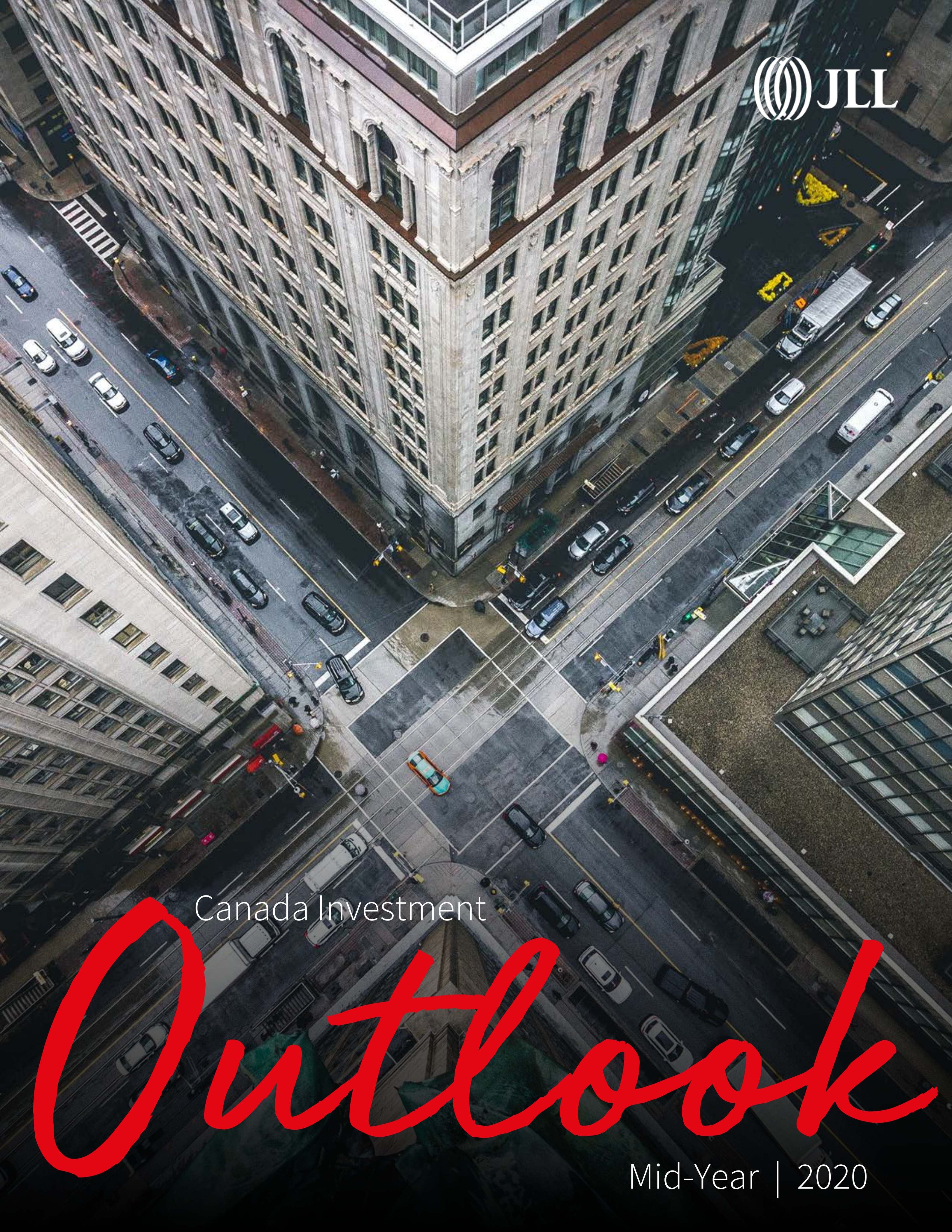

Canada Investment Outlook

Mid-Year | 2020

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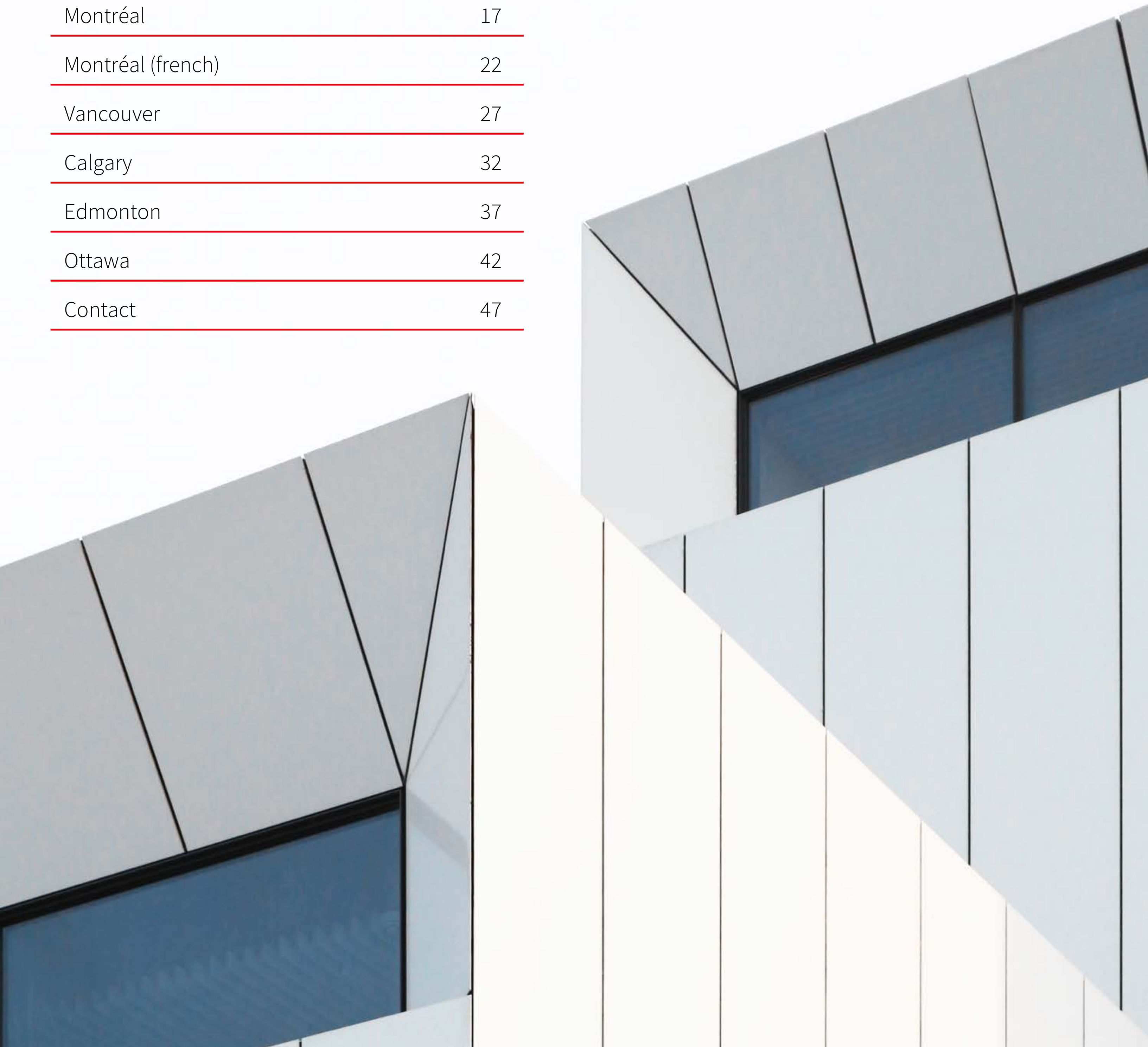


Canadian

Economy

Canada Investment Outlook | Mid-Year 2020

The health, policy, economic and financial disruption stemming from the COVID-19 pandemic continues to create a fluid and evolving environment for the real estate market. Although data from Q2 is providing greater clarity about conditions and the short-term real estate outlook, there remains significant uncertainty surrounding market dynamics and long-term trajectories and, as a result, we will continue to monitor fundamentals closely as the situation unfolds.

Macroeconomic Overview

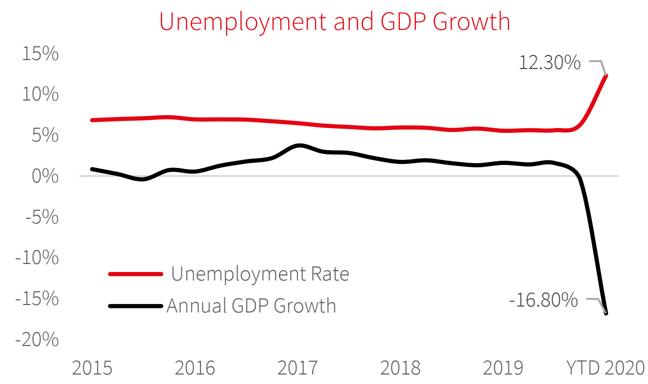
2020 brought an end to the longest market expansion since World War II. The timing was not a shock - there has been a growing uneasiness over the past few years that the end of the business cycle was approaching. What was less expected was the root cause of the recession: a health pandemic that almost no one predicted a year ago. Ironically, a recession that felt long overdue had very little to do with underlying economy.

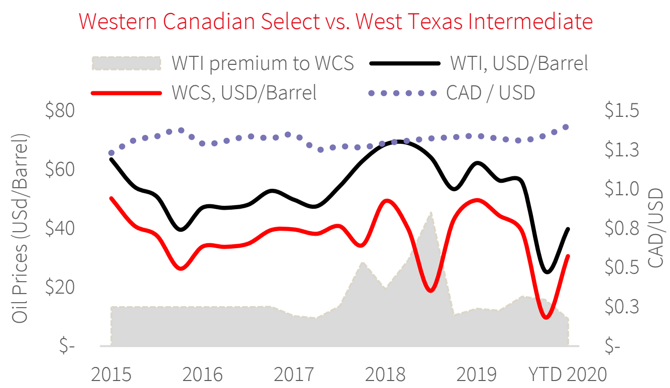
Government-mandated lockdowns began in late March. Though they were necessary to slow the spread of the pathogen, their economic, social, and cultural consequences were far-reaching and could be with us for some time. Almost overnight, office buildings were emptied, malls and restaurants were closed, and density – a city's biggest asset – became its biggest liability. As discretionary spending plummeted almost by design, unemployment nearly doubled from 6.3% in Q1 to 12.3% in Q2, and the economy contracted by nearly 17% year-over-year. Global travel came to a halt, driving oil prices to their lowest on record.

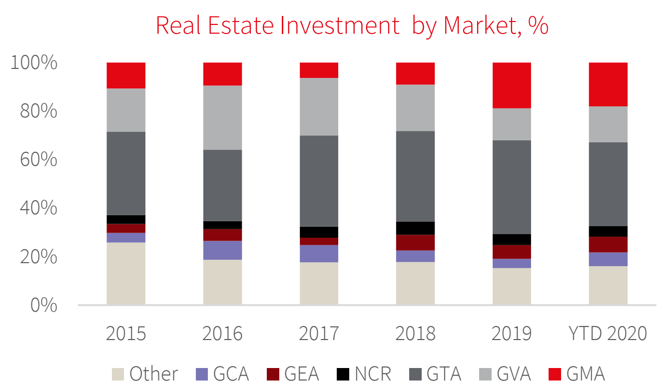
The Canadian federal government implemented an ambitious program to support the downturn. The COVID-19 Economic Response Plan set aside more than $115 billion in fiscal spending to sustain households and businesses. While this plan includes several initiatives, the programs that are most relevant to the real estate industry are the Canadian Emergency Wage Subsidy (CEWS), the Canadian Emergency Response Benefit (CERB), and the Canadian Emergency Commercial Rent Assistance (CECRA) program. The CEWS program pays affected businesses 75% of their payroll, up to a monthly limit of $3,400 per employee. The CERB payments are direct taxable monthly transfers of $2,000 for individuals who lost their job during the pandemic. The CECRA plan aims to reduce gross rent by 75% with the provincial and federal government paying 50% and landlords covering the remaining 25%.

The plan was even more aggressive on the monetary policy side. The Bank of Canada committed to an additional $150 billion in insured mortgage pools, as well as $300 billion in liquidity support to the banking system to facilitate lending throughout the economy. Deferrals were granted to nearly 15% of residential mortgage holders, and the overnight lending rate was cut from 1.75% to 0.25% from January to March. The BoC's policy moving forward has evolved from "lower for longer" to "lower for longer and longer."

While the health effects of the pandemic are felt most acutely in Canada's urban areas (especially Toronto and Montréal), the economic effects have hit nearly every sector and region. According to employment data from Statistics Canada, "Accommodation and Food Services" companies have been the hardest hit, shedding nearly 410,000 jobs, while "Wholesale and Retail Trade" companies have lost about 254,000 positions, and "Construction and Manufacturing" companies have lost nearly 270,000 jobs. The pandemic is dealing yet another blow to Alberta's oil patch. With higher extraction and delivery costs relative to global competitors, Canadian oil could lose even more market share as prices are expected to remain deflated for some time. As prices have collapsed, 90% of Alberta's oil rigs are







Source: JLL Research, BoC, Oxford Economics, StatCan

JLL®

Canadian *Economy*

Canada Investment Outlook | Mid-Year 2020

Macroeconomic Overview

currently inactive and many won't be recertified. Grain exporters in the prairies and seafood exporters in the Maritimes have struggled as well.

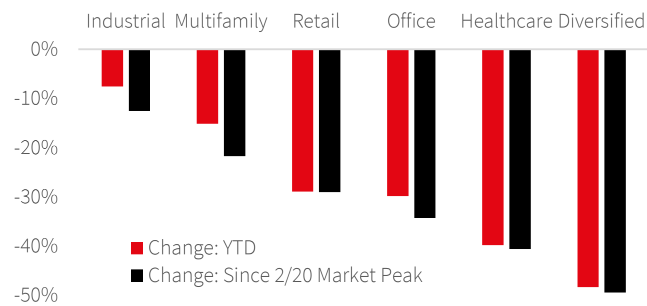
The implications on the use of real estate have been momentous. The widespread shift to online shopping is increasingly moving retail footprint from the showroom to the warehouse, leading to a downsizing or repurposing of traditional retail space and an increase in demand for fulfillment space to accommodate the burgeoning e-commerce sector. Office tenants are re-assessing their occupancy strategy, balancing the increase in space needed to satisfy social distancing guidelines with the decrease created by a broader remote work policy. Multifamily has seen robust rent collection, yet there is uncertainty as to how this asset class will fare when CERB payments expire and immigration flows ebb. Hotels have been perhaps the hardest hit asset class, and it is a matter of guesswork as to when occupancy levels will return to pre-COVID levels. Some hotel owners are repurposing their buildings into affordable housing or student housing on university campuses. Is this a short-term fix or a long term evolution? Finally, the seniors housing sector continues to benefit from a compelling demographic thesis, but with so many operators under heavy scrutiny during the pandemic, there could be important structural changes affecting this sector as well.

So far rent collection through the pandemic has been strongest for the industrial and multifamily sectors, with REITs in these spaces having averaged 93% and 88%, respectively through Q2. They have also taken less of a hit on the public markets. Office rent collection has been fairly high; however office REITs have been sharply penalized on the TSX. Cap rates for Class "A" downtown assets, which were far lower than industrial only a few years ago, are now essentially equal to industrial cap rates nationally. Retail cap rates, both for enclosed and open air properties, have risen steadily over the past few years and will likely continue this trajectory.

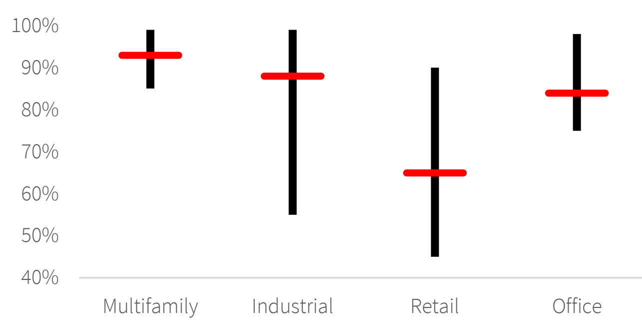
So far this year, investment volumes in Canada have reached about $16 billion, down by about 20% from their pace a year ago. Buyers and sellers have been far apart on pricing; most sellers are well capitalized and unwilling to sell in a downturn or to offer a "COVID discount." The very logistics of touring assets has been a challenge, and contributed to friction in the marketplace. The resulting lack of comparables makes it even more difficult for groups to assess and agree upon value.

Some critical tests await. The federal government is already shifting to deficit management mode, with the CERB payments expected to be phased out in October and the wage subsidies in December. Meanwhile the U.S. election looms with important ramifications for Canada. A second term for President Trump means four more years of unpredictable relations with the U.S., while a Biden presidency could see a continuation of protectionist trade policies and the return of U.S. opposition to the Keystone XL Pipeline. Finally, the risk of a second wave of transmissions risks thwarting Canada's recovery, and it is unclear whether the government could mobilize the same fiscal firepower.

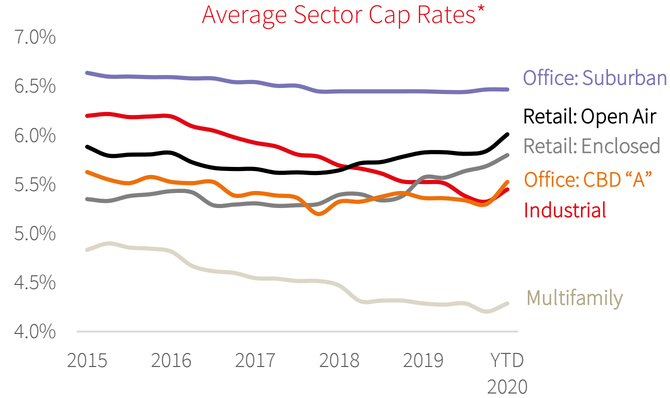
Canadian REITs: Change in Valuations by Sector



Canadian REITs: Q2 Rent Collections by Sector



Average Sector Cap Rates*



* Based on averages across subtypes for Toronto, Vancouver, Montréal, Ottawa, Calgary, Edmonton, Quebec City, and Halifax.

Canadian *Economy*

Canada Investment Outlook | Mid-Year 2020

Debt Capital Markets Overview

On a per-capita basis, Canada's caseload is lower than almost any other nation, and Canadian companies and households have relatively high cash reserves to get through a downturn. Most economists are expecting a rebound beginning in Q3, and if caseloads remain at a manageable level, we fully expect that buyers and sellers will be eager to return to the market in the third quarter.

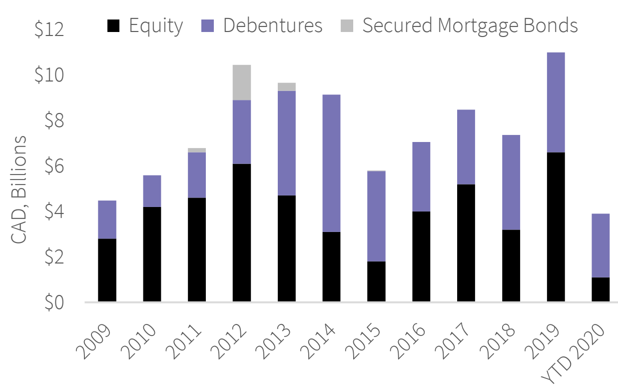
This sentiment is echoed on the lending side as well. Moving into Q3, lenders are increasingly open for business after largely halting new commitments in Q2. Allocations continue to view multifamily, industrial, and essential retail (grocery- and pharmacy-anchored) favourable, while lenders are reluctant to finance hotel and non-core retail. Underwriting has been a challenge and therefore lending has been conservative; loan sizes and loan-to-value ratios have largely been reduced since March. Acquisition lending activity has slowed commensurate with a slowdown in overall investment activity. However, this has been offset by an increase in refinancing activity by borrowers looking to take advantage of lower mortgage loan rates.

Requests for loan deferrals and forbearance have been commonplace since March, though these requests have tapered going into Q3. Some lenders provided deferrals across the board while others were more bespoke, however, a disproportionate amount of requests were made for retail and hotel assets. Deferrals are generally being granted on the condition that they be repaid over the remaining term of the loan.

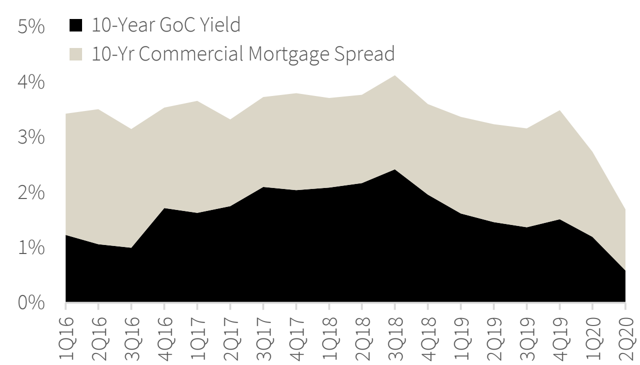
Yields have moved around quite a bit since the beginning of the year. Using the 10-year GoC bond as a reference, the rate decreased ~70 bps or 40% through the first 8 months of 2019 but have since bounced back a bit since September. 10-year commercial mortgage spreads for class A properties jumped from 170-180 basis points end of 2019 to 250 – 275 basis points at the end of June 2020, offsetting some of the drop in the GoCs during this period. Conversely, banks pushed cost of funds higher in Q2 due to fear of liquidity insufficiency but kept spreads stable. Debt funds remained steady in overall interest rates.

Leading up to the pandemic, Canadian REITs were flush with cash and had fortified their balance sheets, allowing them borrow on much more favourable terms. Consequently, REIT fundraising reached record levels in 2019, with over $7 billion in equity issuances and over $4 billion in debentures. Given strong property fundamentals and the likelihood of an accommodative interest rate context, we expect REITs to continue their strong performance in 2020, albeit with the potential for less lofty returns. After the yield curve was inverted for much of 2019, the downturn and corresponding monetary policy action have pushed short term yields down in the order of 25% - 35%, while 10-year notes have fallen by around 100 basis points since the end of 2019 and are now trading around 50-60%. Five-year CMBS are trading at a spread of around 80-90 basis points while 10-year CMBS are in the range of 105-120 bps. While lenders remain concerned about the actual economic impact of COVID-19, the length of the recovery, and tax effects on individuals and company, in general the market is recovering from the lending freeze we were seeing at the end of March.

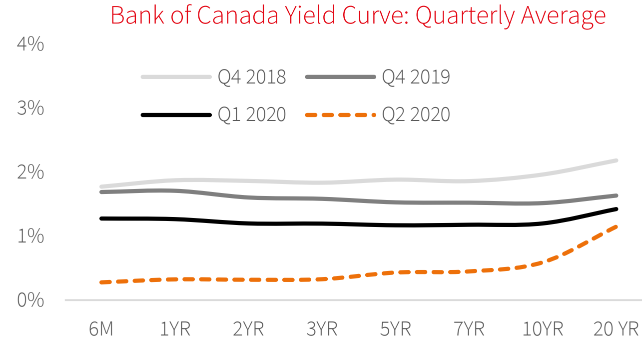
Canadian REIT: Equity and Debt Issuances



10-Yr GoC Bond vs. Commercial Mortgage Spread



Bank of Canada Yield Curve: Quarterly Average



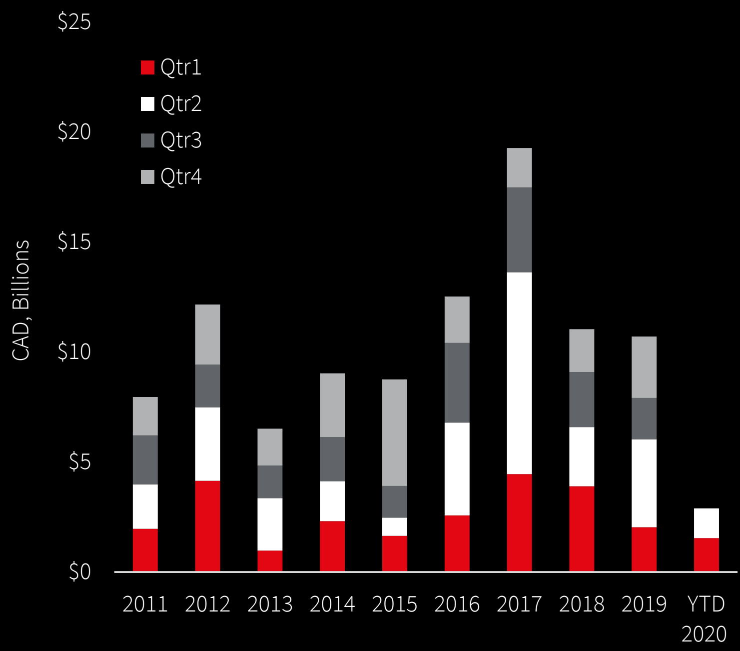
Source: JLL Research, Bloomberg, BMO

Key Trends

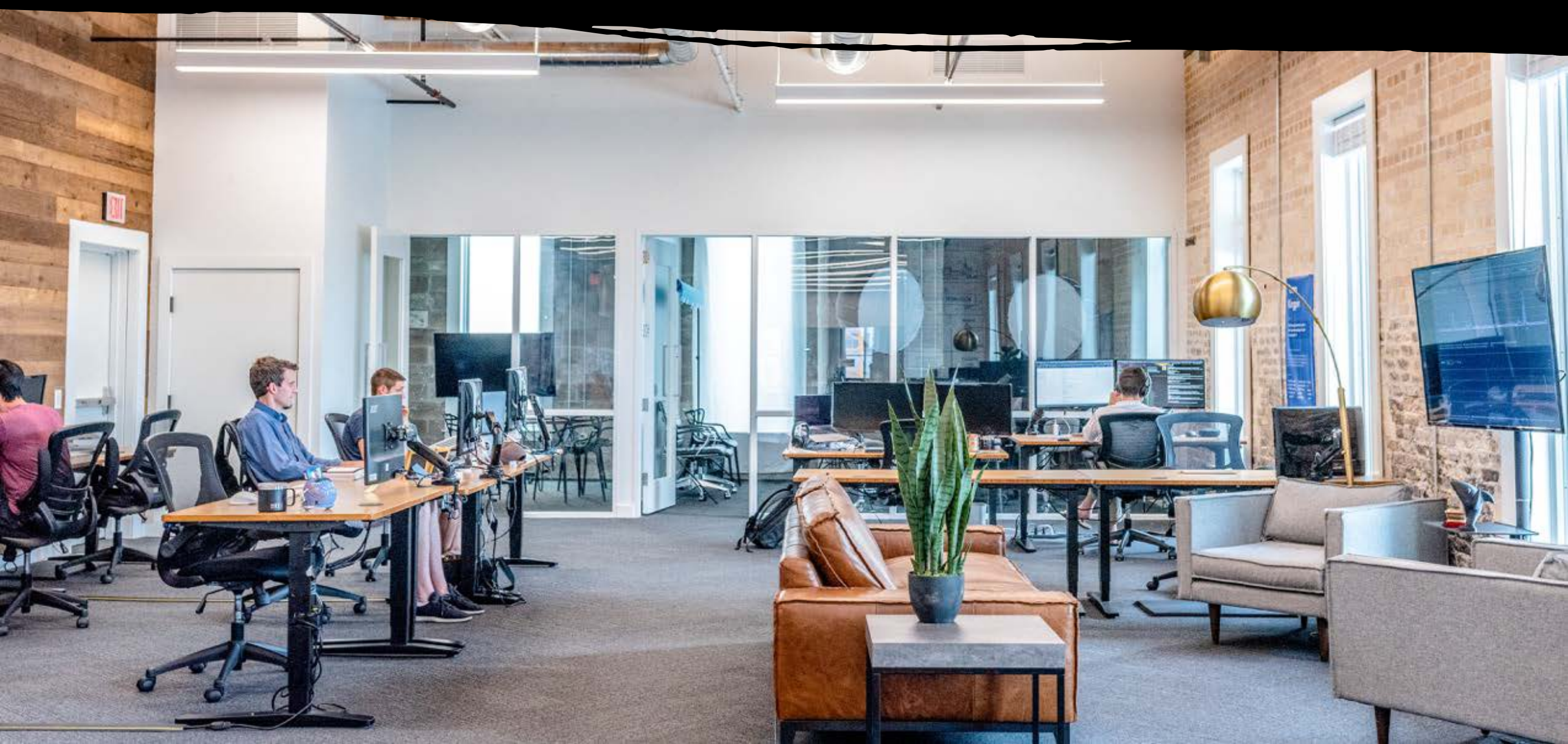
Office

- **Vacancy Expected to Rise**: We will likely see vacancy tick up across the board due to a mix of factors: uncommitted new deliveries, backfilling space from relocations, and an increase in sublease availability of over 1.3m s.f. since shutdowns began.
- **First Cap Rate Increase in Ten Years**: Cap rates are up across the board, even in core markets like downtown Toronto and Vancouver, as investors attempt to quantify cash flow degradation from certain tenants. However, given the low deal volume since the pandemic, this apparent cap rate hike is based on a small sample size and Q3 will provide more clarity.
- **Investment Volumes Down**: With buyers and sellers unable to agree upon value, office has seen investment volumes fall by 50% from a year ago, and by 60% from its five-year H1 trend.
- **The Great Work-From-Home Experiment**: Widespread remote work policies mostly exceeded expectations in the first few months of the pandemic. However, after several months we are seeing fatigue set in as companies and individuals are starting to see the costs – most notably deterioration in knowledge spillover, collaboration, training, onboarding, and client interaction. Nevertheless, employers are likely to allow more flexible remote working policies moving forward.
- **De-densification:** Counteracting the downsizing effect of remote work has been the upsizing effect of office de-densification, as tenants are looking to provide more space per employee to comply with social distancing guidelines. The office environment was seeing a move towards de-densification before COVID; the pandemic accelerated this trend.

Historical Office Investment



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

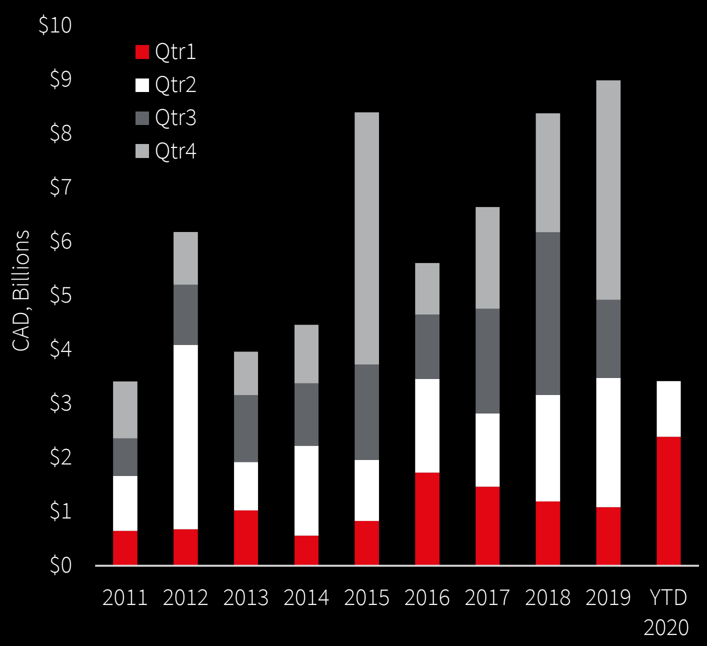


Key Trends

Multifamily

- **Multifamily Remains Real Estate Darling:** Liquidity has remained strong for the multifamily sector across Canada, reaching $3.4b in the first half of 2020 and outpacing all other asset classes. Investment volumes were just shy of their 2019 totals at this point in the year, but they were above the sector's five-year average.
- **Multifamily Cap Rates the Lowest of Any Asset:** Cap rates for multifamily assets are significantly lower than any other asset class in Canada. In all major markets average multifamily cap rates are around 100 basis points lower than office or industrial. With rent collection generally in the range of 92% - 99% depending on the owner, multifamily is proving its resilience in a downturn. Consequently, vendors are offering no "COVID discount" on pricing.
- **Distributed Urbanization**: Suburban home sales are up across Canada's major cities while condo sales and prices are lagging. It is too early to call this a trend, but an early reading would suggest that the suburbs will benefit from COVID-related shifts in housing preferences. This combined with more remote work policies and the growth of suburban transit nodes will only intensify a model of urbanization that is more distributed throughout the metropolitan area, rather than concentrated in the central CBD.
- **Critical Q3 and Q4 Await**: The multifamily sector has benefitted greatly from the various COVID response stimulus payments over the past few months. With many of these benefits expected to be phased out in the fall, we could see a slight lift in vacancies and flattening rental growth across geographies.

Historical Multifamily Investment



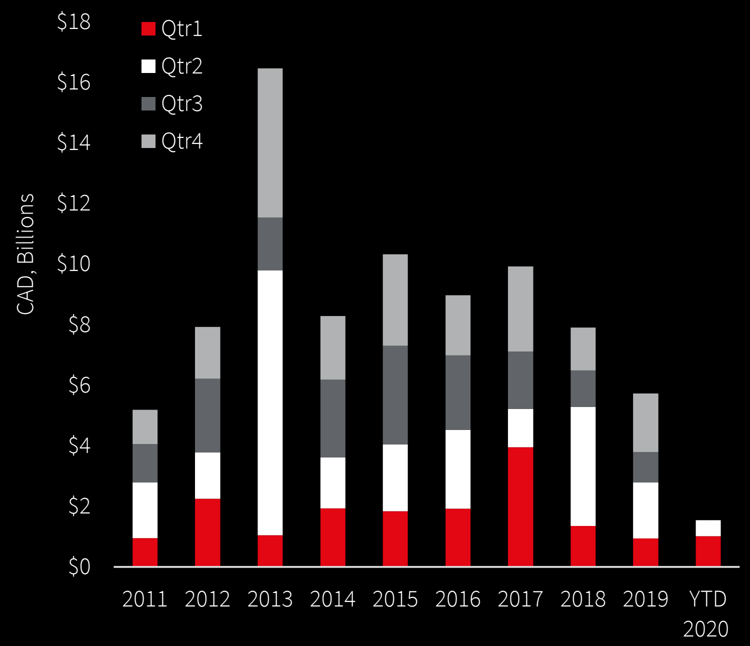
Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar.
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Key Trends

Retail

- **Retail Investment Volumes Fall Sharply in 2020:** Retail investment sales reached only $1.5b in the first half of the year, the lowest two-quarter performance in almost a decade. Most retail landlords have turned their attention to managing their assets and working out rent deferral agreements with tenants, and they are postponing any new acquisitions or developments to preserve capital.
- **Mixed Reviews on CECRA:** Retail landlords have leveraged the Emergency Commercial Rent Assistance Program more than any other asset class, mostly using the program for smaller, independent retailers. However, participation has varied widely depending on the owner and there remains concern about a lack of clarity on key details in the program. Many retail landlords have instead opted for a case-by-case approach to rent deferrals in lieu of CECRA.
- **E-commerce and Grocery an Emerging Force:** E-commerce sales in Canada are up 120% over 2019, even though national retail sales are down by over 30%. The profound shift to online buying is prompting even small retailers to develop omnichannel distribution systems. Where possible, retailers are converting brick-and-mortar locations to last-mile fulfillment centres, also known as "dark stores."
- **COVID Further Segments Retail Industry:** Retail that is anchored by grocery, pharmacy, and home improvement has performed markedly better than enclosed retail during the pandemic. This is reflected in cap rates and pricing, which have been stronger for these centres relative to enclosed assets.

Historical Retail Investment



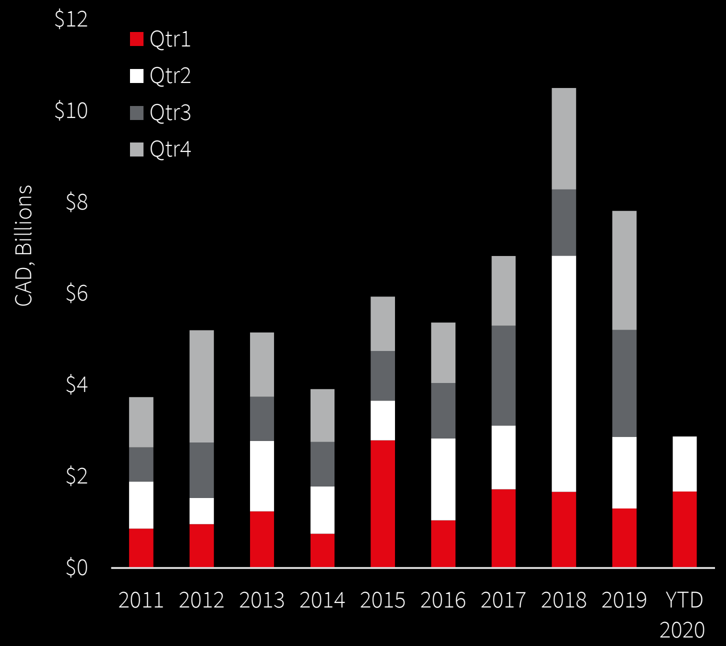
Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar.
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Key Trends

Industrial

- **Investment Volumes:** Canada has seen $2.9b in industrial investment sales halfway through the year, which is actually ahead of the H1 totals from a year ago. While vacancy across Canada has ticked up modestly in the second quarter, the pandemic has in many ways validated the industrial investment thesis.
- **Strong Rent Collection**: Industrial REITs (including industrial portfolios of diversified REITs) reported rent collection of approximately 88% in the second quarter. The remainder was split between CECRA subsidized rents and other deferral arrangements agreed upon privately between the tenant and landlord. There was minimal falloff in collections from large bay tenants; much of the degradation has been attributed to small- and mid-bay tenants.
- **Just in ~~Time~~ Case Supply Chains**: Distributors are reporting carrying higher inventories in their warehouses to avoid getting buried with order backlogs. In many cases – especially for medical and personal protective equipment – there is a shift in focus away from cost efficiency and towards redundancy.
- **Supply Chain Re-Shoring** : While much has been made of a potential re-shoring of manufacturing jobs back to the domestic front, the actual economics of this – including record high rents and record low vacancy in Canada – would make this a challenge.

Historical Industrial Investment



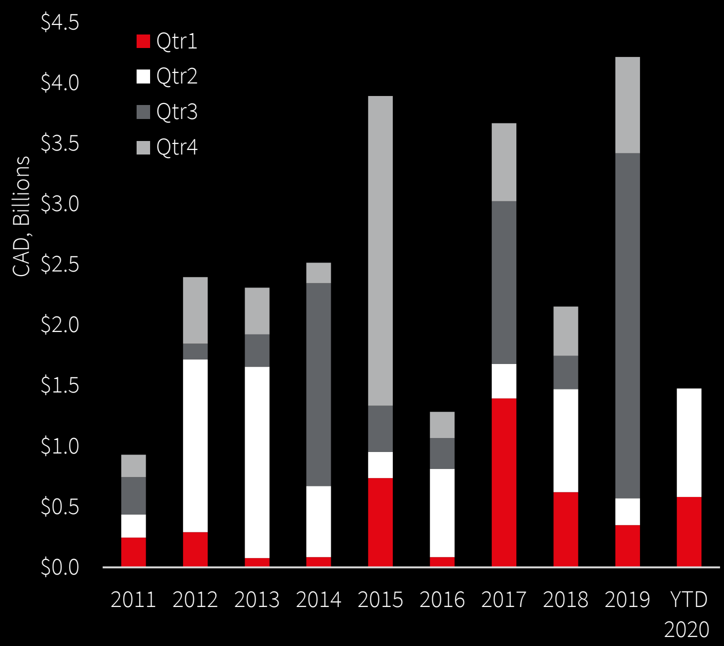
Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar.
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Key Trends

Alternative Assets

- **Senior Housing under the Microscope during COVID**: We want to recognize the efforts of front-line staff at independent living, assisted living, long term care, and other seniors housing facilities - few people have a more challenging job during the pandemic. Outbreaks in homes in Quebec, Ontario, and British Columbia have led to government intervention. Despite these struggles, Canada's seniors housing sector has a waitlist of over 38,000 people and is well positioned to deliver these critical services to a demographic cohort that will grow sharply over the next 10-20 years.
- **Surging Demand for Data Centres**: Increased bandwidth demand from households and companies is generating a surge in demand for data centre capacity. Of all REIT sectors listed on global exchanges, data centres are the only ones whose valuations exceed pre-COVID levels.
- **Investors Eye Production Studios**: Film companies were already accounting for a small but growing share of absorption in urban core industrial markets, particularly in Toronto and Vancouver. With so many people relying on home entertainment during COVID and potentially beyond, we can expect even more demand for these spaces, both from a user as well as an investor perspective.

Historical Alternative Assets Investment



Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar.
All transactions > $5m, Direct and Entity Level
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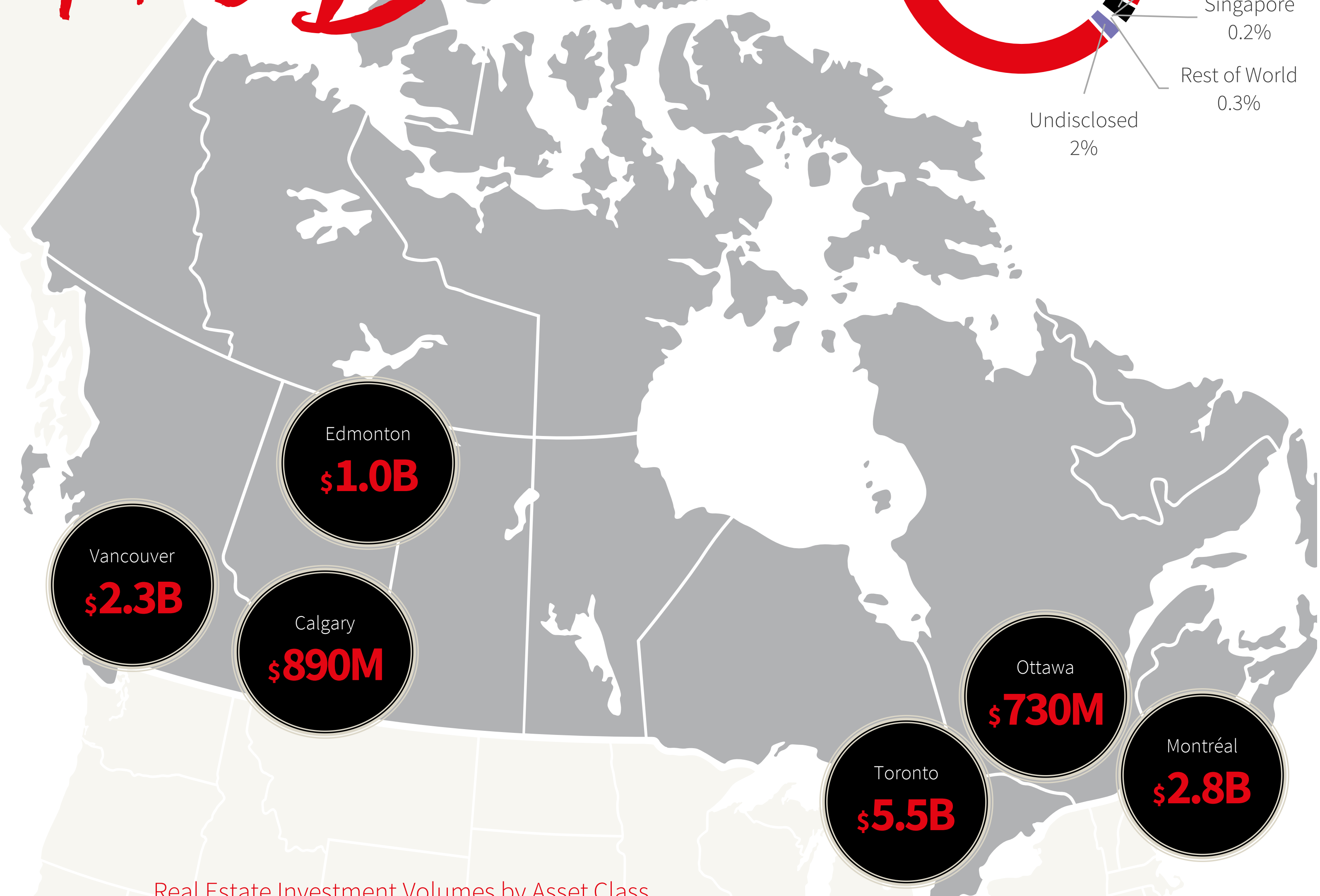
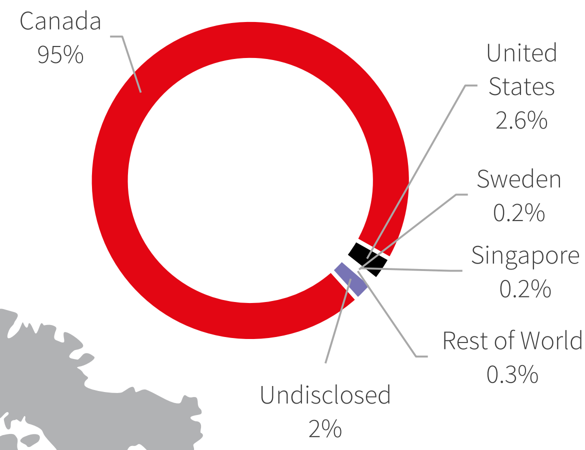
Market data as of latest available

Total investment volume, YTD 2020

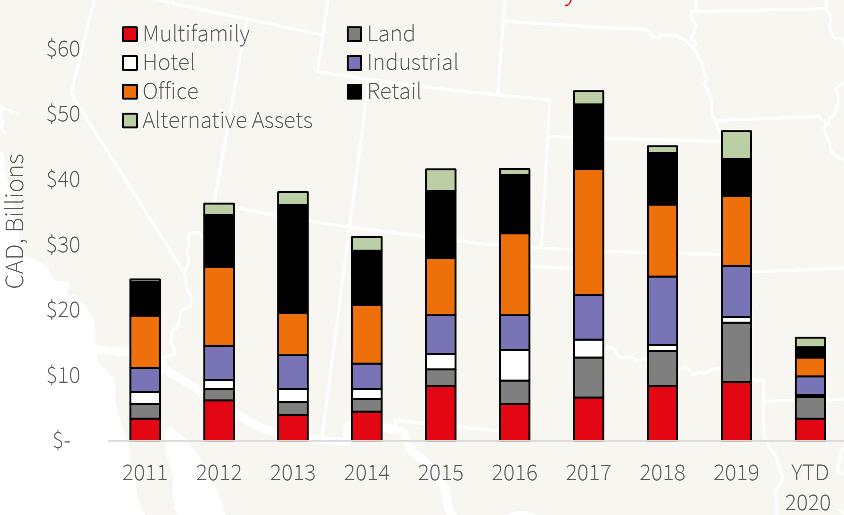
$16B



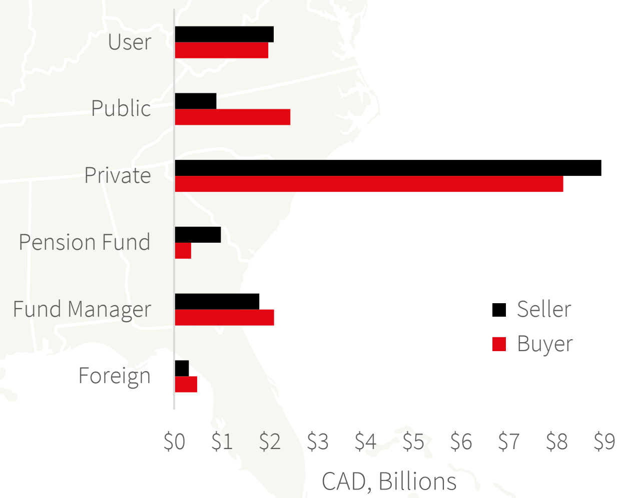
YTD Foreign Buyer Pool by Origin



Real Estate Investment Volumes by Asset Class



Buyer and Seller Profile, YTD 2020



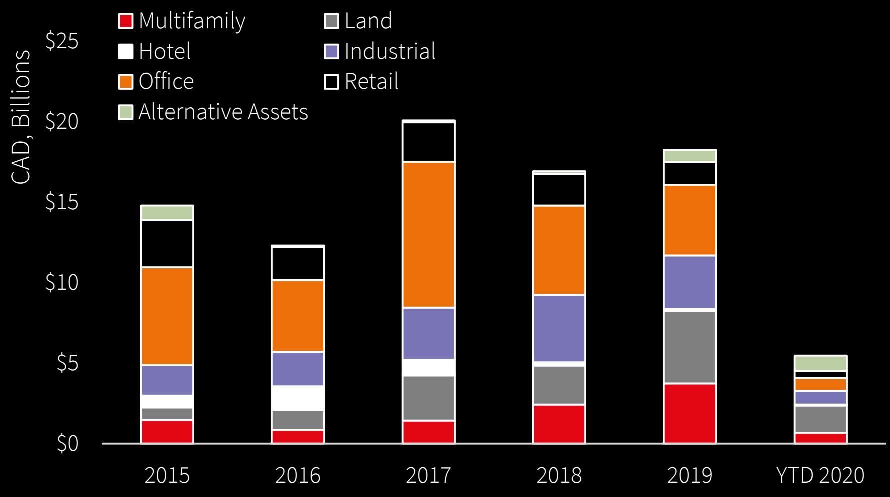
Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar.
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Toronto

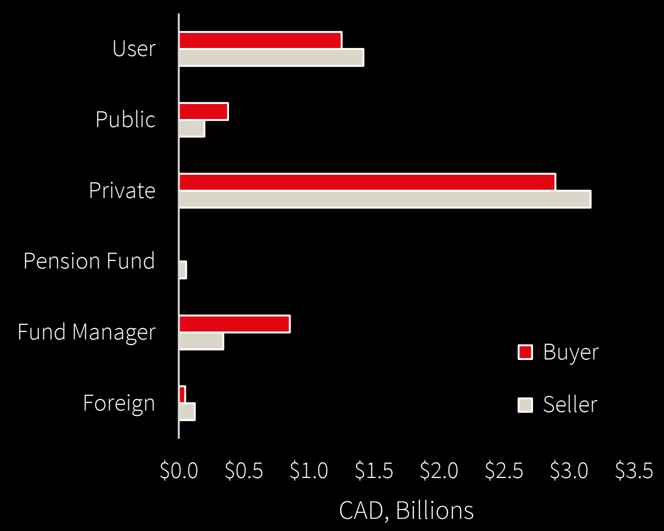
Canada Investment Outlook | Mid-Year 2020

Toronto

Historic Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, YTD 2020

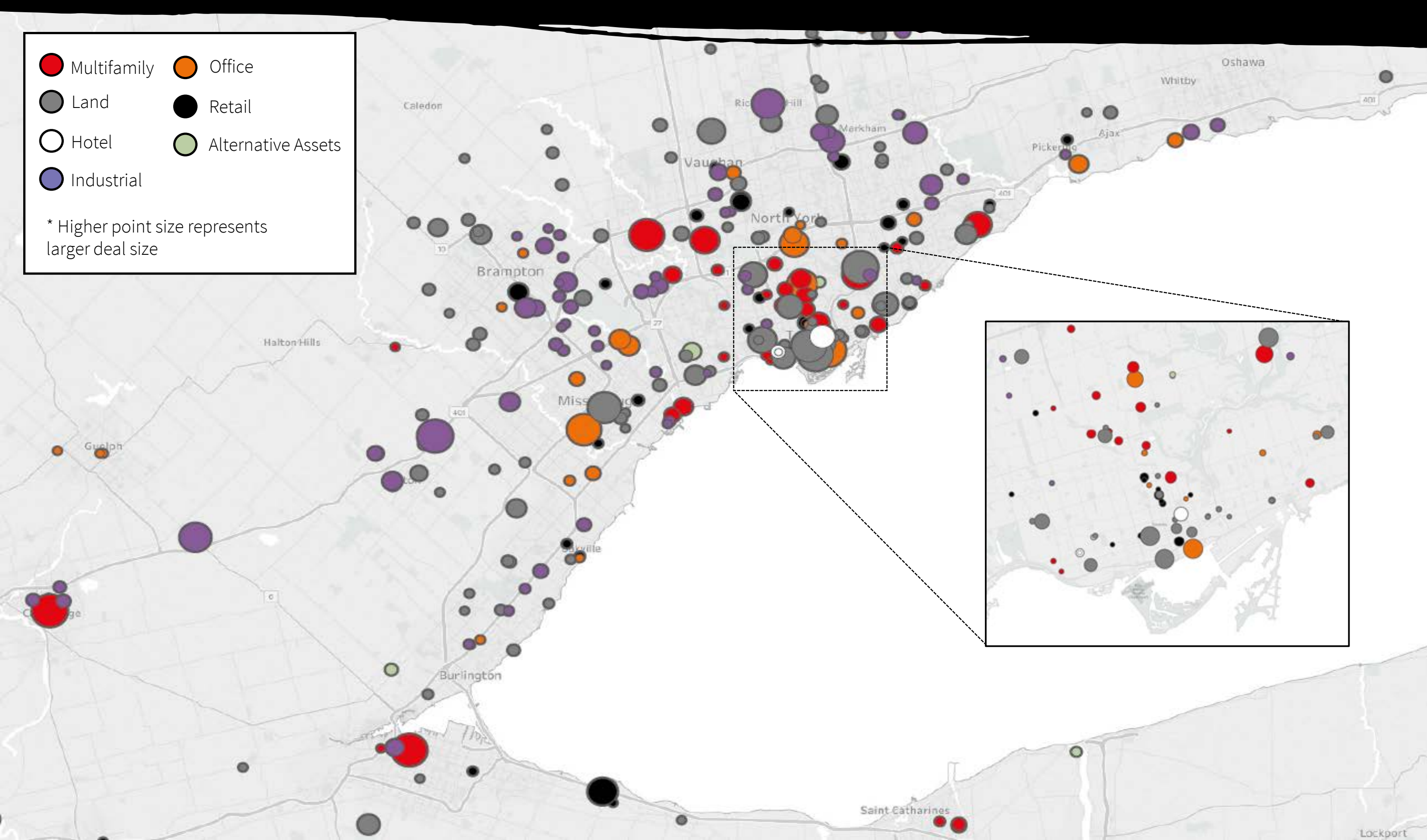


Toronto Buyer Domicile: YTD 2020

Canada
99%

Rest of the world
1%

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



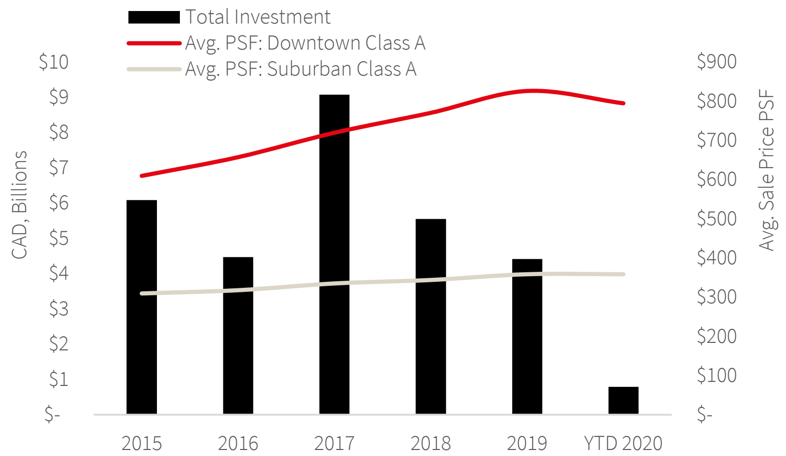
General

- Investment sales in the GTA reached $5.5b for the first half of 2020, about half the pace of the previous three years. The most heavily traded property type was development land, with $1.7b in liquidity. We should point out that most 2020 sales are based on agreements reached before COVID, so the full impact on the investment market is only beginning to be reflected in the data.
- There is ample appetite on the buyer side, especially from private groups who see the downturn as an opportunity to gain a foothold in Toronto's highly competitive investment market. However owners are reluctant to sell, as many are confident that pre-COVID values will be restored at some point. At any rate, many owners are focused less on portfolio culling than on asset management, as they reconfigure their spaces to comply with social distancing guidelines and work with tenants on rent collection agreements.
- According to Oxford Economics, unemployment in the GTA shot up from 6% to 13.8% in the second quarter. The region shed nearly 500,000 jobs with the service and hospitality sector being the hardest hit. Most analysts are forecasting a rebound that will begin in the third quarter, however this ultimately depends on the continuation of federal stimulus programs and the trajectory of the pandemic.
- The Ontario PC government has introduced measures that would expand the province's power to expropriate property and reduce requirements for environmental approvals - a move intended to speed up the process of infrastructure building.

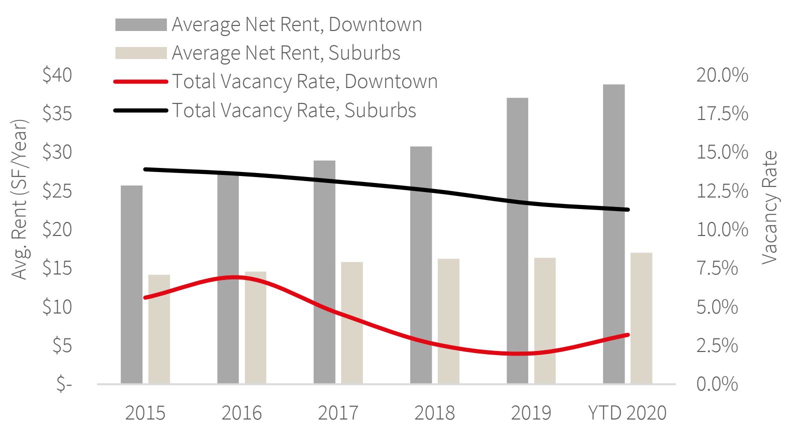
Office

- Office investment volumes reached just $790m through the first half of the year, down almost 70% from the same period in 2019. With so much uncertainty surrounding tenant footprints, buyers and sellers have been too far apart in their underwriting to come to an agreement on pricing, and consequently few deals have gotten done.
- The market recorded substantial negative absorption in Q2, overwhelmingly driven by smaller vacating tenants in the downtown submarket. Downtown vacancy jumped from 1.9% to 3.2%; while this is the largest quarterly jump in vacancy in many years, Toronto's downtown remains one of the tightest in the world.
- Downtown cap rates rose on average by 20 basis points while suburban cap rates held steady, perhaps reflecting improved sentiment for spacious suburban offices. Asset pricing on a per-square-foot basis reflected this, with downtown sales falling to under $800 psf and suburban office holding steady at around $360 psf.
- Landlords are generally reluctant to lower rents, as they are confident that the downturn will not be as pronounced in Canada's largest market. As a result, average direct net rents were up both downtown as well as in the suburbs.
- The largest sale transaction in Canada to happen during the pandemic this year was BentallGreenOak's acquisition of Toronto's Waterfront Innovation Centre from Menkes at a price of $250m, or $526 psf.

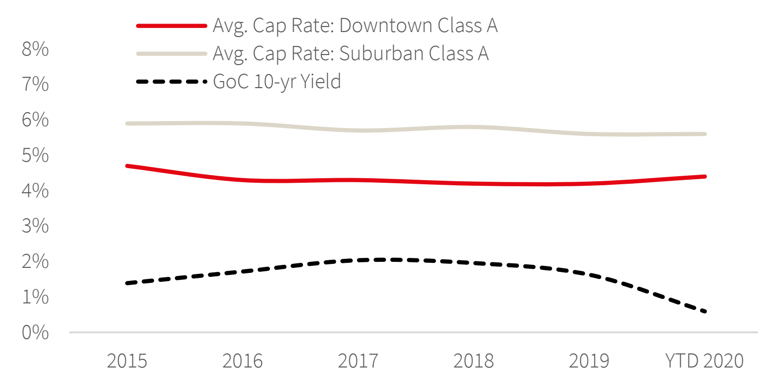
Historical Office Investment and Price PSF



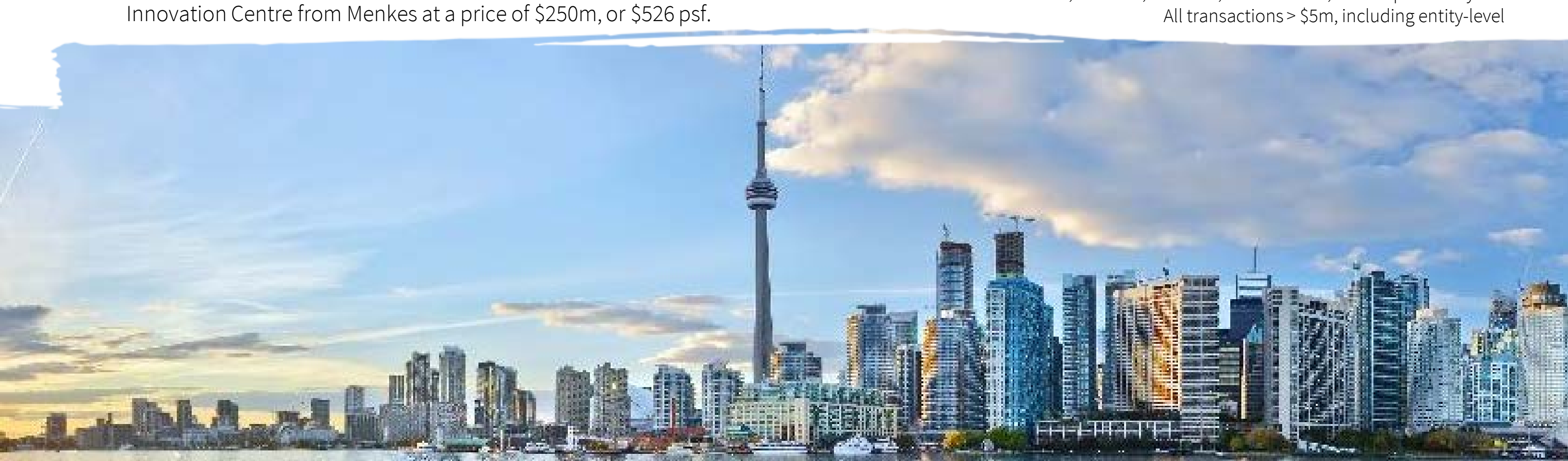
Office Net Rents and Vacancy



Office Cap Rates



Source: JLL Research, JLL REIS, Altus ITS, Altus Realnet, Real Capital Analytics
All transactions > $5m, including entity-level



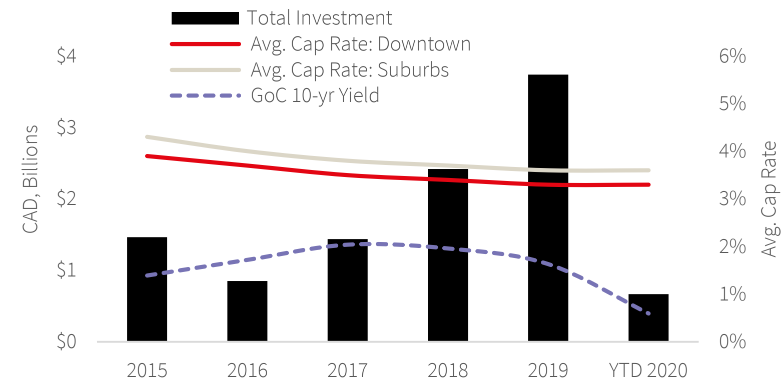
Multifamily

- With nearly $670m in total sales in the first half of the year, Toronto's multifamily sector has held up fairly well. Investment volumes will likely fall short of the record-breaking levels seen in 2018 and 2019, but they are on pace with the 5-year market average. Generally speaking, there has been minimal cap rate movement compared to pre-COVID.
- Rent collections for institutional landlords have hovered around 95%, supported in no small part by the CERB payments and a highly inelastic demand. With rents soaring, tenants have a strong incentive to stay in their current units or they risk facing sharp rent hikes.
- The Ontario government issued a moratorium on apartment evictions beginning in March, which is set to expire on August 1st. This is setting up a clash between landlords and tenant advocacy groups that has been brewing throughout the pandemic.
- The earliest readings from the Q2 data are showing some evidence of a shift in housing preferences away from the city and toward the suburbs. Studies by Urbanation and Padmapper indicate that Toronto multifamily vacancy continues to inch up from the 1.5% cited by CMHC last fall, towards 1.8% as many renters leave the city to move back in with parents or to move to a smaller town. June sales for single family detached homes in the 905 suburbs were up 10% over a year ago, while home sales in the city were down by 8%. Condominium sales were down by 13% across the GTA.
- Nearly 13,500 rental apartment units are under construction in the GTA, the highest level of rental construction in nearly 40 years. However, new construction is being delayed during the pandemic, which will benefit incumbent multifamily owners.

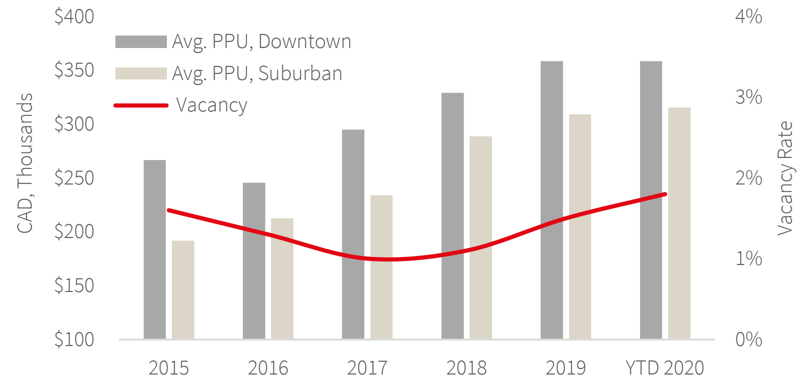
Retail

- Toronto's retail market has seen just $438m in sales through the first half of the year – the lowest two-quarter total since 2012. There have been no GTA transactions this year worth more than $30m.
- Retail owners are mostly looking to sell product off-market, preferring to avoid reputation damage if pricing turns out to be underwhelming. However, we anticipate a busy second half of the year as institutional owners look to generate cash flow by liquidating retail assets.
- Grocery- and pharmacy-anchored retail are proving their worth throughout the pandemic, with sales at or even above normal levels in some cases. Rent collection for this segment of the market is estimated at 85 - 90%, compared to sub-70% for retail in general. Collections from smaller retailers have exceeded expectations in many cases, with many shopowners paying their operating expenses out of pocket to avoid losing their location or taking on debt.
- Retail property owners and tenants are organizing against the city's rapidly rising property taxes, which are based on Highest and Best Use and often penalize under-utilized properties. Some retail tenants claim that taxes make up between 50-70% of their monthly costs.

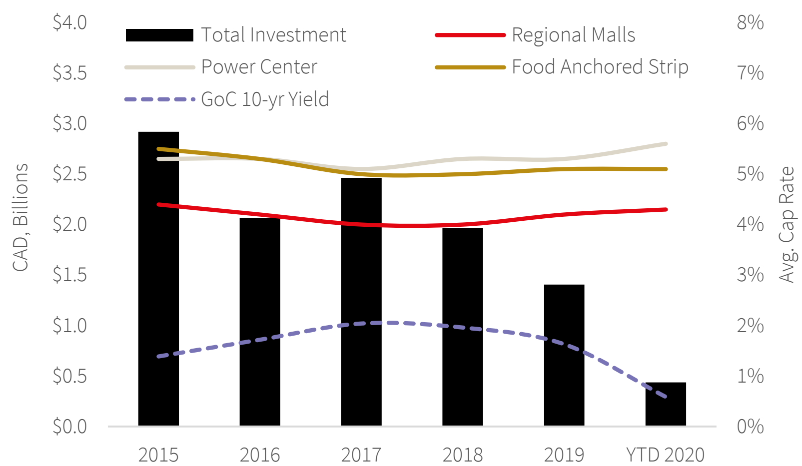
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates



Source: JLL Research, Altus ITS, CMHC

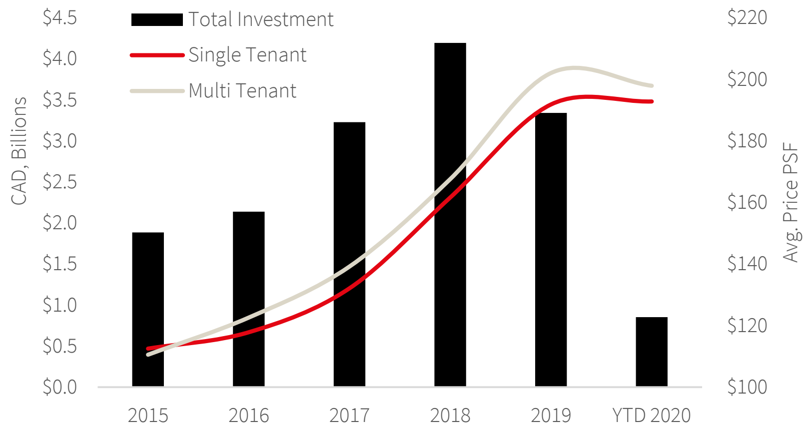
Industrial

- Industrial investment sales totaled approximately $855m through the first half of the year, putting the sector on track for its slowest year since 2012. On a positive note, industrial has outperformed the other major asset classes during the pandemic and continues to show its resilience with strong fundamentals in a downturn.
- Vacancy rose by 10 basis points to 1.3% while availability rose 40 basis points to 2.8% since Q1. Most of the spaces that were vacated are small and medium bay warehouses occupied by tenants serving smaller retailers. Nonetheless, these metrics remain only slightly higher than the historic lows the market was experiencing last quarter, while average asking rents have continued to rise.
- There continues to be a severe shortage of available space in the mid and large bay segments as retailers scramble to shore up their distribution networks and demand by e-commerce and online grocery users adds to an enormously competitive landscape. Developers have completed over 4.8m square feet of product this year; however, over 90% of this space is either pre-leased or owner occupied, perpetuating the supply shortfall in this segment of the market.
- Summit REIT was the buyer on both of the GTA's priciest industrial assets this year. The REIT acquired Cochrane Business Park from PSP for $45m ($197 psf) and a cap rate of 3.43%, and subsequently completed a sale and leaseback with Kubota Canada for $40m.
- To the dismay of industrial buyers, the market is not offering much of a discount in the wake of the pandemic. While transaction volume has been low, completed transactions have indicated very little cap rate movement both for single-tenant and for multi-tenant product. Pricing on a per-square-foot basis for quality product has been flat since Q4 2019 on average, and is expected to trend upwards as the economy rebounds.

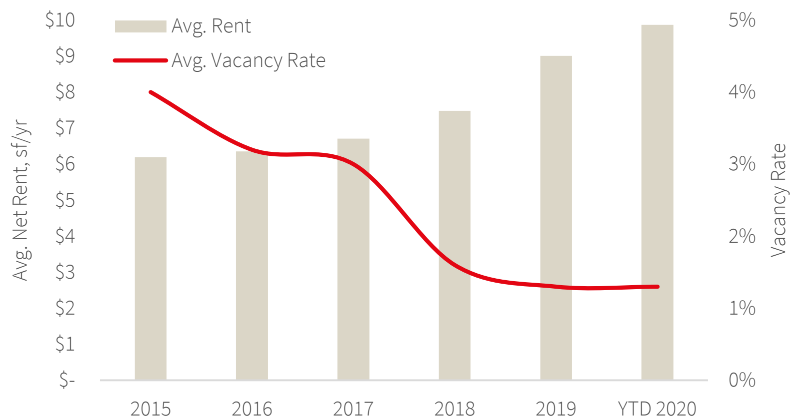
Alternative Assets

- Alternative assets have netted $960m in investment sales this year, driven by two large transactions. TC Energy sold its Halton Hills Generating Station to OPG for $750m, and Summit REIT completed a share sale of Data Centre II in Richmond Hill to its development and operating partner Urbacon for $80m.
- After COVID-19 outbreaks were discovered in some senior homes around the GTA, the Ontario government has stepped in to oversee management of a few homes. Nevertheless, we are confident that these operators will overcome these challenges and this intervention will be temporary.
- SmartCentres REIT is partnering with Revera Living and Penguin Group to build, own, and operate four retirement living residences in and around the GTA. They are also partnering with SmartStop Self Storage to build out a self-storage portfolio worth an estimated $200m.
- Revera Living completed a site assembly at Eglinton and Bayview worth approximately $15m, to be developed into seniors housing.

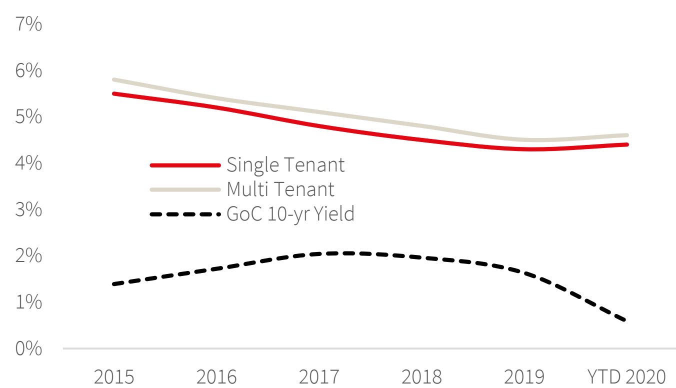
Industrial Investment Volumes and Price PSF



Average Industrial Net Rent and Vacancy



Historical Industrial Cap Rates



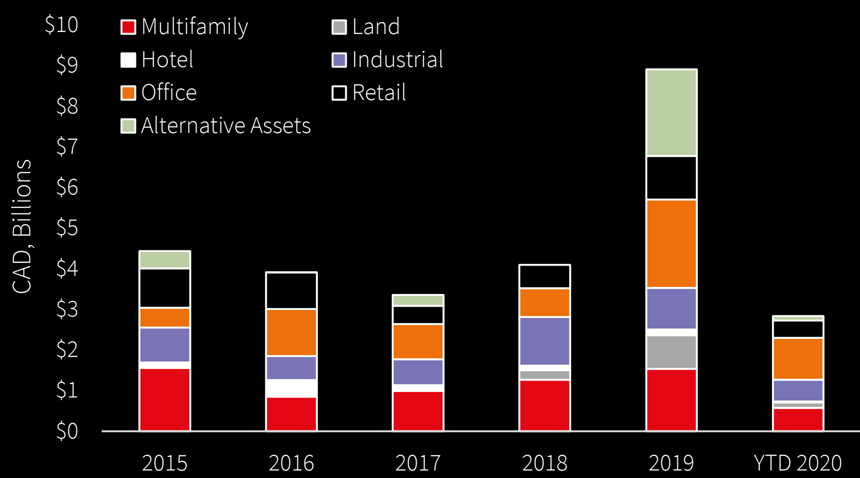
Source: JLL Research, JLL REIS, Altus ITS

Montréal

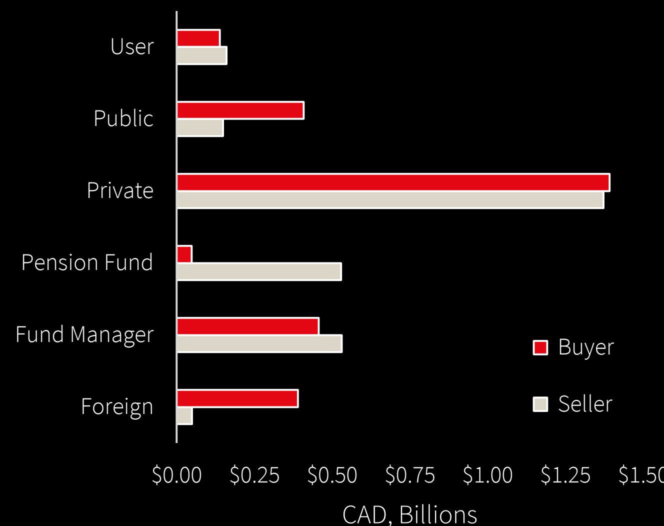
Canada Investment Outlook | Mid-Year 2020

Montréal

Historic Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, YTD 2020



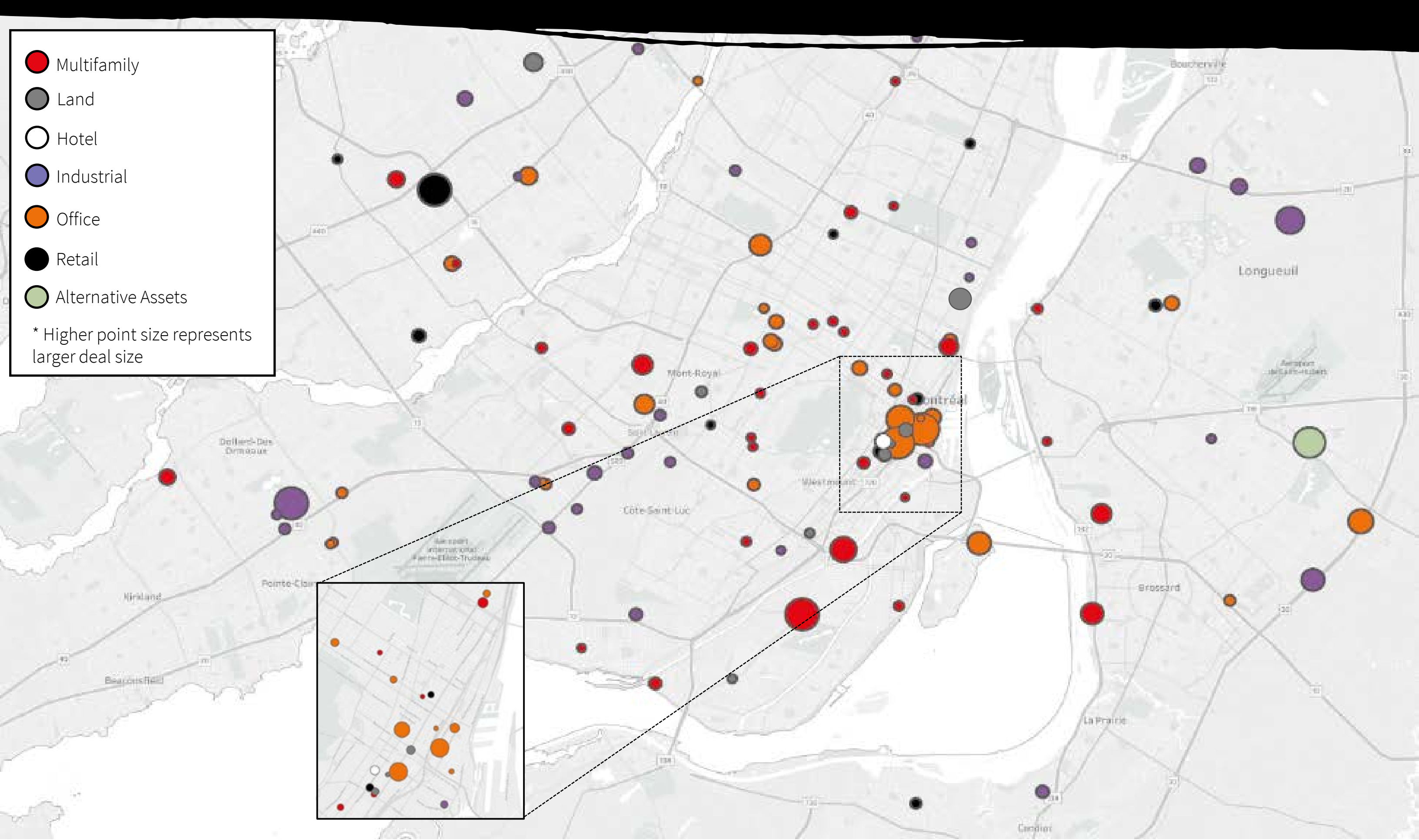
Montréal Buyer Domicile, YTD 2020

Canada **86%**

U.S. **13%**

Sweden **1%**

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



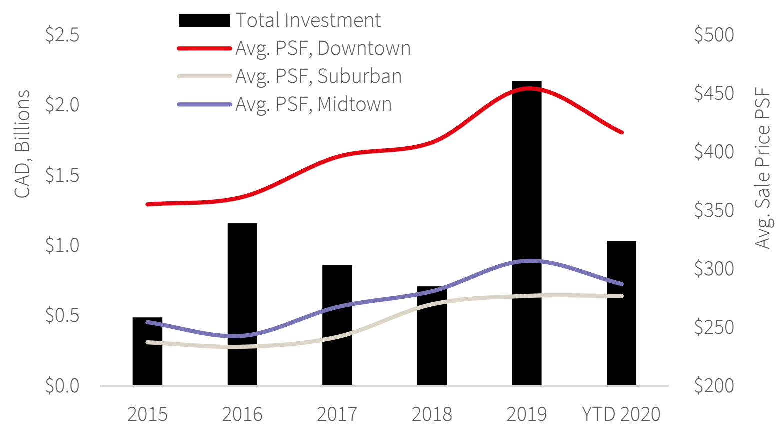
General

- Montréal was the hardest hit Canadian city in the pandemic, with an early February school break and strong connections to European countries that were highly infected. It was also the first city to emerge from lockdown, providing a blueprint to other Canadian cities for managing the pandemic. We maintain that Montréal will continue to be an appealing market for investors looking for an attractive blend of fundamentals and high yield. Population growth is expected to be flat for the next two years, but with a highly diversified economy and a young and educated labour force, Montréal is in position to absorb the shock better than most major North America cities.
- Montréal is coming off a record year that saw its investment market hit nearly $9 billion in liquidity, almost doubling the previous record. So far this year, the market is showing its resilience with over $2.8 billion in investment volume halfway through the year. Office continues to be the most coveted sector with over $1b in sales. Multifamily ($580m), industrial ($540m), and retail ($425m) are following suit.
- Despite falling revenues from public services like transit and rising costs associated with the pandemic, Montréal's many infrastructure initiatives are moving forward. While delays could arise, the Quebec government is holding firm on these commitments, as they will create significant employment and should drive long term productivity.

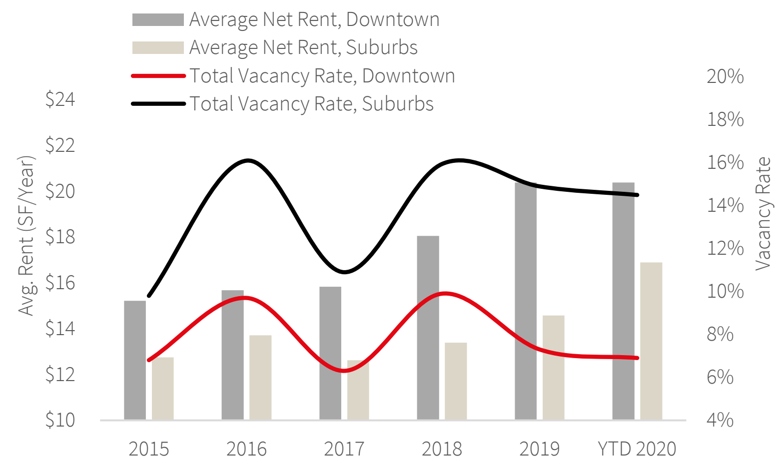
Office

- Montréal's office market was the toast of the town in 2019, as record fundamentals drove it to $2.2b in overall sales. Despite a slow second quarter, the market surpassed $1b in sales halfway through the year.
- In the largest deal so far of 2020, Allied Properties purchased Centre de Commerce Mondial from CDPQ for $276m ($485 psf) in the first quarter, making them the largest office landlord in the city. The largest transaction to close during COVID was Crestpoint and Redbourne's acquisition of Place du Canada at a price of $105m, or $275 psf.
- After a steady first quarter, leasing activity began to dry up as tenants paused to re-evaluate their footprints. Downtown landlords have been firm on rents, which have risen to $20.40 psf, while suburban rents fell from the first quarter to $16.90 psf. In general landlords are only lowering rents as a last resort, instead opting for concession packages to entice tenants.
- Downtown vacancy sits at 6.9%, down from Q4 2019 but up 10 bps from Q1 2020. Vacancy across the market fell on average from 10% in Q4 2019 to 9.3% today. Over 160,000 square feet of sublease space has come available since COVID, most of which is located downtown.
- Amidst so much uncertainty about office use, average cap rates have ticked up by 30 basis points for downtown Class "A" product to 5.1%, with midtown cap rates having moved up around 20 bps to 5.8%. Suburban cap rates have held steady at 6.1%. Pricing on a per-square-foot basis has fallen over the past quarter, though comparables are limited due to slowing deal volume.

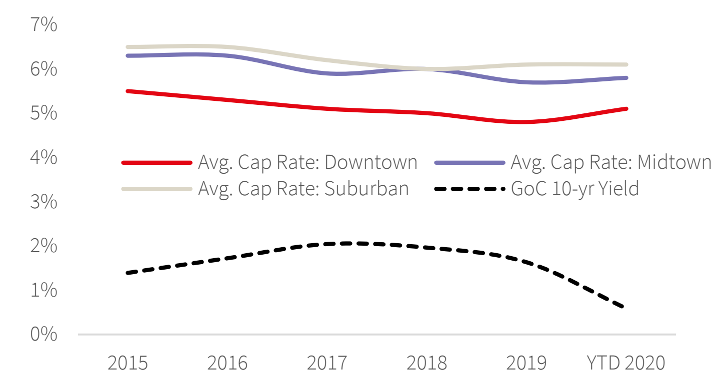
Office Investment Volumes and Price PSF



Office Net Rents and Vacancy



Office Cap Rates



Source: JLL Research, JLL REIS, Altus ITS

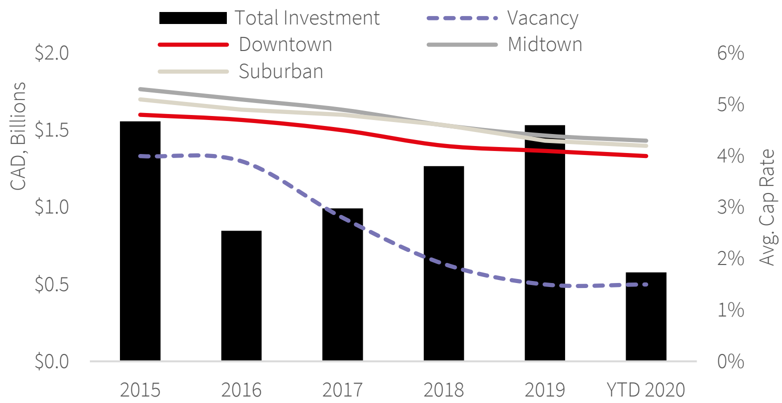
Multifamily

- According to CMHC, Montréal's nearly 600,000 purpose built rental units contribute about one third of the nation's rental apartment stock, while its 55.7% homeownership rate is the lowest among all major Canadian cities. Rental vacancy has fallen to 1.5%, a 15-year low, driven by strong immigration and job growth.
- Multifamily has been Canada's best performing asset class throughout the pandemic. REITs have reported rent collection around 95%, and payment has been supported by the Canada Emergency Benefit Response (CERB) program. Investment volumes have been strong this year at $580m despite the pandemic.
- Similar to Toronto and Vancouver, multifamily sellers are generally not conceding much in the wake of the pandemic. Cap rates have stayed flat over the past quarter and asset pricing has not diminished.
- The Quebec government issued a moratorium on rental evictions beginning in March. The moratorium is set to expire in July, setting up a showdown between landlords and housing advocates in the city's rental tribunals.
- Manulife acquired the 3rd and 4th phase of EQ8 from Armco for a price of $105m, or $350,000 per suite. CAPREIT also made a large acquisition, buying 8300 St. Laurent for $43.5m, or $388,000 per suite. Devimco has announced a major rental and condo project adjacent to the Universitè-de-Sherbrooke metro station in Longeueuil, which will add over 1,200 units and will break ground in 2021.
- The city of Montréal has declared Right of First Refusal on around 300 parcels located in strategic areas of the city that are under transformation. Under this plan, the city will have 60 days to determine if they will purchase these plots if they come up for sale.

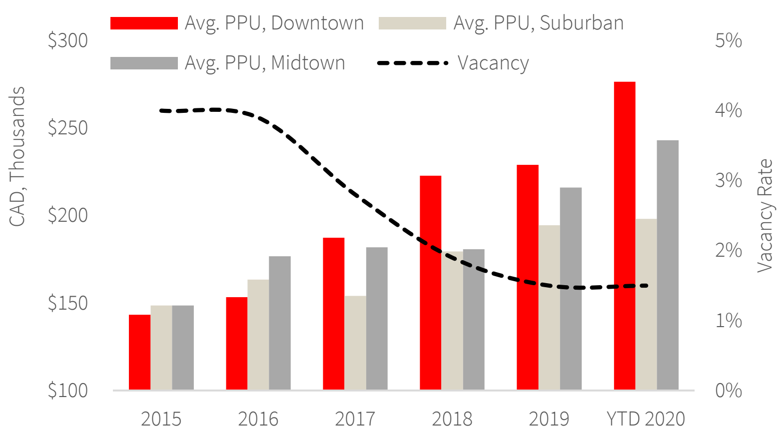
Retail

- Retail investment sales in Montréal totaled $425m in the first half of the year after reaching the $1b threshold last year for the first time since 2014. Nearly 60% of this year's volume is accounted for by the Cadillac Fairview sale of Carrefour Laval to TD Asset Management, which was agreed to in 2019 and closed in January.
- The Quebec provincial government is adding an additional top-up of CECRA-subsidized rents, reimbursing landlords up to 50% of their write-offs, and thereby reducing the landlord's rent liability to 12.5%.
- The bureau of Plateau-Mont-Royal, one of Montréal's most prominent streetfront retail district, has announced that it will ease zoning regulations in an effort to spur leasing activity in the retail sector. The city of Montréal, meanwhile, is giving property tax concessions to retail property owners, hoping that the savings are passed on to tenants.
- Looking to set a strong precedent for pricing and to avoid reputational damage from underselling, vendors are being careful to only take their strongest assets to market during this time. Buyer pools have been thin for assets worth over $10m, with the exception of grocery-anchored retail which has held up well during the pandemic.

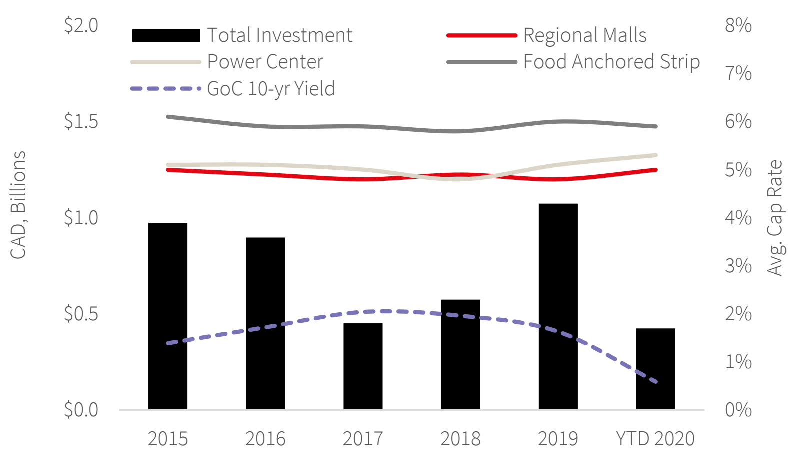
Multifamily Investment Volumes Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates



Source: JLL Research, Altus ITS, CMHC

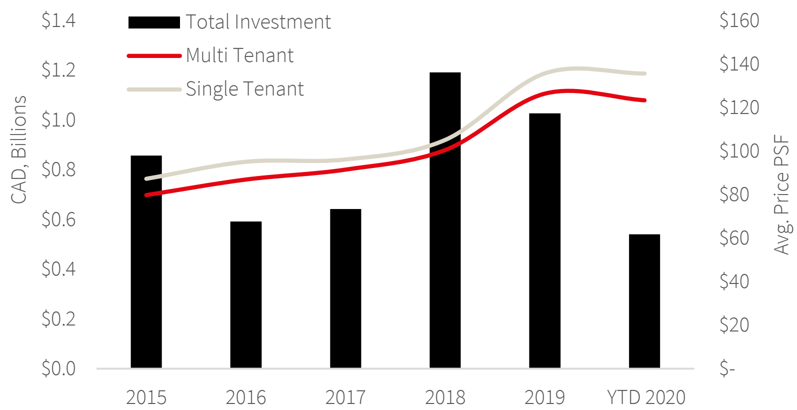
Industrial

- The pandemic has slowed the market a bit but fundamentals remain strong and market drivers are still in place. Halfway through the year liquidity has reached $540 million, and the market is maintaining its pace from the previous two years, although about 60% of these flows were carryover deals closed in 2019.
- After a strong first quarter, occupancy growth has shifted into negative territory in Q2 with approximately 464,000 square feet of negative net absorption. Most spaces coming available are small bay, as local tenants are the most disproportionately impacted by the pandemic. Vacancy, now at 2.2%, is down from the end of 2019, but is up 20 basis points from the first quarter – its first quarterly increase since 2016.
- Given the resilience of the industrial sector amidst the pandemic, asset pricing has not moved much from the end of 2019. Rent collections have exceeded 90%, and net rents continue to climb. Cap rates are up around 10 basis points on average, which is less movement than what has been observed in other property types. The slowdown in construction which has resulted from social distancing guidelines is playing to the landlords' favour by slowing the development pipeline.
- E-commerce and online grocery continue to drive new development in the market. Sobey's new fulfillment centre in Pointe-Claire will dedicate nearly 300,000 square feet of space to its e-commerce brand, Voilà. Amazon has broken ground on its first Quebec fulfillment centre in Lachine, and Metro Inc. has announced plans to invest $420 million in upgrading its Quebec facilities over the next five years to accommodate e-commerce and online grocery shopping.
- Canada's largest industrial transaction to happen during COVID was Rona's purchase of 220 Chemin du Tremblay in Boucherville from H&R REIT at a price of $69.5m, or $95 per square foot.

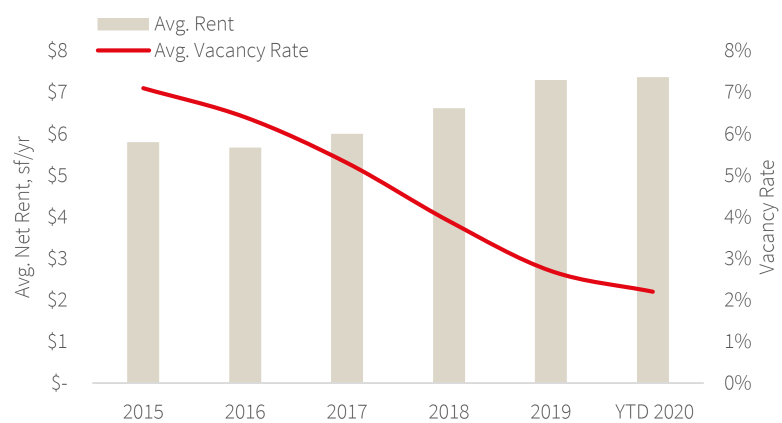
Alternative Assets

- Montréal saw about $105m in trades involving alternative assets thus far in the year, with almost all deal flow happening in the first quarter.
- Chartwell and Welltower came to a share sale agreement with development partner Batimo to acquire a 42.5% interest each in the 345-suite Le St.-Gabriel retirement residence in Saint-Hubert. The overall price of $37.9m each implies a per-bed price of nearly $260,000.
- Champlain SH Real Estate Fund acquired Groupe Chateau's Bellevue portfolio of eight retirement residences. Chateau Bellevue plans to build three to four new suburban retirement homes annually over the next decade.
- COVID outbreaks in long term care homes across Canada, and especially in Montréal, have led to calls for an expanded role for the government in the operations of seniors housing facilities. We expect to know more on this issue as the year progresses, as the pandemic's trajectory moving forward will weigh heavily on this issue.

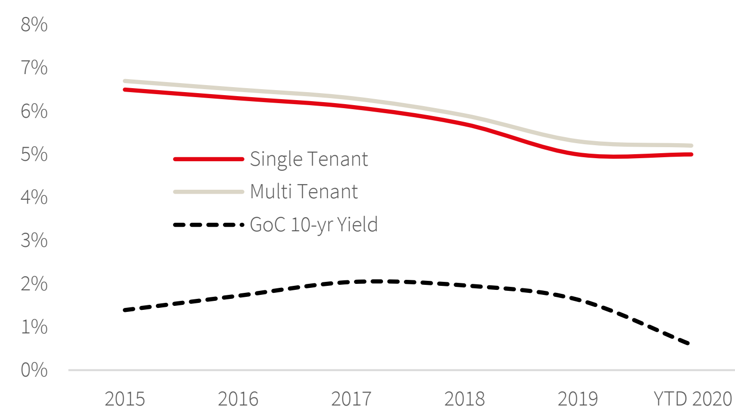
Industrial Investment Volumes and Price PSF



Average Industrial Net Rent and Vacancy



Industrial Cap Rates



Source: JLL Research, JLL REIS, Altus ITS

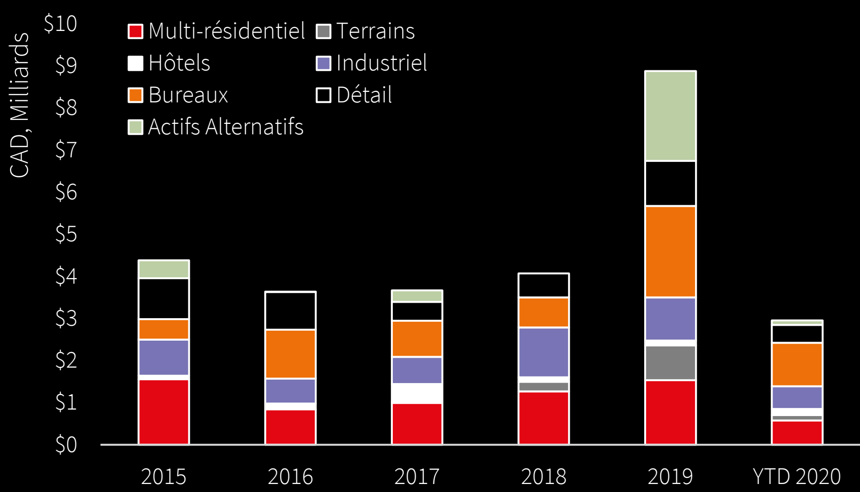
Montréal

Aperçu des marchés des capitaux | T2 2020

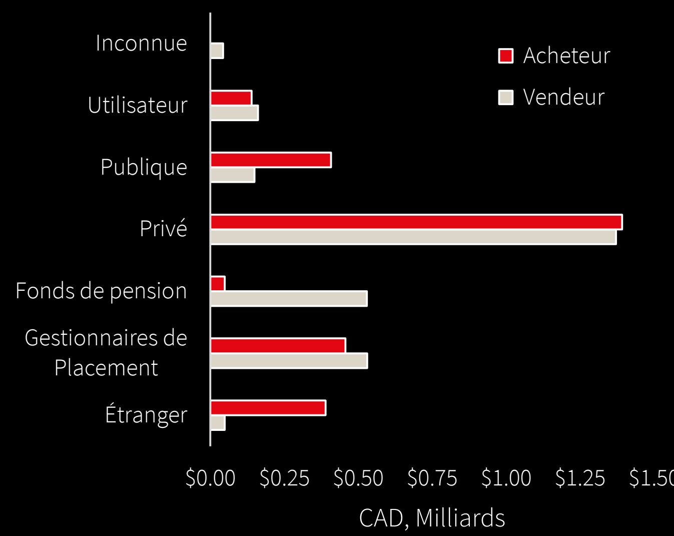
Montréal

Aperçu des marchés des capitaux | T2 2020

Investissement immobilier par catégorie d'actif



Profil des Investisseurs immobiliers du marché



Domicile des acquéreurs, T2 2020


Canada
86%


États-Unis
13%


Suède
1%

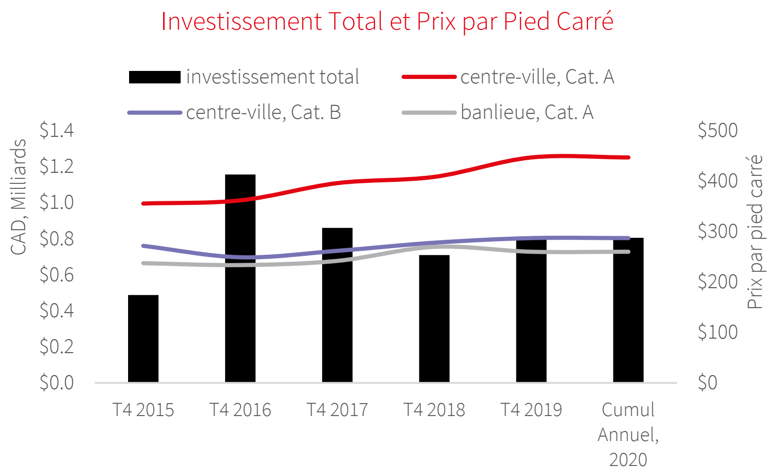
Source : JLL Valuations, RCA, RealNet
transactions > 5 millions $, directement et au niveau des entités
Exclut les lots résidentiels et les achats des occupants résidentiels
Données de marché au plus tard disponibles

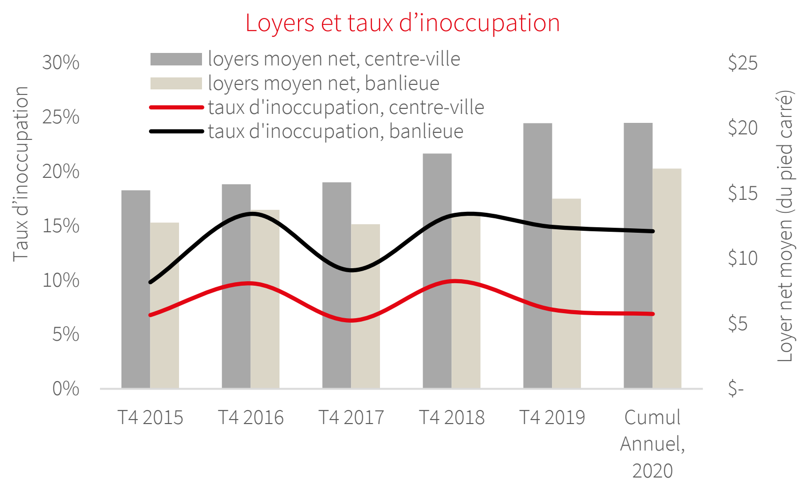
Général

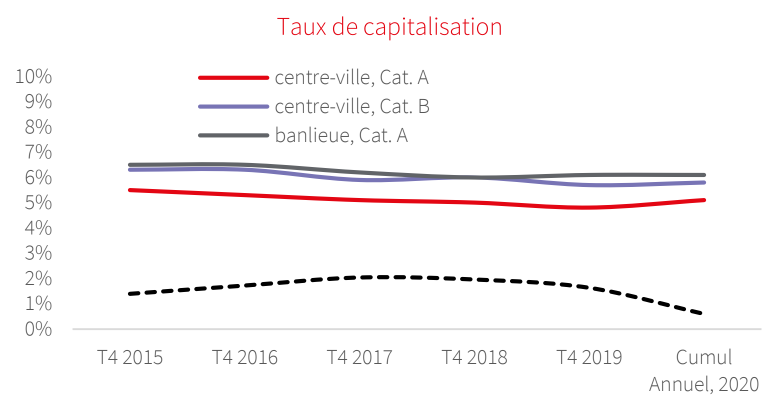
- Montréal a été la ville canadienne la plus durement touchée par la pandémie, en raison de la semaine de relâche scolaire de février et des liens étroits avec les pays européens alors fortement affectés. Montréal a également été la première ville à sortir de son confinement, servant ainsi d'exemple aux autres villes canadiennes quant à la gestion de la pandémie. Nous croyons fermement que Montréal continuera d'être attrayant aux yeux des investisseurs qui cherchent un marché combinant de solides bases économiques et des rendements élevés. Bien que l'on ne s'attende pas à ce qu'il y ait une croissance démographique au cours des deux prochaines années, une économie diversifiée et une main-d'œuvre jeune et éduquée devraient permettre à Montréal de mieux absorber le choc que la plupart des autres grandes villes d'Amérique du Nord.
- Montréal a connu une année record, son marché de l'investissement atteignant près de 9 milliards $, soit presque le double du record précédent. Depuis le début de l'année, le marché a su démontrer sa résilience, le volume d'investissement ayant atteint plus de 2,8 milliards de dollars à la fin juin. Le secteur des immeubles de bureaux demeure le plus convoité, ayant dépassé le milliard $ de ventes. Les actifs multi-résidentiels (580 millions $), industriels (540 millions $) et de commerce de détail (425 millions $) ont également bien performé.
- Malgré la baisse des revenus provenant des services publics, tel que le transport en commun, et la hausse des coûts associés à la pandémie, plusieurs initiatives d'infrastructure vont de l'avant à Montréal. Bien que des retards puissent toujours survenir, le gouvernement du Québec n'entend pas renoncer à ces grands projets, car ils créeront des emplois appréciables et stimuleront la productivité à long terme.

Bureaux

- Le marché des bureaux de Montréal a été le marché le plus performant en 2019, comme en fait foi un niveau de ventes record de 2,2 milliards $. Malgré un deuxième trimestre plus ardu, ce marché a quand même dépassé le milliard $ de ventes pour les premiers six mois de l'année.
- La plus importante transaction survenue depuis le début de l'année est l'achat, par le FPI Allied, du Centre de commerce mondial de la CDPQ, pour 276 millions $ (485 $/p.c.). Compte tenu de cette acquisition, qui a eu lieu au cours du premier trimestre, le FPI Allied est désormais le plus important propriétaire de bureaux à Montréal. La principale transaction depuis le début de la pandémie est l'acquisition, par Crestpoint et Redbourne, de la Place du Canada au prix de 105 millions $(275 $/p.c.).
- Après un premier trimestre au rythme soutenu, l'activité de location a commencé à se tarir, les locataires faisant une pause pour réévaluer leurs besoins en termes de superficie. Les propriétaires d'immeubles du centre-ville ont maintenu le niveau de leurs loyers, qui sont passés à 20,40 $ du pied carré, tandis qu'en banlieue, les loyers ont chuté dès le premier trimestre à 16,90 $ du pied carré. En général, les propriétaires ne baissent les loyers qu'en dernier recours, et optent plutôt pour des formules à base d'incitatifs afin d'attirer les locataires.
- Compte tenu de l'incertitude quant à l'utilisation des bureaux, le taux de capitalisation moyen des immeubles de catégorie A situés au centre-ville a augmenté de 30 points de base, passant à 5,1 %, tandis que les taux de capitalisation d'immeubles situés dans le sous-marché du Centre-de-l'île ont augmenté d'environ 20 points de base, pour atteindre 5,8 %. Pour leur part, les taux de capitalisation des immeubles de banlieue sont demeurés stables, à 6,1 %. Les prix au pied carré ont baissé au cours du dernier trimestre, bien que les propriétés utilisées comme base de référence soient assez limitées en raison du ralentissement du volume transactionnel.







Source : Recherche JLL, REIS JLL, Altus ITS

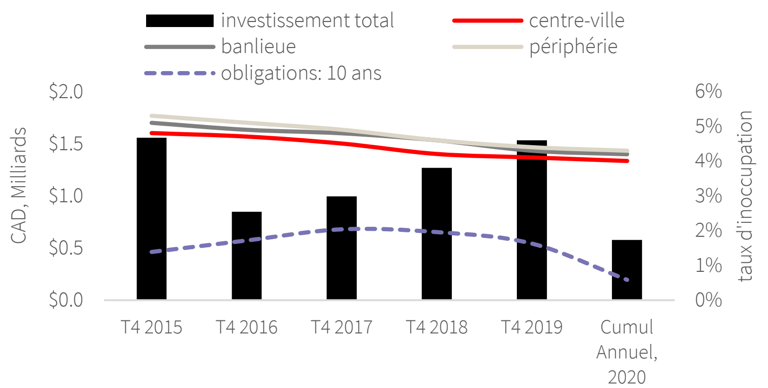
Multi-résidentiel

- Selon la SCHL, on retrouve à Montréal environ 600 000 appartements construits expressément pour la location, ce qui représente environ un tiers du parc d'appartements locatifs au Canada. De plus, le taux d'accession à la propriété de 55,7 % à Montréal, soit le taux le plus faible de toutes les grandes villes canadiennes. Il est également à noter que le taux d'inoccupation des logements locatifs a chuté à 1,5 %, son niveau le plus bas en 15 ans, grâce à une forte croissance de l'immigration et de l'emploi.
- Le marché multi-résidentiel a été la catégorie d'actifs la plus performante au cours de la pandémie, au Canada. Les fonds de placement immobilier ont déclaré avoir perçu environ 95 % des loyers dus, principalement en raison de la Prestation canadienne d'urgence. De plus, les volumes d'investissement ont été importants cette année dans ce secteur, soit de l'ordre de 580 millions $.
- Comme c'est le cas à Toronto et à Vancouver, les vendeurs d'actifs multi-résidentiels ne baissent pas leur prix en raison de la pandémie. Les taux de capitalisation sont restés stables au cours du dernier trimestre et le prix de ces actifs immobiliers n'a pas diminué.
- Le gouvernement du Québec a décrété un moratoire sur les expulsions de locataires résidentiels à partir du mois de mars. Il est fort possible que la levée de ce moratoire, à la fin juillet, mène à une confrontation judiciaire entre les propriétaires et les défenseurs du droit au logement.
- Manuvie a acquis la troisième et la quatrième phases d'EQ8 auprès d'Armco, pour 105 millions $, soit 350 000 $ par appartement. CAPREIT a également fait une acquisition importante, en achetant le 8300, boulevard du Saint-Laurent, à Brossard, pour 43,5 millions $, soit 388 000 $ par appartement. Pour sa part, Devimco a annoncé un important projet de location et de condos à proximité de la station de métro Longueuil–Université-de-Sherbrooke, qui ajoutera plus de 1 200 logements sur le marché, et dont la construction est censée débuter en 2021.
- La Ville de Montréal a inscrit un droit de préemption sur environ 300 lots situés dans des secteurs de la ville ciblés pour le redéveloppement. La Ville disposera de soixante jours pour déterminer si elle achètera ces lots, si elles sont mises en vente.

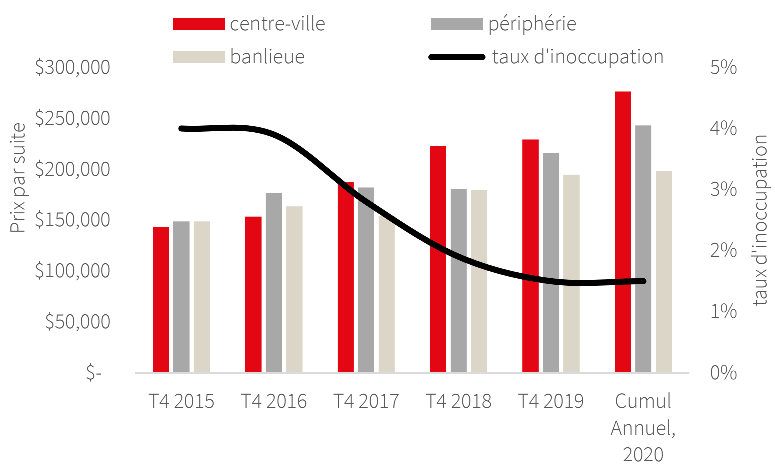
Commerce de détail

- Les transactions concernant les propriétés du secteur de la vente au détail ont atteint 425 millions $, à Montréal, au cours de la première moitié de 2020, après avoir atteint 1 milliard $ l'année dernière, pour la première fois depuis 2014. Près de 60 % du volume de cette année est dû à la vente du Carrefour Laval par Cadillac Fairview à Gestion de Placements TD Inc., une transaction qui a été enclenchée en 2019 et dont la clôture a eu lieu à la fin de janvier.
- L'arrondissement du Plateau-Mont-Royal, l'un des principaux quartiers commerciaux de Montréal, a annoncé qu'il assouplira les règlements de zonage afin de stimuler l'activité de location dans le secteur du commerce de détail. La Ville de Montréal, quant à elle, accordera des réductions de taxes foncières aux propriétaires d'immeubles abritant des commerces de détail, en espérant que ces économies soient transférées aux locataires.
- Afin de maintenir le niveau des prix et d'éviter que des réputations ne soient entachées par des ventes à perte, les propriétaires d'actifs du secteur de la vente au détail veillent à ne mettre sur le marché que leurs propriétés les plus rentables, en ce moment. Par ailleurs, il y a peu d'acheteurs, actuellement, pour des actifs d'une valeur supérieure à 10 millions $, à l'exception des centres commerciaux ayant un magasin d'alimentation comme locataire principal, qui ont bien résisté à la pandémie.

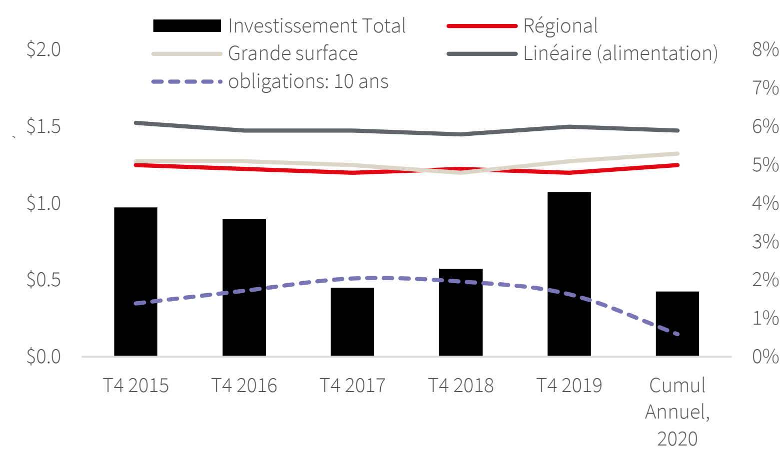
Investissement Total et taux d'capitalisation



Prix par pi2 et taux d'inoccupation



Taux de capitalisation (commerce de détail)



Source : Recherche JLL, Altus ITS, CMHC

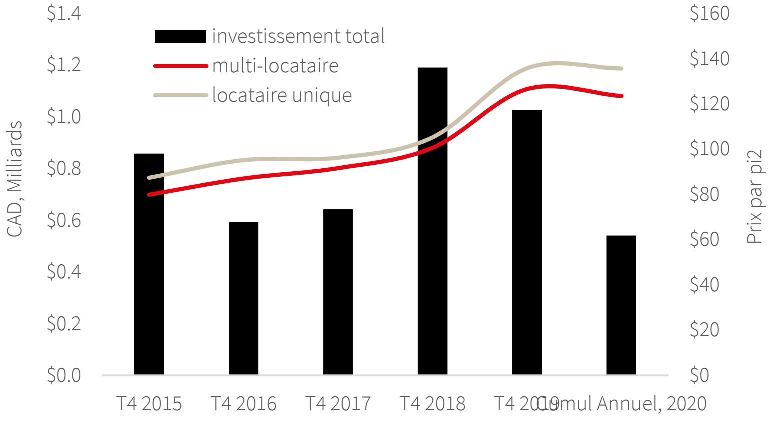
Industriel

- La pandémie a causé un léger ralentissement du marché, mais les bases économiques demeurent solides et les principaux moteurs du marché sont toujours en place. Au milieu de l'année, les transactions impliquant des actifs industriels ont atteint un total de 540 millions $ et le marché maintient le rythme des deux dernières années, bien qu'environ 60 % de ce montant concerne des reports de transactions conclues en 2019.
- Après un premier trimestre vigoureux, le marché industriel a affiché une absorption nette négative de 464 000 pieds carrés au cours du deuxième trimestre de 2020. La plupart des espaces disponibles sont des locaux de petite taille dotés de quais de chargement, car les entreprises locales ont été particulièrement touchées par la pandémie actuelle. Le taux d'inoccupation, qui est actuellement de 2,2 %, est en baisse par rapport à la fin de 2019, mais il a augmenté de 20 points de base par rapport au premier trimestre de 2020, soit sa première hausse trimestrielle depuis 2016.
- Compte tenu de la résilience du secteur industriel face à la pandémie, les prix des actifs de ce secteur n'ont pas beaucoup évolué depuis la fin de 2019. Le recouvrement des loyers se situe au-dessus de la barre des 90 % et les loyers nets continuent de grimper. Les taux de capitalisation ont augmenté d'environ 10 points de base, en moyenne, ce qui représente une évolution moins importante que celle observée quant aux autres catégories d'actifs. Le ralentissement du secteur de la construction découlant des directives de distanciation sociale joue en faveur des propriétaires en ralentissant la progression des projets en cours de développement.
- Le commerce électronique et les services d'épicerie en ligne continuent de stimuler le développement du marché industriel. Le nouveau centre de traitement de commandes de Sobeys à Pointe-Claire consacrera près de 300 000 pieds carrés d'espace à Voilà, son service de commande en ligne et de livraison d'épicerie. Amazon a inauguré son premier centre de traitement de commandes au Québec, à Lachine, et Metro a annoncé son intention d'investir 420 millions $ dans la modernisation de ses installations au Québec au cours des cinq prochaines années, afin de développer son propre service de commande en ligne et de livraison d'épicerie.
- Depuis l'avènement de la COVID-19, la plus importante transaction conclue dans le secteur industriel est l'achat, par Rona, du 220, chemin du Tremblay à Boucherville, vendu par le FPI H&R, au prix de 69,5 millions $, soit 95 $ du pied carré.

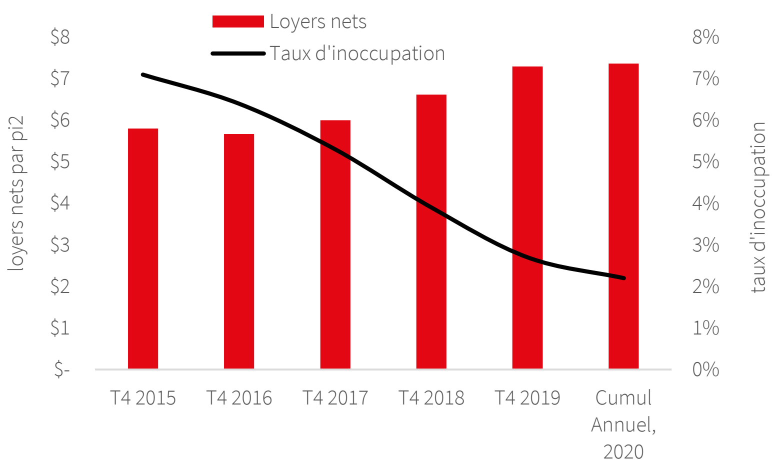
Actifs alternatifs

- Des transactions impliquant des actifs alternatifs d'une valeur environ 105 millions $ ont été conclues dans la grande région de Montréal, jusqu'à présent cette année, mais la quasi-totalité des transactions a eu lieu au cours du premier trimestre.
- Chartwell et Welltower ont conclu un accord de vente d'actions avec Bâtimo, un partenaire de développement, pour acquérir chacun une participation de 42,5 % dans Le St-Gabriel, une résidence pour retraités qui compte 345 appartements. Le prix de 37,9 millions $ chacun, payé car Chartwell et Welltower, équivaut à près de 260 000 $ par lit.
- Le Fonds immobilier Champlain RPA a fait l'acquisition d'un portefeuille comportant huit résidences pour personnes âgées du Groupe Château Bellevue. Le Groupe Château Bellevue prévoit construire trois ou quatre nouvelles résidences pour personnes âgées par an, au cours de la prochaine décennie.
- Les éclosions de COVID-19 dans les centres d'hébergement de soins de longue durée au Canada, et en particulier à Montréal, ont mené diverses instances à prôner un rôle gouvernemental accru dans le fonctionnement de ces établissements. Plus de détails devraient émerger à ce sujet d'ici la fin de l'année, et la trajectoire que prendra la pandémie pèsera lourdement sur cette question.

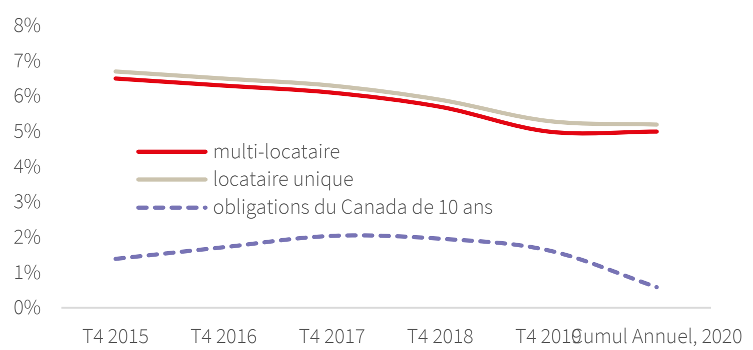
Investissement total industriel et prix par pi2



Loyers nets industriels et taux d'inoccupation



Taux de capitalisation industriel



Source : Recherche JLL, REIS JLL, Altus ITS

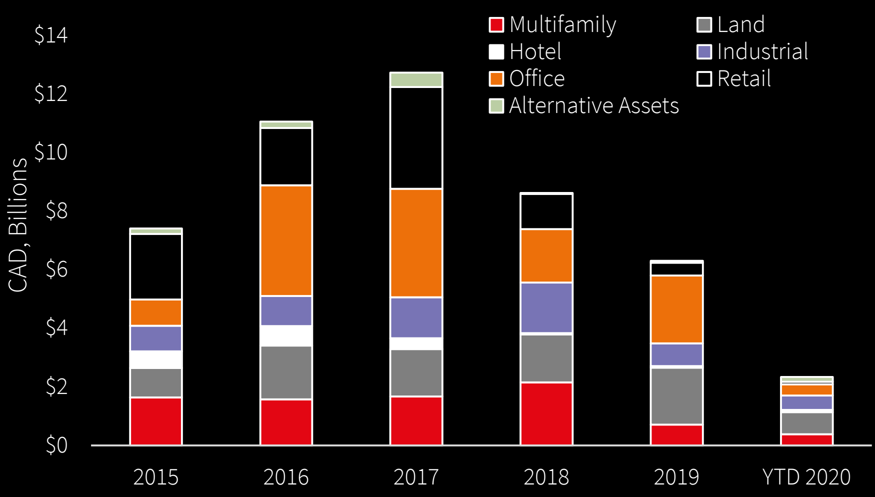
Vancouver

Canada Investment Outlook | Mid-Year 2020

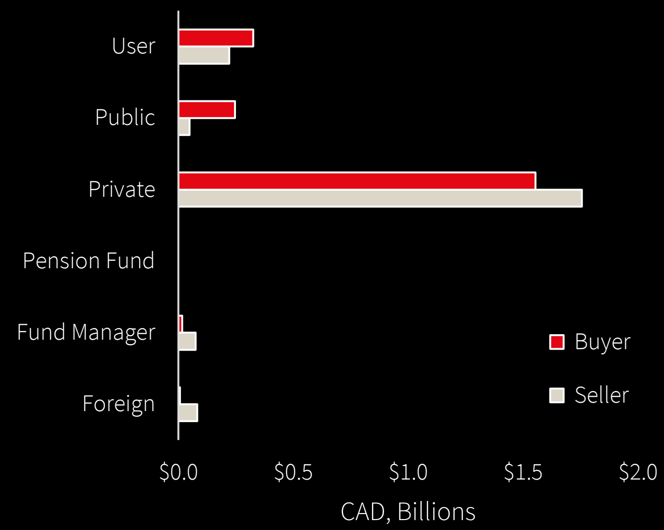
Vancouver

Canada Investment Outlook | Mid-Year 2020

Historic Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, YTD 2020



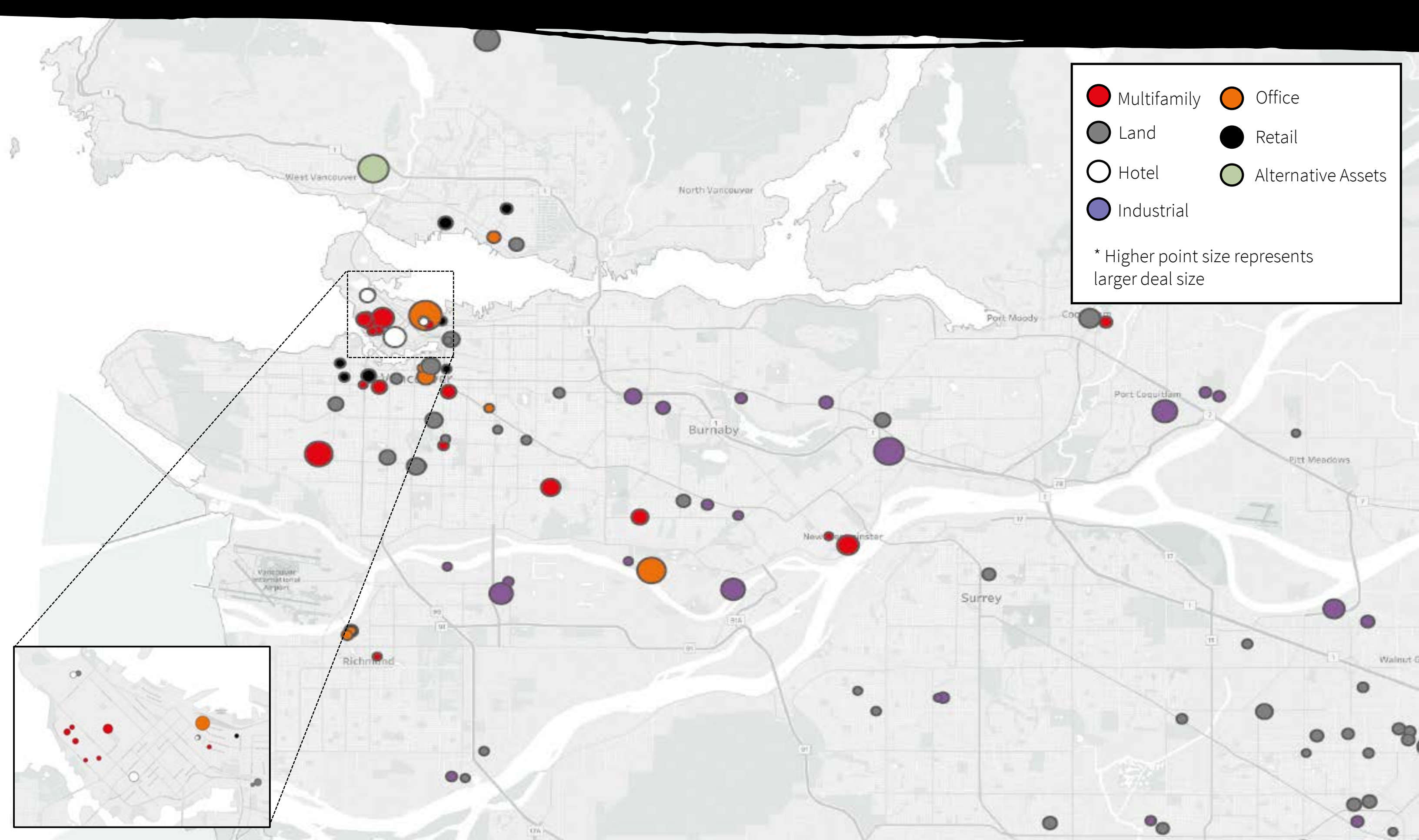
Vancouver Buyer Domicile, YTD 2020

Canada **92%**

U.S. **1%**

Unknown **7%**

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



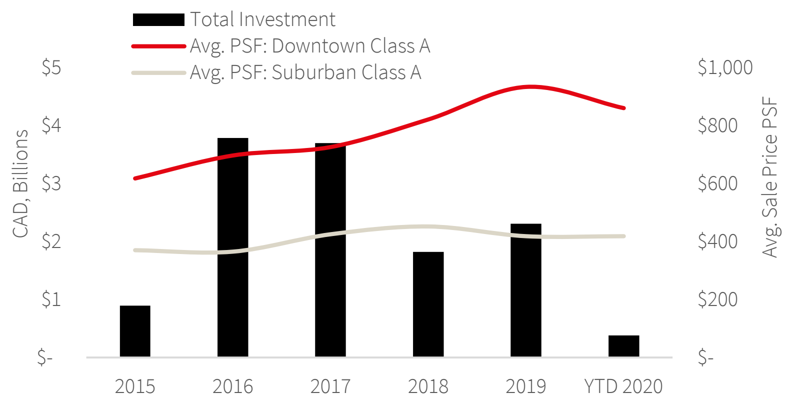
General

- Investment volumes in Vancouver totaled $2.3b for the first half of the year with the most liquid sector being land ($747m), followed by industrial ($497m), multifamily ($382m), and office ($380m). Vancouver has now gone four consecutive quarters with investment volumes falling well below its 10-year quarterly average of $1.6b. Inflated asset values combined with the uncertainty of the pandemic have dramatically slowed the city's investment market.
- COVID-induced lockdowns led to over 240,000 job losses in the GVA, with unemployment surging from 5.3% in Q1 to 13.4% in Q2. Among the hardest hit sectors were tourism, retail, food service, and real estate - four of the economic pillars of the Lower Mainland.
- The downstream fiscal effects of the pandemic are becoming apparent. Infrastructure projects like the expansion of the airport terminal, the SkyTrain extension to Langley, and countless other initiatives will be put on hold so that the province can cover the costs of basic services during the pandemic.
- Vancouver city council is sticking to its 7% property tax hike this year, despite receiving budget relief funding from the provincial government.
- The Vancouver economy is highly diversified with a young and highly educated labour pool, and COVID cases have been relatively low. Furthermore, it is now benefitting from strict immigration policies in the U.S. that are nudging more skilled immigrants north of the border. While there is uncertainty in the short term, in the long term Vancouver remains well positioned.

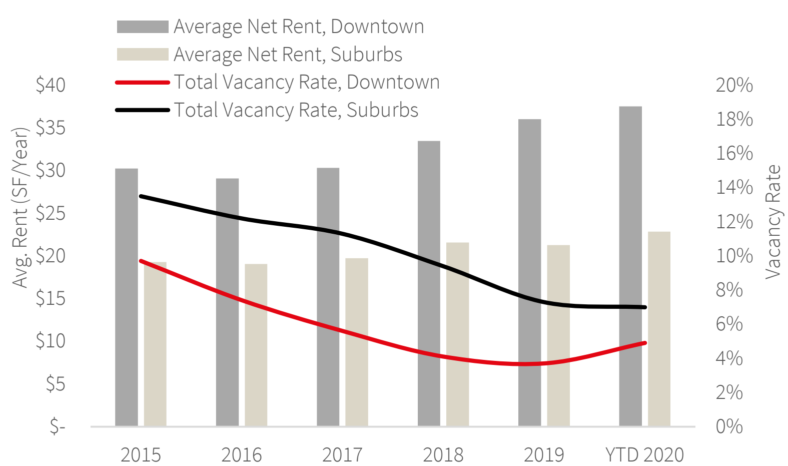
Office

- Investment in Vancouver's office market was a mere $380m for the first half of 2020, putting the market on track for its slowest year since 2013. Most office owners will likely ride out the downturn as long as they can without selling, hoping for pricing to return to pre-COVID levels.
- The largest transaction in Vancouver so far this year has been Allied REIT's acquisition of The Landing at a price of $225m, or $1,280 per square foot. Also noteworthy was GWL's sale of Glenlyon Business Park to a private investor for $75m ($455 psf), at a 6.5% cap rate.
- Many office tenants are re-assessing their footprints in light of tighter cash flows and government-mandated remote work policies. Many decided to sublease space, leading to over 340,000 square feet placed back on the market. This has pushed vacancy up from 5.1% to 5.5% at the end of Q2. However, average rents have continued to climb, both in downtown and the suburbs.
- Cap rates ticked up slightly for downtown Vancouver office, with a commensurate fall in average valuations of around 5-10%.
- Before publicizing their indefinite remote work policy, Shopify announced the opening of their Western Canada headquarters in the Bentall Centre, along with a plan to hire 1,000 employees. Mastercard has announced a plan to partner with the Federal Government to build a $500m cybersecurity research centre based in Vancouver.

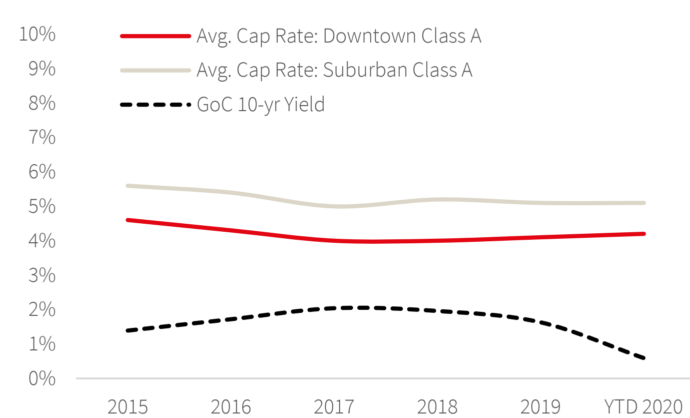
Office Investment and Price PSF



Office Net Rents and Vacancy



Office Cap Rates



Source: JLL Research, JLL REIS, Altus ITS

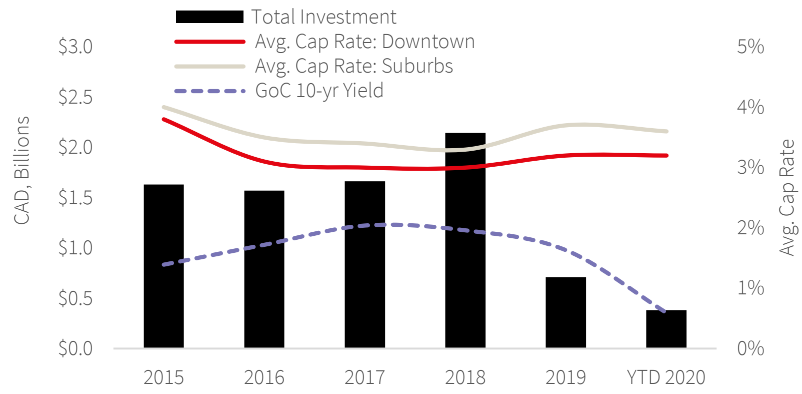
Multifamily

- Multifamily investment volumes reached $382m for the first half of 2020, on pace to match last year's total but well below the 5-year and 10-year averages.
- When lockdowns first began in March, BC's provincial government adopted one of the most activist pro-tenant policies of any province in Canada. They issued a ban on residential evictions, a ban on rent increases, and a $500/month subsidy to qualified renters. The moratorium on evictions will be lifted beginning in September, 2020, and tenants will have until July 2021 to pay back any missed rent from March through July 2020. A study by Landlord BC found that 85% of renters are making full payments, 12% are making partial payments, and only 3% have stopped making payments altogether.
- The BC Financial Services Authority is investigating skyrocketing insurance costs for condominium properties that have driven premiums up 90% over a year ago (and have driven condo homeownership costs up by an estimated ~40%). Their conclusions suggest a lack of competition in condo insurance, as well as rising costs of construction and therefore rising replacement value for insurers, who are passing the cost on through premiums.
- Multifamily cap rates have risen slightly for suburban properties (~20 bps), however downtown cap rates have remained flat from the first quarter. Asset pricing per unit has changed little from pre-COVID levels.
- BC Housing has purchased four hotels between Victoria and Vancouver that will be repurposed into affordable housing complexes. If hotels continue to struggle over the foreseeable future, this could be a blueprint that other housing agencies across Canada follow.

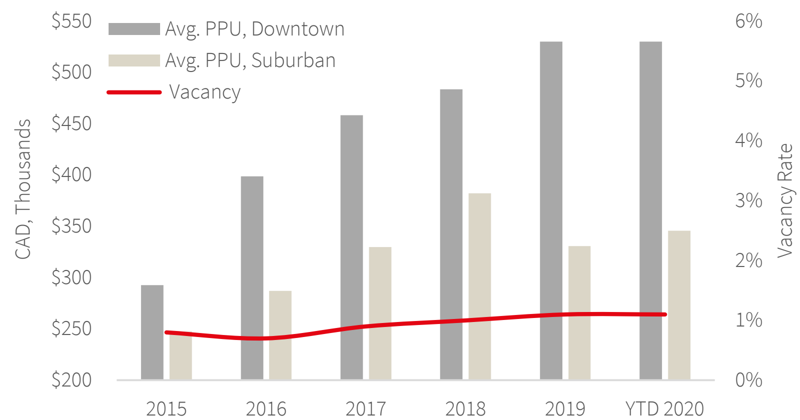
Retail

- Vancouver saw just $84m in retail investment for the first half of the year. The vast majority of sales were freestanding or streetfront properties. Retail owners are recognizing that there are headwinds in the market and it is not an ideal time to sell. We expect more market movement in the second half of the year.
- Retail cap rates ticked up across the board. However, it is worth noting that grocery-anchored assets have performed well throughout the pandemic and continue to be the most coveted among retail investors.
- With property tax assessments based on Highest and Best Use, many retail property owners are tearing down existing structures and planning to redevelop under higher density allowances. Demolitions peaked in 2019 and more landlords are including demolition clauses in leasing agreements. However, this is also leaving some retail corridors with many vacancies, with higher tax assessments being passed on to tenants.

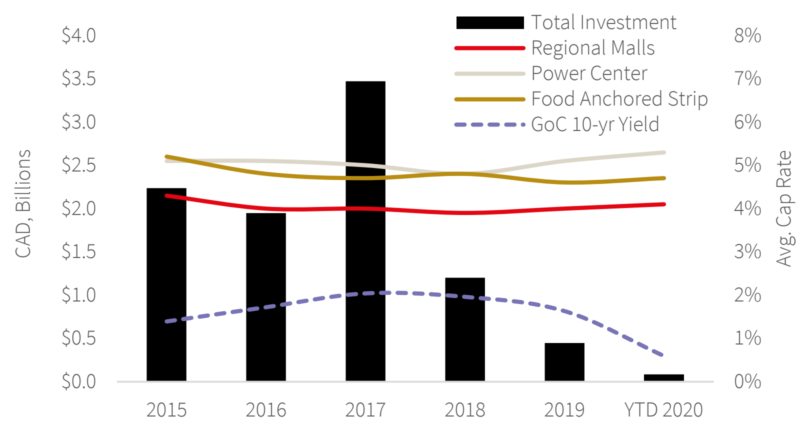
Historical Multifamily Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Historical Retail Investment and Cap Rates



Source: JLL Research, Altus ITS, CMHC

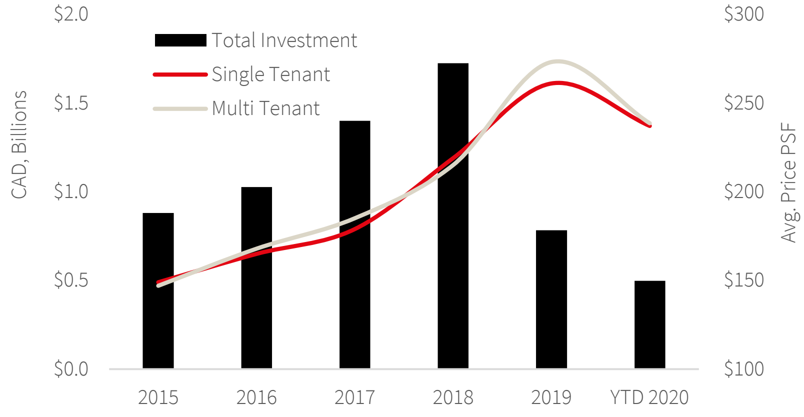
Industrial

- Industrial investment in Vancouver totaled nearly $500m for the first half of the year, keeping pace with last year. This is also in line with the 5-year and 10-year averages for the market, around $900m - $1.1b.
- Industrial cap rates in Vancouver ticked up around 10 basis points on average from the first quarter of the year. Asset pricing fell by approximately 5-10% on a per-square-foot basis.
- On the leasing side, vacancy rose by 30 basis points over the first quarter, now at 2.2%, while average net asking rents increased by 2.3% to $13.52 per square foot.
- Nearly 2m square feet of industrial space have been delivered to the market this year. Much of the new supply has been in Campbell Heights in South surrey, for example Beedie's 530,000 square foot distribution centre for Sobey's. Campbell Heights is emerging as the most active development node in a heavily supply-constrained market.
- Growth in e-commerce skyrocketed this year, spurred on by the COVID-19 pandemic. E-commerce sales increased by 120% compared with April 2019 despite total retail sales in Canada declining by 33% during the same period.
- Another emerging driver in the market has been film production studios. Martini Film Studios has announced that they will build a 600,000 square foot studio facility in Langley, one of the largest industrial projects in the region.
- British Columbia's food security task force released a report recommending that unproductive portions of the Agricultural Land Reserve be used for agro-industrial innovation projects. As agricultural land prices increase, so too are prices of food and animal feed.

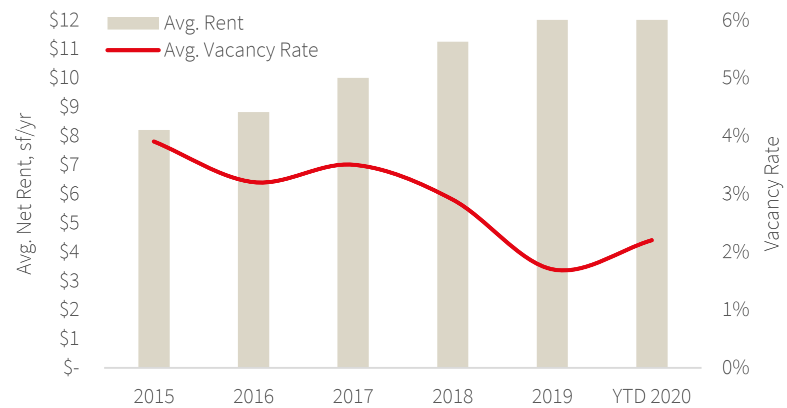
Alternative Assets

- Vancouver saw over $160m in alternative asset trades so far in 2020, including senior housing, automotive dealerships, and recreational facilities.
- Inglewood Private Hospital Ltd. sold the Inglewood Care Centre in North Vancouver to Baptist Housing at a price of $86m, or $375,000 per bed, making this one of the priciest senior housing trades in Canada this year.
- The redevelopment of Lonsdale Square in North Vancouver will kick off later this year, anchored by a 99-unit senior living facility. The project is being developed by Sunrise, a US-based company that is one of North America's largest and oldest assisted senior living developers and operators. The project also includes retail and office components.

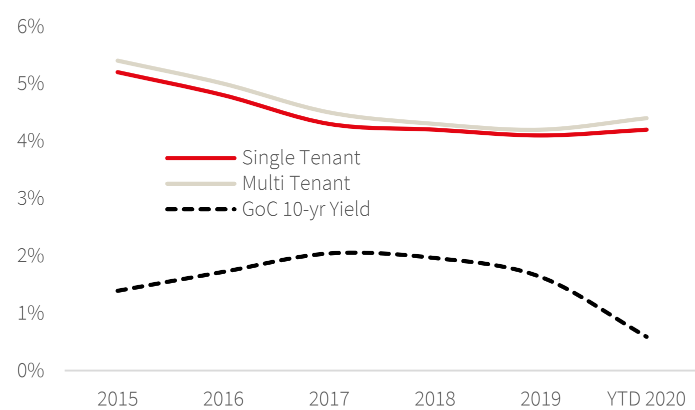
Industrial Investment Volume and Price PSF



Average Industrial Net Rent and Vacancy



Historical Industrial Cap Rates



Source: JLL Research, JLL REIS, Altus ITS

Calgary

Canada Investment Outlook | Mid-Year 2020

Calgary

Canada Investment Outlook | Mid-Year 2020

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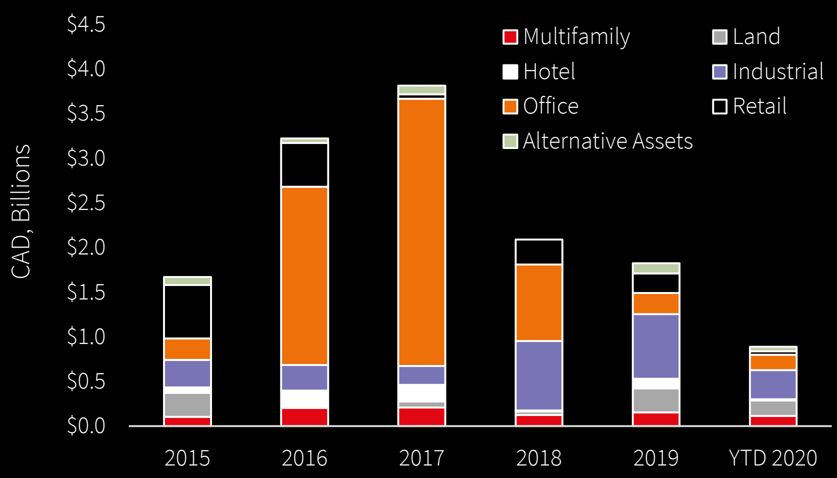
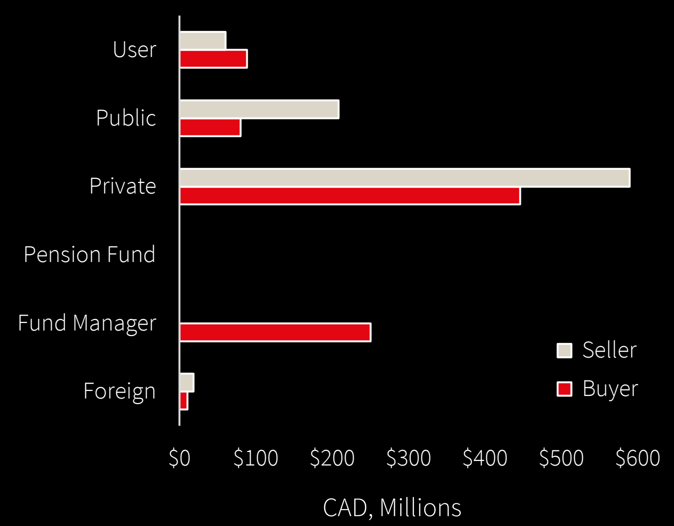


Disclosed Buyer and Seller Pool, YTD 2020



Calgary Buyer Domicile, YTD 2020

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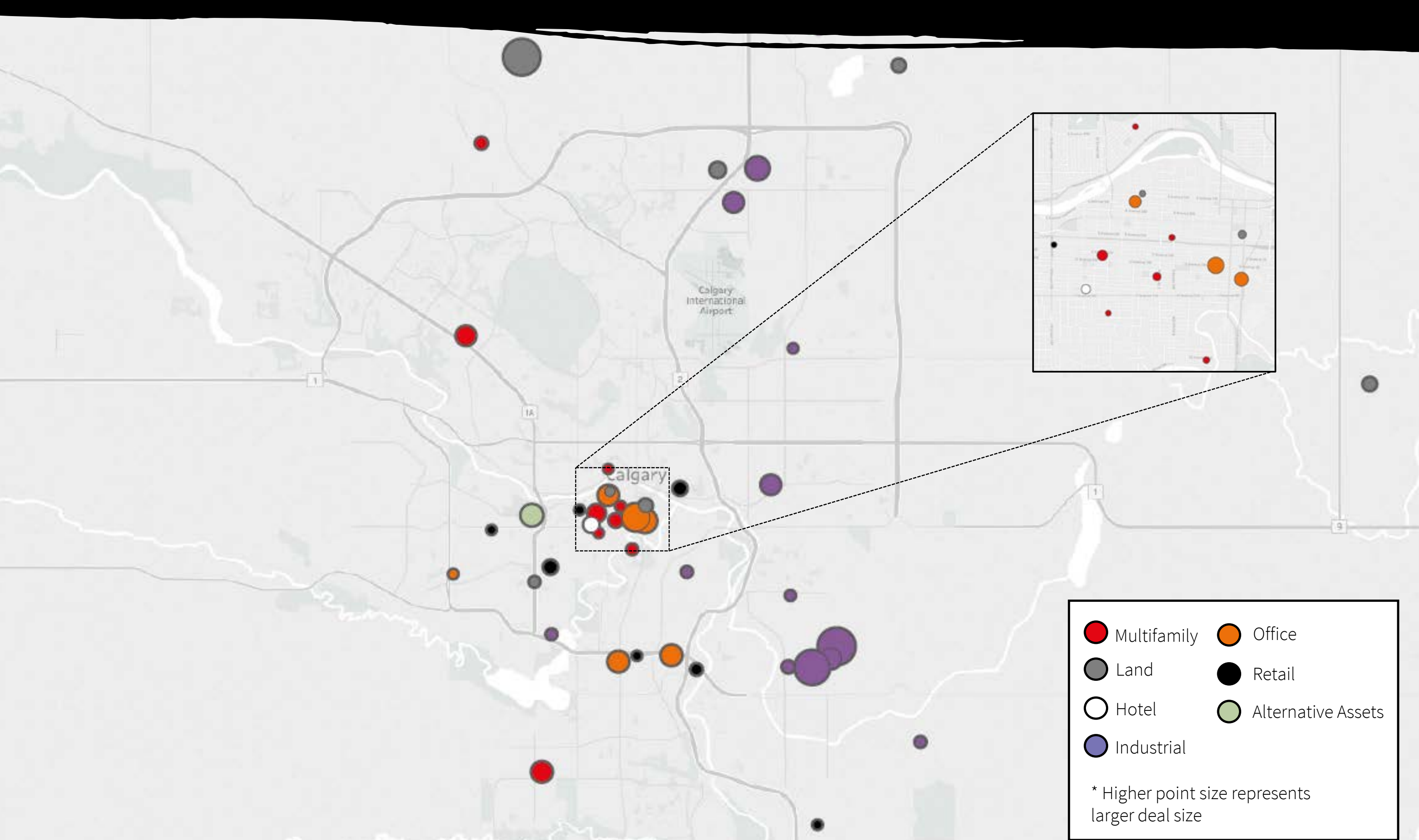


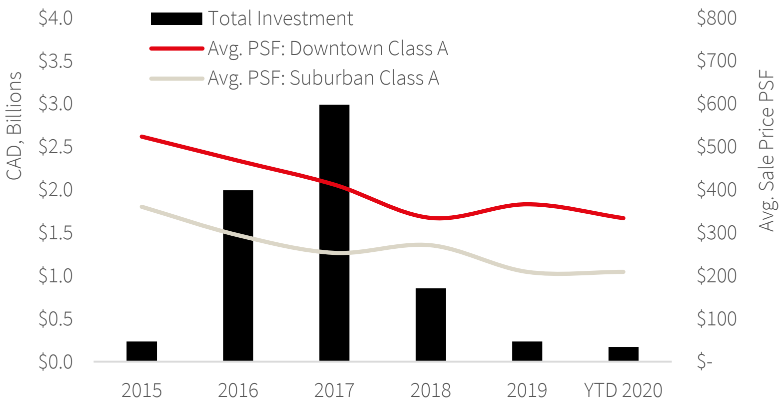
General

- Halfway through the year, investment volumes in Calgary have reached $890m. Industrial ($325m) and development land ($170m) have led the way thus far.
- In March shortly after lockdowns went into effect throughout North America, an oil-price war between Saudi Arabia and Russia pushed global storage capacity to the limit and temporarily caused oil prices to go negative for the first time. Summer and good weather have brought oil prices back to pre-COVID levels, but Western Canadian Select is trading around 60-75% of its price a year ago, which was already low by historical standards. In this current dynamic, 90% of Alberta's oil rigs are sitting idle and many won't be recertified.
- Calgary's tourism industry is also facing immense challenges through the pandemic. With international passenger traffic on hold, resorts in the Rocky Mountains have seen their clientele shrink dramatically.
- Jason Kenney's provincial government is weighing legislation that would make it illegal to evict commercial tenants if the landlord has not pursued CECRA funding. They have also passed the Job Creation Tax Cut, which has lowered corporate taxes from 12% to 8% this year in an effort to incentivize private companies to relocate to Alberta.
- City council voted in June to go ahead with the Green Line light rail build-out. The first 20 km of the 46-km line are expected to cost $5b, with the provincial and federal governments contributing around $1.5b each. Financing remains a concern as the city has struggled with budget issues since the oil market downturn in 2014.

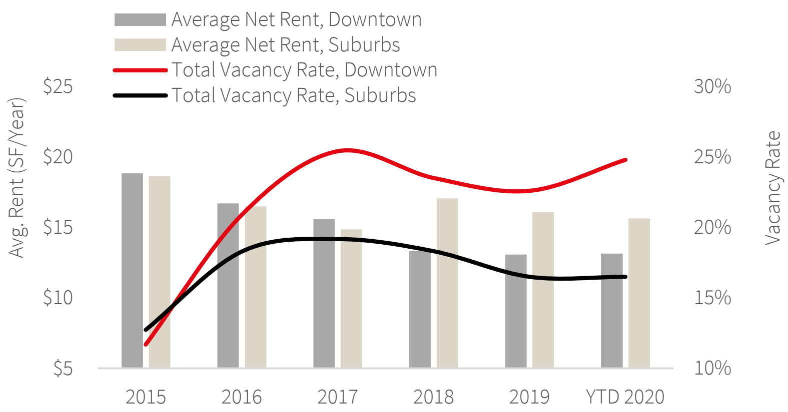
Office

- Calgary saw just $170m in office sales so far this year; each transaction was a carryover from 2019. Half of this liquidity can be credited to Crestpoint, which spent $85m to acquire two high profile assets – TransAlta Place and Stampede Station - at a per-square-foot price of $148 and $218, respectively.
- Cap rates are generally flat in the suburbs, while downtown cap rates have seen a decompression in the range of 20-40 bps. Pricing on a per-square-foot basis has fallen around 40% since the beginning of the oil downturn in 2014.
- The fall in oil prices was a direct blow to office tenants who found themselves suddenly forced to cut capital expenditures and lay off workers. Many are looking at subleasing as a quick alternative to generate much-needed cash flow.
- Downtown vacancy is up over 200 basis points from Q4 2019 to 25%, while suburban vacancy is flat from that quarter at 16.5%. We expect vacancy to continue rising in the second half of the year as tenants gain more clarity on what their required footprint will be, and how much space they need to sublease.

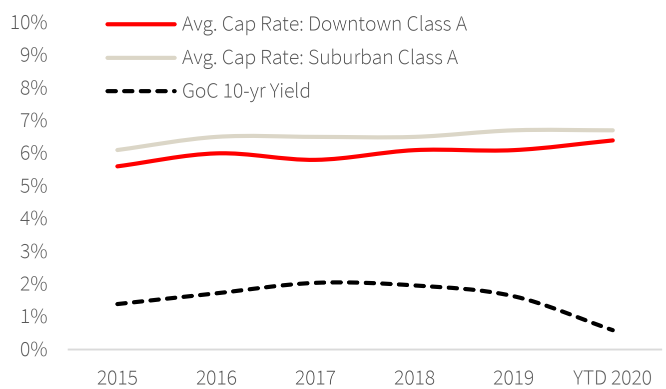
Office Investment and Price PSF



Office Net Rents and Vacancy



Office Cap Rates



Source: JLL Research, JLL REIS, Altus ITS

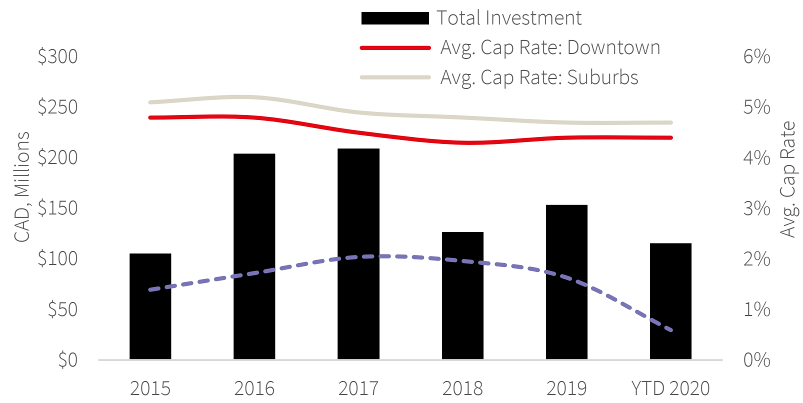
Multifamily

- Multifamily investment volumes reached $115m for the first half of the year, keeping pace with its historic average. Transaction activity was driven almost exclusively by private groups.
- After compressing slightly in Q1 2020, cap rates remained flat for downtown rental in the second quarter, maintaining an average of 4.4%. Suburban rental buildings saw cap rates rise by around 20 basis points on average, to 4.7%.
- Calgary has the highest homeownership rate of any major Canadian city at 73%, and the lowest ratio of rental units per 100 people at 2.6 (the national average is over 7). However, Calgary has seen an uptick in new rental supply over the past few years with over 1,300 units added annually. This is far outstripped by the condo market, though, which has added over 3,100 units annually over the past ten years.
- Alberta's government has issued a moratorium on rental evictions during the pandemic. This ban is set to expire on August 31st.
- The non-profit organization Horizon Housing Society has purchased the Elan, a local hotel, with plans to convert it to 62 affordable housing units. With hotel occupancy down significantly since the beginning of the pandemic, this trend could play out in cities across Canada.

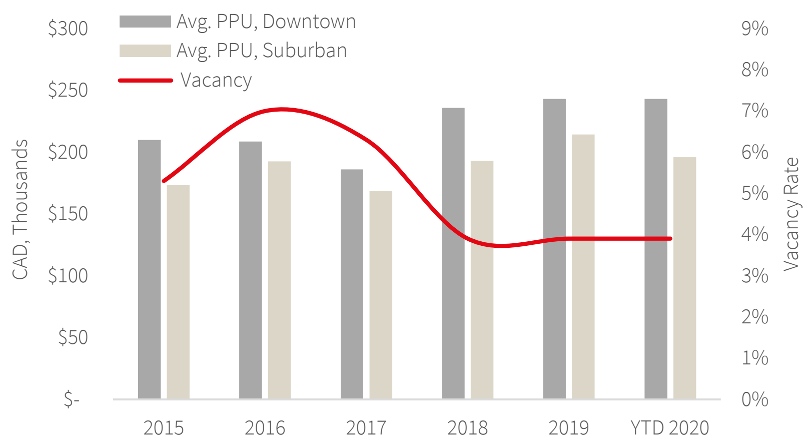
Retail

- Retail investment was almost non-existent in the first half of the year with just over $40m in total sales. Retail assets across the country have been discounted, and this is especially the case in Calgary which faces even more headwinds. Grocery-anchored retail saw cap rates fall slightly, with other segments of the market seeing cap rate hikes in the order of 20-40 basis points.
- Given their relatively low caseloads, Calgary and Edmonton were the first major Canadian cities to reopen restaurants, with protocols that are less stringent than in Eastern Canada.
- Marijuana companies have been deemed an essential business during the pandemic. Calgary-based Canna Cabana is taking advantage of cheap retail space to expand nationally, however larger cannabis companies like Canopy and Aurora have struggled mightily this year as costs mount and sales have not met expectations.
- City council voted 4-3 to cap property tax increases at 10%, costing the city an estimated $30 million. While the rebates are a welcome measure to mitigate the burden of a shifting tax base, dissenting councilors argue that they are fueling unrealistic expectations of indefinite property tax rebates. Since 2017, the city has spent a total of $250m on tax relief for small businesses.

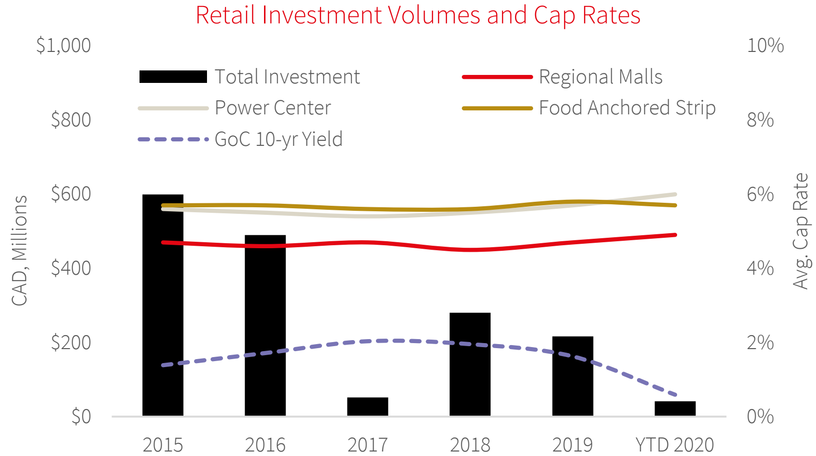
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Unit and Vacancy



Retail Investment Volumes and Cap Rates



Source: JLL Research, Altus ITS, CMHC

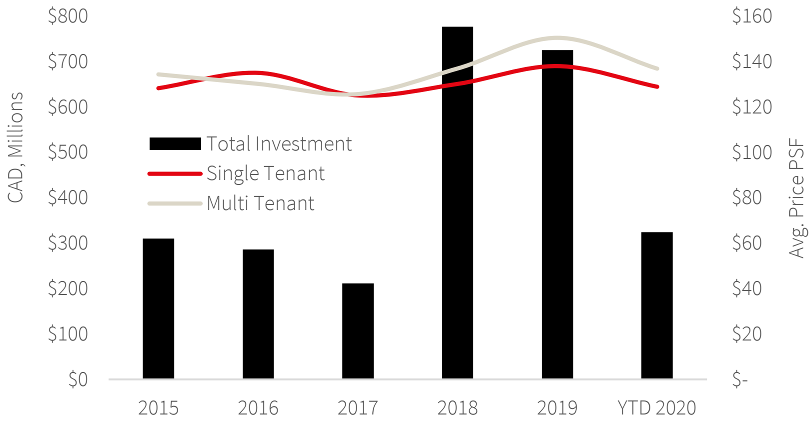
Industrial

- Once again, Calgary's industrial market has posted strong numbers while other asset classes have struggled to generate liquidity. Calgary has seen $325m in industrial sales halfway through the year, which despite the difficult circumstances puts the market ahead of its 5-year average.
- There has not been much discernible change in pricing from pre-COVID to now. Cap rates have ticked up by around 10 basis points, but quality assets continue to attract multiple offers. The buyer pool has been very diversified this year, with fund managers, REITs, private investors, and end users all actively pursuing acquisitions. Only pension funds are on the sidelines.
- Skyline REIT made the largest acquisition of the year in Calgary by acquiring a 1.2m-square-foot warehouse portfolio for $132, or $113 per square foot. The four-property portfolio was 98% leased and offers exposure to e-commerce and food distribution.
- Lowe's Canada agreed to a lease transaction with Highfield Investments Group for a 1.24m square feet in Balzac that will house their new Western Canada distribution. The building is now under construction with occupancy slated for Q3 2021.
- Rents continued to climb for both single and multi tenant facilities while net absorption is up by almost one million square feet on the year. Overall vacancy actually fell in Calgary to 7.8% from 7.9% in Q1, but the availability rate increased by 60 basis points. A limited construction pipeline for the next two years will moderate the expected COVID-induced vacancy.

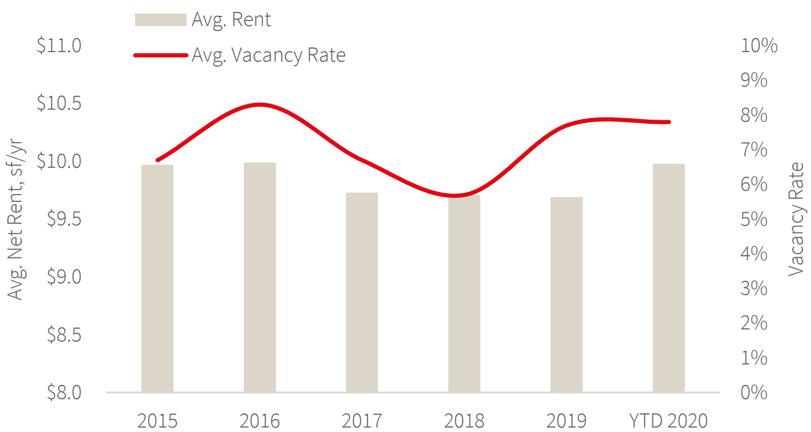
Alternative Assets

- Calgary saw just $50m in trades for alternative assets in the first half of the year.
- The largest transaction thus far this year was a senior housing land trade at 2500 Bow Trail SW. Carma Ltd. acquired the 13.24-acre site from Silvera for $30m, or $2.27m per acre.
- Campus Suites is set to deliver The Hub, a 509-bed mixed use, purpose built student rental housing development located between University of Calgary and SAIT. Campus Suites has several projects throughout the United States and Canada, including The Arc at University of Manitoba and the Quad at York University.
- Global design company HOK and local company Dialog won the contract to design the new Calgary Flames arena that will replace the iconic but aging Saddledome. These companies also worked together on Edmonton's Rogers Place.

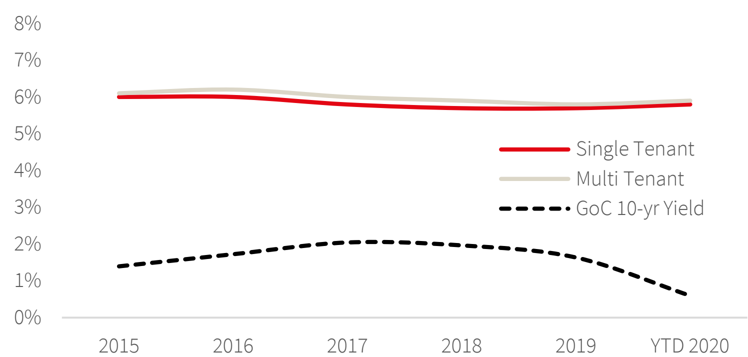
Industrial Investment Volume and Price PSF



Average Industrial Net Rent and Vacancy



Historical Industrial Cap Rates



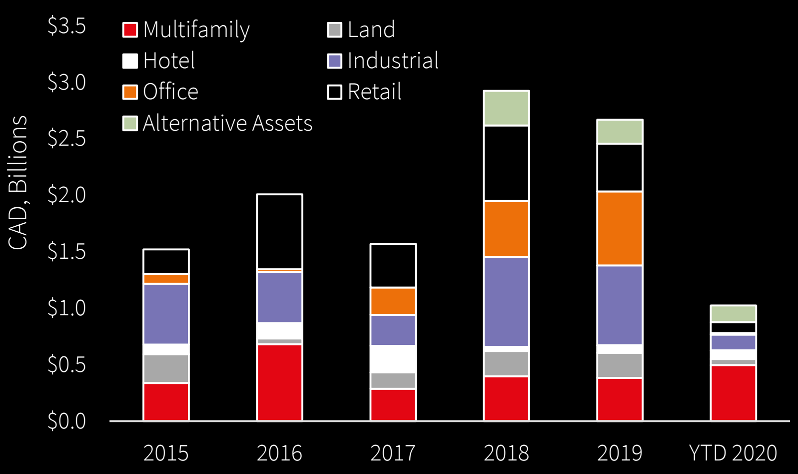
Source: JLL Research, JLL REIS, Altus ITS

Edmonton

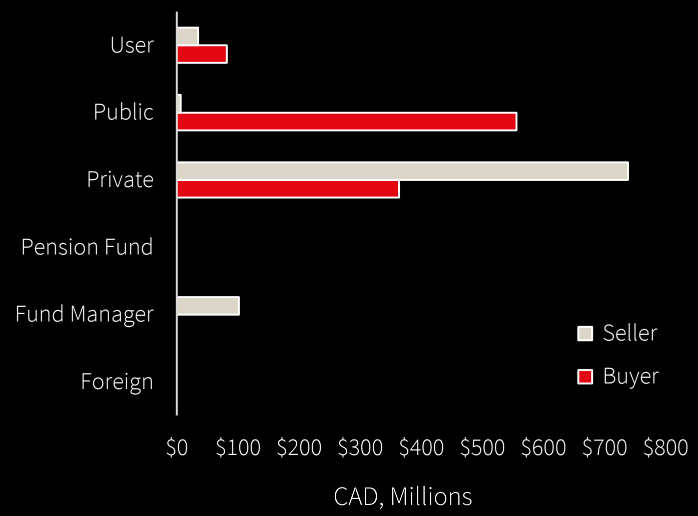
Canada Investment Outlook | Mid-Year 2020

Edmonton

Historic Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, YTD 2020

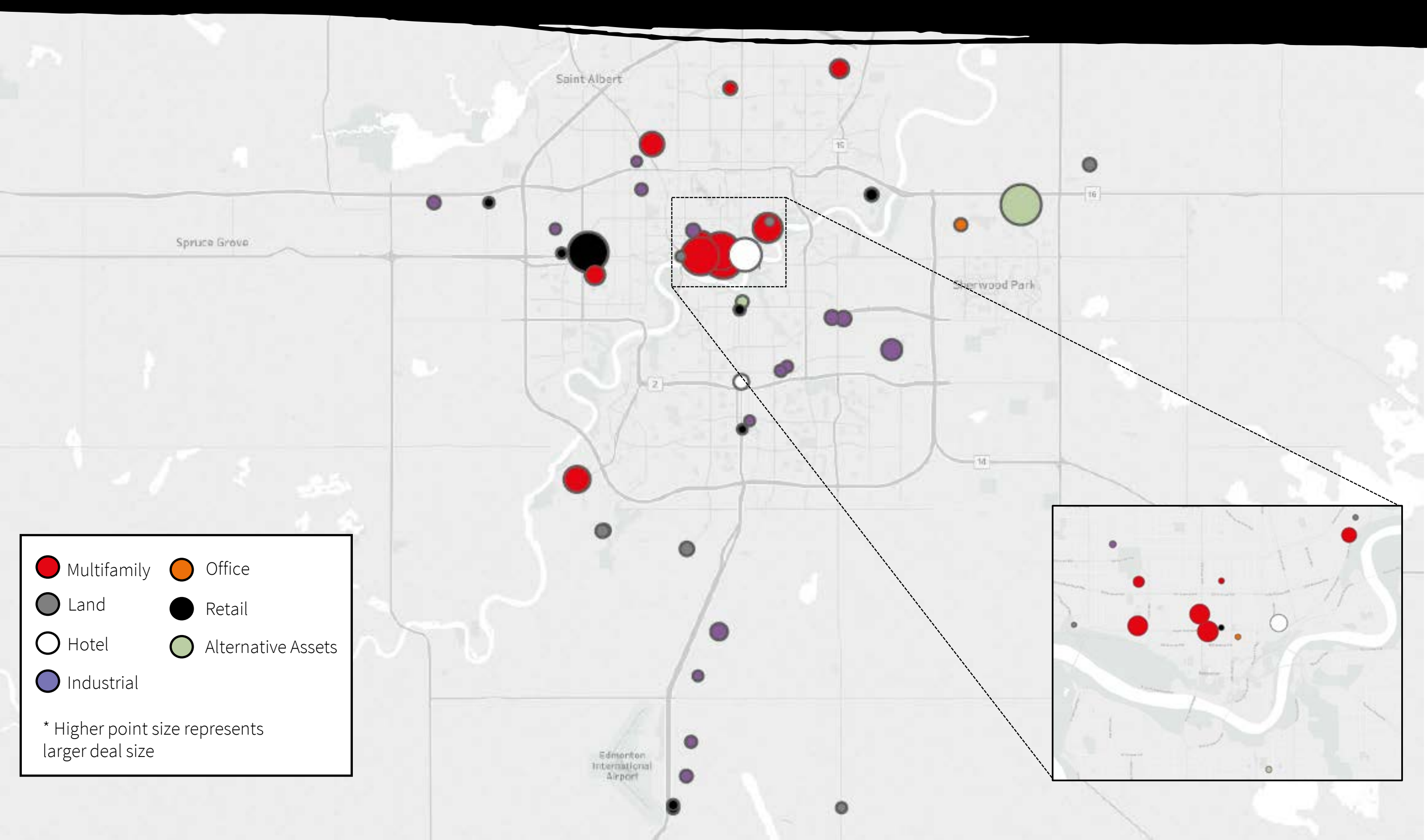


Edmonton Buyer Domicile, YTD 2020

Canada **99%**

Unknown **1%**

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



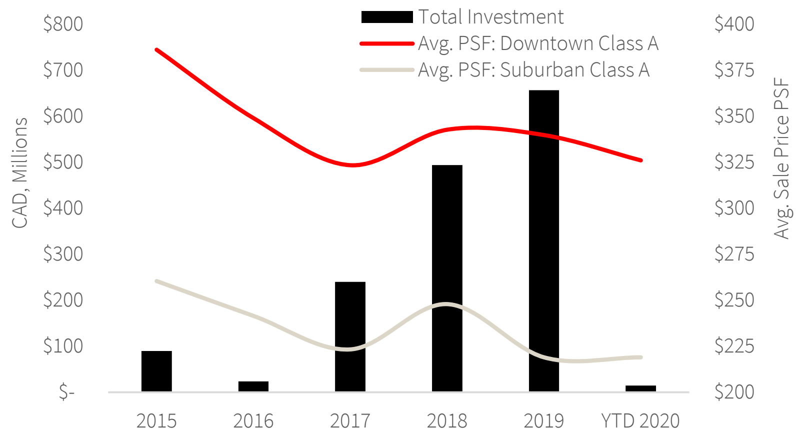
General

- Investment flows into Edmonton have surpassed $1b halfway through the year, driven largely by a strong multifamily sector.
- In March shortly after lockdowns went into effect throughout North America, an oil-price war between Saudi Arabia and Russia pushed global storage capacity to the limit and temporarily caused oil prices to go negative for the first time. Summer and good weather have brought oil prices back to pre-COVID levels, but Western Canadian Select is trading around 60-75% of its price a year ago, which was already low by historical standards. In this current dynamic, 90% of Alberta's oil rigs are sitting idle and many won't be recertified.
- Jason Kenney's provincial government is weighing legislation that would make it illegal to evict commercial tenants if the landlord has not pursued CECRA funding. They have also passed the Job Creation Tax Cut, which has lowered corporate taxes from 12% to 8% this year in an effort to incentivize private companies to relocate to Alberta.
- Edmonton and Toronto were selected to host the remainder of the NHL's 2019-2020 season. Western conference players from eight teams will eat, sleep, and play in the Ice District throughout the month of August.
- Edmonton city council has voted to eliminate minimum parking requirements for new projects, giving developers more discretion and paving the way for more walkable development patterns. This move has been widely cheered by a broad coalition of stakeholders: developers are happy to have more control and more income generating floor area, while urbanists applaud it as a measure that will create more walkable spaces and mitigate traffic congestion.

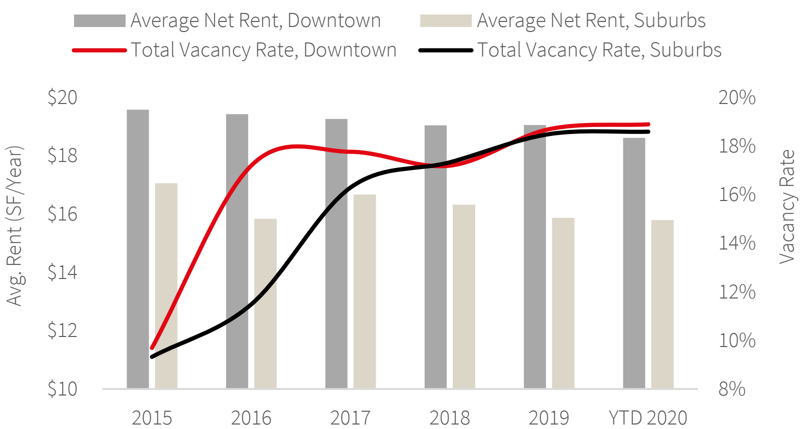
Office

- After several high profile downtown office buildings traded last year, Edmonton's office market has been very quiet this year with sale activity close to nil.
- The benchmark cap rates for suburban office stayed flat at 6.8%. Downtown product saw cap rates rise due to COVID, with the benchmark Class "A" rate ending Q2 at 6.4% and Class B closing in on 8%.
- Net absorption is at negative 18,000 square feet for the year, though the market gained almost 30,000 square feet of positive net absorption in the second quarter. Sublease availability increased by almost 70,000 square feet with 45,000 of this coming downtown. Sublease vacancy is expected to grow over the rest of the year after tenants re-assess their space needs.
- Average asking rents fell for the second consecutive quarter, landing at $17.31 psf overall - $18.62 psf for downtown office and $15.80 net for suburban.

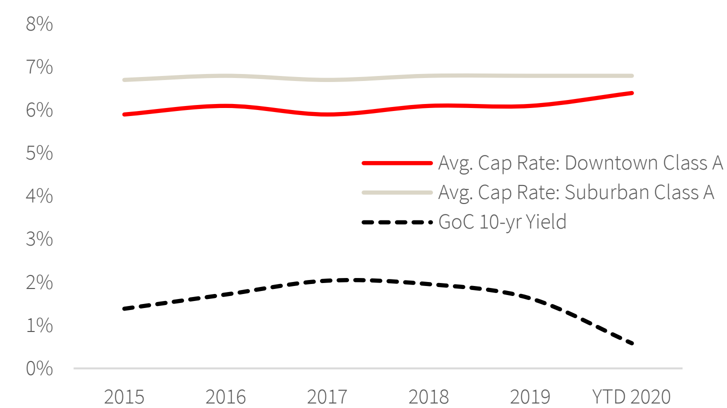
Office Investment Volumes and Price PSF



Office Net Rents and Vacancy



Office Cap Rates



Source: JLL Research, JLL REIS, Altus ITS

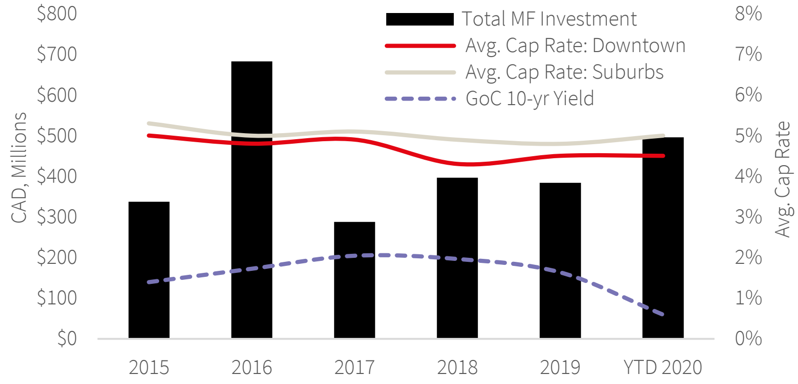
Multifamily

- In a down year for the investment market across Canada, one bright spot has been the multifamily market in Edmonton, which has accounted for almost half of all investment sales in the city this year at $495m. Multifamily sales in Edmonton have already exceeded totals for the past three years, though it is worth noting that most of this liquidity was for transactions that had gone firm in 2019 and closed in early 2020, before the market priced in the effects of COVID-19.
- Pricing has fallen more for suburban multifamily since the beginning of the pandemic. Cap rates have risen by around 20 basis points in the suburbs to an average of 5%, compared to downtown multifamily cap rates which have held steady at 4.5%. REITs – particularly CAPREIT and Centurion - have been very active this year, accounting for 75% of all capital flows.
- Centurion completed a portfolio acquisition of four Edmonton assets (as well as one in Victoria and one in Regina), totaling over 1,300 units and giving them immediate exposure to the more favourable yields of Western Canada. The Edmonton properties they acquired are relatively new, prominent, and well located in the city's Oliver neighbourhood. Taken together, the acquisitions suggest a portfolio PPU of about $313,000, with an overall cap rate of around 4%.
- Multifamily vacancy has fallen steadily since 2016 and now sits at 4.9%, according to CMHC.
- Alberta's government has issued a moratorium on rental evictions during the pandemic, which is set to expire on August 31st.

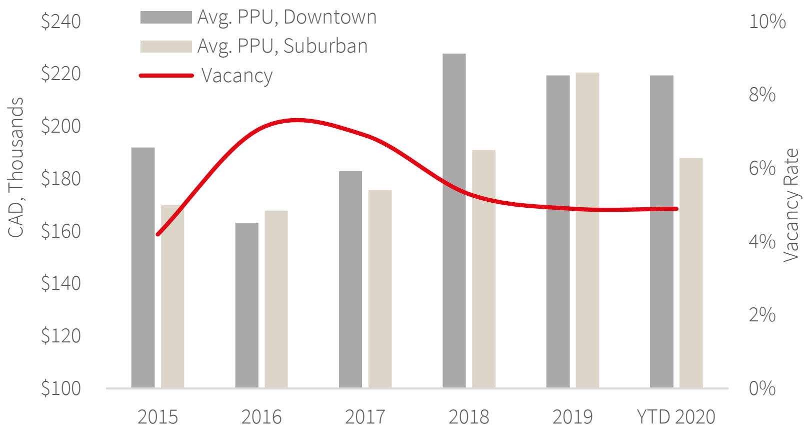
Retail

- Retail investment sales have been extremely low thus far in 2020 at about $97m.
- Cap rates have risen across the board for all retail subtypes, with the exception of grocery-anchored strip malls, which held steady at an average of 5.7%.
- Edmonton retail developers will probably be the most directly affected by city council's decision to abolish minimum parking requirements. The decision should open up significant value capture opportunity for landlords while ultimately providing consumers with a more community-oriented experience.
- RioCan purchased a 50% share in the Mayfield Commons shopping plaza from Sun Life Financial at a price of $56m, or $260 psf. The asset benefits from a prominent location at the corner of 170th and Stony Plan Road, and proximity to West Edmonton Mall.
- City council has approved the planned redevelopment of Jasper Gates Shopping Centre, which will be led by RioCan and Stantec and will benefit from access to the Valley Line LRT.
- Hudson's Bay has decided to close their location in Edmonton City Centre, as they look to restructure their bricks-and-mortar footprint.

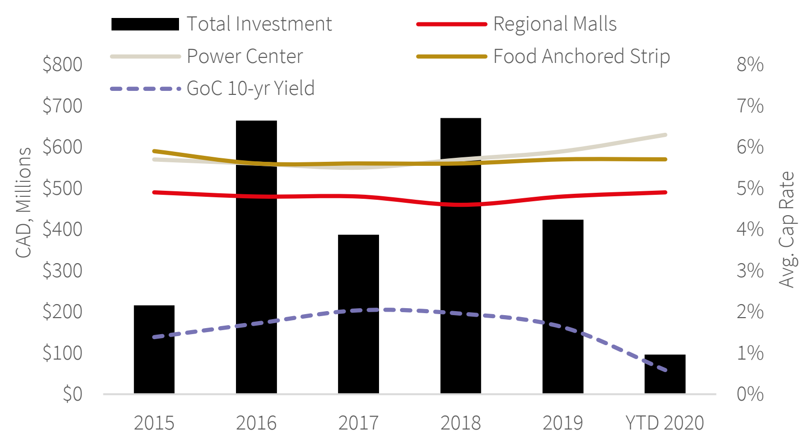
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates

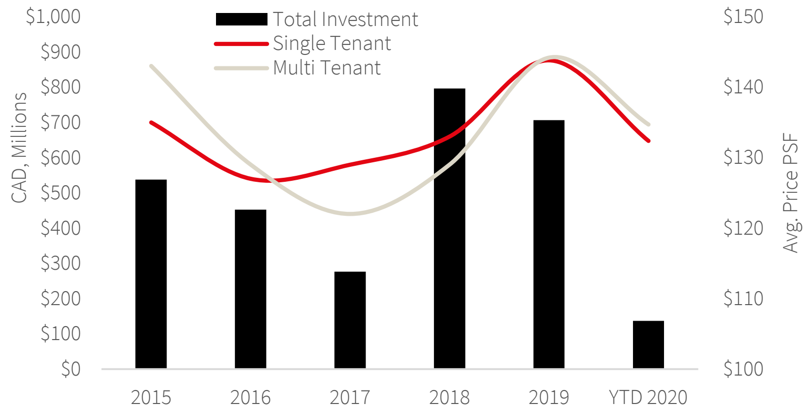


Source: JLL Research, Altus ITS, CMHC

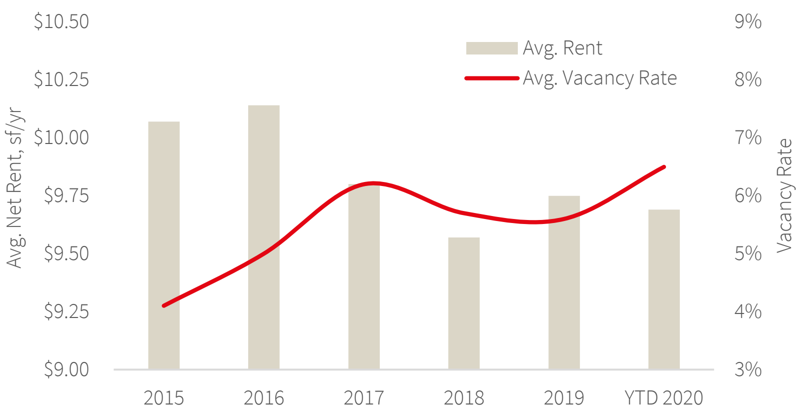
Industrial

- Investment flows in the Edmonton industrial market have been muted throughout the course of the year, with just $136m in overall liquidity. Private groups have dominated the market this year, accounting for nearly 90% of all acquisitions.
- Industrial cap rates in Edmonton ticked up slightly, with multi-tenant properties seeing a 30 basis point hike from Q1, up to 6.1%. Single tenant buildings saw a more modest hike of around 10 basis points, for a benchmark rate of 6%.
- Asset pricing on a per square foot basis is down by around 5-7% from the first quarter, with single-tenant buildings averaging $132 psf and multi-tenant buildings at $135 psf.
- Integrated Asset Management sold off a three-property industrial portfolio, netting a total of $25m for a weighted average of $128 per square foot, and a weighted cap rate of 6.5%.
- Strong demand for high quality distribution and warehouse space due to the accelerated adoption of e-commerce has pushed the market to lease up 330,000 square feet in the second quarter after a Q1 that saw nearly 1m square feet in negative absorption. Companies such as DT Tire, Indigo Wholesale Inc., SMS Equipment, and Alberta Health Services signed large leases in the second quarter.
- The city of Edmonton announced a 2% property tax reduction for businesses in an attempt to provide some relief during the pandemic.

Industrial Investment Volumes and Price PSF



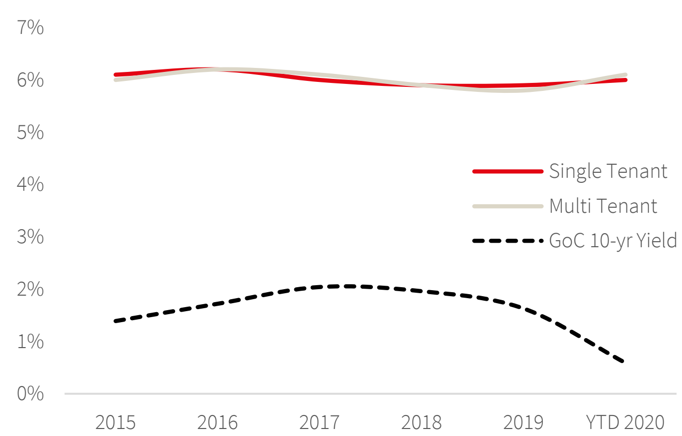
Average Industrial Net Rent and Vacancy



Alternative Assets

- So far this year we have seen around $147m in total trades for alternative assets in Edmonton, including seniors housing facilities and automotive dealerships.
- The most prominent transaction was Chartwell Retirement Residence's acquisition of 6101 Eton Boulevard, a 2.6-acre parcel where they plan to build an assisted living facility. The site is located in Sherwood Park with close proximity to Yellowhead Highway and surrounding amenities.
- Avenue Living is launching Mini Mall Storage with recent openings in Camrose and Medicine Hat.
- Alignvest Student Housing has entered into a binding contract to acquire a 37-unit purpose built student accommodation building at White Avenue and 110 St, in close proximity to the University of Alberta.

Industrial Cap Rates



Source: JLL Research, JLL REIS, Altus ITS

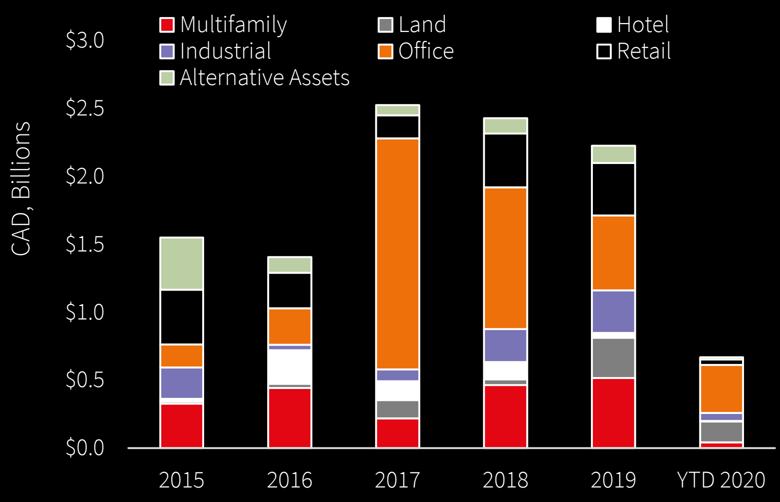
Ottawa

Canada Investment Outlook | Mid-Year 2020

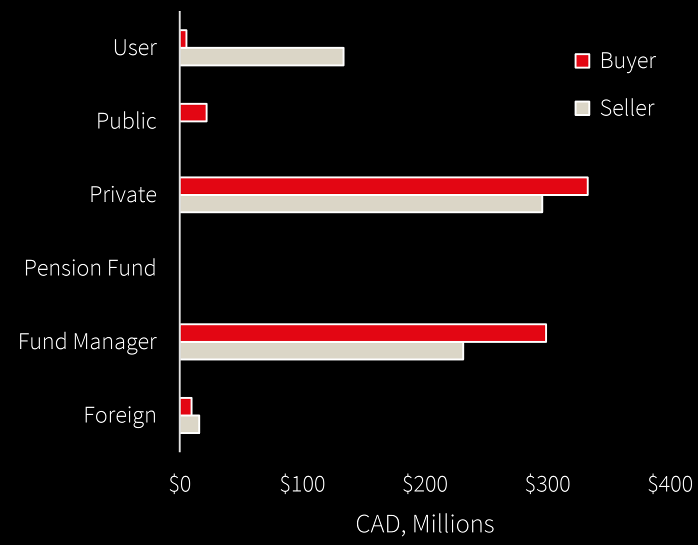
Ottawa

Canada Investment Outlook | Mid-Year 2020

Historic Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, YTD 2020

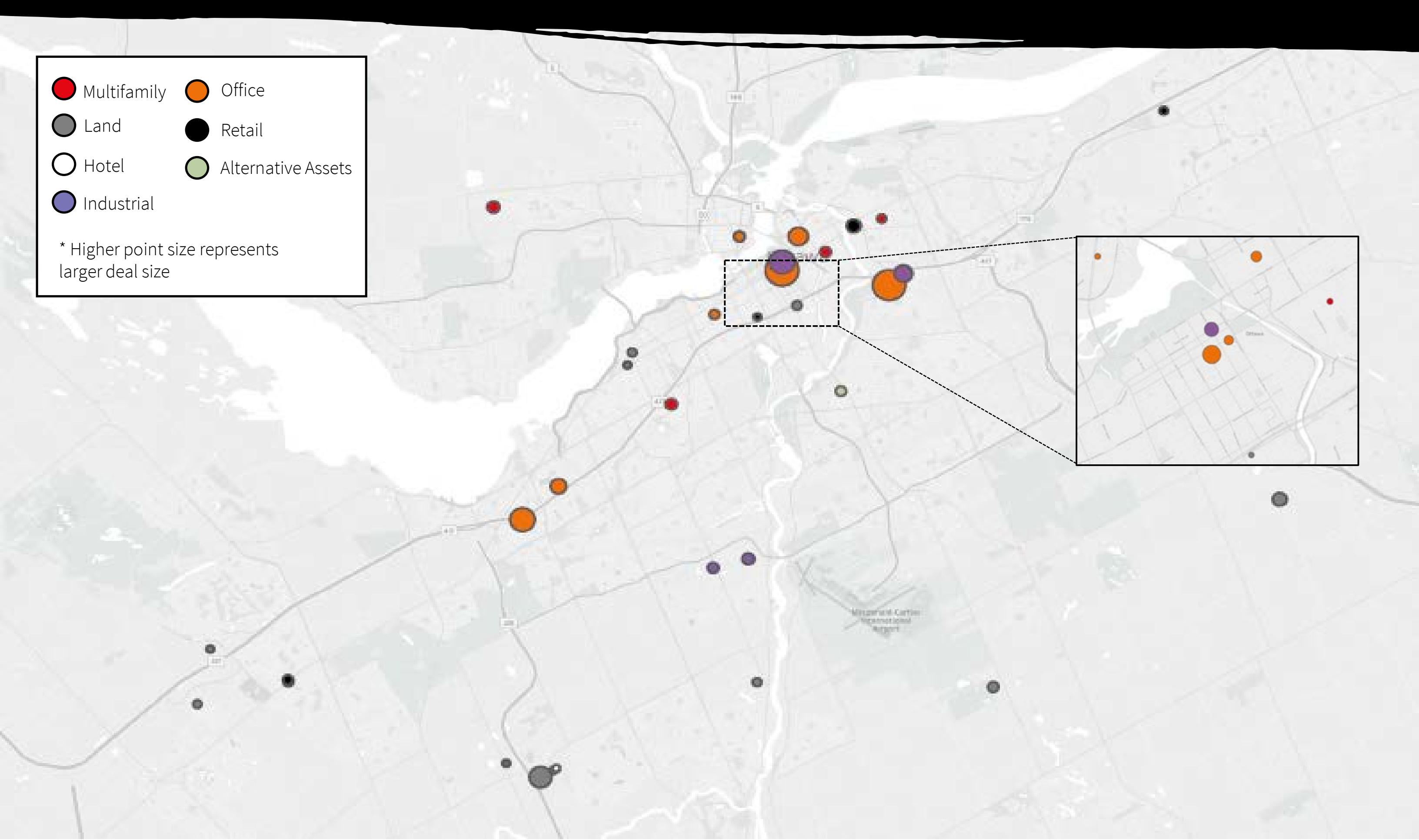


Ottawa Buyer Domicile, YTD 2020

Canada **99%**

Unknown **1%**

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



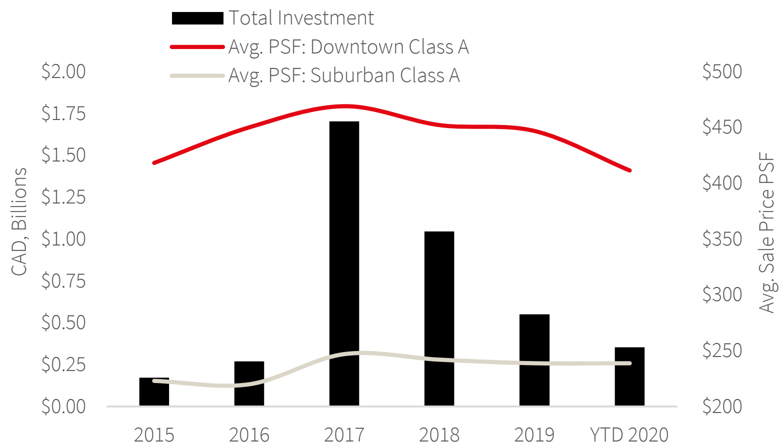
General

- Investment volumes in the nation's capital reached $670m for the first half of 2020. Ottawa's three-year run of topping $2b in total sales will probably come to an end. On an encouraging note, several high profile transactions closed in the second quarter, suggesting that investors are not scared away by the pandemic.
- With over $500b in stimulus funding announced since March, Ottawa's economy is expected to benefit from countercyclical tailwinds as the federal government adds staff to deal with the effects of the pandemic. Indeed, the National Capital Region's unemployment rate of 10.1% is by far the lowest in Canada since the pandemic started.
- With construction on the Trillium Line officially breaking ground in May, all Phase 2 lines are now under construction. In total, Phase 2 will add 44 km of track and 24 stations at a cost of around $4.6 billion.
- Ottawa city councilors approved a plan to expand the city's urban boundary by between 1,350 - 1,650 hectares of development land, with an intensification target of 51% through 2046.
- In light of the pandemic, the National Capital Commission is halting a call for proposals to develop the National Library at LeBreton Flats, another blow to the parcel's long-delayed development plan.

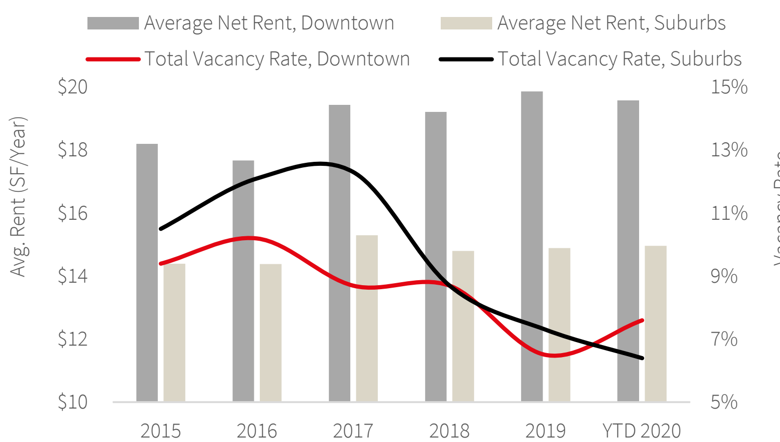
Office

- Office investment volume totaled just over $350m for the first half of the year. Fund managers have been the most active buying cohort, accounting for 70% of all liquidity.
- Cap rates are not expected to increase by much, but we have detected a slight decompression in the order of 10-20 basis points, reflecting general uncertainty surrounding the future use of office space and how the federal government will adapt.
- There were a handful of notable office sales in the first half of 2020, each closing during the pandemic. BentallGreenOak bought 395 Terminal Avenue, a Class "A" building adjacent to the VIA Rail station, for $97.5m, or $361 psf. Crestpoint acquired a 50% stake in 234 Laurier from Slate at a price of $92m, or $407 psf. Finally, Crown Realty Partners purchased a portfolio of seven Class B and C office properties totaling 415,000 square feet at an overall price of $56m, or $135 psf. These transactions are illustrative of institutional investors' bullish sentiment towards Ottawa with its strong fundamentals and favourable risk-adjusted yields.
- Vacancy was up by 40 basis points from the first quarter, despite significant occupancy gains in the Kanata and Nepean submarkets. Net rents have fallen across the board since the first quarter.
- The federal government is looking to partner with a developer to design, build, and manage a transit-oriented, 1.6-million square foot office and mixed use development at the corner of Tremblay Road and St. Laurent Boulevard. The site could eventually become a large-scale office node in the city, housing up to 4,000 daily employees.

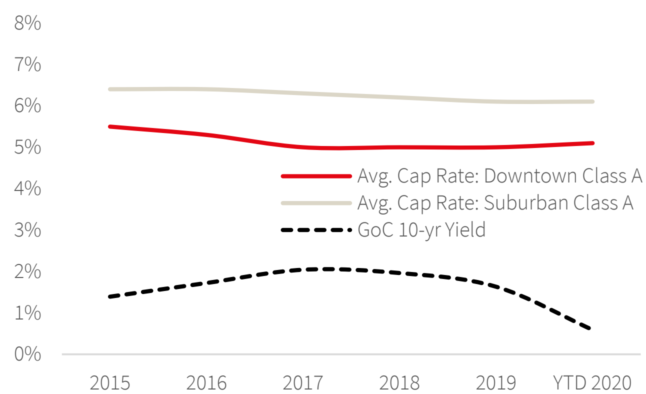
Office Investment Volumes and Price PSF



Office Net Rents and Vacancy



Office Cap Rates



Source: JLL Research, JLL REIS, Altus ITS

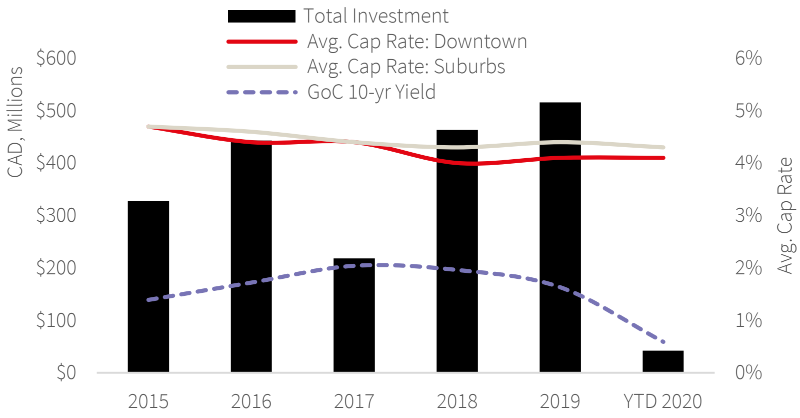
Multifamily

- Multifamily investment in Ottawa has fallen significantly this year after reaching record levels in 2019. Only a handful of transactions were reported, totaling $40m.
- Nevertheless, multifamily pricing has not skipped a beat from its general upward trajectory. Average sale price per unit has risen, especially in the suburbs, while cap rates have been flat since the end of 2019, averaging 4.1% for downtown buildings and 4.3% for suburban. These figures reflect advantageous countercyclical fundamentals, both for Ottawa's economy in the context of a recession, and for multifamily as a relatively safer investment than other property types at the moment.
- With the National Capital Region straddling Ontario and Quebec, evictions policies for both provincial governments are highly relevant. Both have issued a moratorium on rental evictions, and both will be lifting the eviction by the beginning of August.
- A consortium of developers got the go-ahead to build 850 rental apartment units along with a 175-suite hotel near Cyrville Station.
- Richcraft development is looking to build a trio of residential towers near the Baseline LRT station that would add nearly 600 units.

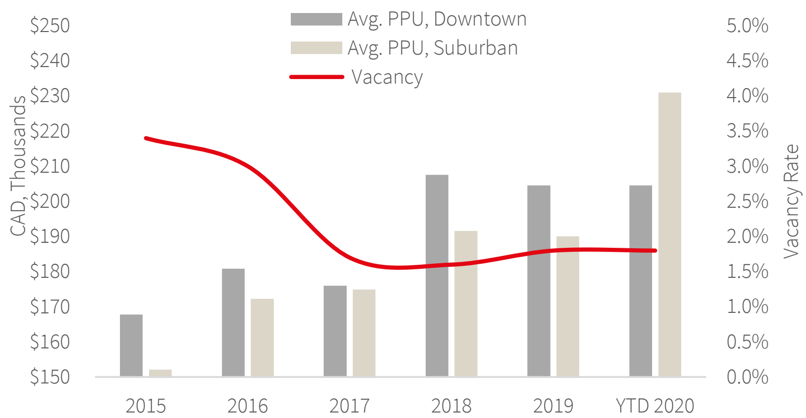
Retail

- Retail investment volumes have been quiet this year with only $40m in total sales.
- Retail cap rates have held steady so far this year, though appraised cap rates for regional malls have risen by 20 basis points since the end of 2019.
- The abrupt and ubiquitous shift to e-commerce in light of the pandemic has driven astonishing revenue growth for Shopify, a supplier of e-commerce software solutions. The Ottawa-based company is now the most valuable company on the TSX, with a market capitalization of approximately $160b as of the end of Q2.
- Mixed use densification continues to be the theme across the market. The following transactions highlight this trend:
  - Colonnade Bridgeport and Fiera Real Estate formed a joint venture to acquire five acres of development land adjacent to the Ottawa VIA Rail station. The site is zoned for up to 2.3m square feet of mixed use space, with the possibility to construct up to 30 storeys.
  - Main & Main purchased the Centre D'achats retail plaza at River Road and Rideau Street. The underperforming strip centre will eventually be repurposed into residential units with views of the Rideau Canal.
  - Ivanhoe Cambridge and KingSett are developing a 500-unit high-rise project adjacent to Bayshore Shopping Centre.
  - First capital is planning to build two residential towers adjacent to Merivale Mall.

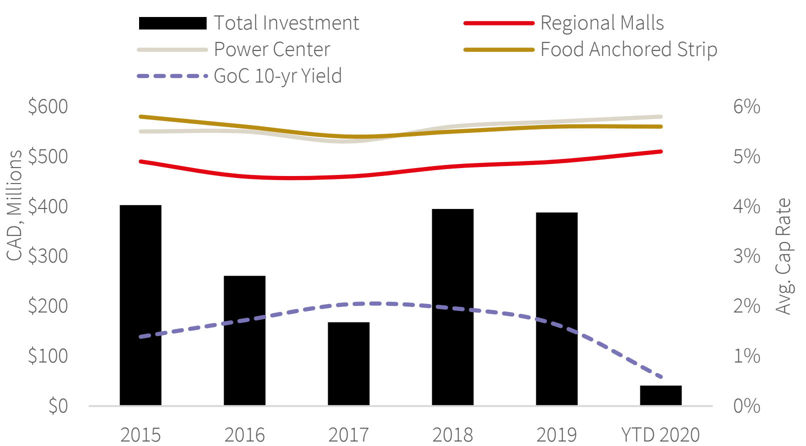
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates



Source: JLL Research, Altus ITS, CMHC

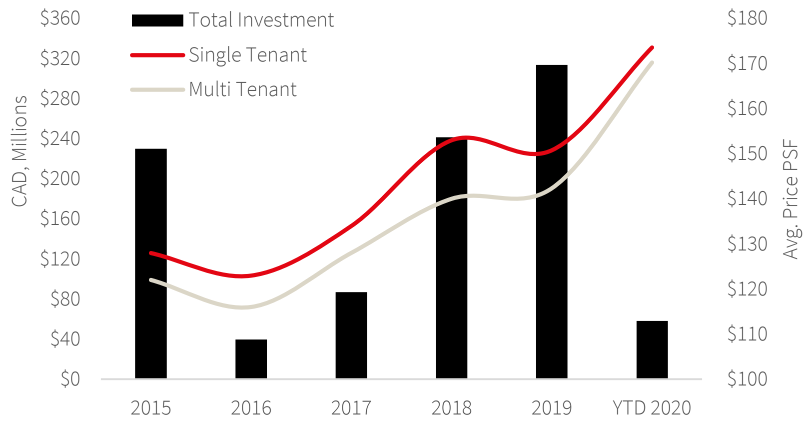
Industrial

- Industrial investment in Ottawa reached $58m for the first half of 2020, with the handful of deals coming after lockdown. Compared with Q4 2019, pricing on a per-square-foot basis in the market is up considerably thanks to very limited supply, though appraised values are down compared to Q1. Cap rates are generally flat over the past few quarters.
- The leasing market did not see much of a change in fundamentals either. Both availability and vacancy declined in the second quarter and remain only slightly off historic lows seen in 2019. Net rents are on the rise, averaging $11.65 per square foot up from $11.18 in Q1.
- On the heals of its successful Amazon venture, Broccolini has announced the construction of the second distribution centre for the e-commerce giant in Ottawa. The new facility will offer floorplates of 450,000 square feet, spanning five stories and totaling approximately 2.7m square feet. Located in Citigate Business park in Barrhaven, it is scheduled to be operational in 2021.
- With development land difficult to come by in the city, developers and users are moving further afield. Loblaws is shuttering its non-perishable distribution centre in Laval and Ottawa, and consolidating into a fully automated centre in Cornwall that will service Eastern Canada. Giant Tiger only a few years ago broke ground on its state-of-the-art 600,000-square foot distribution centre in nearby Johnstown.
- After acquiring the warehouse automation and artificial intelligence company 6 River Systems last year, Shopify announced plans to build a research and development centre in Ottawa to test new warehouse robotics and fulfillment technologies first-hand. Site selection for this project is currently in progress.

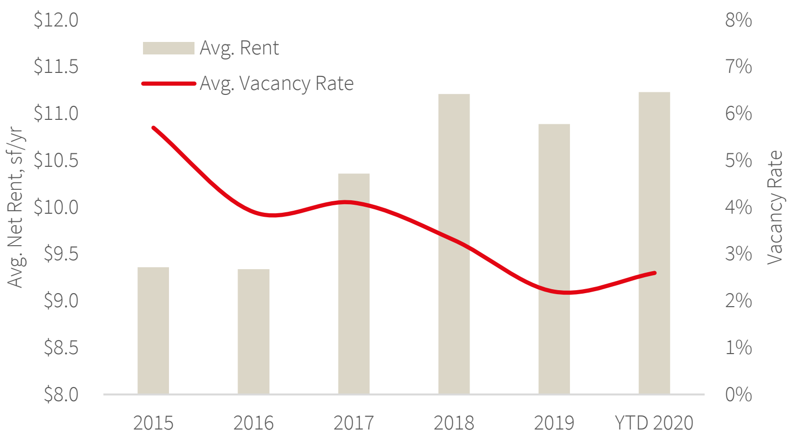
Alternative Assets

- Investment volume for alternative assets totaled just $15m between seniors housing and automotive dealerships.
- An abundance of mixed use densification projects has prompted developers to consider combining new uses like self storage and seniors housing.

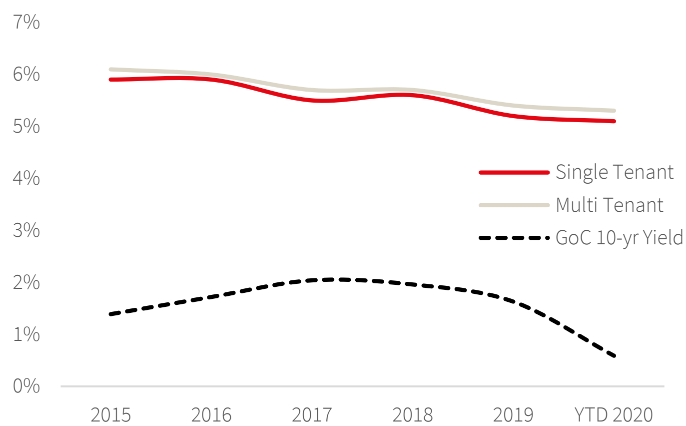
Industrial Investment Volumes and Price PSF



Average Industrial Net Rent and Vacancy



Historical Industrial Cap Rates



Source: JLL Research, JLL REIS, Altus ITS

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