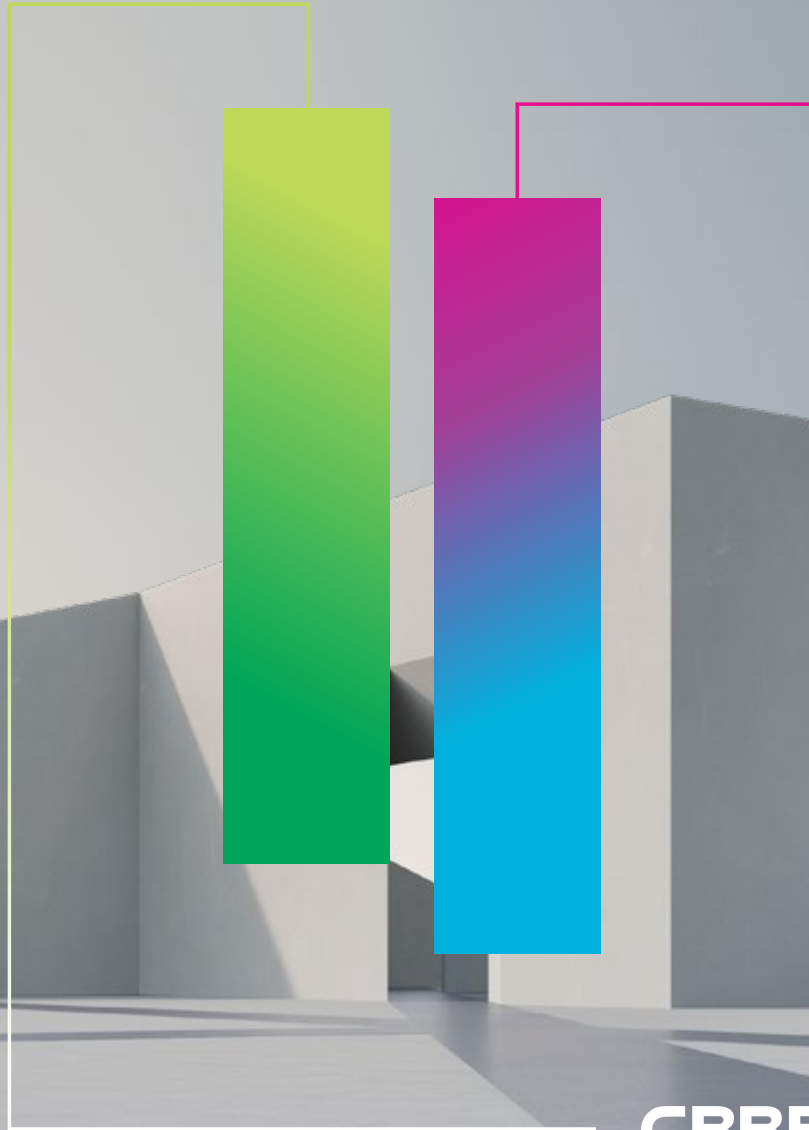


20
21

CANADA REAL ESTATE
MARKET
OUTLOOK

CBRE RESEARCH | CANADA

cbre.ca/research



CBRE

OLD OR NEW NORMAL?

2020 will be remembered in commercial real estate for many things, but perhaps none more so than an acceleration of certain trends that benefited some sectors but punished others.

Industrial & logistics, along with certain alternative sectors like life sciences, cold storage and data centres, have thrived in the COVID era, while others like office, retail and hotels have suffered. With expectations that the COVID crisis may end sometime in 2021, the question will be which of these sectors will be permanently changed and which will return to “old normal” pre-COVID conditions.

Real estate conditions will start the year in a state of flux. Certain sectors will grow strongly, but a full recovery of occupier and investor demand will be held back by the continued influence of COVID-19. Spring and summer will see rebirth and renewal of real estate as a vaccine is widely deployed and further government stimulus drives the economy forward.

Industrial & logistics enters 2021 with the strongest fundamentals and investor interest. We anticipate the absorption of another 350 million sq. ft. of industrial space in North America on the back of e-commerce growth. With fast-recovering employment levels, the multifamily sector will shrug off the impact of the crisis in the first half of the year.

It will take until the second half of 2021 for the office sector to begin returning to normal or begin to undergo a permanent change. Only when workers can safely return to the office will the long-term extent of remote working levels become clear. Nevertheless, the powerful forces of teamwork, easy collaboration and face-to-face business interaction should not be underestimated. Investor demand for office assets might surprise on the upside.

Although the retail footprint will continue to contract in 2021, what remains will be stronger, more interesting, more convenient and more experiential. Increased leisure travel will help the hotel sector in 2021, as it has in 2020, but a full recovery is not expected to start until group and business travel resumes in 2022.

Once the COVID-19 crisis is resolved, our attention will again be drawn to the long-term changes to real estate from the digital economy and demographics. It is these and other mega-trends as much if not more than traditional supply-and-demand metrics that will determine how far commercial real estate moves from the old to the new normal. CBRE’s research team looks forward to working with you as you develop and execute your real estate strategies in 2021.

RICHARD BARKHAM

Global Chief Economist & Head of Americas Research

SPENCER LEVY

Chairman Americas Research & Senior Economic Advisor

NATIONAL OUTLOOK

- 4 Economy**
- 8 Capital Markets**
- 12 Office**
- 15 Retail**
- 18 Industrial & Logistics**
- 21 Multifamily**
- 24 Hotels**
- 26 Life Sciences**
- 28 Data Centres**
- 30 Fit Out and Project Management**
- 32 Canada Statistics**

REGIONAL OUTLOOK

- 35 Victoria**
- 37 Vancouver**
- 39 Calgary**
- 41 Edmonton**
- 43 Saskatoon**
- 45 Winnipeg**
- 47 Windsor**
- 59 London**
- 51 Waterloo Region**
- 53 Toronto**
- 55 Ottawa**
- 57 Montreal**
- 59 Quebec City**
- 61 Halifax**



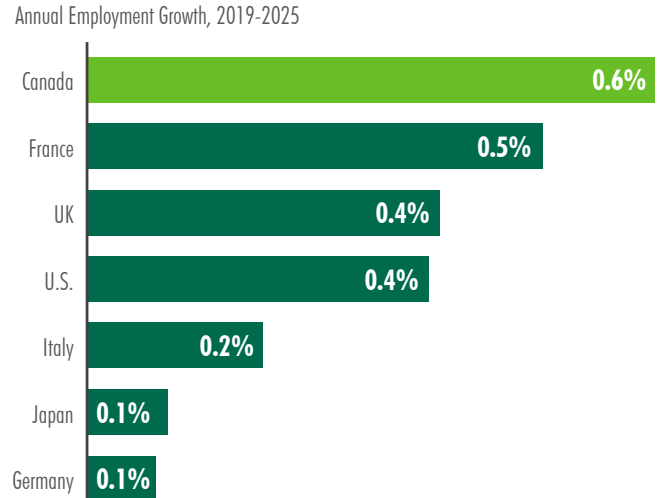
ECONOMY

REAL ESTATE RECOVERY LAGS ECONOMY

The Canadian economy entered a deep recession due to the COVID-19 pandemic, with GDP plunging in Q2 2020 by a record 38.1% on an annualized basis. As health restrictions eased and the economic lockdown loosened, employment quickly rebounded and GDP rose by another record-breaking 40.5% in Q3 2020. For the full-year 2020, GDP is expected to have contracted by 5.5%, with a 4.0% rebound in store for 2021, according to the Bank of Canada. As the vaccine distribution reaches critical mass throughout 2021, Oxford Economics forecasts that the strongest quarters for growth will occur in Q2 and Q3, with GDP rising by 8.3% and 5.7%, respectively on an annualized basis. Overall, Canada's economy is expected to return to pre-COVID levels in Q4 2021.

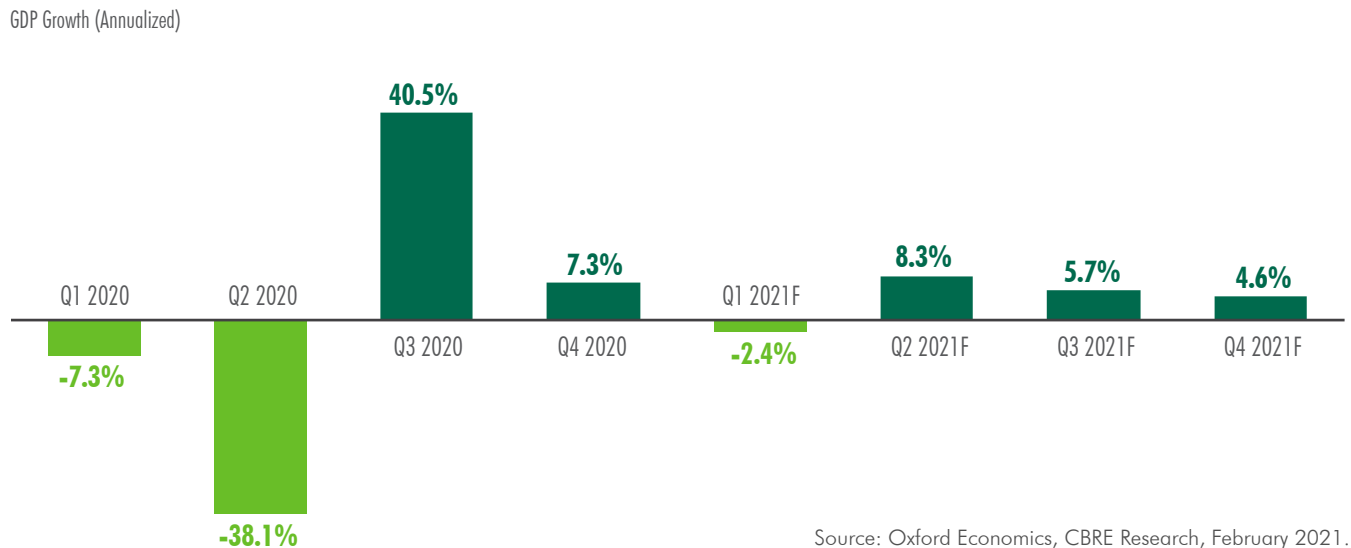
Looking ahead, the economy is expected to perform well relative to its G7 peers. Employment growth over the next five years is forecast to lead the G7, with the unemployment rate falling back to its 10-year historical average of 7% by 2023. CBRE expects the real estate market recovery to lag that of the broader economy, particularly for the office, retail and hotel sectors.

FIGURE 1: CANADA TO LEAD G7 IN EMPLOYMENT GROWTH



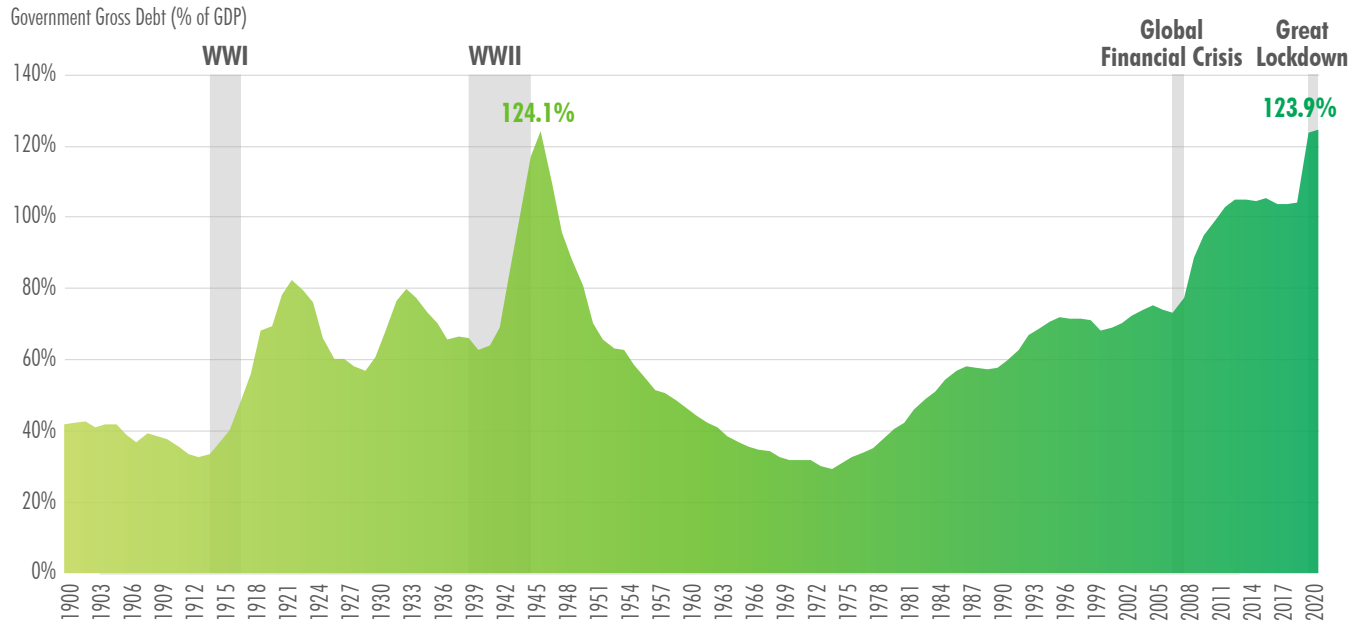
Source: Oxford Economics, CBRE Research, February 2021.

FIGURE 2: CANADIAN ECONOMIC OUTLOOK



Source: Oxford Economics, CBRE Research, February 2021.

FIGURE 3: PANDEMIC DRIVING GOVERNMENT BORROWING BINGE

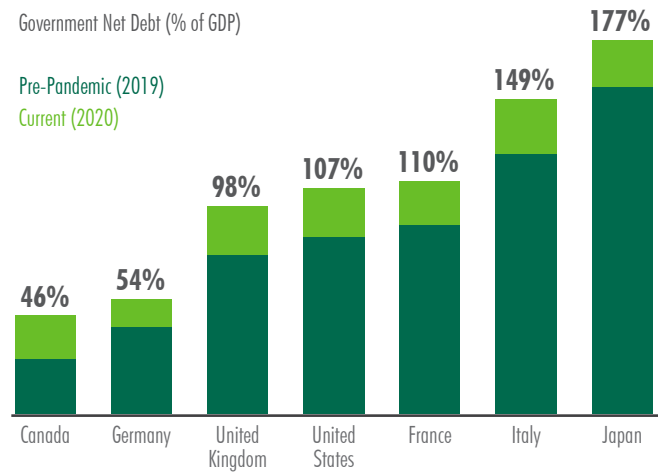


Gross government debt ratio (% of GDP) for advanced economies.
 Source: International Monetary Fund, CBRE Research, February 2021.

GOVERNMENT DEBT MANAGEABLE GOING FORWARD

To finance their fight against the pandemic, governments around the world borrowed US\$19.5 trillion in 2020. This borrowing binge is expected to see government indebtedness of advanced economies increase to 123.9% of GDP, nearly surpassing the record levels seen in the 1940s following World War II. Among the G7 countries, the pace of Canada’s increase in government net debt far outstripped that of its peers, rising by 68% and at nearly triple the pace of the next most indebted country. While such a rapid rise in government debt is usually cause for concern for how it could hinder future economic growth, the good news is that Canada’s net debt as a percentage of GDP remains the lowest among the G7. In addition, debt servicing costs have actually fallen and are expected to remain manageable going forward. In fact, even in a scenario where yields rise 2% above current market expectations, Canada’s debt servicing costs are projected by Bloomberg Economics to be the lowest among the G7, reaching a peak of 1.0% of GDP over the next decade.

FIGURE 4: CANADA MAINTAINS LOW GOVERNMENT DEBT



Source: International Monetary Fund, CBRE Research, 2021.

THE NEW ECONOMY

COVID-19 dramatically altered the way the world operated and even as vaccines are being rolled out, some facets of life have likely irrevocably changed. “Tech-celeration,” the rapid adoption of technology into everyday life, was one of the biggest trends of 2020. Online shopping and remote work in particular had an outsized impact on the economy and commercial real estate. As a result, the tech sector saw a substantial boost from the pandemic and will continue to play a major role in our lives going forward.

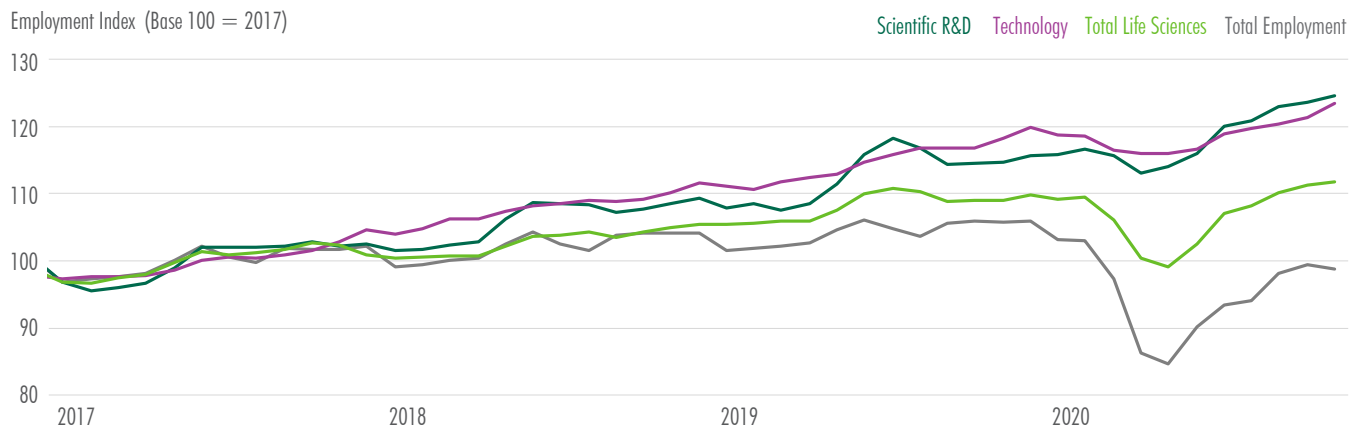
The life sciences sector has also seen an explosion of interest as the pandemic exposed a major global vulnerability. Secular dynamics supporting growth in the sector include longer life expectancies, technology and artificial intelligence facilitating scientific breakthroughs, onshoring of the health

supply chain and strong funding availability. In fact, over the last three years, employment growth in scientific research and development outpaced even the tech sector.

CANADIAN RESILIENCY

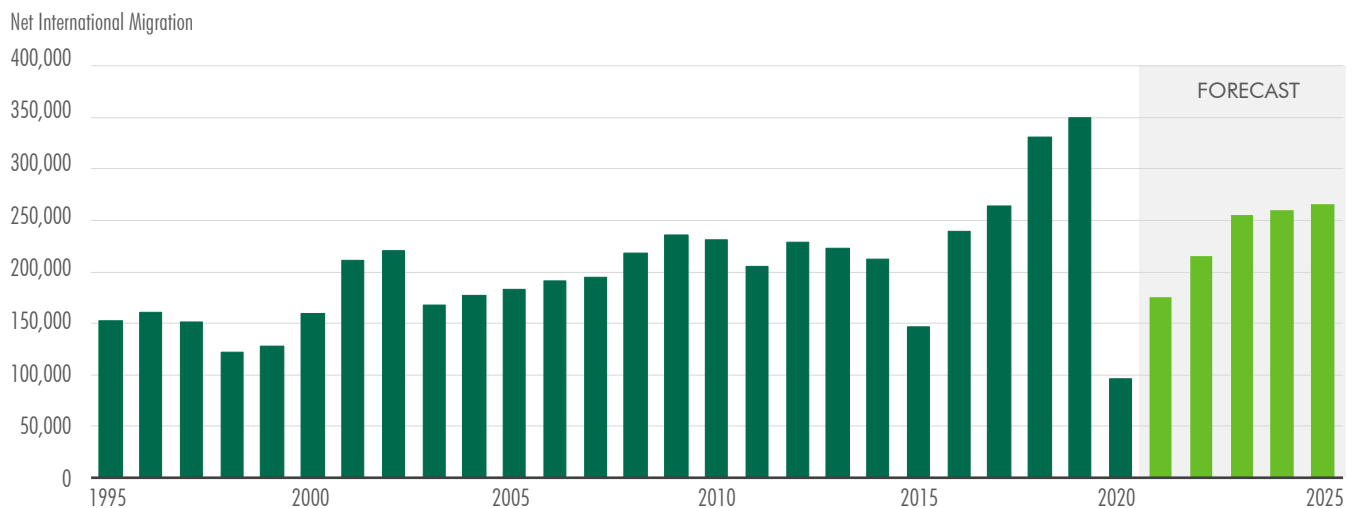
The pandemic had a disproportionate impact on certain industries, with some that benefitted and grew while others had to shutter and await widespread vaccinations. However, this was not a cyclical recession and many companies entered the downturn in good financial health, and therefore a large segment of the economy has continued to operate as usual. Over the long term, stable politics, supportive immigration policies, financial system stability and economic growth - the same macroeconomic drivers as prior to the pandemic - will continue to attract investment into Canada.

FIGURE 5: SELECT SUBSECTORS THRIVING IN THE NEW ECONOMY



Source: Statistics Canada, CBRE Research, 2021.

FIGURE 6: RECOVERY IN IMMIGRATION EXPECTED BY 2023



Total for the 13 major Canadian metropolitan areas.

Source: The Conference Board of Canada, CBRE Research, 2021.



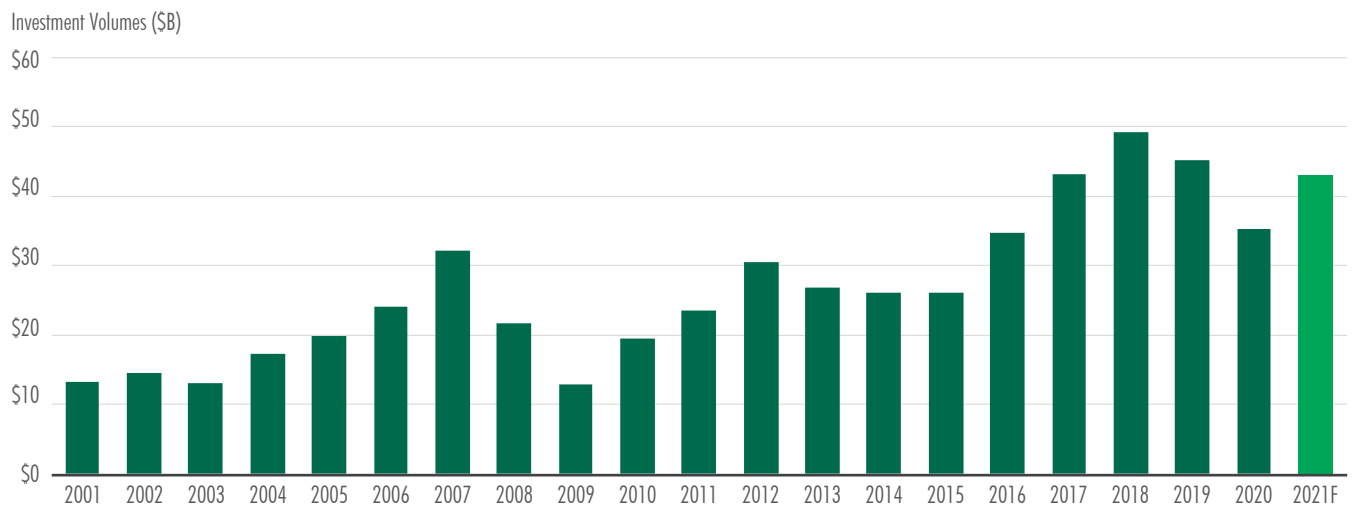
CAPITAL MARKETS

INVESTMENT ACTIVITY CONTINUES TO RECOVER

Commercial real estate investment volumes faced significant headwinds around the world in 2020 as the COVID-19 crisis unfolded. In Canada, national investment volumes totaled \$35.3 billion over the year, a decline of 21.9% compared to totals recorded in 2019. While this drop was severe, Canadian volumes remained quite resilient compared to global peers. Globally, investment was down 26.3% year-over-year, and in the U.S. volumes were down 32.1%.

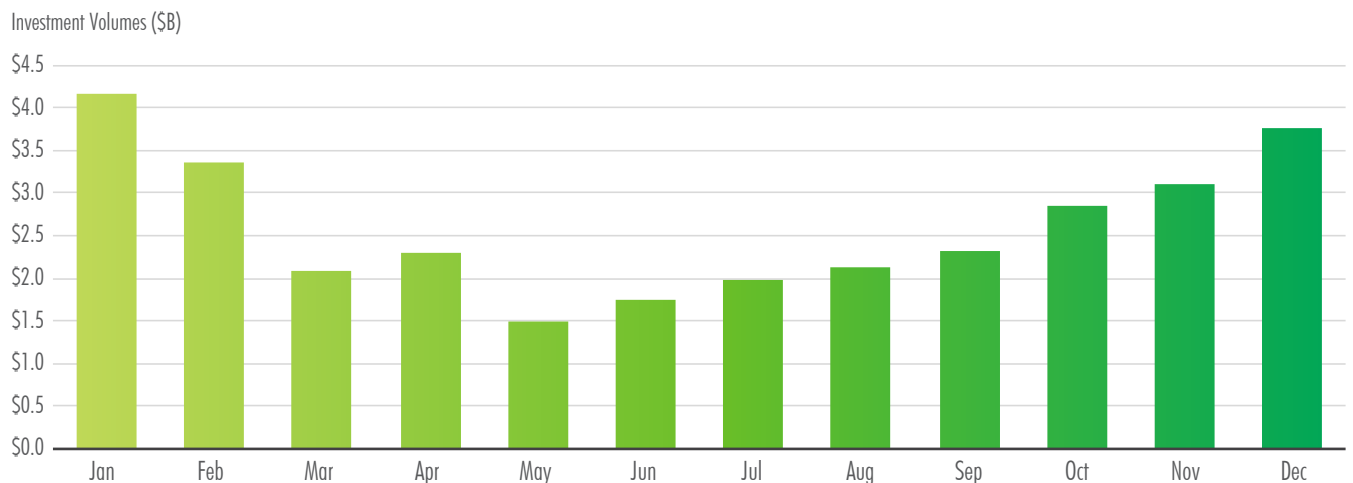
Activity in Canada also accelerated as 2020 progressed, rising each month after bottoming in May. By Q4 2020, activity had recovered fully to pre-COVID levels, and the fourth quarter total of \$13.6 billion was the third largest single period of investment activity in Canadian history. Investment activity is poised to continue at this robust pace in 2021, with similar totals to those seen in the three years preceding the pandemic.

FIGURE 7: INVESTMENT VOLUMES EXPECTED TO RECOVER IN 2021



Source: CBRE Research, Realnet Canada, RealTrack Limited, Collette Plante, JLR Land Title Solutions, Real Capital Analytics, Q4 2020.

FIGURE 8: CANADA'S REBOUND IN INVESTMENT ACTIVITY



M&A-related volumes excluded above.

Source: CBRE Research, Realnet Canada, RealTrack Limited, Collette Plante, JLR Land Title Solutions, Real Capital Analytics, Q4 2020.

INSTITUTIONAL CAPITAL RE-ENTERS THE MARKET

As lockdowns went into effect following the first wave of COVID cases in March, institutional capital largely retreated from the investment market, focusing on internal operational challenges and awaiting further clarity on the new outlook. Over this period, investment activity was dominated by smaller transactions through private capital sources. Volumes for deals priced at less than \$20.0 million remained resilient over the summer, only falling 23.3% from the first to second quarter. Conversely, institutional investments fell by 64.1% over this period.

As the year progressed, institutional firms increased their purchasing activity significantly and acquisitions by these groups recovered back to 100% of Q1 2020 totals over the last period of the year. However, while overall acquisitions for this buyer group had seemingly made a full recovery by year's end, many groups were still approaching investment decisions cautiously. The continued unfurling of institutional capital and a global accumulation of dry-powder ready for allocation will drive both volumes and cap rate compression in 2021.

FIGURE 9: PRIVATE CAPITAL REMAINED RESILIENT

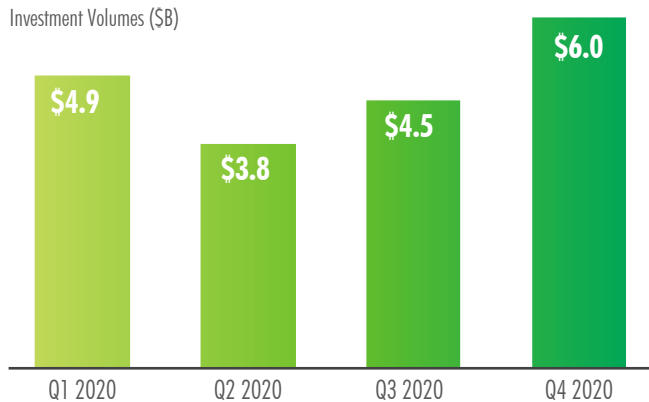
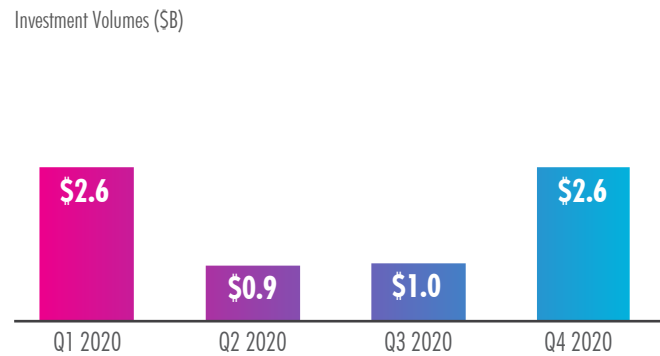


FIGURE 10: INSTITUTIONAL CAPITAL RETURNS TO THE TABLE



Institutional purchasers include Pension Fund/Advisors, Private Equity Firms, Banks/Financial Institutions, Life Insurance Companies, and REIT/REOCs.

Source: CBRE Research, Realnet Canada, RealTrack Limited, Collette Plante, JLR Land Title Solutions, Real Capital Analytics, Q4 2020.

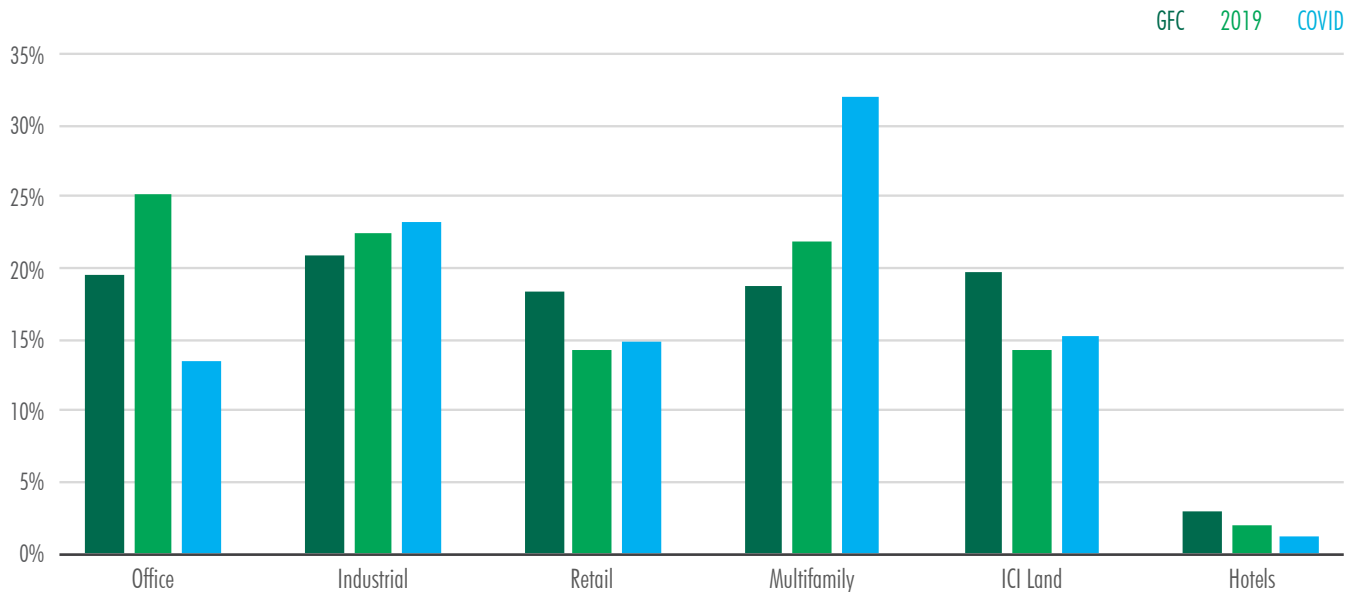
ASSET CLASS PREFERENCES SHIFT

Given heightened market uncertainty, asset class preferences shifted gradually as 2020 progressed. By year-end, purchasers were showing a clear preference for counter-cyclical asset classes, properties with potential for income growth, and sectors whose fundamentals were most insulated from the impacts of the pandemic. Multifamily, industrial, and land assets saw the greatest increases in demand over this period, while office, retail, and hotels assets were approached with increased caution. This mirrored the trend seen during the previous global recession in 2009. Given the backlog of investible capital and the expectation that government bond yields and borrowing rates will remain near record lows for the foreseeable future, there is now evidence to suggest that cap rates for these preferred sectors may compress further in 2021.

INCREASED DEMAND FOR ALTERNATIVE ASSET CLASSES

Despite a robust listings pipeline entering 2021, current investment market conditions suggest demand may exceed the supply of Canadian commercial real estate over the coming year. Limited investment opportunities and the search for yield should result in significant demand for alternative asset classes including data centres, life sciences real estate, and cold storage facilities. Each of these asset classes has been aided by the acceleration of pre-COVID secular trends, and the potential for future income and pricing growth will make these assets increasingly enticing options for capital allocation going forward.

FIGURE 11: INVESTOR PREFERENCES SHIFT



Proportion of investment by property type during Global Financial Crisis (2009), 2019 and COVID-19 era (Q2-Q4 2020).
 Source: CBRE Research, Realnet Canada, RealTrack Limited, Collette Plante, JLR Land Title Solutions, Real Capital Analytics, Q4 2020.



OFFICE

WORKPLACE STRATEGY RESET

Remote work is here to stay, but so too is the office. The mass shift to remote working during the pandemic has put a spotlight on a trend that has been growing but is not new: fluidity in work styles. Most employees want to work in a more balanced way and as they return to the office, they will desire flexibility and choice. Employers seeking to come out ahead in the race for talent will need to build trust and offer choice.

The physical office will remain a key part of this new hybrid workforce network: 67% of employees desire a balance of office and remote work, according to CBRE’s Future of Work research findings. While fully remote arrangements are unlikely to be favoured in future real estate strategies, remote working will lower the utilization of office on a regular basis. Recent analysis suggests that this could cut the need for office space by 10% to 20%, but it’s still too soon to know. Despite the easing of restrictions in many provinces, most companies have not yet returned to the office.

When they do return, occupiers will favour hybrid work styles that combine remote work with office use. A fundamental reset in workplace policies will then be required to provide employees with choice while maintaining a culture of accountability, productivity, diversity, and wellness. Until then, many companies will take a conservative approach, deferring leasing decisions if possible.

OFFICE DOWNTURN TO STABILIZE

Canada’s largest cities have been disproportionately impacted as high population densities and dependency on mass transit created logistical challenges which reduced office occupancy. High office vacancy and limited rental rate growth will persist throughout the year, however, leasing activity is expected to resume as vaccination rates climb and business activity rebounds with positive net absorption, albeit muted, possible by the end of the year.

CBRE’s Leasing Intentions Index, a composite tracker of client requests for market surveys and office tours, both virtual and in-person, shows a meaningful though uneven bounce-back in office market activity since the metric bottomed in April 2020. The national index is correlated with forthcoming leasing activity, and positive net absorption is expected in the second half of 2021 as present-day discussions materialize into future transactions, although the risk of variants and further lockdowns looms large.

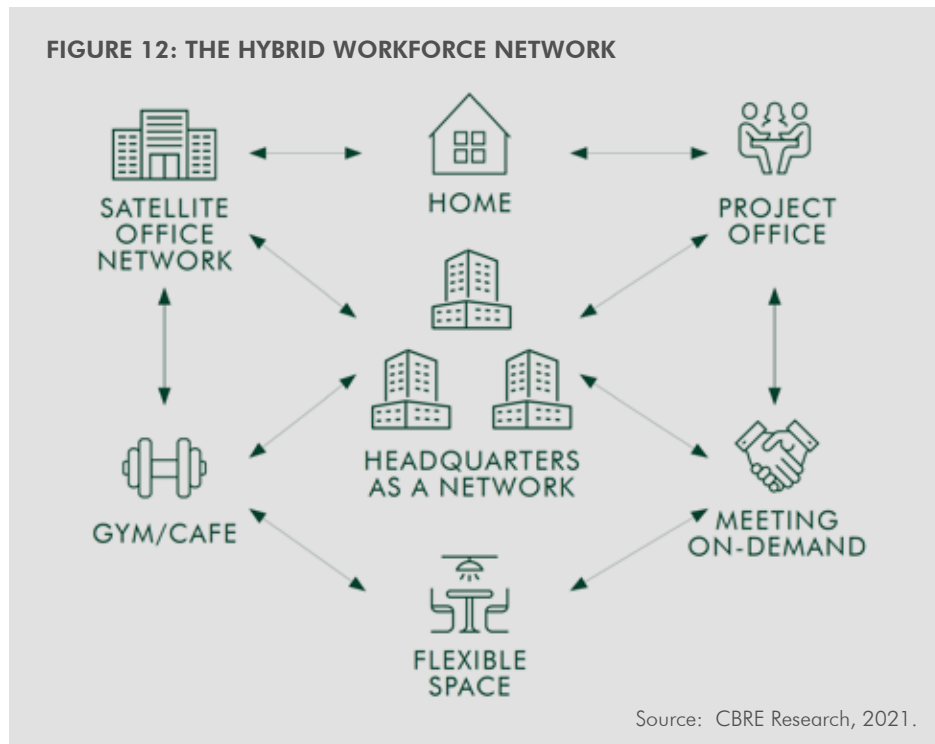
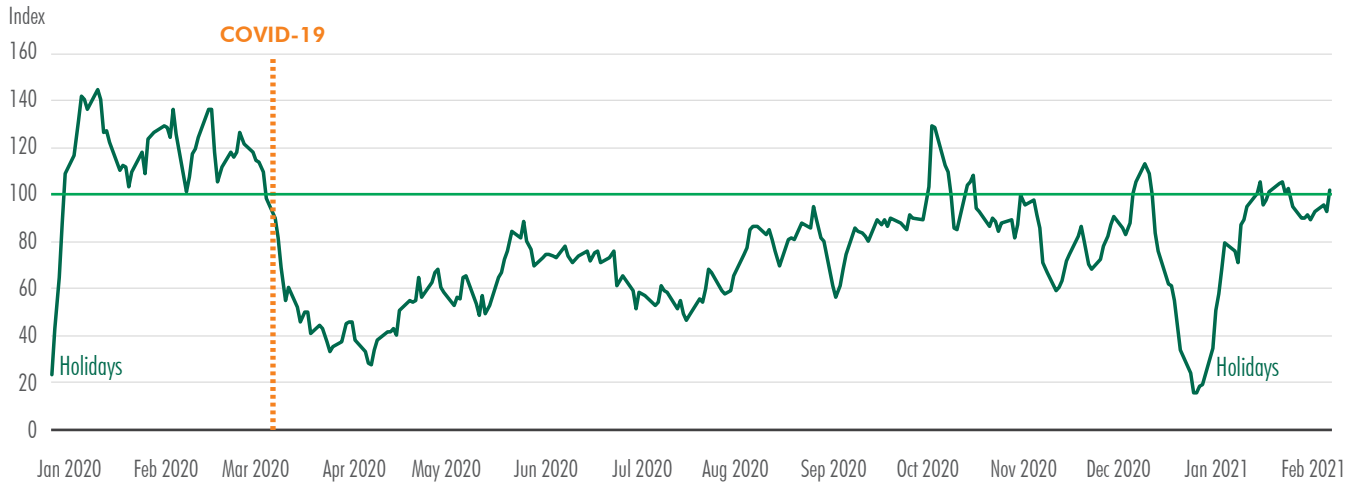


FIGURE 13: LEASING INTENTIONS INDEX



Source: CBRE Research, 2021.

VACANCY RISING, BUT NOT UNIFORMLY

Rising office vacancy is not just a Canadian issue. Cities across Asia and Europe have also seen an increase in office vacancy since the onset of the pandemic, including London (+3.6%), Singapore (+1.0%), and Hong Kong (+2.1%). In the U.S., the national vacancy rate increased 2.7%, with San Francisco recording an increase from 4.7% to 15.2%. In comparison, Canada’s national vacancy increased 3.1%, with the largest increases seen in Toronto (+4.8%), Montreal (+3.0%), and Calgary (+2.9%).

Urban centres will see more pronounced and longer-lasting impacts, particularly in cities with elevated levels of new office supply. Suburban markets are expected to recover faster than urban markets, and have fared better to this point, with vacancy up 2.5% since Q1 compared to 3.7% downtown. Downtown Class B properties have been the most affected segment nationally, with vacancy increasing by 4.4% so far, placing pressure on more-dated product to be reinvented.

Class A properties will experience faster improvements in demand, occupancy and rents as leasing volumes recover. But occupiers are increasingly demanding flexible space options, shared meeting space, better indoor air quality and touchless technology. While occupiers may reduce the amount of space they occupy, the quality of that space will be of critical importance and buildings offering these amenities will be favoured by enterprise tenants.

SUPPLY, DEMAND AND RENTS

Canadian occupiers hoping for drastic reductions in rental rates are unlikely to see their wishes fulfilled in 2021. Rental rate decreases lag changes in the economy and rebound more quickly when there is a turn around. This is already being seen in Asia where the office rental rate decline is losing momentum. In Europe, several cities are forecast to see rental rates for prime office space increase in 2021. And the baseline forecast for the U.S. national office market is a 2% contraction year-over-year. However, market conditions are expected to continue to favour tenants in negotiations.

Large amounts of new supply in gateway markets combined with an overhang of sublet space will see vacancy remain elevated in 2021. Landlords will need to consider accommodations including incentive packages, shorter terms, and optionality in new leases.

While vacancy is set to rise, the Canadian office market is underpinned by long-term structural features:

1. Office-using job growth is the single best indicator of future demand for office space, and Canada’s employment growth will double the G7 average between 2019 and 2025.
2. Growth is expected from U.S. technology companies, which have largely been unaffected by the downturn. And low vacancy rates created a backlog of demand from these companies flocking to Canada for our talent.
3. Canada’s office real estate market is closely held by a limited number of well-capitalized, institutional owners with the means to wait out the presently muted leasing demand.



RETAIL

ECOMMERCE IN HYPERDRIVE

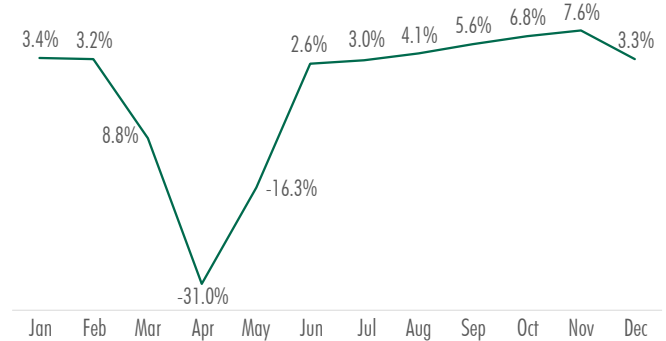
The adoption of ecommerce went into hyperdrive in 2020 as sales penetration increased 3.3% over the year to 13.4% of retail sales. As stores reopen, a seamless omni-channel experience has become essential, as it enables shoppers to buy online, pick-up curbside or in-store, and make returns with ease. These offerings will have an important role to play in the eventual return to store. Brick-and-mortar stores will be valuable in delivering the physical experience and deeper engagement that consumers want.

CLOSURES & STRATEGIC MOVES

A disruptive year filled with social distancing measures and rolling lockdowns severely hindered the retail segment. Retailers led insolvency filings in 2020 and as of the end of February 2021 over 50 brands had announced their intention to shutter some or all of their stores in Canada since March 2020. This is likely not the end of it.

Many more store closures will result from COVID-related failures of structurally declining categories such as apparel, which was struggling pre-pandemic. Up to 225,000 small businesses could permanently close because of COVID-19 restrictions, according to the Canadian Federation of Independent Businesses. The restaurant business hasn't fared well either. In December, Restaurants Canada estimated that 10,000 restaurants had closed across the country since the pandemic began and that half of the restaurants in Canada could shutter permanently if restrictions on this category are not lifted soon. On the other side of the coin are rightsizing efforts being made by retailers who may have over-extended

FIGURE 14: 2020 CANADIAN TOTAL RETAIL SALES GROWTH (Y-O-Y)



Source: Statistics Canada, February 2021.

their reach. Coffeehouses are leading this trend, with Starbucks, David's Tea and Second Cup all announcing mass store closures.

New and emerging retailers will capitalize on market conditions to absorb some of these resulting vacancies. Digitally native brands, medical, health and wellness, pet services, and franchisee-driven operations will look for real estate opportunities. Grocers, convenience stores and quick-service restaurants are also anticipated to grow. Greater availability of prime space, declining rental rates and motivated landlords offering concessions and pandemic-related protections will drive lease transactions in 2021.

FIGURE 15: RETAILERS TOPPED LIST OF INSOLVENCY FILINGS IN 2020

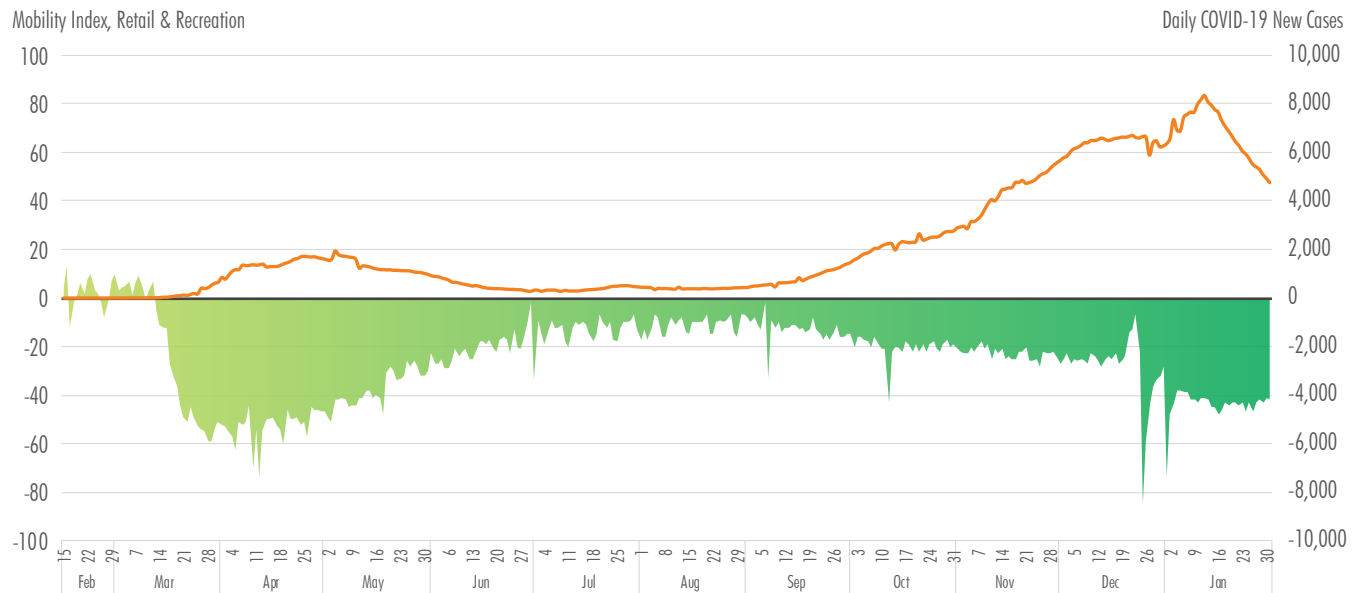
Insolvency Filings by Industry



Count of business bankruptcy and proposal filings for top 10 industries during 2020.

Source: Office of the Superintendent of Bankruptcy, CBRE Research, February 2021.

FIGURE 16: CONSUMERS SHY AWAY FROM STORES AS CASE COUNTS CLIMB



Source: Google Community Mobility Reports, World Health Organization, CBRE Research, February 2021.

BLURRED CATEGORY LINES

Retailers who are able to are looking to expand into relevant, adjacent categories. For example, last summer Lululemon purchased Mirror, an interactive home fitness company that lets users exercise with professional trainers from the comfort and safety of their own home. The success of pharmacies expanding into food sales is another example of how these stores can capitalize on consumer traffic. These types of plays can increase a retailer’s share of consumer spending.

ROLE OF THE STORE

While some consumers are eager for a return to normal and in-person shopping, studies from J.C. Williams Group show that the majority of consumers who have converted to online shopping will continue to do so in the future. Convenience is a driving force behind this and is why retailers will need to provide compelling reasons for shoppers to come back to physical stores post-pandemic. These stores will need to strike the right balance of serving walk-in traffic and fulfilling digital orders in-store. Savvy retailers will reinvent their brick-and-mortar locations into experiences that make shopping more convenient and a seamless extension of the online experience.

TECHNOLOGY

Technology and the adoption of robots will become more commonplace in retail spaces as rigorous sanitation standards become widespread. The grocery segment has been one of the first categories to embrace these changes, with Voilà by Sobeys using Ocado’s touchless technology to pack orders at distribution centres, and Loblaws, in partnership with Gatik, testing driverless delivery vehicles. Contactless shopping has evolved out of necessity from the pandemic, however many of the innovations tied to it, including smart stores, could be here to stay.

SUSTAINABILITY

Sustainability will also be a priority for consumers and retailers alike this year. This movement has been gaining momentum in the retail space as social and environmentally conscious consumers look to support brands that align with their values. The environmental impacts of excessive packaging are a growing concern, for example, and the problem will likely only worsen in an increasingly online world.



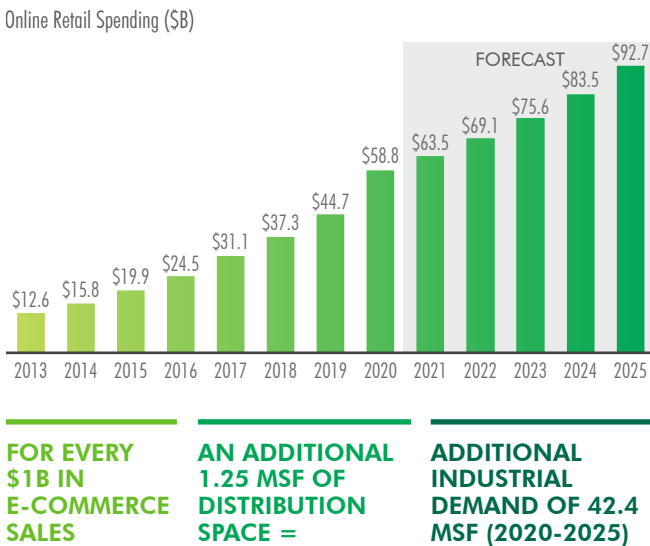
INDUSTRIAL & LOGISTICS

ECOMMERCE TO DRIVE MARKET DEMAND

COVID-19 and the ensuing stay-at-home measures have dramatically accelerated ecommerce sales and adoption in Canada. Annual online retail spending surged by a record 31.6% to \$58.8 billion in 2020, forcing retailers, wholesalers, and third-party logistics companies to develop more complex logistics networks. The critical importance of reaching consumers in increasingly shorter timeframes will result in ecommerce-related uses dominating logistics demand in the near term.

CBRE Research has found that for every \$1 billion in ecommerce sales, 1.25 million sq. ft. of additional warehouse space is needed. With online spending by Canadians forecast to reach \$92.7 billion by 2025, net-new warehouse requirements from ecommerce-related demand are expected to exceed 40.0 million sq. ft. over the next five years. This is greater than all of the leasable space in Canada's three largest industrial markets combined. With little of the currently available space suitable for logistics users, occupiers will spur new construction and the continued strong preleasing of speculative projects.

FIGURE 17: RISE OF ECOMMERCE TO ACCELERATE DEMAND FOR LOGISTICS SPACE



Source: Euromonitor, CBRE Research, January 2021.

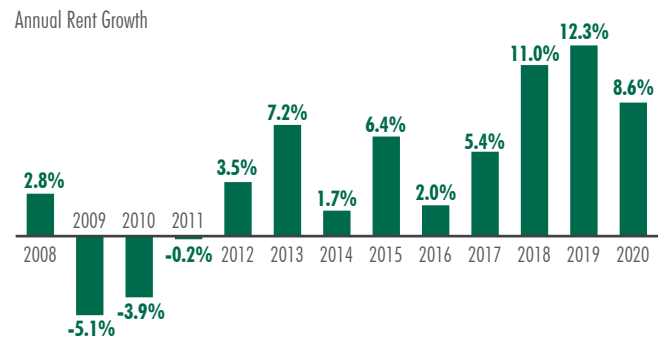
SIGNIFICANT RUNWAY FOR FURTHER GROWTH

Despite several banner years, Canada's ecommerce-related market still has significant runway for growth:

- 1. Small Suburban Hubs** - Looking to make online shopping as quick as a trip to the store, retailers are exploring the role that small shipping hubs located in suburban neighbourhoods could play in bringing goods closer to customers.
- 2. Urban Logistics** - With most major occupiers already operating regional distribution centres in Canada's gateway markets, strategically-located urban warehouses will continue to gain importance as occupiers look to reduce delivery costs, particularly in high-cost markets.
- 3. Food** - In the grocery sector, Canadian grocers have all made significant investments in their online offerings due to unprecedented order demand.

With additional demand expected from the manufacturing, energy, and services sectors, we forecast that the strong sector fundamentals, notably elevated rental rate growth and record low availability rates, will continue in 2021. Given the limited availabilities and that transportation costs account for more than half of total supply chain costs, occupiers are advised to conduct real estate strategy reviews early in order to secure logistics space in their preferred locations.

FIGURE 18: RENTS THAT INCREASED IN A RECESSION



Source: CBRE Research, Q4 2020.

MARKETS TO WATCH

The elevated demand and limited new supply seen across Canada’s logistics markets have left them uniquely positioned relative to both historical norms as well as compared to what’s seen south of the border. Not only are 12 of 14 Canadian cities below the current U.S. average availability rate of 7.4%, but throughout this recession Toronto, Vancouver, and Montreal held onto their positions as North America’s three tightest major industrial markets.*

This trend is expected to persist in 2021 as 12 of 14 Canadian cities have levels of construction below the already low U.S. average of 2.2% of total inventory. Despite having availability rates below 3.0%, Victoria, Windsor, Waterloo Region, and Montreal each have development pipelines that would increase their inventory by less than 1.0%. Growing occupier demand coupled with a diminished fear of oversupply should maintain industrial real estate momentum moving forward.

NOT JUST DISTRIBUTION & LOGISTICS

While Canada’s distribution and logistics sector has taken off in recent years, select areas of occupier demand are expected to be more muted in 2021. The need for logistics space is borne out of productivity and this pandemic-induced recession has detrimentally impacted select segments of the

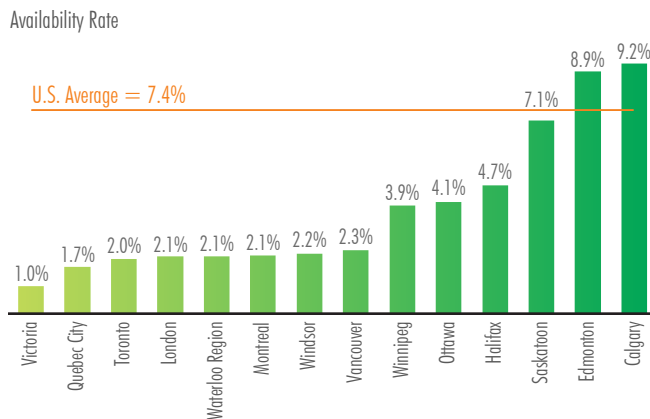
economy. In particular, traditional entertainment-focused suppliers of restaurants, movie theaters, and arenas may relinquish their spaces due to decreased activity from these industries.

In a case study on Toronto, Canada’s largest industrial market -- accounting for nearly 50% of the national inventory -- few facilities meet the requirements for use in sophisticated supply chain networks:

1. More than 50% of the inventory is made up of facilities smaller than 100,000 sq. ft.
2. More than 50% of the inventory is made up of facilities with clear heights below 24’.
3. 85% of the inventory was constructed prior to the year 2000.

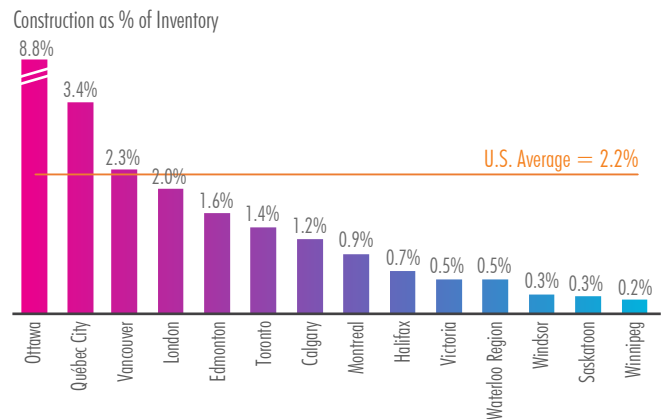
These factors also serve as opportunities for occupiers as they may provide access to logistics space in an otherwise tight market. As well, safety stock and reverse logistics are on the rise and the slower processing times of these activities means that occupiers may be able to solve for these through second-generation industrial spaces. Lastly, under-utilized industrial spaces present investors with the opportunity to demolish and replace them with facilities that have the clear height, dock loading and bay sizes currently sought by users.

FIGURE 19: LIMITED AVAILABILITY IN NEARLY ALL MARKETS



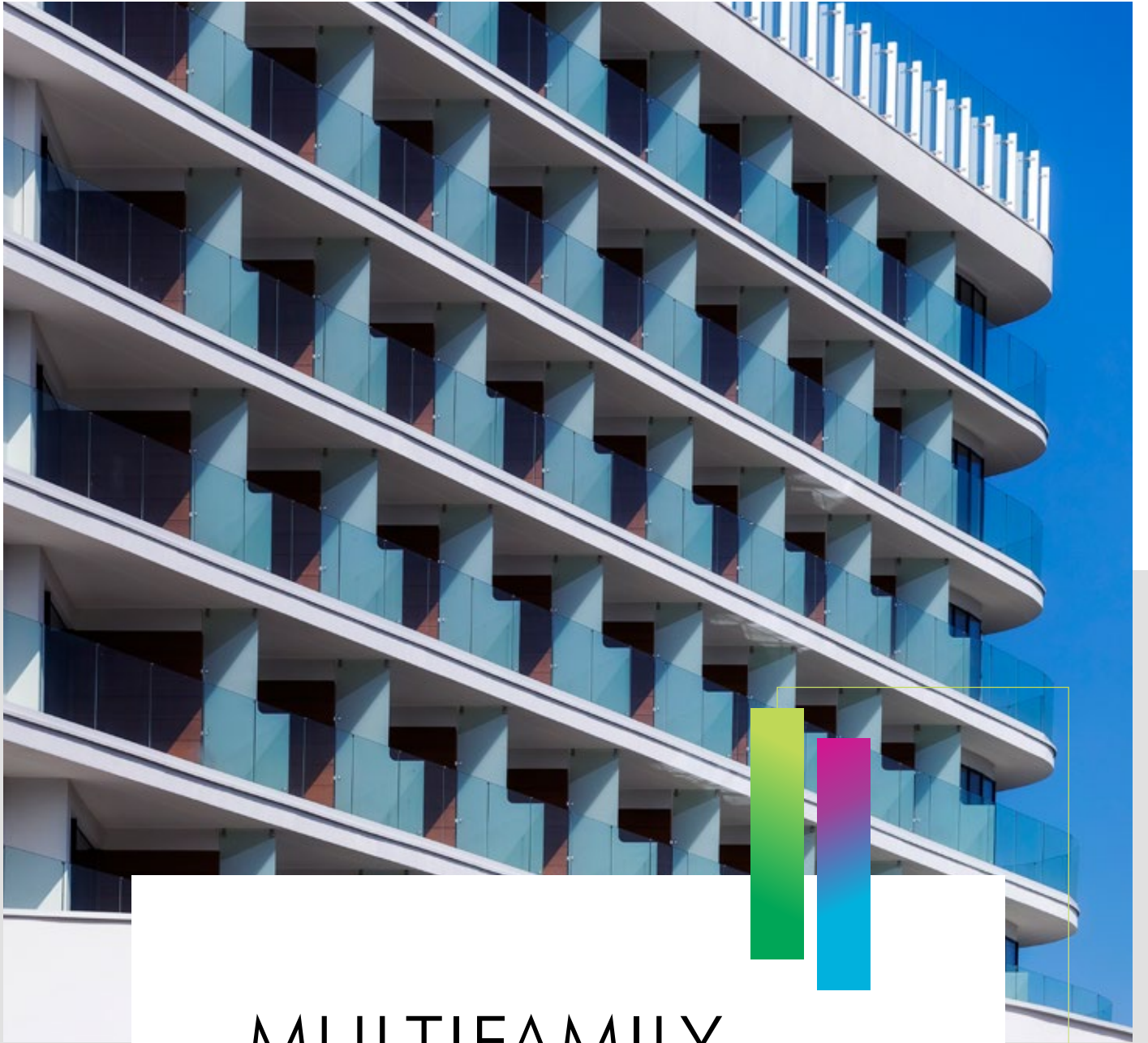
Note: Canada’s 10 major market national availability rate is 3.3%.
 Source: CBRE Econometric Advisors, CBRE Research, Q4 2020.

FIGURE 20: CONSTRUCTION ACTIVITY REMAINS LOW



Note: Canada’s 10 major market industrial construction as % of existing inventory is 1.4%.
 Source: CBRE Research, Q4 2020.

*Major is defined as a market with industrial inventory of 150 million sq. ft. or larger.



MULTIFAMILY

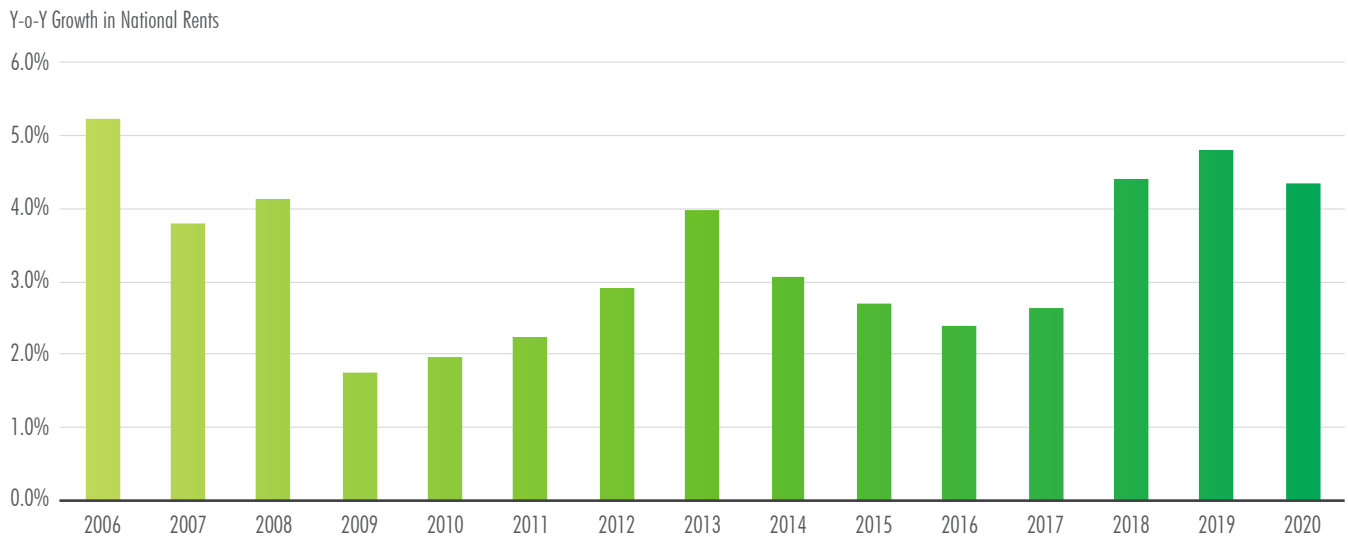
FUNDAMENTALS SOFTEN BUT LONG-TERM OUTLOOK REMAINS STRONG

The Canadian multifamily sector withstood the worst of the pandemic better than most other property types in 2020. Despite performing well on a relative basis, fundamentals are beginning to show signs of softness. This trend, also seen in the U.S., was more prominent in urban cores. Year-end data showed that national vacancy rates rose by 150 bps to 3.8% in 2020 and rent growth decelerated for the first time since 2016, albeit remaining at an elevated 4.3%.

While these trends weakened short-term returns, the fundamentals driving the sector’s strong performance prior to lockdowns – robust population growth, a limited

supply pipeline, and rising home ownership costs – are still intact going into 2021. In fact, these drivers are poised to accelerate this year given the continued rise of home prices in major markets and the federal government’s recent announcement of increased immigration targets through 2023. The multifamily sector’s correlation to the greater economy, which is expected to rebound in 2021, and the continued strength of its sectoral tailwinds, affirms a solid long-term outlook. These macro drivers all but ensure that the present-day softened fundamentals are temporary in nature.

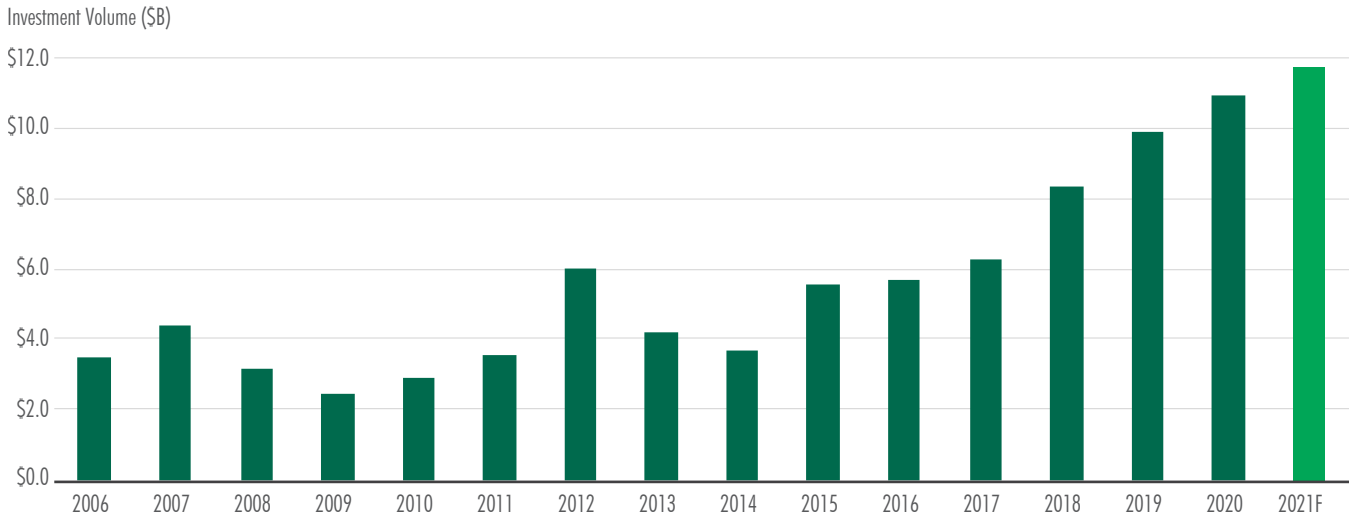
FIGURE 21: ANNUAL RENT GROWTH DECELERATES FOR FIRST TIME SINCE 2016



Growth rate figures were computed using national averages and are inclusive of all unit types.

Source: Canada Mortgage and Housing Corporation, January 2021.

FIGURE 22: MULTIFAMILY INVESTMENT VOLUMES FORECASTED TO REACH NEW RECORD HIGHS IN 2021



Source: CBRE Research, Realnet Canada, RealTrack Limited, Collette Plante, JLR Land Title Solutions, Real Capital Analytics, Q4 2020.

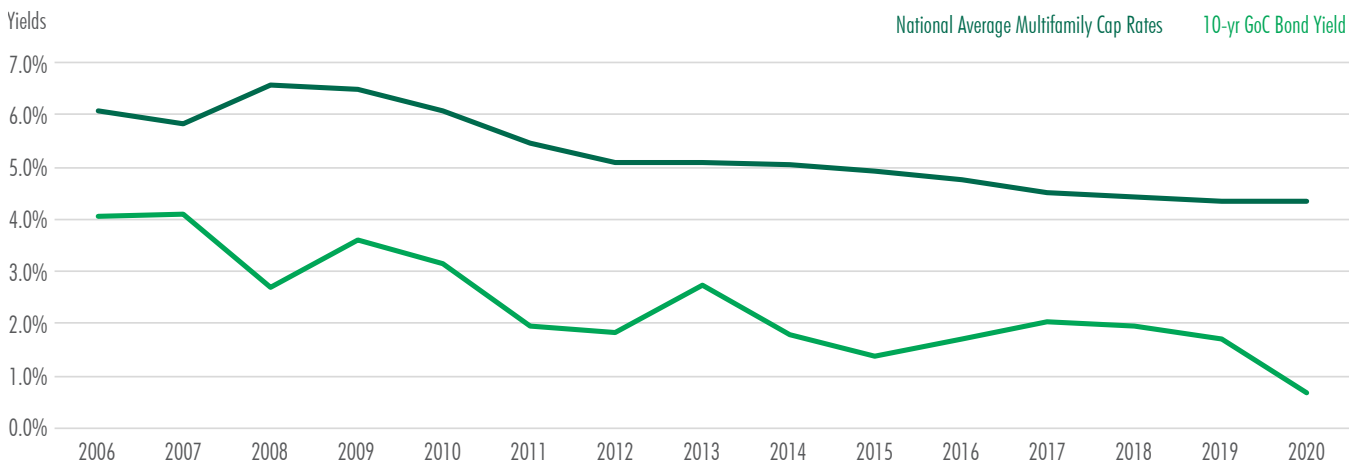
RECORD-SETTING INVESTMENT VOLUMES

The strong long-term multifamily outlook and counter-cyclical nature of the asset class, plus a significant backlog of investible institutional capital, has attracted significant interest in the sector. Canadian multifamily investment volumes totaled a record-setting \$11.0 billion in 2020, surpassing the previous record set in 2019. This trend was even more impressive when compared to the U.S., which saw multifamily volumes decline by 27.6% in 2020. Given that borrowing rates remain near all-time lows, with CMHC-insured mortgages currently being quoted in the range of 1% to 2%, depending on term, it's forecasted that investment volumes will continue to rise and reach \$11.8 billion nationally in 2021.

CAP RATES EXPECTED TO COMPRESS

The increased demand from investors has also continued to place downward pressure on cap rates. While many believed multifamily cap rates had reached their lower limits in major markets at various points over the last few years, the continued compression of government bond yields has allowed real estate spreads to remain healthy. Combined with the flow of funds into this asset class and its strong rental outlook, further compressions in cap rates are likely in 2021.

FIGURE 23: INVESTMENT SPREADS GROWING DESPITE CONTINUED CAP RATE COMPRESSION



Source: CBRE Research, Thomson Reuters, Bank of Canada, Q4 2020.



HOTELS

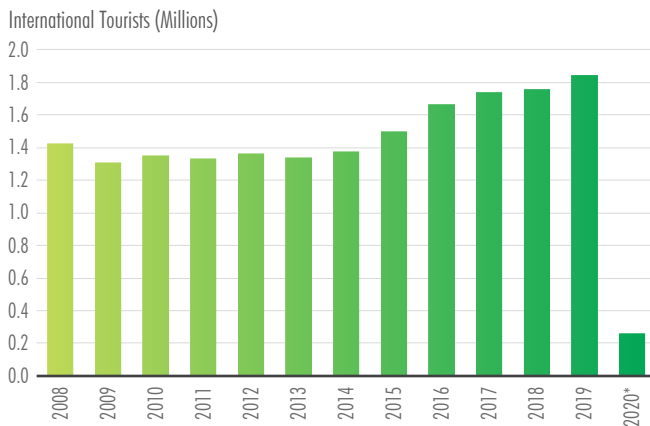
HOTELS IN A POST-PANDEMIC ENVIRONMENT

The Canadian hospitality industry was the first sector to feel the full impact of the pandemic, with border closures and lockdown orders causing occupancy to plunge from historic highs to less than 20% virtually overnight.

The industry is still ailing as it waits for vaccines to be widely distributed. But during a brief window in the second half of last year, after COVID's first wave had subsided and the second wave had yet to hit, the market saw pent-up demand translate into a resurgence in leisure travel.

Hotels in drive-to resort destinations, such as Banff, the Okanagan and Muskoka, witnessed a strong increase in occupancy levels. However brief, that boost in business offers hope that a similar spike in leisure travel will occur once the vaccine has flowed through the bulk of the population. Corporate travel, however, could take some time before returning to previous levels.

FIGURE 24: DOMESTIC LEISURE REPLACES INTERNATIONAL TRAVEL



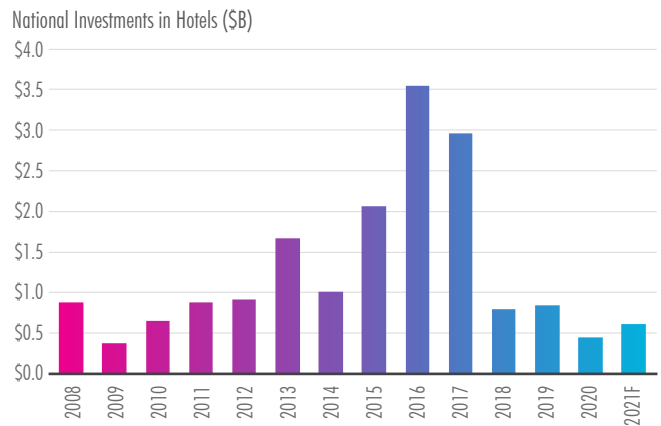
*2020 figure inclusive of data through November
 Source: Statistics Canada, February 2021.

OPPORTUNITIES EXIST

Amid the challenges in the hotels market, there are opportunities. In Prince Edward County, a two-hour drive east of Toronto, an influx of private capital is anticipating another surge in domestic travel this summer. Investors are purchasing houses, cabins and small resorts to rent out in some cases for over \$500 to 700 per night and reporting strong booking pace through the summer.

And some hotel owners who might not have considered selling one of their assets before might be more willing to do a deal now than ever before. There is significant capital interested in opportunities to get into this high-barrier-to-entry market, and deals are beginning to percolate. For investors, now is the time to lean in, not step away.

FIGURE 25: INVESTMENT ACTIVITY SET TO REBOUND



Source: CBRE Research, Realnet Canada, RealTrack Limited, Collette Plante, JLR Land Title Solutions, Real Capital Analytics, Q4 2020.



LIFE SCIENCES

REAL ESTATE: MISSING IN ACTION

The pandemic has placed a spotlight on the life sciences industry like never before. Heightened interest in the sector as it works to develop effective treatments for COVID-19, along with other medical advancements, has created new opportunities for commercial real estate. However, the current demand for related lab and R&D space has highlighted Canada’s severe shortage of these facilities, which are often either fully leased like the MaRS Discovery District in Toronto or are privately owned. Conservative real estate investment philosophies and the risk-averse nature of Canadian capital have resulted in a limited inventory of new lab spaces and biotech manufacturing facilities.

TALENT AND FUNDING DRAWS OCCUPIER INTEREST

A shortage of space does not equate to a lack of talent, however. Life sciences is one of the fastest growing industries in Canada in terms of employment. Venture capital funding has also flooded the market, bringing with it a promise for continued employment growth. And just as Canada tops global charts for tech talent, so too does our life

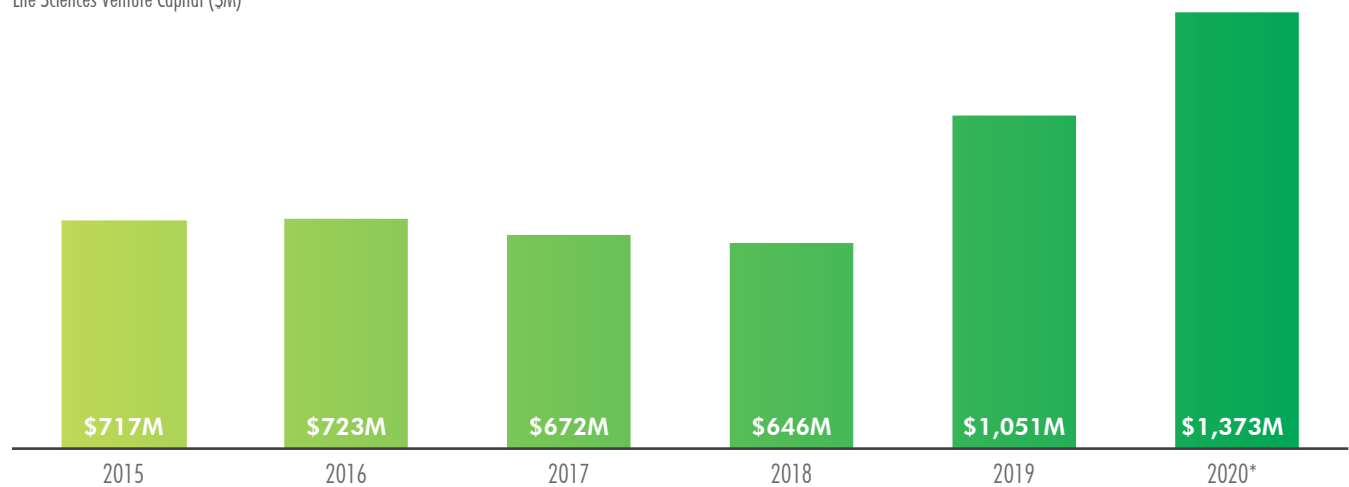
sciences sector. This has drawn the attention of life sciences multinationals, who are looking to set up operations and partnerships north of the border or expand if they already have a presence here.

DISCONNECT OR OPPORTUNITY?

There are some barriers to entry, though. The life sciences industry requires state of the art facilities, which can be costly and have longer development timelines. To keep pace with current demand, landlords are retrofitting existing buildings to accommodate lab users, but this can come with a steep learning curve for those not familiar with facility requirements. Setup costs for life science tenants often need to be amortized over a longer period than with conventional office tenants, and landlords might not get an immediate return on their investment. While developers new to the space or market will be faced with these challenges, the disconnect between robust occupier demand and limited supply should serve as incentive for participants intent on bridging the gap and deploying capital in a sector with strong returns and solid long-term prospects.

FIGURE 26: VC FUNDING FOR LIFE SCIENCES IN CANADA

Life Sciences Venture Capital (\$M)



*2020 figure forecasted by annualizing year-to-date Q3 2020 investments.

Source: Canadian Venture Capital & Private Equity Association, Q3 2020, CBRE Research, February 2021.



DATA CENTRES



THE RESILIENCY OF DATA CENTRES

Data centres have proven to be the asset class least affected by the pandemic and resulting recession due to their counter-cyclical nature and the critical role they play both in business and real estate. The resilient performance of global data centre REITs has in turn resulted in a scaling upward of allocations among institutional investors. Supporting nearly every sector of the economy, the importance of data centres and our reliance on them will only increase as remote working continues.

AN UP-AND-COMING ASSET CLASS

Canada has 279 data centres nationwide and ranks fifth globally for data centre density, according to Cloudscene. Canadian data centre markets, including Toronto and Montreal, continue to benefit from their prime locations and low asking rents and are experiencing exceptional growth from global cloud providers.

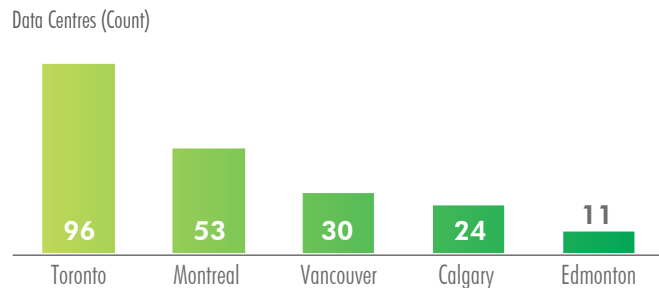
Montreal is a top destination due in large part to its cold climate and affordable power rates, which are among the lowest in North America. Toronto is also seeing unprecedented levels of growth with large amounts of capital ready to be deployed, but limited supplies of land and industrial space continue to limit data centre growth in the city.

The continued adoption of hybrid IT strategies from hyperscale companies and cloud and content providers, as well as the growth of artificial intelligence technologies and 5G networks, will be the main drivers of demand for this asset class in the coming years.

GLOBAL INVESTORS ATTRACTED TO CANADA

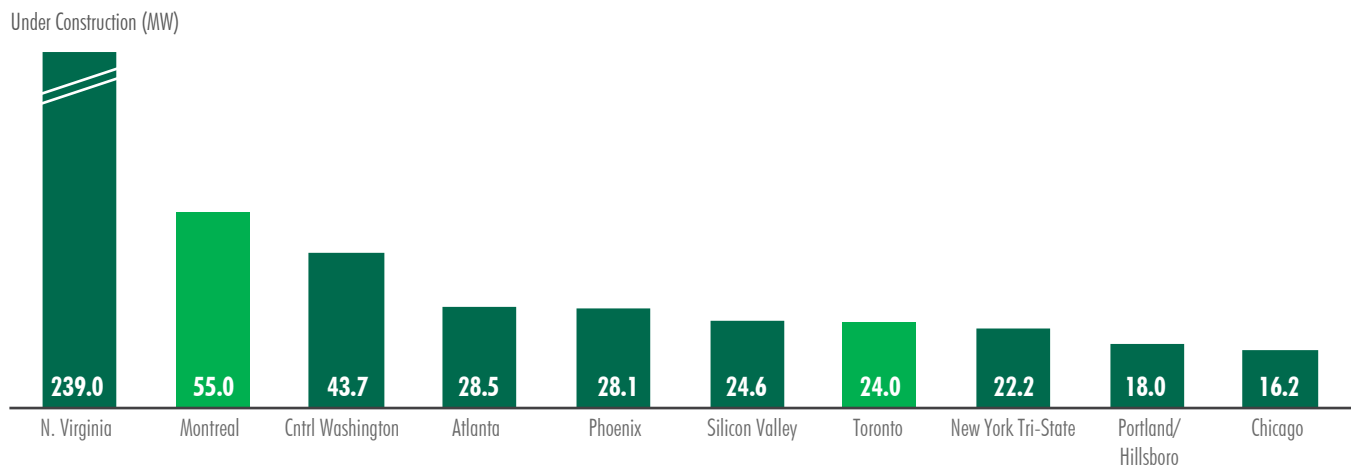
Data centres represent an attractive investment to well-capitalized investor groups who want to efficiently deploy large sums of capital to generate healthy returns. Investment demand is coming from domestic private investors, REITs, large pension funds and global investors chasing greater yields than can be found in the U.S. or in more traditional property types. Recent activity includes Equinix’s nearly \$1.0 billion acquisition of Bell Canada’s data centres, which allowed the company to expand its global platform into Canada, from Kamloops, BC to Saint John, NB.

FIGURE 27: LARGEST CANADIAN DATA CENTRE MARKETS



Source: Cloudscene, CBRE Research, February 2021.

FIGURE 28: MOST ACTIVE DATA CENTRE DEVELOPMENT MARKETS IN NORTH AMERICA



Top 10 markets in North America by megawatts under construction.
 Source: CBRE Research, CBRE Data Center Solutions, H1 2020.



FIT OUT AND PROJECT MANAGEMENT



FIT-OUT CHALLENGES

Construction costs have significantly increased in recent years with hard costs increasing at twice the pace of inflation since 2015. While creating challenges for the proformas of occupiers and owners, the impact from these price escalations now pales in comparison to the havoc wreaked on Canada’s construction industry by COVID-19. The severity of this impact has varied by province, with Ontario and Quebec coming to a near stand-still in recent months. Projects that are moving forward face new safety measures that reduce worker densities, making getting both labour and materials into active construction sites harder than ever before. This is further compounded by a strained global supply chain, which has altered shipping and production costs and timelines.

TIMELINE CONSEQUENCES

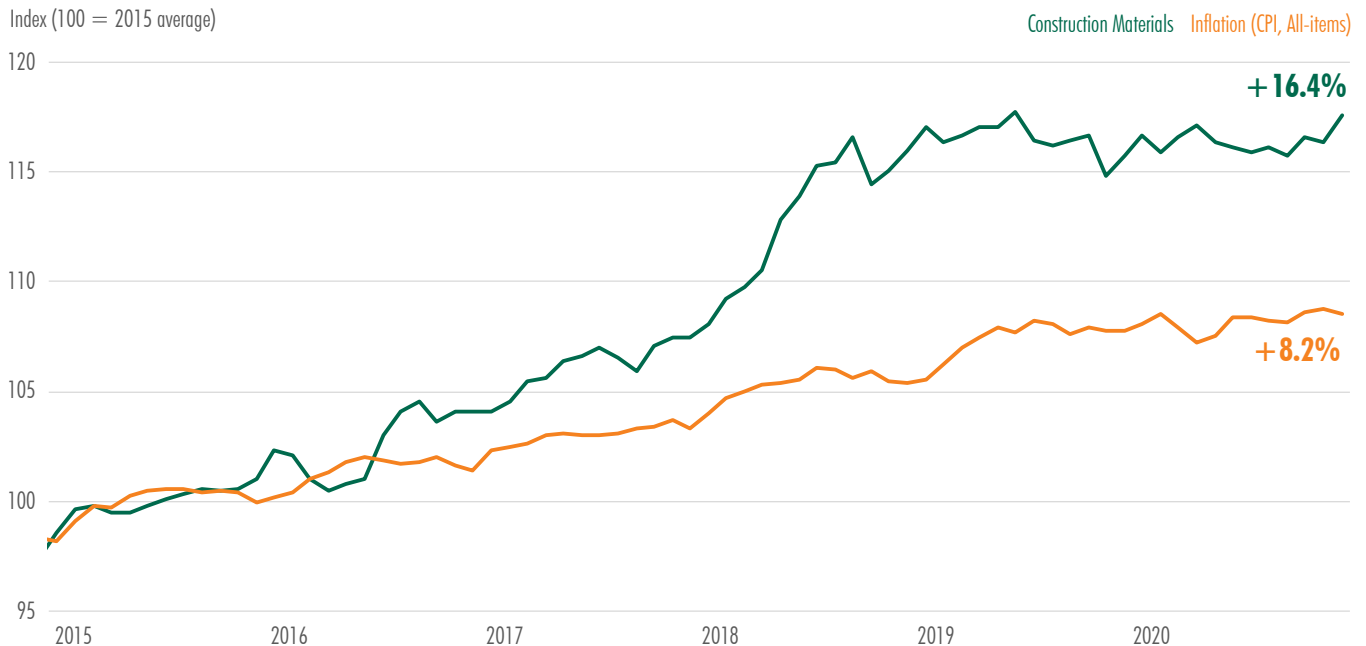
The impact on timelines cannot be stressed enough either and, depending on the project’s stage, the net delay could be much longer than anticipated. For projects in

the permitting process, municipalities face a backlog of application reviews, exacerbated by the volume of applications being lodged. Meanwhile, stopped construction orders have resulted in developers re-coordinating remaining site work and validating outstanding material orders. From a staffing perspective, a five-week mandatory shutdown ends up being much longer once labour reactivation is considered. On average, construction schedules from the first round of shutdowns have extended by 10 to 20%, and this is now the norm.

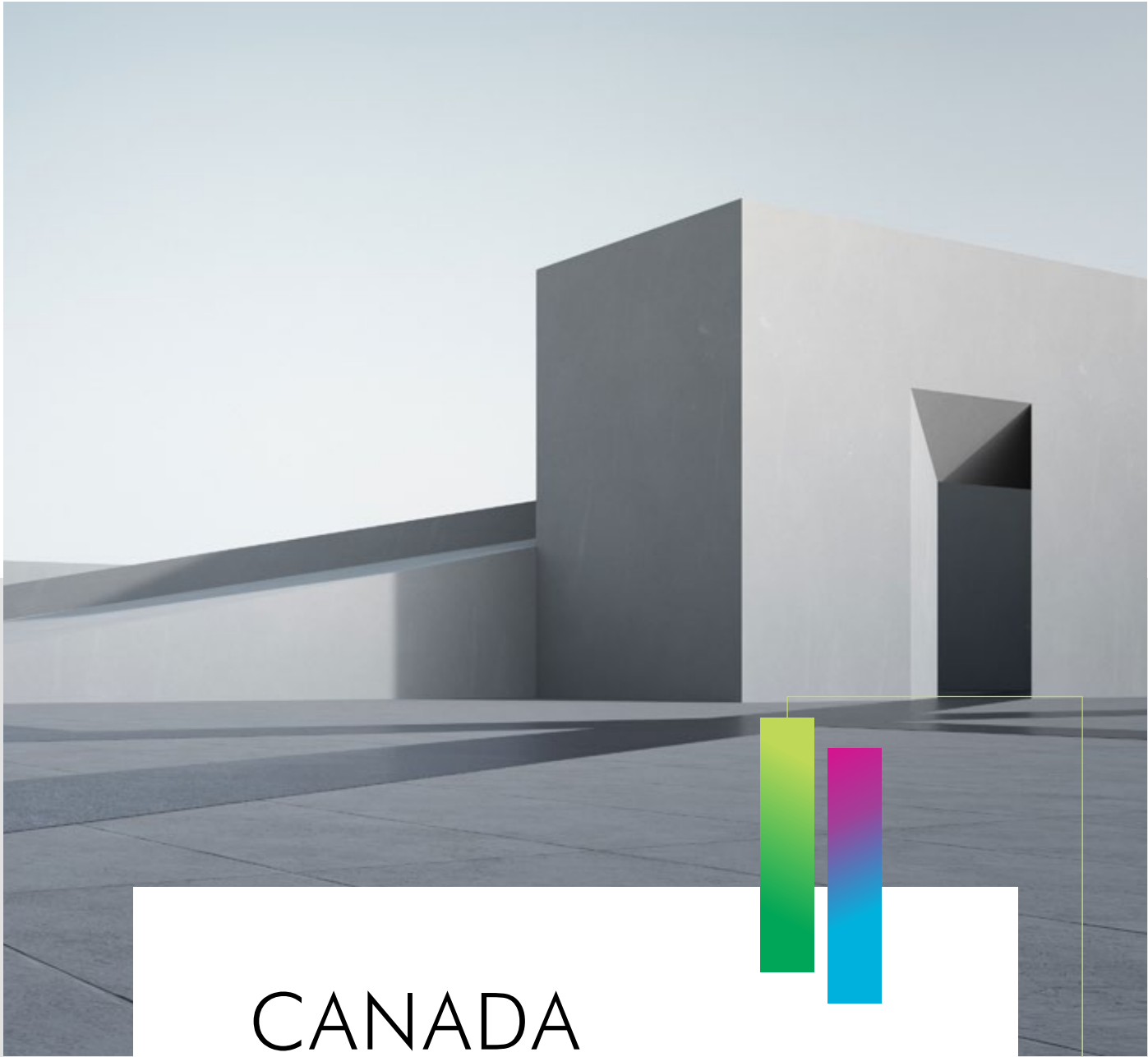
SOLUTIONING TO BECOME OPERATIONAL

It has never been more vital for occupier and investor clients to have a clear line of sight on construction costs and timelines. Developers and occupiers are placing orders for long-lead construction and FF&E (furniture, fixture, and equipment) items well in advance to obtain manufacturer commitments and a place in production queues. As the situation evolves and changes, tracking issues on a building by building basis remains a must for targets to be achieved.

FIGURE 29: CONSTRUCTION COSTS ON THE RISE



Construction Materials includes fabricated metal products and construction materials.
 Source: Statistics Canada, CBRE Research, 2021.



CANADA
STATISTICS

CANADA STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	9.8%	13.0%	16.0%	▲
Class A Net Asking Rent (per sq. ft.)	\$22.03	\$23.32	\$22.78	▼
Net Absorption (million sq. ft.)	2.04	(5.72)	(2.31)	▲
New Supply (million sq. ft.)	0.94	2.46	6.54	▲
SUBURBAN				
Vacancy Rate	12.1%	14.0%	15.9%	▲
Class A Net Asking Rent (per sq. ft.)	\$17.55	\$18.06	\$17.85	▼
Net Absorption (million sq. ft.)	3.95	(2.58)	(2.73)	▼
New Supply (million sq. ft.)	0.56	1.53	1.52	▼
OVERALL				
Vacancy Rate	10.8%	13.4%	15.9%	▲
Class A Net Asking Rent (per sq. ft.)	\$19.69	\$20.73	\$20.36	▼
Net Absorption (million sq. ft.)	5.99	(8.30)	(5.04)	▲
New Supply (million sq. ft.)	1.50	3.99	8.07	▲

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	3.0%	3.3%	3.1%	▼
Net Asking Rent (per sq. ft.)	\$8.69	\$9.44	\$9.80	▲
Sale Price (per sq. ft.)	\$158	\$168	\$180	▲
Land Price (per acre)	\$775,810	\$885,710	\$976,550	▲
Net Absorption (million sq. ft.)	25.54	17.98	29.57	▲
New Supply (million sq. ft.)	22.63	23.06	27.52	▲

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$16,361	\$14,782	\$15,373	▲
Total Retail Sales Growth	1.2%	(8.5%)	4.8%	▲
New Supply (million sq. ft.)	2.59	3.09	4.23	▲

Source: CBoC, CBRE Research, 2021.

Investment

VOLUME (\$ MILLIONS)	2019	2020	2021F	YOY
Office	\$11,375	\$5,238	\$7,350	▲
Industrial	\$10,138	\$8,187	\$9,800	▲
Retail	\$6,446	\$5,027	\$5,700	▲
Multifamily	\$9,884	\$10,989	\$11,700	▲
ICI Land	\$6,482	\$5,397	\$7,450	▲
Hotel	\$846	\$447	\$600	▲
Total	\$45,171	\$35,285	\$42,600	▲

CAP RATES (%)

	2019	2020	2021F	YOY
Office - Downtown Class AA & A	5.66	5.73	5.79	▲
Office - Suburban Class A & B	6.88	6.93	7.06	▲
Industrial - Class A & B	5.79	5.75	5.64	▼
Retail - Neighbourhood	6.30	6.43	6.63	▲
Multifamily - High Rise Class B	4.49	4.43	4.36	▼
Hotel - Downtown Full Service	7.28	7.33	7.33	◀▶
Seniors Housing - IL/AL Class A	6.21	6.21	6.18	▼

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	2.3%	3.8%	3.2%	▼
2-Bedroom Average Rent	\$1,290	\$1,346	\$1,404	▲
New Rental Supply (units)	30,139	34,626	35,724	▲

Source: CMHC, CBRE Research, 2021.

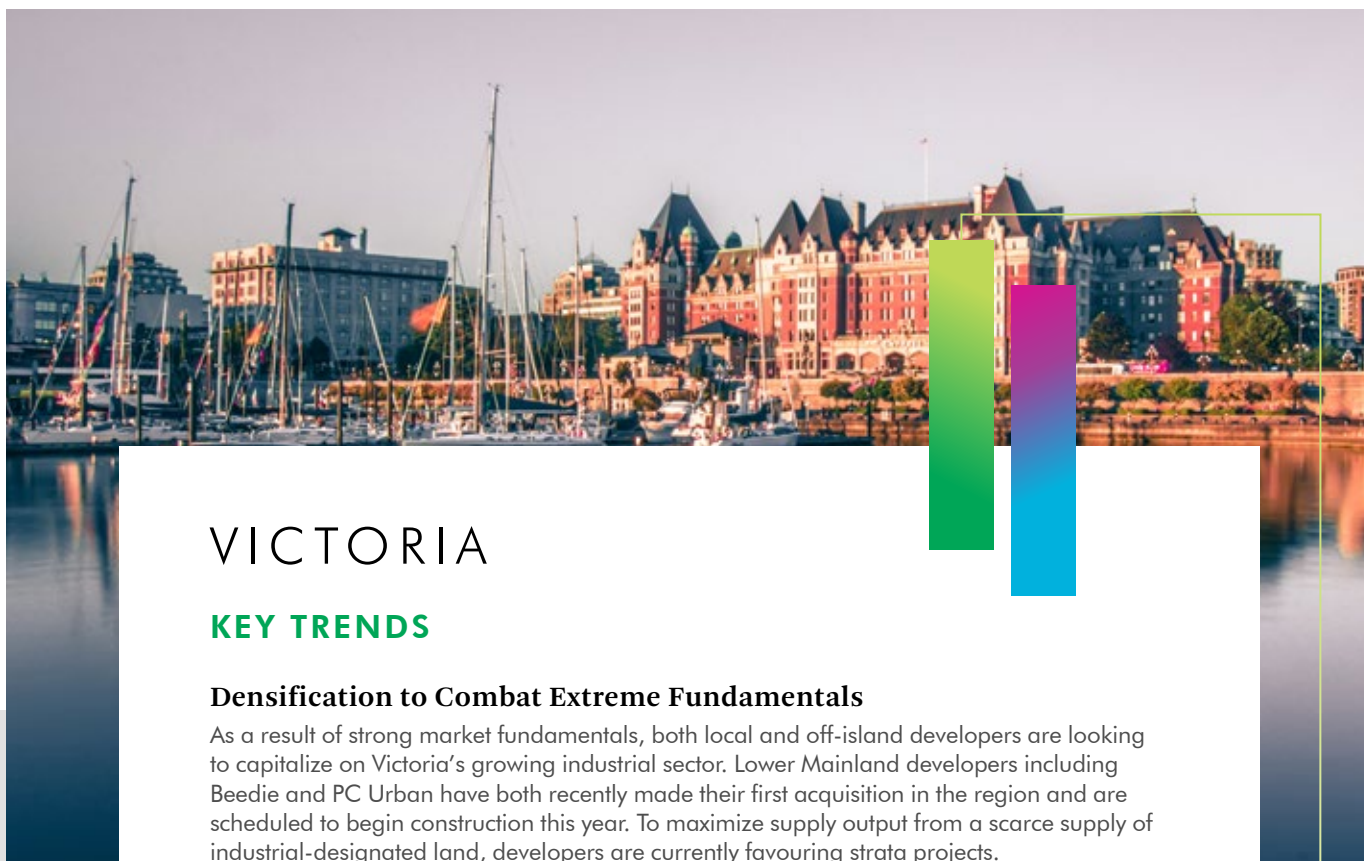
Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	182,420	196,963	203,000	▲
Vacancy Rate	8.3%	8.6%	9.5%	▲
Average Rent	\$2,430	\$2,542	\$2,625	▲

*Canada-wide, standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



REGIONAL OUTLOOK



VICTORIA

KEY TRENDS

Densification to Combat Extreme Fundamentals

As a result of strong market fundamentals, both local and off-island developers are looking to capitalize on Victoria's growing industrial sector. Lower Mainland developers including Beedie and PC Urban have both recently made their first acquisition in the region and are scheduled to begin construction this year. To maximize supply output from a scarce supply of industrial-designated land, developers are currently favouring strata projects.

Land Demand is Migrating From City Core

Developers continue to shift their focus towards municipalities with more development-friendly policies. The recently completed \$96 million Highway 1 McKenzie Interchange upgrade and the currently underway \$85 million Highway 14 Corridor improvement program underscore efforts to increase accessibility to the suburban areas west of Victoria. Factors including WFH flexibility, desire for more space, and better affordability have further accelerated the migration of demand to the West Shore and Sooke areas.

Hotel Sector Looking Long-Term for Recovery

In addition to their \$23.5 million purchases of two hotels in 2020, the Government of B.C. is hoping to acquire another hotel or vacant residential property this year for supportive housing. While recent data shows that occupancy levels have decreased to below 30.0%, the hospitality sector is hopeful for a market rebound when restrictions ease. Some operators, including the Empress Hotel, have opted to close and renovate during this period of downturn.

Well-Balanced Market Remains Resilient

The reluctance of office operators to make long-term commitments in 2020 led to a slight pause in market activity and rise in vacancy rates. The more severe effects experienced in other markets were largely mitigated by the combination of a strong public sector and a diversified private sector along with Victoria's growing tech industry. Ramped up vaccine roll-out and government stimulus are expected to provide further market stability.

Tenants and Landlords at Odds During Negotiation

The majority of ground-level absorption in 2020 was driven by personal, professional, and medical services companies, as well as food and beverage operators with a strong omnichannel logistics offering. While landlords have been generally flexible to give short-term rent relief during negotiations, tenants have come to expect shorter-term leases, extended free rent periods and additional clauses to safe-guard their operations from further lock-down and restrictions.

VICTORIA MARKET STATISTICS

Office

OVERALL	2019	2020	2021F	YOY
Vacancy Rate	4.6%	6.6%	7.1%	▲
Class A Net Asking Rent (per sq. ft.)	\$28.00	\$27.36	\$27.00	◀▶
Net Absorption (million sq. ft.)	0.21	(0.18)	0.05	▲
New Supply (million sq. ft.)	0.15	0.00	0.10	▲

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	1.7%	1.0%	0.7%	▼
Net Asking Rent (per sq. ft.)	\$14.25	\$15.79	\$16.50	▲
Sale Price (per sq. ft.)	\$225	\$267	\$300	▲
Land Price (per acre)	\$1.20	\$1.54	\$1.80	▲
Net Absorption (million sq. ft.)	0.16	0.06	0.07	▲
New Supply (million sq. ft.)	0.13	0.00	0.05	▲

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$14,185	\$14,193	\$14,669	▲
Total Retail Sales Growth	(0.7%)	1.9%	4.3%	▲

Source: CBoC, CBRE Research, 2021.

Investment

CAP RATES (%)	2019	2020	2021 P	YOY
Office - Downtown Class A	4.75 - 5.25	4.75 - 5.25	5.00 - 5.50	▲
Office - Suburban Class A & B	5.00 - 5.75	5.00 - 5.75	5.25 - 6.00	▲
Industrial - Class A & B	4.75 - 5.25	4.75 - 5.25	4.75 - 5.25	◀▶
Retail - Neighbourhood	5.00 - 5.50	5.00 - 5.50	5.25 - 5.75	▲
Multifamily - High Rise Class B	3.25 - 3.75	3.25 - 3.75	3.25 - 3.75	◀▶
Hotel - Downtown Full Service	5.50 - 7.00	5.50 - 7.50	5.50 - 7.50	◀▶
Seniors Housing - IL/AL Class A	5.50 - 6.00	5.50 - 6.00	5.50 - 6.00	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	1.0%	2.2%	1.6%	▼
2-Bedroom Average Rent	\$1,448	\$1,507	\$1,597	▲
New Rental Supply (units)	1,605	1,894	2,278	▲

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	2,452	2,678	2,800	▲
Vacancy Rate	6.4%	3.3%	5.0%	▲
Average Rent	\$2,610	\$2,826	\$3,000	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



VANCOUVER

KEY TRENDS

Ecommerce, 3PL & Film to Push Industrial to New Highs

Vancouver's industrial market activity accelerated throughout 2020 and shows no signs of slowing in the year ahead. Increased demand from ecommerce and third-party logistics related users are anticipated to absorb significant blocks of space to keep pace with changing marketplace dynamics. The film industry is also staking its claim on the city with limited availability pushing landlords and occupiers to consider purpose-built studio development. Coupled with an increasingly restricted new supply pipeline, availability and rents will push to new records.

Redefining the Workplace

Questions regarding space needs remain outstanding as tenants plan for their eventual return to the workplace and what that will look like. Occupiers are rethinking their space requirements and adapting to a new world of health and safety protocols that could see current sq. ft. per employee allocations increase. Pent-up demand due to delayed decision making will come to a head in the latter half of the year and should spur leasing activity.

New Investment Patterns

Investment activity in Vancouver remained robust om 2020 – it was one of the few markets to not see market confidence waver throughout the pandemic. Supported by strong market and economic fundamentals, there has been a growing interest in alternative assets, including self-storage, life science facilities, and data centres.

Strength in B.C. Economy Poised for Recovery

British Columbia is expected to have one of the fastest growing provincial economies in 2021. Supported by strong capital investment and a rebound in major industrial sectors, GDP is forecast to propel forward and grow to a 34-year high of 5.0% according to the Conference Board of Canada. Amidst the pandemic, capital projects in the province proceeded with minimal disruption. The government expected to boost infrastructure investment and spending with a \$2.0 billion "StrongerBC" economic recovery plan. Further, the provincial government carries one of the lowest debt burdens in the country, which will provide the flexibility to foster a solid economic recovery.

VANCOUVER MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	2.2%	5.8%	8.4%	▲
Class A Net Asking Rent (per sq. ft.)	\$44.56	\$44.54	\$43.10	▼
Net Absorption (million sq. ft.)	0.36	(0.56)	0.40	▲
New Supply (million sq. ft.)	0.00	0.32	1.12	▲
SUBURBAN				
Vacancy Rate	4.5%	6.6%	8.5%	▲
Class A Net Asking Rent (per sq. ft.)	\$23.46	\$28.11	\$27.40	▼
Net Absorption (million sq. ft.)	0.52	(0.47)	0.14	▲
New Supply (million sq. ft.)	0.05	0.01	0.66	▲
OVERALL				
Vacancy Rate	3.4%	6.2%	8.4%	▲
Class A Net Asking Rent (per sq. ft.)	\$29.14	\$34.39	\$33.30	▼
Net Absorption (million sq. ft.)	0.88	(1.03)	0.54	▲
New Supply (million sq. ft.)	0.05	0.33	1.78	▲

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	2.4%	2.3%	2.1%	▼
Net Asking Rent (per sq. ft.)	\$13.15	\$13.92	\$14.55	▲
Sale Price (per sq. ft.)	\$380	\$390	\$430	▲
Land Price (per acre, \$ millions)	\$2.80	\$3.50	\$3.70	▲
Net Absorption (million sq. ft.)	4.39	4.70	3.98	▼
New Supply (million sq. ft.)	4.82	4.69	3.66	▼

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$14,874	\$14,662	\$15,306	▲
Total Retail Sales Growth	(0.8%)	(0.7%)	4.8%	▲
New Supply (million sq. ft.)	0.48	0.47	0.84	▲

Source: CBoC, CBRE Research, 2021.

Investment

VOLUME (\$ MILLIONS)	2019	2020	2021F	YOY
Total	\$7,339	\$6,974	\$8,000	▲
CAP RATES (%)				
Office - Downtown Class AA & A	3.75 - 4.25	3.75 - 4.25	3.75 - 4.25	◀▶
Office - Suburban Class A & B	4.75 - 6.00	4.75 - 6.00	4.75 - 6.25	▲
Industrial - Class A & B	3.50 - 4.75	3.50 - 4.75	3.25 - 4.75	▼
Retail - Neighbourhood	5.00 - 5.50	5.00 - 5.50	5.00 - 5.75	▲
Multifamily - High Rise Class B	3.00 - 3.50	2.50 - 3.00	2.50 - 3.00	◀▶
Hotel - Downtown Full Service	4.50 - 6.00	4.50 - 6.50	4.50 - 6.50	◀▶
Seniors Housing - IL/AL Class A	5.50 - 6.00	5.50 - 6.00	5.50 - 6.00	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	1.1%	2.6%	1.8%	▼
2-Bedroom Average Rent	\$1,748	\$1,792	\$1,882	▲
New Rental Supply (units)	5,590	5,250	6,416	▲

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	7,632	7,132	7,250	▲
Vacancy Rate**	3.8%	4.9%	6.0%	▲
Average Rent**	\$4,250	\$4,512	\$4,600	▲

*Standard spaces ** City of Vancouver only
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



CALGARY

KEY TRENDS

Signal Call of Merger & Acquisition Activity

Merger and acquisition activity spurred by low oil and gas prices will continue to impact the office market in 2021, particularly in the energy-intensive downtown core. On a positive note, large volumes of landmark consolidations have historically signaled the bottom of the market, indicating that Calgary's downtown office market could reach an inflection point in the late stages of 2021.

Industrial Growth to Support Evolving Consumer Habits

COVID-19 and evolving consumer habits continue to drive demand for warehouse space as retailers, distributors and ecommerce corporations adapt to accommodate rapidly changing demand. This, coupled with very limited inventory across the rest of the nation, will continue to drive growth in Calgary's industrial market which is well positioned as a hub to service Western Canada.

Industrial and Multifamily Investment Thrives

Core industrial and multifamily product will continue to be the bright spots in Calgary's investment landscape. While investment demand for office and retail have softened, these asset classes have stabilized with potential growth going forward as the economy begins to re-open.

Shoppers Crave Convenience More than Ever

Quality suburban retail space will be in high demand to capture consumers that crave convenient options close to home. Savvy tenants are seizing pre-built out opportunities with, in some cases, recalibrated rents to expand their businesses throughout high demand areas of Calgary.

Burgeoning Tech Industry to Allow for Much Needed Diversification

In the wake of a struggling oil and gas industry further burdened by the cancellation of TC Energy's Keystone XL Pipeline, tech has emerged as a source of much needed diversification and optimism in Calgary. With double digit tech talent growth in the last five years and a highly skilled labour force, Calgary tops the list of mid-sized Canadian tech markets according to CBRE's 2020 Tech Talent Report. In 2020, tech tenants accounted for several large green shoots of positive absorption in the office market, a trend which is expected to accelerate in 2021.

CALGARY MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	27.2%	29.5%	31.8%	▲
Class A Net Asking Rent (per sq. ft.)	\$17.11	\$17.01	\$17.01	◀▶
Net Absorption (million sq. ft.)	(0.02)	(0.66)	(1.00)	▼
New Supply (million sq. ft.)	0.43	0.00	0.00	◀▶

SUBURBAN

Vacancy Rate	20.5%	22.9%	23.9%	▲
Class A Net Asking Rent (per sq. ft.)	\$19.54	\$19.80	\$19.80	◀▶
Net Absorption (million sq. ft.)	0.04	(0.55)	(0.20)	▲
New Supply (million sq. ft.)	0.00	0.11	0.08	▼

OVERALL

Vacancy Rate	24.7%	27.0%	28.8%	▲
Class A Net Asking Rent (per sq. ft.)	\$17.95	\$17.93	\$17.93	◀▶
Net Absorption (million sq. ft.)	0.03	(1.21)	(1.20)	▲
New Supply (million sq. ft.)	0.43	0.11	0.08	▼

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	8.8%	9.2%	8.4%	▼
Net Asking Rent (per sq. ft.)	\$7.91	\$7.95	\$8.10	▲
Sale Price (per sq. ft.)	\$165	\$165	\$165	◀▶
Land Price (per acre)	\$607,000	\$607,000	\$616,710	▲
Net Absorption (million sq. ft.)	2.04	0.75	3.00	▲
New Supply (million sq. ft.)	3.17	1.54	1.95	▲

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$19,596	\$18,969	\$19,322	▲
Total Retail Sales Growth	(0.3%)	(1.7%)	3.1%	▲
New Supply (million sq. ft.)	0.46	1.17	1.60	▲

Source: CBoC, CBRE Research, 2021.

Investment

VOLUME (\$ MILLIONS)	2019	2020	2021F	YOY
Total	\$2,599	\$1,837	\$2,500	▲

CAP RATES (%)

Office - Downtown Class AA & A	5.25 - 7.00	5.50 - 7.75	5.50 - 7.75	◀▶
Office - Suburban Class A & B	6.00 - 8.25	6.25 - 9.00	6.25 - 9.25	▲
Industrial - Class A & B	5.00 - 6.25	5.00 - 7.25	5.00 - 7.25	◀▶
Retail - Neighbourhood	5.50 - 6.00	6.00 - 7.00	6.25 - 7.25	▲
Multifamily - High Rise Class B	4.25 - 4.75	5.00 - 5.50	5.00 - 5.50	◀▶
Hotel - Downtown Full Service	6.75 - 8.50	7.00 - 8.50	7.00 - 8.50	◀▶
Seniors Housing - IL/AL Class A	6.00 - 6.50	6.00 - 6.50	6.00 - 6.50	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	3.9%	6.6%	5.5%	▼
2-Bedroom Average Rent	\$1,305	\$1,323	\$1,353	▲
New Rental Supply (units)	1,863	2,309	1,220	▼

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	3,573	3,979	4,300	▲
Vacancy Rate	15.0%	15.9%	20.0%	▲
Average Rent	\$4,016	\$3,945	\$3,900	▼

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.

A photograph of the Edmonton skyline at dusk, featuring various skyscrapers and a prominent white arch bridge in the foreground. A vertical rainbow-colored bar is overlaid on the right side of the image.

EDMONTON

KEY TRENDS

Edmonton's Maturing Industrial Market

Current requirements are spurring demand for bigger industrial distribution buildings in Edmonton. Where 100,000 sq. ft. was once considered a large tenant, multiple users in the 400,000 to 600,000 sq. ft. range have emerged, with top users seeking +1.0 million sq. ft. ecommerce facilities. Edmonton's industrial market is catching up to other major Canadian cities in this respect as companies move to improve their supply chain capacity in the region.

Government Spurring Urban Development with Tax Incentives

To alleviate the tax burden on developers, the City of Edmonton has recently announced a five-year tax freeze for multifamily projects that add more than 50 units, are located in the City Centre area, and begin construction in 2021. This offset will help the continued growth in the core while developers experience temporary dips in demand due to COVID-19.

Evolution of Bricks and Mortar Retail

Creative solutions in the retail segment have emerged from new safety guidelines brought on by COVID-19. Major retailers have adopted new safe, distant, and touchless experiences which are likely here to stay as a result of changing consumer behaviours. This may prove to be a valuable transitional time for businesses to reinvent and alter the rules of retail.

Multifamily Developers Rethink Built Form

In the suburbs, lower-density built forms are growing in response to rental demand from families and individuals looking for more space. In mature infill markets, limited land supply and land assembly challenges have necessitated a boom in small-scale rental developments, offering more affordable living options. And, in the urban core, developers are starting to opt for wood framing as its competitive pricing is resulting in faster lease-up and higher tenant retention.

Continued Growth of the Tech Sector in Downtown

The tech sector continues to be a bright spot in Edmonton as the ecosystem of local startups continues to grow and garner attention from investors. Benefiting from current office market conditions, tech companies can lease space previously occupied by more traditional professional services. Tech was one of the few sectors to experience growth in 2020. Many advisors in the region have called for greater support for tech companies, which could further bolster the market optimism already being seen.

EDMONTON MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	20.1%	20.1%	21.0%	▲
Class A Net Asking Rent (per sq. ft.)	\$21.86	\$20.65	\$20.65	◀▶
Net Absorption (million sq. ft.)	(0.30)	(0.12)	(0.14)	▼
New Supply (million sq. ft.)	0.00	0.03	0.00	▼
SUBURBAN				
Vacancy Rate	18.4%	21.5%	23.3%	▲
Class A Net Asking Rent (per sq. ft.)	\$18.49	\$17.78	\$17.78	◀▶
Net Absorption (million sq. ft.)	0.21	(0.29)	(0.18)	▲
New Supply (million sq. ft.)	0.12	0.02	0.00	▼
OVERALL				
Vacancy Rate	19.5%	20.6%	21.9%	▲
Class A Net Asking Rent (per sq. ft.)	\$20.99	\$19.86	\$19.86	◀▶
Net Absorption (million sq. ft.)	(0.09)	(0.40)	(0.32)	▲
New Supply (million sq. ft.)	0.12	0.06	0.00	▼

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	8.2%	8.9%	8.8%	▼
Net Asking Rent (per sq. ft.)	\$10.03	\$10.40	\$10.40	◀▶
Sale Price (per sq. ft.)	\$139	\$139	\$130	▼
Land Price (per acre)	\$615,000	\$615,000	\$615,000	◀▶
Net Absorption (million sq. ft.)	1.33	1.04	1.30	▲
New Supply (million sq. ft.)	1.90	2.36	1.26	▼

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$19,002	\$18,105	\$18,495	▲
Total Retail Sales Growth	(3.7%)	(3.2%)	3.4%	▲
New Supply (million sq. ft.)	0.42	0.68	0.45	▼

Source: CBoC, CBRE Research, 2021.

Investment

VOLUME (\$ MILLIONS)	2019	2020	2021F	YOY
Total	\$3,470	\$2,024	\$2,800	▲
CAP RATES (%)				
Office - Downtown Class AA & A	5.50 - 7.50	5.50 - 7.75	5.50 - 7.75	◀▶
Office - Suburban Class A & B	6.75 - 8.00	6.75 - 8.00	6.75 - 8.25	▲
Industrial - Class A & B	5.25 - 7.25	5.50 - 7.25	5.50 - 7.25	◀▶
Retail - Neighbourhood	6.25 - 6.75	6.50 - 7.00	6.50 - 7.25	▲
Multifamily - High Rise Class B	4.50 - 5.00	4.50 - 5.00	4.50 - 5.00	◀▶
Hotel - Downtown Full Service	7.00 - 8.50	7.00 - 9.00	7.00 - 9.00	◀▶
Seniors Housing - IL/AL Class A	6.00 - 6.50	6.00 - 6.50	6.00 - 6.25	▼

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	4.9%	7.2%	6.5%	▼
2-Bedroom Average Rent	\$1,257	\$1,272	\$1,294	▲
New Rental Supply (units)	1,777	3,090	2,923	▼

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	3,662	3,548	3,548	◀▶
Vacancy Rate	9.7%	12.6%	18.0%	▲
Average Rent	\$2,794	\$2,884	\$2,900	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



SASKATOON

KEY TRENDS

Industrial Market Fundamentals Provide Positive Outlook

Saskatoon's industrial market continued to find its footing in 2020 and is well positioned to make further gains in 2021. Limited new supply and strengthening demand has continued to absorb available space, further improving market fundamentals. Competitive rents averaging \$10.00 per sq. ft. and an availability rate nearing a healthy 7.0% leaves Saskatoon's industrial market with a long runway for growth, with the potential for speculative construction in 2021.

Multifamily Pipeline Remains Strong

Though a number of multifamily and mixed-use rental projects in the peripheral downtown were delayed in 2020, the pipeline for purpose-built multifamily remains strong with nearly 2,000 units set to come online in Saskatoon over the next four to six quarters. Multifamily rental developments continue to push ahead through several ambitious high-rise projects on Broadway Avenue and Downtown, and low-rise buildings in growing suburban neighborhoods including Stonebridge, Rosewood, Brighton, Evergreen, and Aspen Ridge.

Flight-To-Quality on Pause

Cautious leasing sentiments against the backdrop of COVID-19 have paused flight-to-quality movements in downtown Saskatoon. Nutrien Tower, the second tower at River Landing is nearing completion and due in the latter half of 2021, however demand for new Class AA office has weakened and halted pre-leasing activity. With many tenants putting relocation and expansion plans on hold, a more cautious near-term outlook will have direct impact on Saskatoon's downtown office market.

Retail Reigns Strong in the Face of Uncertainty

Private equity continues to drive Saskatchewan's investment market, specifically within the retail sector. Even amidst the uncertainty created by COVID-19, quality retail centres with strong tenant mixes and stable cashflows continue to be in high demand, with a number of quality retail sites trading hands in 2020, a trend that is expected to continue into 2021.

SASKATOON MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	12.3%	17.7%	22.2%	▲
Class A Net Asking Rent (per sq. ft.)	\$22.78	\$21.92	\$20.00	▼
Net Absorption (million sq. ft.)	0.08	0.02	0.07	▲
New Supply (million sq. ft.)	0.02	0.22	0.26	▲
SUBURBAN				
Vacancy Rate	14.7%	14.0%	13.3%	▼
Class A Net Asking Rent (per sq. ft.)	\$24.20	\$24.30	\$24.50	▲
Net Absorption (million sq. ft.)	0.11	0.16	0.06	▼
New Supply (million sq. ft.)	0.11	0.17	0.04	▼
OVERALL				
Vacancy Rate	13.5%	15.8%	17.8%	▲
Class A Net Asking Rent (per sq. ft.)	\$24.08	\$23.08	\$22.22	▼
Net Absorption (million sq. ft.)	0.19	0.19	0.12	▼
New Supply (million sq. ft.)	0.13	0.38	0.30	▼

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	8.0%	7.1%	6.7%	▼
Net Asking Rent (per sq. ft.)	\$9.52	\$10.05	\$10.25	▲
Sale Price (per sq. ft.)	\$145	\$162	\$170	▲
Land Price (per acre)	\$530,000	\$515,000	\$500,000	▼
Net Absorption (million sq. ft.)	0.33	0.25	0.16	▼
New Supply (million sq. ft.)	0.16	0.03	0.07	▲

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$22,427	\$22,144	\$22,621	▲
Total Retail Sales Growth	(2.0%)	0.1%	4.0%	▲

Source: CBoC, CBRE Research, 2021.

Investment

CAP RATES (%)	2019	2020	2021F	YOY
Office - Downtown Class A	6.75 - 7.25	6.75 - 7.25	7.00 - 7.50	▲
Office - Suburban Class A & B	6.75 - 8.00	6.75 - 8.00	7.00 - 8.25	▲
Industrial - Class A & B	6.50 - 7.50	6.50 - 7.50	6.50 - 7.50	◀▶
Retail - Neighbourhood	6.50 - 7.00	6.50 - 7.00	6.75 - 7.25	▲
Multifamily - High Rise Class B	5.00 - 5.50	5.00 - 5.50	5.00 - 5.50	◀▶
Hotel - Downtown Full Service	7.25 - 8.75	7.50 - 9.50	7.50 - 9.50	◀▶
Seniors Housing - IL/AL Class A	6.50 - 7.00	6.25 - 6.75	6.25 - 6.75	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	5.7%	5.9%	5.9%	◀▶
2-Bedroom Average Rent	\$1,129	\$1,166	\$1,207	▲
New Rental Supply (units)	312	545	811	▲

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	1,866	2,004	2,140	▲
Vacancy Rate	15.4%	14.5%	16.0%	▲
Average Rent	\$2,927	\$2,904	\$3,000	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



WINNIPEG

KEY TRENDS

New Developments to Modernize the Industrial Landscape

In recent years, Winnipeg's industrial market has been constrained by older buildings nearing functional obsolescence and a lack of new supply due to construction costs running among the highest in Canada. With tier-1 logistic facility rents consistently rising, the disconnect between market rents and development costs has narrowed, which has primed the market for expansion. Following suit to 2020's banner year for new supply, this elevated pace of construction is expected to continue for the foreseeable future.

Land Sales Market to Take Off

After a decade of servicing delays, the land sales market in Winnipeg's Centerport region has taken off over the last two years and shows no signs of slowing. With increased asset allocations to land generally, new benchmark-setting trade values, and a strong appetite for new residential and industrial product throughout the region, this asset class will be in high demand and appreciate well beyond the pace of inflation.

Short-Term Renewals Create Fault Lines

Despite best attempts by occupiers and landlords to remain flexible and accommodative during the WFH era, fault lines have begun to form in Winnipeg's office market as the result of an increase in short-term renewals. When long-term decision making returns, a sudden shift in vacancy could occur due to an unusually high level of expiries coming up throughout the market within a short period of time.

K-Shaped Recovery Could Follow Retail Node Consolidation

As some multi-store operators pare down their portfolios, consolidation is expected in both major and smaller retail destinations across the Winnipeg market. While smaller retail nodes are forecasted to witness a far greater change in vacancy this year, larger retail pockets may shore up momentum by the time the sector begins to recover, placing an even greater importance on these areas.

Community Appeal at Risk

Neighbourhoods like the Exchange District, Osborne Village, and Corydon Village which have a rich network of small and local retailers weaved throughout provide important attributes to their identity and if lost, risks thinning of the community fabric. As these retailers and service providers suffer, the impact may reverberate beyond the commercial real estate market to the broader appeal and identity of these neighbourhoods.

WINNIPEG MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	11.8%	11.6%	12.2%	▲
Class A Net Asking Rent (per sq. ft.)	\$22.71	\$19.20	\$18.80	▼
Net Absorption (million sq. ft.)	(0.01)	0.03	(0.06)	▼
New Supply (million sq. ft.)	0.00	0.00	0.00	◀▶
SUBURBAN				
Vacancy Rate	6.0%	9.2%	13.3%	▲
Class B Net Asking Rent (per sq. ft.)	\$15.92	\$16.95	\$17.20	▲
Net Absorption (million sq. ft.)	0.16	(0.08)	(0.12)	▼
New Supply (million sq. ft.)	0.08	0.06	0.05	▼
OVERALL				
Vacancy Rate	10.2%	10.9%	12.5%	▲
Class A Net Asking Rent (per sq. ft.)	\$22.71	\$19.20	\$18.80	▼
Net Absorption (million sq. ft.)	0.15	(0.06)	(0.18)	▼
New Supply (million sq. ft.)	0.08	0.06	0.05	▼

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	3.6%	3.9%	4.0%	▲
Net Asking Rent (per sq. ft.)	\$8.06	\$7.70	\$7.95	▲
Sale Price (per sq. ft.)	\$97	\$100	\$100	◀▶
Land Price (per acre)	\$242,350	\$249,710	\$257,700	▲
Net Absorption (million sq. ft.)	(0.20)	0.15	0.13	▼
New Supply (million sq. ft.)	0.08	0.47	0.18	▼

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$15,294	\$15,105	\$15,731	▲
Total Retail Sales Growth	(0.6%)	(0.4%)	5.2%	▲
New Supply (million sq. ft.)	0.00	0.10	0.12	▲

Source: CBoC, CBRE Research, 2021.

Investment

CAP RATES (%)	2019	2020	2021F	YOY
Office - Downtown Class A	5.50 - 6.00	5.50 - 6.00	5.75 - 6.25	▲
Office - Suburban Class A & B	6.50 - 7.50	6.50 - 7.50	6.75 - 7.75	▲
Industrial - Class A & B	6.00 - 7.25	6.00 - 7.25	6.00 - 7.25	◀▶
Retail - Neighbourhood	6.50 - 7.00	6.50 - 7.00	6.75 - 7.25	▲
Multifamily - High Rise Class B	5.00 - 5.50	5.00 - 5.50	5.00 - 5.50	◀▶
Hotel - Downtown Full Service	7.00 - 8.50	7.50 - 9.00	7.50 - 9.00	◀▶
Seniors Housing - IL/AL Class A	6.25 - 6.75	6.25 - 6.75	6.25 - 6.75	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	3.1%	3.8%	3.8%	◀▶
2-Bedroom Average Rent	\$1,223	\$1,262	\$1,306	▲
New Rental Supply (units)	1,384	2,248	2,945	▲

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	3,959	3,689	3,870	▲
Vacancy Rate	3.0%	2.4%	3.0%	▲
Average Rent	\$2,156	\$2,060	\$2,100	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



WINDSOR

KEY TRENDS

Automotive & Manufacturing Tailwinds to Drive Investment

2020 carried with it a series of multibillion-dollar announcements to invest in Southwestern Ontario's automotive industry from Ford, General Motors and Stellantis, which should solidify the region's economic future. With these tailwinds, an influx of corporate investment across Windsor's manufacturing sectors is anticipated to follow in the years ahead as the electric and autonomous vehicle market takes shape.

Windsor Municipality Targets Density & Development

The City of Windsor's aggressive push to incentivize new development and spur urban density in the core is expected to expand and drive developer interest. With robust fundamentals, further tax rebates and new community improvement plans expected, both new and long-proposed projects could finally break ground or get announced in 2021.

Record Tight Industrial Market Here to Stay

Windsor's industrial market ended the year on a high note and recorded an eye catching 2.2% availability rate, which decreased 100 bps from a year prior to a new record-low. Despite an anticipated minor softening of demand in 2021, availability is expected to remain near current levels as a result of the modest development pipeline which has virtually no speculative development.

Pandemic-Induced Suburbanization to Fuel Residential Demand

The average residential sale price in Windsor jumped an impressive 35.6% year-over-year in December 2020 and was fueled in part by a pandemic-induced exodus from urban Toronto and other major nearby cities. With work from home orders likely to continue into 2021, we anticipate further, although more modest, appreciation in both sale and rent values, with the trend of suburbanization benefitting the region on the long-term.

Resilience in the Local Investment Market

The second half of 2020 produced several benchmark investment sales that underpin a return to pre-pandemic values and an end to the period of price discovery. A growing appetite from regional and foreign private capital continues to significantly improve market liquidity and moderate cap rate compression across asset classes in 2021.

WINDSOR MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	20.4%	24.9%	23.0%	▼
Class A Net Asking Rent (per sq. ft.)	\$16.00	\$15.95	\$15.95	◀▶
Net Absorption (million sq. ft.)	0.04	(0.04)	0.02	▲
New Supply (million sq. ft.)	0.05	0.01	0.00	▼
SUBURBAN				
Vacancy Rate	12.8%	16.3%	13.5%	▼
Class B Net Asking Rent (per sq. ft.)	\$10.61	\$13.06	\$13.25	▲
Net Absorption (million sq. ft.)	0.12	0.03	0.08	▲
New Supply (million sq. ft.)	0.00	0.16	0.00	▼
OVERALL				
Vacancy Rate	14.7%	18.4%	15.8%	▼
Class A Net Asking Rent (per sq. ft.)	\$16.00	\$15.95	\$15.95	◀▶
Net Absorption (million sq. ft.)	0.16	(0.01)	0.10	▲
New Supply (million sq. ft.)	0.05	0.17	0.00	▼

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	2.6%	2.2%	2.5%	▲
Net Asking Rent (per sq. ft.)	\$6.85	\$7.75	\$7.80	▲
Sale Price (per sq. ft.)	\$86	\$91	\$94	▲
Land Price (per acre)	\$194,000	\$242,080	\$250,000	▲
Net Absorption (million sq. ft.)	0.28	0.88	0.00	▼
New Supply (million sq. ft.)	0.09	0.67	0.18	▼

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$14,942	\$14,690	\$15,466	▲
Total Retail Sales Growth	2.3%	(1.1%)	5.6%	▲

Source: CBoC, CBRE Research, 2021.

Investment

CAP RATES (%)	2019	2020	2021F	YOY
Office - Downtown Class A & B	7.50 - 8.50	7.50 - 8.50	7.50 - 8.50	◀▶
Office - Suburban Class A & B	7.25 - 8.25	7.00 - 8.00	7.00 - 8.00	◀▶
Industrial - Class A & B	7.75 - 8.50	7.50 - 8.25	7.25 - 8.00	▼
Retail - Neighbourhood	6.50 - 7.75	6.75 - 8.00	7.00 - 8.00	▲
Multifamily - High Rise Class B	5.75 - 6.50	5.50 - 6.25	5.50 - 6.25	◀▶
Hotel - Downtown Full Service	7.50 - 8.75	7.50 - 9.00	7.50 - 9.00	◀▶
Seniors Housing - IL/AL Class A	6.00 - 6.50	6.25 - 6.75	6.25 - 6.75	◀▶

Source: CBRE Research, 2021.

Multifamily

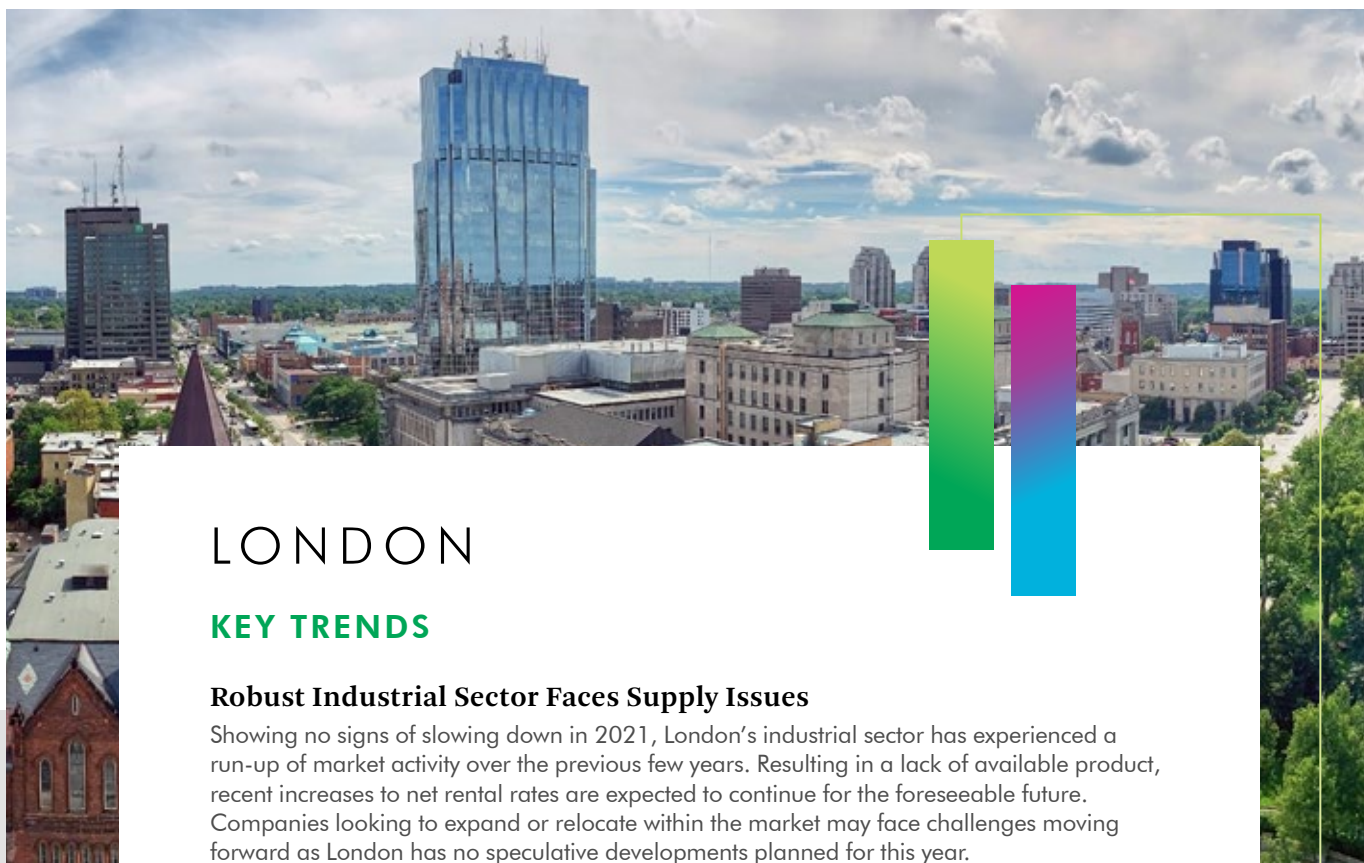
	2019	2020	2021F	YOY
Vacancy Rate	2.9%	3.6%	3.2%	▼
2-Bedroom Average Rent	\$949	\$1,027	\$1,058	▲
New Rental Supply (units)	44	234	83	▼

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	1,539	1,557	1,557	◀▶
Vacancy Rate	8.1%	7.4%	9.0%	▲
Average Rent	\$2,864	\$2,970	\$3,000	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



LONDON

KEY TRENDS

Robust Industrial Sector Faces Supply Issues

Showing no signs of slowing down in 2021, London's industrial sector has experienced a run-up of market activity over the previous few years. Resulting in a lack of available product, recent increases to net rental rates are expected to continue for the foreseeable future. Companies looking to expand or relocate within the market may face challenges moving forward as London has no speculative developments planned for this year.

GTA Investors Flock West to Invest

As investors continue to look for stable returns throughout this uncertain period, there has been an influx of GTA-based groups who have entered the London market chasing both value and upside. Strong demand and momentum established in 2020 has led to an increased interest in most asset classes, which should stir up deal activity in 2021.

Multifamily Development to Breathe Life into Core

To help meet demand and relieve pressure on the city's strained housing supply, London has a number of high-rise projects under way downtown. There are approximately 3,000 new units which will be delivered 2021 which will bring new activity and breathe life into the core. In recent years, London has experienced a strong boom in population growth as people flee neighbouring markets with a higher cost of living.

Tenants Wait for Vaccine Before Making Decisions

London's office sector has largely been in a state of flux throughout COVID-19, with little movement or deal activity. Given that most tenants are expected to maintain their wait-and-see approach well into 2021, vacancy rates are expected to rise. The back half of the year may see some new deal activity as the vaccine roll out takes shape and employees look for a return to normalcy.

Reshaping the Downtown Core

Like many cities across North America, London's core has taken a hit as office towers sit dark and retailers close. This may create an opportunity for growth and several projects are in the development pipeline that will help shape the future of the downtown area over the next few years. Bringing people back into the core by way of new residential units, the emergence of new retail, and the revival of the office market will be vital in bringing London's core back to life.

LONDON MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	18.4%	16.4%	20.1%	▲
Class A Net Asking Rent (per sq. ft.)	\$13.98	\$14.06	\$13.90	▼
Net Absorption (million sq. ft.)	0.01	0.08	(0.17)	▼
New Supply (million sq. ft.)	0.00	0.00	0.00	◀▶

SUBURBAN

Vacancy Rate	13.2%	6.3%	8.8%	▲
Class B Net Asking Rent (per sq. ft.)	\$13.70	\$15.54	\$15.30	▼
Net Absorption (million sq. ft.)	0.09	0.18	(0.04)	▼
New Supply (million sq. ft.)	0.05	0.07	0.00	▼

OVERALL

Vacancy Rate	17.0%	13.8%	17.2%	▲
Class A Net Asking Rent (per sq. ft.)	\$13.98	\$14.06	\$13.90	▼
Net Absorption (million sq. ft.)	0.10	0.25	(0.21)	▼
New Supply (million sq. ft.)	0.05	0.07	0.00	▼

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	3.0%	2.1%	1.9%	▼
Net Asking Rent (per sq. ft.)	\$5.02	\$6.17	\$6.70	▲
Sale Price (per sq. ft.)	\$75	\$76	\$80	▲
Net Absorption (million sq. ft.)	0.97	0.51	0.85	▲
New Supply (million sq. ft.)	0.13	0.14	0.79	▲

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$16,340	\$16,000	\$16,707	▲
Total Retail Sales Growth	1.1%	(0.7%)	5.5%	▲

Source: CBoC, CBRE Research, 2021.

Investment

VOLUME (\$ MILLIONS)	2019	2020	2021F	YOY
Total	\$461	\$763	\$600	▼

CAP RATES (%)

Office - Downtown Class A	6.25 - 8.25	6.25 - 8.25	6.25 - 8.50	▲
Office - Suburban Class A & B	7.50 - 8.50	7.50 - 8.50	7.50 - 8.75	▲
Industrial - Class A & B	6.30 - 8.50	6.30 - 8.25	6.00 - 8.00	▼
Retail - Neighbourhood	6.25 - 7.75	6.25 - 7.75	6.50 - 8.00	▲
Multifamily - High Rise Class B	5.00 - 6.25	4.50 - 6.00	4.50 - 5.75	▼
Hotel - Downtown Full Service	7.50 - 8.75	7.50 - 9.00	7.50 - 9.00	◀▶
Seniors Housing - IL/AL Class A	6.00 - 6.50	6.00 - 6.50	6.00 - 6.50	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	1.8%	3.4%	2.7%	▼
2-Bedroom Average Rent	\$1,107	\$1,207	\$1,261	▲
New Rental Supply (units)	483	1,034	2,055	▲

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	1,944	1,953	1,953	◀▶
Vacancy Rate	12.7%	13.0%	15.0%	▲
Average Rent	\$2,946	\$3,150	\$3,200	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



WATERLOO REGION

KEY TRENDS

New Wave of Demand for Land

Developers, users, and private investors have all been active in pursuing employment lands in the Region, resulting in a dramatic increase to values. If deal activity continues at its current pace, the Region's stock of vacant land will be in short supply by year's end. Motivated by a record-setting residential market and strong population growth, the buyer pool for residential-zoned parcels remains deep and active.

Spillover of GTA Industrial Demand to Benefit Region

As both affordability and the lack of available space continue to impact supply chain decisions, traditionally GTA-based industrial users have begun to look further west in search of vacant distribution buildings and land. While this surge in demand has benefited landlords and developers for the time being, a muted 2021 development pipeline could result in additional market pressures.

Office Sector Shows Signs of Life

Driven by the tech sector's pullback on office expansions and the shift towards working from home, the Region's growing office sector has been hampered by COVID-19. While there has been a uptick in transactions and market activity in suburban nodes to start this year, quality office space continues to be made available for lease which will test the strength and depth of the Region's fundamentals in 2021.

Multifamily in Demand

Given recent demand, the Region's multifamily sector will remain as one of the most desirable assets for investors. Pricing is expected to remain strong, and any compressions will be viewed as strong value-add opportunities. Although rental growth will be stagnant in the short term due to the onset of COVID-19, there remains a large pool of buyers looking to invest in the sector.

Population Growth Fuels New Development

In search of more space and affordable housing, COVID-19 has accelerated the migration of people from the GTA into the Waterloo Region. Already one of Canada's fastest growing regions, developers have historically tried to keep up with this increasing demand by constructing new mid and high-rise projects. Strong population growth is expected to continue into 2021, which will lead more developers to enter the market.

WATERLOO REGION MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	9.7%	13.8%	15.4%	▲
Class A Net Asking Rent (per sq. ft.)	\$15.00	\$19.67	\$19.05	▼
Net Absorption (million sq. ft.)	0.13	(0.10)	(0.03)	▲
New Supply (million sq. ft.)	0.00	0.11	0.05	▼
SUBURBAN				
Vacancy Rate	8.4%	5.0%	7.5%	▲
Class A Net Asking Rent (per sq. ft.)	\$13.96	\$16.17	\$15.90	▼
Net Absorption (million sq. ft.)	0.35	0.50	(0.26)	▼
New Supply (million sq. ft.)	0.00	0.13	0.02	▼
OVERALL				
Vacancy Rate	8.8%	7.7%	9.9%	▲
Class A Net Asking Rent (per sq. ft.)	\$14.02	\$17.31	\$16.85	▼
Net Absorption (million sq. ft.)	0.48	0.40	(0.29)	▼
New Supply (million sq. ft.)	0.00	0.24	0.08	▼

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	1.9%	2.1%	2.0%	▼
Net Asking Rent (per sq. ft.)	\$6.69	\$6.08	\$6.95	▲
Sale Price (per sq. ft.)	\$129	\$135	\$160	▲
Land Price (per acre)	\$375,000	\$475,000	\$633,000	▲
Net Absorption (million sq. ft.)	0.96	0.76	0.77	▲
New Supply (million sq. ft.)	0.62	1.08	0.63	▼

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$15,501	\$15,111	\$15,907	▲
Total Retail Sales Growth	3.0%	(1.0%)	6.5%	▲

Source: CBoC, CBRE Research, 2021.

Investment

VOLUME (\$ MILLIONS)	2019	2020	2021F	YOY
Total	\$1,988	\$2,390	\$2,150	▼
CAP RATES (%)				
Office - Downtown Class A	5.75 - 6.50	5.75 - 6.50	5.75 - 6.75	▲
Office - Suburban Class A & B	5.75 - 7.00	5.75 - 7.00	5.75 - 7.25	▲
Industrial - Class A & B	4.75 - 6.25	4.75 - 6.25	4.50 - 6.00	▼
Retail - Neighbourhood	5.50 - 6.50	5.50 - 6.50	5.75 - 6.75	▲
Multifamily - High Rise Class B	4.00 - 4.75	4.00 - 4.75	4.00 - 4.50	▼
Hotel - Downtown Full Service	7.50 - 8.50	7.50 - 8.50	7.50 - 8.50	◀▶
Seniors Housing - IL/AL Class A	6.00 - 6.50	6.00 - 6.50	6.00 - 6.50	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	2.1%	2.1%	2.1%	◀▶
2-Bedroom Average Rent	\$1,231	\$1,295	\$1,366	▲
New Rental Supply (units)	560	1,159	1,236	▲

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	1,868	2,516	2,516	◀▶
Vacancy Rate	12.4%	8.7%	10.0%	▲
Average Rent	\$3,260	\$3,401	\$3,500	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



TORONTO

KEY TRENDS

2021: A Stage Set for Recovery

During a historically tumultuous year, the downtown Toronto office market saw a bevy of sublease space introduced to the market, mainly in the form of smaller tenancies. The full market impact from this period will take years to reveal itself, especially as major occupiers are still working on their post-COVID workplace strategies. It is anticipated that we could see some space reduction as WFH is more formally adopted, however we are just as likely to see footprints grow as occupier's de-density their space and increase their space per-employee. Given the institutional nature of office tower ownership in Toronto, rental rates are anticipated to hold near current levels in the year ahead.

Room for Retailer Growth

2020 proved to be a challenging year filled with uncertainty for retailers. With many of the same obstacles continuing into the year ahead we will see more retailers fight against closures and bankruptcy. The outlook is not entirely negative however and many categories and segments such as grocery, QSR with drive thru, cannabis, and dollar stores are thriving and looking to expand.

Industrial Rents to Reach New Heights

Building off the momentum established in recent years, Toronto's industrial market is well positioned heading into 2021. As a result of demand from a multitude of industries and a highly pre-leased development pipeline, it is expected that a lack of available space will lead to continued rental rate growth this year. Given this environment, occupiers are making logistics decisions well in advance of lease expiries and are exploring increasingly popular options including built-to-suits.

Investor Sentiment to Focus on Sectors with Strong Fundamentals

While investment activity declined in the wake of COVID-19 lockdowns, sentiment gradually turned optimistic as the year progressed with the current listing pipeline suggesting that volumes will make a near-full recovery in 2021. Industrial and multifamily assets will continue to be the focus for investors due to their strong underlying property market fundamentals and sector-specific economic tailwinds.

Demand for Developable Land

Overall market confidence continues to feed demand for all types of development land, with a focus on quality. Land parcels will see elevated levels of liquidity in the year ahead as developers' home in on zoned industrial or residential sites in prime locations which allow for rapid construction starts.

TORONTO MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	2.2%	7.2%	12.4%	▲
Class A Net Asking Rent (per sq. ft.)	\$35.30	\$35.94	\$34.95	▼
Net Absorption (million sq. ft.)	0.79	(3.33)	(0.20)	▲
New Supply (million sq. ft.)	0.34	1.17	5.03	▲
SUBURBAN				
Vacancy Rate	11.8%	15.3%	17.5%	▲
Class A Net Asking Rent (per sq. ft.)	\$17.63	\$17.50	\$17.45	▼
Net Absorption (million sq. ft.)	1.16	(1.43)	(1.59)	▼
New Supply (million sq. ft.)	0.17	0.86	0.10	▼
OVERALL				
Vacancy Rate	6.7%	11.0%	14.7%	▲
Class A Net Asking Rent (per sq. ft.)	\$20.69	\$20.73	\$20.25	▼
Net Absorption (million sq. ft.)	1.95	(4.76)	(1.79)	▲
New Supply (million sq. ft.)	0.50	2.03	5.13	▲

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	1.4%	2.0%	2.0%	◀▶
Net Asking Rent (per sq. ft.)	\$8.62	\$10.25	\$11.45	▲
Sale Price (per sq. ft.)	\$224	\$247	\$270	▲
Land Price (per acre, \$ millions)	\$1.34	\$1.59	\$1.89	▲
Net Absorption (million sq. ft.)	10.65	7.45	11.97	▲
New Supply (million sq. ft.)	9.09	12.14	12.50	▲

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$14,871	\$13,752	\$15,031	▲
Total Retail Sales Growth	3.6%	(6.4%)	10.4%	▲
New Supply (million sq. ft.)	0.95	0.42	0.86	▲

Source: CBoC, CBRE Research, 2021.

Investment

VOLUME (\$ MILLIONS)	2019	2020	2021F	YOY
Total	\$17,642	\$11,820	\$16,000	▲
CAP RATES (%)				
Office - Downtown Class AA & A	4.00 - 4.75	4.00 - 4.75	4.00 - 4.75	◀▶
Office - Suburban Class A & B	5.75 - 7.50	5.75 - 7.50	5.75 - 7.75	▲
Industrial - Class A & B	3.75 - 5.50	3.65 - 5.25	3.50 - 5.25	▼
Retail - Neighbourhood	5.00 - 6.25	5.00 - 6.25	5.25 - 6.50	▲
Multifamily - High Rise Class B	3.00 - 4.00	3.00 - 4.00	3.00 - 4.00	◀▶
Hotel - Downtown Full Service	4.50 - 6.00	4.50 - 6.50	4.50 - 6.50	◀▶
Seniors Housing - IL/AL Class A	5.75 - 6.25	5.75 - 6.25	5.75 - 6.25	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	1.5%	3.4%	2.3%	▼
2-Bedroom Average Rent	\$1,562	\$1,635	\$1,725	▲
New Rental Supply (units)	3,372	3,390	3,085	▼

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	12,174	14,180	15,600	▲
Vacancy Rate	8.2%	10.1%	12.0%	▲
Average Rent	\$3,649	\$3,899	\$3,975	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



OTTAWA

KEY TRENDS

Positive Investment Outlook for Ottawa Investments

Ottawa's investment market finished 2020 on a high note with a notable pick-up of activity and deal flow. This momentum will be carried into 2021 with several significant files already being launched into the marketplace. Investor interest is positive, but cautious, across a diversified asset base. Multifamily, land, and industrial remain the most sought-after, with office gaining steam as an end to the pandemic nears.

Office Occupancy & Dynamic Workplaces

The pandemic has had a direct impact on office occupancy and how tenants utilize their space. 2021 will see a slow return to regular office life, particularly from the government and private sectors, as they wait for vaccination. Given the timeframe of return, dynamic workplace strategies that include more collaborative spaces will be adopted.

Rise of Sublet to Provide Options

With these concepts in mind, many firms are re-evaluating their future office needs and opting to offer their space for sublet. More space is likely to hit the market in the year ahead, creating many available office opportunities for prospective occupiers to choose from. However, not all space is created equal, as some of these sublease listings will have less productive, antiquated layouts and may face difficulties in finding a new tenant.

Demand for New-Aged Industrial Product

Renewed interest from occupiers has placed a spotlight on the current disconnect between demand and the limited quantity of high-quality industrial space in the Ottawa market. Further fueling this, despite the average age of available stock being 40 years, rental rates have reached record highs over the last year. With the entire 2.8 million sq. ft. pipeline leased to Amazon and no other new supply on the horizon, the need for new speculative developments has only intensified.

Multifamily Rental Wants vs. Needs

With WFH policies in effect for the foreseeable future, individuals are rethinking their living arrangements. Efficient premium urban units saw their desirability decrease as people were forced to live and work in limited space. Tenants are now seeking larger units at competitive pricing in the suburbs. Budget permitting, age of product is also a consideration with tenants craving amenities and perks primarily found in more costly newer builds.

OTTAWA MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	6.5%	9.5%	12.1%	▲
Class A Net Asking Rent (per sq. ft.)	\$24.05	\$23.57	\$23.25	▼
Net Absorption (million sq. ft.)	0.17	(0.52)	(0.30)	▲
New Supply (million sq. ft.)	0.00	0.04	0.20	▲
SUBURBAN				
Vacancy Rate	6.4%	8.0%	9.6%	▲
Class A Net Asking Rent (per sq. ft.)	\$15.54	\$15.61	\$15.35	▼
Net Absorption (million sq. ft.)	0.53	(0.27)	(0.22)	▲
New Supply (million sq. ft.)	0.00	0.10	0.15	▲
OVERALL				
Vacancy Rate	6.4%	8.7%	10.7%	▲
Class A Net Asking Rent (per sq. ft.)	\$18.74	\$18.16	\$17.85	▼
Net Absorption (million sq. ft.)	0.69	(0.79)	(0.52)	▲
New Supply (million sq. ft.)	0.00	0.14	0.35	▲

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	2.9%	4.1%	3.5%	▼
Net Asking Rent (per sq. ft.)	\$10.62	\$10.78	\$11.30	▲
Sale Price (per sq. ft.)	\$176	\$176	\$185	▲
Land Price (per acre)	\$573,420	\$573,420	\$584,890	▲
Net Absorption (million sq. ft.)	0.96	(0.31)	2.88	▲
New Supply (million sq. ft.)	1.07	0.07	2.80	▲

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$16,267	\$15,504	\$16,476	▲
Total Retail Sales Growth	2.3%	(3.2%)	7.5%	▲
New Supply (million sq. ft.)	0.02	0.00	0.17	▲

Source: CBoC, CBRE Research, 2021.

Investment

VOLUME (\$ MILLIONS)	2019	2020	2021F	YOY
Total	\$2,470	\$1,514	\$2,300	▲
CAP RATES (%)				
Office - Downtown Class AA & A	4.75 - 5.50	4.75 - 5.50	4.75 - 5.50	◀▶
Office - Suburban Class A & B	6.25 - 7.50	6.25 - 7.50	6.25 - 7.75	▲
Industrial - Class A & B	4.50 - 6.50	4.50 - 6.50	4.25 - 6.25	▼
Retail - Neighbourhood	5.75 - 6.50	5.75 - 6.50	6.00 - 6.75	▲
Multifamily - High Rise Class B	4.00 - 4.75	4.00 - 4.75	3.75 - 4.50	▼
Hotel - Downtown Full Service	7.00 - 8.00	7.00 - 8.00	7.00 - 8.00	◀▶
Seniors Housing - IL/AL Class A	5.75 - 6.25	5.75 - 6.25	5.75 - 6.25	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	1.8%	3.9%	2.8%	▼
2-Bedroom Average Rent	\$1,410	\$1,517	\$1,608	▲
New Rental Supply (units)	1,133	1,966	1,551	▼

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	5,594	6,534	7,500	▲
Vacancy Rate	16.3%	15.8%	18.0%	▲
Average Rent	\$3,330	\$3,474	\$3,575	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



MONTREAL

KEY TRENDS

Increasing Imbalance Between Industrial Supply and Demand

A limited construction pipeline will see 3.5 million sq. ft. of predominately design-build projects delivered in 2021. As a result, we are likely to see availability continue its downward trajectory which will place further pressure on record-high rental rates. Current leasing velocity and a lack of existing supply will ramp up industrial land values for core locations, namely large-scale sites that cater to the requirements of 3PL, distribution, and ecommerce users.

A Moment of Reflection for Office Occupiers

Office occupiers are gathering data from employees and advisors alike in order to map out a strategy for the eventual return to office. They are also taking into consideration future space requirements at this time. Some occupiers will go forward with their real estate decisions in 2021, however for most, this period of reflection will continue to subdue leasing velocity both on and off the island.

Retail Highs and Lows

Many obstacles challenged the retail market in 2020. Increased vacancy is anticipated for the year ahead which has already been plagued by the forced closure of non-essential businesses, a new curfew policy, and continued social distancing measures. Despite this, there are some points of optimism for midtown arteries which are likely to see increased traffic from local customers who are now working from home and spending more time in their residential neighborhoods.

Downtown Residential Land Values to Slow in the Short-Term

Land values for residential high-density sites in the Montreal core may slightly regress as real estate developers adapt to changing consumer preferences, lower immigration levels, and the restrictive 20-20-20 rule. However, a drastic price reduction is unlikely as owners would rather hold onto their assets than sell at discount. On the demand side, with many Airbnb's re-transformed into apartments, supply is set to increase in the short-term with landlords maintaining pricing. Despite this, the multifamily sector remains resilient.

Montreal Remains Top Destination for Capital Investment

Despite the pandemic, Montreal's investment outlook remains strong and is led by robust demand for industrial, multifamily, and land assets. Investor appetite for office and retail is more selective, however, and is contingent on in-place lease terms and covenants. Alongside Toronto and Vancouver, Montreal continues to be a top destination in Canada for both domestic and international capital.

MONTREAL MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	7.6%	10.2%	12.1%	▲
Class A Net Asking Rent (per sq. ft.)	\$24.57	\$24.95	\$24.80	▼
Net Absorption (million sq. ft.)	0.86	(0.56)	(0.73)	▼
New Supply (million sq. ft.)	0.17	0.68	0.15	▼
SUBURBAN				
Vacancy Rate	15.3%	15.5%	17.4%	▲
Class A Net Asking Rent (per sq. ft.)	\$14.86	\$15.95	\$15.35	▼
Net Absorption (million sq. ft.)	0.84	(0.10)	(0.20)	▼
New Supply (million sq. ft.)	0.00	0.16	0.46	▲
OVERALL				
Vacancy Rate	10.7%	12.3%	14.2%	▲
Class A Net Asking Rent (per sq. ft.)	\$19.23	\$20.56	\$20.20	▼
Net Absorption (million sq. ft.)	1.71	(0.65)	(0.94)	▼
New Supply (million sq. ft.)	0.17	0.84	0.60	▼

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	2.7%	2.1%	1.8%	▼
Net Asking Rent (per sq. ft.)	\$6.59	\$7.73	\$8.50	▲
Sale Price (per sq. ft.)	\$111	\$151	\$175	▲
Land Price (per acre, \$ millions)	\$0.83	\$0.87	\$1.08	▲
Net Absorption (million sq. ft.)	4.19	2.36	4.46	▲
New Supply (million sq. ft.)	1.55	0.24	3.54	▲

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$14,835	\$13,821	\$14,918	▲
Total Retail Sales Growth	3.2%	(6.0%)	8.6%	▲
New Supply (million sq. ft.)	0.24	0.13	0.10	▼

Source: CBoC, CBRE Research, 2021.

Investment

VOLUME (\$ MILLIONS)	2019	2020	2021F	YOY
Total	\$7,596	\$6,512	\$6,800	▲
CAP RATES (%)				
Office - Downtown Class AA & A	4.50 - 5.25	4.50 - 5.25	4.50 - 5.25	◀▶
Office - Suburban Class A & B	6.00 - 7.50	6.00 - 7.50	6.00 - 7.75	▲
Industrial - Class A & B	4.50 - 6.50	3.75 - 5.75	3.75 - 5.50	▼
Retail - Neighbourhood	6.25 - 6.75	6.25 - 6.75	6.25 - 7.00	▲
Multifamily - High Rise Class B	4.25 - 4.75	3.75 - 4.25	3.50 - 4.25	▼
Hotel - Downtown Full Service	7.00 - 8.00	6.00 - 7.50	6.00 - 7.50	◀▶
Seniors Housing - IL/AL Class A	6.00 - 6.50	6.00 - 6.50	6.00 - 6.50	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	1.5%	2.7%	2.4%	▼
2-Bedroom Average Rent	\$855	\$903	\$944	▲
New Rental Supply (units)	12,303	12,883	12,535	▼

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	40,236	44,147	46,000	▲
Vacancy Rate	7.1%	6.4%	6.0%	▼
Average Rent	\$1,829	\$1,889	\$1,950	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



QUEBEC CITY

KEY TRENDS

Launchpad for Recovery Rooted in Pre-COVID Fundamentals

Quebec City's economy was running on all cylinders prior to COVID-19 as GDP totaled \$36.4 billion and unemployment reached an all-time low of 3.1%. Despite some setback in 2020, strong pre-COVID-19 fundamentals have positioned the market for success in 2021. Some signs of recovery are already taking place with renewed investor interest coming from both domestic and international capital.

Ecommerce & 3PL Users Continue to Drive Industrial Growth

With limited availability and rising rental rates, Quebec City's industrial market will continue to hit record highs in 2021. Phase I of the Stox Distribution Center, which is anticipated for completion in Spring of 2021, and increased demand from new 3PL tenants are a testament of current market confidence.

Stable Office Market

Although several major users have put their search for office space on hold, Quebec City's sublease market is expected to remain stable as several tenants were able to renegotiate their leases in 2020. Office market activity is anticipated to grow once again after the vaccine has been made widely available.

Multifamily in Demand

Multifamily assets remain in high demand with several investment sales expected to close in 2021. Multiple condo and apartment projects are also underway across the City and are being fueled by strong demand from users who, after a living in lockdown, are looking to upgrade their accommodations.

QUEBEC CITY MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	6.9%	8.7%	9.9%	▲
Class A Net Asking Rent (per sq. ft.)	\$13.92	\$21.43	\$21.43	◀▶
Net Absorption (million sq. ft.)	0.19	(0.13)	(0.15)	▼
New Supply (million sq. ft.)	0.00	0.00	0.00	◀▶
SUBURBAN				
Vacancy Rate	7.0%	6.4%	9.5%	▲
Class A Net Asking Rent (per sq. ft.)	\$18.22	\$18.39	\$18.39	◀▶
Net Absorption (million sq. ft.)	0.03	0.09	(0.32)	▼
New Supply (million sq. ft.)	0.00	0.03	0.00	▼
OVERALL				
Vacancy Rate	7.0%	7.3%	10.0%	▲
Class A Net Asking Rent (per sq. ft.)	\$15.64	\$19.91	\$19.91	◀▶
Net Absorption (million sq. ft.)	0.22	(0.04)	(0.46)	▼
New Supply (million sq. ft.)	0.00	0.03	0.00	▼

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	2.3%	1.7%	1.5%	▼
Net Asking Rent (per sq. ft.)	\$7.56	\$8.62	\$9.05	▲
Sale Price (per sq. ft.)	n/a	n/a	n/a	
Land Price (per acre)	n/a	n/a	n/a	
Net Absorption (million sq. ft.)	(0.25)	0.78	0.30	▼
New Supply (million sq. ft.)	0.00	0.69	0.25	▼

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$19,105	\$17,445	\$18,690	▲
Total Retail Sales Growth	0.0%	(8.1%)	7.9%	▲

Source: CBoC, CBRE Research, 2021.

Investment

CAP RATES (%)	2019	2020	2021F	YOY
Office - Downtown Class A	6.00 - 6.75	5.75 - 6.75	6.00 - 7.00	▲
Office - Suburban Class A & B	6.25 - 7.25	6.25 - 8.00	6.50 - 8.25	▲
Industrial - Class A & B	5.75 - 8.50	5.50 - 8.00	5.50 - 8.00	◀▶
Retail - Neighbourhood	7.25 - 8.50	7.75 - 9.00	7.75 - 9.00	◀▶
Multifamily - High Rise Class B	5.25 - 6.25	5.00 - 6.00	4.75 - 5.75	▼
Hotel - Downtown Full Service	7.25 - 8.50	7.50 - 8.50	7.50 - 8.50	◀▶
Seniors Housing - IL/AL Class A	6.00 - 6.50	6.00 - 6.50	6.00 - 6.50	◀▶

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	2.4%	2.7%	2.7%	◀▶
2-Bedroom Average Rent	\$862	\$899	\$921	▲
New Rental Supply (units)	3,994	3,983	5,156	▲

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	11,108	12,135	13,500	▲
Vacancy Rate	7.2%	8.2%	8.2%	◀▶
Average Rent	\$1,661	\$1,800	\$1,850	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.



HALIFAX

KEY TRENDS

Historically Tight Industrial Market

Halifax's industrial market was on a major run in 2020 and resulted in a drop in availability to 4.7%, the lowest it has been since 2011. New supply in recent quarters has been dominated by owner-occupied space, and although industrial land is scarce, the market presents a strong opportunity for new multi-tenant developments. With growing demands for ecommerce distribution and warehousing space, the industrial asset class is well positioned for the year ahead.

Watch This (Sublease) Space

Following suit to the rest of the country, Halifax's office market experienced its first significant increase to sublet vacancy in late 2020. Amounting to just 0.9% of inventory however, Halifax's sublet offering remains quite modest by national standards. Company decisions to transition to WFH models in the coming quarters may result in a further increase of sublease vacancies, however 2021 will reveal if this recent spike was a short-term fallout or if Halifax has outlasted the impacts of COVID-19.

Record-Setting Year for Multifamily

Multifamily product was the darling asset type for investment in Atlantic Canada with a record-setting volume of sale transactions in 2020 and it shows no signs of slowing down. With population, immigration, and employment levels forecasted to grow, this asset class remains in high demand and is on track to for another strong year.

Halifax's Growing Tech Scene

Ranking 8th in CBRE's 2020 Scoring Canadian Tech Talent report, Halifax posted the largest increase in score amongst the top 10 cities. Performing particularly well in relation to educational attainment and tech-related degrees, Volta Labs will continue to play an important role in Halifax's tech-ecosystem by supporting these new highly-skilled workers and local start-ups as they graduate into their own office space.

Population Growth A Continued Boost to Economy

Population growth continues to be the key driving force in Halifax's economy. Ranking among the fastest growing major cities in Canada, international immigration totals have remained strong in 2020 as an additional 3,900 new migrants were welcomed to the city despite COVID-19 restrictions. Halifax Partnership's lofty population goal of 550,000 by 2031 positions the economy for significant growth in the upcoming years.

HALIFAX MARKET STATISTICS

Office

DOWNTOWN	2019	2020	2021F	YOY
Vacancy Rate	18.6%	19.9%	21.1%	▲
Class A Net Asking Rent (per sq. ft.)	\$19.16	\$19.49	\$19.40	▼
Net Absorption (million sq. ft.)	0.05	0.03	(0.07)	▼
New Supply (million sq. ft.)	0.00	0.12	0.00	▼
SUBURBAN				
Vacancy Rate	13.3%	13.0%	13.7%	▲
Class A Net Asking Rent (per sq. ft.)	\$15.93	\$15.95	\$15.80	▼
Net Absorption (million sq. ft.)	0.04	(0.07)	(0.06)	▲
New Supply (million sq. ft.)	0.09	0.00	0.00	◀▶
OVERALL				
Vacancy Rate	15.5%	15.8%	16.8%	▲
Class A Net Asking Rent (per sq. ft.)	\$17.84	\$18.17	\$18.05	▼
Net Absorption (million sq. ft.)	0.09	(0.04)	(0.12)	▼
New Supply (million sq. ft.)	0.09	0.12	0.00	▼

Source: CBRE Research, 2021.

Industrial

	2019	2020	2021F	YOY
Availability Rate	6.7%	4.7%	4.5%	▼
Net Asking Rent (per sq. ft.)	\$8.15	\$8.20	\$8.30	▲
Sale Price (per sq. ft.)	\$80	\$100	\$105	▲
Land Price (per acre)	\$275,000	\$275,000	\$281,600	▲
Net Absorption (million sq. ft.)	0.24	0.57	0.22	▼
New Supply (million sq. ft.)	0.22	0.34	0.20	▼

Source: CBRE Research, 2021.

Retail

	2019	2020	2021F	YOY
Total Retail Sales per Capita	\$18,337	\$17,172	\$17,702	▲
Total Retail Sales Growth	2.3%	(4.8%)	4.3%	▲
New Supply (million sq. ft.)	0.03	0.12	0.11	▼

Source: CBoC, CBRE Research, 2021.

Investment

VOLUME (\$ MILLIONS)	2019	2020	2021F	YOY
Total	\$760	\$1,003	\$850	▼
CAP RATES (%)				
Office - Downtown Class A	6.25 - 6.75	6.25 - 6.75	6.25 - 7.00	▲
Office - Suburban Class A & B	6.50 - 8.00	6.50 - 8.00	6.50 - 8.25	▲
Industrial - Class A & B	6.00 - 7.50	6.00 - 7.50	6.00 - 7.50	◀▶
Retail - Neighbourhood	7.00 - 8.00	7.25 - 8.25	7.25 - 8.50	▲
Multifamily - High Rise Class B	4.50 - 5.00	4.50 - 5.00	4.50 - 5.00	◀▶
Hotel - Downtown Full Service	7.25 - 8.75	7.00 - 8.50	7.00 - 8.50	◀▶
Seniors Housing - IL/AL Class A	6.25 - 7.00	6.25 - 7.00	6.00 - 6.75	▼

Source: CBRE Research, 2021.

Multifamily

	2019	2020	2021F	YOY
Vacancy Rate	1.0%	1.9%	1.6%	▼
2-Bedroom Average Rent	\$1,202	\$1,255	\$1,305	▲
New Rental Supply (units)	1,674	1,297	1,758	▲

Source: CMHC, CBRE Research, 2021.

Seniors Housing*

	2019	2020	2021F	YOY
Number of Spaces	693	692	692	◀▶
Vacancy Rate	8.2%	2.7%	5.0%	▲
Average Rent	\$3,139	\$3,226	\$3,300	▲

*Standard spaces
Source: CMHC, June 2020; CBRE Seniors Housing & Healthcare Group, 2021.

CONTACTS

Werner Dietl

President and Chief Executive Officer
+ 1 416 362 2244
werner.dietl@cbre.com

Marc Meehan

Director, Research
+ 1 647 943 4205
marc.meehan@cbre.com

Christina Cattana

Manager, Research
+1 416 847 3255
christina.cattana@cbre.com

For media and communications-related inquiries, please contact:

Ryan Starr

Media Relations
+ 1 647 215 9723
ryan.starr@cbre.com

CONTRIBUTORS

We are indebted to a broad team of practitioners who contributed content, expertise and creativity to help bring the 2021 Canadian Market Outlook to life: Thomas Biglands, Joseph Cattana, Ricky Hernden, Frédérique Landry, Evan Lee, and Katie Newcombe.

Additional CBRE Canada Research can be found at www.cbre.ca/canadaresearch.

CBRE Limited, Real Estate Brokerage | Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE Limited clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE Limited.