JLL

Canada Investment

Outlook

Year-End | 2020

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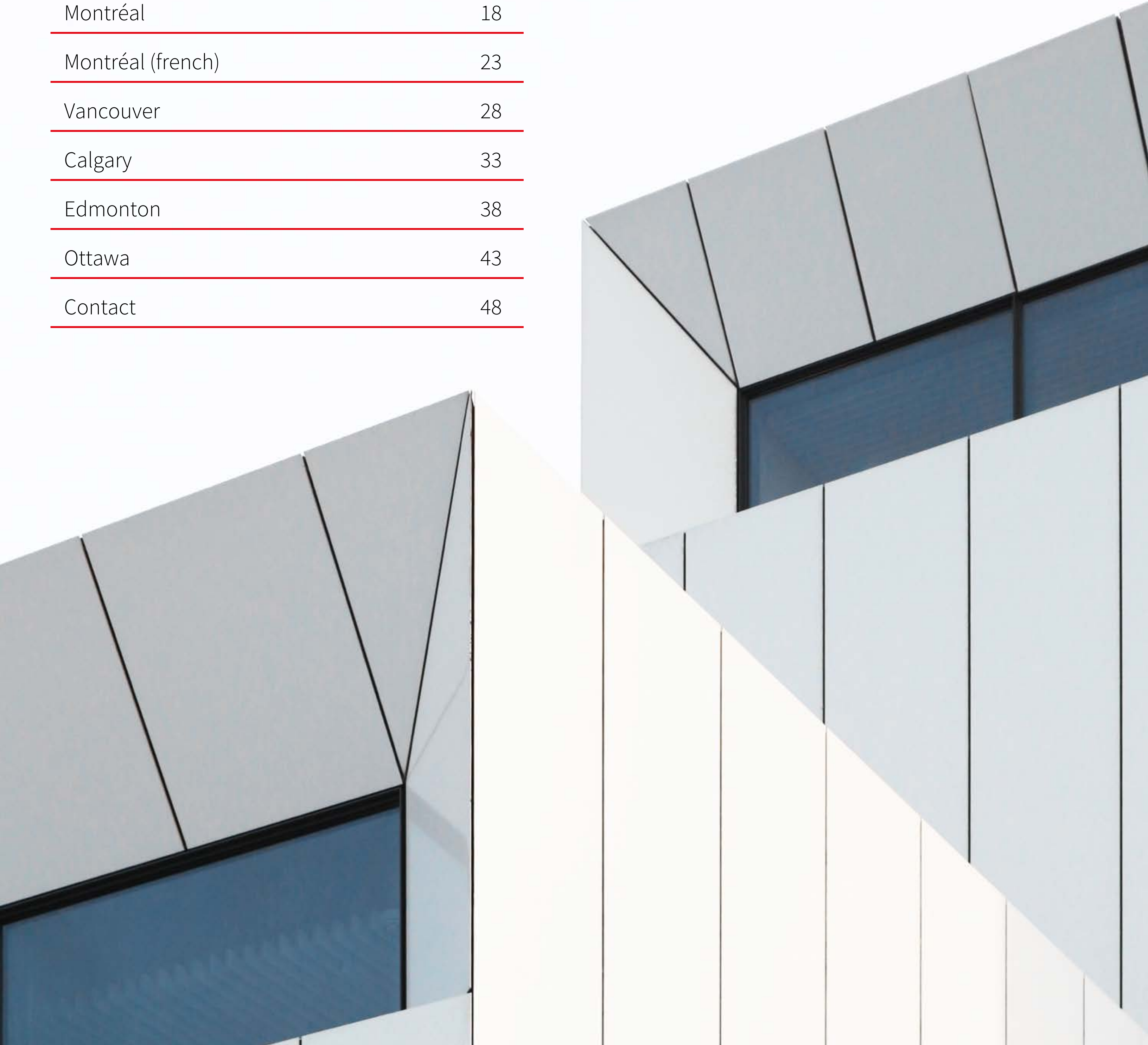

Canadian Economy

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Macroeconomic Overview

In a country that has not experienced a deep recession in decades, 2020 delivered a once-in-a-lifetime shock to Canadians. As the world weathered the COVID-19 pandemic, the global economy contracted by 4%. The Canadian economy experienced its sharpest downturn in almost a century, shrinking by -5.5%. This was not as severe as what we saw in more densely populated regions like Europe and the developing world. But it was worse than industrialized Asian countries like South Korea, Japan, and China, as well as less interventionist countries like the United States. Yet while Canada's stringent lockdowns have been devastating for the economy, they seem to have led to better health outcomes than what most regions experienced.

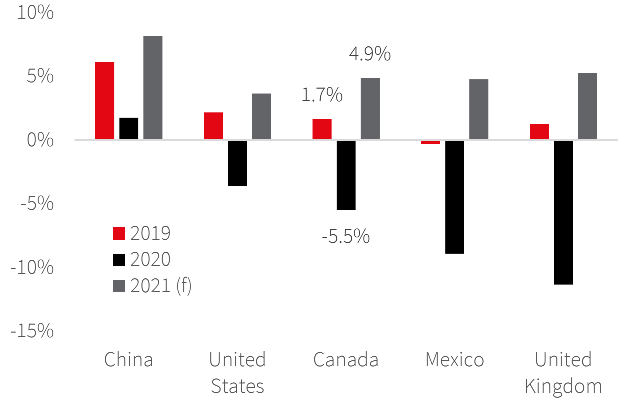
Like many other countries, Canada's government implemented the most ambitious stimulus package in the nation's history, essentially paying people to stay home. More than CAD $115b in subsidy programs were passed in 2020, covering nearly every facet of the economy from individuals and families to companies and municipalities. The Bank of Canada has been purchasing nearly $4b in bonds weekly and has provided over $300b in liquidity support to the banking system. Deferrals were granted to nearly 15% of residential mortgage holders, and the overnight lending rate was cut from 1.75% to 0.25% to spur private investment.

These interventions seem to have been largely effective in keeping businesses afloat and households paying their bills. Unemployment peaked in May at 13%, before falling back down below 9% by the end of the year. However, by shutting down the service sector for much of the year, these policies created a fragmented economy: what has commonly been referred to as the "K-shaped" recovery. On one hand, average household savings rose to almost 25% of net income, compared to 3-5% in a normal year. Many took advantage of low interest rates and invested their savings in a home - in fact, nearly 350,000 homes were sold in the second half of 2020 in Canada, the most ever in a six-month period. Between increased savings and soaring stock market valuations, the average Canadian household saw their net wealth increase by nearly $50,000 over the course of 2020.

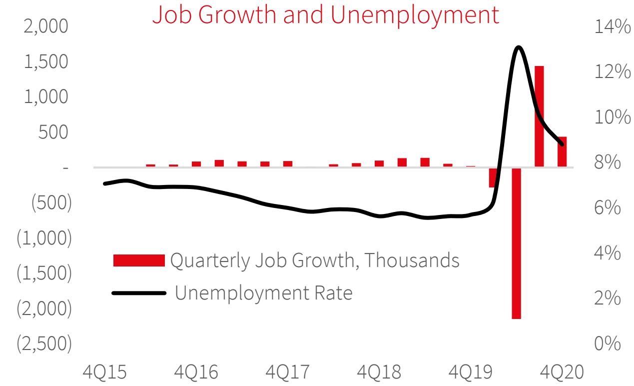
These savings mostly came at the expense of the service sector. Retail, accommodation, and food service industries lost nearly 300,000 jobs, collectively, from a year ago. Employment levels for those making less than $14/hour - mostly service sector workers - are down 22% compared to pre-COVID levels. Youth unemployment is currently close to 20%, more than twice the overall unemployment rate. Meanwhile, on the high end of the wage spectrum, jobs paying at least $42/hour have grown by 9% compared to pre-pandemic levels.

While 2021 brings with it renewed optimism and the promise of vaccinations, challenges abound. Canada's absence of vaccine manufacturing capacity means that it will be dependent on global supply chains to inoculate its population. There is some concern about the potential for inflation, if the vaccine-fueled surge in consumer demand that is expected this year

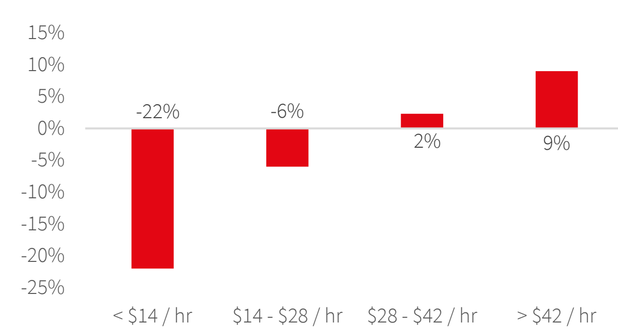
GDP Growth Comparison



Job Growth and Unemployment



Change in Employment by Wage Cohort: Q4 2020 vs. Q1 2020



Sources: JLL Research, Oxford Economics, StatCan Labour Force Survey

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overwhelms supply chains. The swelling deficit may nudge the federal government into deficit reduction mode later in the year and pulling back stimulus will be painful for many companies and households. Finally, if the polarized, K-shaped recovery continues for some time, it could spill over into a more polarized political environment as we have seen in other nations.

And yet, having seemingly faced the worst of COVID's impact, it is hard not be optimistic about 2021. Assuming vaccination programs are widespread and effective, and that lockdowns gradually subside, people will once again work, shop, eat, and socialize in person. Rooted in this assumption, analysts are expecting Canada's economy to grow by almost 5% in the coming year. With a highly educated labour force, progressive immigration policies, and political stability, we expect Canada to be well positioned not only through the expected recovery in 2021, but beyond it.

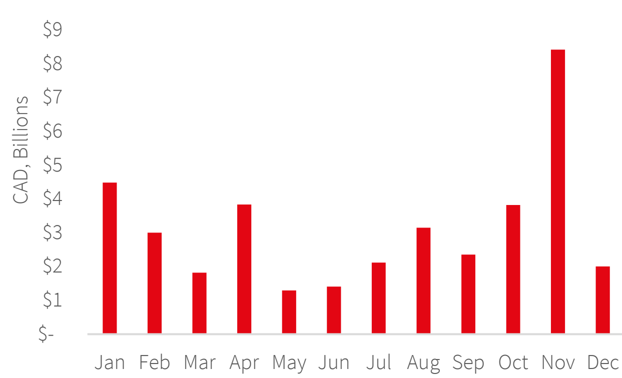
One year into the pandemic, its effects on the real estate market have become much clearer. Total investment volume surpassed $37 billion, a drop of 21% from a year ago, but generally better than what was expected in March. Investment activity slowed to a trickle in the second quarter as real estate owners took stock of the situation, moved to preserved cash flow, and worked with tenants to build in safety protocols and restructure leases. By the end of the year many groups had resumed normal operations and were again looking for acquisition opportunities. Distressed sales have been rare, amounting to just CAD $800m in 2020, or about 2% of the total market. Government stimulus and loan forbearance policies are largely to thank for that. REITs, for all their struggles in 2020, were still able to access over $11b in new debt and equity, a testament to their strong balance sheets and robust portfolios.

The industrial sector, fueled by an insatiable demand for e-commerce-related warehousing needs and benefitting from supply constraints, performed the best by many metrics. Rent collections have hovered around 97% during the pandemic, rental growth was very strong, and industrial was the only sector to generate a positive return in the equity markets.

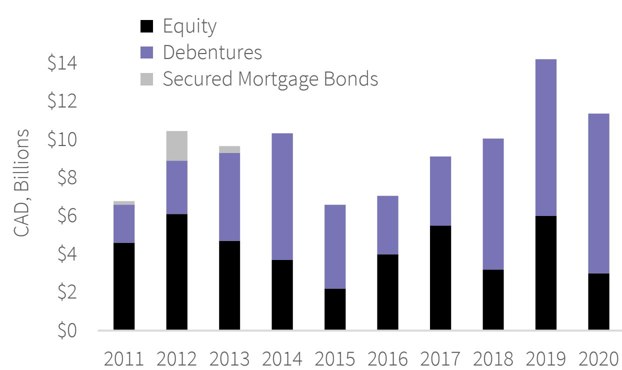
The multifamily sector has also fared well. Even without the usual tailwinds of immigration, rent collection remained high due to Canada's supply-constrained markets and the government's COVID Emergency Response Benefit payments, which supported many household incomes. Fundamentals have softened a bit as COVID-related demand issues coincided with a large wave of supply being delivered to the market, but investor sentiment remains as bullish as ever.

In a year of uncertainty, many groups turned to the land market. This asset class has seen prices rise sharply in the last two years as demand has soared. Approximately 80% of all land deals in 2020 were intended for multifamily or industrial use. If we add this sales volume to the sales of built and stabilized multifamily and industrial properties, this brings the "true" allocations of

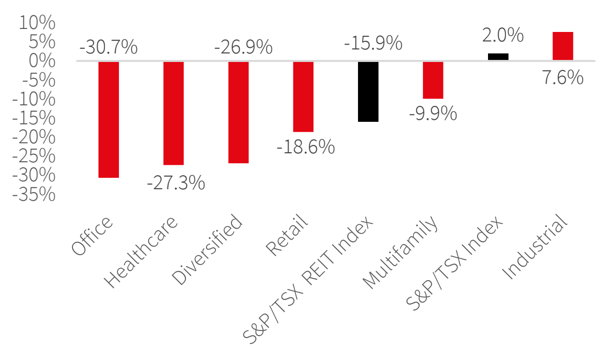
Real Estate Investment Volumes by Month, 2020



Canadian REITs: Equity and Debt Issuances



Canadian REITs: 2020 Returns by Sector



Sources: JLL Research, BMO Capital Markets

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capital to these sectors to approximately CAD $24b, or about two-thirds of the national investment market for the year.

COVID will nudge the investment market even more toward the alternative asset classes. Demand for data centres has boomed, as they have made Zoom calls and remote schooling possible. Film production studios and cold storage facilities are competing for a growing share of limited warehouse space. Canada's dependence on global supply chains for Personal Protective Equipment (PPE) and vaccines has made a compelling case for the need to build out life science and laboratory space. In today's low-yield context, investors looking for better returns are studying these sectors.

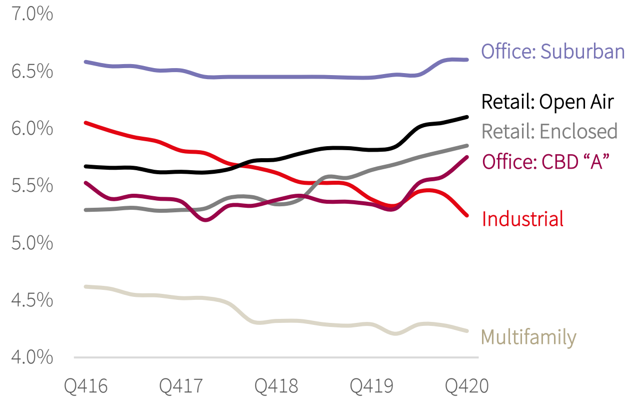
Similar to the broader economy, the retail sector has seen its own "K-shaped" recovery. Essential needs plazas that are anchored by grocery stores have seen robust sales, strong rent collection, stable and in some cases compressed cap rates, and plenty of investor interest. However, other areas within retail – enclosed malls, street retail, and power centres – have been upended by lockdowns and social distancing guidelines. Valuations have fallen significantly, and debt and equity investors are reluctant to deploy.

Perhaps the most confounding sector for investors continues to be office. Even with a spike in subleasing in the second half of 2020, vacancy remains very low by global standards, pre-lease commitments are holding up, rent collection is strong, and deferral requests generally make up a small fraction of owner portfolios. The main issues are in the underwriting, as uncertainty relating to tenant space needs is making it difficult to assess the value of their leases. Meanwhile, many owners who don' t need to sell remain on the sidelines, waiting for some visibility into how that sector will look in a post-COVID world. This has all led to fewer trades and therefore fewer comparables in the market, which makes valuing these buildings even trickier.

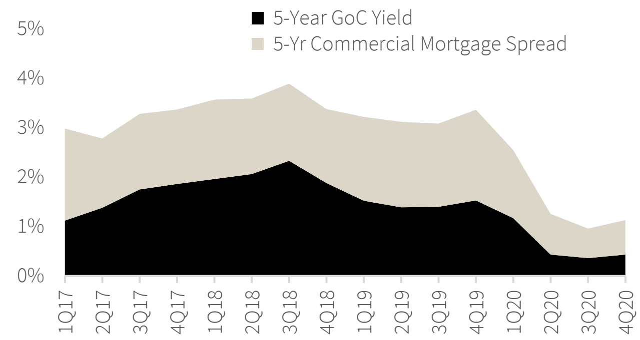
On the debt side, financing turned out much better than anticipated. In the immediate aftermath of COVID, lenders had stopped almost all new commitments and were focusing on requests for deferrals. These requests have dropped considerably since May, in line with the drop in requests for CERB and other programs. Through the second half of 2020, debt has been widely available, but lender strategies are growing more diverse – understanding these different strategies is paramount for borrowers looking to access the debt markets.

From an asset class perspective, debt investor sentiment mirrors the equity side. Multifamily and industrial continue to be the darlings of lenders, while appetite for retail is skewed toward grocery- and pharmacy-anchored centres. Office remains an unknown, as lenders are concerned about the spike in subleasing and the effect of remote work on office demand. Some groups are willing to finance office but under more conservative terms - lower leverage ratios and more guarantees are becoming the norm.

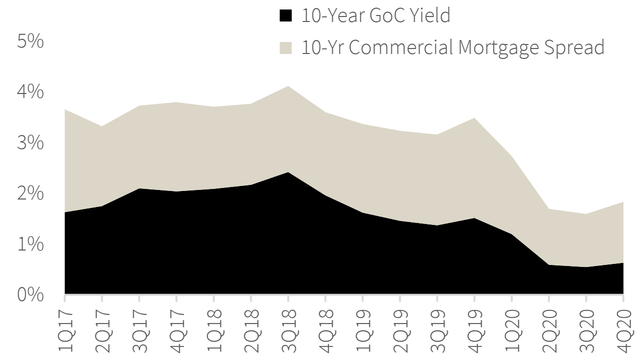
Average Sector Cap Rates



5-Yr GoC vs. 5-Yr CMB



10-Yr GoC vs. 10-Yr CMB



Source: JLL Research, JLL Real Estate Investment Survey, Bank of Canada

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The trend in lower acquisition lending activity continues overall, still offset by an increase in refinancing activity by borrowers looking to take advantage of lower mortgage rates. Investors chasing yield are fuelling development activity, and we are seeing ever increasing use of the A/B structure by lenders to provide borrowers with the leverage they want at a still attractive all-in rate. Institutional debt funds are largely back in force after being mostly on the side lines earlier in 2020.

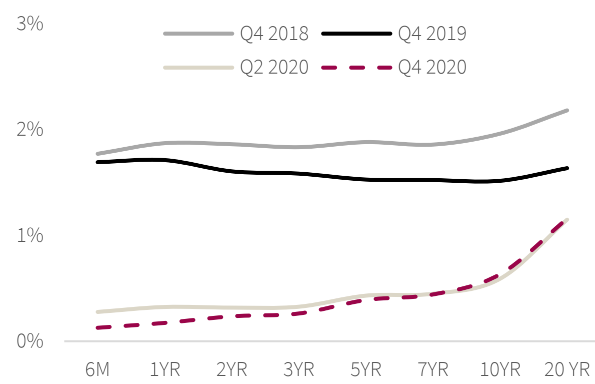
One notable trend that pre-dates COVID but accelerated in 2020 on both the equity and the debt side was the rise in private capital. Private debt funds, backed by retail investors as well as high net worth/family offices, have provided short-term, high-yield loans mostly for underperforming real estate. On the equity side, private groups were responsible for over 50% of the disclosed buyer pool. Without obligations to report to shareholders or present opportunities to an investment committee, private groups are increasingly well capitalized and able to move fast.

After spiking in the first half of 2020, 5-year spreads over the GoC benchmark have continued to drop and are now in the 150-175 bps range, down by about 50 pbs points from the peak of the pandemic. Retail and office are showing higher spreads than pre-pandemic, generally at over 200 basis points. Most noteworthy is the steepening of the yield curve over the course of the pandemic. This has accelerated into early 2021, pushing the differential between the 2- and 10-year yield from -14 basis points in February 2020 to over 100 basis points in February 2021. Consequently, many borrowers are choosing shorter terms to lock in rates at less than 2% on conventional (noninsured) loans.

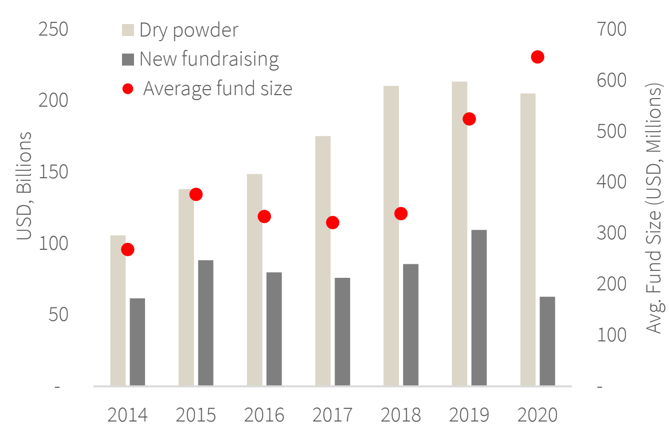
Lenders will continue to compete for the best performing asset classes, and this may translate to spread compression in these sectors. For highly capitalized borrowers, cost of funds and conditions will remain strong. For less capitalized borrowers, the debt funds and banks outside of the Big Six will no doubt continue to step in and provide the liquidity to keep the real estate market moving.

Looking forward to 2021, we expect the investment market to bounce back in a resounding way. Institutional allocations are on the rise thanks to low interest rates, stock market volatility, and concerns about the potential for inflation. Global real estate dry powder (i.e. committed but unspent capital) is close to record levels, with much of it targeting opportunistic or core strategies. The lessons learned during COVID – for example omnichannel distribution, a more mobile workforce, health and safety protocols, availability of real-time data, and a heightened focus on Environmental, Social, and Governance (ESG) initiatives – will ensure that the industry comes back stronger than it was before the pandemic.

Bank of Canada Yield Curve



Global Closed-Ended Fundraising



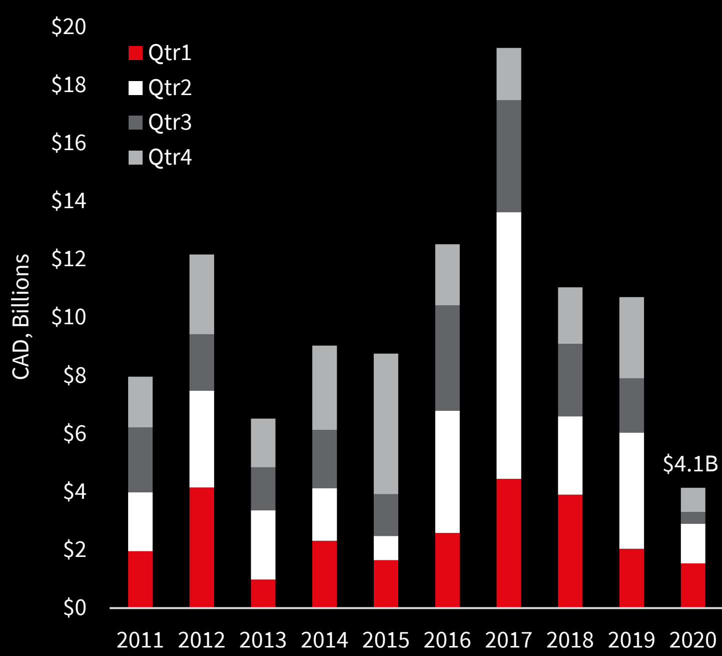
Source: JLL Research, Bank of Canada, Preqin

Key Trends

Office

- **The Great Work-From-Home Experiment:** StatCan estimates that 40% of Canadians worked from home during the pandemic. Office-using companies have mostly gotten by in this context, however they are increasingly concerned about issues relating to mental health, onboarding, and sustaining culture. A JLL survey of Fortune 500 office-using companies reveals that they are looking to have at least 80% of their workforce back in the office by the end of 2021.
- **Vacancy on the rise:** Office vacancy was up across all markets, primarily driven by subleasing which increased by over 50% to 10m square feet nationally. Nevertheless, Montréal, Toronto, Vancouver, and Ottawa continue to have some of North America's lowest vacancy rates.
- **Kicking the can down the road:** Lease renewals are accounting for 60-70% of total leasing. Large block leasing was down by 48% y-o-y, and most new leases were for shorter terms. This suggests that office occupiers are opting to postpone decisions until there is more clarity on vaccinations, which will dictate space utilization policies.
- **Underwriting challenges**: Assessing the value of office buildings will remain a highly challenging task until there is more certainty on vaccinations and tenant footprints. In the meantime investors are much more conservative on leasing assumptions.
- **Post-COVID opportunities:** Softening office markets will create opportunities for tenants who were long shut out of downtown ecosystems – this will especially be helpful for Canada's small and medium-sized enterprises. Meanwhile, tenant preferences for lease flexibility are creating an opportunity for owners to build out and lease co-working spaces directly, rather than through an operator.

Historical Office Investment



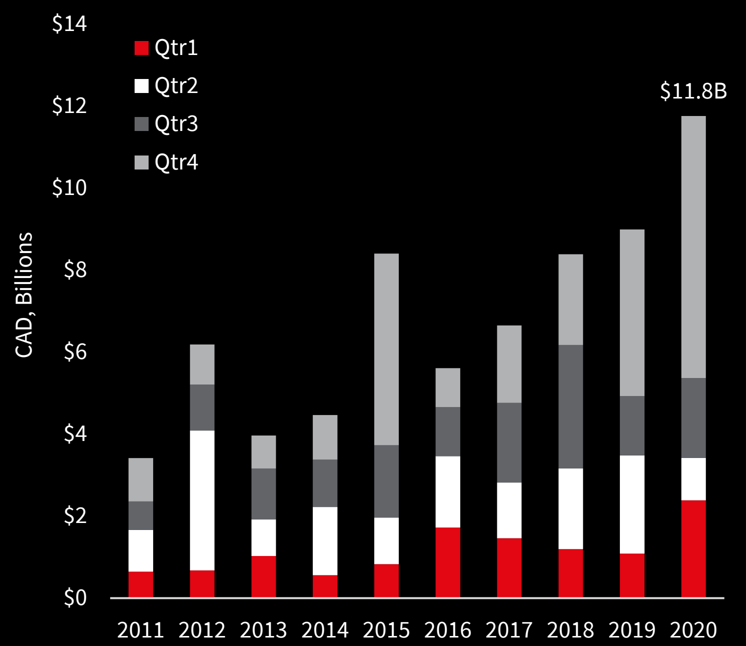
Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar. JLL Valuations
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Key Trends

Multifamily

- **Multifamily sets investment record:** Multifamily was the highest grossing sector in Canada with nearly $12b in total investment sales, making 2020 a record year. Rent collection averaged 95% through 2020, almost unchanged from pre-COVID levels.
- **...but not unscathed**: National apartment vacancy rose from 2% in 2019 to 3.2% in 2020, according to CMHC. Market softening was mostly contained to downtown and downtown-adjacent submarkets where newly arriving immigrants and university students generally settle. Many tenants also bought homes or left for more spacious low-rise units in the suburbs – a trend that predates COVID but accelerated in 2020. While these migratory patterns may continue, an ongoing stoppage in immigration and university life is unlikely; therefore, we expect the market to rebound over the coming year as vaccinations become widespread.
- **Focus on Adaptive Reuse:** As vacancies mount in hotels, low-grade office buildings, and other property types, government agencies are increasingly focused on formulating strategies that seek to repurpose these properties into affordable housing. CMHC's Rapid Housing Initiative offers one high profile example of this, though provincial and city governments are rolling out similar initiatives.
- **Post-COVID opportunities:** Canadians spend a greater portion of their net income on housing than almost any other nation. Softening rental and condo markets will provide relief to overstretched households. Developers will be forced to reconsider their unit mix which is currently highly skewed toward studio, one-bedroom, and two-bedroom units. As millennials look to start families, and tenants look for more space, developers will probably need to give more weight to two- and three-bedroom units and increase average unit size in general.

Historical Multifamily Investment



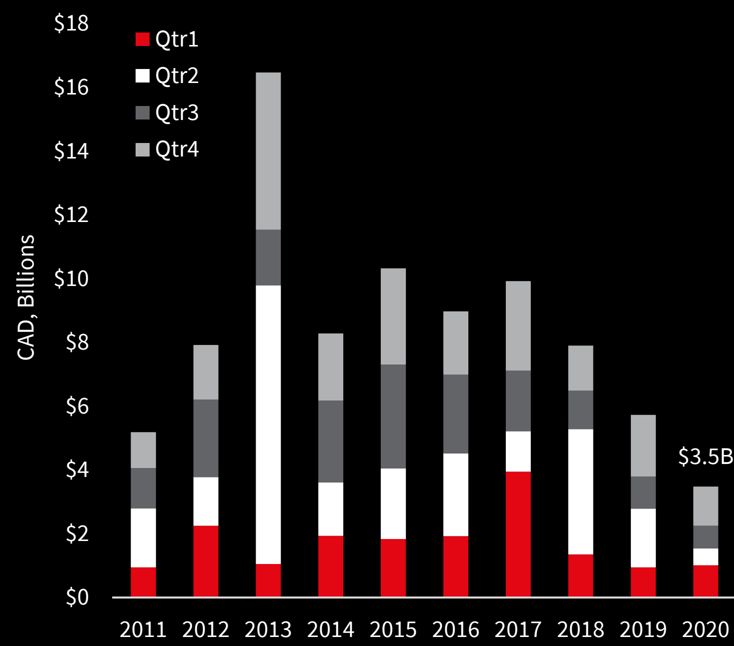
Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar. JLL Valuations
All transactions > $5m, Direct and Entity Level
Excludes residential lots and residential occupier purchases
Market data as of latest available

Key Trends

Retail

- **Retail investment slows to a trickle:** Retail investment had its slowest year in over a decade, with just $3.5b trading during 2020. Retail owners were mostly in operational mode and were generally not looking at acquisition opportunities. This should change in 2021.
- **A Tale of Two Malls:** Enclosed malls have been decimated by mandatory closures. In many cases owners have linked rent payments to sales, which have been very low, especially during lockdowns. Open-air, grocery-anchored retail centres, on the other hand, have averaged above 90% rent collection over the same period and are in high demand by both equity and debt investors.
- **Mixed reviews for stimulus measures:** The COVID Emergency Rent Subsidy program, which replaced the landlord-focused CECRA program, attracted over 110,000 unique applicants, with almost $1b in aid granted. However, the Canadian Federation of Small Businesses points out that only one quarter of its members have used the rent subsidy program, compared with two-thirds who have used the COVID Emergency Wage Subsidy program. Most landlords are offering private deferral agreements as an alternative.
- **Post-COVID opportunities (1)**: Landlords have worked closely with tenants during the pandemic, investing in new technologies and capital expenditures to help tenants boost sales and adapt. We expect this collaboration to continue after the pandemic.
- **Post-COVID opportunities (2):** While 2020 was a nightmare year for many independent, small businesses, the aftermath of the pandemic will present far lower rents and more space for expansion. This will greatly benefit small businesses as the economy recovers.

Historical Retail Investment



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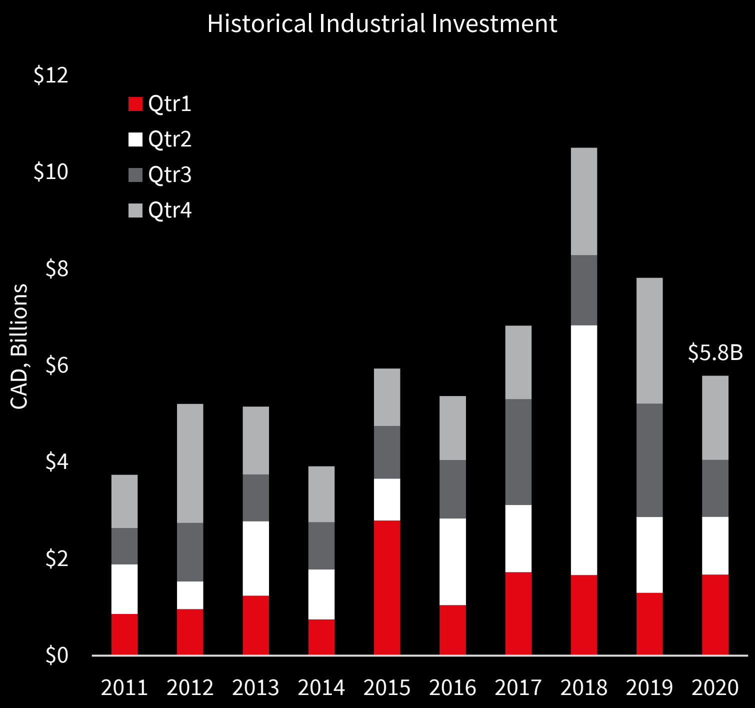
Key Trends

Industrial

- **Industrial market continues red-hot pace:** E-commerce and 3PL leasing have been relentless, pushing vacancy down to 2.7% as rents grew almost 8% in 2020. Don't be deceived by the fall in investment volumes compared to 2017-2019: this is due to many owners not wanting to sell. There is no shortage of investor demand, and this is driving pricing sharply up and compressing cap rates across Canada.
- **Industrial land a hot commodity:** With sellers generally wanting to hold on to industrial assets during this downturn, acquisition opportunities have been limited. Instead, buyers are moving to the land market as they focus on ground-up development; this gives them the option to build in next generation specs like higher clear heights, wider column spacing, and additional electric capacity to accommodate robotics.
- **E-Commerce re-shaping the industrial landscape:** E-commerce penetration in Canada jumped from sub-5% before COVID to 13% by the end of 2020. We anticipate that online order demand will be sustained as more shoppers come to appreciate its convenience. As this happens, more spaces will be repurposed into fulfillment centres and dark rooms to satisfy last-mile demand.
- **Post-COVID opportunities:** As online sales continue to grow, demand for warehouse workers and fulfillment professionals will increase further. In an already competitive labour market, amenities within warehouse spaces – natural lighting, fitness centres, and shuttle buses, for example - will help attract more workers while also providing a safer, healthier and more enjoyable work environment.



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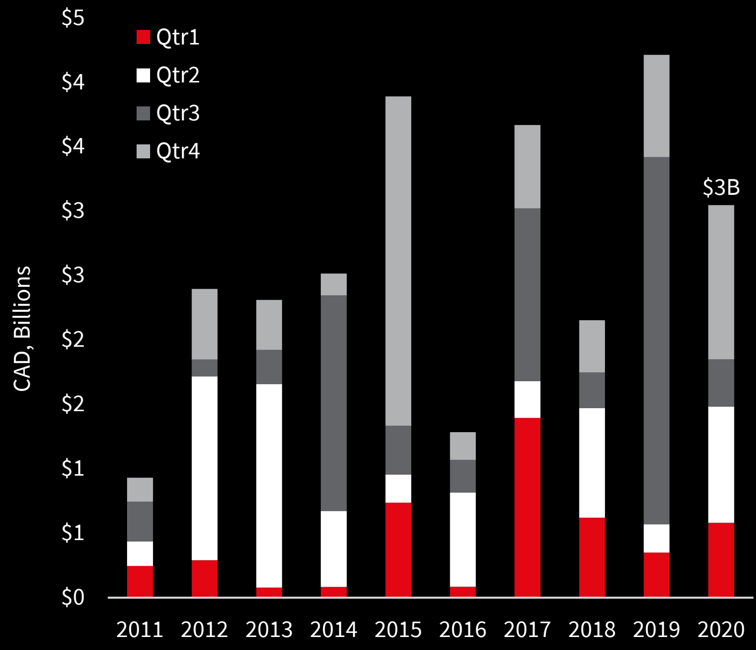
Market data as of latest available

Key Trends

Alternative Assets

- **Life Science:** With Canada having to import a large share of vaccines and personal protective equipment during the pandemic, COVID has exposed Canada's undersupplied life science and lab sectors. Growing employment and private investment on the demand side are making the case for more investment in this space. Real estate investors, especially long-term-oriented institutional groups, are taking a closer look at this space and we expect a supply response over the next few years.
- **Data Centres:** Based on US and European REIT indices, data centres have outperformed every other asset class during the pandemic. In Canada supply remains limited due to low industrial availability, but this will likely change as our reliance on them should grow over time. In October, Bell Canada sold 13 data centres to Equinix, the world's largest data centre provider by revenue. The transaction, valued at just over CAD $1b, gives the US-based REIT immediate scale beyond its existing portfolio in Toronto.
- **Senior Housing:** Canada's senior housing operators are reporting occupancy losses in the range of 250 – 400 basis points over the course of 2020. Long-term care residents are first in line for vaccinations, and no other sector has more to gain from them. However, occupancy may not recover to pre-COVID levels for some time as demand could lag. In the long-run we expect investor appetite to be strong for this sector with its needs-based demand and limited supply.

Historical Alternative Assets Investment



Source: RCA, RealNet , Gettel Network, Commercial Edge, CoStar. JLL Valuations
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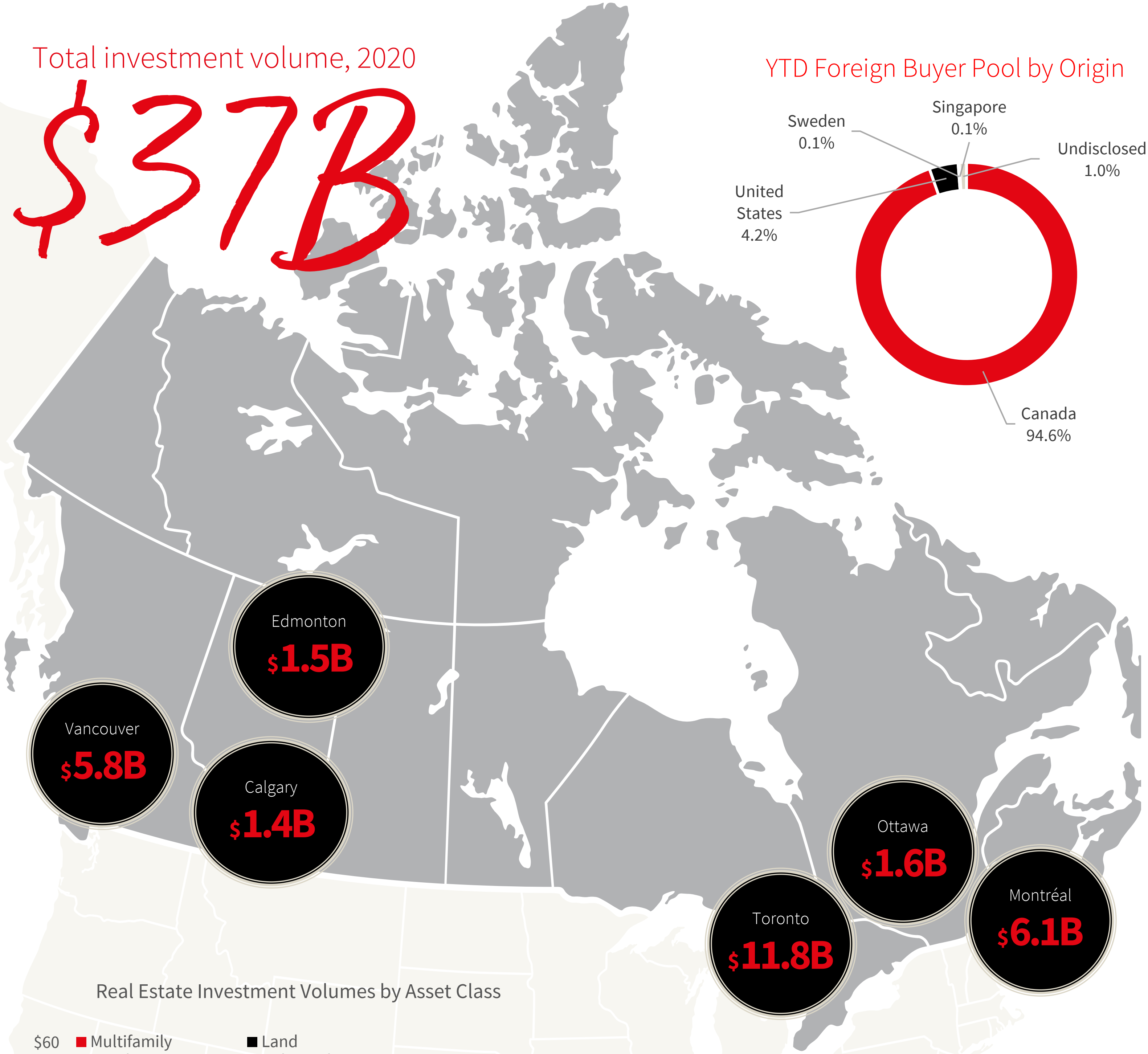
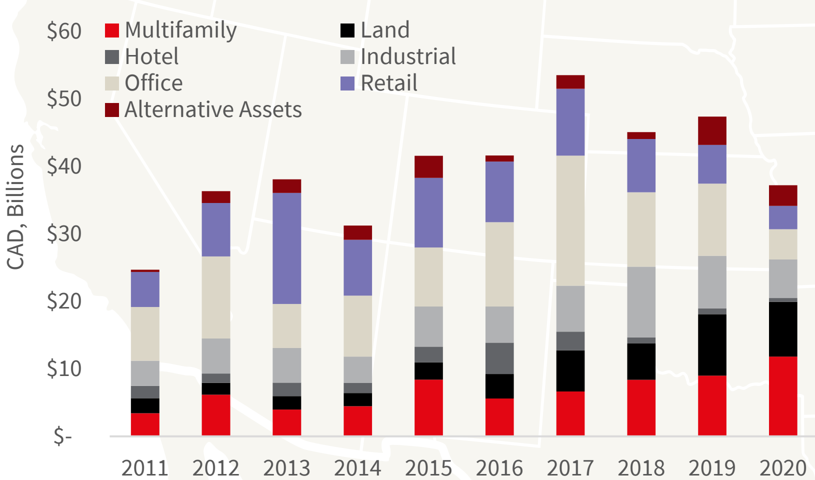
Total investment volume, 2020

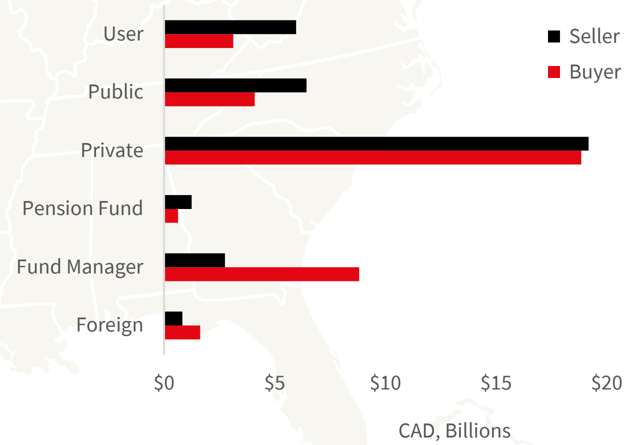
$37B



Real Estate Investment Volumes by Asset Class



Buyer and Seller Profile, 2020



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Toronto

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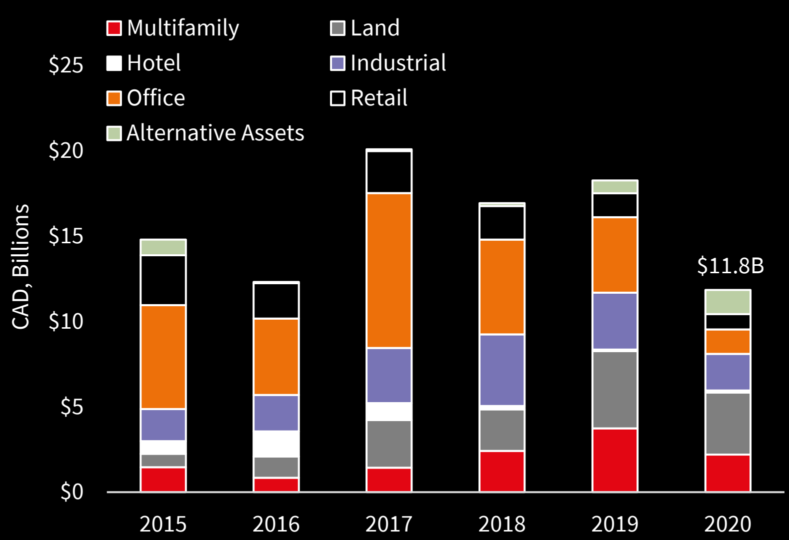
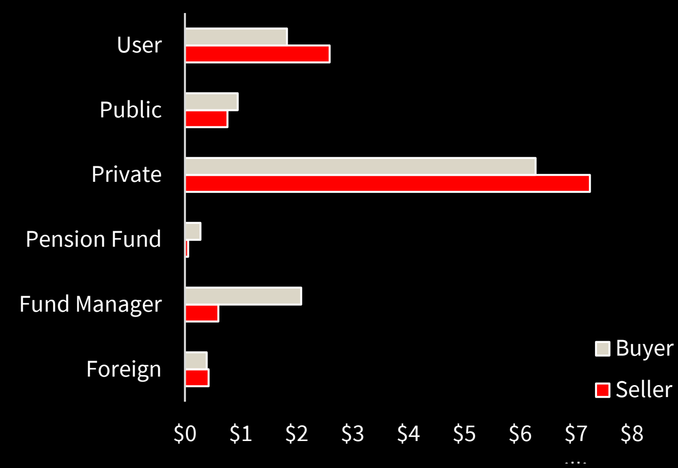
Historical Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, 2020



Toronto Buyer Domicile, 2020

Canada **96%**

U.S. **3%**

Rest of the world **1%**

Source: RCA, RealNet, JLL Valuations
All transactions > $5m, Direct and Entity Level
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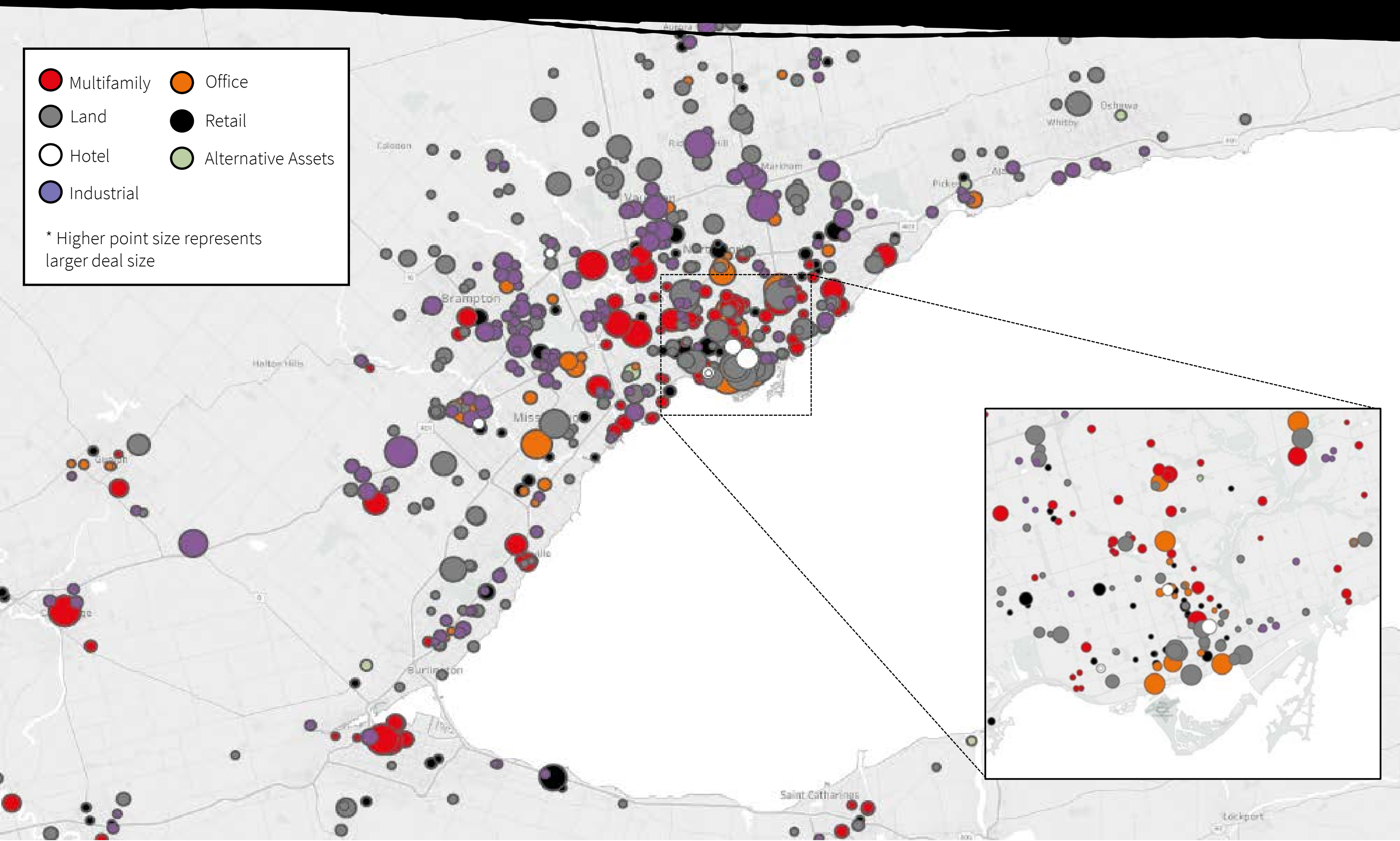


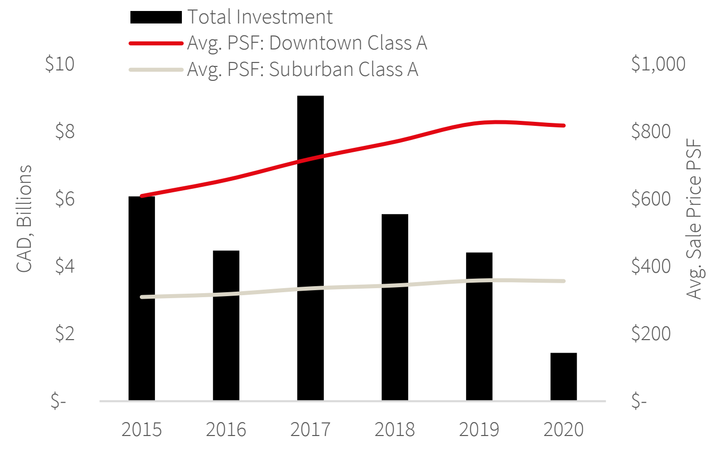
General

- In 2020 there were approximately $11.8b in total commercial investment sales in the GTA. Private capital continued to take market share from institutional investors, accounting for 53% of all liquidity.
- Development land was the most heavily traded asset, accounting for $3.6b, while multifamily ($2.2b) and industrial ($2.1b) followed. About $1.6b of land deals are zoned for multifamily residential, suggesting that the true liquidity in the multifamily sector is much higher – not surprising given the continued undersupply in the housing market.
- Brookfield and Rogers are exploring plans to build a new stadium for the Blue Jays , either on the existing site or on the Quayside waterfront. The development would be a large-scale mixed-use complex that incorporates office, condo, retail, and public space.
- The provincial government passed the Ontario Rebuilding and Recovery Act, 2020. This legislation purports to accelerate the construction of major infrastructure projects by expediting planning, design, and construction.
- Toronto city council voted to review proposals for changes to the city's minimum parking requirements. If this moves forward, Toronto will join a growing number of cities who have abolished this policy, giving developers more flexibility in designing projects.

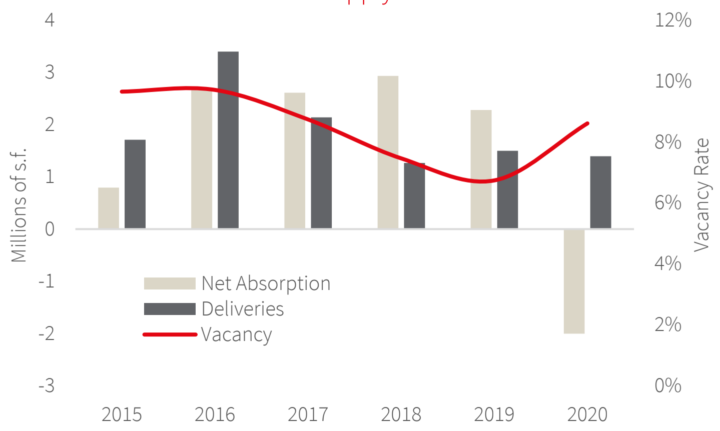
Office

- Office investment within the GTA fell to its lowest level in over a decade with $1.4b transacting in 2020. Capital flows have been stalled mainly because tenants are still working out their occupancy plans, and owners are waiting for clarity before transacting. We expect a strong rebound in 2021 once investors have a better understanding of office utilization strategies and COVID vaccination rollouts.
- In a market long dominated by institutional capital, private investors accounted for over 30% of transaction volume as they continue to gain market share. Fund managers like BGO and Fengate were the most active office buyers, accounting for 44% of total volume.
- Office restructuring led to an additional 1.4m sqft in subleasing in 2020, pushing GTA vacancy up from 6.7% in 2019 to 8.6% today. While the entire market softened, downtown was disproportionately affected, rising to 4.2% vacancy from 1.7% a year ago. Landlord concessions have pushed net effective rents down by an estimated 5-10% on average. Yet with one of the world's lowest office vacancy rates, Toronto landlords are confident in the underlying fundamentals and therefore have not rushed to lower their asking rents.
- Brookfield is rumoured to have sold a 50% non-managing interest in Bay Adelaide Centre North to Dadco Investments for $370m, or $902 psf. The transaction is valued at a 4.1% cap rate and represents the first major financial core transaction since the beginning of COVID.
- Even amidst the market downturn, large-scale development plans were announced. Oxford and CT REIT will partner on a 650,000 sqft redevelopment of Canada Square, while Dream Office REIT announced a 79-storey tower at King and Simcoe.

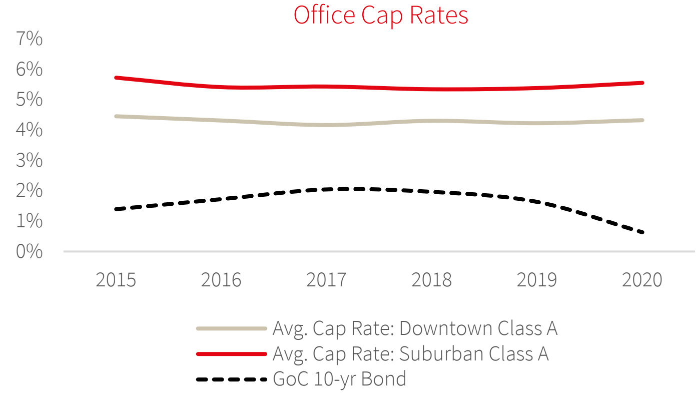
Office Investment and Price PSF



Office Supply and Demand



Office Cap Rates



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

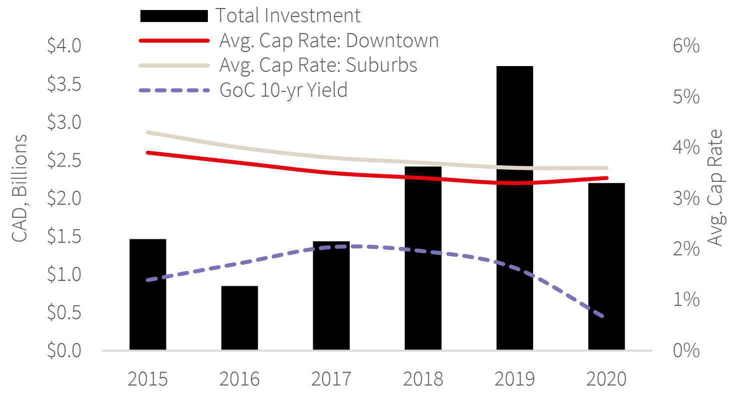
Multifamily

- Multifamily investment sales reached $2.2b for 2020 in the GTA, down from $3.7b in 2019, a record year for this sector. Investors largely focused on asset management rather than acquisitions from March to August, resulting in lower investment volumes.
- GTA multifamily vacancy rose from 1.1% in 2019 to 3.4% due to a confluence of factors: a lack of immigration, an exodus of university students and young families, the addition of AirBnB rentals to the long-term supply, and record condo and rental deliveries. Vacancy rose to 2% in the 905 suburbs and 5.7% in the urban core.
- Low interest rates and demand for more space have led to strong price growth across the for-sale housing market. Condos were the exception, with prices falling by an average 6.8% y-o-y. According to Urbanation, 61% of new condo units delivered in 2020 are studio or one-bedroom, precisely where pricing has fallen the most.
- According to StatCan, over 50,000 people left the city of Toronto from July 2019 to July 2020. This trend of out-migration is not new; however, it is the highest annual outflow of people from Toronto on record. The suburbs that seemed to benefit the most from this spillover were Milton, Brampton, and Oshawa, which saw population growth of 4%, 3.4%, and 2%, respectively. Further out cities like Hamilton, Kitchener-Waterloo, Guelph, and Barrie saw some of Canada's highest housing price growth, suggesting that these cities also received a significant share of GTA population spillover.
- The Province of Ontario passed Bill 204: Helping Tenants and Small Businesses Act, which implemented a freeze on rent increases in Ontario through the end of 2021 and extended a commercial evictions moratorium as well.

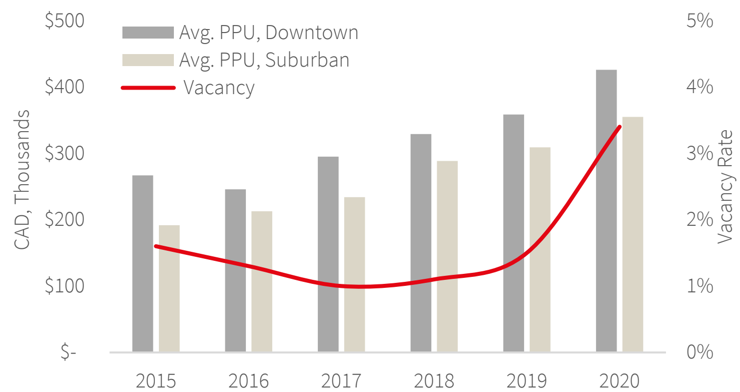
Retail

- Retail investment sales in the GTA fell to their lowest point in over a decade at $885m. Private buyers accounted for 84% of total market liquidity as institutional investors and REITs are mostly divesting or focusing on developing complementary uses like multi-residential.
- Grocery- and pharmacy-anchored retail continues to perform strongly with rent collection generally in the range of 85-90% and pricing that is in some cases higher than before COVID. The same cannot be said for the enclosed and non-essential sectors, where collections have been far lower, and tenants have had to rely on either government subsidies or rent deferrals with their landlord.
- The federal government replaced the highly criticized CECRA program - which split rent costs evenly among tenants, landlords, provincial, and federal governments - for the Commercial Rent Subsidy program, where tenants apply directly. However, high compliance costs have limited its reach.
- Storefront retail has been highly bifurcated: Quick Service Restaurants (QSR) and electronics stores have performed above average, but full-service restaurants and clothing stores have seen sales fall sharply from 2019 levels.

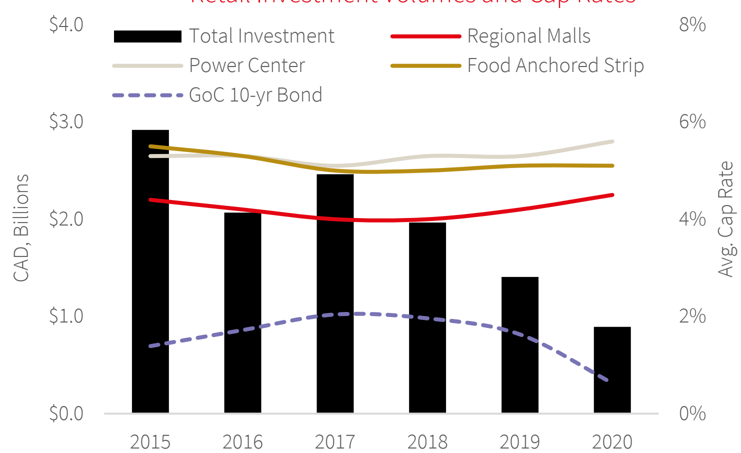
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates



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

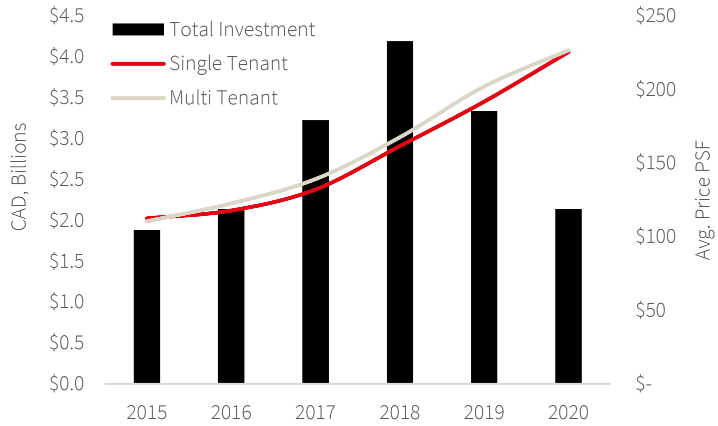
Industrial

- The GTA saw about $2.1b in total industrial asset sales over the past year. This represents a significant decrease compared to the last three years, but this is mostly because industrial owners are not eager to sell at a time when these assets are providing strong cash flows. The market was dominated by private investors (60% of liquidity) and REITs (19%).
- With unprecedented demand for e-commerce driving the market, cap rates have continued to fall and now average 4.43% for multi-tenant buildings and 4.31% for single-tenant buildings. Asset pricing has risen by an astonishing 65-70% on average since 2016.
- Vacancy rose slightly from 1.3% a year ago to 1.6%, mostly due to the completion of nearly 11m square feet of space. Even still, Toronto boasts the lowest industrial vacancy in North America, and one of the lowest in the world. Average net rents have surged to $10.25 psf, compared to $9 psf a year ago. To the extent that there was market softening during COVID, it was concentrated in the small bay segment of the market.
- Several new projects were announced in late 2020. Amazon will add two more fulfillment centres in Ajax and Hamilton, while CN announced that it will make a financial commitment of $250m to develop Milton Logistics Hub. After closing its Ottawa plant last year, General Motors announced that it will invest $1.3b to reopen the factory this year to make Chevrolet Silverados and Sierras. GM will also invest another $1b to make its Ingersoll plant Canada's first large-scale Electric Vehicle manufacturing plant.
- With industrial owners not in a hurry to sell, demand is spiking for industrial development land. Rising ICI land prices are extending throughout the Golden Horseshoe Region but have grown fastest on GTA brownfield land.

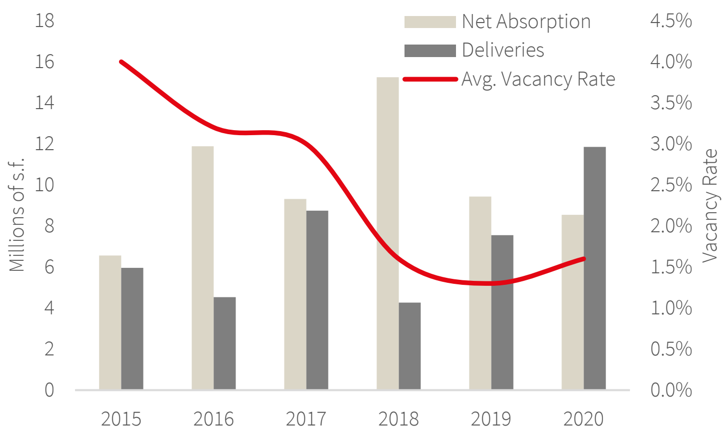
Alternative Assets

- Between sales in senior housing, data centres, self storage facilities, automotive dealerships, and life science labs, the GTA saw a record year for alternative asset sales with over $1.4b in total sale volume.
- Strategic Storage Trust finished construction of its 1,050-unit facility in Vaughan, which was developed in partnership with SmartCentres REIT, adjacent to their Vaughan retail centre.
- The Ontario government is providing significant aid to the province's Long Term Care homes to help stem COVID outbreaks and fast-track vaccination. Thus far the province has committed $1.4b in assistance and looks to have all residents and employees vaccinated by March.

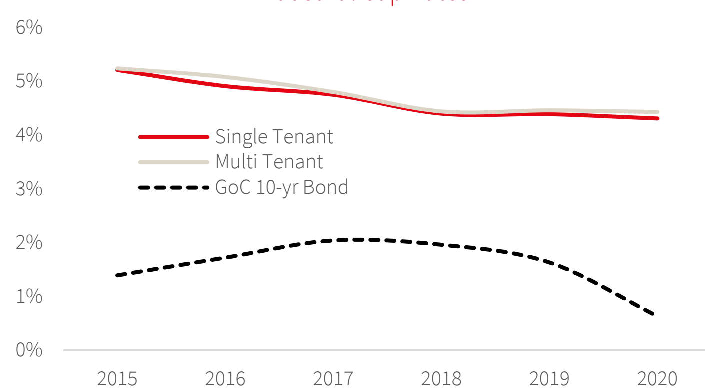
Industrial Investment Volumes and Price PSF



Industrial Supply and Demand



Industrial Cap Rates



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

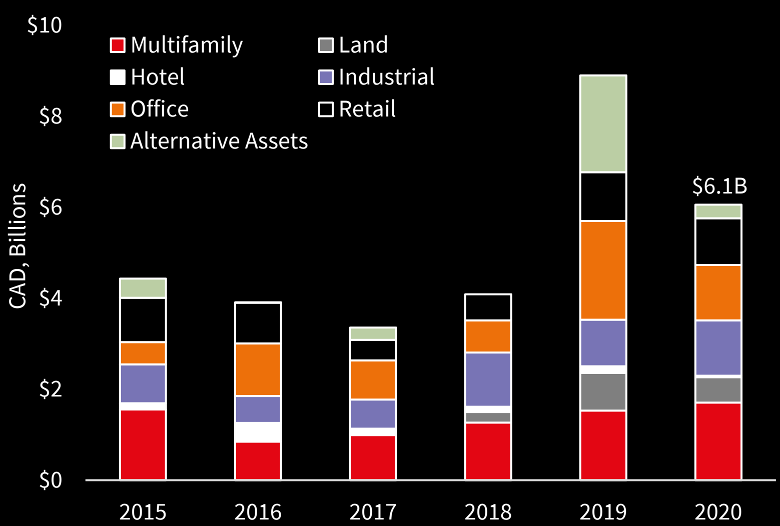
JLL

Montréal

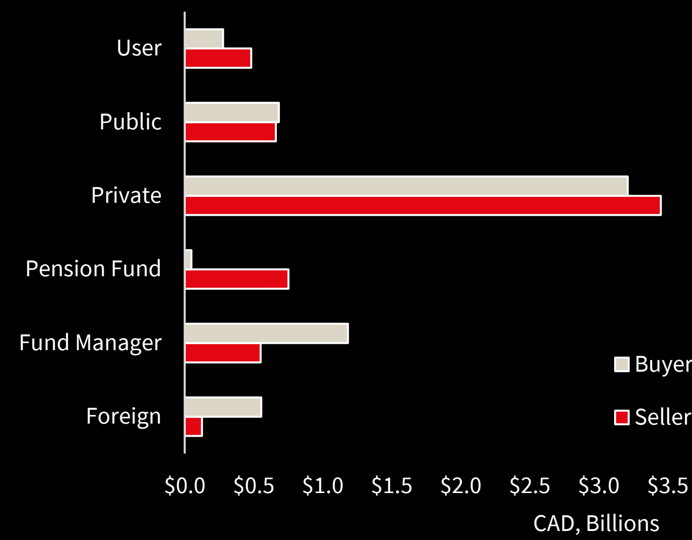
Canada Investment Outlook | Year-End 2020

Montréal

Historical Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, 2020



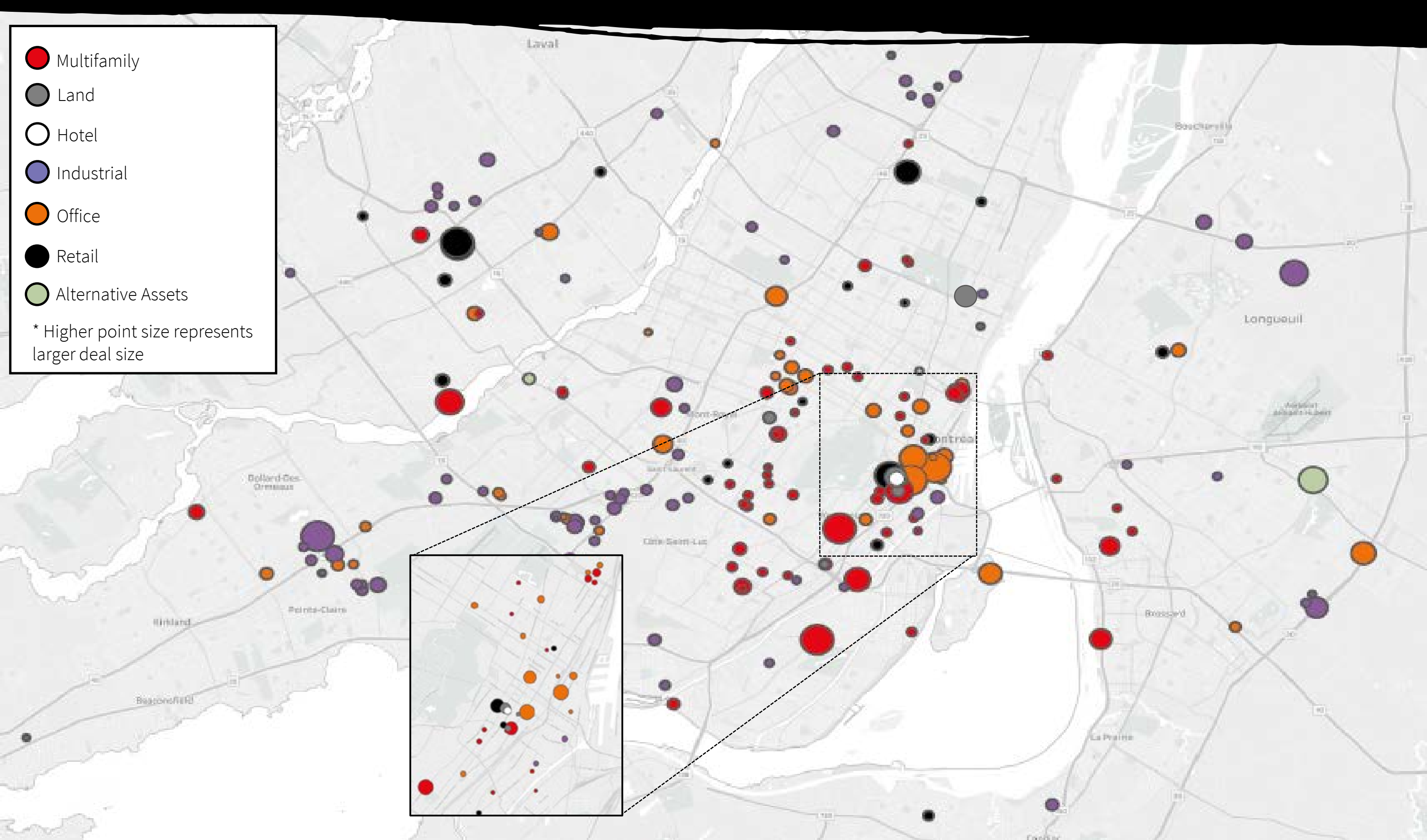
Montréal Buyer Domicile, 2020


Canada
91%


U.S.
8%


Sweden
1%

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



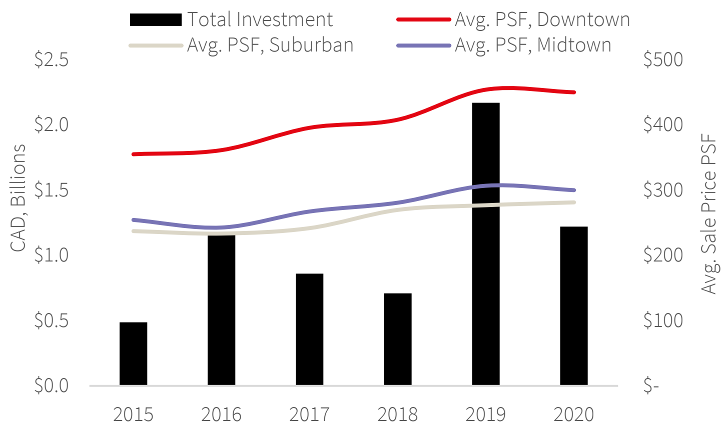
General

- Total investment sales in the Greater Montréal Area (GMA) reached $6.1 billion in 2020. While this represents a 30% fall from 2019 – which was a record year - it remains 15% above the market's five-year average. Investor appetite in Montréal remains very strong despite the difficult circumstances of the past year.
- The GMA saw real GDP growth of -6.2% for 2020, compared to -5.5% for the province of Quebec. Unemployment peaked in the second quarter at 15.1% before falling to 10.5% by December. However, with a local economy heavily reliant on retail and tourism, Montréal should also be one of the cities to post the highest growth during an expected recovery in 2021.
- Despite plummeting ridership during COVID, CDPQ announced a $10 billion plan to extend the REM train 32 km east from downtown to Montréal-Nord and Pointe-aux-Trembles. The REM de l'Est lines would bring much needed transit service to some of the most underserved sectors of the city.
- 2020 saw a definitive trend of off-island migration. The areas that are benefitting most from this spillover are suburbs like Brossard, Laval, and Saint-Eustache. Suburban corridors that are served by transit have seen strong buyer interest for development land.

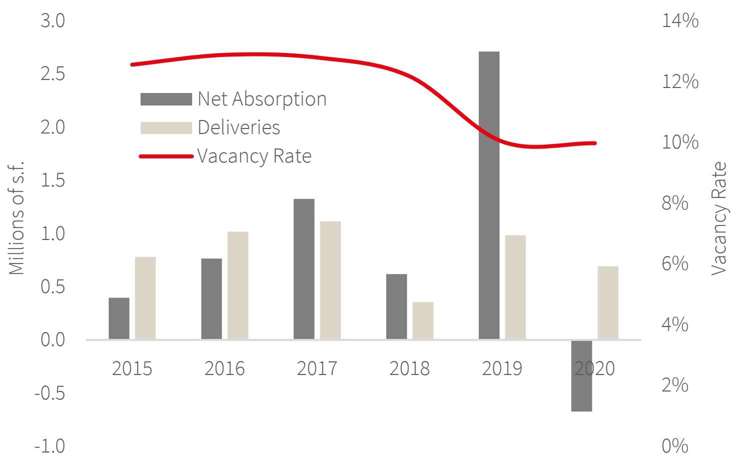
Office

- Montréal's office sector saw over $1.2b in total sales, though most of this liquidity came in the first quarter before lockdown restrictions kept employees at home. The sales of Centre de Commerce Mondial to Allied Properties and 1100 Rene-Levesque W. to Groupe Mach netted over $500m just days into 2020.
- A shift in fundamentals took hold beginning in the third quarter when subleasing began to tick up. Total sublease availability in the GMA rose to over 2m square feet, pushing vacancy up to 10% and absorption down to -673,500 s.f. for the year. Most of the negative absorption occurred in the Class B and C segments. As more tenants are expected to consolidate and purge excess space, this could lead to a continued rise in vacancy into 2021 that will further dampen rents.
- Challenging leasing fundamentals have made it difficult to underwrite office buildings, and most buyers and sellers are in a holding pattern. Still, Montréal's low vacancy and strong demand entering the pandemic have kept many investors bullish. With bond yields trading at cyclical lows, Montréal office continues to deliver strong returns on a risk-adjusted basis. As soon as there is more clarification on vaccines and the trajectory of the pandemic, we expect market liquidity to return.

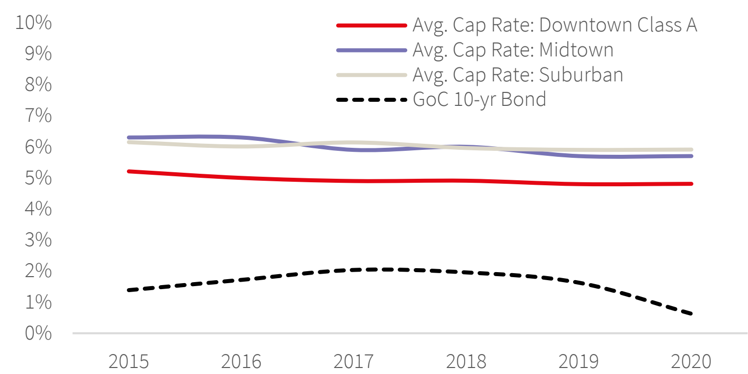
Office Investment Volumes and Price PSF



Office Supply and Demand



Office Cap Rates



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

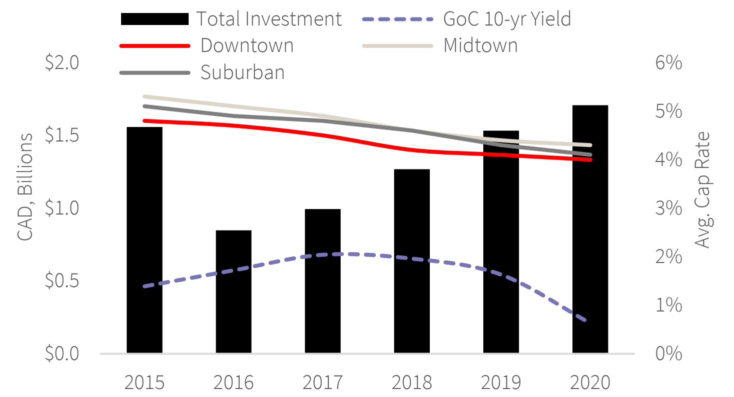
Multifamily

- The city of Montréal saw a net loss of nearly 30,000 people, mostly to surrounding suburbs. With no new immigrants coming into the city and an exodus of university students, residential vacancy is on the rise. According to CMHC, overall apartment vacancy in the GMA rose from 1.5% in 2019 to 2.7% in 2020, but vacancy in the downtown core rose from 2.5% to 10.7%. Rental vacancy in core suburbs was more stable.
- Notwithstanding rising vacancy, Montréal's multifamily investment market stayed red-hot through the pandemic. Overall volume reached over $1.7b, marking the fourth straight year of rising liquidity. Pricing remained aggressive; with investors competing for limited product, cap rates continued to fall throughout 2020. Pricing per unit is pushing record levels with few discounts to be found.
- Developers continue to position ambitious projects around transit stations. Cadillac Fairview has unveiled plans to build over 5,000 residential units, retail, a hotel, and seniors housing at Pointe-Claire station. At Montmorency, Group Montoni, Groupe Sélection, and FTQ are partnering on a 1.36m s.f. mixed use development, the largest yet in Laval. Meanwhile Devimco continues to progress on Solar Uniquartier in Brossard, the largest TOD project on the South Shore.
- The provincial moratorium on residential evictions was lifted in late July. To cushion a potential spike in evictions, the provincial government earmarked over $70m in funding towards a housing action plan to support tenants.

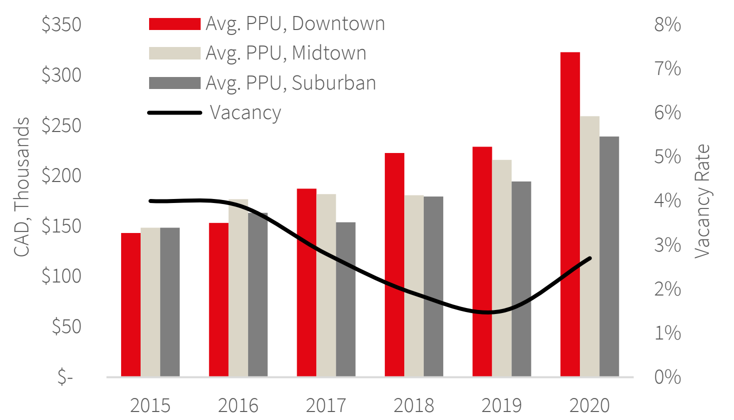
Retail

- With an economy that is highly correlated to the vitality of its street retail, Montréal's recovery will be fragmented and uneven throughout 2021. Mindful of this, the city implemented the Active Mobility Corridors program that provided $20m in funding to enhance foot traffic and help retailers set up online sales channels. The provincial government contributed an additional $20m in subsidies aimed at helping Montréal Small and Medium-Sized Enterprises (SMEs).
- Retail investment in Montréal reached just over $1b for the year, more than any other Canadian city. Cadillac Fairview's share sale of Carrefour Laval to TD Asset Management, at an overall price of $463m, was the largest retail sale in Quebec this past year. First Capital, Vista, Choice Properties, and Forum each divested Quebec retail portfolios over the course of the year.
- Sharp pricing adjustments have been made across the retail spectrum, with investors reporting cap rate hikes in the order of 30-50 basis points for enclosed malls and 30-40 basis points for power centres. Grocery-anchored plazas have been least affected, with cap rates slightly compressing and investors eager to deploy. Perhaps more than any other property type, investors and lenders are giving more scrutiny than ever to retail assets in terms of location and covenant.

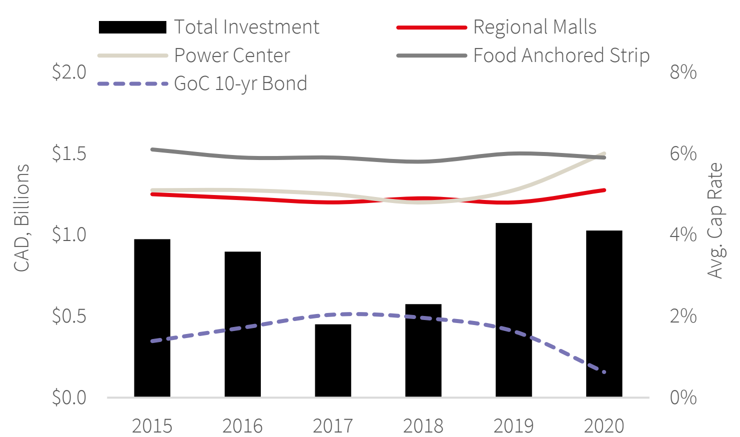
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates



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

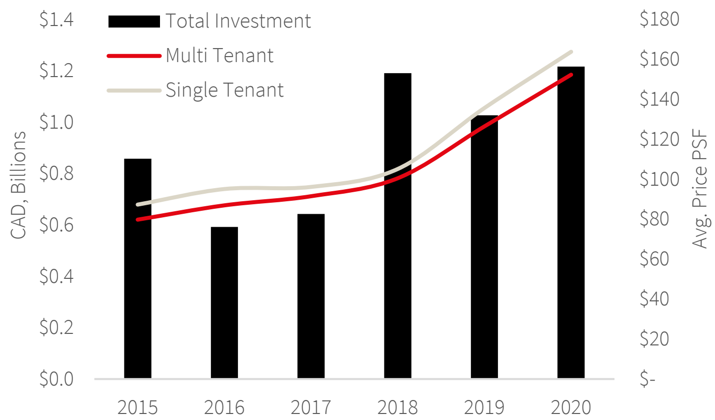
Industrial

- As we have seen in other Canadian markets as well as globally, industrial demand has proven insatiable during the pandemic. Net absorption surpassed 2.5m square feet in 2020, the lowest level since 2016 but still far above new supply. Demand is driven by short-term leases from essential service users, including food processing and e-commerce fulfillment. By the end of 2020 vacancy was down to 1.9%, an all-time low, and average asking rents were up to $7.58 psf.
- These fundamentals are attracting more development, with over 5m square feet in the construction pipeline. This could push vacancy up slightly in the short-term, but with most of the pipeline already pre-leased, we expect the market to remain firmly landlord-favourable. Some notable completions for 2021 include Sobey's fulfillment centre at 2400 Trans-Canada Highway and the WIPTEC fulfillment centre in Longueuil. Amazon also made several moves: a 520,000 sqft sortation center in Coteau-du-Lac and three delivery stations in Laval and Lachine.
- Montréal's undersupplied industrial market has risen dramatically in value over the past few years. Warehouse pricing is now above $150 psf for multi-tenant buildings and above $160 psf for single-tenant – an appreciation of around 70% since 2017. Cap rates continue to fall at an average of 4.72% for multi-tenant and 4.64% for single-tenant, based on the most recent JLL Real Estate Investment Survey.
- Strong investment performance and resilient fundamentals are drawing record levels of liquidity to the market. Investment volume reached $1.2b in 2020, nearly a 20% rise over 2019.

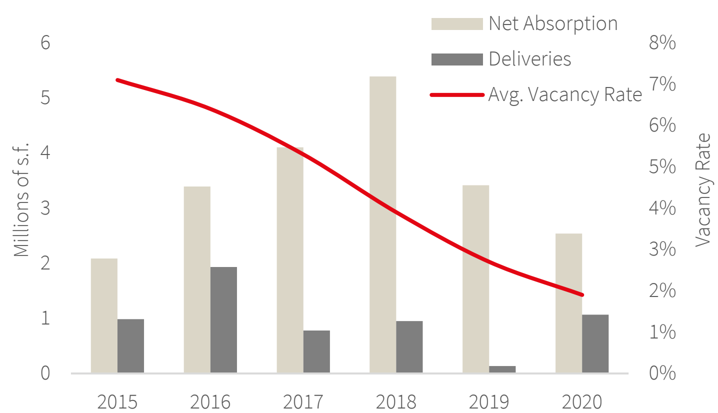
Alternative Assets

- Montréal saw nearly $300m in alternative asset sales between data centres, senior housing, automotive dealerships, and self storage facilities.
- Equinix, a US-based REIT specializing in data centre operations, established a foothold in Montréal as part of its acquisition of 13 Bell Canada data centres across Canada.
- With over 35,000 seniors, Quebec's Long Term Care system has been under intense pressure during COVID with multiple outbreaks across the region. However, as vaccination has spread, average daily cases have fallen from around 60 in late 2020 to single digits in early 2021 and all outbreaks have been contained.
- The largest transaction of the year was a joint venture between Chartwell and Welltower. The two groups each acquired a 42.5% interested in the 345-suite Le St. Gabriel retirement residence in Saint-Hubert at a cost of $37.9m each, or nearly $260,000 per bed.

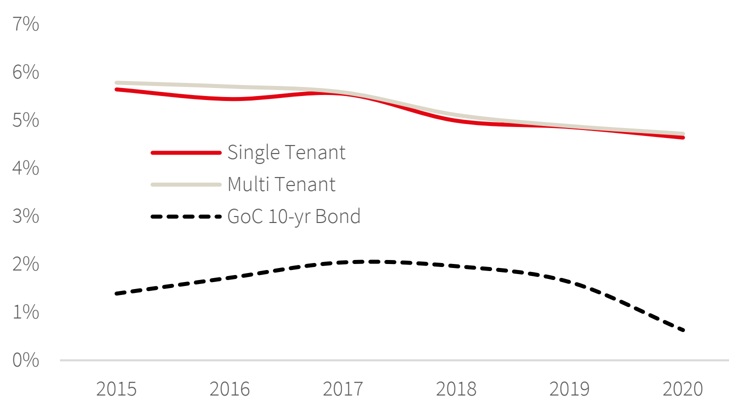
Industrial Investment Volumes and Price PSF



Industrial Supply and Demand



Industrial Cap Rates



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

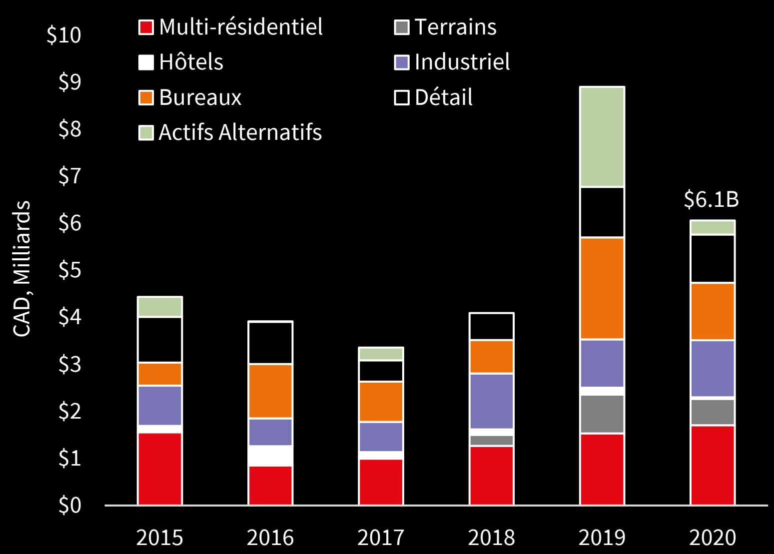
Montréal

Aperçu des marchés des capitaux | T4 2020

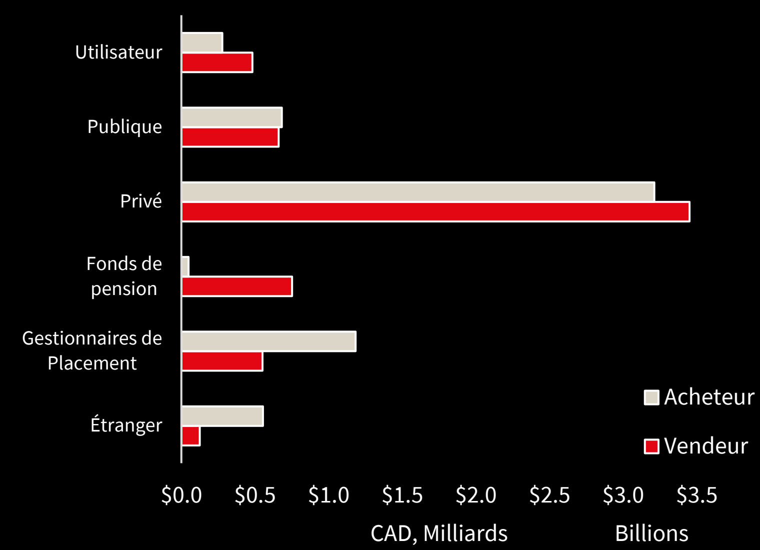
Montréal

Aperçu des marchés des capitaux | T4 2020

Investissement immobilier par catégorie d'actif



Profil des investisseurs immobiliers du marché



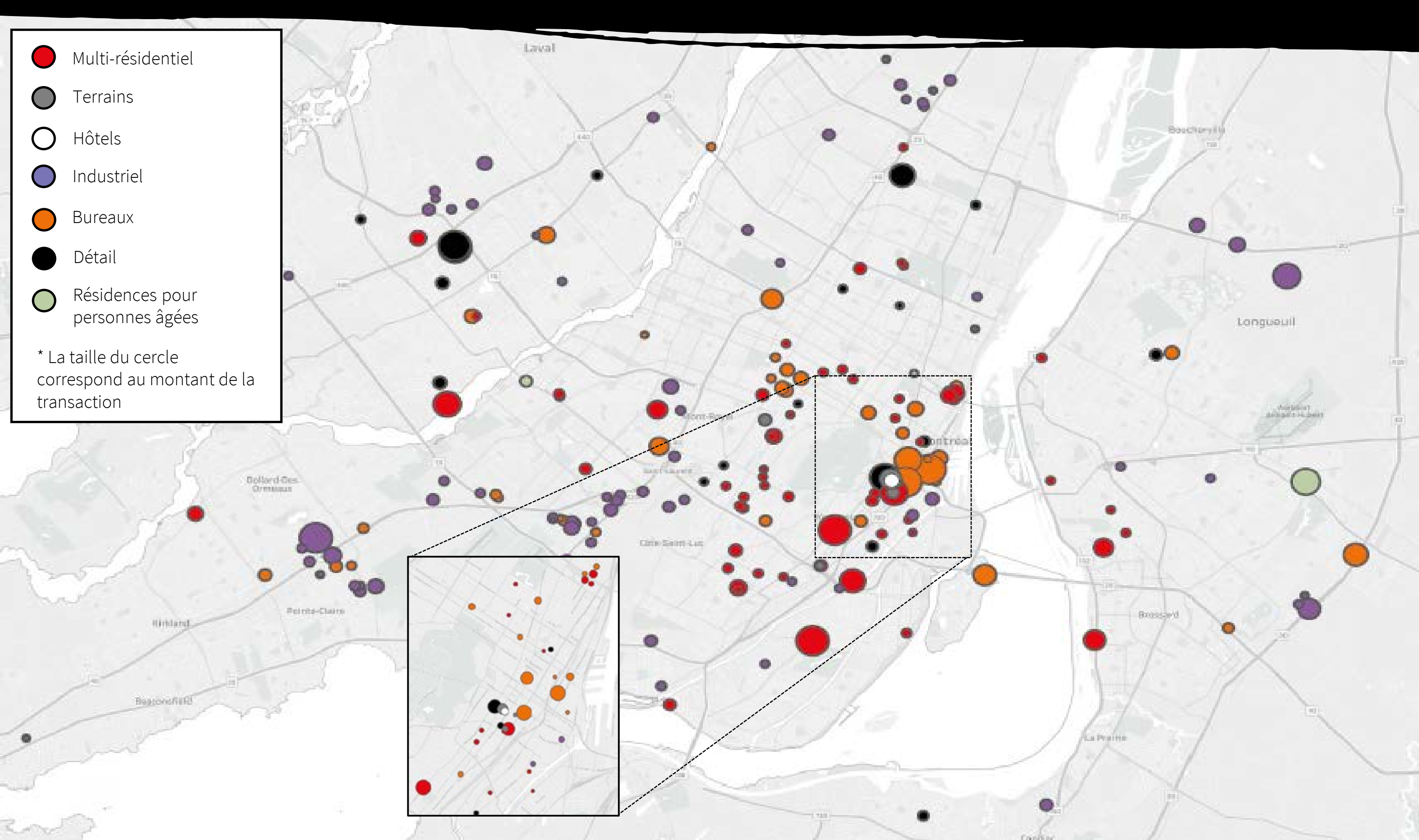
Domicile des acquéreurs, T4 2020

Canada **91%**

États-Unis **8%**

Suéde **1%**

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

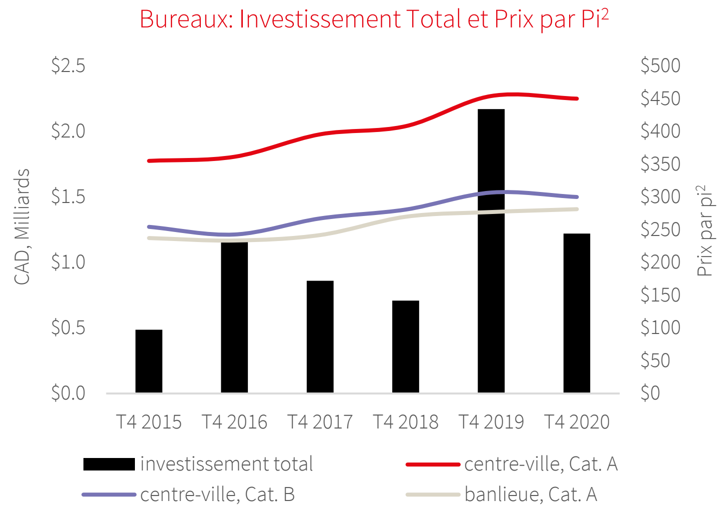


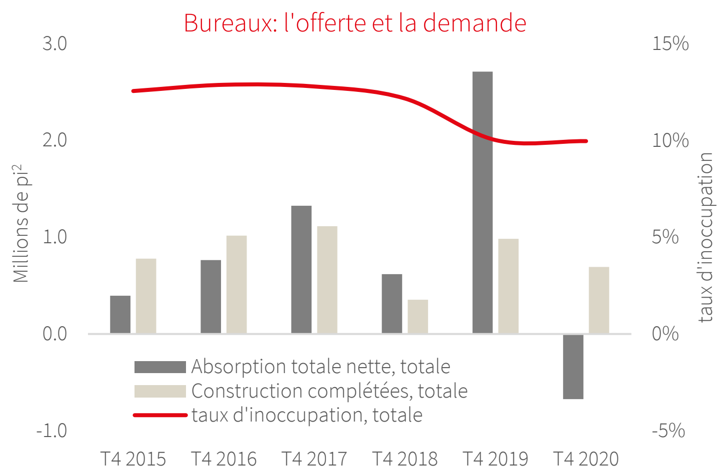
Général

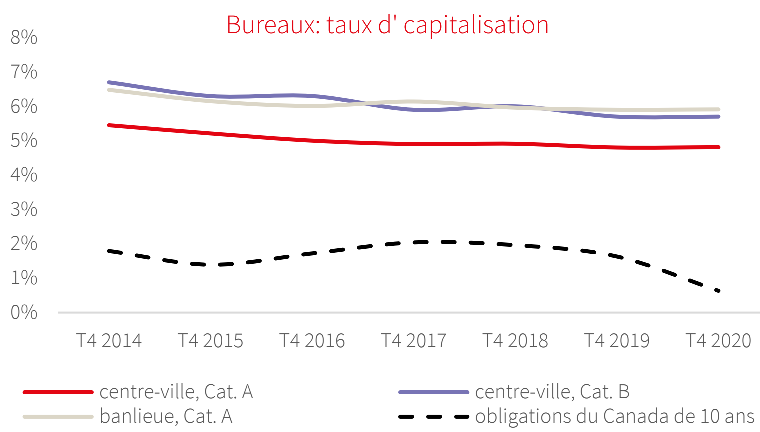
- Le volume d'investissement total a atteint 6,1 milliards $, en 2020, dans la grande région de Montréal (GRM). Bien que cela représente une baisse de 30 % par rapport à celui de 2019—qui fut une année record—le volume d'investissement demeure 15 % au-dessus de la moyenne du marché des cinq dernières années. Cela suggère que Montréal est demeuré un marché extrêmement fluide et liquide et ce, malgré les circonstances difficiles de la dernière année.
- La GRM a connu une croissance négative du produit intérieur brut réel de - 6,2 % pour l'année 2020, contre un taux - 5,5 % pour le Québec dans son ensemble. Le taux de chômage a atteint un pic au cours du deuxième trimestre, à 15,1 %, avant de retomber à 10,5 %, en décembre. Après avoir été l'une des villes canadiennes dont l'économie a été la plus durement touchée en 2020, Montréal sera également l'une des villes qui affichera la plus forte croissance lors de la reprise attendue en 2021.
- Malgré la chute de l'achalandage des transports en commun causée par la pandémie de COVID-19, la Caisse de dépôt et placement du Québec a annoncé un plan de 10 milliards $ pour prolonger le Réseau express métropolitain (REM) de 32 km vers l'est, et ainsi relier le centre-ville à Montréal-Nord et Pointe-aux-Trembles. Les lignes du REM de l'Est fourniront enfin un service de transport en commun indispensable à certains des secteurs les plus mal desservis de la ville.
- L'année 2020 a été marquée par une tendance indéniable : la migration vers l'extérieur de l'île de Montréal. Les régions qui profitent le plus de cet effet sont les banlieues de Brossard, Laval et Saint-Eustache. Les corridors situés en banlieue qui sont desservis par le transport en commun ont connu un fort intérêt de la part des acheteurs de terrains.

Bureaux

- Le secteur des immeubles de bureaux montréalais a enregistré des ventes totales de plus de 1,2 milliard $, bien que la majeure partie de ces transactions ait eu lieu au cours du premier trimestre, avant l'entrée en vigueur des restrictions liées à la pandémie. Les ventes du Centre de Commerce Mondial (au FPI Allied) et du 1100, boulevard René-Lévesque Ouest (au Groupe Mach) ont totalisé plus de 500 millions $, au tout début de 2020.
- Les indicateurs du marché ont connu un changement important à partir du troisième trimestre, avec l'afflux de locaux offerts en sous-location. La disponibilité totale des espaces en sous-location dans la grande région de Montréal a augmenté à plus de 2 millions de pieds carrés, ce qui a fait monter le taux d'inoccupation à 10 % et a fait chuter l'absorption à - 673 500 pieds carrés pour l'année. La majeure partie de l'absorption négative a été enregistrée dans les segments des catégories B et C. Comme l'on s'attend à ce que davantage de locataires regroupent leurs espaces de travail et se départissent de leurs locaux excédentaires, cela pourrait entraîner une hausse du taux d'inoccupation jusqu'en 2021 et réduire davantage les loyers.
- Le contexte difficile des activités de location a rendu très ardu l'établissement de la valeur des immeubles de bureaux. En effet, les acheteurs et les vendeurs ont du mal à s'entendre sur un enjeu crucial : les hypothèses relatives aux revenus locatifs. Néanmoins, le faible taux d'inoccupation des immeubles de bureaux montréalais et la vigueur de la demande qui prévalait avant la pandémie font en sorte que de nombreux investisseurs demeurent optimistes quant à ce marché. En raison des rendements obligataires qui demeurent à des creux cycliques, nous considérons que le secteur des bureaux de Montréal offre de solides opportunités de rendement sur une base ajustée au risque. Dès que l'on aura plus de précisions sur la vaccination et la trajectoire de la pandémie, nous nous attendons à un retour aux niveaux de liquidités antérieurs sur ce marché.







Source : Recherche JLL, REIS JLL, Altus ITS

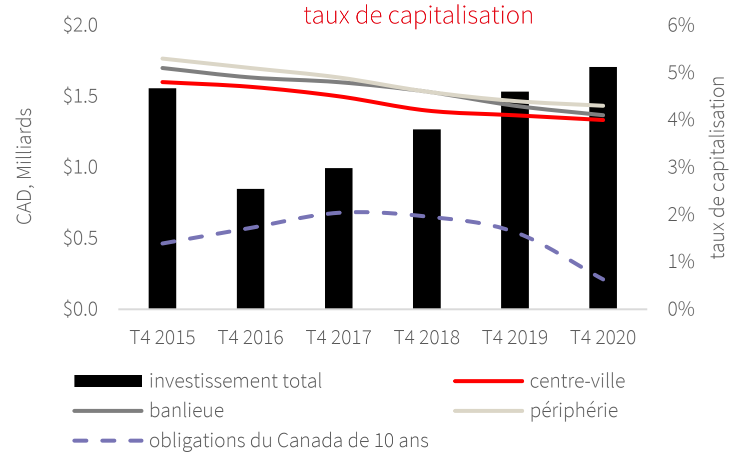
Multi-résidentiel

- La ville de Montréal a connu une perte nette de près de 30 000 habitants, principalement au profit des banlieues avoisinantes. L'afflux de nouveaux immigrants ayant été interrompu, de même que celui des étudiants universitaires, le taux d'inoccupation des immeubles multi-résidentiels est en hausse. Selon la SCHL, le taux d'inoccupation global des logements locatifs de la GRM est passé de 1,5 %, en 2019, à 2,7 %, en 2020, tandis que celui du centre-ville est passé de 2,5 % à 10,7 %. Cependant, dans les principales banlieues, le taux d'inoccupation n'a que légèrement augmenté.
- Malgré l'augmentation du taux d'inoccupation, le marché de l'investissement multi-résidentiel de Montréal a maintenu sa vigueur pendant la pandémie. Le volume global des transactions dans ce marché a atteint plus de 1,7 milliard $, ce qui constitue la quatrième hausse annuelle consécutive. Malgré tout, les prix sont restés élevés, les investisseurs se faisant concurrence pour un nombre limité d'immeubles. Conséquemment, les taux de capitalisation ont baissé tout au long de l'année 2020, les prix unitaires atteignant des niveaux record et les propriétés bon marché se faisant rares.
- Les promoteurs continuent de positionner des projets ambitieux autour des pôles de transport en commun. Cadillac Fairview a annoncé son intention de construire plus de 5 000 unités résidentielles, des commerces de détail, un hôtel et des logements pour personnes âgées à proximité de la gare du REM de Pointe-Claire. À Montmorency, le Groupe Montoni, le Groupe Sélection et la FTQ s'associent dans le cadre d'un projet de développement à usage mixte de 1,36 million de pieds carrés, le plus important jamais réalisé à Laval. De même, le projet Solar Uniquartier de Devimco continue de progresser à Brossard. Il s'agit du plus important projet axé sur le transport en commun de la Rive-Sud.
- Le moratoire provincial sur les expulsions des locataires a été levé à la fin du mois de juillet. Pour amortir une éventuelle flambée des expulsions, le gouvernement provincial a affecté plus de 70 millions $ à un plan d'action destiné à soutenir les locataires.

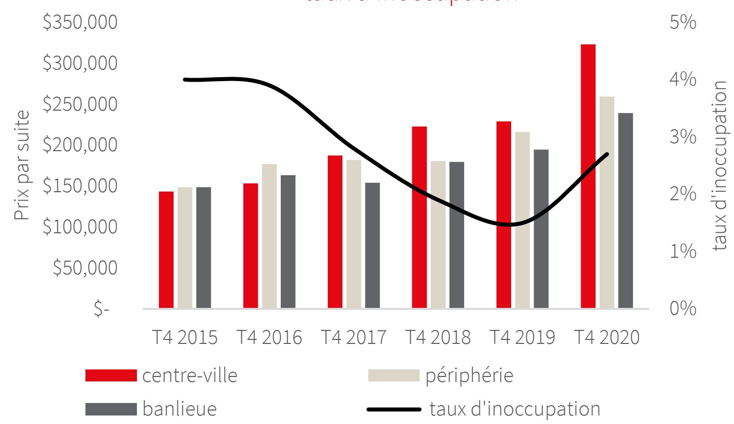
Commerce de détail

- À Montréal, la vigueur de l'économie est fortement liée à la vitalité du secteur du commerce de détail ayant pignon sur rue. Par conséquent, la reprise y sera fragmentée et inégale tout au long de 2021. Consciente de ce fait, l'administration municipale a mis en œuvre un programme de « corridors de mobilité active » qui a fourni un financement de 20 millions $ pour améliorer la circulation des piétons et aider les détaillants à mettre en place des canaux de vente en ligne. Le gouvernement provincial a également contribué à hauteur de 20 millions $ en subventions destinées à aider les petites et moyennes entreprises (PME) montréalaises.
- L'investissement dans le commerce de détail s'est chiffré à un peu plus d'un milliard $ pour l'année 2020, à Montréal, davantage que dans toute autre ville canadienne. La vente d'une portion du Carrefour Laval par Cadillac Fairview à Gestion de Placements TD, au prix de 463 millions $, a été la plus importante vente dans le secteur du commerce de détail au Québec, l'année dernière. First Capital, Vista, Propriétés de Choix et Forum ont tous cédé des portefeuilles de commerce de détail au Québec au cours de l'année.
- L'ensemble des immeubles du secteur du commerce de détail a subi des ajustements de prix importants. En effet, les investisseurs ont fait état d'ajustements des taux de capitalisation de l'ordre de 30 à 50 points de base pour les centres commerciaux fermés et de 30 à 40 points de base pour les mégacentres commerciaux. Les centres commerciaux ayant des magasins d'alimentation comme locataire principal ont été les moins touchés. En effet, les taux de capitalisation en question ont connu une légère compression, vu l'intérêt des investisseurs pour ce type de propriété. Plus que pour tout autre type de propriété, les investisseurs et les prêteurs portent leur attention sur l'emplacement et la qualité des baux lorsqu'ils examinent des actifs du secteur du commerce de détail.

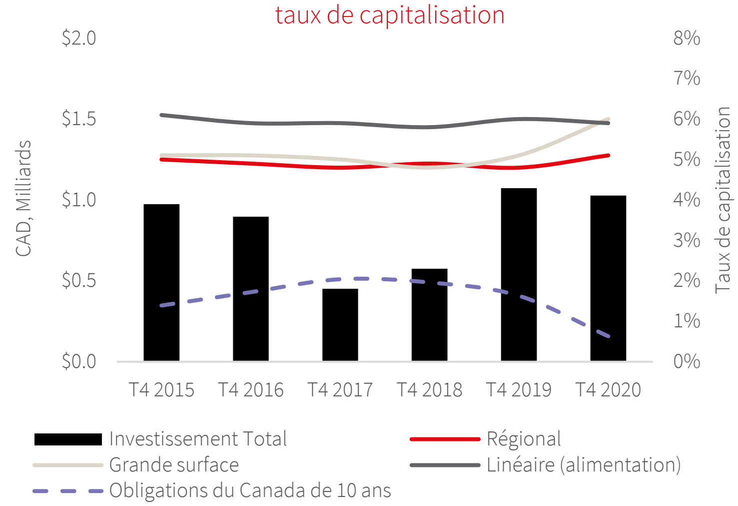
Multi-résidential: Investissement total et taux de capitalisation



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



Commerce de detail: Investissement total et taux de capitalisation



Source : Recherche JLL, Altus ITS, CMHC

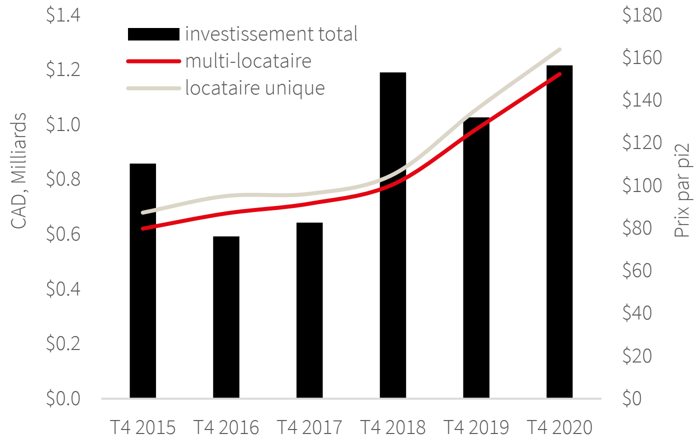
Industriel

- Comme nous l'avons constaté sur d'autres marchés canadiens, ainsi qu'ailleurs dans le monde, la demande pour les actifs industriels s'est avérée insatiable pendant la pandémie. L'absorption nette a dépassé 2,5 millions de pieds carrés en 2020, le niveau le plus bas depuis 2016, mais surpassant toujours le nouveau produit arrivant sur le marché. La demande est alimentée par les baux à court terme des utilisateurs de services essentiels, notamment ceux des secteurs de la transformation alimentaire et du commerce électronique. À la fin de 2020, le taux d'inoccupation avait chuté à 1,9 %, un creux historique, tandis que les loyers moyens affichés atteignaient 7,58 $ du pied carré.
- Ces indicateurs suscitent un engouement pour les projets de développement, plus de 5 millions de pieds carrés étant actuellement en cours de construction. Cette situation pourrait entraîner une légère hausse du taux d'inoccupation à court terme, mais comme la plupart des projets sont déjà pré-loués, nous croyons que le marché restera résolument favorable aux propriétaires. Parmi les réalisations notables prévues pour 2021, citons le centre de distribution de Sobeys, au 2400, autoroute Transcanadienne, le centre de distribution de WIPTEC, à Longueuil, et plusieurs installations d'Amazon, soit un centre de tri de 520 000 pieds carrés à Coteau-du-Lac et trois postes de livraison à Laval et à Lachine.
- Le marché industriel étant sous-approvisionné à Montréal, il a connu une hausse spectaculaire en termes de valeur au cours des dernières années. Le prix des entrepôts est actuellement supérieur à 150 $ du pied carré, pour les immeubles à locataires multiples, et surpasse 160 $ du pied carré pour les immeubles à locataire unique, soit une appréciation d'environ 70 % depuis 2017. Les taux de capitalisation continuent de baisser, pour se situer à une moyenne de 4,72 % pour les immeubles à locataires multiples et de 4,64 % pour les immeubles à locataire unique, selon la plus récente enquête de JLL portant sur l'investissement immobilier.
- Une bonne performance au niveau des investissements et la vigueur des indicateurs de base attirent des niveaux record de liquidité sur le marché. Le volume des investissements a atteint 1,2 milliard $ en 2020, soit une hausse de près de 20 % par rapport à 2019.

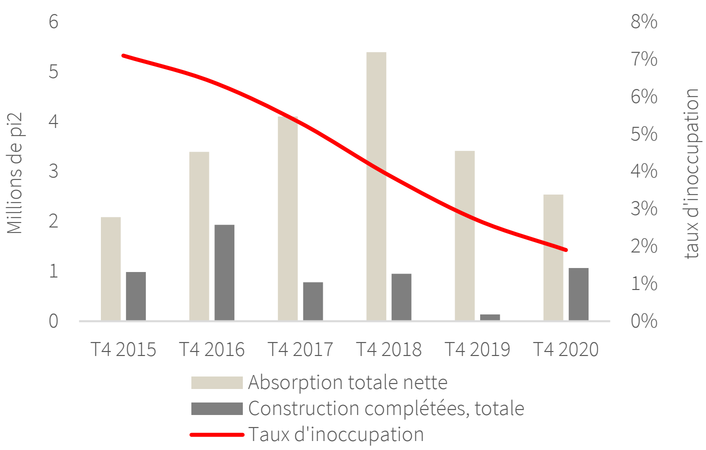
Actifs alternatifs

- Il y a eu pour près de 300 millions $ de ventes d'actifs alternatifs à Montréal, incluant des centres de données, des résidences pour personnes âgées, des concessionnaires automobiles et des installations d'entreposage libre-service.
- Equinix, un FPI américain spécialisé dans l'exploitation de centres de données, s'est implanté à Montréal après avoir finalisé l'acquisition de 13 centres de données de Bell au Canada.
- Avec plus de 35 000 personnes âgées hébergées dans ses résidences, le système de soins de longue durée du Québec subit une pression sans précédent depuis le début de la pandémie, compte tenu du grand nombre d'éclosions recensées. Toutefois, grâce au programme de vaccination, le nombre moyen d'éclosions, sur une base quotidienne, est passé d'environ 60 éclosions à la fin de 2020, à moins d'une dizaine, au début de 2021, et elles ont toutes été contrôlées.
- La plus importante transaction de l'année a été effectuée par une coentreprise entre Chartwell et Welltower. Chacun d'eux a acquis chacun une participation de 42,5 % dans la résidence pour retraités Le St-Gabriel, à Saint-Hubert, qui compte 345 appartements, au coût de 37,9 millions $ chacun, ce qui correspond à près de 260 000 $ par lit.

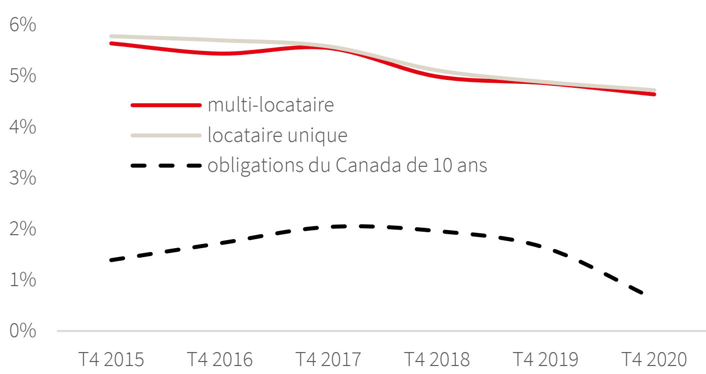
Industriel: Investissement total et prix par pi²



Industriel: l'offerte et la demande



Industriel: Taux de capitalisation



Source : Recherche JLL, REIS JLL, Altus ITS

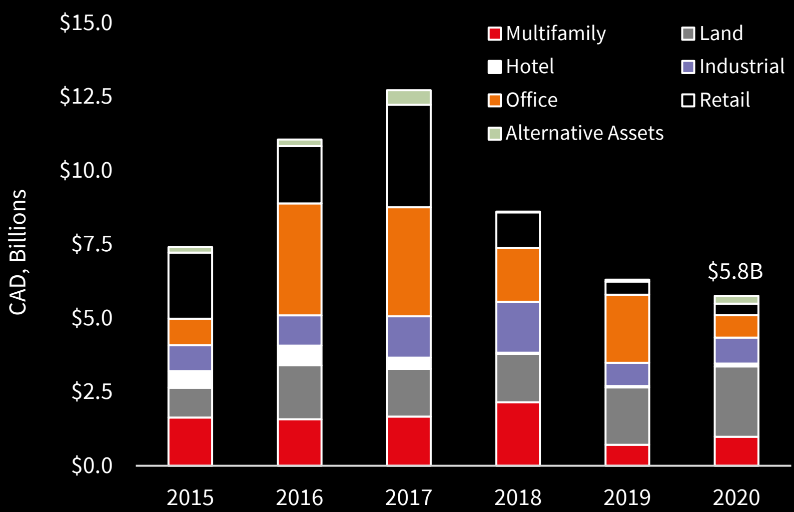
Vancouver

Canada Investment Outlook | Year-End 2020

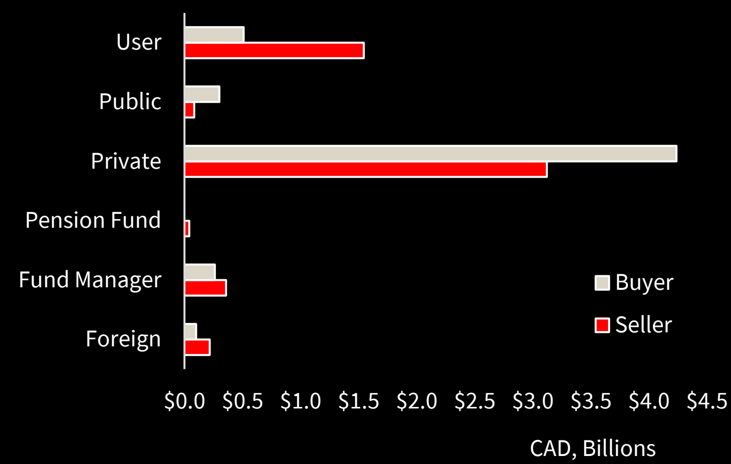
Vancouver

Canada Investment Outlook | Year-End 2020

Historical Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, 2020



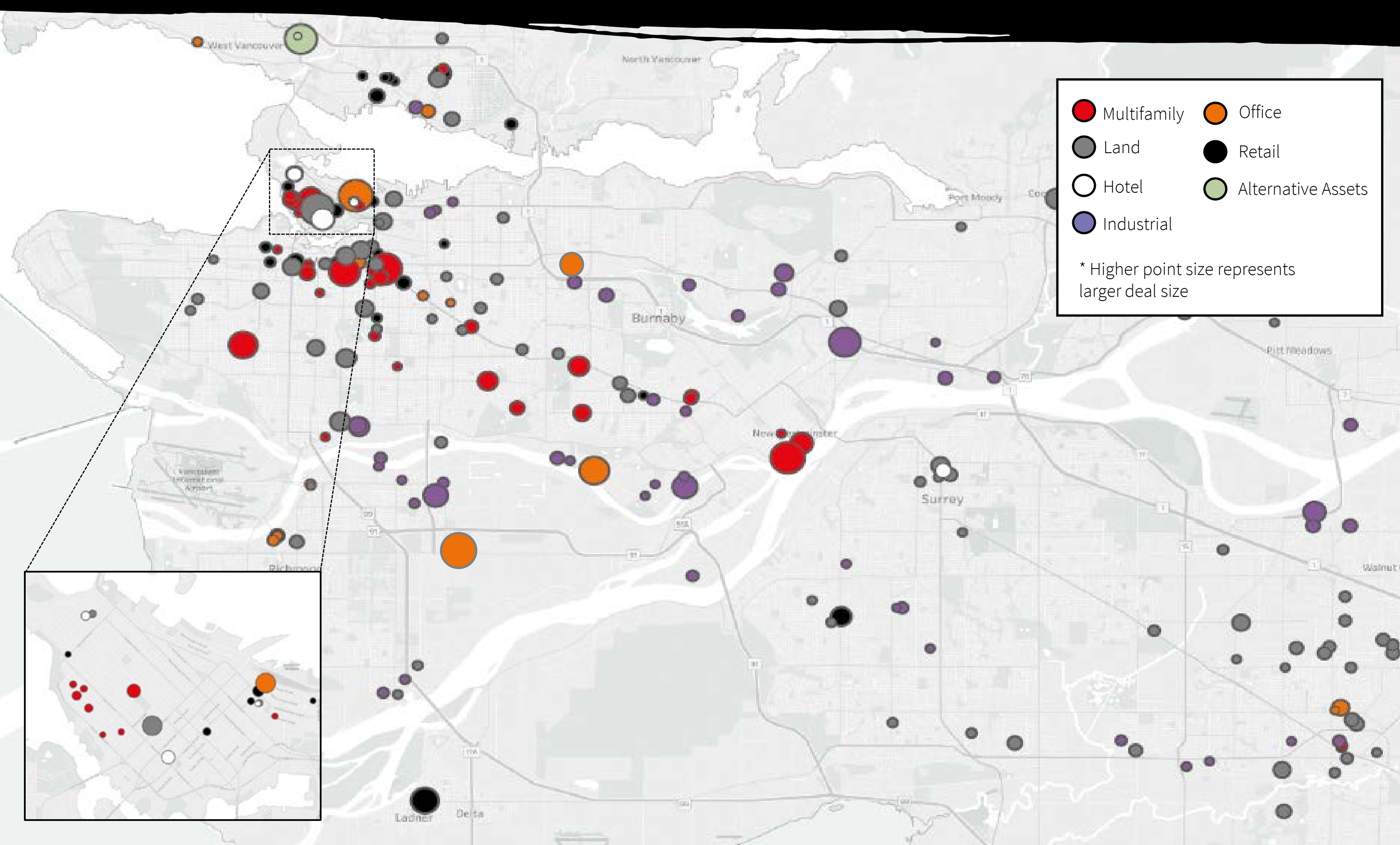
Vancouver Buyer Domicile, 2020

Canada **95%**

U.S. **2%**

Rest of the world **3%**

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



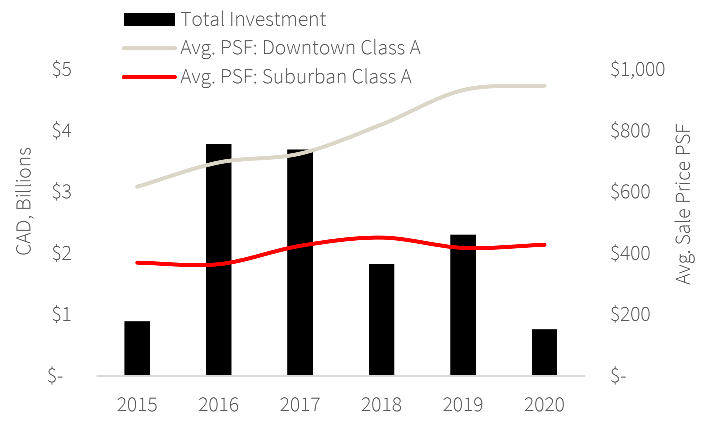
General

- Vancouver saw nearly $5.75b in total investment sales in 2020 – a 9% fall from 2019 and a 35% fall from the market's five-year average. The most dynamic segment of the market this past year has been development land, which accounted for $2.4b, or 45% of total investment volume. Multifamily ($980m) and industrial ($883m) follow, however nearly 60% of development land sold in 2020 was intended for either multifamily or industrial use, bringing the "true" share of multifamily and industrial sales to about 75% of market volume.
- The most active groups on both sides of the ledger were private investors and users. Private groups accounted for nearly 80% of all purchases and 60% of all sales, higher than in any other Canadian city. Users accounted for almost 10% of purchases - mostly industrial condos - and nearly 30% of all sales, mostly corporates looking to generate cash flow through sale-leaseback deals.
- The B.C. provincial government set up the Landowner Transparency Registry as an attempt to combat domestic and international tax evasion and money laundering. The registry will require full disclosure of property that is owned by corporations, partners, or trustees.
- The province has also unveiled regulatory changes intended to limit sharp rises in insurance premiums for strata properties. The changes include providing at least 30 days notice to condo associations of changes to policy conditions, and abolishing "best terms pricing." These practices were commonly cited as driving forces behind the sharp rise in commercial property insurance premiums.

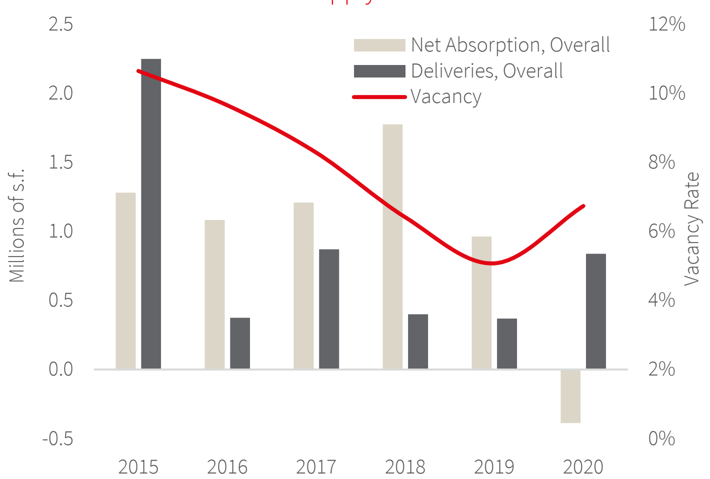
Office

- Office investment in Vancouver totaled $762m in total volume, making 2020 the slowest year since 2011. Allied Properties' acquisition of The Landing for $225m, or $1,280 psf and a cap rate of 3%, was the most prominent transaction of 2020. GWL sold off two suburban office properties: Glenlyon Business Park in South Burnaby for $75m - or $455 psf and a 6.3% cap rate - and Crestwood Corporate Centre in Richmond for $218m, or $240 psf.
- Office owners are generally not in a rush to sell and those who are selling are not offering much of a discount. With North America's lowest overall vacancy rate, landlords remain confident in Vancouver's strong fundamentals and believe that mass vaccination will bring workers back to the office. Cap rate movement in Vancouver has been much lower than in Eastern Canada.
- COVID has pushed availabilities to increase by almost 70% from a year ago. This is mostly caused by subleasing, which rose 127% in the GVA and 449% downtown. On a year-over-year basis, asking rents are up by 6.4% overall and up 3.9% in the suburbs, though they are down slightly in the Downtown Class A segment.
- Amazon plans to hire at least 3,000 workers for its new downtown office. The company's headcount in Canada has grown from 10,000 in 2018 to over 21,000 today.

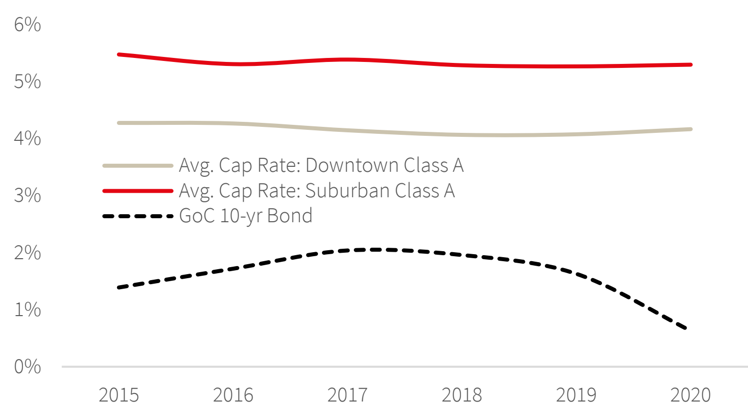
Office Investment and Price PSF



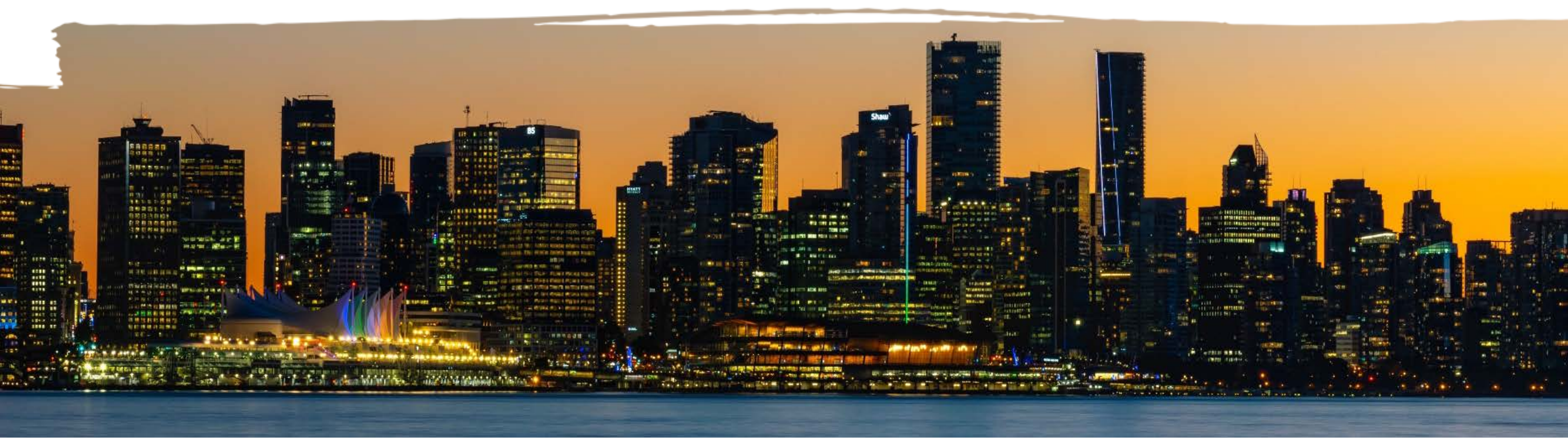
Office Supply and Demand



Office Cap Rates



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



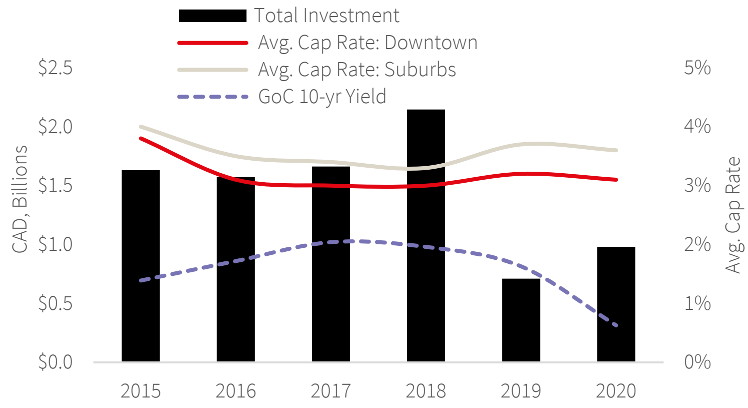
Multifamily

- Multifamily sales in Vancouver totaled $980m in 2020, with private investors accounting for 73%. Investment was subdued as multifamily owners, content with strong cash flow during the market downturn, were not in a rush to sell.
- The most liquid asset class in Vancouver in 2020 was land intended for multifamily use (rental or condominium), which totaled approximately $1.5b. With pricing at all-time highs, more investors are turning to development rather than acquisitions to earn returns.
- CMHC reported a 2.6% rental vacancy in 2020 for the Greater Vancouver Area, the highest in over a decade. Downtown Vancouver and UBC campus saw the biggest spike, rising to 6.3% and 14% vacancy, respectively, from a year ago. Rental growth for the overall market was 2%, down from 4.7% in 2019.
- Starlight Investments purchased the Aqua apartments in New Westminster for $172m, or $432,000 per unit. They are also developing a 1,700-unit rental housing community at Lougheed Village. After expanding aggressively through acquisitions of Continuum REIT and Northview REIT, Starlight plans to build out 7,500 units in BC over the next 10-15 years.
- BC's provincial government has taken several measures to help tenants, including a $500/month rent subsidy and a moratorium on evictions that ran through September. While the ban on evictions has since been lifted, BC extended a rent freeze through July 2021 as part of its COVID relief plan. City council also passed a motion in October to spend $30m on repurposing Single Room Occupancy properties - mostly underperforming hotels - into affordable housing.

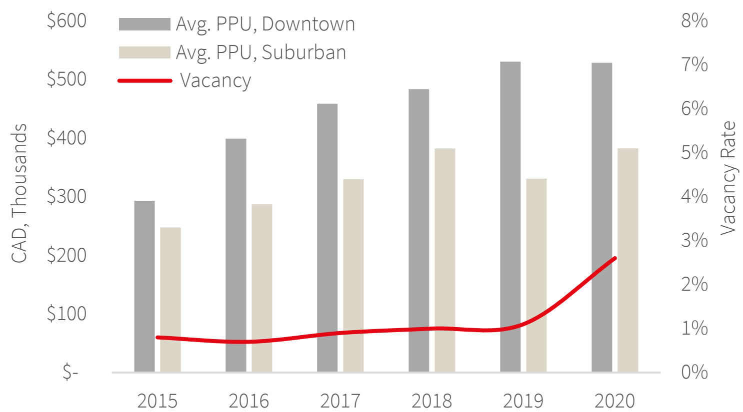
Retail

- Vancouver retail investment volume reached $387m in 2020, down 75% from the market's five-year average.
- According to JLL's Real Estate investment Survey, Vancouver retail investors are assuming average rental growth of 1.88%, compared to 2.16% in 2019 and 2.25% in 2018. While pricing assumptions are stable for grocery-anchored centres, investors are generally applying a cap rate adjustment of 30-50 bps for malls and 10-20 bps for power centres in Vancouver.
- The largest retail transaction of the year in the GVA was the sale of Trenant Park Square in Delta at a price of $64.5m, or $470 psf and valued at a cap rate of 4.6%. The FreshCo and London Drugs-anchored plaza was sold by Investors Group to Keltic Canada Developments.
- Fewer caseloads and a milder climate kept Vancouver retailers open later into the year and with fewer restrictions than in Eastern Canada. As a result, the retail sector has generally performed better, though the abrupt halt in the tourism and cruise industries will weigh on the local economy for some time.

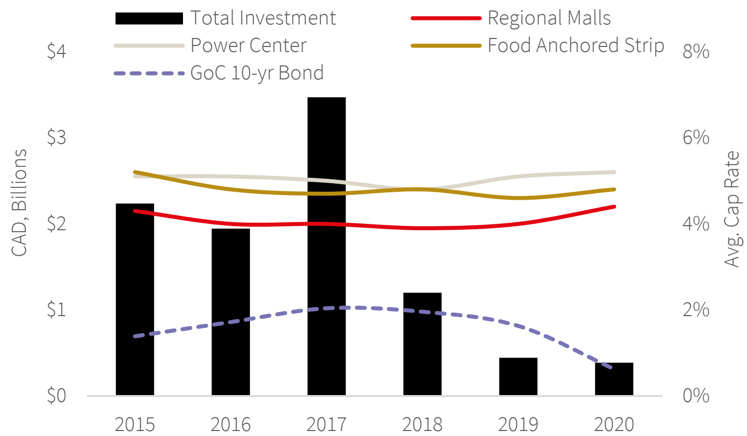
Historical Multifamily Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment and Cap Rates



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

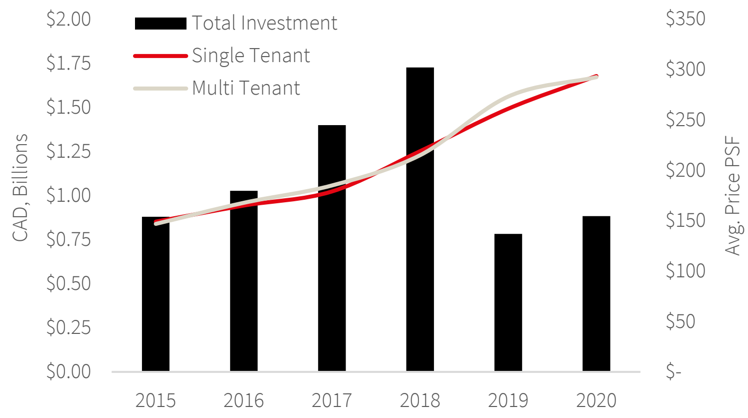
Industrial

- Sales of industrial properties reached $883m for the year. The booming e-commerce and grocery sectors, as well as the growing film studio industry, have accelerated demand for industrial product both among users and investors.
- Industrial vacancy rose by 20 bps in 2020. This was caused mostly by rising vacancy in small bay facilities, as well as the addition of 3.5m sqft in deliveries. Nevertheless, Vancouver continues to be among the tightest industrial markets in North America.
- Approximately 26% of industrial acquisitions in 2020 were made by users. An increasingly challenging market context for tenants is leading many to purchase their warehouse space to insulate themselves from aggressive rental growth.
- Industrial pricing in Vancouver is approaching an average of $300 psf, reflecting price appreciation of about 10% from a year ago. Prices had fallen in the immediate aftermath of the pandemic but recovered strongly once the market adjusted to the new realities of COVID. Cap rates have fallen to an average of 4.18% for single-tenant and 4.31% for multi-tenant facilities.
- Similar to multifamily, high asset prices are making it difficult for investors to generate strong returns. As a result, more groups are focusing on ground-up development rather than acquisitions. This is reflected by the $363m in purchases of land zoned for industrial use, bringing “true” industrial sale volume closer to $1.25b.
- 66% of acquisitions were attributed to private investors, while REITs, pension funds, and investment mangers accounted for just 5% of the buyer pool.

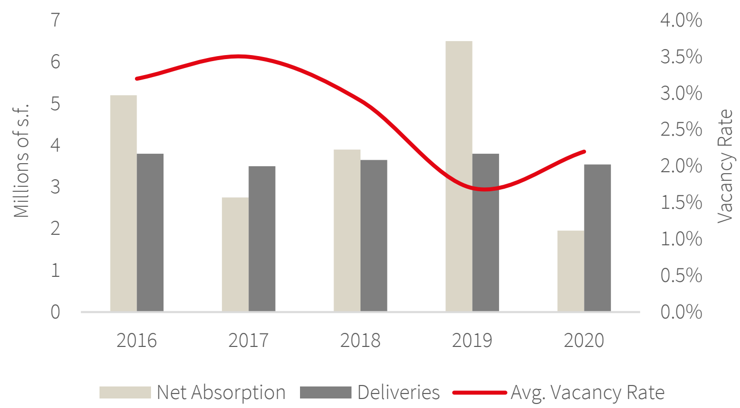
Alternative Assets

- Over $260m in alternative assets were traded in 2020 between senior housing, automotive dealerships, recreational facilities, and data centres.
- Equinix, a US-based REIT specializing in data centre operations, established a foothold in Vancouver as part of its acquisition of 13 Bell Canada data centres across Canada.
- 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.
- According to CMHC, vacancy in Vancouver’s senior housing market rose from 1.3% in 2019 to 3.8% today, with average rents falling by nearly 10%. With all residents and employees expected to be vaccinated in the early months of 2021, we expect the industry to recover these occupancy losses in 2021.

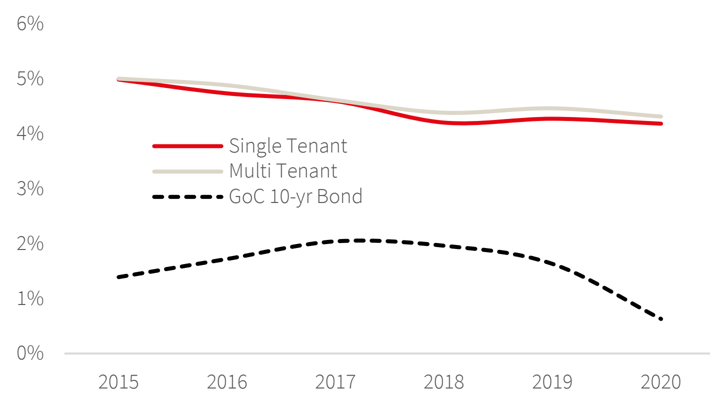
Industrial Investment Volume and Price PSF



Industrial Supply and Demand



Industrial Cap Rates



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

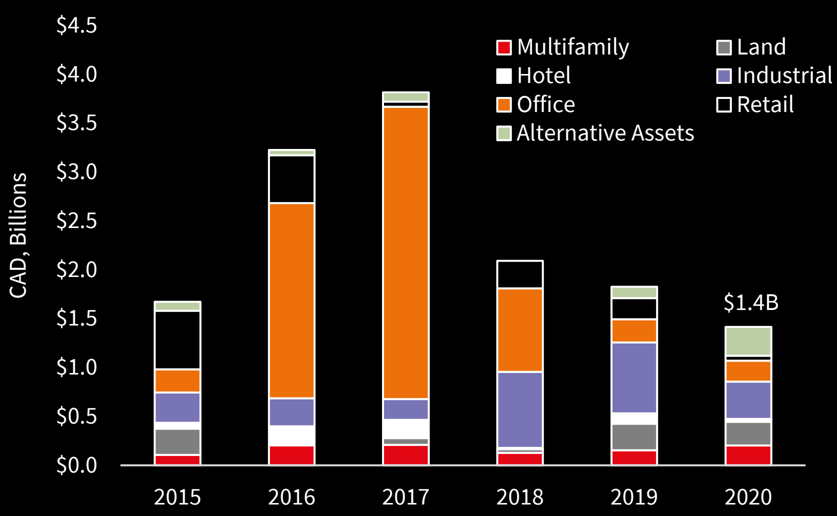
Calgary

Canada Investment Outlook | Year-End 2020

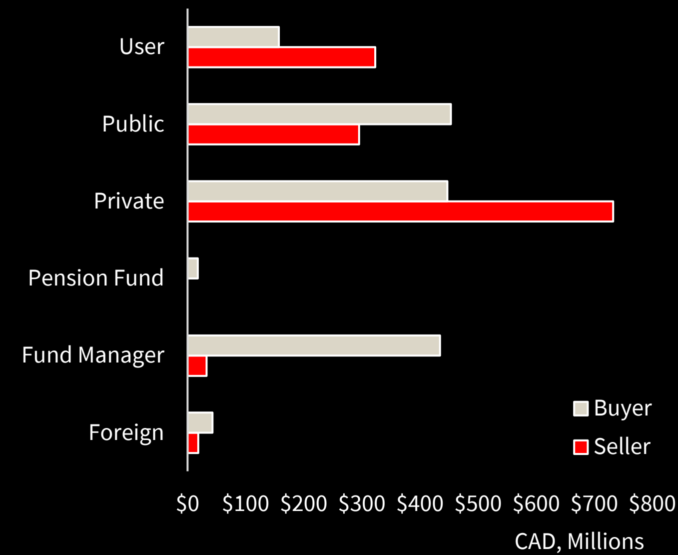
Calgary

Canada Investment Outlook | Year-End 2020

Historical Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, 2020



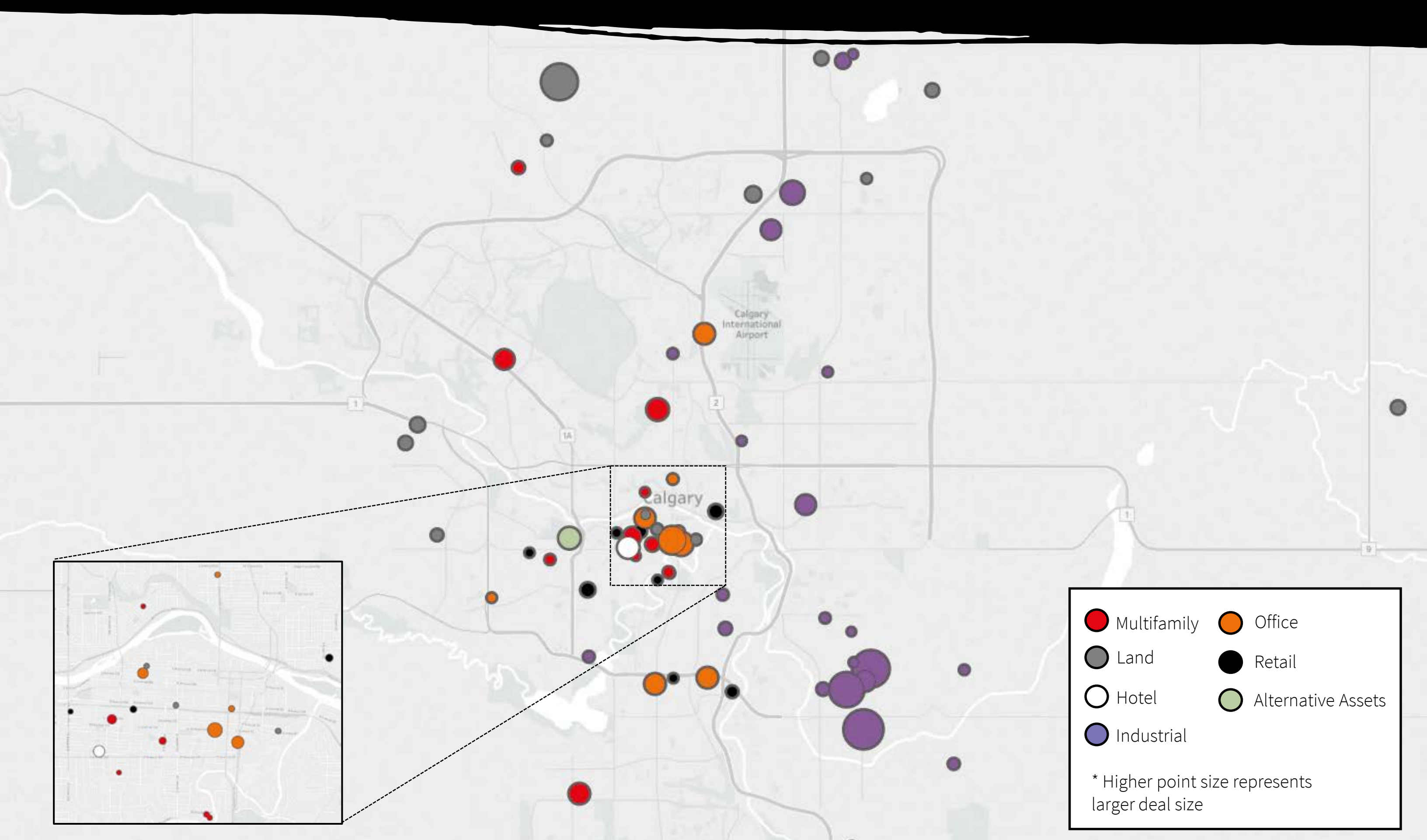
Calgary Buyer Domicile, 2020

Canada **81%**

U.S. **18%**

Unknown **1%**

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



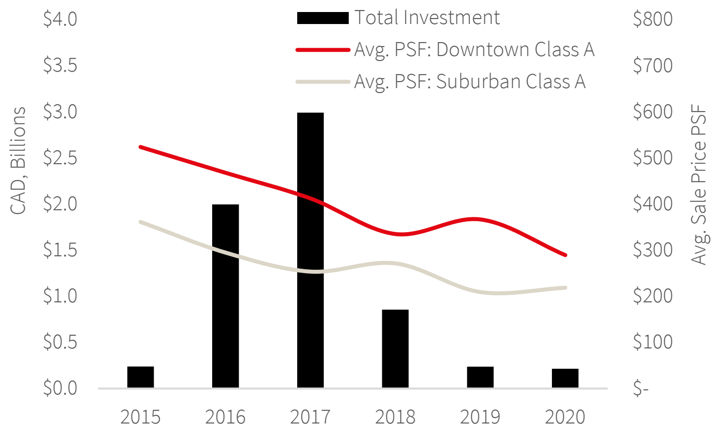
General

- Overall investment volumes in Calgary reached $1.4b during 2020. Industrial ($381m) and land ($242m) led the way, reflecting the optimistic outlook for stabilized and ground-up industrial development, especially in the Southeast submarket. Across all asset classes, vendor financing has become a routine condition for closing.
- The overall buyer pool was split fairly evenly with private groups, REITs, and fund managers each accounting for around 25% of total liquidity. On the sell side, about 23% of total transactional volume was attributed to user sales, reflecting the many companies that resorted to sale-leaseback transactions to generate cash flow.
- After a glut of unused oil supply pushed prices to unprecedented lows shortly after spring lockdowns, prices have recovered into the CAD $30-35/barrel range and into the low $40s in early 2021. The COVID-induced fall in demand led to the closure of dozens of Alberta oil rigs, with over 80% still closed. Falling production across the globe is keeping supply low, which has started contributing to rising prices in early 2021.
- Calgary is moving ahead with ambitious city building projects despite a difficult fiscal context. City council ratified funding for the Green Line build-out with assistance from the provincial and federal governments. Meanwhile Calgary Municipal Land Corporation has begun work on the BMO Convention Centre renovation, and designs for the new hockey arena are expected to be made public this spring.

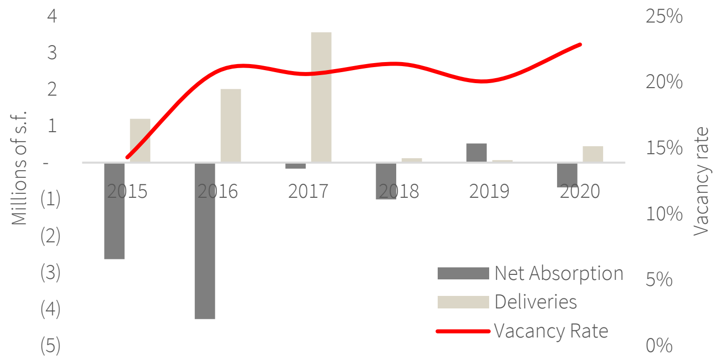
Office

- Office investment in Calgary reached $213m, the lowest total in over a decade. The largest transaction of the year was Artis REIT's sale of two Beltline properties: TransAlta Place and Stampede Station. Combined they represent nearly 500,000 s.f. of transit-accessible Class A space at a price of over $85m ($171 psf) and a cap rate of 6.89%.
- Private investors, attracted by Calgary's opportunistic returns, accounted for nearly half of all liquidity in the market. These groups are eager to acquire assets at historic lows, mainly through receivership purchases, and are betting on the upside potential.
- Federal and provincial initiatives that protected commercial tenants from eviction and subsidized payroll expenses temporarily delayed the full impact of the pandemic, but as these measures expired toward the end of the year vacancy began to creep up. Vacancy is now up to 25.7% in the downtown core, and up to 18.9% in the suburbs. Asking net rents have fallen to $14 psf for Downtown Class A space, while suburban net rents ended the year at nearly $15.50 psf.
- As geopolitical pressures continue to mount on the oil and gas industry, tenants will continue to consolidate and restructure as we have seen with Cenovus, Husky Energy, Suncor and others. Yet 2021 presents some opportunities - the spaces they are vacating offer a flight to quality opportunity for others, and a growing tech sector is taking advantage of low operating costs and access to a large and educated labour pool. The Job Creation Tax Cut, which lowered corporate taxes from 12% to 8%, will also provide tailwinds to the market.

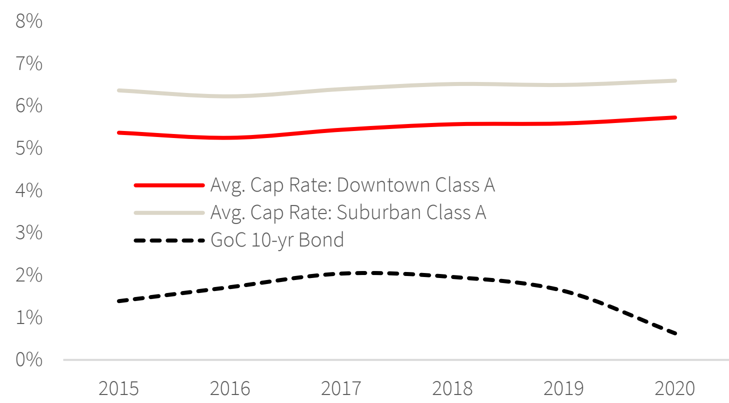
Office Investment and Price PSF



Office Supply and Demand



Office Cap Rates



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

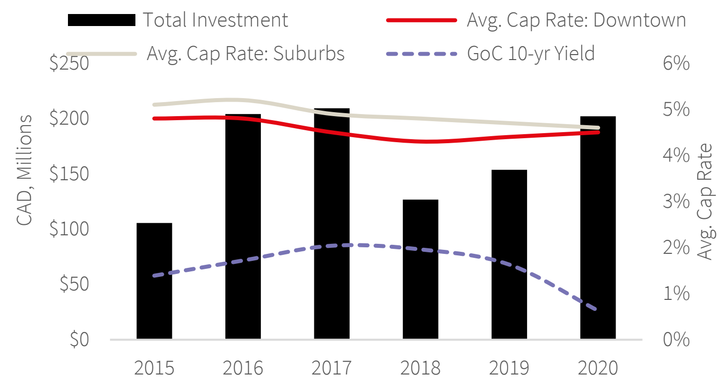
Multifamily

- Multifamily investment volumes in Calgary reached $202m for the year, with liquidity split between private investors and REITs. The largest transaction was CAPREIT's sale of Queen's Park Townhomes to Mainstreet Equity Corporation for $30.5m, or $162,234 per unit at a 5.52% cap rate.
- Downtown cap rates rose slightly on the year by around 10 basis points, from 4.5% a year ago to 4.6% by the end of 2020. Suburban cap rates continued to compress, falling from an average of 4.7% in 2019 to 4.6% now, and reflecting the growing desirability of low-rise garden-style suburban units now. On a per-unit basis, downtown multifamily in Calgary is averaging $257,000 while suburban is at about $205,000.
- Apartment vacancy rose from 3.9% a year ago to 6.3% now. While Downtown and Beltline saw sharp increases, other areas like North Hill, Chinook, and other suburban locations were not spared. Rental growth was somewhat flat at 2.3% on average.
- Rising vacancy and flat rental growth are not just the consequence of COVID, but also of growing supply. Over 8,700 multifamily units have been added over the past two years (5,100 purpose built rental and 3,600 condo), the largest two-year increase in multifamily supply to date in Calgary.
- The Alberta government issued a moratorium on rental evictions that held from the spring through the end of August. Beyond that we did not see an unusual number of disputes as landlords were generally willing to work out private deferral agreements.
- Ocgrow and Amazon have launched the SOLA condo project in Kensington that will feature 172 luxury condo units fitted out with Amazon technology.
- The Northview Apartment REIT privatization will see Starlight and KingSett taking on heavy multifamily exposure in nearby Lethbridge, where the REIT owned over 700 apartment units.

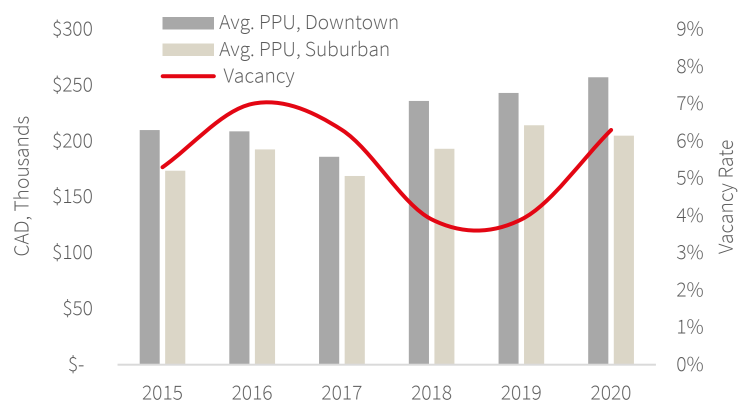
Retail

- Calgary saw its slowest year for retail investment sales in a long time. The challenging retail environment is putting pressure on owners, however widespread loan forbearance during COVID has kept distressed product to a minimum.
- Grocery-anchored retail continues to be viewed favourably, with cap rates in this segment seeing minimal movement. Cap rates for enclosed retail and non-grocery-anchored strip centres are generally being adjusted by 40-60 basis points, while power centres are seeing a hike of 20-40 basis points.
- Retail owners are experimenting with asset repurposing and repositioning, dividing large department store anchors into smaller spaces.

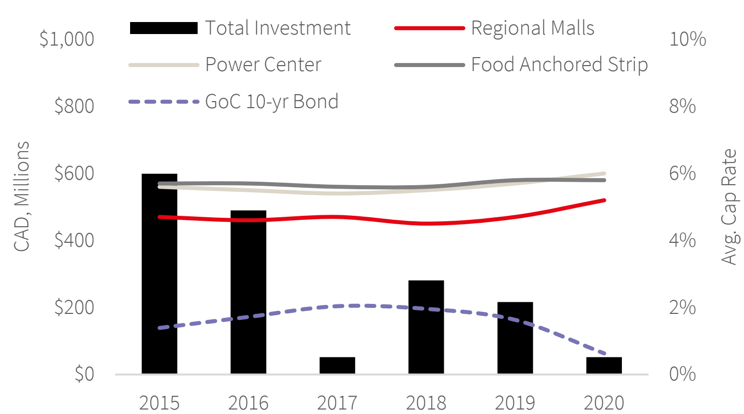
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Unit and Vacancy



Retail Investment Volumes and Cap Rates



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

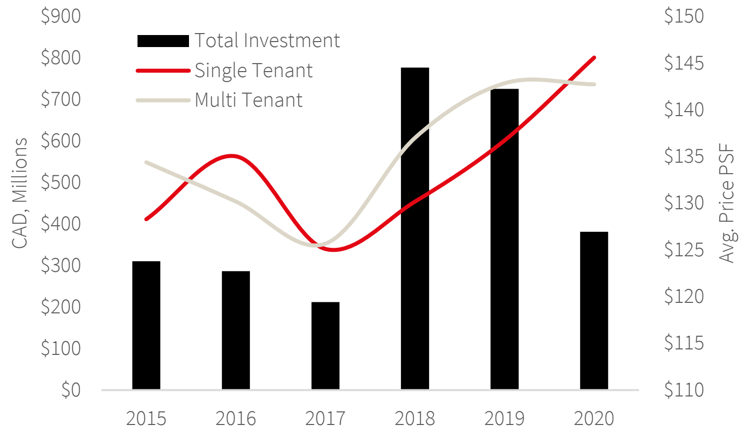
Industrial

- Calgary's industrial market continues to perform better than any other sector in the city. While total investment sales fell by 50% in 2020 to just over $380m, this is because there were no portfolio transactions in 2020 as there were in the previous two years.
- Booming demand for e-commerce has fueled the market. Vacancy plummeted from 7.8% in Q2 to 6.2% by Q4, while average net rents were surpassing $10 psf for the first time in five years. Net absorption exceeded 3m s.f., and new supply reached 1.8m s.f.
- Several large leases were signed in 2020: Canadian Tire leased 500,000 s.f. in Southeast Calgary, Aosom inked a 170,000 s.f. deal in Balzac, and Sleep Country leased over 100,000 s.f. in Southeast. Around 80% of future new supply is pre-leased, making it likely that strong fundamentals continue at least through the next 1-2 years.
- Lowe's Canada finalized a 1.2m s.f. lease in High Plans Industrial Park and plans to open the facility in the fall of 2021. Sobey's has announced that their next Voila fulfillment centre will also be at High Plains. The grocery store chain has seen online sales boom since the pandemic, a trend that is expected to continue even after widespread vaccination.
- Cap rates are essentially flat, with single-tenant and multi-tenant properties trading at around 5.7% - 5.8% on average. On a per-square-foot basis, multi-tenant pricing has remained stable around $140 psf, while single-tenant facilities have seen more appreciation. This discrepancy in valuations between single- and multi-tenant reflects the slightly higher delinquencies for small bay users.
- The largest transaction for the year was Hungerford's sale of Icon Business Park in the Southeast submarket to Northam Realty Advisors for $88m, or $117 psf. This deal epitomizes the strong interest from fund managers, who accounted for 44% of the total market liquidity in 2020.

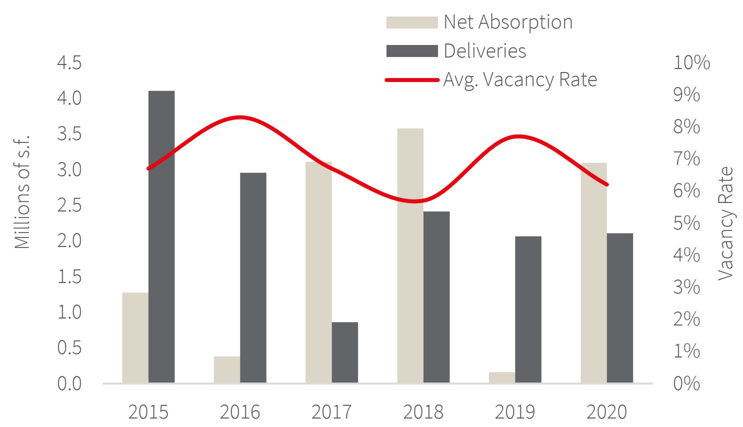
Alternative Assets

- Calgary saw nearly $295m in alternative assets traded this year, making this the second most liquid asset class after industrial. This includes senior housing facilities, data centres, and automotive dealerships.
- Bell Canada's data centre portfolio sale to Equinix included three Calgary sites.
- Silvera sold a development site at 2500 Bow Trail to Carma Ltd that is slated for senior housing development. The 13.2-acre site was sold for $30m, or 2,256,860 per acre.
- As part of the federal government's Rapid Housing Initiative, the city of Calgary has identified several hotels whose owners are open to partnering with non-profits for the purpose of repurposing their hotels to affordable housing.

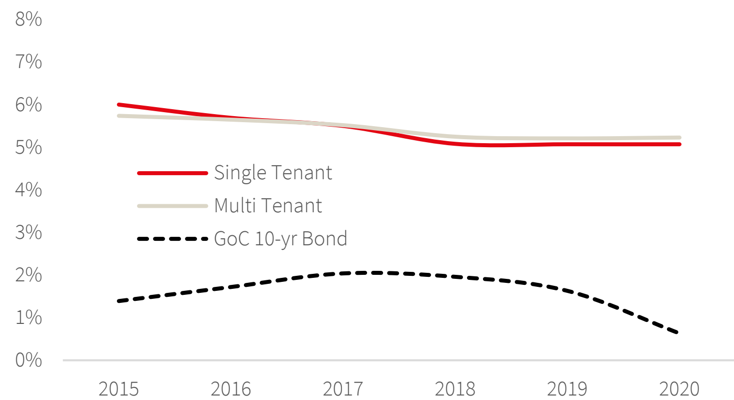
Industrial Investment Volume and Price PSF



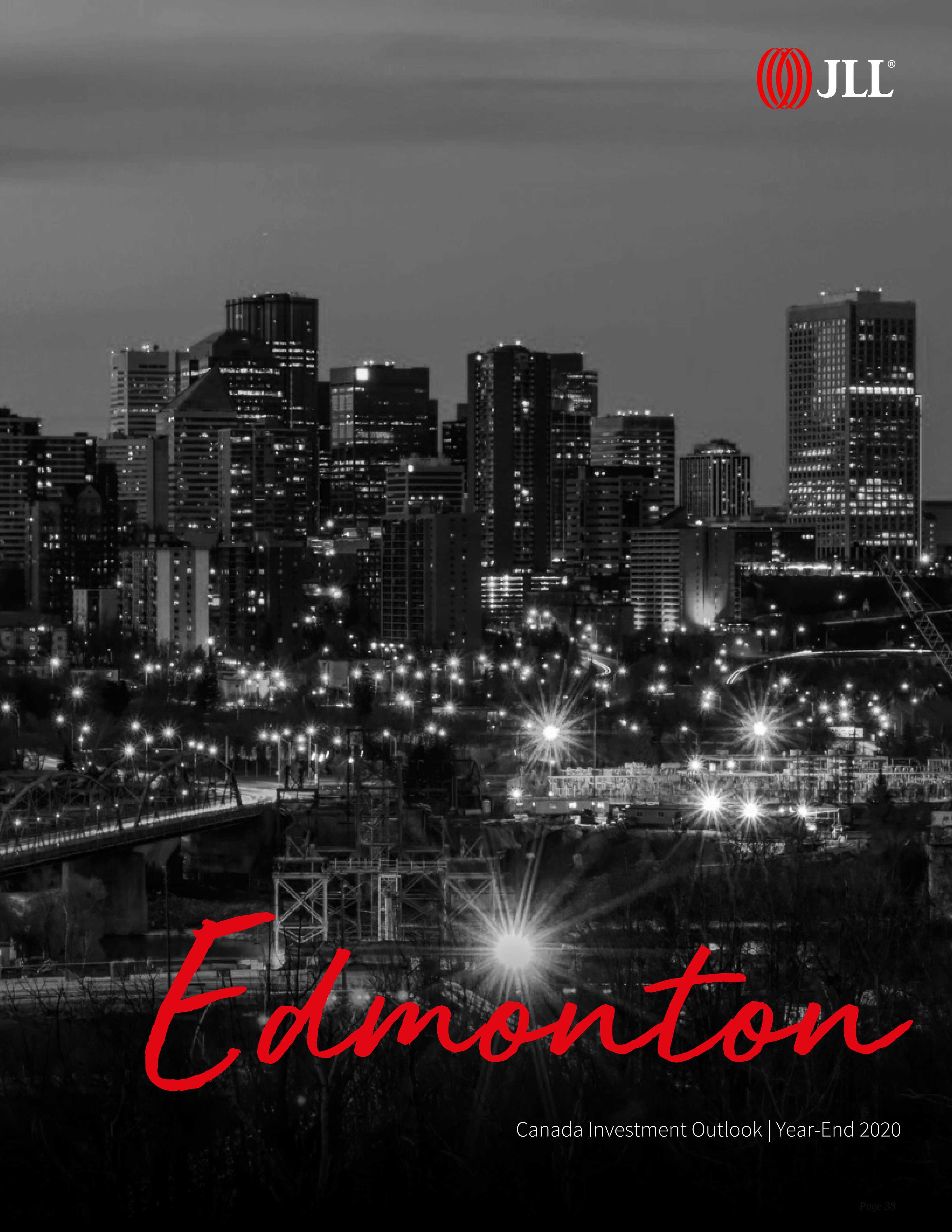
Industrial Supply and Demand



Industrial Cap Rates



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



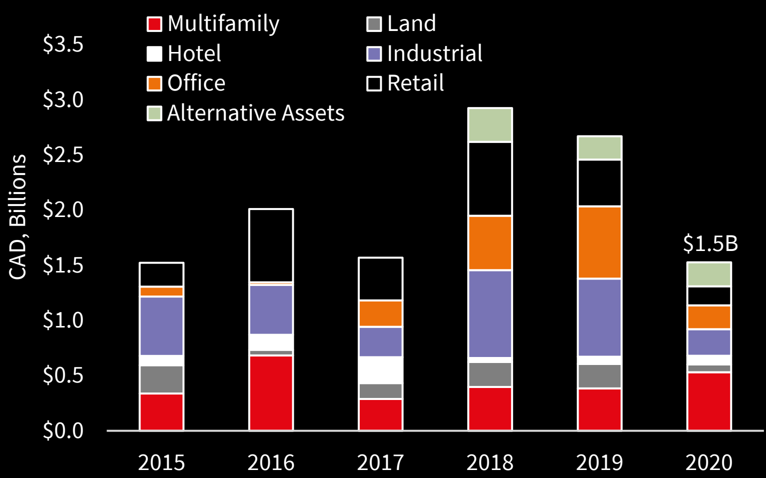
Edmonton

Canada Investment Outlook | Year-End 2020

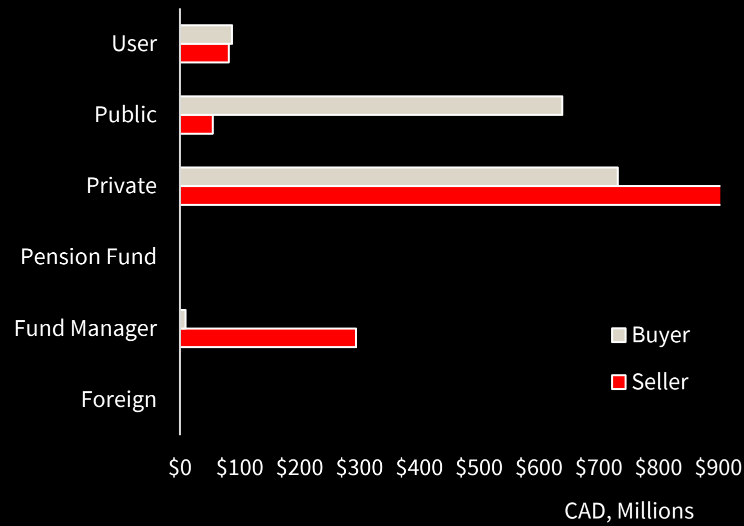
Edmonton

Canada Investment Outlook | Year-End 2020

Historical Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, 2020

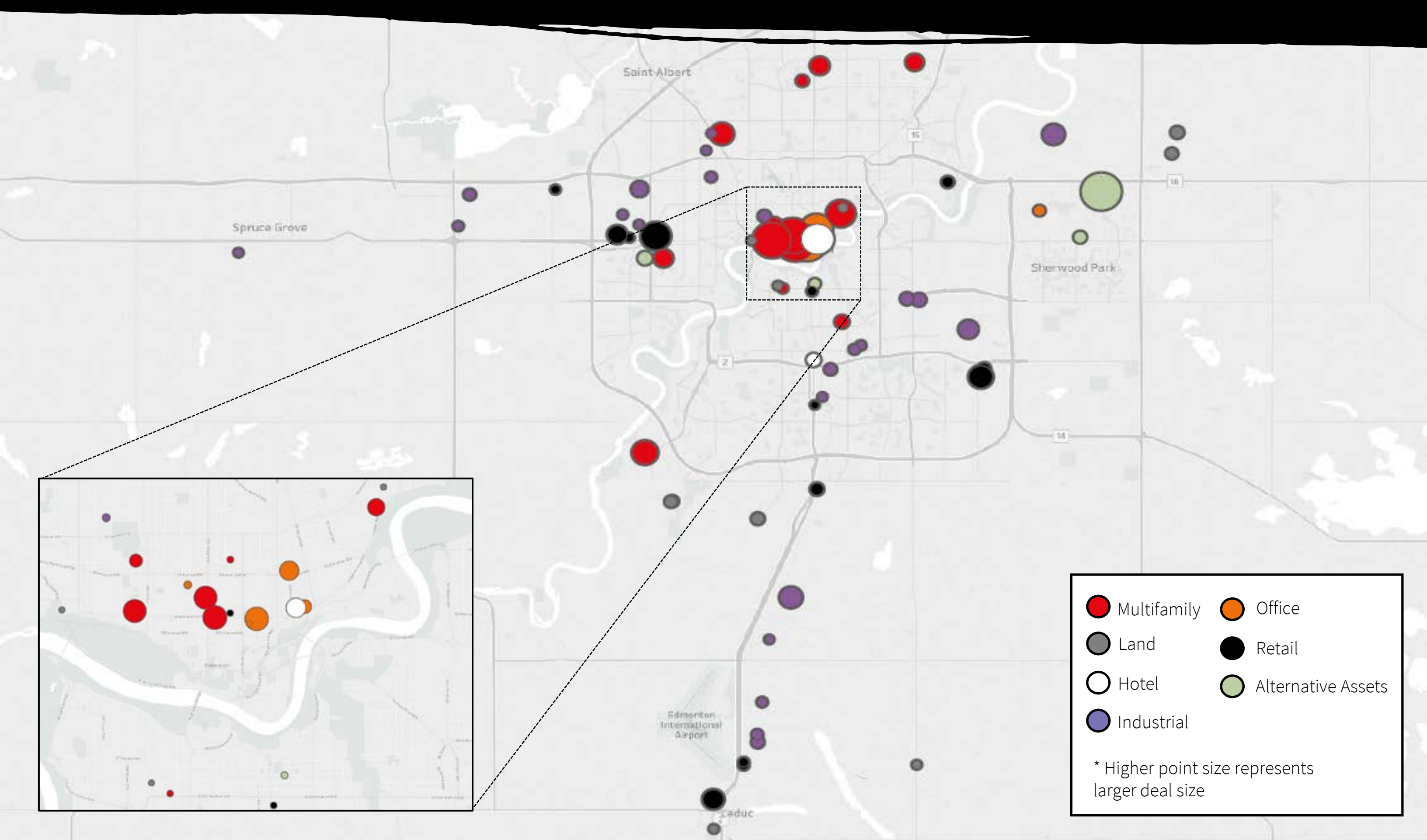


Edmonton Buyer Domicile, 2020

Canada **99%**

Unknown **1%**

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



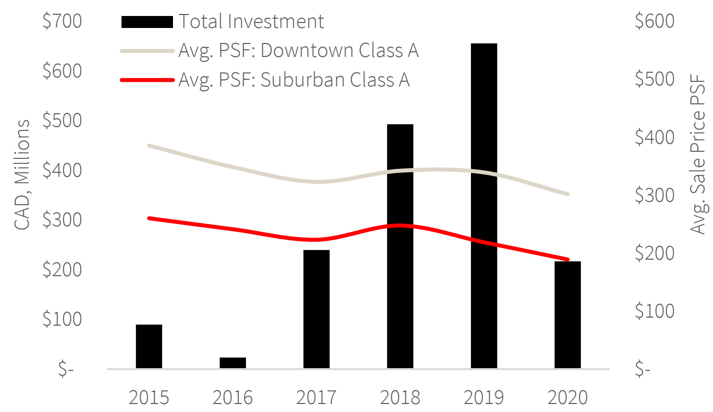
General

- Edmonton saw about $1.5b in total investment sales in 2020, down nearly 30% from the city's five-year average. The multifamily sector was the most active, contributing $530m – equal to about 35% of the total market. Private groups and REITs dominated the buyer pool, combining for 93% of total liquidity.
- After a glut of unused oil supply pushed prices to unprecedented lows shortly after spring lockdowns, prices have recovered into the CAD $30-35/barrel range. The COVID-induced fall in demand led to the closure of dozens of Alberta oil rigs, with over 80% still inactive. Falling production across the globe is keeping supply low, which has contributed to rising prices in early 2021.
- Alberta's provincial government has unveiled an ambitious recovery plan aimed at boosting the private sector. The plan includes $10b in commitments to infrastructure projects, a $1.5b investment into cultural programming, the creation of an investment promotion agency called Invest Alberta, and a drop in corporate income tax from 12% to 8%, making it the lowest among all Canadian provinces.
- The Edmonton unemployment rate shot up from 8% in February to nearly 16% at the peak of the crisis. It has since fallen back down to 11.5% by the end of 2020. The economy has recovered some lost jobs, but overall employment is still down by 55,000 jobs compared to before COVID.
- The city aims to complete the southeast portion of the Valley Line LRT later in 2021, with construction also set to begin soon on the Valley Line West and the Metro Line to Blatchford.

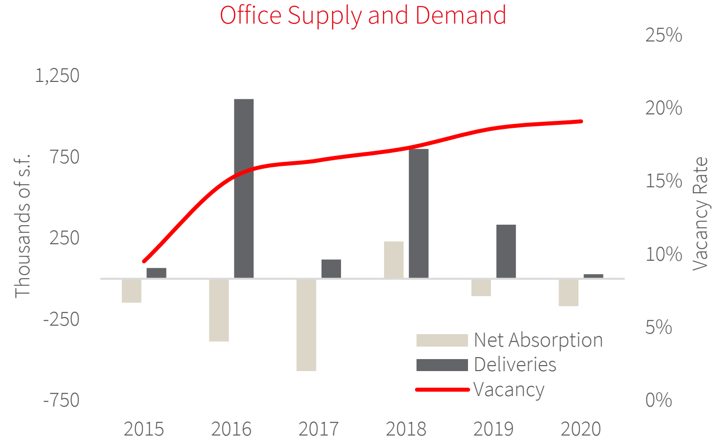
Office

- Office investment in 2020 reached approximately $216m, the lowest amount since 2016. Private groups accounted for $85m of market liquidity and fund managers were the most common sellers.
- The largest transaction in the market this past year was Redstone's acquisition of Canadian Western Place from BentallGreenOak for $96.4m ($236 psf) at a 7.39% cap rate. Trez Capital acquired the CN Tower for assumed debt of $64m. Over 90% of office sales came in Q3 and Q4 during the pandemic.
- As vacancy lingers just below 20% and rents are falling throughout the GEA, flight to quality continues to be a dominant theme. The downtown and suburban Class A markets ended the year with positive net absorption while the Class B market accounted for 92% of net occupancy losses for the year.
- According to the Canadian Venture Capital Association, Alberta saw a ten-year high in venture capital investment with total volume at $227m spread across 39 deals. Edmonton-based Jobber, a software company that helps home-service firms manage their business, raised $60m alone.

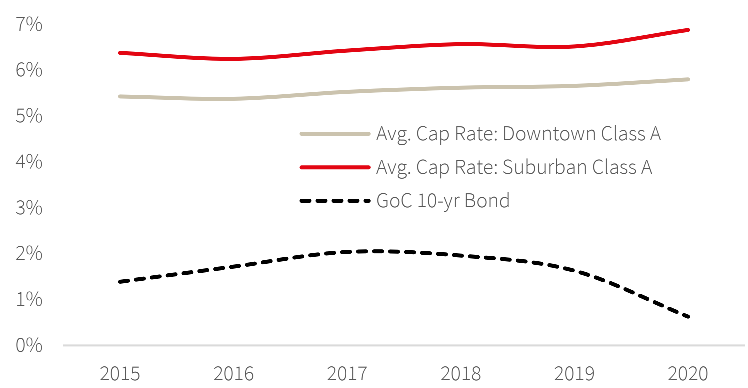
Office Investment Volumes and Price PSF



Office Supply and Demand



Office Cap Rates



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

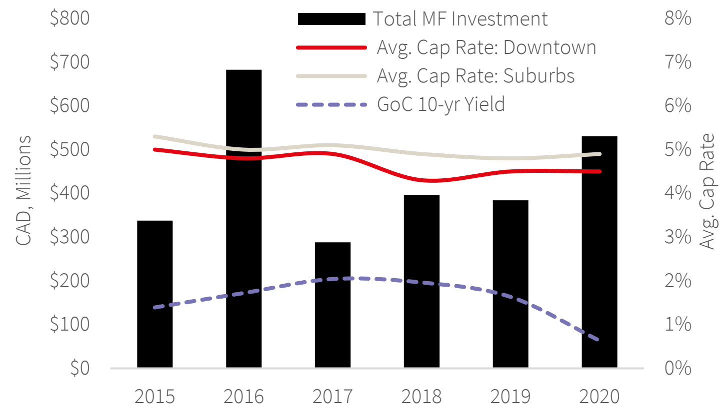
Multifamily

- The multifamily market continues to be the most desirable asset class in Edmonton from an investment standpoint. Normally accounting for 15-20% of Edmonton's total investment volume, in 2020 it accounted for 35%.
- The Alberta government issued a moratorium on rental evictions that held from the spring through the end of August. Beyond that we did not see an unusual number of disputes as landlords were generally willing to work out private deferral agreements.
- The pandemic has provided tailwinds to the single-family market in the suburbs and outlying areas. The Realtors Association of Edmonton has reported that by December home sales were up 30% over 2019 levels. Meanwhile rental vacancy rose from 4.9% in 2019 to 6.8% today with the hardest hit submarkets being downtown and Strathcona. Clearly many renters are taking advantage of historically low interest rates to buy. However, CERB payments and private deferral agreements allowed owners to maintain rent collections in the range of 90-98% - nearly at pre-pandemic levels.
- Rising vacancy has not resulted in any degradation in pricing. In fact, some investors are looking for more vacancy to be able to renovate and turn units over at a higher price point. Cap rates continue to be in the range of 4.5% for downtown rentals, and 4.9% for suburban.
- COVID is stifling momentum for high-rise multifamily projects. In many cases where zoning allowed for mid-rise or high-rise, developers are electing to construct low-rise wood-frame buildings instead, as pre-pandemic rental assumptions are not holding up.

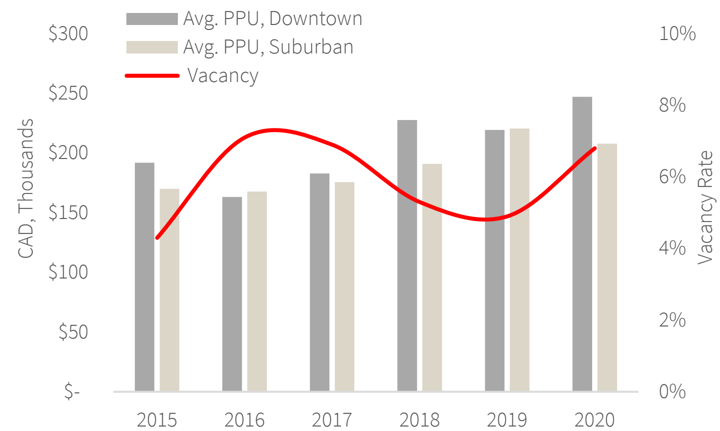
Retail

- Retail investment totaled just $172m in 2020, the lowest total in over a decade. The buyer pool was limited to private groups and REITs.
- Cap rates have risen across the board in Edmonton, with power centres seeing the largest adjustments, in the range of 30-50 bps. Single tenant retail and grocery-anchored retail – which are the most coveted assets right now - have seen adjustments of 10-25 bps.
- The largest retail transaction of the year was RioCan's acquisition of a 50% share in Mayfield Common in West Edmonton. The 450,000-sqft, grocery-anchored centre sold for $56m, or $250 psf. Also trading were Tamarack in Southeast Edmonton for $37m and Canadian Tire's Leduc location for $28m.
- Getting people back to the office will be crucial for the downtown ecosystem. Edmonton's downtown revitalization may be temporarily on pause as social distancing measures challenge downtown retailers. However, key projects like the Ice District Plaza are back on track and we foresee a rebound in activity as vaccination rollouts continue throughout 2021.

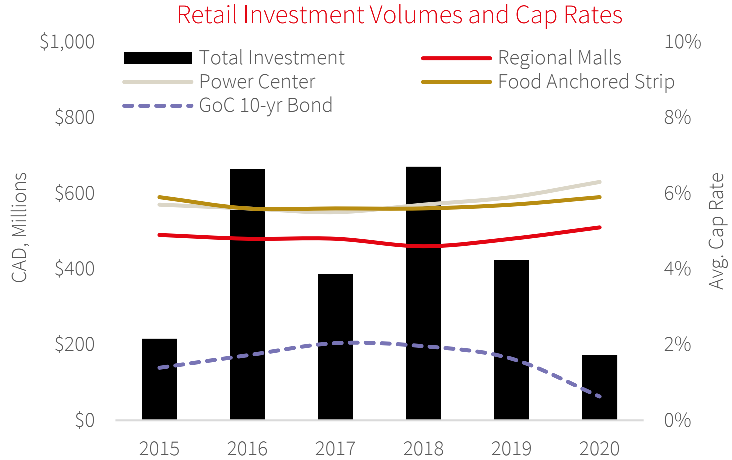
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates



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

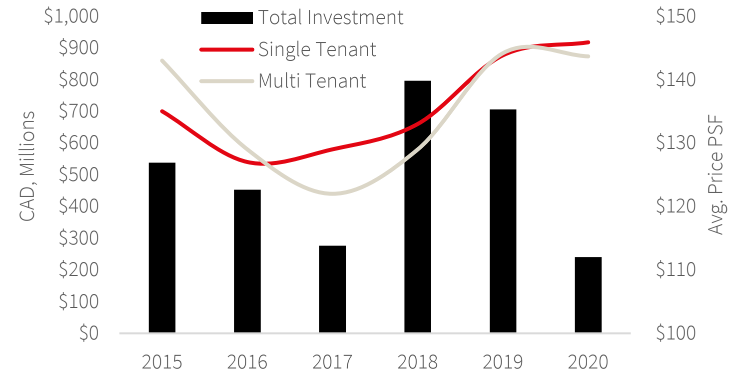
Industrial

- The Edmonton industrial market had a very slow year in terms of investment volume. Total sales reached $240m, down by 65% from a year ago. Private investors accounted for 80% of total market liquidity.
- Net absorption reached 984,000 square feet, driven by accelerated demand for e-commerce adoption and the accompanying boom in last mile logistics. Over half of all new supply this year was leased by distribution and e-commerce tenants.
- New supply reached its highest point since 2015, with nearly 2.7m square feet in completions. This helped drive vacancy to a five-year peak of 6.7% in the third quarter, which fell to 6.3% by Q4 as leasing ended the year on a strong note. Average asking rents contracted by 3.4% year-over-year, from $9.75 psf in 2019 to $9.42 now.
- After two years of very strong appreciation, industrial pricing was largely flat in 2020. Single tenant facilities are trading at $146 psf on average, while multi-tenant pricing has fallen slightly to $143 psf.
- Industrial cap rates ticked up by an average of 10-30 basis points, averaging 5.4% for single-tenant properties and 5.5% for multi-tenant. This discrepancy reflects the slightly higher risk we are seeing in multi-tenant – and particularly the small bay segment – where rental delinquencies have been mostly concentrated.
- With strong investor appetite for industrial product and a challenged oil and gas sector, there is a possibility that we will see more user sales into 2021 as corporates look to generate cash flow.

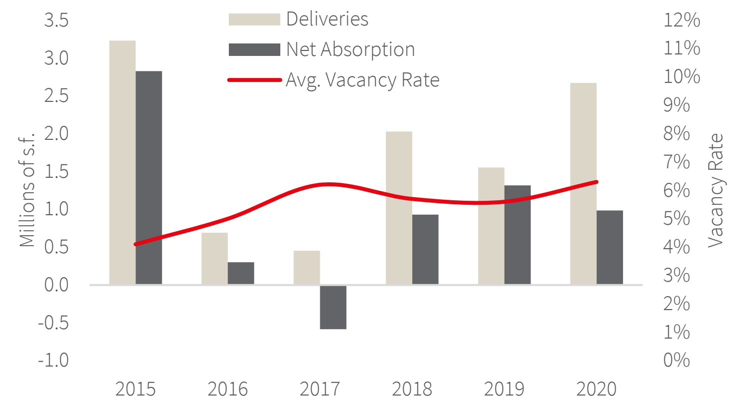
Alternative Assets

- There were approximately $216m in alternative asset transactions over the past year, including seniors housing facilities, automotive dealerships, student housing, and golf course sales.
- The largest transaction was Chartwell's acquisition of a Sherwood Park senior housing facility for $120m, which was acquired in 2017 as part of a forward sale.
- ONE Properties and Rivera began construction on the 290-unit, 23-storey Glenora Park retirement residence. The project is LEED Silver certified and offers riverfront views.

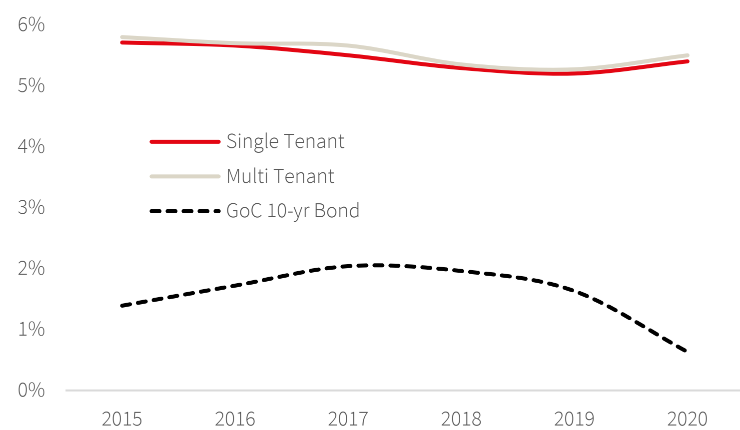
Industrial Investment Volumes and Price PSF



Industrial Supply and Demand



Industrial Cap Rates



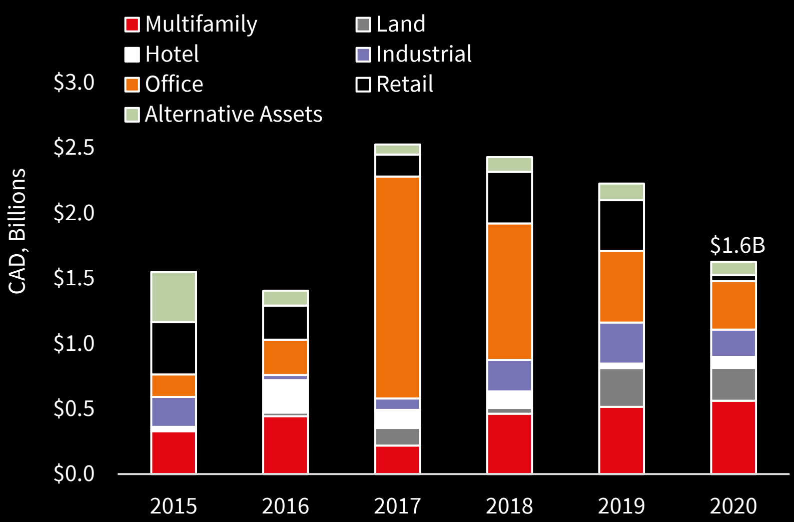
Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS

Ottawa

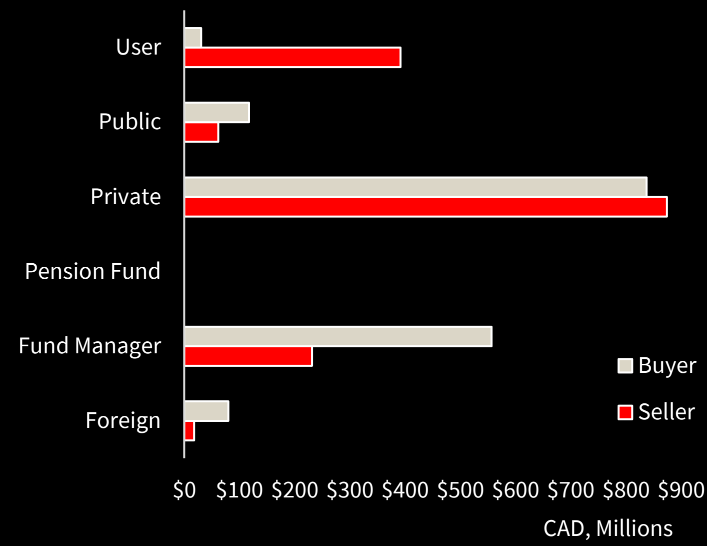
Canada Investment Outlook | Year-End 2020

Ottawa

Historical Real Estate Investment by Sector



Disclosed Buyer and Seller Pool, 2020

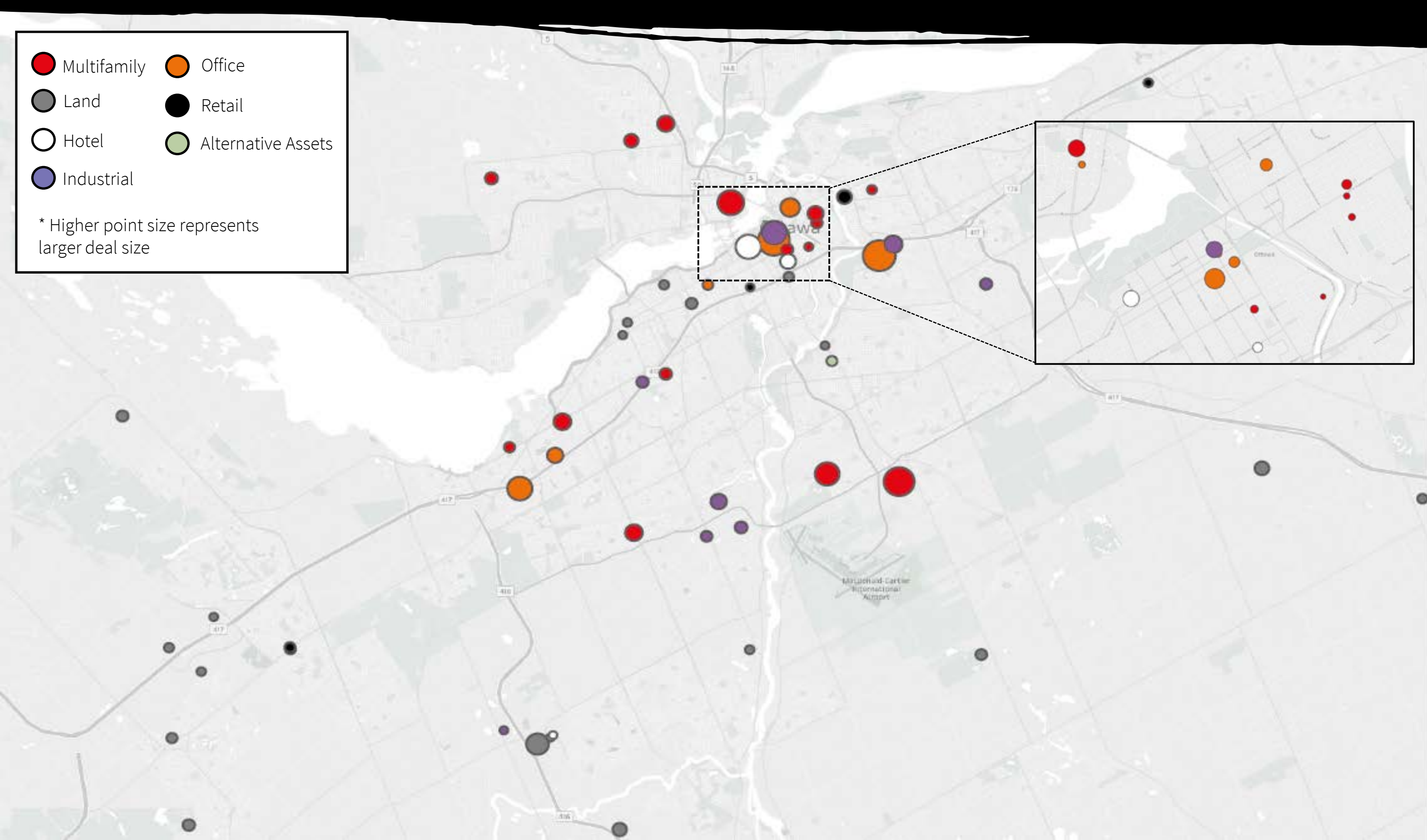


Ottawa Buyer Domicile, 2020

Canada **95%**

United States **5%**

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



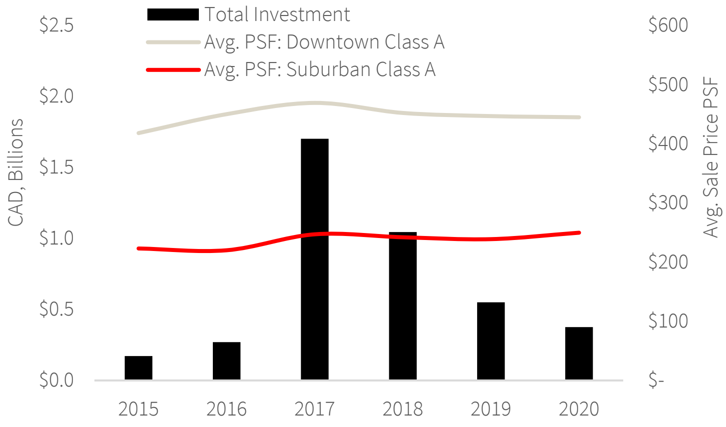
General

- Commercial real estate investment volume in Ottawa reached $1.6b over the past year. This represents a 27% fall from 2019 and a 20% fall from the market's five-year average.
- The buyer pool was mostly made up of private investors, who accounted for 53% of liquidity, and fund managers who accounted for about 31%. Users were active on the sell side, suggesting that the pandemic led to some sale-leaseback deals. Multifamily ($562m) and office ($375m) were the highest grossing sectors for the year.
- Ottawa's GDP was estimated to have shrunk by around -4% in 2020, compared to a contraction of -5.6% for Canada more broadly. The local economy was kept afloat thanks to its large share of public sector workers who were busy coordinating the government's COVID Economic Response Plan.
- Ottawa's many infrastructure projects also buoyed the economy in an otherwise difficult year. Despite periodic construction stoppages, the city moved forward with sewage upgrades, streetscape improvements, the Parliament Hill rehabilitation, and Phase 2 of the LRT expansion which aims to add 24 stations and 44 km of track by 2025.
- According to the MSCI/Realpac Canadian Property Index, Ottawa was the only Canadian city to see a positive average net annual return on property investment in 2020. While the average return was just 0.1%, this underpins the stability and countercyclical nature of the NCR economy. Investor sentiment remains very bullish, though a lack of available product for sale kept the investment market relatively quiet.

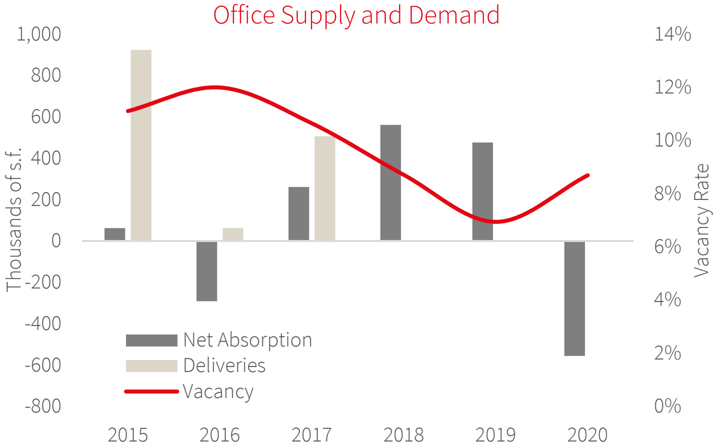
Office

- Ottawa's office market saw about $375m in total sales this year, the lowest total since 2016. Office investors reported minimal cap rate movement in Ottawa – in the order of 5-10 bps from pre-COVID levels, due to the defensive nature of the local economy.
- BentallGreenOak acquired 395 Terminal Ave, headquarters of Canada Revenue Agency, for $97.5m ($360 PSF), and a cap rate of 5.14%. Meanwhile Crown Realty Partners acquired a portfolio of flex office properties from CanFirst Capital Management for approximately $56m, or $145 psf.
- Despite dominant public sector tenancy in the market, Ottawa was not unscathed from the COVID-induced weakening in the office sector. Vacancy rose to 8.7%, up 180 bps from a year ago, as fourth quarter occupancy losses surpassed -400,000 sqft. This was primarily driven by a lack of backfilling of pre-existing availabilities.
- Shopify vacated its Elgin St. location and will consolidate at their Laurier office. Shopify and Mitel have given back a combined 260,000 sqft, accounting for nearly half of Ottawa's sublease vacancy.
- Weakening fundamentals have been most acute in the Class C segment of the market, particularly around downtown and ByWard Market. Some landlords here have resorted to office-to-residential conversions to capitalize on Ottawa's strong apartment demand.

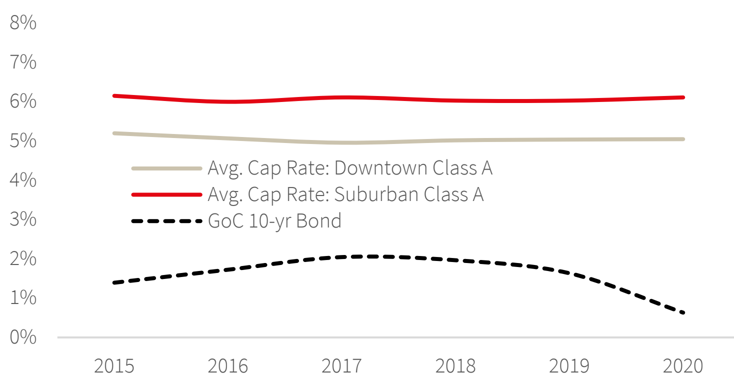
Office Investment Volumes and Price PSF



Office Supply and Demand



Office Cap Rates



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

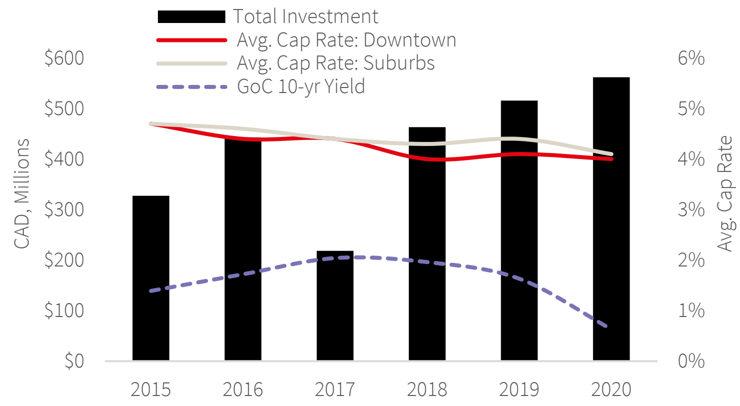
Multifamily

- Ottawa's multifamily market had a record year in 2020, with just over $560m in total sales. Private investors accounted for 53% of liquidity, followed by fund managers (23%) and REITs (17%).
- Over 85% of total investment closed in the second half of the year, demonstrating investor confidence in Ottawa's multifamily market in the face of the pandemic. The largest transaction of the year was CAPREIT's acquisition of the Hunter's Point and Surrey Place townhomes from Homestead at a price of $85.6m, or $260,000 per unit.
- Rental vacancy for the National Capital Region (a weighted average of Ottawa and Gatineau), is up to 3.83% from 1.72% a year ago – its highest rate in 16 years. Some of the hardest hit neighbourhoods were downtown, Sandy Hill, ByWard Market, and Altavista. However, CMHC reported robust average rental growth of 4.6%.
- Despite softening vacancy, multifamily fundamentals remain highly attractive from an investment standpoint. Cap rates are generally lower than they were pre-COVID, averaging 4% in the downtown core and 4.1% in the suburbs; the convergence of these trend lines illustrates the growing desirability of the suburban market. Pricing on a per-unit basis is up significantly from even a year ago, as investors compete for limited available product.
- According to the Canadian Real Estate Association, Ottawa saw a 5.3% increase in housing prices from February to August in 2020, the highest in all of Canada. Demand has come not only from space-hungry condo dwellers and renters, but also from Toronto-based families looking for more square feet per dollar.

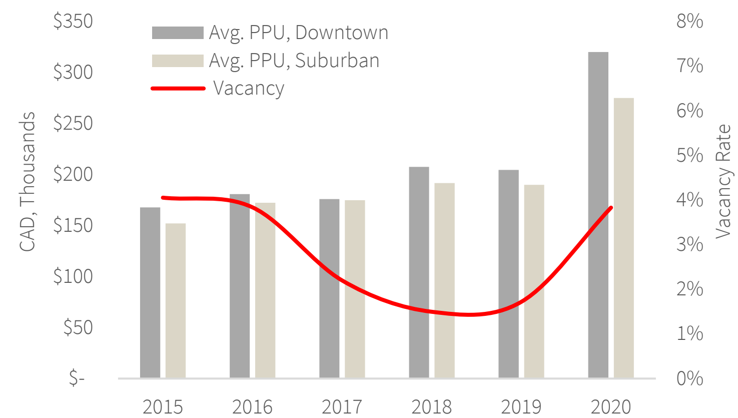
Retail

- Retail investment in Ottawa reached nearly $50m for 2020, the lowest amount in at least a decade.
- The National Capital Commission has announced that it is offering LeBreton Flats at a 65% discount to any private developer who agrees to build the project with net-zero-emission.
- Ottawa city council voted to move ahead with a $130m revitalization plan for the ByWard Market. The plan calls for pedestrian promenades along the north side of York, George, and Clarence streets, a permanent pedestrian corridor along William Street, and a destination building and civic square that will replace the Clarence Street parking garage.
- Regional malls, power centres, and non-grocery-anchored strip centres are being appraised at a 50-80 bps adjustment in the wake of COVID, while grocery-anchored strip centres and triple net assets are being adjusted around 5-10 bps.

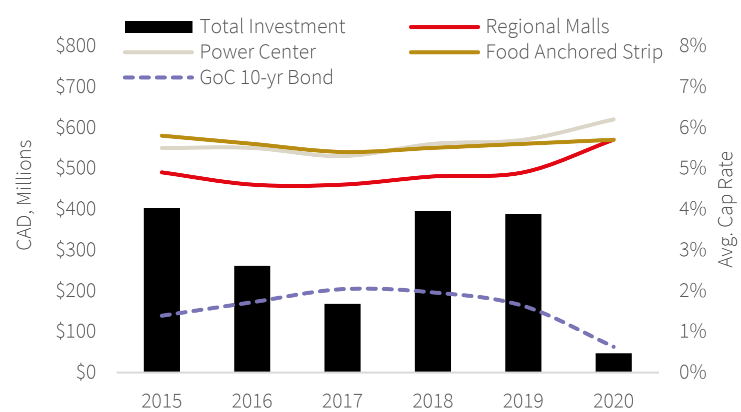
Multifamily Investment Volumes and Cap Rates



Multifamily Sale Price Per Suite and Vacancy



Retail Investment Volumes and Cap Rates



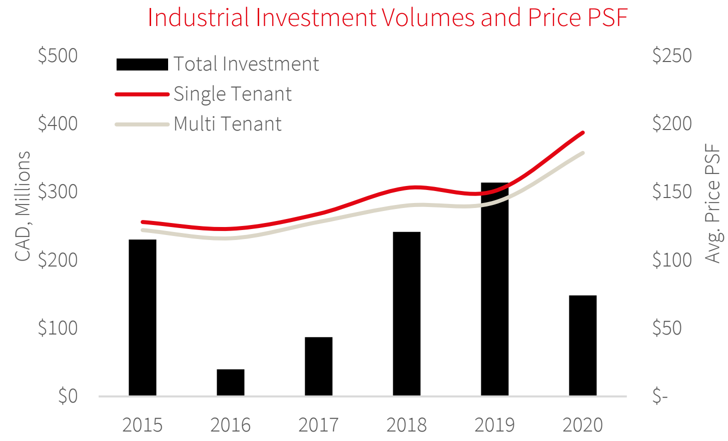
Source: JLL Research, JLL Real Estate Investment Survey, Altus ITS, CMHC

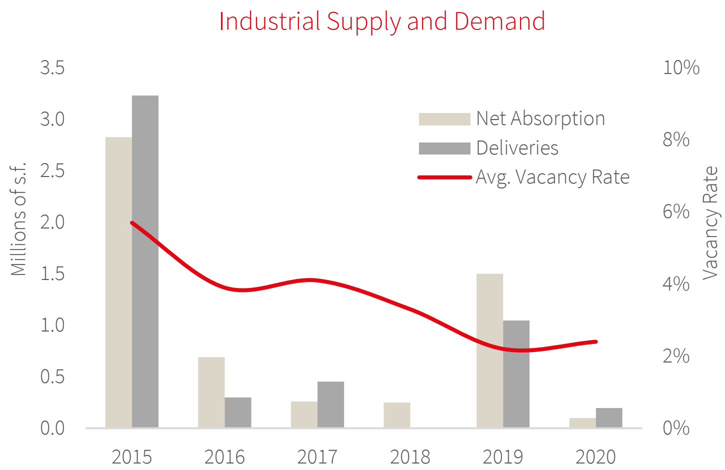
Industrial

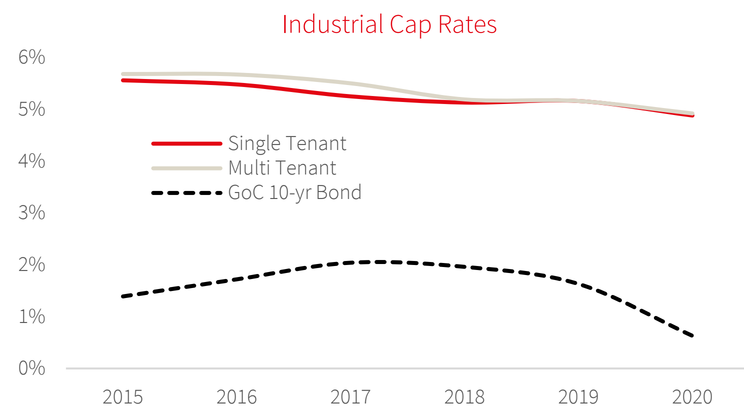
- Industrial investment volumes reached $150m for the year. While this is down significantly compared to the last two years, it is essentially in line with the five-year average for a market that is growing but remains limited in scale with just 38m sqft of total inventory.
- Market fundamentals remained strong during the pandemic as Ottawa continued to establish itself as a growing e-commerce hub. While vacancy ticked up by 20 bps from a year ago, now at 2.4%, net rents continued to climb by over 6%, now averaging $11.59 psf. With high user demand and no speculative construction to increase options in the short-term, vacancy should continue to fall in 2021, pushing rents up even higher.
- Built-to-suit development continues to dominate Ottawa's supply constrained market. Shortly after building a 1-million sqft distribution centre on Boundary Road for Amazon, Broccolini is planning a 2.8-million sqft facility in Barrhaven that will house a distribution centre and Class A office for an e-commerce user, as well as a separate 700,000 sqft warehouse in North Gower. Avenue31 is looking to build 1-million sqft of industrial and office space at the intersection of Hunt Club and Highway 417.
- Canadian e-commerce titan Shopify is investing around $200m annually on developing robotics and warehousing solutions on behalf of its online clients. They are rumoured to be in the market for warehouse space to pilot this technology.
- Manulife purchased the former Greyhound bus depot at 2105 Bantree at a price of $11.5m, breaking down to $106 psf or $1,153,000 per acre.
- Industrial cap rates continued to compress through 2020 with no discounts to be had. Cap rates on single-tenant facilities are averaging 4.31% and cap rates on multi-tenant buildings are around 4.45%. Asset pricing has grown approximately 15-20% year-over-year on a square foot basis, on average.
- The Ottawa Athletic Club, which was shut down during the pandemic, has been leased by the federal government and repurposed to use as a distribution centre for personal protective equipment (PPE).

Alternative Assets

- Alternative asset investment was muted in Ottawa this year with just over $100m in trades. The most prominent of these was a Bell Canada data centre that sold as part of the Equinix Canada-wide portfolio.







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

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Office locations:

TORONTO 22 Adelaide Street West, Suite 2600 Toronto, ON M5H 4E3 Tel: +1 416 304 6000 Fax: +1 416 304 6001	TORONTO NORTH 235 Yorkland Blvd, Suite 500 Toronto, Ontario M2J 4Y8 Tel: +1 647 728 0457 Fax: +1 416 642 0915	MISSISSAUGA 110 Matheson Blvd W, Suite 107 Mississauga, ON L5R 4G7 Tel +1 905 502 6116 Fax +1 905 502 5466	MONTRÉAL 1 Place Ville Marie, Suite 3838 Montréal, QC H3B 4M6 Tel +1 514 849 8849 Fax +1 514 849 6919
OTTAWA 275 Slater Street, Suite 800 Ottawa, ON K1P 5H9 Tel +1 613 656 0145 Fax +1 613 288 0109	EDMONTON TD Tower, 10088-102 Avenue, Suite 2101 Edmonton, AB T5J 2Z1 Tel +1 780 328 2550 Fax +1 780 328 5486	CALGARY 301-8th Avenue SW, Suite 500 Calgary, AB T2P 1C5 Tel: +1 403 456 2233 Fax +1 587 880 9966	VANCOUVER 510 W Georgia St., 21st Floor Vancouver, BC V6B 0M3 Tel +1 604 998 6001 Fax +1 604 998 6018

For more information, please contact:

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