



Is now the time to pivot to Canadian real estate?

Canada's real estate investment trends

April 2024

**AVISON
YOUNG**

Agenda

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Financial and capital markets

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Panel discussion

Section 02
Canadian real estate trends

Section 04
Q & A with participants

Our panel



Marie-France Benoit

Principal, National Director,
Market Intelligence



Amy Erixon

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AY Investment Management



Mark Sinnett

Principal, Executive Vice
President, Capital Markets



Robin White

Principal and Founder,
Capital Markets

Why invest in Canada?

Investors have long known Canada offers quality properties, banking and real estate discipline, as well as prime investment returns.

But 2024 offers an exceptional window to invest in Canadian commercial real estate.



Section 01

Financial and capital markets



With inflation under control, the Bank of Canada is expected to cut its policy rate in 2024

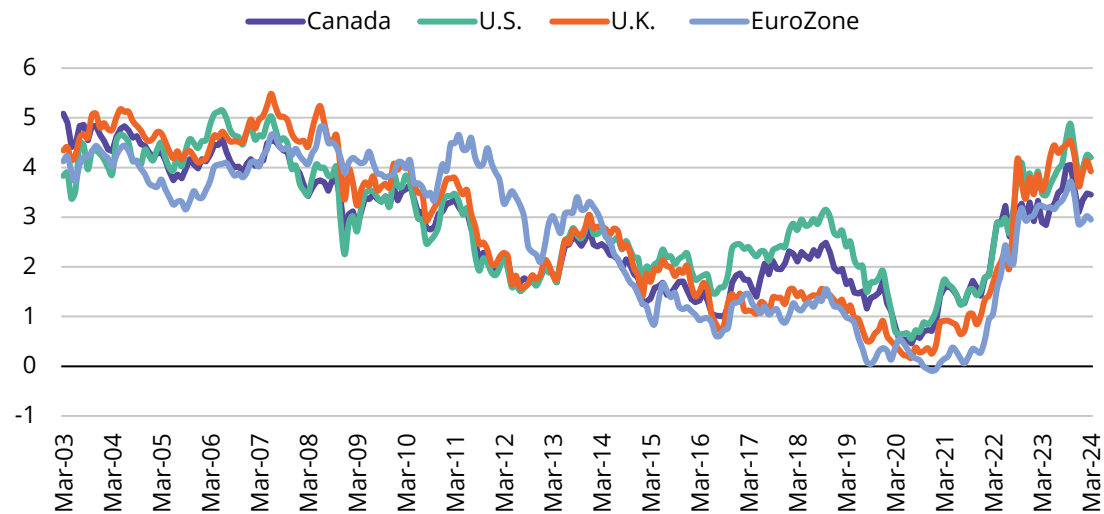
60 bps

decline in Canada 10-Year Bond yields from October 2023 peak

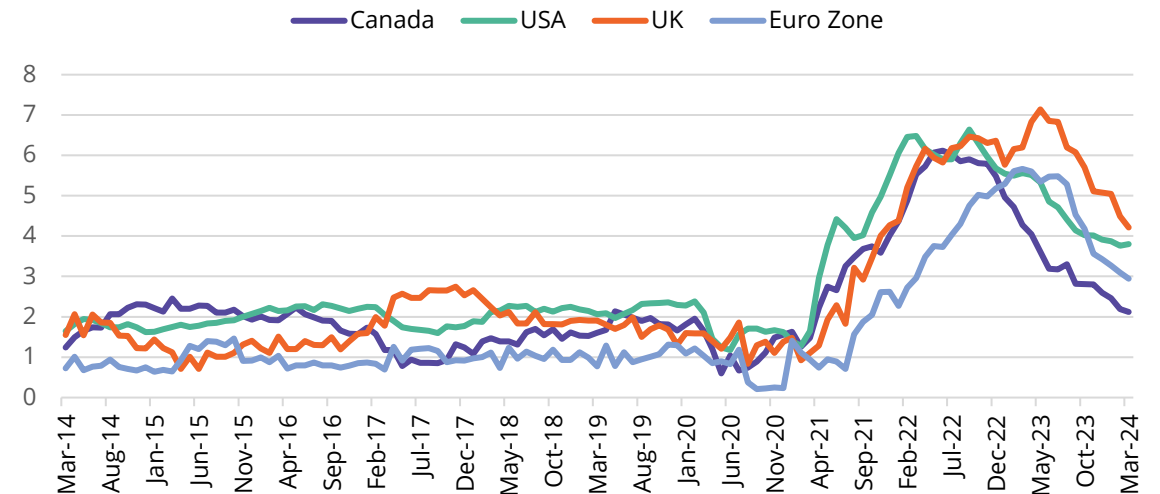
2.1%

core inflation in Canada trending below the U.S.

10-year government bond yields (%)

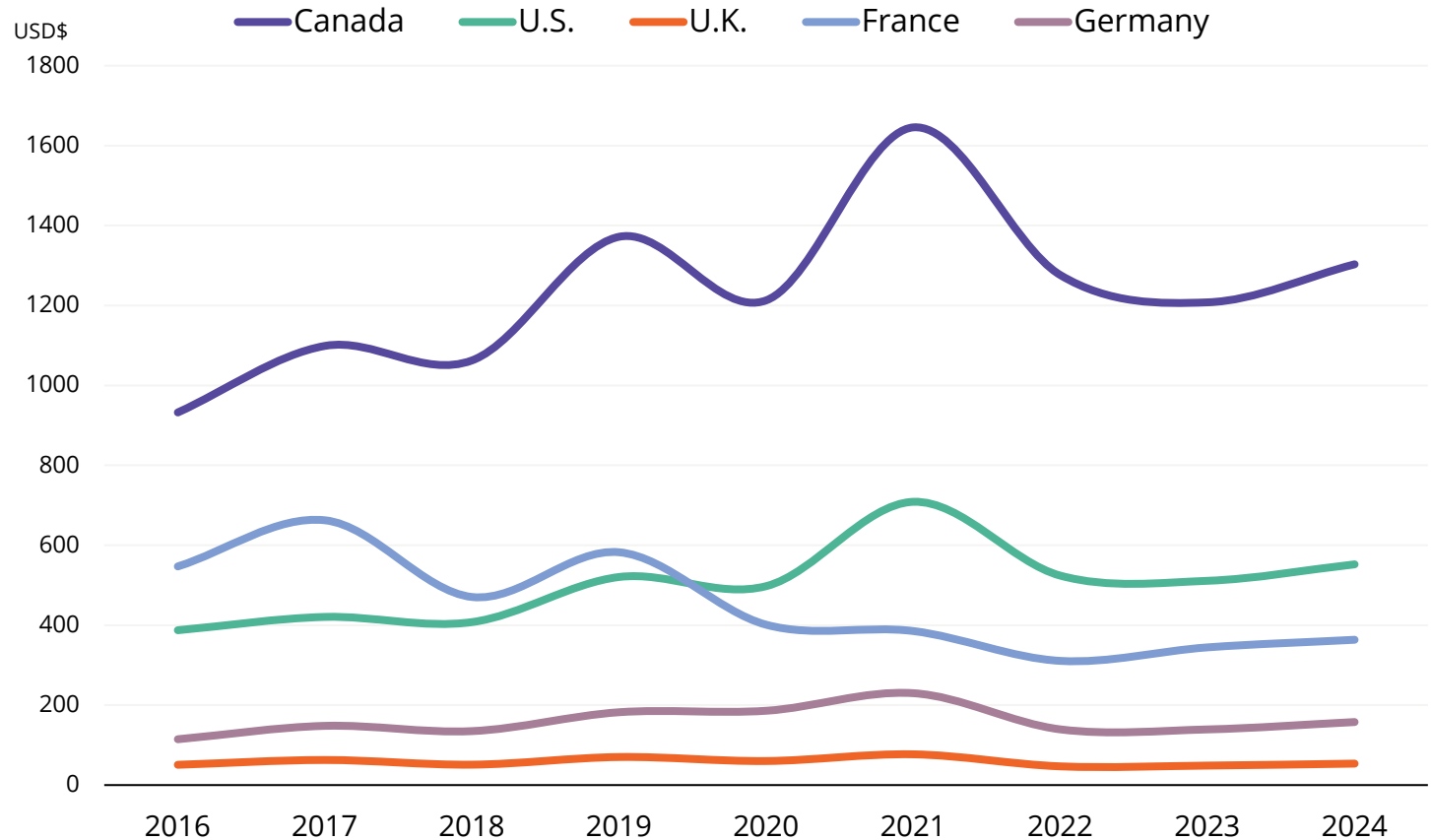


Core inflation (% y-o-y)



Why invest in Canada

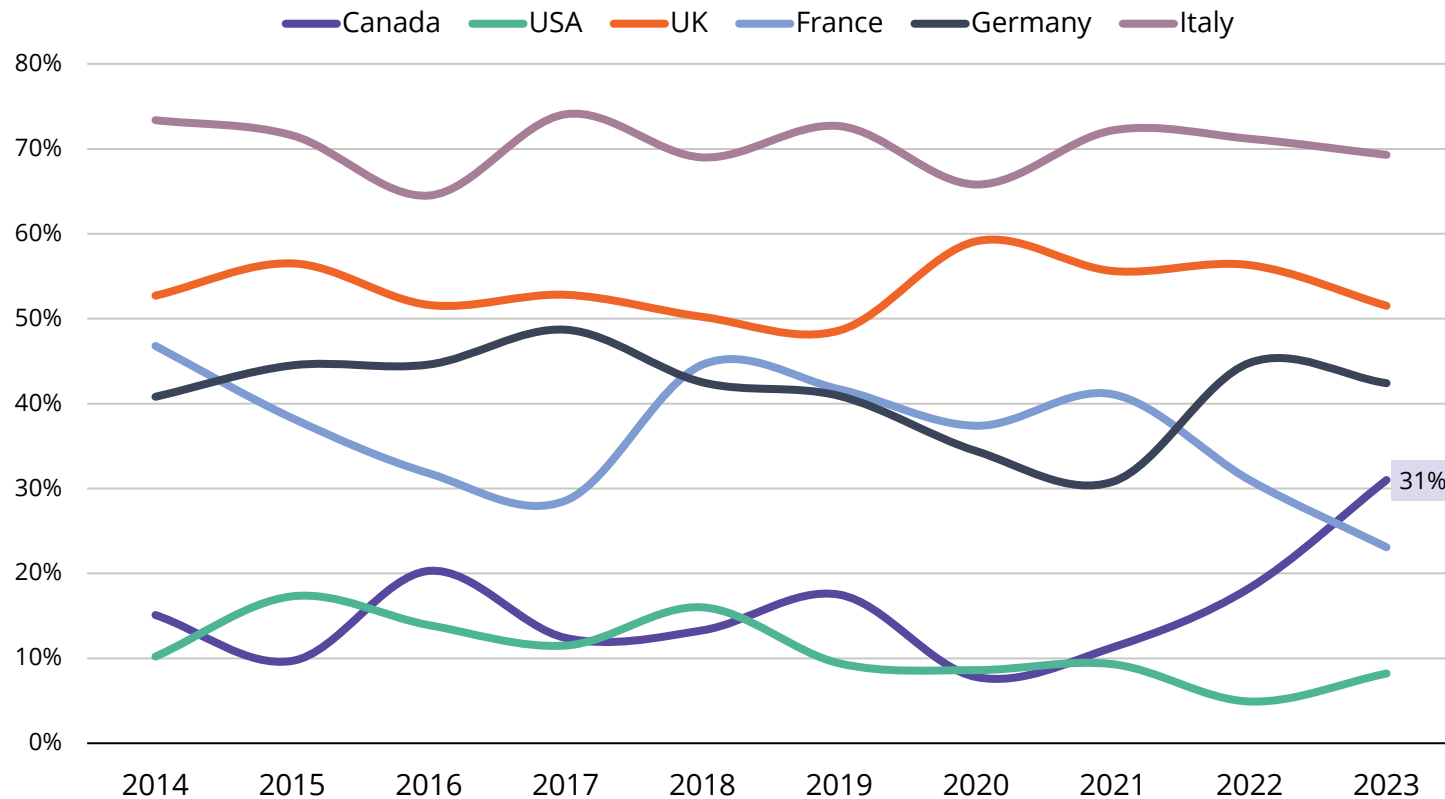
S&P all commercial property, REIT total return (USD\$)



It is doubtful most investors realize how pervasive and persistent Canadian commercial property outperformance has been.

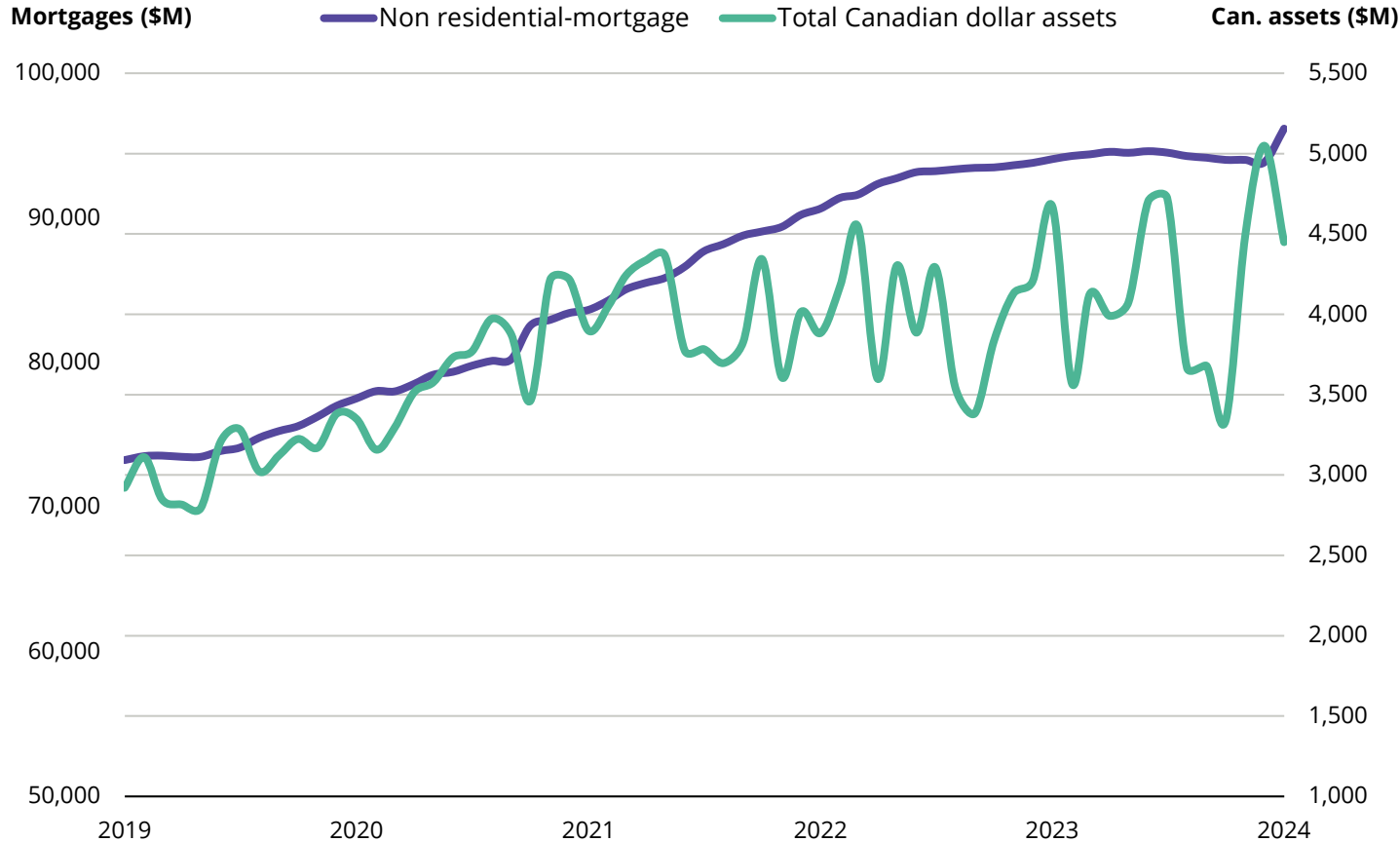
Canadian institutions among the most active global investors

Cross-border flow percentage of total investment volumes



Canadians have been active across the world, and since 2020, have been divesting in Canadian assets to free up capital for new development and sector reallocation, freeing up high quality properties for foreign investors.

Bank assets and commercial mortgage volume (\$millions)



Long recognized as among the best capitalized and most disciplined in the G-7, Canadian banks are choosing to maintain or increase mortgage exposure, despite current headwinds facing commercial property markets.

Section 02

Canadian real estate trends



Canadian real estate market trends

Canada's economy forecasted to lead growth in the G7 over the next ten years

Avison Young, based on Oxford Economics forecasts

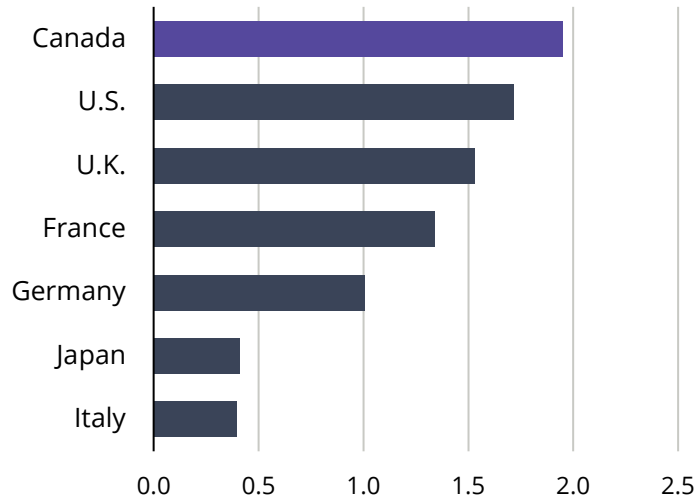
20.4%

From 2008 to 2023, Canada has cumulated the **fastest growing population** of the G7

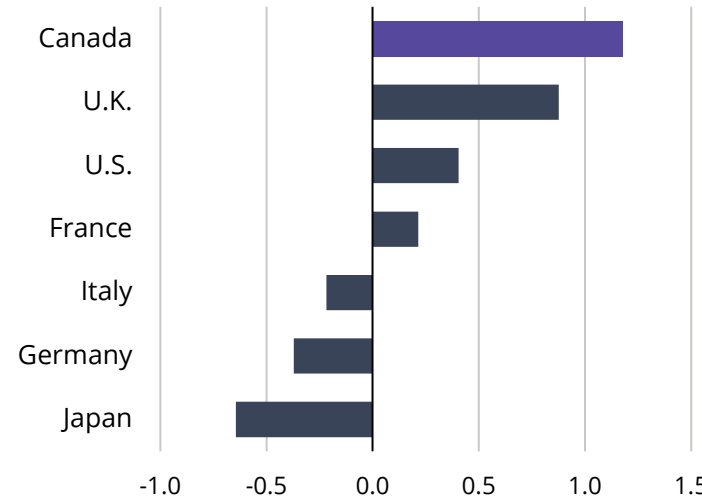
18.8%

From 2008 to 2023, Canada has recorded the **highest employment** growth of the G7

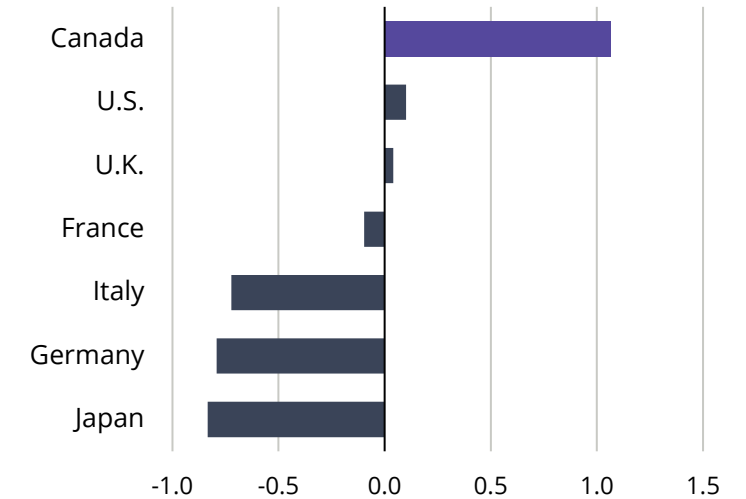
Real GDP growth from 2024-2033 (% p.a.)



Employment growth from 2024-2033 (% p.a.)

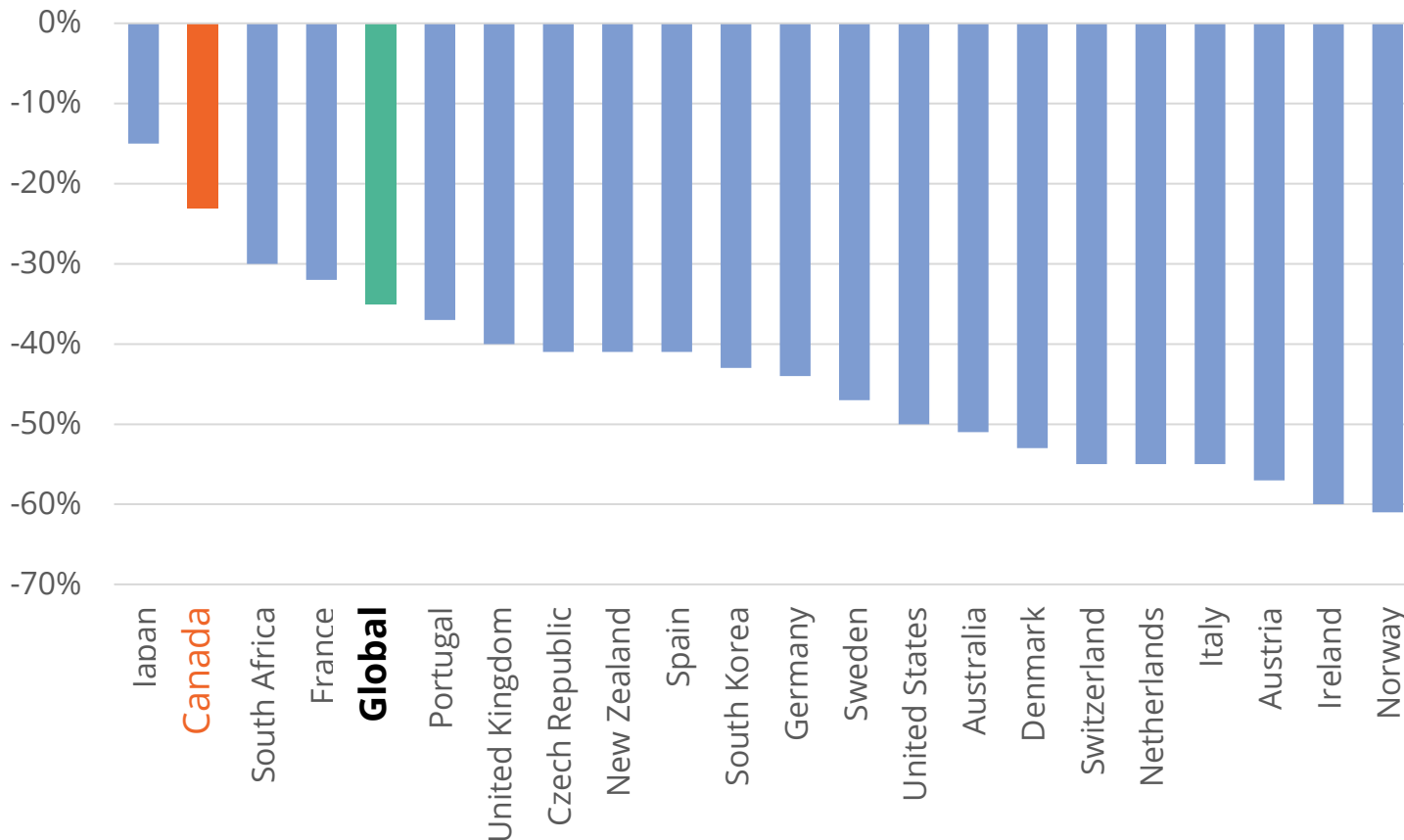


Working age population growth 2024-2033 (% p.a.)



Declining sales volumes relatively lower in Canada

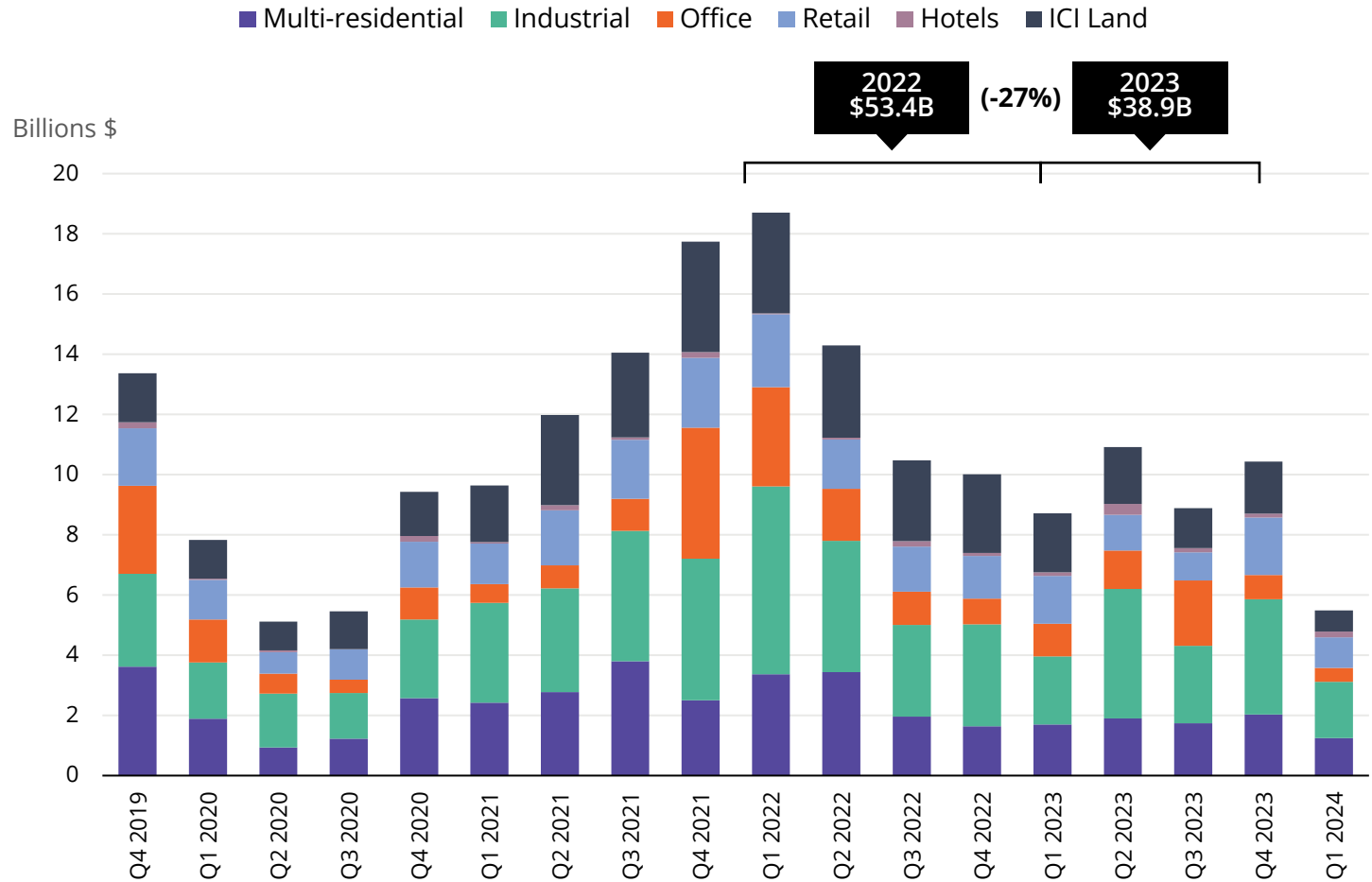
Change in commercial property investment activity - 2023 vs 2022 (%)



While no major property market escaped the slowdown in dealmaking in 2023, Canada was one of the least impacted.

Canadian real estate market trends

Transactional volumes down 27% YoY



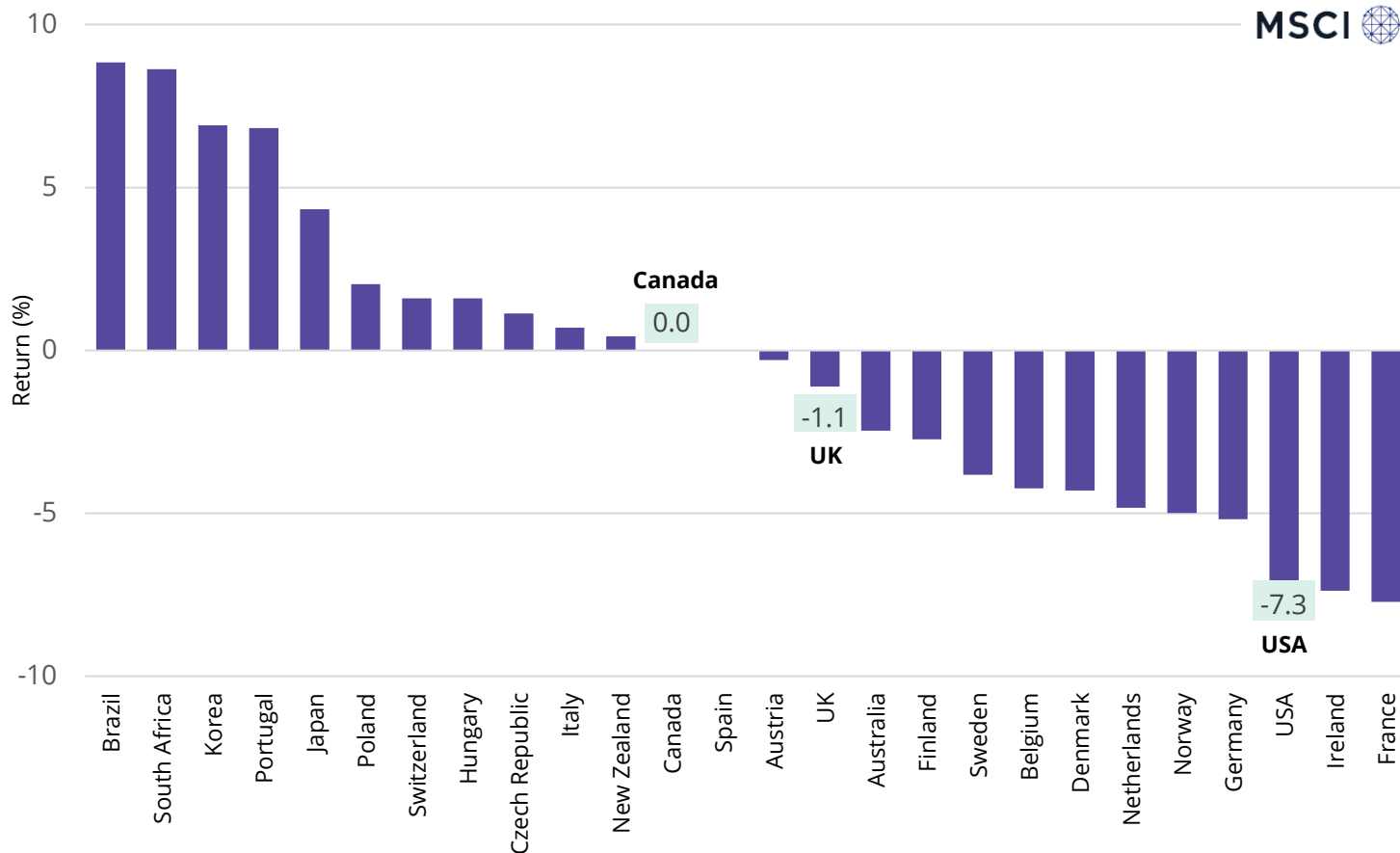
Sales volumes declined in 2023, despite relatively strong leasing fundamentals in all asset classes but office.

Medical office, life sciences and data centers make up a substantial part of office sector trades.

Hotel transaction volume up 93% YoY

Total returns in Canada higher than US

IPD All property annualized returns in local currency - 2023

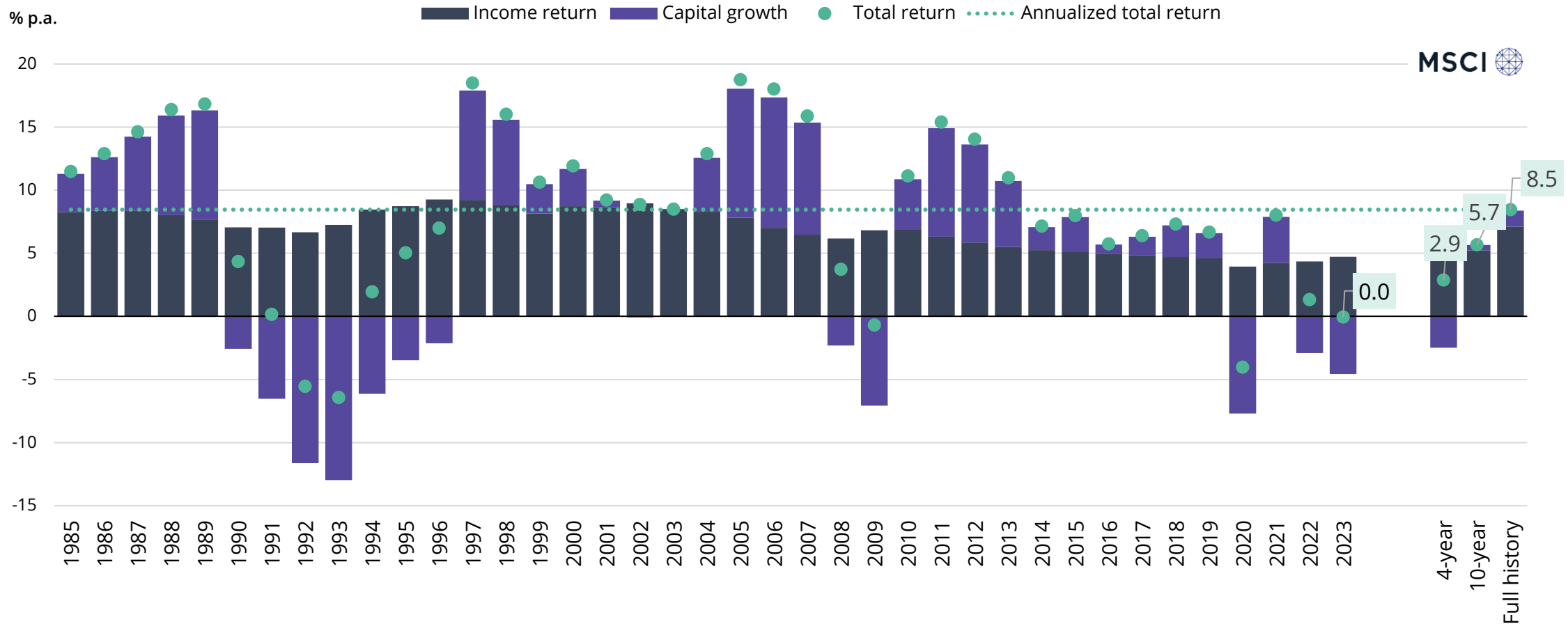


Source: MSCI & KTI

Value depreciation in 2023 has offset positive income growth recorded in Property Index.

Total return history for Canada positive overall

Annualized standing investments



Public and private valuations converging

IPD devaluations vary dramatically between property types: appreciating industrial and residential, flat retail performance and moderate declines for office.

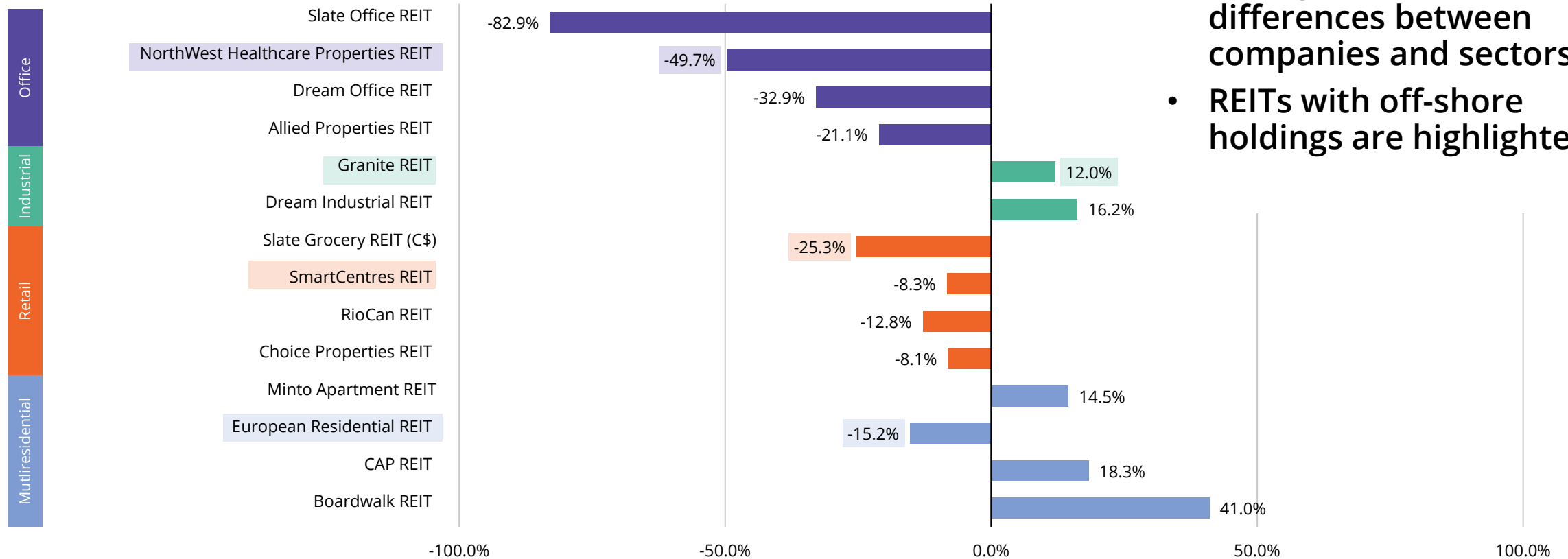
Sector	IPD rolling Q4 appreciation/depreciation	REIT market price change YRD (range for public companies)	IPD implied cap rate (income return)	REIT market dividend yield
Residential	+1.1%	-2.4% to +1.6%	+3.5%	1.7% - 6.9%
Industrial	-2.6%	-0.6% to +0.8%	+3.8%	4.3% - 5.1%
Retail	-0.6%	+0.3% to +2.7%	+5.6%	5.3% - 9.2%
Office	-8.3%	-1.2% to +6.6%	+5.4%	up to 9.0%

The arbitrage between the REIT and MSCI private index is a key indicator of market direction.

The REIT markets responds sooner, both up and down

Select Canadian REITs 2023 performance indicators

YTD price change (as of December 15, 2023)

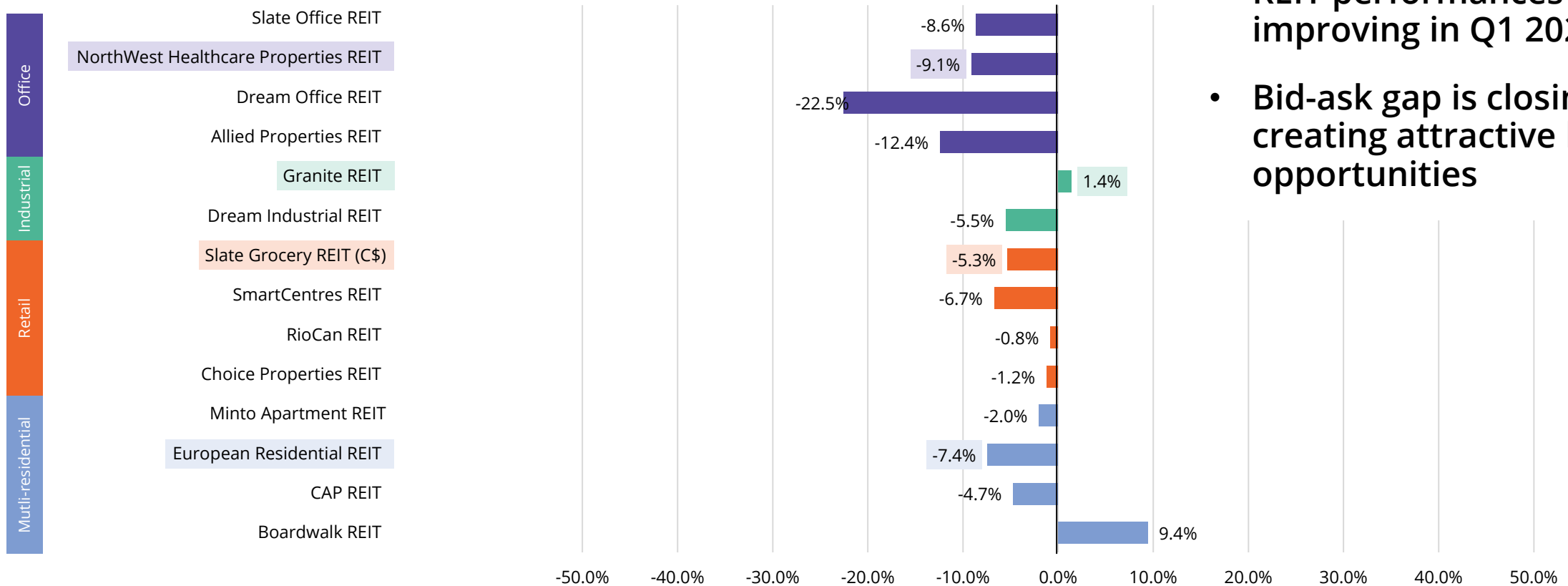


- Strong sentiment differences between companies and sectors
- REITs with off-shore holdings are highlighted.

Canadian real estate market trends

Select Canadian REITs 2024 performance indicators

YTD price change (as of April 1, 2024)



- REIT performances improving in Q1 2024
- Bid-ask gap is closing, creating attractive buying opportunities

Rising international interest in Canadian real estate



Q1 2023

"Canada's Summit Industrial REIT, a major warehouse owner, sold to Singapore's sovereign wealth fund for \$4.5 billion."



Q2 2023

"KDDI's Telehouse acquires Allied Properties' data center portfolio for \$1 billion."



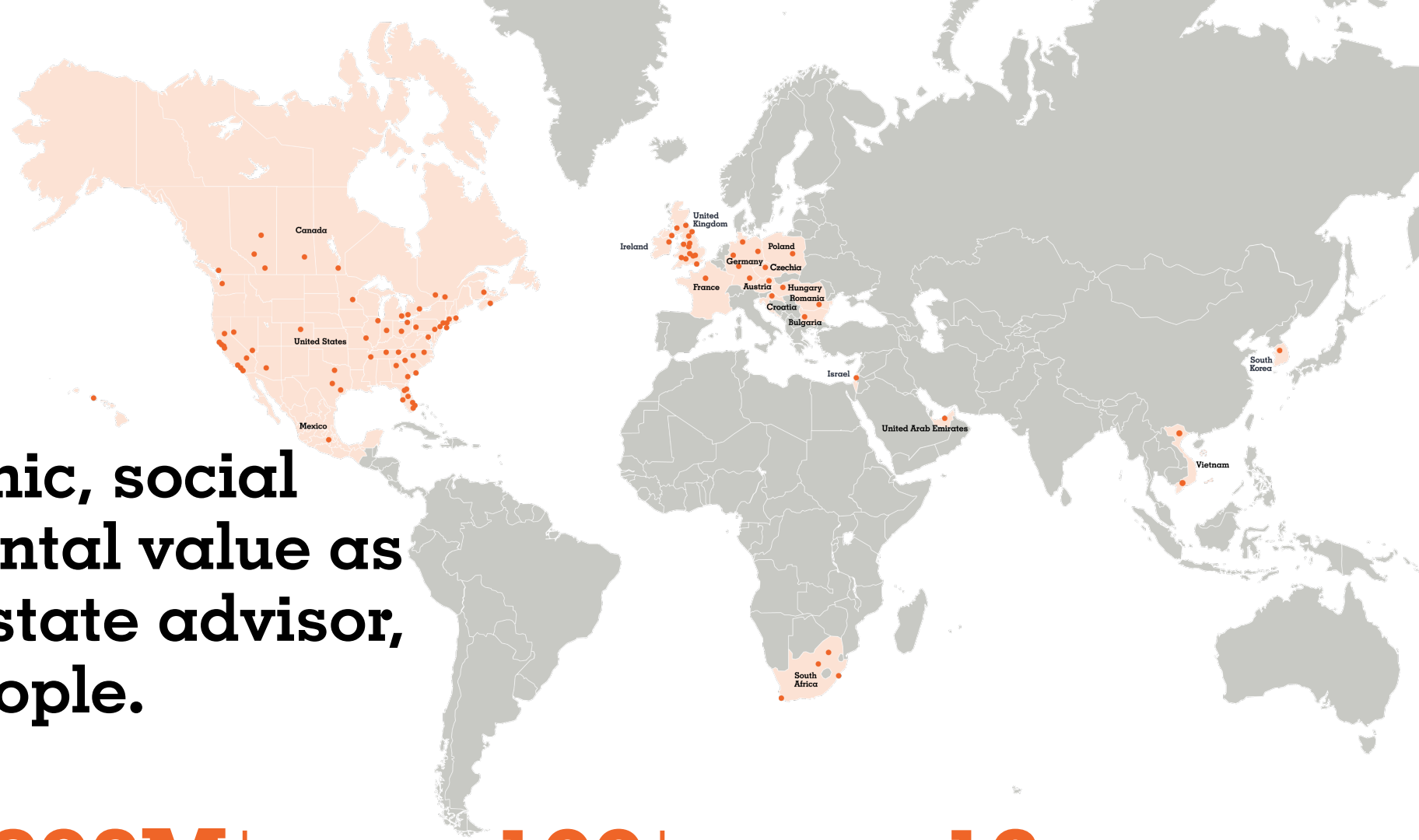
Q1 2024

"Blackstone bids to acquire Tricon Residential in US\$3.5 billion deal."

Under Blackstone's ownership, the company plans to complete its \$1 billion development pipeline of new single-family rental homes in the U.S. and **\$2.5 billion of new apartments in Canada** (together with its existing joint venture partners).

Investors are taking note of the scale and quality of opportunities that are coming to market in Canada.

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and environmental value as
a global real estate advisor,
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real estate
professionals

283M⁺

square feet under
management

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offices around
the world

19

countries

For more market insights and
information visit **avisonyoung.ca**

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