an estimated 4.8%, the national economic activity dropped 5.3%. Conversely, the city is expected to rebound from this downturn at a slower pace than the national one. However, the opening of the borders to fully vaccinated Americans and a return to in-class learning will be of particular benefit to Montréal.
- The provincial government has committed $135b as part of the Québec Infrastructure Plan (QIP) to implement the vast undertaking of updating the public infrastructure, public transport system, schools, and long-term care facilities.

Office

- In the first half of 2021, office volumes in Montréal were down 93% from the same period in 2020. Yet two transactions marked the second half of the year. Ivanhoe Cambridge sold the iconic 1000 De la Gauchetière to Groupe Petra and Groupe Mach. This transaction illustrated a common theme in the rapidly changing Canadian investment landscape, namely pension funds selling at peak valuations to private capital. Meanwhile, Allied REIT announced the acquisition of the office portion of Jesta Group's million-square-foot Gare Viger for $128m, which will be anchored by pharmaceutical giant Novartis, as well as adjacent developable land. Given their timing, these transactions do not factor into our H1 statistics.
- The Montréal market saw over 1.5m square feet of negative absorption in the first half of the year, of which 75% were Class B and C properties. While vacancy continued to rise (at 12.1% from 10% at the end of 2020), leasing velocity did pick up in the second quarter.
- Net rents fell sharply in the second quarter, down to $17.51, a 5.7% drop from Q1 and 3.2% from the same period a year ago. While we have seen landlords in Vancouver and Toronto holding firm on face rents, Montréal landlords are taking a proactive stance to attract tenants.
- RioCan and HBC are partnering up to redevelop downtown's Hudson Bay Centre, adding 25 floors of office space. Construction is expected to begin in 2023.
- Université de Montréal will relocate its Longueuil campus to Brossard, taking up two floors in a building adjacent to the REM Station.







Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

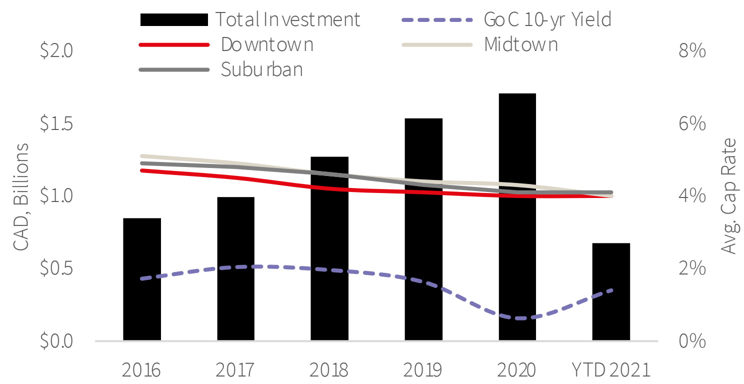
Multifamily

- Multifamily investment volumes in Montréal reached $663m halfway through 2021. The market remains generally very resilient, although volumes in the first half have been lower than in 2019 and 2020. Nonetheless, investor confidence and liquidity remain high.
- According to CMHC, apartment vacancy rose from 1.5% to 2.7%. While in the suburbs vacancy remained unchanged at 1.2%, the increase in the headline number was entirely driven by the Island of Montréal. As univeristy students took advantage of remote learning and short-term rentals opportunities, downtown vacancy rates climbed to 3.2%.
- Québec City is also experiencing a strong multifamily momentum. The largest transaction this year was the sale of Oxford's 527-unit portfolio, to Douville, Moffet et Associés for $118m, or $224,000 per unit. JLL Capital Markets was involved in the negotiation as the listing broker.
- Montréal's 20-20-20 regulation went into effect in April. This bylaw promotes the construction of social, affordable and family housing in multi-residential projects. In return, developers are offered a "zoning bonus", that can include increased building density or otherwise more favorable zoning. Critics are concerned this approach will complicate permits approval and increase costs, driving developers off-island and therefore exacerbating the housing shortage in the city.

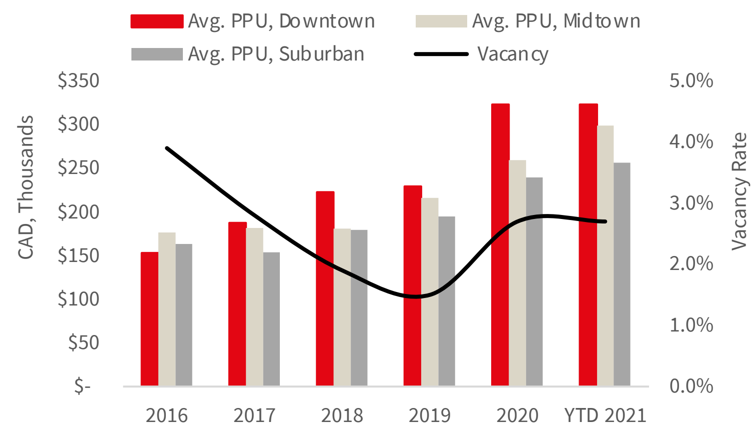
Retail

- The pandemic hit Montréal's retail sector hard. According to the Chamber of Commerce of Metropolitan Montréal (CCMM), the implementation of strict public health restrictions put an estimated 30% of restaurants at risk of closure. While about 10 to 12 million tourists visited the city every year before the pandemic, only one million travelers did so in 2020, and only 4 million are expected for the year 2021, according to Tourism Montréal.
- Retail investment volumes in Montréal were just shy of $500m through the first half of the year, with secondary Québec markets contributing an additional $200m of liquidity. After a year of sharp hikes and volatility, retail cap rates have stabilized. Investors are cautiously optimistic, and fundamentals are progressively recovering
- After completing a share sale of Carrefour Laval to TD Asset Management late last year, Cadillac Fairview sold its half of the Galeries d'Anjou to Ivanhoé Cambridge, which became the sole owner. The $232m share sale values the center at $344 per-square-foot. The property has the potential to add up to 5,000 units in additional residential density.
- JLL Capital Markets closed the sale of 1450-1600 Lebourgneuf in Quebec City, one of the largest transactions of the year. The property was sold for $27.7m or $223.43 per square foot.
- Groupe Turcotte partnered with a franchisee of Home Hardware Stores Ltd. to acquire 21 stores and a distribution center from hardware store Patrick Morin for $146m.

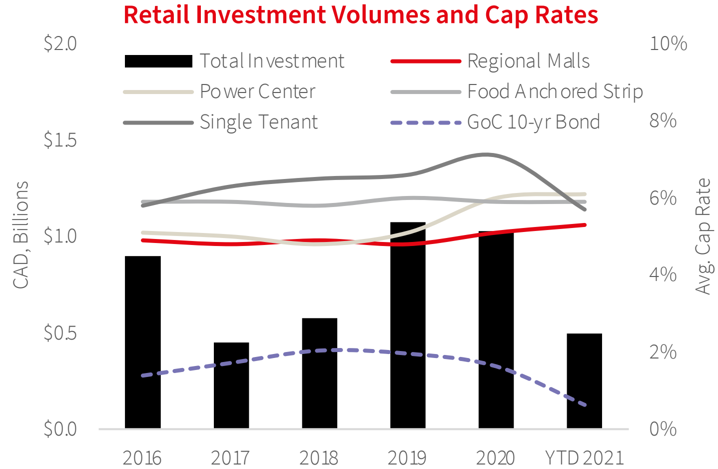
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates



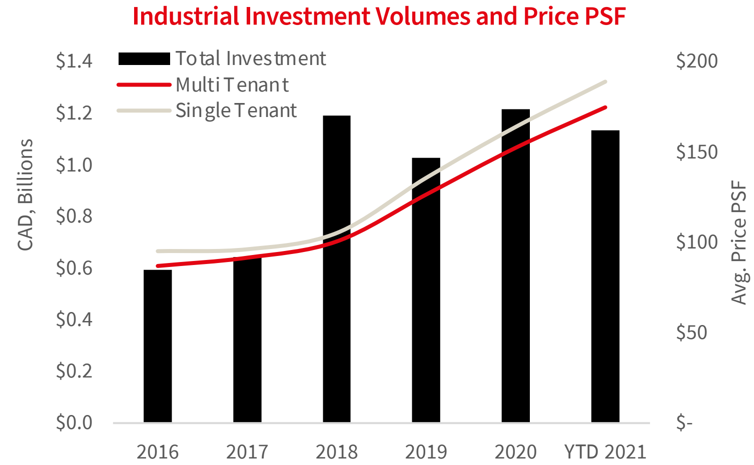
Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS, CMHC

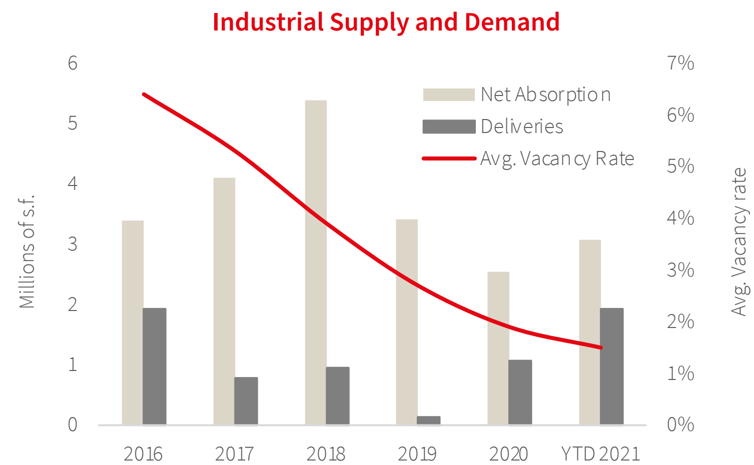
Industrial

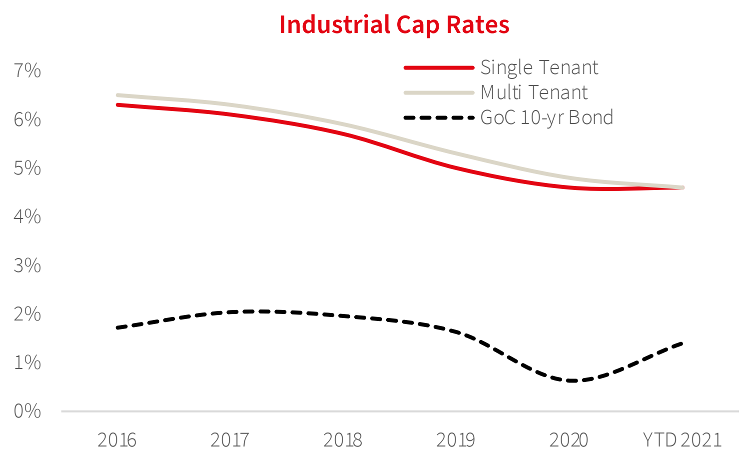
- Halfway through 2021, Montréal's industrial market almost reached $1.1b in total sales, a near single-year record. Private investors contributed to 55% of liquidity, followed by REITs (18.6%), users (9.8%), and fund managers (6.5%).
- PIRET's acquisition of an 845,000 s.f. portfolio from Groupe Mach should be highlighted. Valued at $137 p.s.f. with a 4.1% cap rate, the four-property portfolio netted over $116m. Meanwhile, Summit REIT acquired the former Aldo building in Saint-Laurent for $183m, or nearly $240 p.s.f.
- The most recent *JLL Real Estate Investment Survey* shows Montréal's industrial cap rates compressing by 25-30 basis points on average over the past year. Average price per square foot of Multi-tenant properties was $174.69, while it was $188 per square foot for single tenant facilities.
- SAQ will expand its Montréal distribution center by 200,000 s.f. The new facility will leverage automated single order picking equipment to boost operational efficiency.
- The Montréal industrial market is well on its way to shatter several records this year, including investment sales (currently at $1.1b), annual net absorption (over 3m square feet so far this year), completions (just shy of 2m square feet), and space under construction (just shy of 7m square feet).

Land & Alternative Assets

- Construction costs in Montréal have increased by 18% since the end of 2020. This cumulative burden is weighing on residential developers and could result in projects delays or defferals.
- The city of Laval and INRS have launched the 1.2m square foot Biotech City, a development targeting businesses and organizations working in life and health sciences.
- Québec's expenditure budget for 2021-2022 will set aside $10.3b to address long-term care (LTC) sector issues revealed by the pandemic and to accommodate the demographic demand.
- Blackstone has created a joint venture with Selection Groupe to acquire from Revera Living a portfolio of 13 seniors' housing residences containing 3,548 independent-living units.
- Land acquisitions are picking up in Montréal. So far, $563m have been spent on development sites in 2021, already surpassing the total volumes from a year ago.







Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

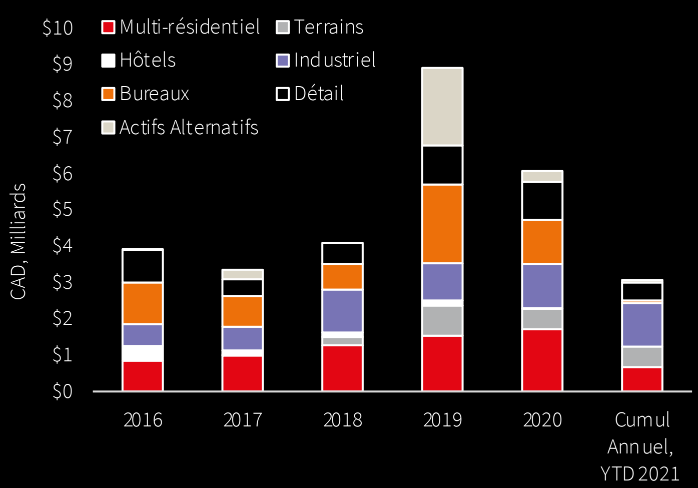
Montréal

Aperçu des marchés des capitaux | T2 2021

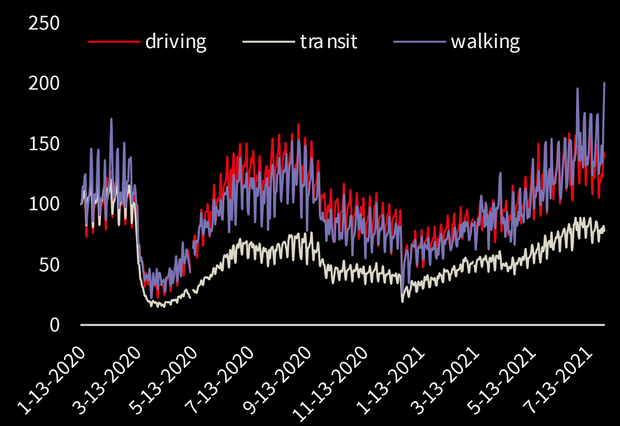
Montréal

Aperçu des marches des capitaux| **T2 2021**

Investissement immobilier par catégorie d'actif



Indice de Mobilité de Apple: (Jan 13, 2020 = 100)



Aperçu des marchés des capitaux | T2 2021

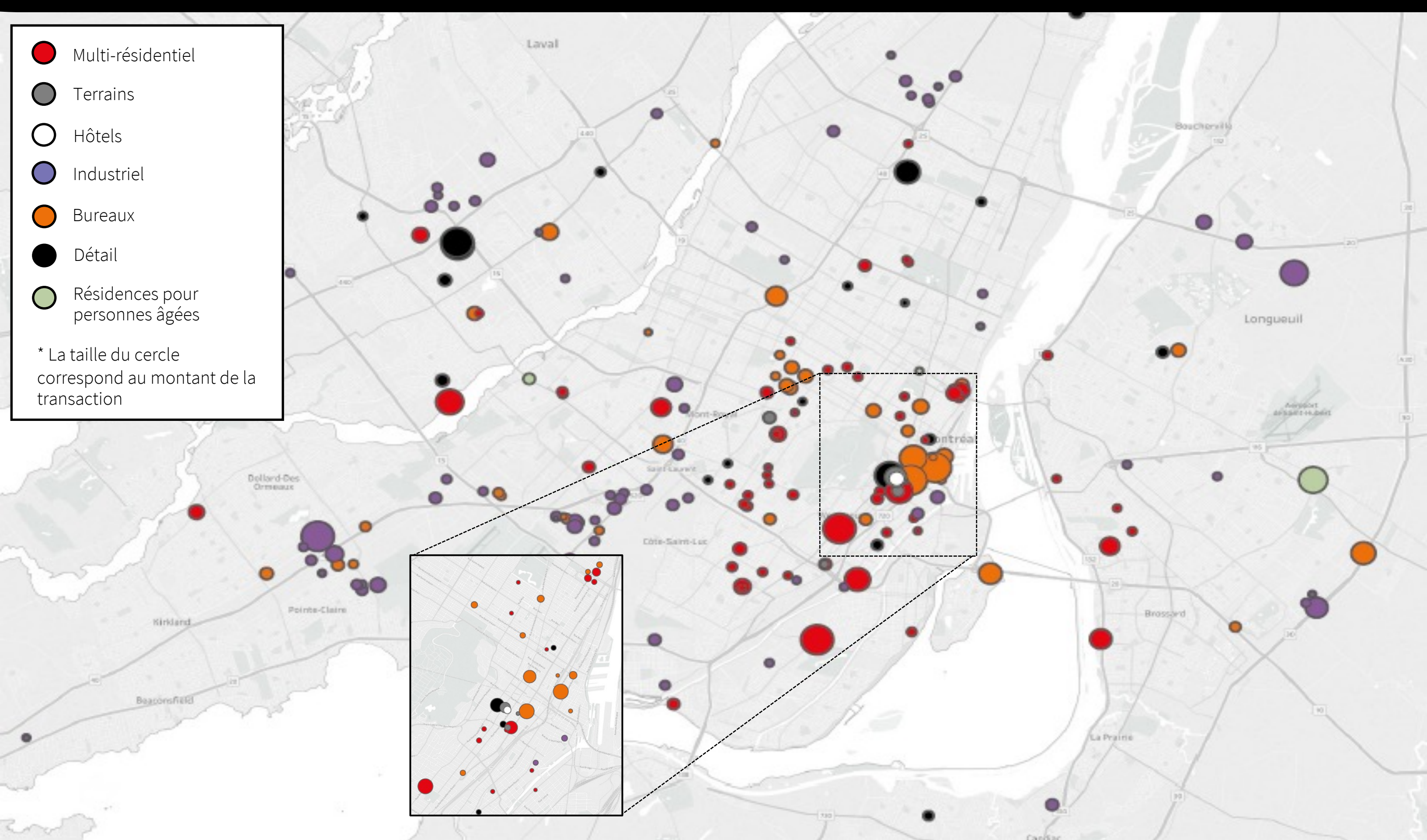
Domicile des acquéreurs, T2 2021

Canada **93%**

États-Unis **6%**

Suéde **1%**

Source : JLL Valuations, RCA, Apple
transactions > 5 millions $, directement et au niveau des entités
Exclut les lots résidentiels et les achats des occupants résidentiels
Données de marché au plus tard disponibles



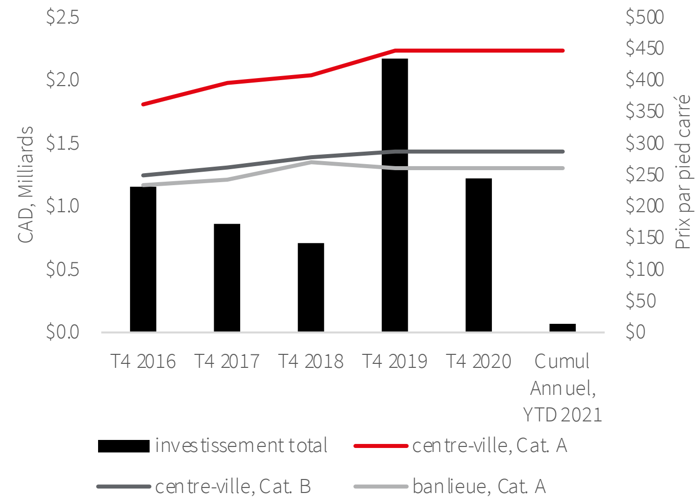
Général

- Le volume d'investissement total a atteint un peu plus de 3 milliards $, au cours de la première moitié de 2021, soit un niveau semblable à celui de la même période de l'année dernière. Le secteur industriel a représenté à lui seul près de 37% des ventes, suivi du secteur multi-résidentiel (22%), des terrains (18%) et du commerce de détail (16%).
- Bien que l'économie ait ralenti d'environ 4,8% à Montréal, au cours des douze derniers mois, elle a tout de même été plus performante que celle du Canada, qui a chuté de 5,3%, au cours de la même période. À l'inverse, l'on s'attend à ce que l'économie montréalaise rebondisse à un rythme plus lent que l'économie canadienne dans son ensemble. Cependant, l'ouverture des frontières aux Américains qui sont pleinement vaccinés et le retour à l'apprentissage en classe dans le secteur de l'éducation seront particulièrement bénéfiques pour l'économie de Montréal.
- Le gouvernement du Québec a engagé 135 milliards $ dans le cadre du Plan québécois des infrastructures (PQI) pour mettre en œuvre le vaste chantier de modernisation des infrastructures publiques, incluant le réseau de transport public, les écoles et les établissements de soins de longue durée.

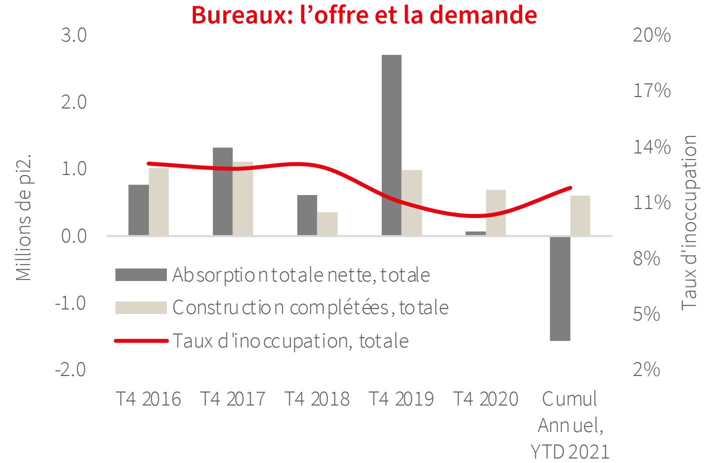
Bureaux

- Au premier semestre de 2021, les ventes totales enregistrées dans le secteur des immeubles de bureaux montréalais ont baissé de 93 % par rapport à la même période en 2020. Pourtant, deux transactions ont particulièrement marqué ce secteur. Ivanhoé Cambridge a vendu un immeuble emblématique, le 1000 De La Gauchetière, au Groupe Petra et au Groupe Mach. Cette transaction suit l'évolution tendencielle positive du marché de l'investissement canadien. En effet, de plus en plus de fonds de pension vendent des actifs à des investisseurs privés, une fois que ces actifs ont atteint une valorisation optimale. En même temps, le FPI Allied a annoncé l'acquisition de la portion bureaux de la Place Gare Viger du Groupe Jesta, pour 128 millions $. Ces locaux, d'une superficie d'un million de pieds carrés, auront comme locataire principal le géant pharmaceutique Novartis. Le FPI Allied a également annoncé l'acquisition d'un terrain aménageable contigu à la Place Gare Viger. Compte tenu de leur date de clôture, ces transactions ne sont pas prises en compte dans nos statistiques du premier semestre.
- Le marché des bureaux montréalais a enregistré plus de 1,5 million de pieds carrés d'absorption négative au cours du premier semestre, dont 75 % concerne des actifs de catégorie B et C. Bien que le taux d'inoccupation ait continué d'augmenter (12,1 % contre 10 %, à la fin de 2020), l'activité de location a connu un regain, au cours du deuxième trimestre.
- Les loyers nets ont fortement baissé au cours du deuxième trimestre, passant à 17,51 $ le pied carré, soit une baisse de 5,7 % par rapport au premier trimestre de 2021 et de 3,2 % par rapport à la même période de l'an dernier. Alors qu'à Vancouver et à Toronto les propriétaires maintiennent le cap en termes de loyers affichés, à Montréal les propriétaires font preuve d'une plus grande souplesse pour attirer les locataires.
- HBC et Immobilier RioCan s'associent pour transformer le magasin de la Baie d'Hudson du centre-ville de Montréal, en ajoutant une tour de bureaux de 25 étages. La construction devrait commencer en 2023.
- L'Université de Montréal déménagera son campus de Longueuil à Brossard, où il occupera deux étages dans un immeuble adjacent à la station du REM.

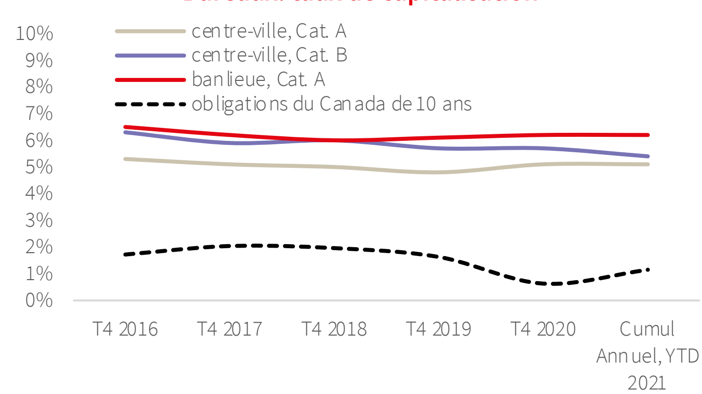
Bureaux: Investissement Total et Prix par Pi²



Bureaux: l'offre et la demande



Bureaux: taux de capitalisation



Source : Recherche JLL, REIS JLL, Altus ITS

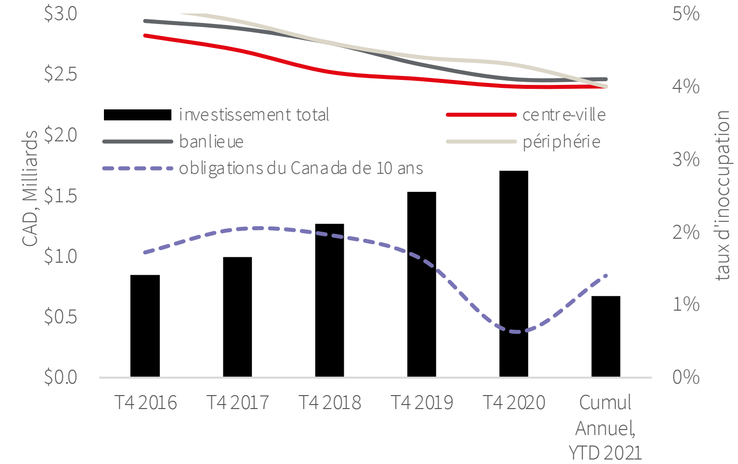
Multi-résidentiel

- Le volume des transactions dans le marché de l'investissement multi-résidentiel montréalais a atteint 663 millions $, pour les premiers six mois de 2021. Le marché demeure très résilient, dans son ensemble, même si le volume des transactions du premier semestre a été plus faible qu'en 2019 et 2020. Néanmoins, la confiance des investisseurs et la liquidité demeurent élevées dans ce marché.
- Selon la SCHL, le taux d'inoccupation global des logements locatifs de la GRM est passé de 1,5% à 2,7%. Cette augmentation se trouve concentrée sur l'île de Montréal, où le taux d'inoccupation a atteint 3,2%, tandis qu'en banlieue, ce taux est demeuré constant, à 1,2%. À l'inverse, la crise sanitaire a mis en lumière la vulnérabilité du marché du centre-ville. Les universités offrant des formations à distance et les locations à court terme affluant de nouveau sur le marché ont été parmi les principales causes de cette faiblesse.
- Le marché multi-résidentiel est également en plein essor à Québec. La transaction la plus importante jusqu'à date a été la vente d'un portefeuille de 527 logements pour la somme de 118 millions $ (soit 224 000 $ par logement) par le Groupe Oxford. L'acquéreur est Douville, Moffet et Associés. Le groupe des Marchés des capitaux de JLL a participé à la transaction en tant que courtier inscripteur.
- Le règlement « 20-20-20 » est entré en vigueur en avril dernier, à Montréal. Ce règlement encourage la construction de logements sociaux, abordables et familiaux dans le cadre de projets résidentiels. En contrepartie, les promoteurs seront récompensés par un « bonus de zonage », tel qu'une densité de construction accrue ou un zonage plus favorable. Les critiques de ce règlement craignent que cette approche complique les procédures et augmente les coûts et donc pourrait forcer les promoteurs à quitter l'île de Montréal, exacerbant ainsi la pénurie de logements.

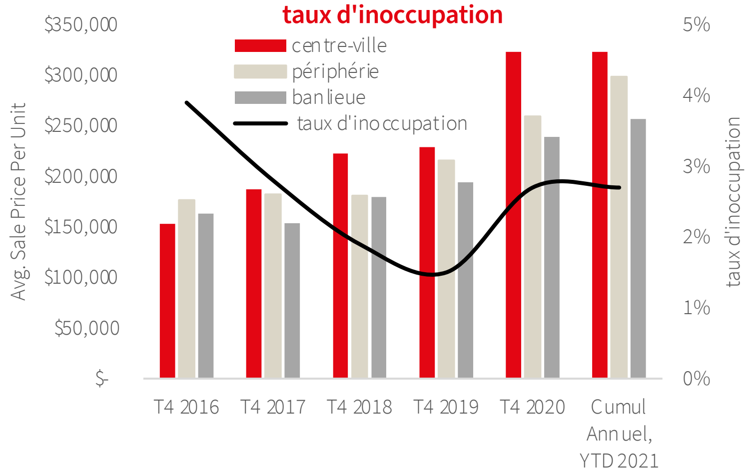
Commerce de détail

- Comme la vie urbaine est au cœur de l'identité montréalaise, le secteur du commerce de détail du centre-ville a sans doute été frappé plus durement par la COVID que partout ailleurs au Canada. Selon la Chambre de Commerce du Montréal métropolitain (CCMM), les fermetures des commerces et les couvre-feux ont exposé environ 30 % des restaurants montréalais à un risque de fermeture. Alors qu'environ 10 à 12 millions de touristes affluaient à Montréal annuellement avant la pandémie, seulement un million de personnes ont visité la métropole, en 2020, et 4 millions sont attendues pour l'année 2021, selon Tourisme Montréal.
- Le volume des investissements dans le commerce de détail montréalais s'est chiffré à un peu moins de 500 millions $ au cours du premier semestre de l'année, les marchés secondaires du Québec représentant pour leur part 200 millions $ supplémentaires. Après une année de fortes hausses et de grande volatilité, les taux de capitalisation se sont stabilisés dans le marché du commerce de détail. Les investisseurs continuent à faire preuve d'un optimisme prudent pendant que les bases économiques du marché se rétablissent.
- Après avoir conclu la vente d'une portion du Carrefour Laval à Gestion de Placements TD, à la fin de l'année dernière, Cadillac Fairview a vendu sa moitié des Galeries d'Anjou à Ivanhoé Cambridge, qui en est devenu l'unique propriétaire. La vente de cette portion, d'une valeur de 232 millions $, correspond à un prix de 344 $ du pied carré. Potentiellement, la propriété pourrait inclure un développement résidentiel allant jusqu'à 5 000 logements supplémentaires.
- Le groupe des Marchés des Capitaux de JLL a conclu la vente du 1450-1600, boulevard Lebourgneuf, à Québec, l'une des plus importantes transactions de l'année. Cette propriété a été vendue pour 27,7 millions $, soit 223,43 $ le pied carré.
- Le Groupe Turcotte s'est associé à un franchisé de Home Hardware Stores Limitée afin d'acquérir 21 magasins et un centre de distribution du détaillant de rénovation Patrick Morin Inc., pour 146 millions $.

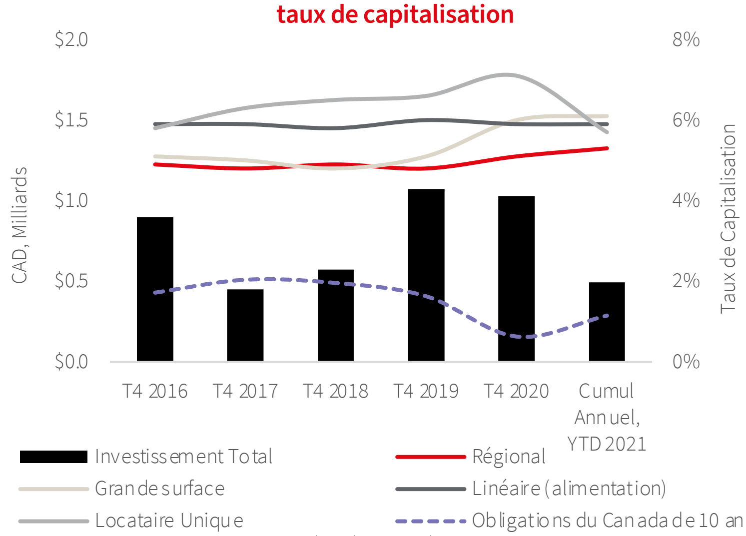
Multi-résidential: Investissement total et taux de capitalisation



Multi-résidentiel: Prix par pi² et taux d'inoccupation



Commerce de detail: Investissement total et taux de capitalisation



Source : Recherche JLL, Altus ITS, CMHC

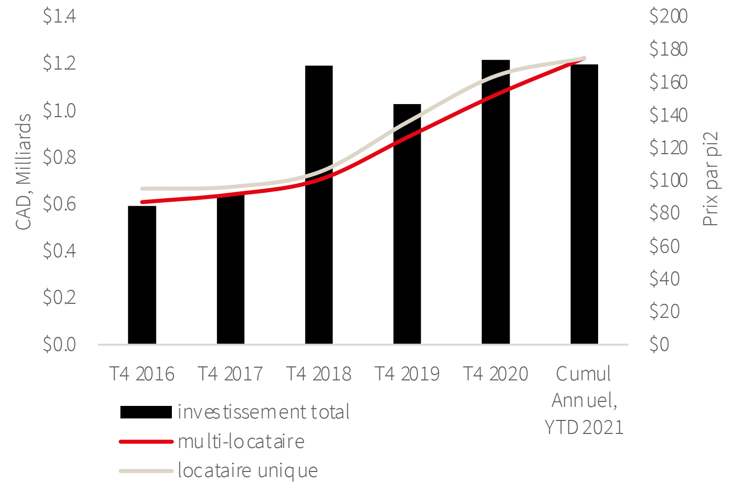
Industriel

- À mi-chemin de l'année 2021, le volume des investissements dans le marché industriel montréalais a presque atteint 1,1 milliard $, un quasi record sur une seule année. De ce montant, 55 % des ventes sont attribuables à des investisseurs privés, suivis des FPI (18,6 %), des occupants (9,8 %) et des gestionnaires de fonds (6,5 %).
- Une transaction à noter est l'acquisition, par PIRET, d'un portefeuille de 845 000 pieds carrés appartenant auparavant au Groupe Mach. Évalué à 137 $ du pied carré et reflétant un taux de capitalisation de 4,1 %, ce portefeuille de quatre immeubles a rapporté environ 116 millions $. De son côté, le FPI Summit a acquis l'ancien immeuble Aldo à Saint-Laurent pour 183 millions $, soit près de 240 $ du pied carré.
- Le plus récent rapport de JLL sur les investissements immobiliers révèle que les taux de capitalisation des actifs industriels ont diminué de 25 à 30 points de base en moyenne à Montréal, au cours de la dernière année. Le prix moyen au pied carré des actifs à locataires multiples et unique se sont chiffrés à 174,69 $ et à 188 $ respectivement.
- La SAQ ajoutera 200 000 pieds carrés à son centre de distribution montréalais. Ces nouvelles installations seront dotées d'un système de préparation de commande unitaire automatisé visant à améliorer l'efficience des opérations.
- Le marché industriel de Montréal est bien positionné pour établir plusieurs records cette année : les ventes d'investissement (qui s'élèvent actuellement à 1,1 milliard $), l'absorption nette annuelle (plus de 3 millions de pieds carrés jusqu'à maintenant cette année), les nouvelles constructions (un peu moins de 2 millions de pieds carrés) et les projets en cours de construction (presque 7 millions de pieds carrés).

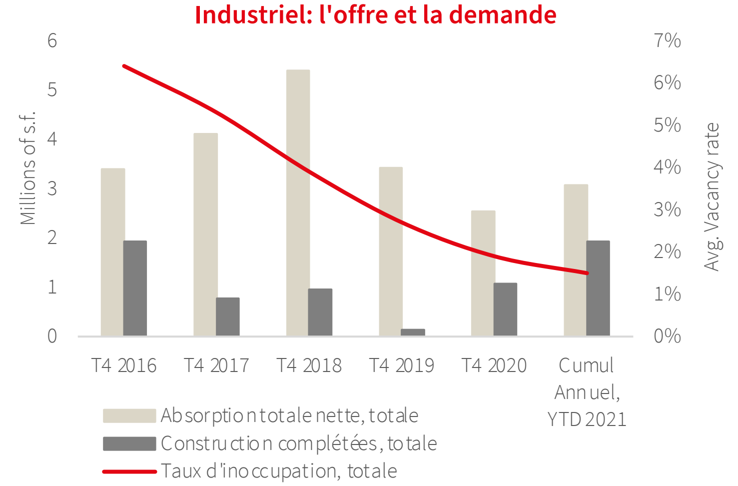
Terre et actifs alternatifs

- Les coûts de construction ont augmenté de 18 % à Montréal depuis la fin de 2020. Cette augmentation représente un fardeau supplémentaire pour les promoteurs résidentiels, ce qui pourrait entraîner le report de certains projets.
- La ville de Laval et l'INRS ont lancé la Cité de la Biotech, un projet de 1,2 million de pieds carrés destiné aux entreprises et aux organismes œuvrant dans le domaine des sciences de la vie et de la santé.
- Le budget 2021-2022 du gouvernement du Québec prévoit 10,3 milliards $ pour atténuer les effets de la crise sanitaire sur le secteur des soins de longue durée (SLD) et pour répondre aux enjeux liés au vieillissement de la population.
- Blackstone a créé une coentreprise avec Groupe Sélection pour acquérir de Revera, un portefeuille de 13 résidences pour personnes âgées, contenant 3 548 logements pour retraités autonomes.
- Les acquisitions de terrains reprennent à Montréal. En 2021, 563 millions $ ont été investis pour acquérir des sites voués au développement, surpassant déjà le volume total de l'année précédente.

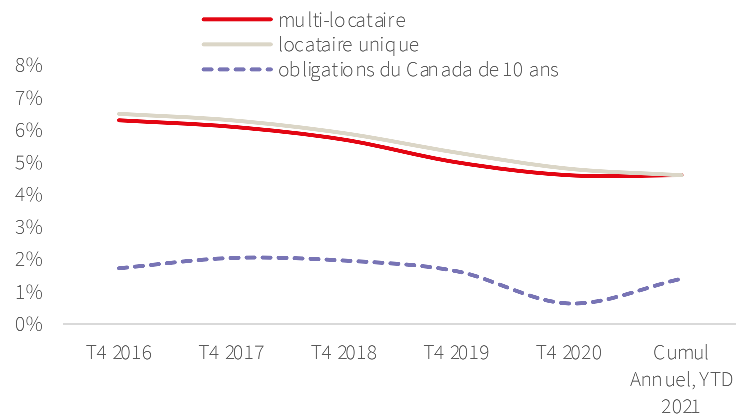
Investissement total industriel et prix par pi2



Industriel: l'offre et la demande



Taux de capitalisation industriel



Source : Recherche JLL, REIS JLL, Altus ITS

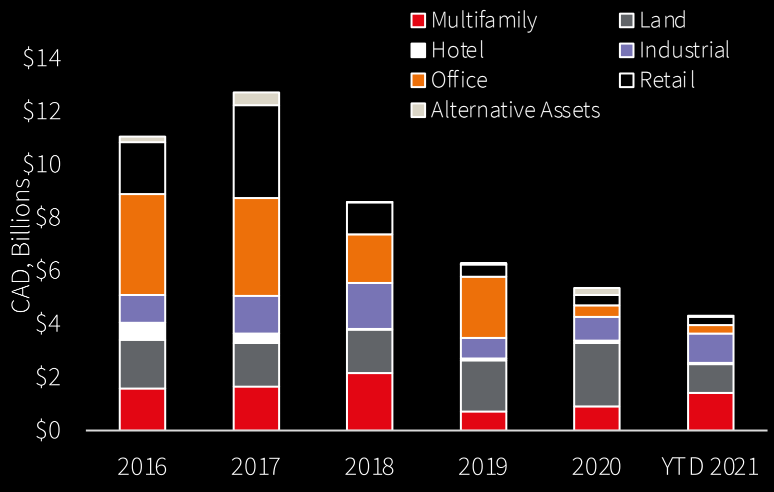
Vancouver

Canada Investment Outlook | Mid-Year 2021

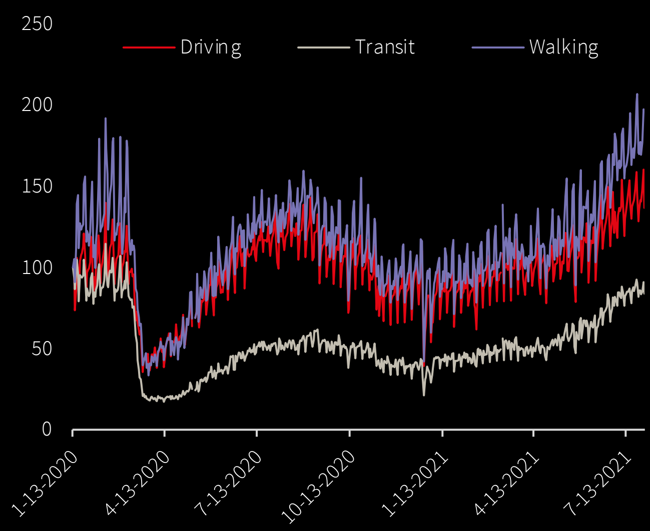
Vancouver

Canada Investment Outlook | **Mid-Year 2021**

Historical Real Estate Investment by Sector



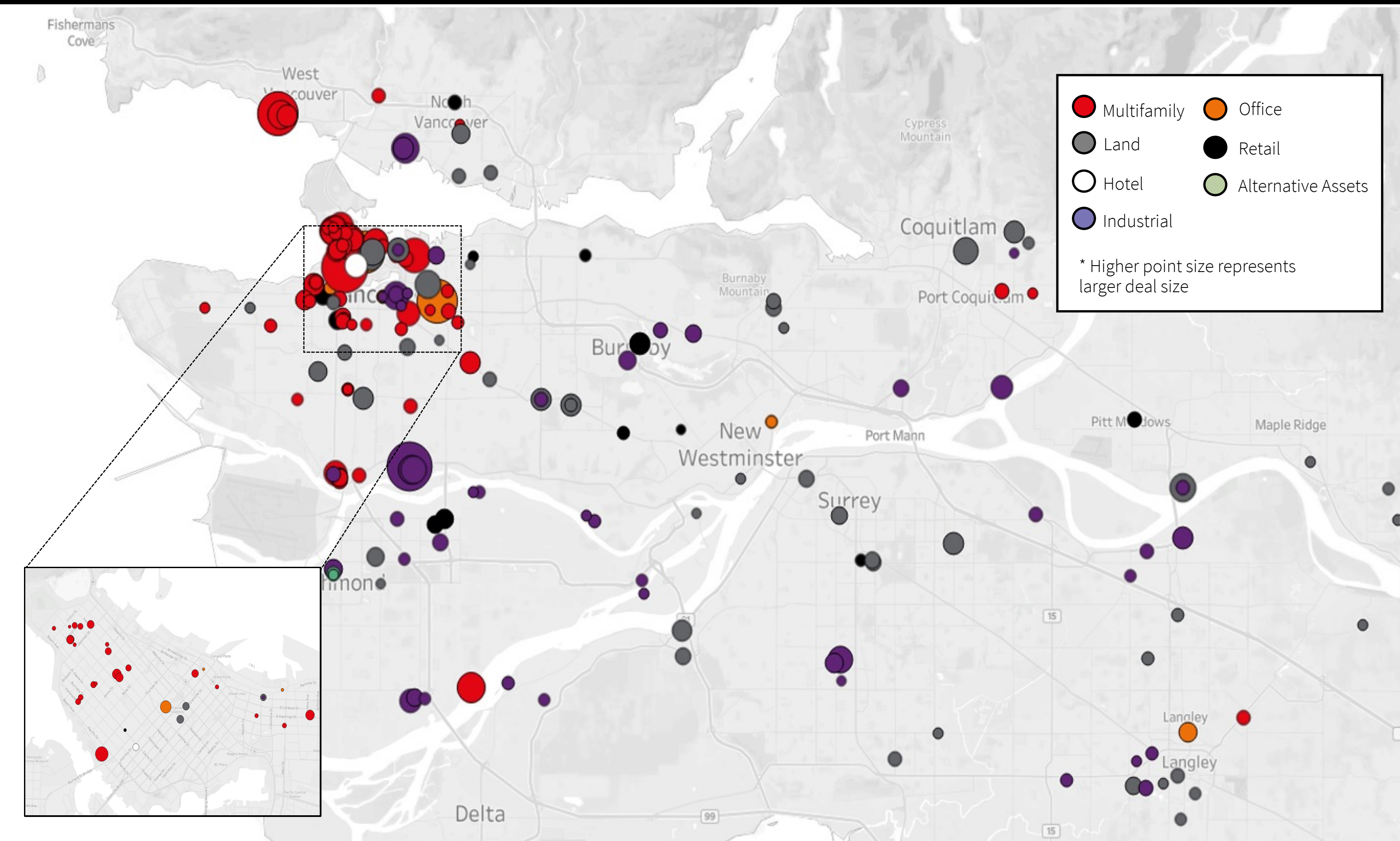
Apple Mobility Index (Jan 13, 2020 = 100)



Vancouver Buyer Domicile, YTD 2021

Canada
100%

Source: RCA, RealNet, Commercial Edge, CoStar, Apple
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available



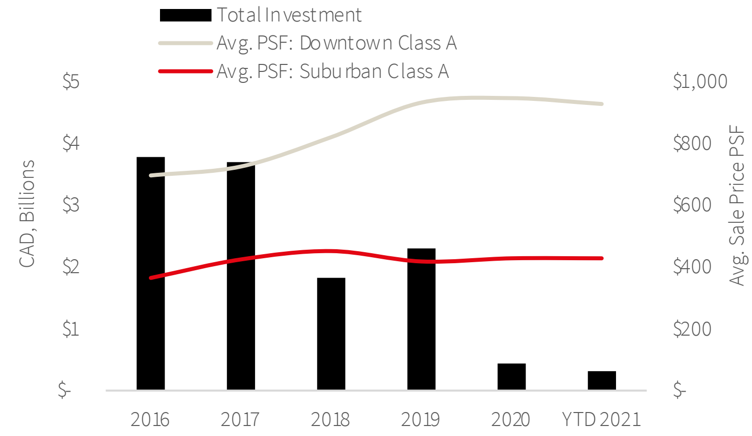
General

- Investment volumes have recovered after several consecutive years of deceleration. Vancouver saw $4.3b in total deal volume for the first half of the year, putting it on pace for its best year since 2018.
- British Columbia's economy is expected to recover from COVID-19 by the end of 2021. Statistics Canada forecasts GDP to grow by 6.7% and the unemployment rate to decline to 6.1%.
- The push to increase housing supply and improve affordability has been at the center of the public policy agenda for the past few years. Some of 2021's major changes include the Introduction of vacant property and speculation taxes, new investment in social and co-op housing, the relaxation of land usage regulations and the acceleration of the approval process for the release of development permits.
- Major infrastructure projects, such as the TMC pipeline, Prince Rupert's Port expansion and the Site C Dam are helping British Columbia's economy to expand the production and trade of commodities that are in high demand such as natural gas, hydroelectricity and rare earth metals.
- Shell Canada and the federal and provincial governments have joined forces to create a new research and development centre for clean energy and low-carbon innovation. With an initial funding of $105m, the goal is to establish the province as a global leader in climate solutions.
- Vancouver's vacancy tax will increase from 1.25% to 3% at the end of the year. The tax has raised $84 million in revenue from 2017 to 2019, with proceeds being used to increase supply of affordable housing.

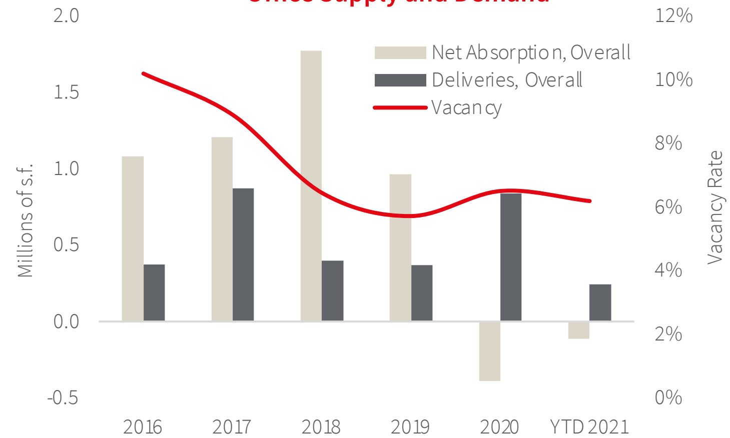
Office

- The City has 6.8m square feet of office space under construction and 2m square feet expected to be delivered by the end of 2021. Some notable mentions include Vancouver Centre II (371,000 s.f.), 400 West Georgia Street (344,000 s.f.) and 601 West Hastings (213,000 s.f.). These new developments will provide much needed relief for tenants looking to expand their premises.
- Leasing activity in the last 6 months has been driven by clean energy, financial services and technology tenants. The largest deal of year was done by Svante , a carbon capture company leasing 141,000 square feet at 8800 Glenlyon Parkway as well as by the Bank of Nova Scotia renewing 81,960 square feet in 650 West Georgia Street.
- PCI Developments and Low Tide Properties completed the acquisition of the former MEC HQ in False Creek Flats for $103m, or $917 per square foot. EA recently announced they are leasing the whole building.
- Reliance Properties acquired 815 Hornby Street in Downtown Vancouver for $93M, or $1,240 per square foot. The company is proposing a redevelopment of the building into a mixed-use project, possibly including a hotel.
- Cap rates for Downtown office assets in Vancouver remained stable for the past 5 years, averaging 4.3% at the end Q2 2021.

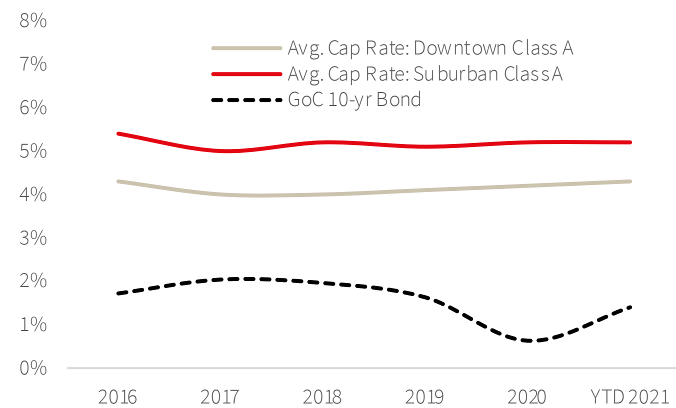
Office Investment and Price PSF



Office Supply and Demand



Office Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

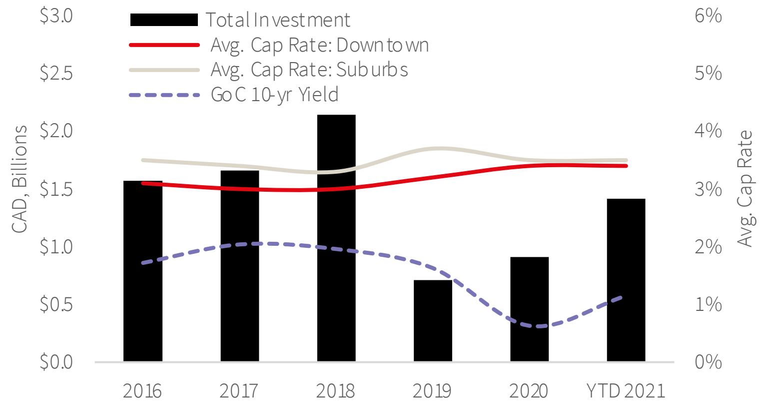
Multifamily

- Investment in the multifamily market reached $1.4b at the end of June and is on track to surpass 2018 volumes by the end of the year.
- According to the CHMC, housing starts were 15,524 units, with 10,958 units delivered in the first half of the year. These numbers are already catching up to Pre-COVID levels when housing starts were 15,723 units and 11,486 units were completed.
- The provincial government is launching a $2b low interest rate program to encourage developers to build affordable housing for households earning less than $75,000 per year.
- British Columbia's Provincial Rental Housing Corporation has spent over $200m since the beginning of the pandemic converting existing buildings into affordable and senior housing. Recent acquisitions include the Best Western Kingsway Hotel in Mount Pleasant, the Patricia Hotel at 205 Kingsway and the Budget Inn at 405 E Hastings Street.
- Rent increases have been suspended until the end of 2021, and the maximum rent increases for 2022 has been set at 1.5%. Some landlords are responding by withholding units in the short-term while waiting for higher-paying tenants when the pandemic is over.
- As of July 1st, 2021, local Landlords will have to prove to the Residential Tenancy Branch that they must end tenancies in order to proceed with renovations, and/or that they are transferring tenancies to family members if this is the justification given. Landlords must also ask additional approval to increase rents to pay for capital expenditures.
- The largest multifamily deal so far this year was InterRent and Crestpoint's joint venture acquisition of a portfolio of 15 rental apartment properties, comprising 614 units for $292.5m.

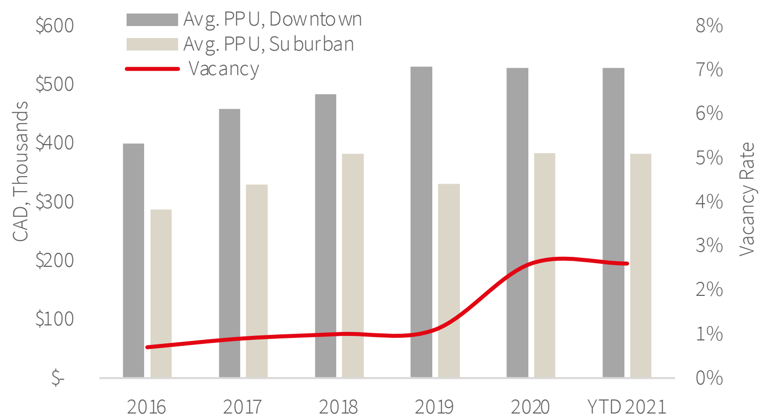
Retail

- Vancouver continues to see the redevelopment of retail malls along the Skytrain lines into mixed-used developments with retail, office and residential components. CF Richmond Centre, Station Centre and Coquitlam Centre are among the most significant projects. In late April, Translink outlined options to expand public transit by an additional 400km of LRT, Skytrain and Bus Rapid Transit lines.
- Cap rates for retail properties remained stable, averaging 5.3% across all market segments. However, cap rates for single-tenant properties have been compressing since last year because of their appeal for redevelopment into mixed-use assets.
- BC's Circuit Breaker Business Relief Grant has distributed $100m to support hospitality, fitness and accommodation businesses affected by the April 23rd public health restrictions.
- KAP Management acquired 6399, 6415 & 6435 Victoria Drive in a $42.5M transaction, translating into $939 per square foot.

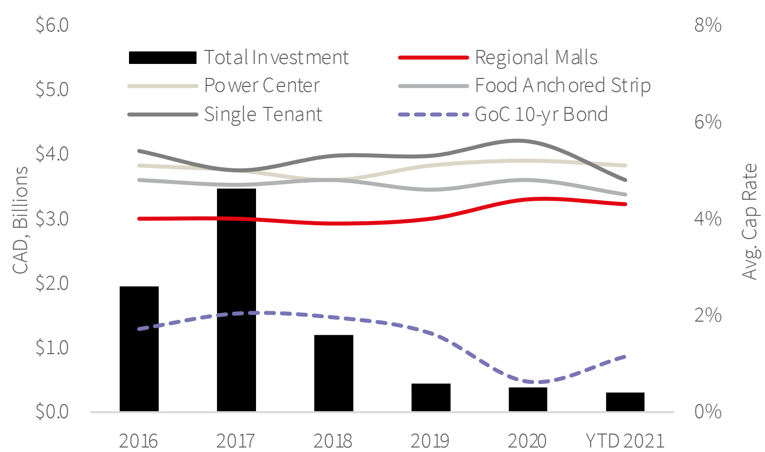
Historical Multifamily Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment and Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS, CMHC

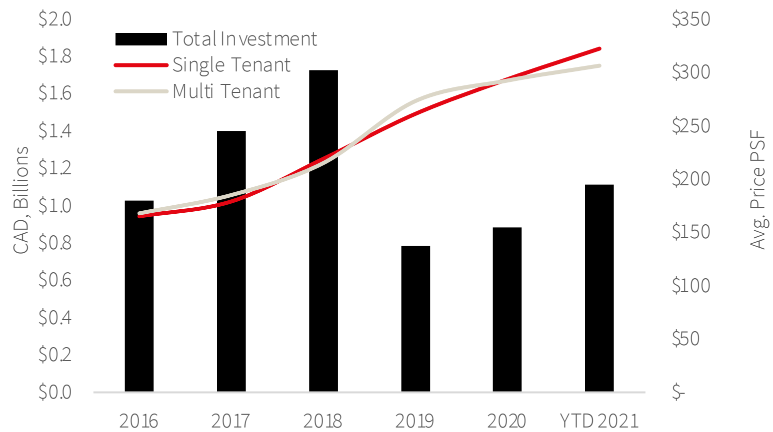
Industrial

- Metro Vancouver is one of tightest industrial markets in North America with an overall vacancy rate of only 1.5%. The limited availability of industrial land and the increasing competition from commercial and residential land usage represent significant constraints for the industrial market, though they have been a boon to asset values that have nearly doubled since 2016.
- In early March, Metro Vancouver Regional Planning Committee attempted to increase the voting threshold for minor industrial land use changes. Although the proposal was rejected by two-thirds of the Metro Vancouver Board, it signals an attempt by the City to protect industrial land usage.
- After raising $555m in an IPO in December, AbCellera has leased 380,000 square feet in Mount Pleasant for its new HQ and recently announced the construction of a 130,000 square feet manufacturing plant to produce therapeutic antibodies.
- Precision Nanosystems Inc. (PNI) has ramped up plans to open a 75,000-square-foot bio-manufacturing centre in False Creek Flats. When completed in 2022, the facility will be capable of producing 240 million vaccine doses annually.
- Crestpoint completed the acquisition of four fully leased industrial facilities in South Surrey Business Park. The transaction closed at $217 per square foot.
- Montrose Property Holdings is developing the $300m Richmond Industrial Centre, which will include 13 to 14 buildings ranging from 100,000-500,000 square feet. The complex is being built on a former construction waste landfill site.
- Cap rates for industrial properties have continued to decrease to 4% for single-tenant properties and 4.24% for multi-tenant assets.

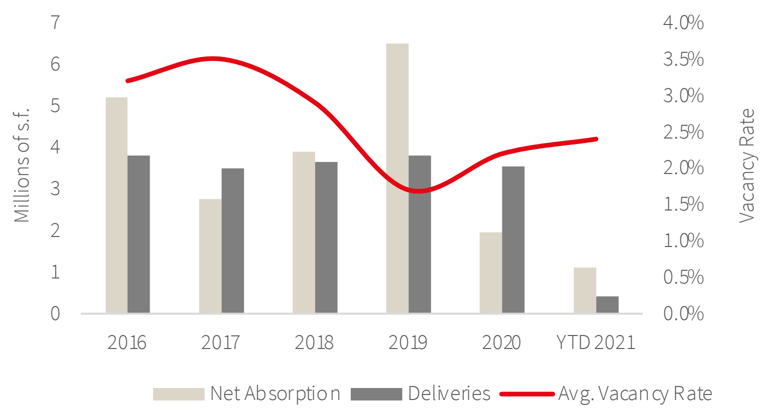
Land & Development

- The $2.0b expansion of Vancouver's Skytrain is driving densification efforts and prompting the construction of mixed-use complexes with retail, office and residential components.
- Starting on December 31st 2021, the province is easing restrictions on secondary homes and suites within British Columbia's Agricultural Land Reserve (ALR). This allows property owners to build second homes and additional suites and turn them into rental properties, farm worker lodgings, agritourism or extended family lodgings.
- The City of Vancouver is proposing zoning changes to speed up the development of social and co-op housing. The proposed changes would remove the rezoning requirement for new, 100% social and co-op housing in RM-3A, RM-4, and RM-4N neighborhoods. The city estimates this will reduce the development process by one or two years and speed up the delivery of housing.
- Westgem communities completed a formal application for a new 2.9m square feet development next to the Richmond's Olympic Oval. This includes 1.9m square feet of residential floor area, a 200,000 square feet hotel, 300,000 square feet new school, 200,000 square foot of office and 200,000 of neighborhood retail.

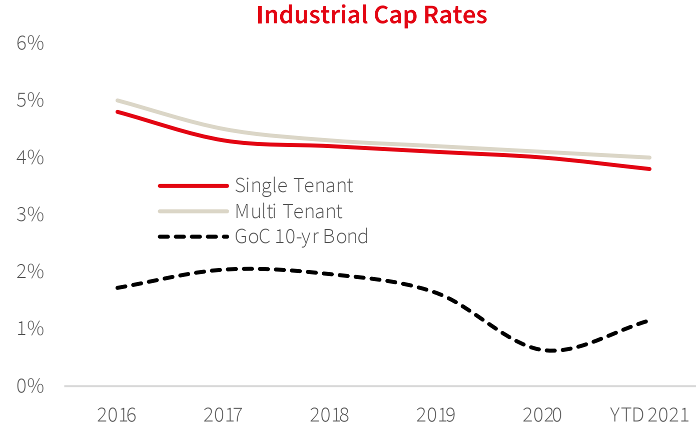
Industrial Investment Volume and Price PSF



Supply and Demand Dynamics



Industrial Cap Rates



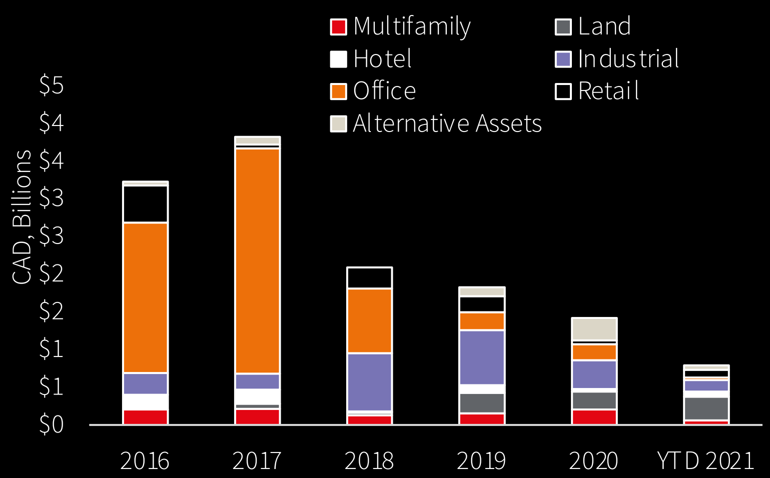
Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

Calgary

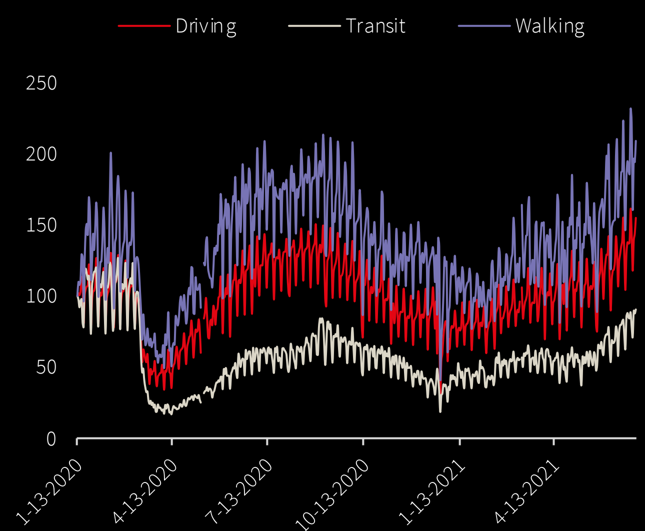
Canada Investment Outlook | Mid-Year 2021

Calgary

Historical Real Estate Investment by Sector



Apple Mobility Index (Jan 13, 2020 = 100)

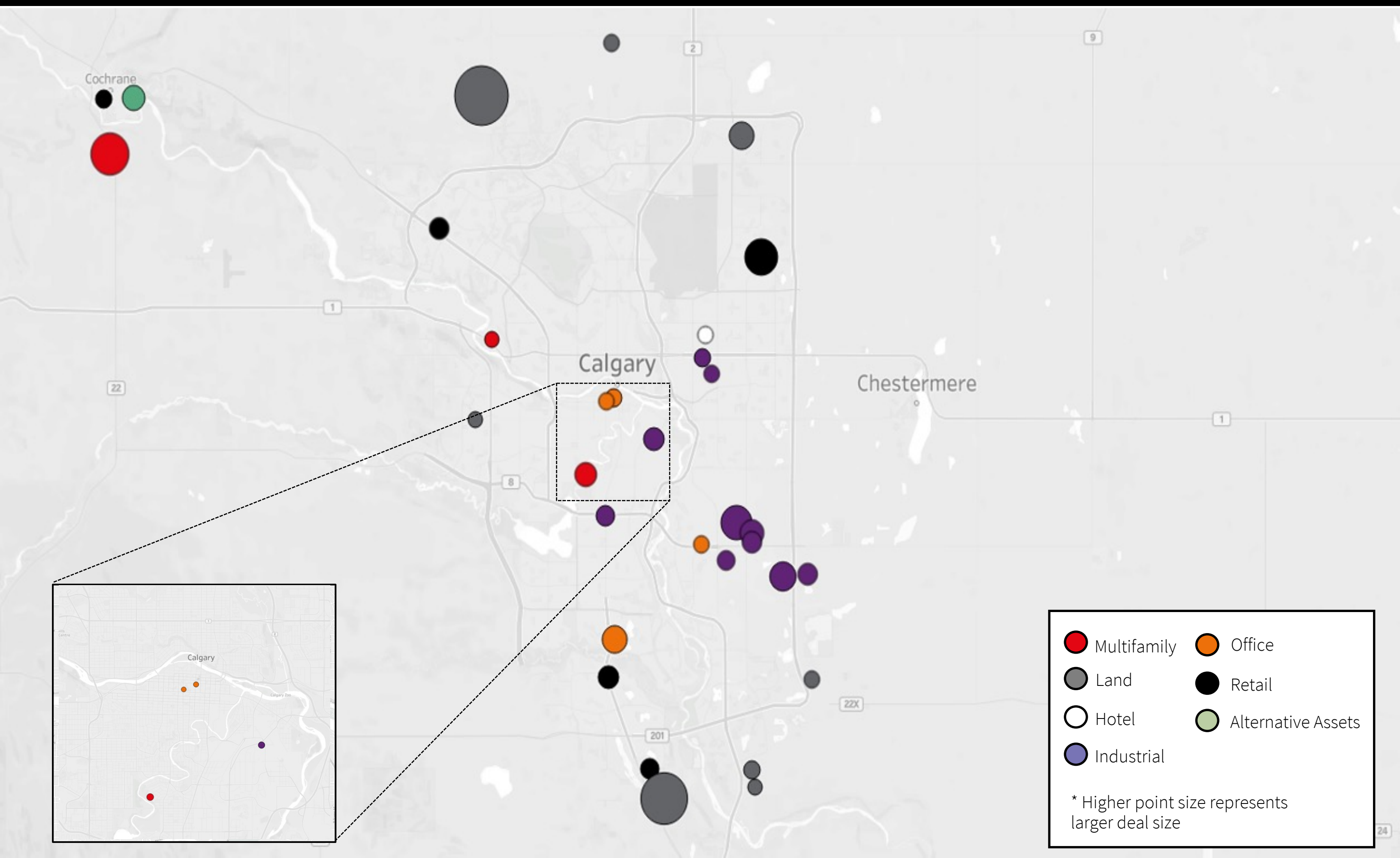


Calgary Buyer Domicile, YTD 2021


Canada
99%


U.S.
1%

Source: RCA, RealNet, JLL Valuations, Apple
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available



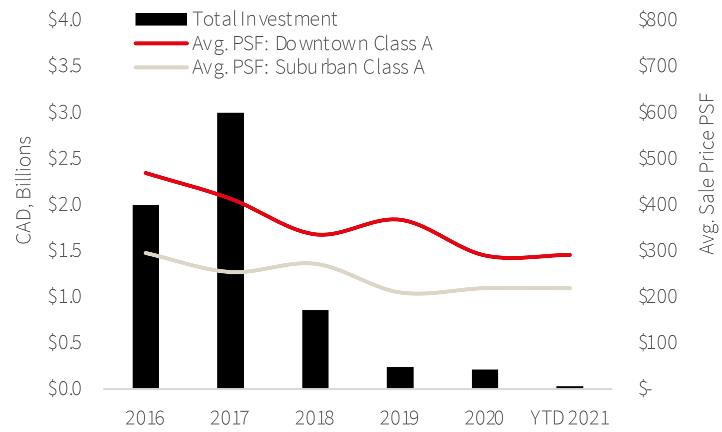
General

- Investment volumes in the first half of 2021 totaled $789m for the entire market, down 14% from last year's pace. Industrial sales accounted for 40% of total deal volume.
- Alberta's economy continues to recover in the aftermath of COVID. Favourable commodity prices and significant investments in infrastructure have been the main growth drivers in 2021. The Conference Board of Canada is forecasting Alberta's GDP to expand 6.1% by the end of the year.
- Major infrastructure projects in Calgary include the Green Line LRT ($4.9b), the Calgary Arena and Event Centre ($600m) and BMO Centre Expansion ($400m). A potential passenger rail connection between Calgary and Banff ($1b) is also in the planning stages.
- In June 2021, CNRL, Cenovus, Imperial Oil, MEG Energy and Suncor formally announced the Oil Sands Pathways to Net Zero initiative. The goal of this alliance is to achieve net zero greenhouse gas (GHG) emissions from oil sands operations by 2050. In order to succeed, these companies are committing to invest in carbon capturing and sequestration, clean hydrogen, and various energy efficiency and electrification projects.
- City council has approved the Greater Downtown Plan, which will aim to help revitalize the downtown core by investing up to $1b over the next ten years in infrastructure, culture, and tax incentives.

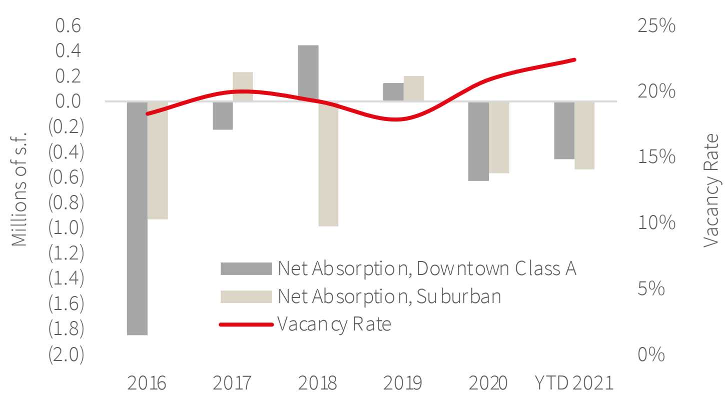
Office

- In July, H&R REIT sold The Bow building for $1.22b to Chicago-based Oak Street Capital and the Deutsche Bank, making it the largest office transaction in Canada in 2021. The deal would give H&R the option to buy back the Calgary tower in 17 years. As this deal closed in July, it is not included in our mid-year statistics.
- Overall vacancy rates stood at 24.5% at the end of Q2 2021. Average net rents declined to $13.62 per square foot and year-to-date net absorption was a negative 1.2m square feet.
- Calgary's new downtown office-to-residential conversion plan received an initial approval of $45m. According to the terms of reference, the resources are being allocated in two phases between August 2021 and July 2021. Conversions will receive $75 per square foot up to a maximum of $10m per project. Larger projects require approval by the City Council.
- HomeSpace's conversion of Sierra Place into affordable housing began in early January. The building's 90,000 square feet of office are being converted into 82 affordable housing units at a total cost of 28m.
- The Silver Hotel Group has completed the conversion of 630 4th Avenue SW into The Westley Hotel. This project adds 108 rooms to the city's downtown with the Hilton's Tapestry Collection Hotels brand.

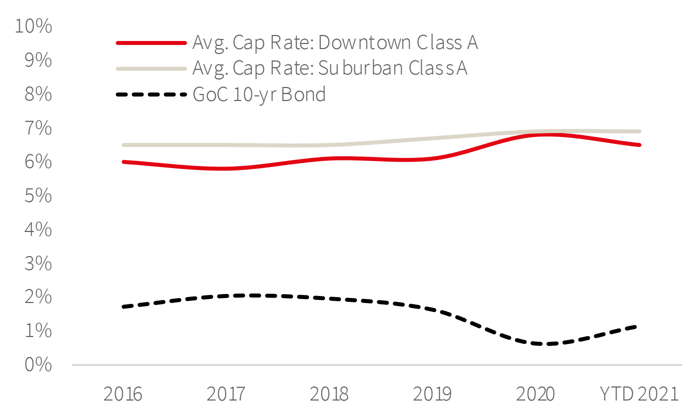
Office Investment and Price PSF



Office Supply and Demand



Office Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

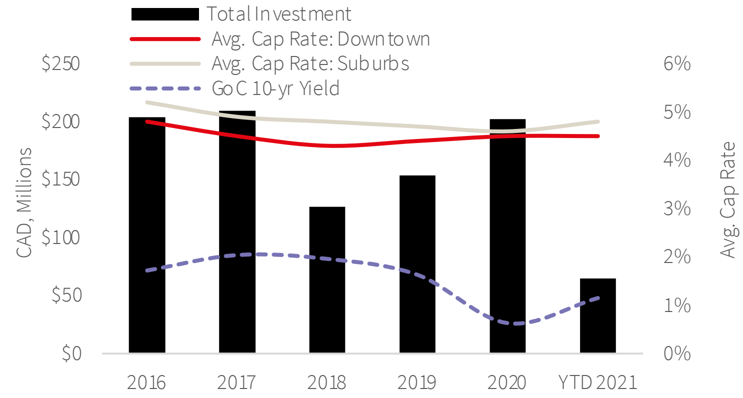
Multifamily

- The city established a $45m fund to help finance office-to-residential conversions that could potentially transform the availability of multifamily properties in the downtown core. With 18 office buildings that could potentially be converted, the prospect is that over the next 10 years , 6m square feet of dated office space would leave the market.
- The Cube, owned by Strategic Group, one of the first office-to-residential conversions completed construction at the end of 2020. The project's success is one of the most encouraging signs that office to residential conversions are financially feasible.
- The effect of this spree in Multifamily construction on cap rates remains to be seen. Average cap rates in Calgary's downtown for multifamily properties in Q2 2021 were 4.65%.
- Senior housing operators were very active in the first quarter of 2021. The Rocky View foundation acquired the Hampton Inn & Suites Inn & Suites in Airdrie for $87m. Also, Optima Living purchased Points West Living in Cochrane for $37M.
- Calgary-based Avenue Living acquired a portfolio of multifamily properties in Edmonton for $275m. With this acquisition, the group consolidates itself as one of the largest real estate groups in the province with $2.8b in assets.
- Remington Development Corp. has started construction of the first of two towers, 15 and 13 storeys, that will ultimately create 451 new units along Dalton Drive within walking distance of the shopping centre and LRT Station.

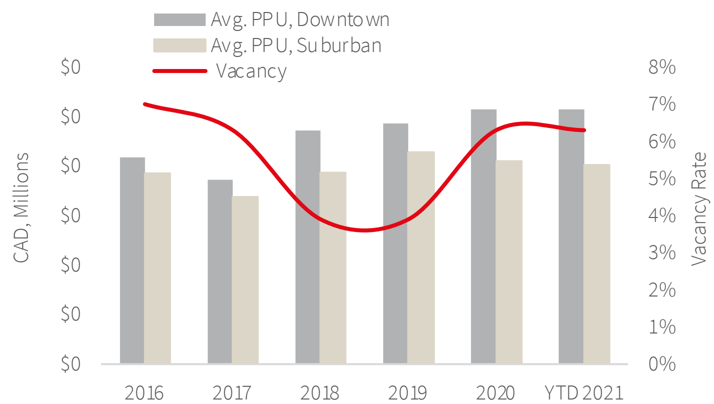
Retail

- Capitalization rates across all retail categories averaged 6.00% at the end of the Q2 2021, in line with other major population centers in Canada.
- Royop finalized phase 1 of their Township development on Macleod Trail & 210 Avenue S. This new retail power center includes 400,000 square feet of leasable space and includes major national retailers such as Bed Bath and Beyond, PetSmart, Sobeys and Winners among others. Phase 2 of the project will add an additional 1.5M square feet of retail, office, hotel and residential space
- Legacy Properties completed the acquisition of 6520 Falcon Ridge Boulevard NE for $28,071,750. The property has 56,000 square feet of leasable space.

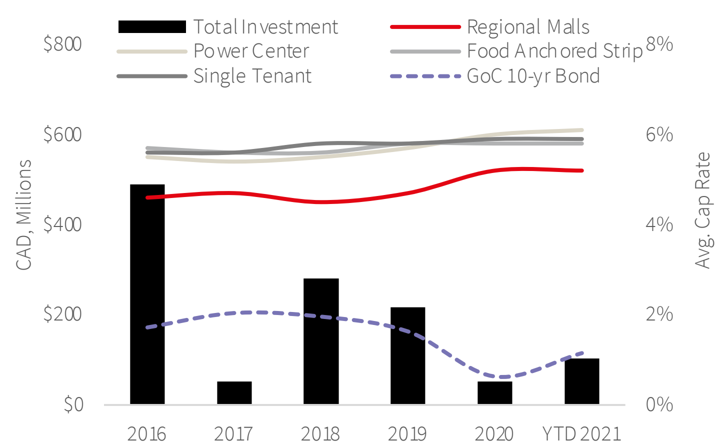
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Unit and Vacancy



Retail Investment Volumes and Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS, CMHC

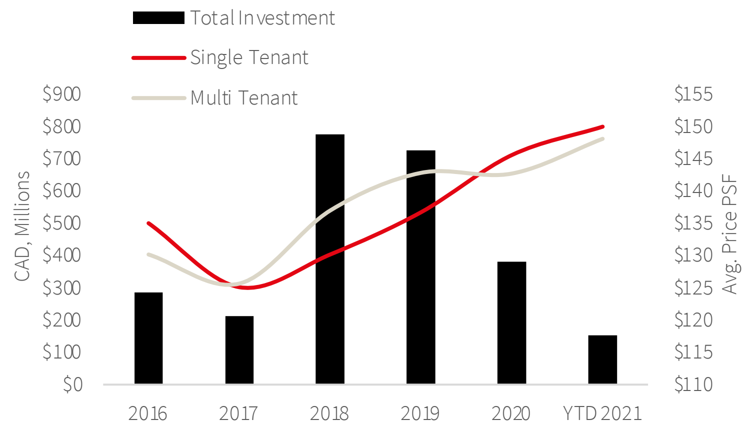
Industrial

- Calgary's industrial market remains the darling of the investment market, having accounted for 40% of deal volume in 2021. JLL's *Mid-Year Real Estate Investment Survey* found that investors are penciling in cap rate compression in the range of 10-20 bps for industrial assets compared to a year ago.
- Leasing activity has been strong with 3.3m square feet of net absorption. Overall vacancy rates continue to decline reaching 4.57% at the end of Q2 2021. Average net rents remained stable at $9.75 per square foot.
- Investors have been increasingly interested in Calgary's industrial sector, given favourable pricing compared to other markets. Average cap rates for single-tenant and multi-tenant buildings were 5.2% and 5.6%, respectively.
- Skyline Commercial REIT recently purchased 6600 72nd Avenue SE for $67m. The property is a single-tenant industrial distribution centre with 498,618 square feet of commercial space on 23.94 acres. This property was developed and leased through a joint venture between Hopewell and Montez and is currently leased to Canadian Tire.
- The film industry has been an important player in Calgary's industrial market in 2021. Given space constraints faced by Vancouver-based production companies, Calgary's proximity to the scenic Rocky Mountains and favorable tax incentives, several companies have opened offices in the city. William White International leased 100,000 square in Grain Plains to create Fortress Studio. Also, the City of Calgary has listed the Calgary Film Center for sale. The purpose-built production facility with three sound stages, workshop and warehouse spaces opened in May 2016 and was built at a cost of $28m. Calgary Film Center is managed by a subsidiary of Calgary Economic Development

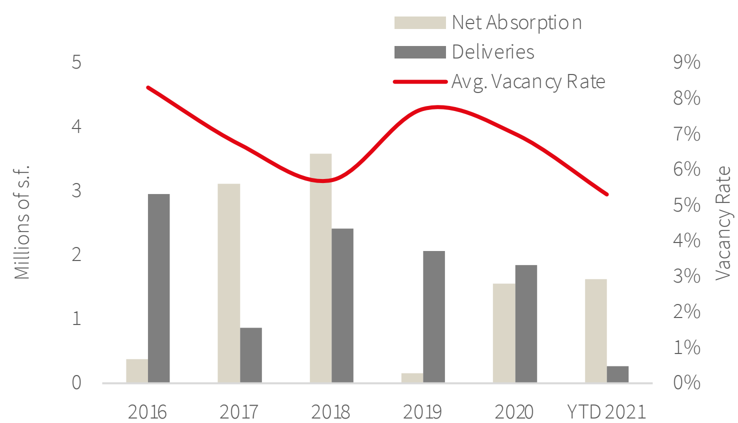
Land & Development

- Year-to-date land transactions totaled $312m, with the four largest transactions this year being land deals.
- Anthem Properties closed the purchase of 832 acres in Northwest Calgary for $75m. The site is adjacent to Nolan Hill and near the communities of Sage Hill and Evanston. Anthem has plans to develop 6,000 new homes in the area and is calling the new community Glacier Ridge.
- Alberta Investment Management Corporation (AIMCo) is liquidating real estate and energy assets and re-allocating their investments outside of Alberta. The pension fund recently completed the $10.5m sale of 57 acres of industrial land near Calgary's International Airport
- Telsec Group closed $63m in land deals in the first two quarters of 2021, becoming the second largest purchaser of development sites in the city.

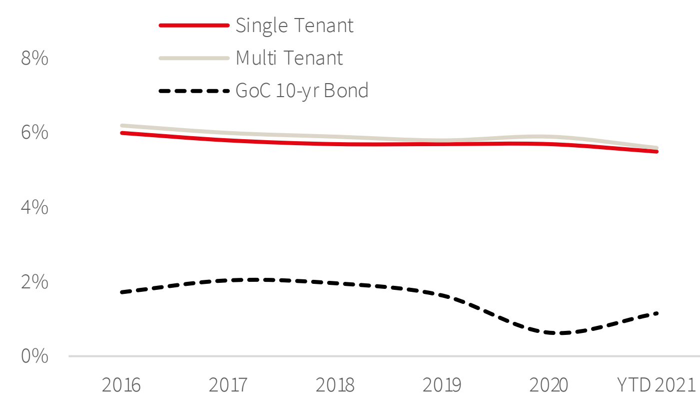
Industrial Investment Volume and Price PSF



Industrial Supply and Demand



Industrial Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

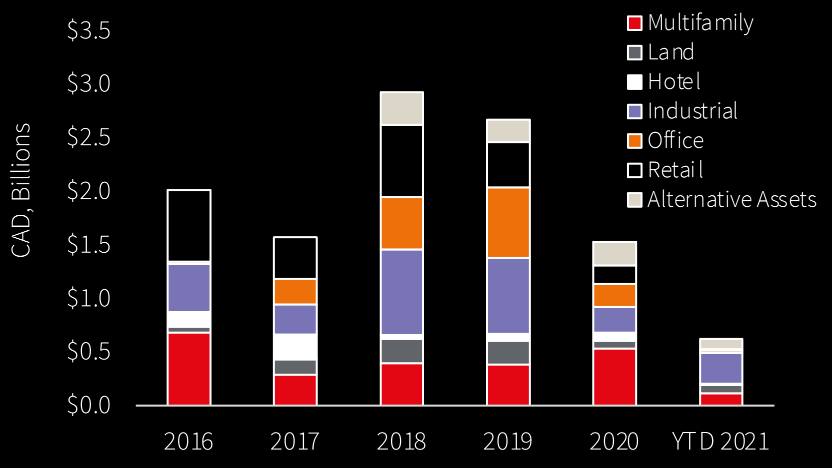
Edmonton

Canada Investment Outlook | Mid-Year 2021

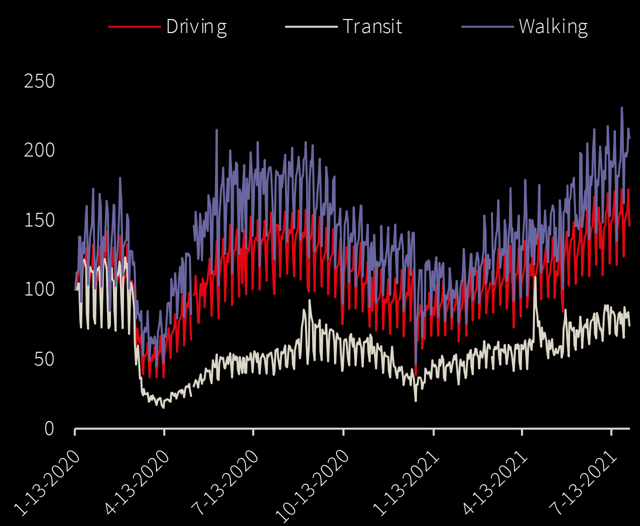
Edmonton

Canada Investment Outlook | **Mid-Year 2021**

Historical Real Estate Investment by Sector



Apple Mobility Index (Jan 13, 2020 = 100)

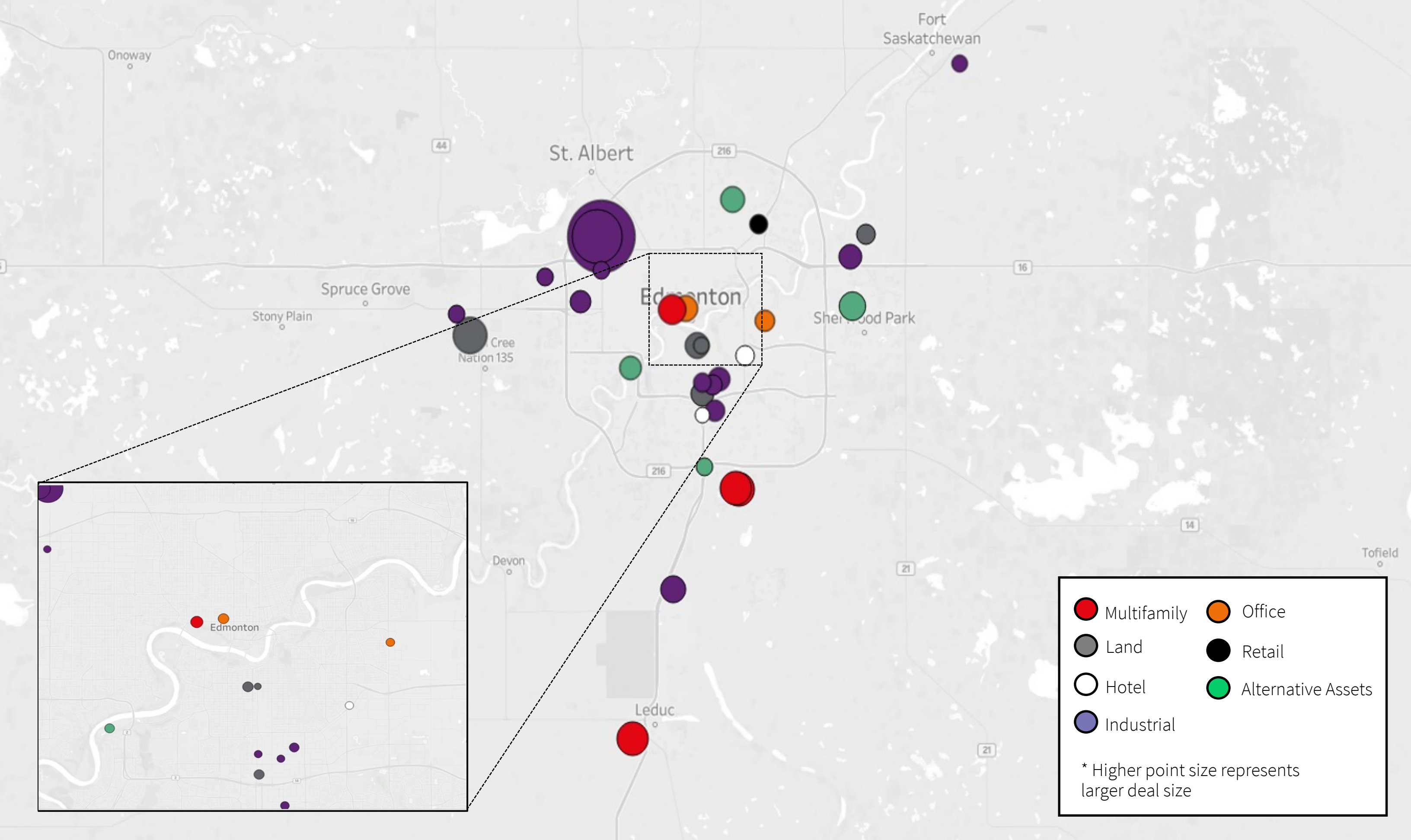


Edmonton Buyer Domicile, YTD 2021

Canada **85%**

Unknown **15%**

Source: RCA, RealNet , Gettel Network, Apple
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available



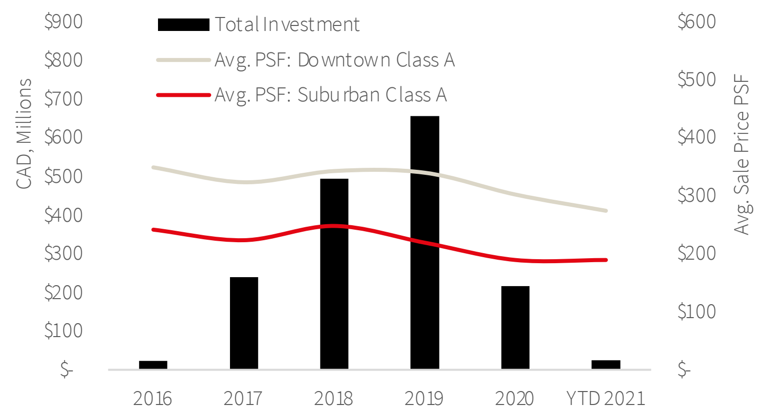
General

- Total investment volumes in Edmonton for the first half of the year reached $620m. Though the industrial market has been hot, contributing about 46% of market liquidity, the overall sales market is on pace for its slowest year in over a decade.
- Alberta's capital is transforming itself into a major logistics, tech and clean energy hub. Key investments in transportation infrastructure as well as new carbon capture facilities are changing the city's long-term economic prospects.
- With the price of oil in the neighborhood of $70 per barrel the province's economy could see short-term tailwinds. According to the Conference Board of Canada, the Alberta economy is forecasted to expand by 6.8% in 2021, the highest rate in the country. The provincial unemployment rate is down to 8.5% at the end of July.
- City Council has approved an extension to the Capital Line, going south of Henday and into Heritage Valley, the fastest growing sector of the city. The Federal government has agreed to finance $390m of the project, in addition to $633m of provincial and municipal funds. To pay for the project the city will need to raise the total tax levy by 1.02%.
- The Province of Alberta is looking to sell its land title and property registration agency to a private bidder. Revenues in 2020 according to the provincial authorities were $124m.
- Alberta's provincial government backs a $9B Calgary-Edmonton rail link that could potentially reduce travel times between the province's two largest cities for as much as 2 hours.

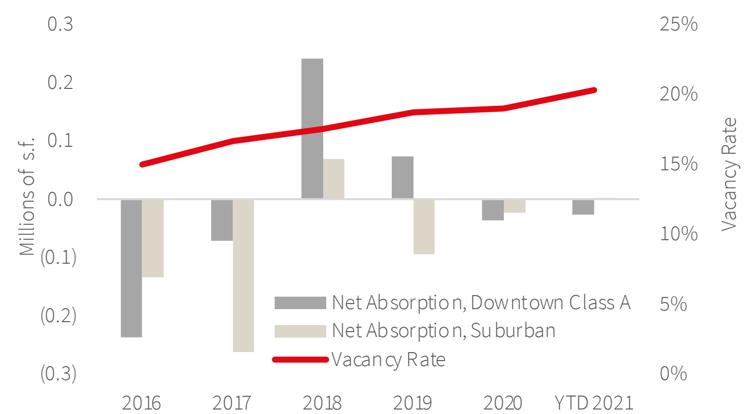
Office

- Office liquidity for the first two quarters reached just $24m with the overall vacancy rates for the Edmonton office market reaching 19.6% in Q2 2021. Average net rents dropping to $17.16 per square foot with both the suburban and downtown market continuing to decline at a moderate pace.
- Average cap rates for class A office assets in the Downtown were 7.90%, and 7.40% for class B assets.
- Local developer, Rohit Group of Companies acquired Stantec Centre for $14.2m or $74.74 per square foot. The 190,000 square foot building was originally built in 1978 and was renovated in 2003.

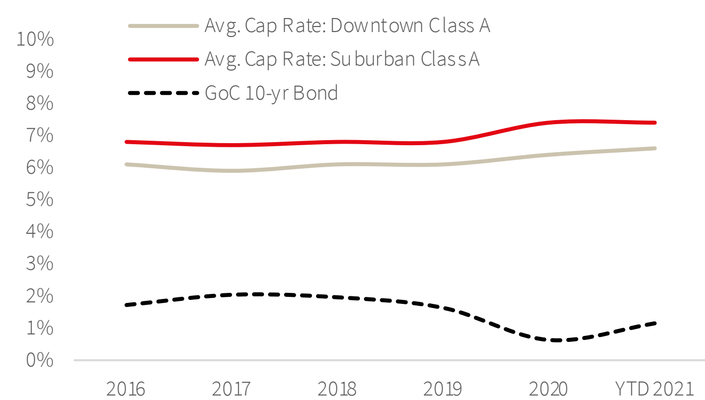
Office Investment Volumes and Price PSF



Office Supply and Demand



Office Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

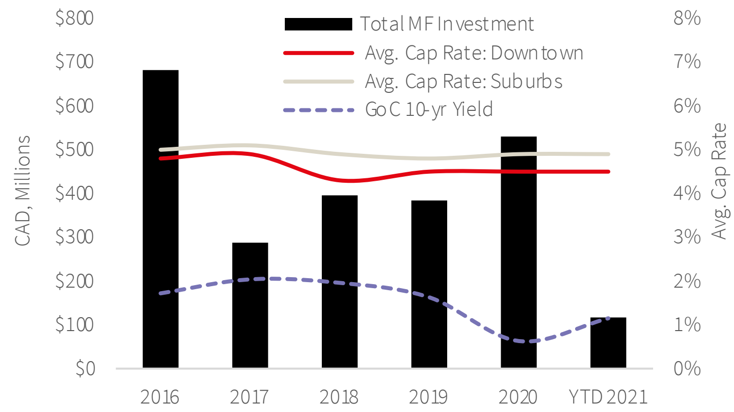
Multifamily

- Total multifamily investment in Edmonton was $177m for the first half of 2021.
- In July, Avenue living purchased 1,566 rental units for $275m, making it one of the largest multifamily transactions ever in Alberta. Avenue Living now holds 2,900 units in Edmonton, just under 4% of the overall market
- Edmonton is planning to convert 4 inner city hotels into 360 new supporting housing units. The city will contribute $15m in addition to $50m from the Federal Rapid Housing Initiative.
- Vacancy rates at the end of Q2 2021 averaged 7.8% across all submarkets. The average price per unit was $247,222 in downtown and $186,962 in the suburbs.
- Provincial officials are reviewing Alberta's Rent Supplement Program and adding a long-term benefit (Rent Assistance Benefit) and a new temporary benefit (the Temporary Rent Assistance Benefit) to help Albertans in the aftermath of COVID-19. These programs will benefit the housing needs of an estimated 11,600 households in the province.

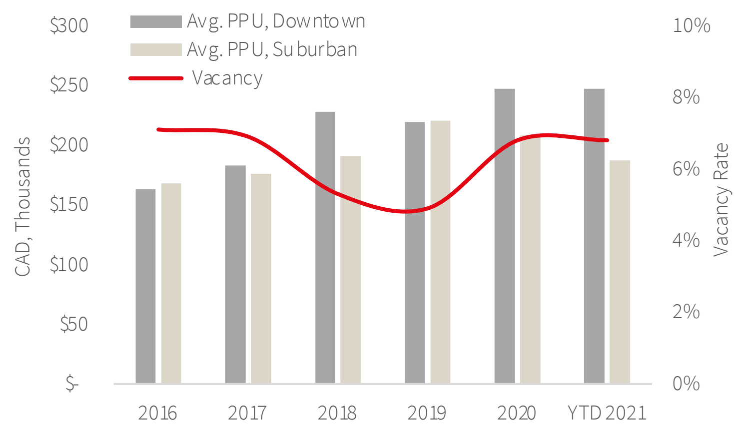
Retail

- Retail investment has been muted in Edmonton this year as owners continue to assess the potential of their assets amidst pandemic restrictions and energy market volatility. There were 19 transactions for a total of $51m, yielding an average transaction size of $2.6m.
- The largest retail deal for the first half of 2021 was for a standalone asset at 13528 Fort Road in Northeast Edmonton. The transaction closed at $7.2m, or $178 per square foot and at a cap rate of 6.06%.
- Walmart is opening a brand new 149,000 square foot Super Centre in Kingsway Mall after closing its previous location in Westmount Shopping Centre.
- Costco opened its first business centre concept in West Edmonton, geared towards small businesses such as restaurants and convenience stores. The 127,000 square foot facility is located north of Stony Plain road at 10310 street.
- After taking over a 168,000-square-foot retail space from Eaton's in 2002, Hudson's Bay announced the closing of its department store at Edmonton City Centre mall this spring.

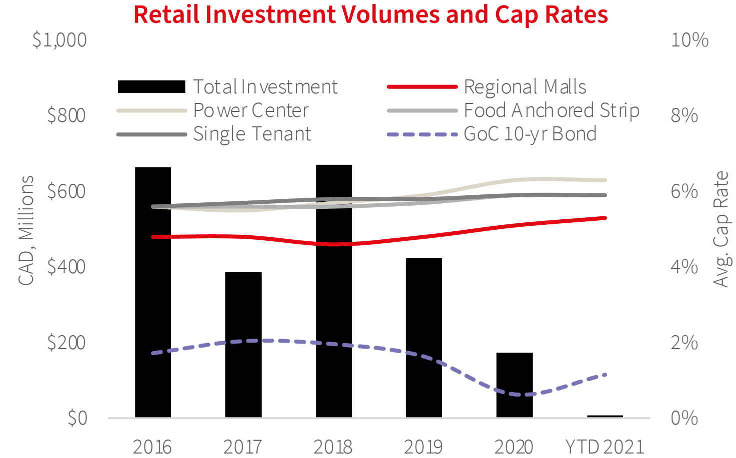
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS, CMHC

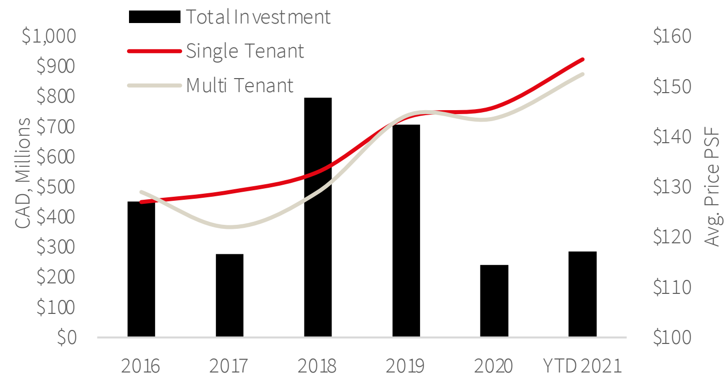
Industrial

- Year-to-date transactions were $286m, 19% higher than in all 2020. With more favourable pricing than other major Canadian markets but still strong fundamentals, yield-driven institutional investors have been extremely active in Edmonton looking for opportunities.
- Average vacancy rents declined to 5.4% in Q2 2021 and year-to-date net absorption stood at 956,760 square feet .
- Edmonton International Airport (EIA) announced a $36m expansion of its cargo terminal. The project will add 47,000 square feet to the cargo apron and 1,400 square of cold storage facilities. This will allow the airport to double its capacity and support up to five planes at the same time.
- Air Products, an American-based multinational corporation has announced the construction of a new $1.3b blue hydrogen energy complex north of Edmonton. The new facility will convert natural gas into hydrogen while capturing up to 95% of CO_2 emissions.
- Crestpoint acquired Northport Business Park from Oxford Properties for $116m, or $137 per square foot. The transaction was valued at a 5.72% cap rate.
- BentallGreenOak acquired 618,363 square feet of industrial space in Henday Industrial Park from ONE Properties, CPPIB, and Walton. The deal closed at $95m, or $153 per square foot, at a 5.7% cap rate.
- Panattoni is constructing a five-storey robotic fulfillment centre at Highland Business Centre for a major e-commerce client. The facility will contain 2.9M square feet of usable area, making it one of the largest and technologically advanced facilities in Canada .

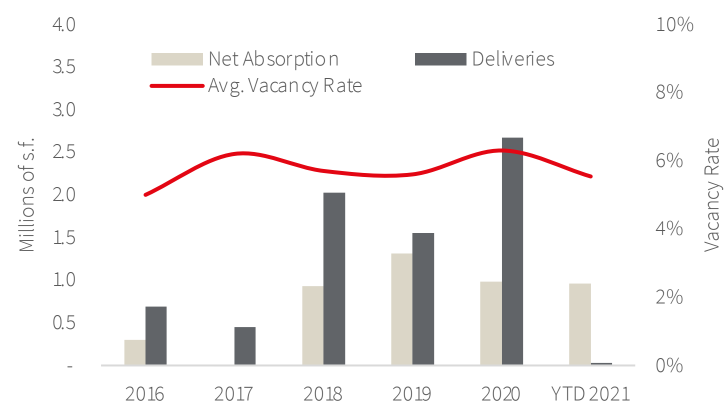
Land & Development

- Land deals in 2021 were $75m spread into 7 transactions. The largest transaction was the acquisition by institutional investor BCIMC of 66.47 acres in 279th Street 89 Avenue for $29.98m.
- Edmonton City Council dropped minimum parking requirements for new development projects, freeing developers to design more walkable communities, mixed-use projects, and neighborhood retail.
- Starting in July 2021, the City of Edmonton will be a charging developers an average fee of $17,500 per hectare of new projects that will go towards fire rescue services.

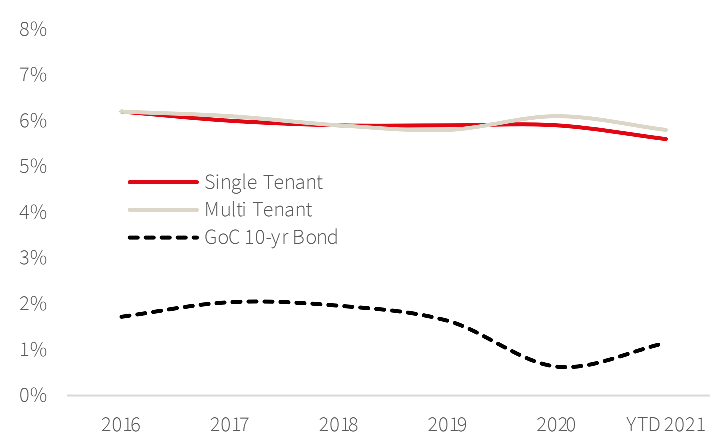
Industrial Investment Volumes and Price PSF



Industrial Supply and Demand



Industrial Cap Rates



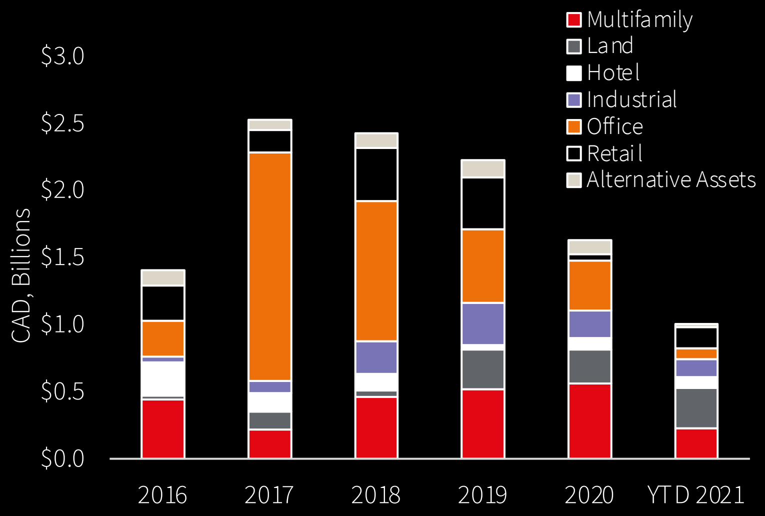
Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

Ottawa

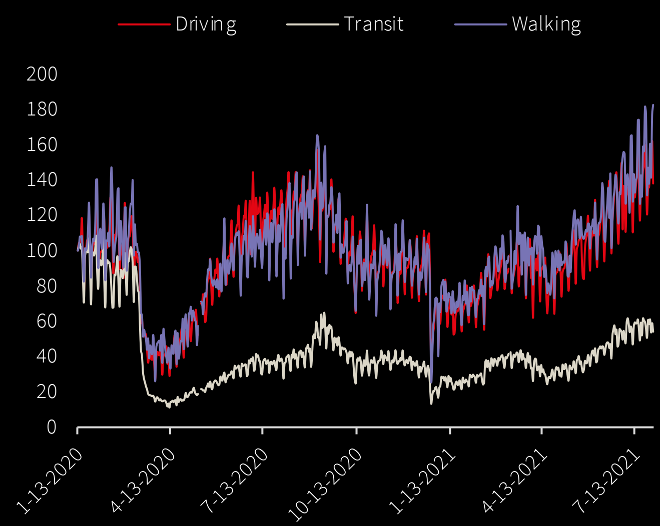
Canada Investment Outlook | Mid-Year 2021

Ottawa

Historical Real Estate Investment by Sector



Apple Mobility Index (Jan 13, 2020 = 100)

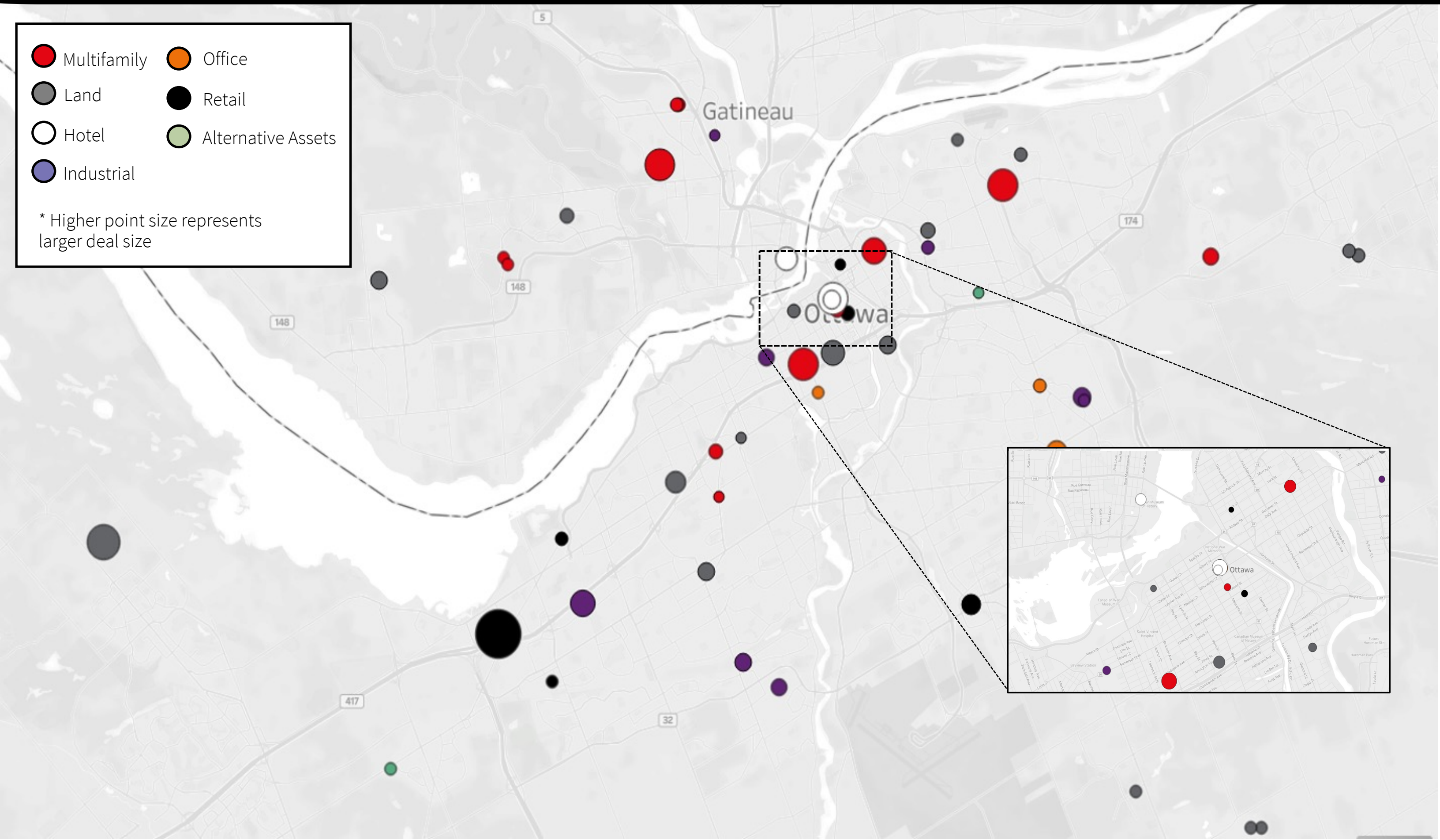


Ottawa Buyer Domicile, YTD 2021

Canada **96%**

United States **4%**

Source: RCA, RealNet, JLL Valuations, Apple
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available



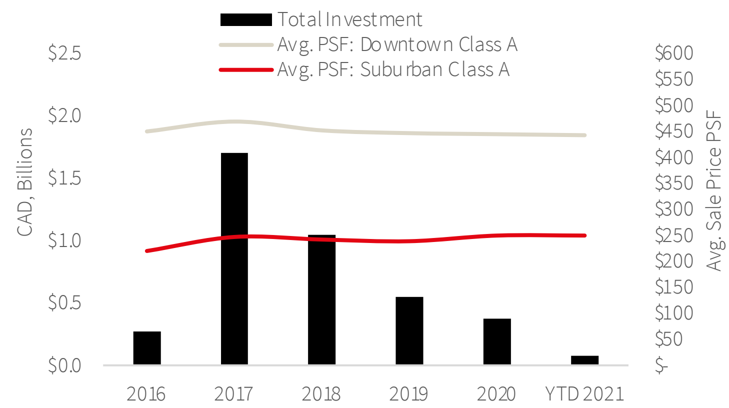
General

- Liquidity in Ottawa topped $1b for the first half of the year, an improvement of nearly 40% from the 2020 pace. As has been the case in other markets, multifamily and land dominated the landscape, accounting for over 50% of investment volume. Approximately 67% of total buyers were private investors.
- The new Ottawa City Plan includes a growth management strategy that supports Council's target to reduce emissions 100 per cent by 2050. The plan sets the goal of building 15-minute neighborhoods with mid-density and low-rise housing, transit access and a wide arrange of amenities to reduce car usage.
- In May 2021, the federal government launched the architectural design competition to revitalize the Parliamentary Precinct. The revitalization of the area covers 100,000 square feet, including two vacant parcels and 11 buildings.
- Ottawa's $4.6b O-Train expansion is moving forward after the federal government dropped an additional $6.4m to help build the station at Ottawa's international airport. The project has had numerous delays and cost overruns and is expected to open at the beginning of 2023.

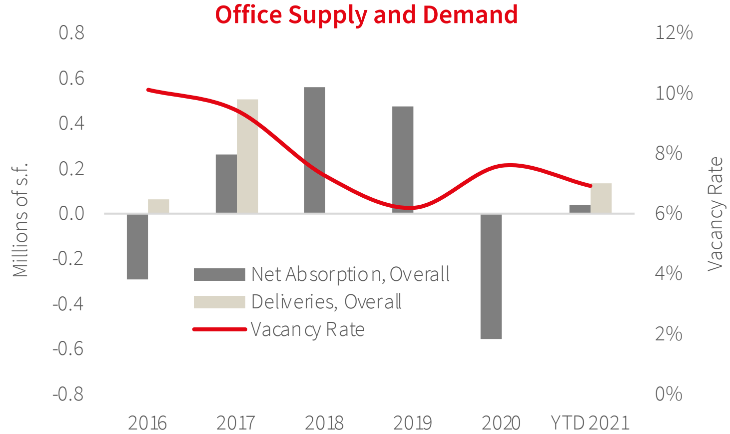
Office

- As in other Canadian markets, office liquidity in Ottawa has been slow, limited to just 5 sales grossing just under $80m. 2021 is poised to be the fourth consecutive year of falling office investment volumes in Ottawa, which is somewhat surprising given that the market held up better during the pandemic than any other in Canada.
- With nearly 40,000 square feet in positive absorption this year, Ottawa's vacancy rate declined to 6.92% at the end Q2 2021.
- One of the biggest questions looming over the Ottawa market is what will happen with the Federal Government workplace policies. The current guidance under the Workplace 3.0 strategy uses 90 square feet per employee as an occupancy benchmark. Considering social distancing requirements and remote working norms, there are rumours that this occupancy ratio could increase significantly, though no official plans have been released.
- According to JLL's *Mid-Year Real Estate Investment Survey*, cap rates in Ottawa were mostly flat from a year ago, with downtown 'Class A' cap rates averaging 5.03% and suburban 'Class A' cap rates averaging 6.07%.
- The largest transaction of the year was the NCC's purchase of the former building of the British High commission at 80 Elgin Street. The building was acquired in June for $25m or $403 per square foot.
- Jennings Real Estate Corporation has been the most active buyer this year, having made two acquisitions totaling over $40m at 141 Laurier Avenue and 2220 Walkley Avenue.

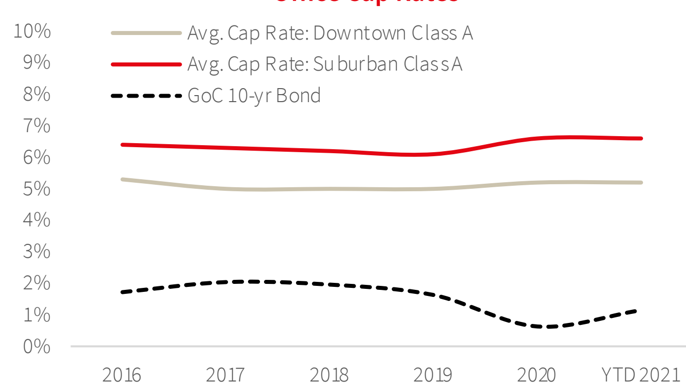
Office Investment Volumes and Price PSF



Office Supply and Demand



Office Cap Rates

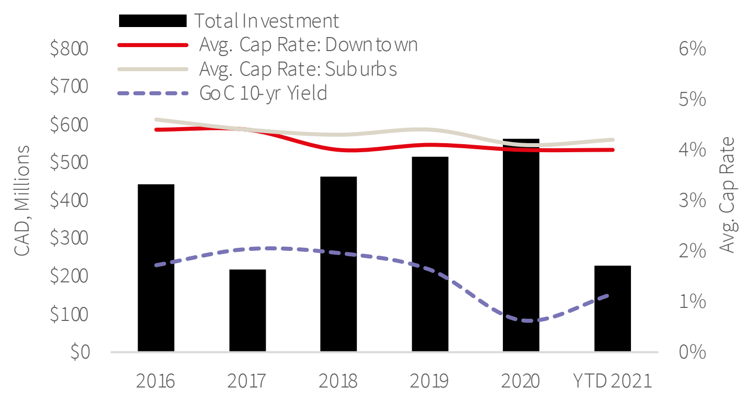


Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

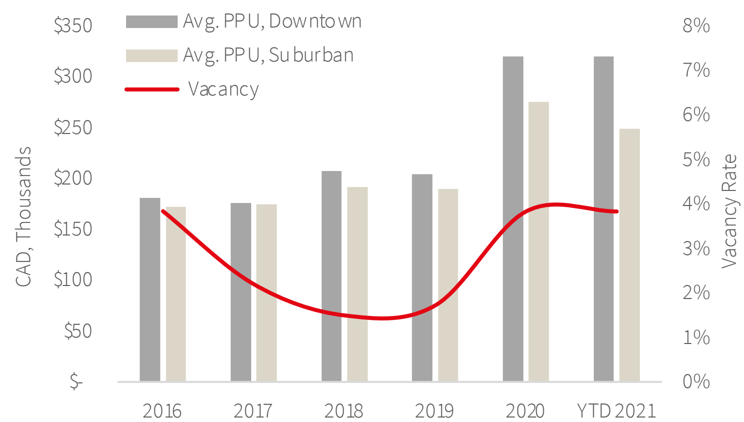
Multifamily

- Investment volumes in the first semester of 2021 reached $228m across 11 transactions. The largest was Centurion REIT's acquisition of Montfort Manor from Starlight, which included 171 units at a price of $44m, or $257,000 per unit.
- Average cap rates for multifamily properties were 4.0% for downtown assets and 4.2% for suburban. According to the Ottawa Real Estate Board, condo prices are up 24% y-o-y.
- Vacancy rates for multifamily properties were 3.83% at the end Q2 2021. The average price per unit in the Downtown core reached $320,186 and $248,750 in the suburbs.
- Ottawa's urban planning policy is focused on creating 15-minute neighborhoods with good access to transit, walking distance to public services and mixed-use developments. The Westboro community is the city's pilot program on this intensification vision. The new zoning bylaws for the area bounded by Byron Avenue, Dovercourt Avenue, Golden Avenue and Tweedsmuir Avenue, will allow for low-rise structures to be built and are ripe . The success of this initiative is crucial for similar projects going forward.
- Multiple mixed-use projects are under construction that will add vitality to Ottawa's downtown. Among these are Trinity Centre at Bayview Station, featuring three high-rise towers with 1,300 residential units, 85,000 square feet of retail and 120,000 square feet of office space. Another major multifamily development is Albert + Lyon located on 400 Albert Street with 898 residential units and 600,000 square feet of retail.

Multifamily Investment Volumes and Cap Rates



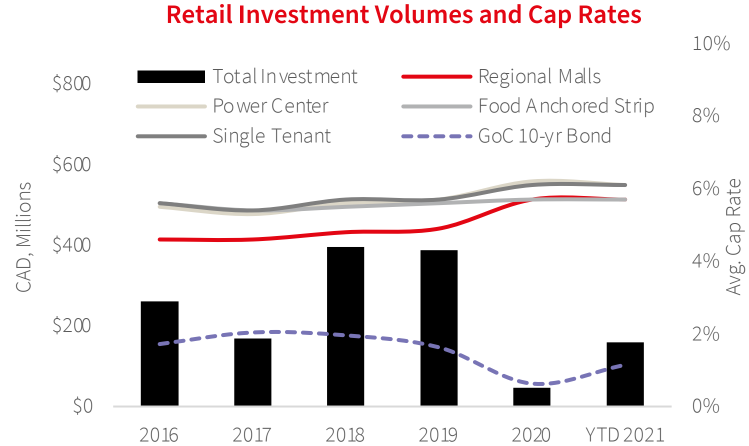
Multifamily Sale Price Per Suite and Vacancy



Retail

- Retail transactions volumes in 2021 were $160m. The largest transaction registered in the past 6 months was the 50% share sale of Bayshore Shopping Centre by Toronto-based Kingsett Capital for $96.7m. The transaction values the mall at $219 p.s.f.
- City council gave unanimous approval to a $129M plan to revitalize the ByWard Market. The plan contemplates pedestrian plazas set up along major streets and a new building to replace the current Clarence Street parking garage. Being one of Ottawa's most iconic districts, this project has important implications for the city's intensification efforts. Due to its proximity to Parliament Hill, The University of Ottawa and low-density neighborhoods of Basse-Ville and Cote-De-Sable it could generate further interest in a large number of new mix-use projects.
- Average cap rates for single-tenant and power centers remained stable at 6.10% at the end of Q2 2021. On the same note, cap rates for Regional Malls and Food Anchored Strip Malls averaged 5.70% at the end of the quarter.

Retail Investment Volumes and Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS, CMHC

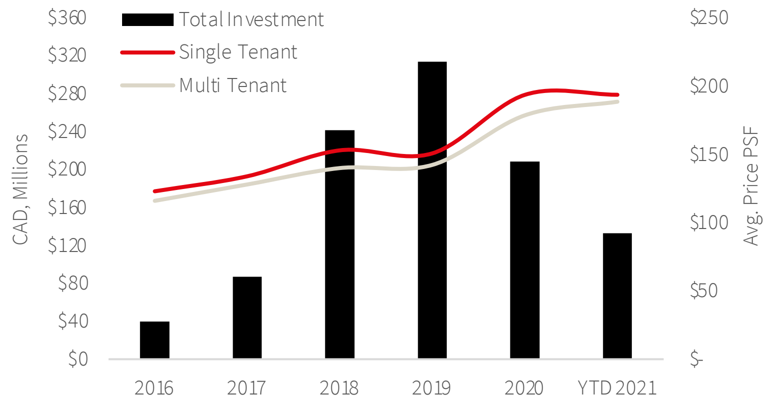
Industrial

- Ottawa's industrial market is experiencing tremendous growth reaching $133M in investment volumes in 2021. Further expansion has been constrained by the limited number of assets available.
- Average cap rates for both single-tenant and multi-tenant industrial assets have continued their long-term compression trend. Multi-tenant assets are averaging 5.1% cap rates, and single-tenant assets are averaging 4.9%.
- Vacancy rates for industrial assets in Ottawa were 2.5% at the end Q2 2021. Average net rents reached $12.80 per square foot.
- Industrial transactions represented 13.2% of all transactions in the market, well above the 5-year average of 5.7%.
- Ottawa-based developer Avenue31 is planning to building 1.3m square feet of industrial space at the National Capital Business Park. The project is composed of 7 warehouses ranging from 33,000 square feet up to large facility of 642,000 square feet. The state-of-the-art buildings will allow for sensor and robotics grade floor plates and advance automation with artificial intelligence capabilities.
- PROREIT was the most active investor in the first semester of 2021, acquiring 3 multi-tenant properties from Summit REIT for $49.2M. The facilities combined add 283,000 square feet of industrial space to its portfolio.
- Dream Industrial acquired single tenant building 1680 Vimont Court for $26.1m in May 2021 .

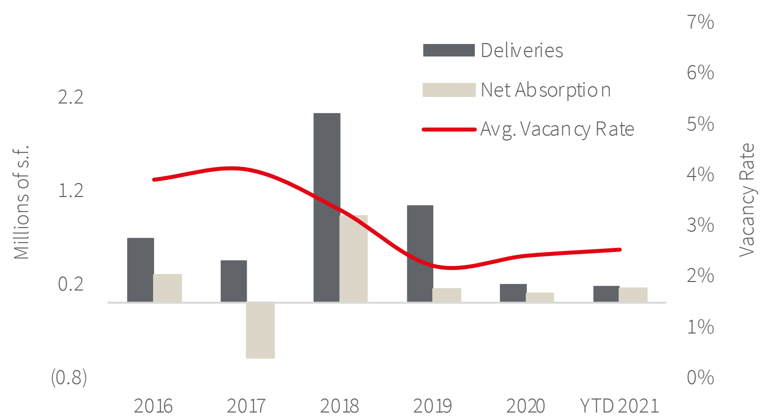
Land & Alternative Assets

- The city of Ottawa is looking to expand its urban boundary by 1650 hectares by the year 2046. The plan contemplates creating another boundary to limit urban sprawl labeled the Gold Belt, in order to protect farmland and valuable natural areas like the current Green Belt.
- City planners have scrapped the exact density requirements by intensification targets, giving more flexibility to the planning process. The max height for high-rises, which are permitted along main streets, has been increased to 40 storeys from the current 30.
- The largest deal In 2021 was the purchase of 1020-1070 March Road by a private investor in Kanata.

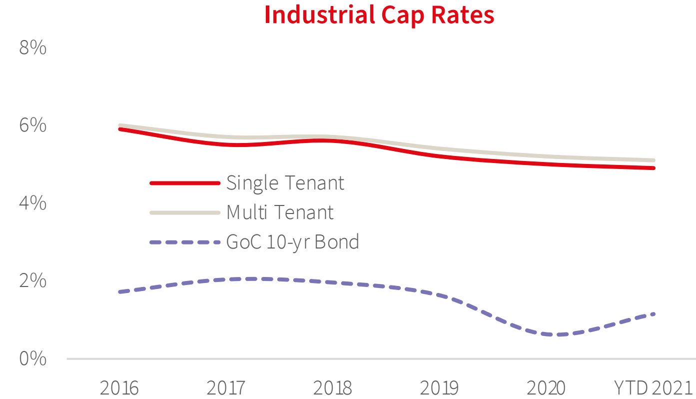
Industrial Investment Volumes and Price PSF



Industrial Supply and Demand



Industrial Cap Rates



Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

About JLL

JLL (NYSE: JLL) is a leading professional services firm that specializes in real estate and investment management. JLL shapes the future of real estate for a better world by using the most advanced technology to create rewarding opportunities, amazing spaces and sustainable real estate solutions for our clients, our people and our communities. JLL is a Fortune 500 company with annual revenue of $16.6 billion in 2020, operations in over 80 countries and a global workforce of more than 92,000 as of June 30, 2021. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit jll.ca.

À propos de JLL

JLL (NYSE : JLL) est une société de services professionnels de premier plan spécialisée dans l'immobilier et la gestion de placements. JLL façonne l'avenir de l'immobilier pour un monde meilleur en utilisant les technologies les plus avancées pour créer des occasions enrichissantes, de superbes espaces et des solutions immobilières durables pour nos clients, nos employés et nos collectivités. JLL figure dans le classement du Fortune 500, avec un chiffre d'affaires annuel de 16.6 milliards de dollars en 2020, qui exerce ses activités dans plus de 80 pays et comptait plus de 92 000 employés à l'échelle mondiale au 30 juin 2021. JLL est le nom commercial et une marque de commerce déposée de Jones Lang LaSalle Incorporated. Pour obtenir de plus amples renseignements, visitez le jll.ca.

About JLL Research

JLL's research team delivers intelligence, analysis, and insight through market-leading reports and services that illuminate today's commercial real estate dynamics and identify tomorrow's challenges and opportunities. Our 415 professional researchers track and analyze economic and property trends and forecast future conditions in over 80 countries, producing unrivalled local and global perspectives. Our research and expertise, fueled by real-time information and innovative thinking around the world, creates a competitive advantage for our clients and drives successful strategies and optimal real estate decisions. For further information, visit jll.ca/en/trends-and-insights/research.

For more information, please contact:

Claudia Verno
National Director, Research
+1 416 391 6966
Claudia.Verno@am.jll.com

Scott Figler
National Research Manager, Capital Markets
+1 416 391 6966
Scott.Figler@am.jll.com

Reinaldo Viccini
Senior Research Analyst
+1 403 714 6570
Reinaldo.Viccini@am.jll.com