2022 CANADA

NATIONAL INVESTMENT FORECAST

IPA | INSTITUTIONAL PROPERTY ADVISORS

A DIVISION OF
MARCUS & MILLICHAP, BROKERAGE

TO OUR VALUED CLIENTS

The impact of the COVID-19 pandemic on Canada commercial real estate has been significant. The lockdown of the entertainment venues, retail centres and offices critically reshaped the landscape, but as vaccinations across the country have risen and the impact of the omicron variant recedes, the implications of a more subtle change are becoming more apparent. Working from home over the last two years has altered people's lifestyles, supporting increased migration to both suburban areas of major markets and to smaller cities where the cost of living is often lower. This will hold ramifications for all types of commercial real estate and investment in the coming year, and open the door to a variety of opportunities.

The powerhouse industrial property segment is outperforming pre-pandemic levels, and retail properties are making strong headway toward a full recovery. Multifamily properties, particularly in suburban areas and smaller cities are gaining momentum, while extremely scarce housing in popular urban centres also hints at strong rental demand in the coming years. The office outlook is becoming increasingly positive as restrictions loosen and high-skill employment sharply rises, signaling future demand. Over the near-term, suburban areas look to outperform, but the appeal of the urban core will revive as amenities and lifestyles migrate back toward pre-pandemic levels.

Immigration will remain a key growth driver, as the country hopes to welcome about 100,000 more residents per year than in 2019, and the prospects of a full economic recovery appear to be back within grasp. Some challenges and headwinds will continue to weigh on the outlook as material shortages and geopolitical issues fuel inflation and interest rate concerns, but ultimately Canada's economic outlook remains sound. Broad-based economic growth in 2022 will support all types of commercial real estate, sustaining the sector's positive outlook.

As the coming year unfolds, evolving economic, societal and market dynamics will create new opportunities for both buyers and sellers. We hope this report provides useful insights to help you define your strategies and navigate the emerging landscape. As you recalibrate and adapt to the emerging trends, our investment professionals look forward to assisting you in meeting your goals.

Sincerely,

MICHAEL HECK

Regional Manager
Edmonton & Vancouver

JULIEN MAROIS

Regional Manager
Montreal

MARK PATERSON

Vice President
Regional Manager
Ottawa & Toronto

JOHN CHANG

Senior Vice President/National Director
Research Services

National Perspective

Market Overviews

Client Services

Developed by IPA Research Services. Additional contributions were made by IPA investment brokerage professionals nationwide.

Edmonton

- Edmonton's economy has been rapidly diversifying, aided by the University of Alberta, which gives the market a stable supply of young, skilled workers. A growing number of tech firms and startups are stimulated by this talent pool, which has repositioned Edmonton into a more broad-based economy and has helped revitalize the urban core.
- New employment opportunities in the research and tech industries will help boost the need for Class A apartments in central corridors, while the well-established oil and gas sector continues providing wages to residents, bolstering lower-tier rental demand. Edmonton already holds an important spot in the North American chain of energy production, and could play a major role in supplying clean energy to both the rest of Canada and the United States, as the government incentivizes these programs.

Montreal

- Montreal's myriad academic institutions, comparably affordable cost of living, and cultural and historic activities foster a young and talented workforce in the metro. Multinational firms in the aerospace, robotics and life science industries have eagerly expanded operations in the metro to access this labour pool, helping the unemployment rate drop below the pre-pandemic level. With new growth coming from EV firms and green tech, the long-term outlook is bright.
- As immigration and company arrivals help grow the metro economy and resident base, development is occurring outside the Island of Montreal to alleviate density and traffic congestion that coincides with growth. The city has several infrastructure plans in place to facilitate this expansion, including an electric tramway called LEEO in South Shore, as well as expanding the city light rail.

Ottawa

- Supported by the presence of Canada's federal government, Ottawa was able to avoid job losses at the scale other major metros witnessed during the economic shock. Additionally, a growing list of tech firms, like Dell Canada and Shopify, have a footprint in the metro, creating higher-paying job opportunities. These employment prospects, paired with a lower cost of living relative to nearby markets, are driving in-migration to Ottawa.
- The metro is situated between Toronto and Montreal, making it an ideal location for retail and logistics to hold stock while they seek faster delivery times. While local manufacturing has somewhat faded over the past decade, the need for warehousing and distribution centers is growing rapidly, helping drop the industrial vacancy rate to a historically tight level at the end of this year.

Toronto

- Canada's largest economy continues to expand, with telecommunications and consumer electronics producer Huawei, as well as robotics and satellite systems firm MDA Ltd., recently engaging in corporate expansions within the metro. Additionally, Amazon and H&M have filled space in the fast-growing portions of East Toronto, further adding to the local tech, finance and logistics headcount.
- The housing shortage is having a notable impact on the Toronto metro, as single-family home prices are rising at one of the fastest trajectories in North America. Skyrocketing home prices will lead many higher-income workers to pursue rentals instead of ownership, helping the metro record a multifamily vacancy rebound in 2022, following a significant rise during the pandemic.

Vancouver

- Vancouver's labour market has rebounded from the health crisis and corresponding economic shock, with overall employment surpassing the pre-pandemic total before the end of 2021. Recent expansions in Vancouver by Electronic Arts, Microsoft and Trulioo highlight the metro's status as a global tech hub.
- Exceptional growth trends led the metro to record the lowest vacancy rate in the nation for multiple asset types. Multifamily availability enters 2022 at just 1.2 per cent, while retail vacancy is also in that range. Industrial vacancy lands even lower at 0.7 per cent. These figures are all the lowest of the major Canadian metros, and in the case of industrial, all of North America.

Momentous Economic Rebound Inspires Confidence; Bank of Canada Raises Rates to Fight Inflation

Labour market enters new growth phase, but hurdles linger. At the end of last year, the unemployment rate fell to 5.9 per cent, just 20 basis points above the 2019 mark. Additionally, the labour force participation rate, which provides deeper insight into the state of the economy by accounting for unemployed residents actively searching for work, realigned with the pre-health crisis norm. Nationwide, the job count surpassed the 2019 peak in the third quarter of 2021, yet gains continued in the final period, and growth is projected to remain healthy in 2022. Nevertheless, the recovery has not been uniform, and many firms in select industries are struggling to fill job openings. Higher paying fields grew payroll levels by 3.3 per cent relative to the pre-health crisis measure, while lower wage segments still face a deficit. From December 2019 to December 2021, employment in sales and services occupations fell 6.0 per cent, a much larger drop than any other segment. An annual survey conducted late last year by the Business Development Bank of Canada revealed that more than half of Canadian businesses are encountering problems finding qualified workers.

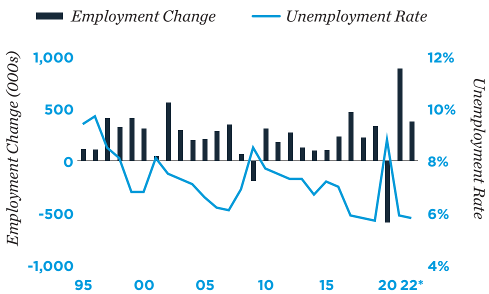
Bank of Canada lays out plans to combat inflation. In a January 2022 statement, the Bank of Canada said that economic slack has been absorbed faster than expected, thus they will begin lifting interest rates to tame inflation. The overnight rate had been sitting at a record lower bound of 0.25 per cent since the initial months of the pandemic. The central bank moved the rate up to 0.5 per cent in early March, and several additional hikes could follow as the year progresses. Elevating the cost of borrowing is a direct response to the 4.8 per cent inflation rate recorded in 2021 — the highest level since 1991 and well above the target range. The Bank of Canada projected in its January monetary policy report that inflation will remain above 4 per cent during the first half of this year, before falling to roughly 3 per cent at year-end. Despite this, the conflict in Ukraine will likely apply additional upward pressure amid soaring energy prices and supply chain headwinds, which could weigh on economic growth and extend the inflationary period.

2022 Canadian Economic Outlook

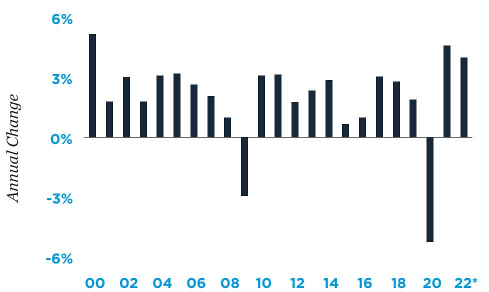
Release of pent-up demand fueling service sector, boosting GDP. A change in consumer behaviour, following a period during lockdowns when residents concentrated spending on necessity-based goods, is providing a jolt to the Canadian economy. On an annual basis ending in November 2021, the GDP contribution of service-producing industries grew by 4.3 per cent. The reopening succeeding the vaccine rollout powered a 35 per cent annual jump in the accommodation and food services sector, as many consumers felt more comfortable leaving their homes. The Bank of Canada notes that the key to sustainable longer-term GDP growth is by elevating business investment, which the Bank sees rebounding in 2022, as foreign demand drives exports. Higher interest rates could have an adverse impact on business spending, though it is estimated that Canadian firms have accumulated more than $130 billion in excess cash, since the onset of the health crisis.

Canada aspires to welcome over 1.2 million new immigrants in a three-year span. Last year, the IRCC met its target of adding 401,000 new permanent residents via immigration. In response, it lifted the target by 30,000 in 2022 and 46,000 in 2023 to maintain a steady inflow of residents to increase population, labour force and economic growth. New immigrants should help ease the labour shortage, though preferences and qualifications may not align with job openings. Early this year, the government announced that it was temporarily pausing invitations for high-skilled workers, as the system is backlogged with an inventory of applicants meeting the target out through 2023.

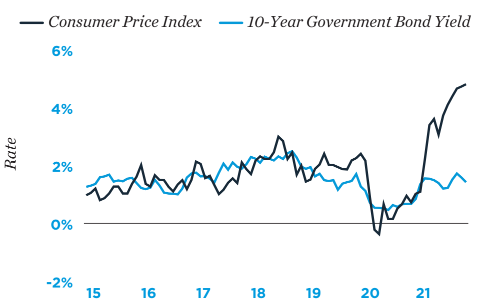
Employment vs. Unemployment



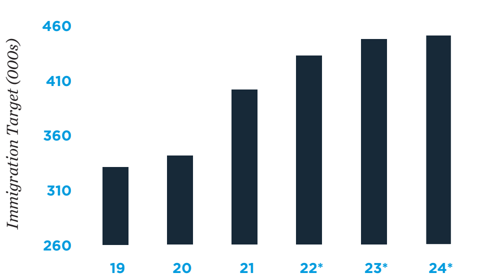
GDP Change



Inflation Rises to Record Heights



Canada Ramps Up Immigration Target



* Forecast
Source: Statistics Canada
Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

Job Growth (2021)

Canada 4.8%

Edmonton	Montreal	Ottawa	Toronto	Vancouver
GEA **9.5%**	*GMA* **5.5%**	*GOA* **3.5%**	*GTA* **8.1%**	*GVA* **5.4%**
Alberta 5.1%	Quebec 4.1%	Ontario 4.9%	Ontario 4.9%	British Columbia 6.6%

2021 Population Age 20-34

Canada Average 20.3%

Edmonton	Montreal	Ottawa	Toronto	Vancouver
GEA **22.7%**	*GMA* **20.4%**	*GOA* **21.5%**	*GTA* **22.9%**	*GVA* **22.9%**
Alberta 21.2%	Quebec 18.5%	Ontario 21.2%	Ontario 21.2%	British Columbia 20.7%

Five-year Household growth (2021-2026)

Canada 4.3%

Edmonton	Montreal	Ottawa	Toronto	Vancouver
GEA **9.2%**	*GMA* **4.2%**	*GOA* **6.6%**	*GTA* **6.6%**	*GVA* **5.4%**
Alberta 7.3%	Quebec 2.4%	Ontario 5.2%	Ontario 5.2%	British Columbia 4.7%

2021 Median Household Income

Canada $82,436

Edmonton	Montreal	Ottawa	Toronto	Vancouver
GEA **$95,039**	*GMA* **$74,814**	*GOA* **$96,689**	*GTA* **$93,324**	*GVA* **$89,800**
Alberta $94,624	Quebec $72,311	Ontario $87,353	Ontario $87,353	British Columbia $86,325

Housing Starts (2020-2021 change)

Canada 0.1%

Edmonton	Montreal	Ottawa	Toronto	Vancouver
GEA **-23.5%**	*GMA* **-33.5%**	*GOA* **-52.4%**	*GTA* **-7.1%**	*GVA* **1.5%**
Alberta 2.6%	Quebec -20.2%	Ontario -4.3%	Ontario -4.3%	British Columbia 29.2%

Percent with Bachelor's degree or higher (15 years+)*

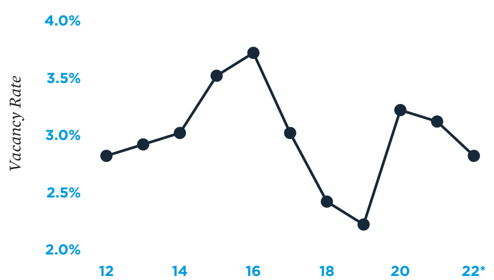
Canada 31.5%

Edmonton	Montreal	Ottawa	Toronto	Vancouver
GEA **31.8%**	*GMA* **34.9%**	*GOA* **43.0%**	*GTA* **43.9%**	*GVA* **40.6%**
Alberta 31.1%	Quebec 28.5%	Ontario 34.8%	Ontario 34.8%	British Columbia 32.7%

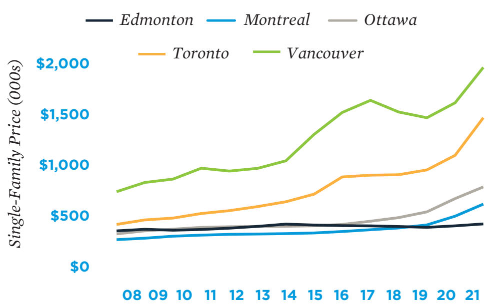
** 2019*

Sources: Statistics Canada; CMHC; Environics

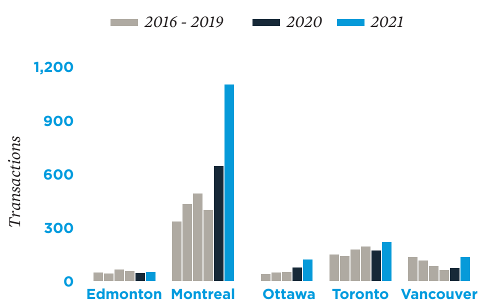
Vacancy Trend



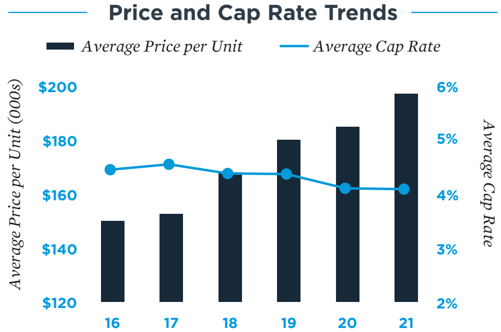
Single-Family Detached Benchmark Price



Apartment Transactions



Price and Cap Rate Trends



** Forecast*

Sources: Altus Data Solutions; Canadian Real Estate Association; CMHC; CoStar Group, Inc.; Statistics Canada

Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

Builders Struggle to Keep Pace with Rental Demand, Pushing Down Vacancy and Powering Rent Growth

Job gains and new immigrants stimulate need for apartments. Canada's apartment segment began to rebound from the pandemic setback that occurred in 2020, and momentum will carry into this year amid a housing shortage and positive economic trends. The employment recovery has been impressive, with the country adding back all 589,500 jobs lost in 2020, plus an additional 296,500 new positions. As more people reenter the labour force, many are gaining the necessary income to support household formation, ultimately aiding rental demand. Additionally, Canada surpassed its immigration target of adding 401,000 permanent residents in 2021, and an even higher benchmark has been set for the next three years. This inflow of immigrants further boosts household creation, especially in major urban centres like Toronto and Vancouver, where new residents often settle upon entering. These tailwinds produced solid apartment absorption last year and tightened the national vacancy rate to 3.1 per cent in October. This year, net absorption is projected to be just as strong, despite a likely pullback in construction, tightening vacancy and setting the stage for sustained rent growth in Canada.

Residents to remain renters for longer amid heightened barriers to ownership. The housing landscape in Canada adjusted dramatically over the past year. While people looked to increase space to accommodate at-home workplaces and schooling, strong demand for single-family homes during the pandemic resulted in a sharp rise in prices amid limited inventory on the market. As of December 2021, the Canadian Real Estate Association's House Price Index was up more than 26 per cent annually. Home prices accelerated the fastest in the nation's largest metros, with a 30-plus per cent surge in Toronto, which joins Vancouver with an average single-family home price exceeding $1.4 million. These conditions make it difficult for entry-level buyers to find a home that aligns with their budget, and higher interest rates in the coming quarters will add additional hurdles. The lifecycle of the renter cohort is poised to lengthen, as residents who want to live in the country's major urban centres will struggle to become homeowners. At the same time, the appeal of apartments is enhanced because they offer greater flexibility, proximity to urban amenities and less strain on residents' financial health.

2022 Canadian Housing Outlook

Development pace to be constrained by several headwinds. Builders are expected to finalize one of the largest annual additions over the past decade, warranted by strong demand. Despite this, the volume will fall short of last year's total, as elevated material costs, labour shortages and supply chain disruptions extend construction timelines. Due to these factors, the housing shortage in Canada will persist, as developers are unable to keep pace with demand. Healthy household creation, bolstered by employment gains and immigration, allows apartment absorption to outpace deliveries again this year.

Buyers compete for listings throughout Canada. The ongoing fundamental rebound and greater economic certainty are facilitating a competitive bidding environment for apartment assets. This is driving up sale prices and applying downward pressure to cap rates. On a national level, the average per-unit sale price grew more than 6 per cent last year to $198,000. The mean cap rate was unchanged at 4.1 per cent, though average yields declined at least 20 basis points in Vancouver, Montreal, Edmonton and Ottawa as more investors broadened their searches — a trend expected to continue in 2022.

Firms Bet on Return to In-Person Workplaces; Employees Less Certain as New Variants Delay Plans

Extended work-from-home timelines, changing worker preferences cloud outlook. Federal and provincial mandates have created uncertainty surrounding a broader return to in-person work since the onset of the health crisis. The potential for new variants in 2022 could enact extensions on work-from-home policies, such as when the omicron surge pushed back expected timelines earlier this year. While rising vaccination rates across the nation's provinces improve confidence from firms and governments for a return to relative normalcy by year-end, a level of concern remains. More companies could opt for longer-term remote and hybrid workplace models. A study conducted by the Angus Reid Institute found that of the Canadians that worked from home, only 27 per cent said they would prefer a full-time return to the office, while 44 per cent said they would be willing to return on a hybrid basis. Currently, most provinces suggest firms keep operations that can be done remotely to stay at home; restrictions on gatherings are starting to lift, however, and many of the regions have begun loosening health mandates as well. Coinciding with this, office absorption trends have elevated recently, which should reflect in a deceleration of upward vacancy movement as the year progresses.

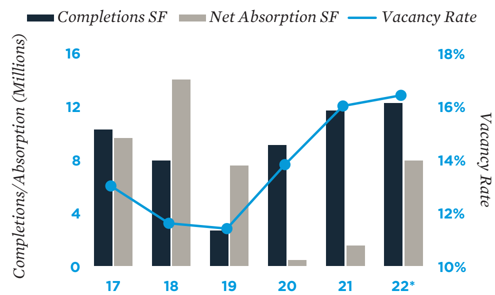
Expanding higher-skill labour segments is a positive for future office usage. The negative impact on office demand from remote work is likely to be mitigated by the growth of higher-skill employment in Canada. Segments like technology and life science, which traditionally occupy large office footprints, are spreading across the country. These types of firms already employ more workers than they did in 2019, and they are largely responsible for the overall employment tally surpassing the pre-pandemic count last year. As some smaller businesses are giving back space during the pandemic, big tech and life science companies are growing their physical footprints in major metros, helping backfill vacated space. Last year, tech firms like Huawei, Microsoft, Electronic Arts and Pinterest added offices or expanded operations in Canada. This is helping prevent severe dips in asking rents, and indicates confidence that a wide-ranging return to offices will materialize. Canada's ability to attract new workers via immigration, as well as luring firms that want to grow their global presence, bodes well for office demand in the long term.

2022 Canadian Office Outlook

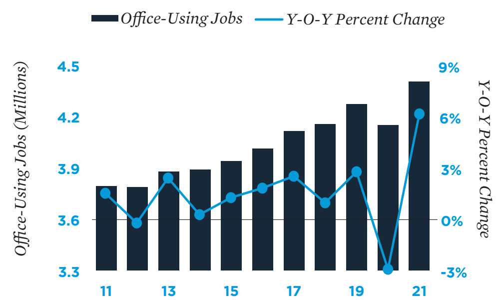
Flight-to-quality prevails among nation's most prominent firms. Since the onset of the health crisis, there has been a shift in the types of office space most coveted by firms. Newer Class A space is generating demand, while older buildings are facing some headwinds retaining tenants. This is due, in part, to the kinds of multinational companies expanding during the downturn, as those with ample cash reserves are committing to higher-quality space. Firms are also pursuing amenities to entice workers to offices once restrictions retreat. This is allowing Class A rents to hold more stable, or even grow, in desirable corridors like Surrey in Vancouver, West Ottawa and Centre-Ville in Montreal.

Buyer demand for sustainable space elevates. Many investors with a longer-term mindset are concentrating on eco-friendly assets, as tenants could favor these types of buildings in the coming years. Renewable energy may present cost-saving opportunities, while environmentally-conscious offices could also appeal to future employees. The pandemic reinforced this movement as air filtration became crucial. Assets with a Canada Green Building Council certification will likely attract more buyers in 2022 and beyond.

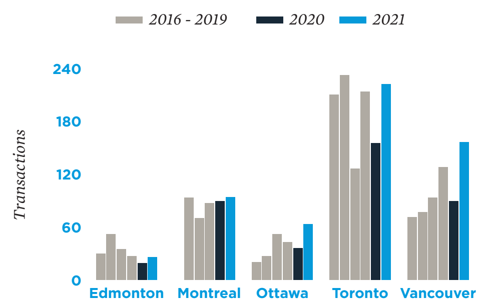
Office Supply and Demand



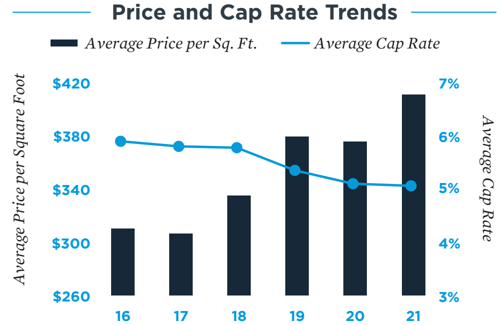
Office-Using Employment



Office Transactions



Price and Cap Rate Trends

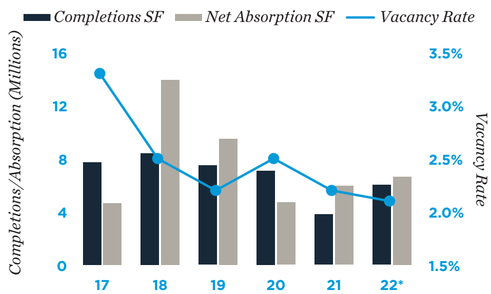


** Forecast*

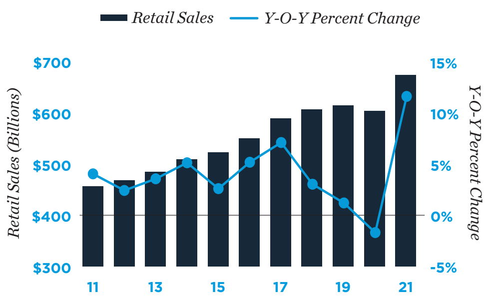
Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

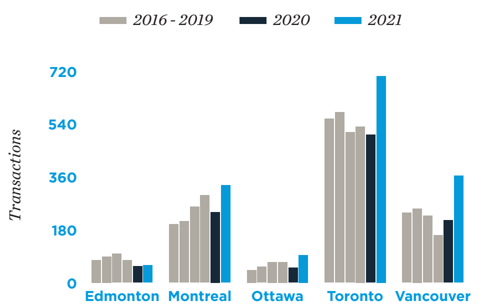
Retail Supply and Demand



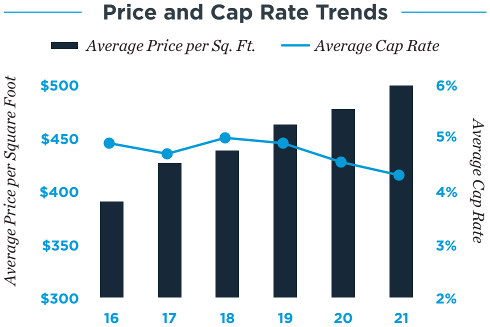
Strong Retail Sales Rebound



Retail Transactions



Price and Cap Rate Trends



** Forecast*

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

Retail Sector Returns to Pre-Pandemic Fundamentals; Demand Tailwinds Gaining Momentum

Retail market remains resilient. Conditions in the retail sector have already returned to pre-COVID-19 levels, though operations are relatively pedestrian. Vacancy finished last year at the same level as the fourth quarter of 2019, and it only ticked up 30 basis points during the pandemic. There is some momentum moving forward as many Canadians have bolstered their savings during the downturn, providing some tailwinds as the local and national economies reopen. Several provinces have dropped restrictions following the omicron surge earlier this year, further increasing access to physical shopping and in-person experiences for one of the most vaccinated populations in the world. By eliminating vaccine passports, more residents and travellers will have access to retailers, boosting the number of visits in the coming months.

Rents remain on an upward trajectory amid low vacancy. The pace of rent growth will more than double the prior year's measure as operators achieve leverage, though increases could fall short of inflation. The average time to lease unoccupied space is approximately eight months, relatively on par with the timeline prior to the pandemic. Although availability is tight, the extended time to get a space commitment keeps operators from lifting rates at a more elevated pace. Vancouver is in the strongest position to raise rents this year, due to the market's attractiveness to foreign retailers and the GVA's standing as the nation's least vacant metro. The market will continue to attract new retailers interested in entering Canada, further solidifying the low availability environment. Edmonton is in a more challenging position, due to a vacancy rate close to 5 per cent and looming pressure from new supply amid a large construction pipeline.

2022 Canadian Retail Outlook

Supply growth nearly returns to pre-pandemic levels. After the pace of new construction dipped to approximately half of the previous year's deliveries in 2021, builders are ramping up the pace of completions. Of the 6 million square feet slated to come online, approximately 2.6 million square feet is scheduled to be completed in Toronto. The next largest increase is projected in Edmonton, where 1.1 million square feet will be added to inventory in 2022. Despite this, most of the new space is pre-leased, so the threat to the already-tight vacancy rate is very limited. Additionally, the construction is focused in core areas and much of it is redevelopment, particularly in Vancouver.

Retail sales to improve this year. As the latest variant of COVID-19 becomes less significant, Canadians will feel more confident venturing out in greater numbers, supporting consumer spending. With steady job gains and the unemployment rate falling to less than 6 per cent at the end of last year, the challenges facing retailers will dissipate. Furthermore, household savings should support experience-based retailers that have been largely neglected over the term of the pandemic. Additionally, pressure is rising to eliminate mandates associated with the end of the pandemic. While there is still some uncertainty regarding the direction the national government takes, at least some provinces are moving toward fewer restrictions. These areas could outperform other regions, though conditions are healthy in all markets and the disparity is not expected to be significant.

Price support is strong. Investors will remain active again in 2022, particularly as buyers use real estate holdings to hedge against inflation. Buyers concerned about an overheated stock market, or those seeking to diversify their portfolios, are going to be the most active investors in Canada this year, though local players will continue to add to their holdings. Last year, the average retail asset sale price in Canada climbed to $499 per square foot, while the mean cap rate slid down to 4.3 per cent.

Available Supply Plummets to Historic Lows in Several of North America's Tightest Industrial Markets

Demand drivers accelerated by the pandemic deplete vacant stock. The national vacancy rate is set to approach 1 per cent in 2022, with available industrial supply across the nation condensing below 25 million square feet. By comparison, prior to the onset of the pandemic in 2019, vacant stock in Canada was nearly twice as high and availability was widely considered to be tight at that time. The demand surge witnessed since the onset of the health crisis, amid the coinciding shift to online shopping and vitality of domestic supply chains, culminated in net absorption exceeding deliveries in each quarter of last year. In 2022, that trend should persist, as high material costs and limited lot availability in places where new supply is most warranted weigh on construction activity. Although net absorption is not expected to reach as high as last year, that is largely a result of the type of space left on the market. Much of the buildings available for lease are smaller and of an older vintage, thus they are unable to be utilized by modern firms seeking major footprints. In the present-day climate, speed and efficiency are crucial, emphasizing the need for more state-of-the-art industrial facilities to be built throughout Canada.

Supply and demand imbalance forges conditions for exceptional rent growth. Traditional industrial users, like logistics and manufacturing, are sifting through a small supply of available stock at the same time as growing industries like omnichannel retailers, life science, cold storage and data centres. This is creating a competitive leasing environment, which, paired with a construction pipeline insufficient to alleviate tight conditions, is resulting in very strong rent growth. Industrial asking rates are soaring nationwide, particularly in two of North America's tighest metros — Vancouver and Toronto. Both the GTA and GVA are expected to have vacancy rates at 0.5 per cent or below by year-end, making it nearly impossible for tenants to be selective or bargain hunt when searching for space. This environment will allow both Toronto and Vancouver to record double-digit annual asking rent growth for the second consecutive year in 2022.

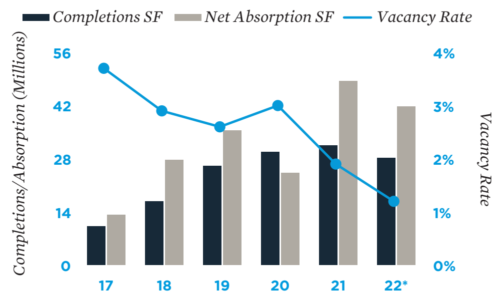
2022 Canadian Industrial Outlook

Disrupted global supply chain enhances importance of national facilities. Congestion and delays at domestic ports have been some of the few headwinds burdening the sector during a period of overall strong performance. Many Canadian businesses are fortifying elements of the supply chain on national soil and are less likely to offshore, given recent circumstances. A survey conducted by the Conference Board of Canada in late 2021 found that 90 to 95 per cent of respondents expect to keep production and distribution sites within Canada.

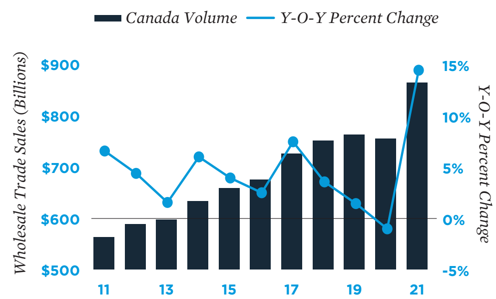
Revival of trade with nation's biggest partner hits some temporary snags. Just as export and import traffic between Canada and the United States was normalizing, momentum was impeded in early 2022 when disputes between truckers and agencies led to closures of major bridges. As Canada sends roughly three-fourths of exports to the U.S., this was a noteworthy event for industrial owners and operators. Auto parts manufacturers, the farming industry, and the oil and gas sector noted significant disruptions in the opening months of this year.

Alongside rents, sale prices are climbing at a rapid pace. Very low availability and outstanding rent growth have solidified industrial assets as a focal point for many investors. Buy-side competition is driving up sale prices and pushing down on cap rates. With last year's 19 per cent jump to $284 per square foot, the average industrial sale price is now almost twice as high as it was just five years ago. Over that same time span, the average cap rate fell 160 basis points to the low-4 per cent range.

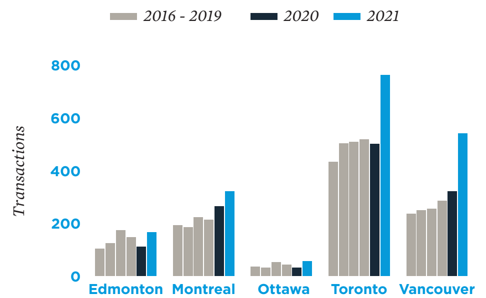
Industrial Supply and Demand



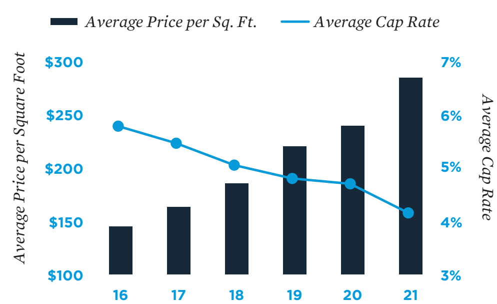
Wholesale Trade Volume



Industrial Transactions



Price and Cap Rate Trends



* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

APARTMENTS

Growing Tech Sector Augments Traditional Energy and Trade Economy in Edmonton

Class A vacancy to decrease as labour market diversifies. The Edmonton metro has long been a hub for logistics, due to its centralized location, air, rail and roadway infrastructure, as well as its standing as a major energy producer for western Canada. These jobs support healthy demand for Class B/C rentals. More recently, the economy is transforming into a research and technology hotbed. New employment opportunities in these higher-income sectors will help boost demand for upper-tier rentals near the urban core, where a live-work-play environment is desired by many young professionals. This trend was leading to a reduction in Class A vacancy, but COVID-19 disrupted momentum over the past two years. Rising foot traffic and firms returning to in-person work has occurred at faster rates than other major Canadian metros, which should lead to a strong recovery as young professionals return to urban lifestyles. New supply concentrated in the core may impact Class A fundamentals in the short term, but the long-term outlook for GEA rentals is bright.

Edmonton Apartment Investment Trends

- A healthy household formation outlook garners buyer attention. Low-rise assets have been capturing the greatest share of investor interest in recent periods.
- Over the past three years, the average cap rate fell notably; mild entry costs in the GEA and cap rate compression elsewhere, however, will keep investors active.

2022 Apartment Trends

1,520
UNITS
will be completed

CONSTRUCTION:

Construction has waned from the recent highs posted in 2015 and 2016. Much of the pipeline is within Downtown Edmonton or outside Anthony Henday Drive.

40
BPS
decrease in vacancy

VACANCY:

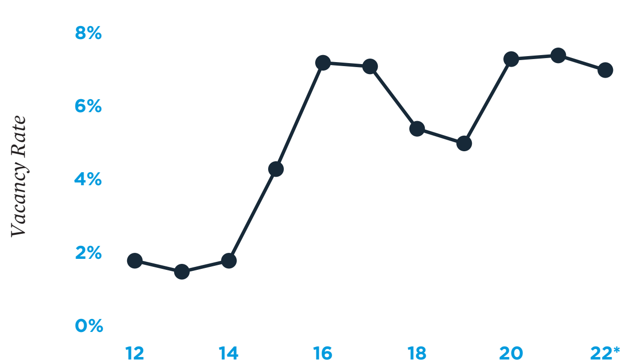
Operations will improve as the local economy reopens. The vacancy rate will fall to 6.9 per cent in 2022, as new and existing units are filled.

2.2%
INCREASE
in effective rent

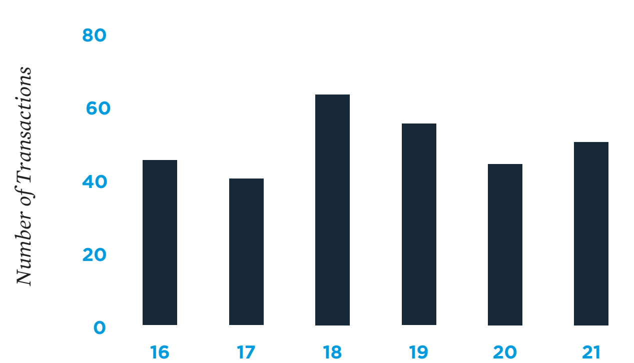
RENT:

The average effective rent rises in 2022. New Class A units entering lease-up near the Ice District will buoy an overall market gain.

Vacancy Trend



Transaction Trends



* *Forecast*

Sources: Altus Data Solutions; CMHC; CoStar Group, Inc.; Statistics Canada

RETAIL

Investors are Optimistic the Turnaround in Retail Performance Extends into 2022

Recovering energy prices and tourism key to retail market. Employers recouped all the jobs lost during the early months of the health crisis in 2021, and additional gains are expected this year. A resumption in worldwide energy demand, which still serves as the backbone of the market until a more diverse economy is established, was the primary factor in last year's success. In 2022, the relaxation of pandemic restrictions should allow some of the most challenged sectors to take the reins of the improving retail segment. Tourism, for instance, will begin to move toward previous levels, after being hamstrung by untimely COVID-19 variants. A return of summer festivals, among other attractions that drive foot traffic, will help absorption reach the highest level since 2018. Construction, meanwhile, is not expected to impact existing operations, as deliveries fall to the lowest amount since 2016. The three-story retail platform of the latest ICE District tower accounts for the largest increase in inventory this year.

Edmonton Retail Investment Trends

- Local, private buyers are most active navigating the investment climate, while increasing their focus on multi-tenant properties. As a result, the average cap rate ticked up modestly last year, while the mean per-square-foot price dipped.
- A combination of value-add potential and strengthening space demand will keep investors active this year. Assets with a strong anchor and vacant inline space will be favored.

2022 Retail Trends

1.1 M SQ. FT.
will be completed

CONSTRUCTION:
After 1.2 million square feet was delivered in 2021, stock rises by 1.6 per cent this year. More than 70 per cent of the space underway has secured a tenant commitment.

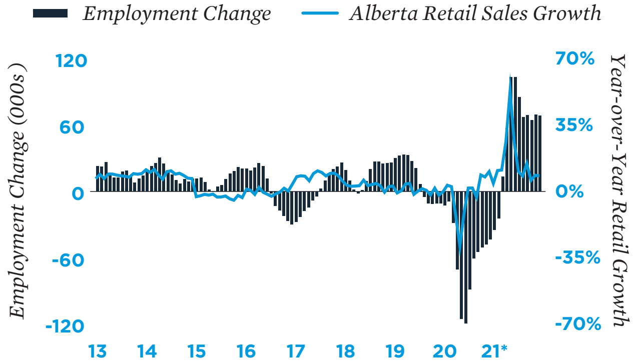
30 BPS
decrease in vacancy

VACANCY:
Vacancy falls to 4.6 per cent in 2022, as space surrendered at the onset of the health crisis is refilled. The rate declined 10 basis points in 2021.

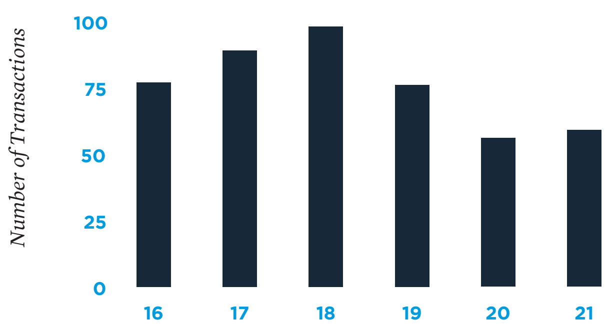
0.8% DECREASE
in asking rent

RENT:
Although conditions are tightening, operators will not have sufficient leverage to increase asking rent, which will finish the year at $21.90 per square foot.

Employment vs. Retail Sales Trends



Transaction Trends



** Retail sales through November, 2021*

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

OFFICE

Expanding Scientific Firms and Startups Drive Demand for GEA Office Space

Innovation shifts local economy into office-dependent industries. The GEA's tech sector is growing, aided by the presence of a top-tier academic institution that generates a labour pool of innovation and artificial intelligence workers. As a result, business accelerators and incubators, such as Startup Edmonton and Plug and Play Alberta, are increasingly being established in the metro. Additionally, access to skilled workers, comparatively cheap office space and business incentives are drawing numerous global firms to the area, most notably Google's DeepMind. At the same time, one of the smallest batch of completions on record is scheduled for 2022, benefiting existing properties. Nevertheless, near-term headwinds will persist as the city delayed plans to allow workers back into offices in early January, and the potential for new variants of COVID-19 creates a level of uncertainty. Health considerations have led suburban offices to garner a larger share of leasing activity during the pandemic. In 2022, well-positioned firms are likely to take advantage of the favorable market conditions and grab additional Class A space in urban areas.

Edmonton Office Investment Trends

- Investors capable of withstanding temporarily higher than normal vacancy may choose to target less occupied properties that are positioned for upside, once the pandemic abates.
- Owners of higher-quality assets have been hesitant to list during a period of discounted pricing. This has altered the composition of trades, lifting the average cap rate for assets that changed hands.

2022 Office Trends

98,000 SQ. FT.
will be completed

CONSTRUCTION:
Developers are scheduled to complete less than half as much space as last year. The annual delivery volume in 2022 will be the second smallest in seven years.

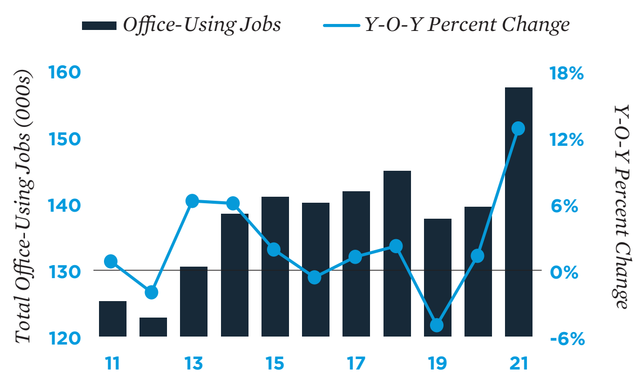
30 BPS
decrease in vacancy

VACANCY:
While construction is muted relative to past years, healthy net absorption will help contract Edmonton's office vacancy rate in 2022.

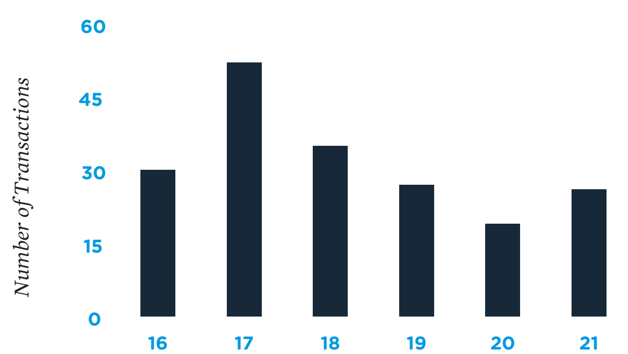
DECREASE
in asking rent

RENT:
Office rents decline in 2022, as property owners may use concessions to lure tenants. Still, this year's subtraction should be less extreme than the 2021 drop.

Office-Using Jobs Trends



Transaction Trends



Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

INDUSTRIAL

Connectivity and Comparably Favourable Rental Costs Propel Tenant Interest

Location drives hot market. Steady population growth, combined with Edmonton's centralized location that features rail and road connectivity, is spearheading the rapidly improving industrial landscape. While Vancouver is the prominent point of first contact for goods coming from Asia, Edmonton has benefited from spillover demand, due to less expensive rents and greater space availability. Additionally, Edmonton operates as a middle point between Vancouver and more eastern locales like Winnipeg and Toronto, providing firms with access to a large portion of the Canadian population. These factors are responsible for the steep vacancy decrease logged from the end of 2018 through last year. Availability will continue to contract in 2022, as much of the delivery pipeline is pre-leased, headlined by a new Amazon facility in Parkland County. The speculative construction that is moving forward is expected to lease fairly quickly as well. Local firms operating out of smaller facilities will likely expand once new, large floorplans become available.

Edmonton Industrial Investment Trends

- Strong buyer interest drove 2021 trade volume to exceed the 2015-2020 annual average. Competition for listings resulted in the average sale price growing by a sizable margin last year.
- As new space opens and firms enlarge their local footprint, investors could look to target smaller, newly vacated buildings with value-add potential.

2022 Industrial Trends

1.2 M SQ. FT.
will be completed

CONSTRUCTION:

Deliveries grow slightly year-over-year as developers take notice of heightened demand for new space, especially in Northwest Edmonton, where there are very few available buildings for expanding firms.

100 BPS
decrease in vacancy

VACANCY:

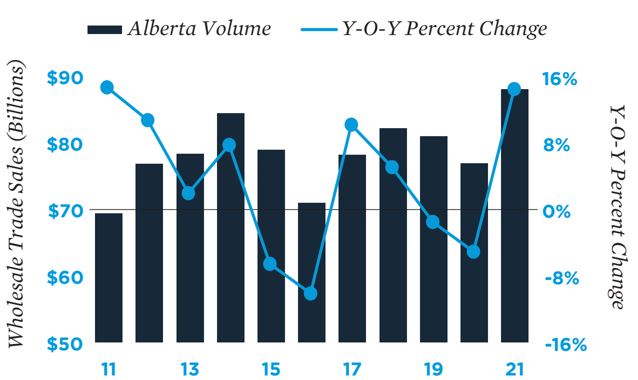
Industrial demand is set to outpace completions by a sizable margin in 2022. This will result in a significant vacancy decline.

5.4% INCREASE
in asking rent

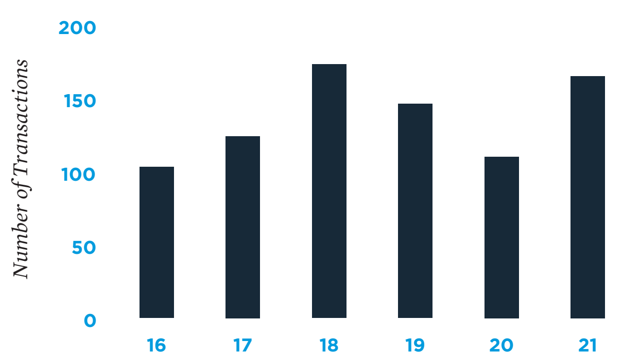
RENT:

As vacancy drops, the average asking rent will climb. Strong demand from tenants will create competition for a limited amount of available space.

Wholesale Trade Trends



Transaction Trends



Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

APARTMENTS

Life Science and Aerospace Jobs Aiding Local Employment as Students Return

Return of in-person learning will push down vacancy. A high concentration of life science, technology and banking firms enabled the Montreal labour market to boast an unemployment rate 100 basis points below the 2019 recording at the end of last year. Many businesses within these industries expanded during the pandemic, while an easier transition to remote work allowed for fewer initial job losses. Growth in higher-income roles like these coordinate with the plethora of local academic institutions that foster a deep talent pool, incentivizing Canadian and foreign firms to enter the metro. In addition to supporting a healthy labour market, student demand for off-campus rentals contributes to the strength of the multifamily segment. Temporary remote learning during the health crisis led to a mild vacancy climb; all four of the metro's largest universities, however, received the go-ahead from the Quebec Premier Legault to resume in-person activities in 2022. As students return to class-rooms, rental demand will follow, keeping metro vacancy very tight.

Montreal Apartment Investment Trends

- Most of the buying activity historically occurs in the $1 million to $10 million tranche. Recently, interest from foreign sources caused assets priced above $20 million to trade more often.
- The average sale price in the metro reached $181,100 per unit last year, a near 10 per cent annual rise. The average cap rate lands in the low-4 per cent range, 80 basis points higher than Toronto.

2022 Apartment Trends

1,980 UNITS
will be completed

CONSTRUCTION:
Developers are set to complete more than double last year's development figure, but 2022 is still in line with the trailing five-year average for Montreal.

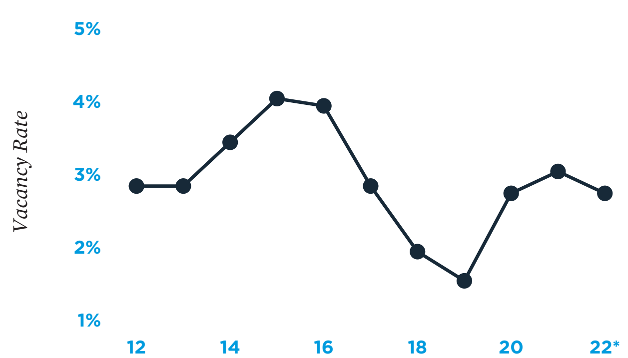
30 BPS
decrease in vacancy

VACANCY:
Net absorption exceeds completions, compressing the vacancy rate to 2.7 per cent this year. This will be the first annual contraction since 2019, when the metro recorded a vacancy rate of 1.5 per cent.

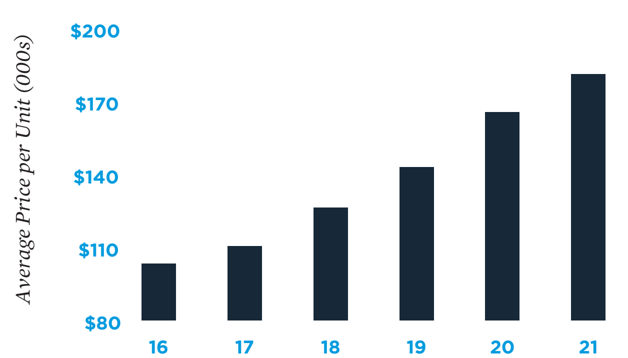
3.4% INCREASE
in effective rent

RENT:
Tightening conditions support the strongest increase in the metro's average effective rent, since the pandemic began.

Vacancy Trend



Sales Trends



** Forecast*

Sources: Altus Data Solutions; CMHC; CoStar Group, Inc.; Statistics Canada

RETAIL

Montreal Retail Spending Climbs, Despite Pandemic-Related Shifts in the Market

Suburban assets drive performance during restrictions. The impacts of COVID-19 on Montreal's retail segment were severe in 2020, but the metro has experienced a strong rebound since. Despite stringent virus containment policies, retail sales actually measured higher in 2021 than they did in 2019, which has helped prevent large-scale store closures. Amid this momentum, tenants' location preferences began to shift. Prior to 2020, students, workers and tourists drove much of the retail spending in the city centre, leading retailers to lease and expand in the urban core. These sources of spending largely dried up during the health crisis, and tenants placed an emphasis on expanding into residential neighbourhoods. The two largest projects in the pipeline are components of suburban mixed-use developments in Vaudreuil-Châteauguay and Mirabel-Blainville, highlighting this trend. Nonetheless, retailers in central districts like Ste-Catherine Street should soon benefit from returning workers, students and tourists.

Montreal Retail Investment Trends

- First-year returns have been compressing, as vacancy tightens in Montreal. At 5.5 per cent, however, the average cap rate remains higher than the recording in Toronto or Ottawa.
- Montreal is one of the most affordable major markets in the country, with an average sale price of $244 per square foot, enabling a wider range of buyers to participate in the investment market.

2022 Retail Trends

320,000 SQ. FT.
will be completed

CONSTRUCTION:
Developers will finalize at least 300,000 square feet for the second consecutive year in 2022. Across the 24 months spanning 2021 and this year, inventory in Montreal will grow by 0.4 per cent.

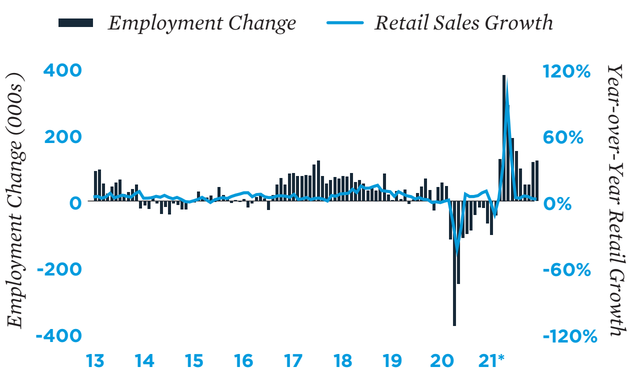
10 BPS
decrease in vacancy

VACANCY:
Tenant demand will outpace construction in Montreal, lowering retail vacancy to 1.9 per cent by the end of 2022.

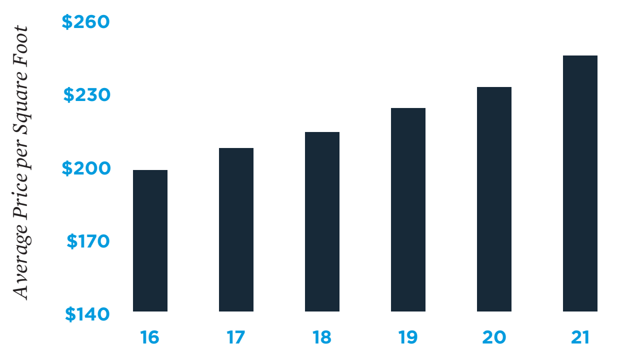
0.9% DECREASE
in asking rent

RENT:
The average asking rent for available retail space will retreat to $20.05 per square foot, despite lower vacancy. This drop is primarily a result of the block of older, lower-quality space that has recently become vacant.

Employment vs. Retail Sales Trends



Sales Trends



** Retail sales through November, 2021*

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

OFFICE

Tech Presence Buoys Demand; Long-Term Outlook Bright, Despite Pandemic Setback

Tenants favoring quality over centralized locations. Montreal will report noteworthy positive absorption in 2022, following a period where almost 1.2 million square feet was relinquished in 2021. A plethora of firms, including Facebook, Samsung and Google, established artificial intelligence labs here over the past few years, which is drawing in additional companies and boosting office demand. Aiding the allure of Montreal, the area is saturated with a talented labour pool, powered by the numerous academic institutions located in the metro. This has helped Montreal become a hub for life sciences and health technology firms. Both of these two sectors will continue expanding operations in the area, often requiring premium space at top-end facilities. These preferences are creating a bifurcated leasing trend, with many firms now more willing to vacate lower-tier CBD space for newer, Class A floorplans in less central submarkets like Midtown and West Island. Metrowide, an aggressive construction pace will prevent vacancy from tightening in the short term, but a slowdown of tenant loss signals the start of a recovery for Montreal.

Montreal Office Investment Trends

- The CBD and West Island submarkets have been the most targeted locales for large Class A space; higher-quality offices under 50,000 square feet, however, also frequently trade in Midtown.
- Montreal's average sale price is the lowest of the major markets, even after climbing to $231 per square foot in 2021. The rate of growth was the second fastest last year, behind only Vancouver.

2022 Office Trends

2.3 M SQ. FT. will be completed

CONSTRUCTION:

Deliveries will rise sharply in 2022, as developers complete work on several large projects. Most of the new space scheduled to finalize is in the city centre and Laval.

70 BPS increase in vacancy

VACANCY:

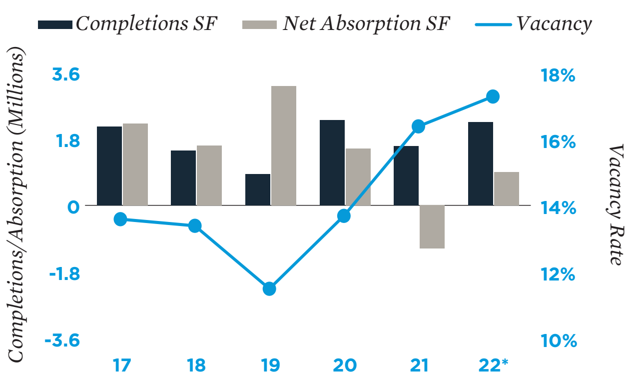
After climbing 270 basis points in 2021, the office market is beginning to stabilize; net absorption of nearly 900,000 square feet will lag behind deliveries, however, lifting vacancy to 17.3 per cent.

1.6% DECREASE in asking rent

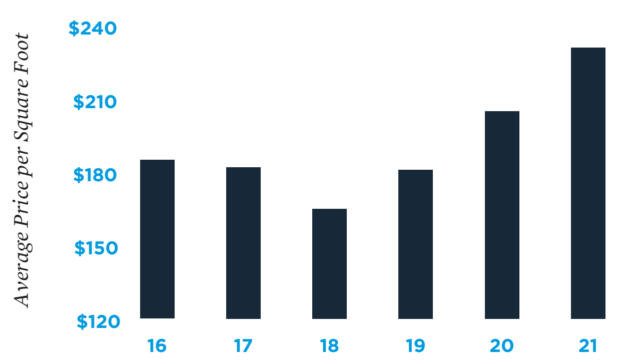
RENT:

As many tenants focus on top-tier offices, the constitution of available space will be lower quality, leading to a mild drop in the average marketed rent to $31.90 per square foot.

Supply and Demand



Sales Trends



** Forecast*

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

INDUSTRIAL

Lack of Available Space Encourages Building and Paves Way for Rent Gains

Health crisis accelerates need for space. Soaring e-commerce sales and access to one of North America's busiest inland ports have led to a very tight industrial market in Montreal. The Port of Montreal saw roughly 1.7 million TEUs pass through last year. Meanwhile, higher-income job growth is bolstering local spending, which will likely increase import activity in the years ahead as more goods are consumed by the metro's residents. These trends have led to robust absorption of available space, as the health crisis pushes more citizens to order goods online. Nearly 8.2 million square feet of industrial space was absorbed in 2021, compressing the vacancy rate to 2.2 per cent. With little remaining space fit for modern use, developers are trying to keep pace, but conditions will hold tight, as much of the 2022 completion schedule is pre-leased. Many of these projects have advertised rents above historic averages in the metro, indicating the potential for a strong average asking rent climb this year in Montreal. Developers and investors are also pursuing land purchases in distant areas, signaling expectations for future demand.

Montreal Industrial Investment Trends

- Strong metrics underscore buyer interest for Montreal's industrial assets. The average per-square-foot price rose last year, but is still below nearby Ottawa and Toronto.
- As prices increase in Montreal proper, investors will be prone to look for opportunities elsewhere in the metro. Below-average entry costs in the South and North Shore could attract buyers.

2022 Industrial Trends

2.4 M SQ. FT.
will be completed

CONSTRUCTION:
Developers finalize less space in 2022 than the trailing five-year annual average. Meanwhile, surging demand will condense vacant stock and warrant greater construction.

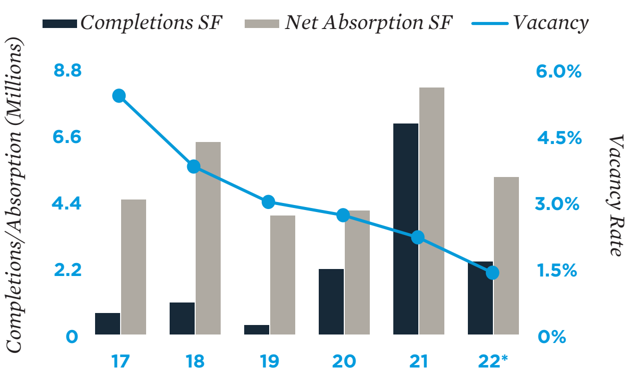
80 BPS
decrease in vacancy

VACANCY:
Strong tenant demand brings net absorption above 5 million square feet for the second straight year. Vacancy falls to 1.4 per cent by year-end, down 400 basis points from 2017.

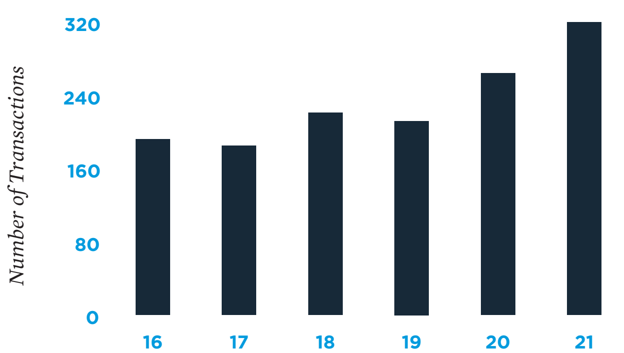
4.9% INCREASE
in asking rent

RENT:
After recording a solid gain in 2021, the average asking rent grows again in 2022, with a slate of higher-quality facilities set to open.

Supply and Demand



Transaction Trends



* Forecast

Sources: Altus Data Solutions ; CoStar Group, Inc.; Statistics Canada

APARTMENTS

Population Gains and Surging Home Costs Tighten Ottawa-Gatineau's Rental Market

Relative affordability draws workers and families to Ottawa. Employment in Ottawa has held steady, due to its assemblage of government and tech workers — industries that were more resistant to job losses at the onset of the pandemic. Many technology-based companies like Shopify have future growth plans in the metro, augmenting the cluster of higher-income roles tied to the Federal Government and providing wage growth prospects. Positions at the numerous tech companies are often being filled by the younger cohort, who tend to favour the rental lifestyle for its flexibility and proximity to employers and urban amenities. Additionally, an 18 per cent increase in single family home prices last year elevated the barriers to entry for prospective first-time homebuyers, pushing more demand toward the rental segment. Nevertheless, lower home and rental costs, compared to metros like Toronto, encourage in-migration by Canadian nationals, further deteriorating the amount of available inventory in a market already facing a shortage. These dynamics paint a positive picture for rental demand going forward.

Ottawa Apartment Investment Trends

- Investors take notice as Ottawa claims one of the nation's strongest rent gains and highest average yields, stimulating capital inflow, following a lift in dollar volume from 2020 to 2021.
- Buyer interest boosted the average sale price to roughly $208,500 per unit in 2021. The average cap rate is in the mid-4 per cent band, the highest of the metros in the 2022 Canadian Forecast Book.

Apartment 2022 Outlook

2,090 UNITS
will be completed

CONSTRUCTION:

Delivery volume reaches the highest level on record, with the completion of nearly 2,100 apartments this year. This addition more than doubles the trailing five-year annual average of 800 rental units finalized.

20 BPS
decrease in vacancy

VACANCY:

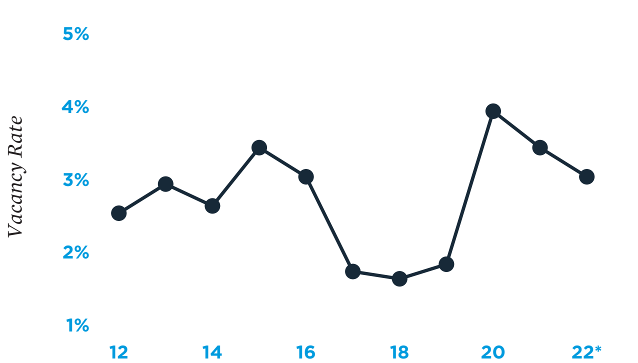
The wave of new supply will not keep pace with demand fueled by in-migration and rising single family home prices. The metro's vacancy rate falls to 3.0 per cent in 2022.

4.8% INCREASE
in effective rent

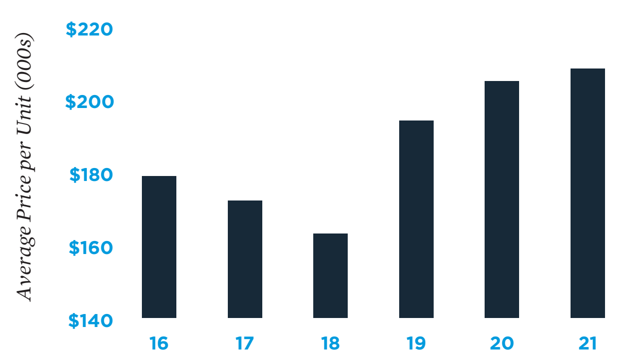
RENT:

Ottawa is set to register the strongest average effective rent increase of the five major Canadian metros in 2022, reaching $1,620 per month amid falling availability.

Vacancy Trend



Sales Trends



* *Forecast*

Sources: Altus Data Solutions; CMHC; CoStar Group, Inc.; Statistics Canada

RETAIL

Strength of the Local Economy to Help Bring Vacancy to a Five-Year Low in 2022

Cluster of higher-wage workers a boon for retail. Many businesses are cognizant of the advantageous labour market and demographic conditions in Ottawa, leading local firms to expand and new companies to enter. The unemployment rate began this year a tick above 4 per cent, almost 200 basis points below the national figure. A healthy job tally provides residents with the income to make purchases, and discretionary spending is augmented by the quantity of higher-wage personnel tied to the Federal Government and growing tech sector. The median household income in Ottawa is $96,700 — the highest among the major metros in Canada and more than 15 per cent above the national average. This favourable landscape generates tenant interest and helped net absorption measure three times as large as deliveries in 2021. Even as builders finalize the most space since 2019 this year, net absorption will again outpace completions, tapering availability to the lowest register in five-plus years. Tighter vacancy should keep asking rents on an upward trajectory after 2021's impressive 5.8 per cent lift.

Ottawa Retail Investment Trends

- The average sale price rose to $337 per square foot last year, indicating both investor confidence and a shift in buyer preferences to favor lower-risk properties. The mean price in Ottawa still represents a 45 per cent discount to Toronto.
- Multi-tenant cap rates typically fall in the high-5 per cent band, with single-tenant returns much lower at 4.0 per cent on average.

2022 Retail Trends

545,000 SQ. FT. will be completed

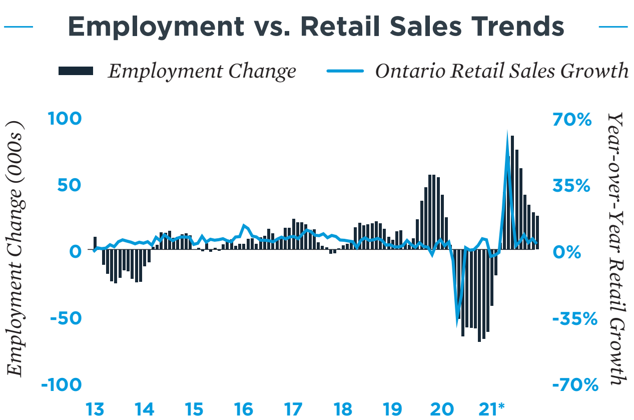
CONSTRUCTION: Metro inventory expands by 0.9 per cent, as builders finalize more than 500,000 square feet for the third time in four years. Deep West Ottawa will add the largest share of space among submarkets in 2022.

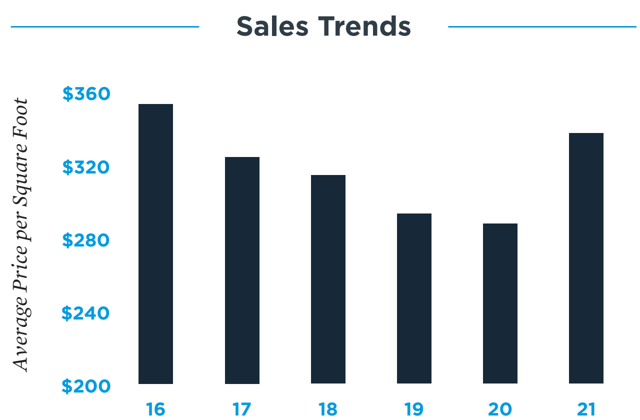
30 BPS decrease in vacancy

VACANCY: Building on last year's 60-basis-point descent, vacancy falls to 2.2 per cent in 2022. At the pandemic-era peak, availability reached 3.1 per cent.

3.8% INCREASE in asking rent

RENT: Improving tenant demand and waning space availability combine to forge conditions for rent growth. The average asking rate rises to $22.70 per square foot.





* *Retail sales through November, 2021*

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

OFFICE

Higher-Quality Buildings Receiving the Most Interest from Tenants and Buyers

Regulations ensure temporary cap on vacancy. Ottawa's office market is largely dependent on a combination of technology, research, co-working firms and government agencies. The presence of internationally renowned companies in the tech sector provides ample future demand prospects, as many corporations within this industry continued expanding during the pandemic. These firms often seek out top-tier space, with some using the health crisis disruption to shift from Class B space to newly vacated or opening Class A space downtown. This led to higher absorption in the central submarkets relative to most other sections of the metro. Suburban leasing activity has been the strongest in Kanata, highlighted by recent signings from Dell Canada and Nanometrics. Meanwhile, the Federal Government is a major office user in Downtown Ottawa, and despite the announcement of a planned 20 per cent space reduction locally, PSPC regulations do not allow these agencies to give space back until their current leasing commitments end, delaying the impacts up to 30 years, by the government's own estimates.

Ottawa Office Investment Trends

- Investors will likely follow tenant demand into assets authorized for sustainable use in the metro, evidenced by Nanometrics and Accenture choosing buildings with BOMA certifications.
- Sales volume in 2021 outpaced the 2019 tally and almost doubled 2020's figure. A more intense bidding environment resulted in the average cap rate falling last year.

2022 Office Trends

565,000 SQ. FT. will be completed

CONSTRUCTION:

In 2022, less space will be completed, compared to the prior yearlong period; annual deliveries, however, will be the second highest since 2017.

20 BPS decrease in vacancy

VACANCY:

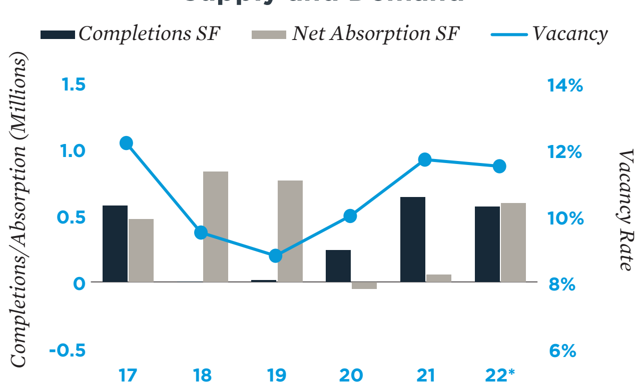
After recording a net absorption figure well shy of deliveries last year, the metro will begin to fill some of the space vacated in 2020, inducing a vacancy retreat to 11.5 per cent.

0.3% INCREASE in asking rent

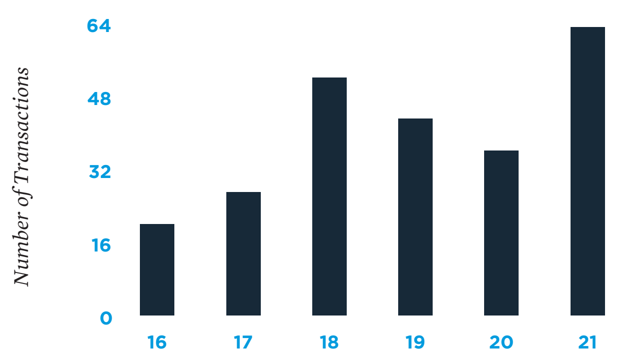
RENT:

The average asking rent is set to register a marginal increase by the end of 2022. This is a change of pace after the average asking rent fell notably over the course of last year.

Supply and Demand



Transaction Trends



** Forecast*

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

INDUSTRIAL

Firms are Keen on Ottawa's Location Amid Less Reliance on Global Supply Chains

Existing inventory is askew to modern tenant preferences. Ottawa has matured from being underutilized as an industrial market, to being one of the hottest metros in the nation over the past few years. The market historically supported smaller, local operations, but now more large, multinational firms and distributors are looking to expand in the region. The metro is situated between the major population bases of Toronto and Montreal, providing a competitive advantage and making the market a prime location for warehouses and distribution. At the same time, uncertainty surrounding global supply chains has nudged many retailers to store larger amounts of stock closer to consumers, effectively increasing the space requirements of many industrial tenants. The existing supply in Ottawa is primarily built for tenants of the past, with under 25 per cent of inventory containing more than 50,000 square feet of leasable space. As the construction pipeline is scant, due to limited land zoned for industrial use, existing properties will continue to leverage strong demand into rent growth.

Ottawa Industrial Investment Trends

- Ottawa maintains per-square-foot pricing beneath Toronto and Vancouver, motivating buyers to remain active in the market. The largest transactions of 2021 occurred in Kanata and East Ottawa.
- A small development pipeline will benefit owners of existing properties, and could encourage landlords to undertake capital improvements —mainly vertical expansion to increase leasable space.

2022 Industrial Trends

260,000 SQ. FT.
will be completed

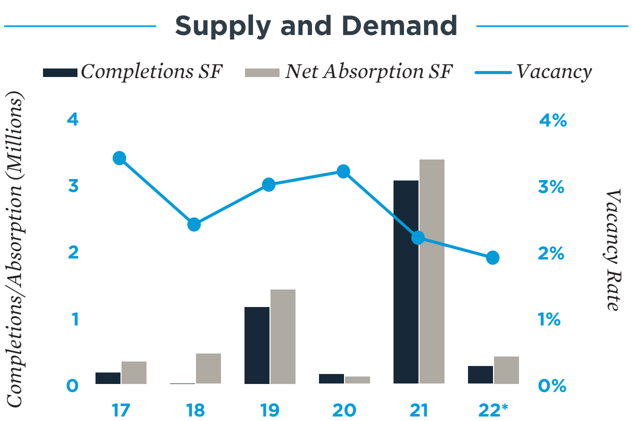
CONSTRUCTION:
The 2022 addition falls 2.7 million square feet below last year's total. High material costs, rising land prices and a dearth of industriallyzoned land impact development.

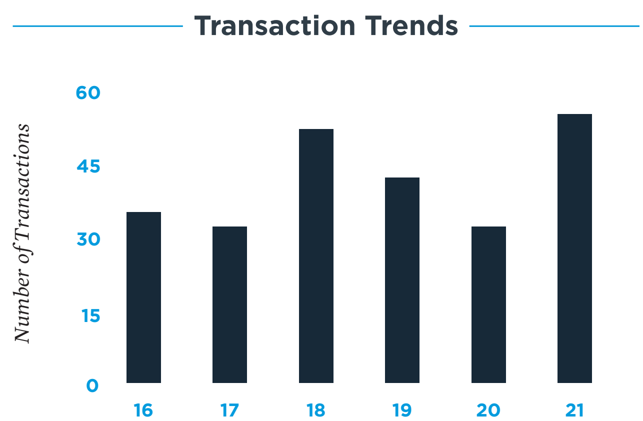
30 BPS
decrease in vacancy

VACANCY:
Net absorption is set to outpace deliveries for the second consecutive year. This will compress the vacancy rate to 1.9 per cent — the lowest reading in at least six years.

1.4% INCREASE
in asking rent

RENT:
The average asking rent grows this year. Limited availability and a small pipeline justify Ottawa's claim as one of the priciest industrial markets in East Canada.





* Forecast

Sources: Altus Data Solutions ; CoStar Group, Inc.; Statistics Canada

APARTMENTS

Many Higher-Income Workers Choosing to Rent Amid Single-Family Housing Trends

Lack of budget-friendly homes aids outlook as preferences shift. Immigration and a broader economic reopening in the second half of last year helped lift the metro's job count by 4.1 per cent relative to the year-end 2019 tally. As the second largest financial center and third largest tech hub in North America, higher-wage jobs are being created at a blistering pace in the GTA. Payroll additions in these industries, coupled with a shortage of single-family houses available for purchase, is resulting in home and condo prices skyrocketing in Toronto. The price of a detached single-family house exceeded $1.4 million last year, which is almost a 35 per cent annual increase. As such, many potential entry-level buyers are opting to rent. Meanwhile, COVID-19 restrictions and remote work operations generated stronger demand for units in suburban complexes with outdoor spaces, balconies and larger floorplans. This shift in preferences is producing vacancy contraction and strong rent growth in places like East Brampton, Oshawa and Milton-Halton Hills.

Toronto Apartment Investment Trends

- Competition for listed assets amid record-breaking trading velocity is applying upward pressure to sale prices, with the metrowide average apartment cost climbing above $300,000 per unit last year.
- Rising per-unit prices in Oakville, Scarborough and Etobicoke are leading to higher trading volumes in Oshawa, Mississauga and York, where entry costs are at or below the GTA average.

2022 Apartment Trends

2,730
UNITS
will be completed

CONSTRUCTION:
Builders will finalize slightly fewer rentals in 2022 than the trailing five-year average amid elevated material costs and a labor shortage in the construction sector.

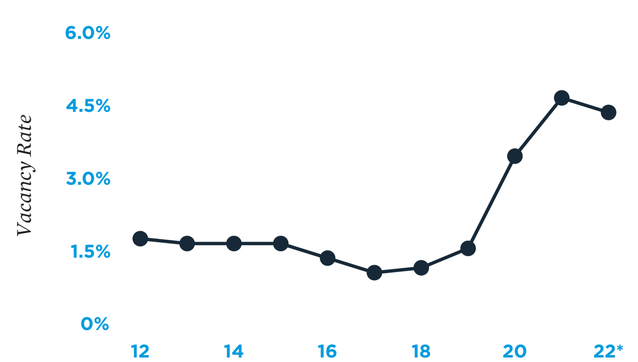
30
BPS
decrease in vacancy

VACANCY:
Following a 120-basis-point increase in 2021, vacancy will drop to 4.3 per cent by year-end. Immigration and escalating home and condo prices in the GTA will help fill more apartment units this year.

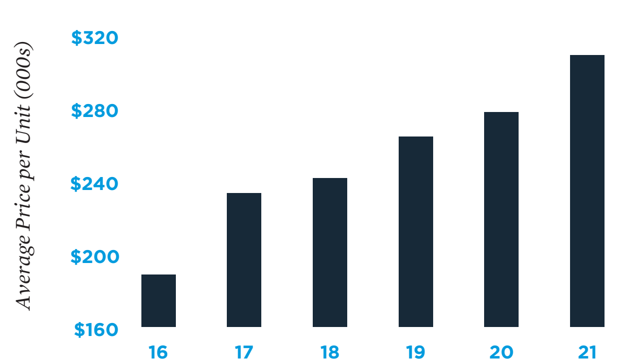
4.5%
INCREASE
in effective rent

RENT:
Adding Luxury Class A units will push the average effective rent to $1,805 per month in 2022. This is the first time rent growth will be above 3 per cent since 2019.

Vacancy Trend



Sales Trends



** Forecast*

Sources: Altus Data Solutions; CMHC; CoStar Group, Inc.; Statistics Canada

RETAIL

Resilience During the Pandemic Prompts Construction and Lifts Investor Sentiment

Builders shift focus to suburbs. Toronto's retail segment endured adversity as COVID-19 restrictions subdued foot traffic and changed the way consumers behave. Despite these challenges, retail vacancy never exceeded 2 per cent at the height of the disruption, and availability has since gravitated downward. The demand drivers in the GTA are unquestioned, with the metro logging 16 consecutive quarters of positive net absorption entering this year. Strong leasing activity is expected to continue in 2022, though a large construction pipeline will inhibit vacancy from contracting to the 1.7 per cent mark recorded prior to the pandemic. Areas of Toronto adding the most new inventory, putting them at risk of a short-term rise in availability, include Outlying York, Outlying Peel and Markham-Richmond Hill. These are all suburban locations, which are attracting new residents amid remote work flexibility and escalating living costs in the urban core. In light of these trends, retailers have been expanding their footprint in the suburbs, highlighted by Walmart committing to an 180,000-square-foot spot in Newmarket.

Toronto Retail Investment Trends

- Investors have placed additional emphasis on targeting mixed-use assets with a multifamily and retail component in the past year, due to the prevalence of remote work in the metro.
- The average cap rate for retail properties in Toronto dipped into the low-4 percent band, while the mean per-square-foot sale price reached $609 — the second highest figure of the major metros.

2022 Retail Trends

2.6 M SQ. FT. will be completed

CONSTRUCTION: Deliveries in 2022 surpass the trailing five-year annual average and exceed last year's tally by more than 2 million square feet; however, less than 500,000 square feet is being built without a tenant signed on.

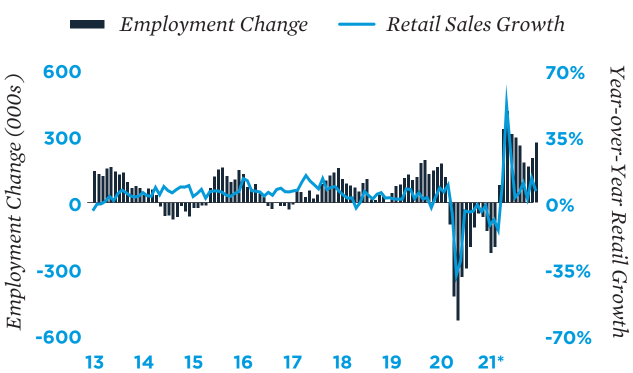
10 BPS increase in vacancy

VACANCY: Net absorption of nearly 2.3 million square feet is not enough to prevent a mild rise in vacancy, with the rate ticking up to 1.8 per cent in 2022.

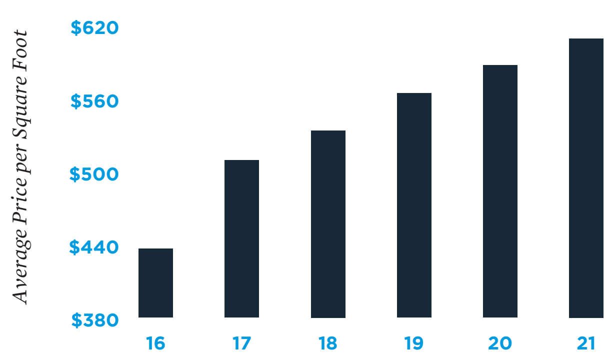
2.4% INCREASE in asking rent

RENT: The average asking rent is set to climb for the fifth year in a row, as new inventory enters a market with limited availability. The average asking rent in the GTA reaches $27.80 per square foot.

Employment vs. Retail Sales Trends



Sales Trends



** Retail sales through November, 2021*

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

OFFICE

Strong Pre-Leasing During Period of Uncertainty Highlights Shift to Quality

Downtown and Midtown to lead the recovery. Canada's largest office market is beginning to turn the corner, with the proportion of available sublease space dipping in late 2021. Some of that sublease space has been absorbed by new firms, while other companies recalled the space they had previously made available. Nevertheless, concerns related to new variants of COVID-19 are delaying the continuation of some of these trends, but well-positioned firms are still showing interest in assets currently under construction. Pre-leasing of higher quality builds is driving absorption, limiting the pace of vacancy increases in suburban GTA, Midtown and Downtown. Some of these areas are starting to record positive net absorption on a quarterly basis, permitting asking rents to hold firm, or even elevate, at amenity-rich assets in the city centre. Despite this, some owners of lower-tier CBD assets and suburban buildings are increasing concessions in an effort to attract additional tenants to available floorplans, which is pulling down on the metrowide average.

Toronto Office Investment Trends

- Investors slowed trading activity in 2020 and early 2021, but the fourth quarter of last year showed renewed confidence, as sales volume was higher than in the final quarter of 2019.
- Uncertainty surrounding COVID-19 variants and the potential for longer-term adoptions of remote work contributed to the average sale price dropping slightly in 2021, down to $453 per square foot.

2022 Office Trends

5.6 M SQ. FT. will be completed

CONSTRUCTION:

Deliveries ramp up in 2022 as several sizable projects finalize. The largest is The Well — a 1 million-square-foot building in Toronto's fashion district, mostly pre-leased.

70 BPS increase in vacancy

VACANCY:

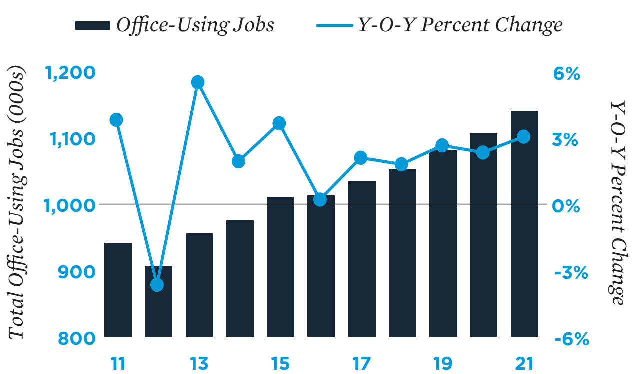
Net absorption will be positive, following 2021's losses. A large batch of completions, however, leads vacancy to climb, but at a slower pace than last year.

1.0% INCREASE in asking rent

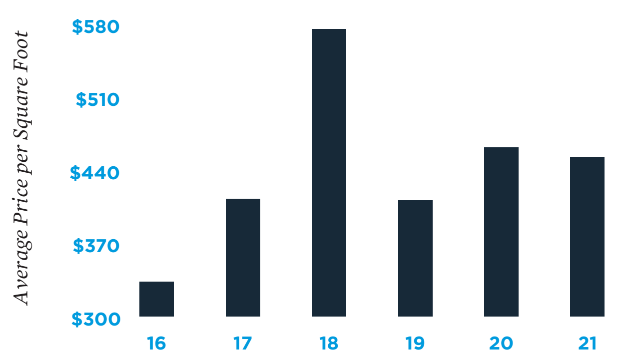
RENT:

An array of new Class A space should boost the average marketed rent, but concession usage elsewhere will stunt growth. The GTA average ticks up to $36.05 per square foot.

Office-Using Jobs Trends



Sales Trends



Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

INDUSTRIAL

Online Shopping Growth a Catalyst for Exceptionally Tight Conditions in the GTA

Expanding logistics firms trim availability to a historic low. As e-commerce sales climb within the GTA, logistics firms and distributors are broadening operations in the region. This has placed additional downward pressure on vacancy in a market that already recorded sub-2 per cent availability prior to the pandemic. Entering this year, more space was under construction than available in Toronto, contributing to very strong pre-leasing amid a lack of existing options. The high probability of new builds leasing quickly has led to a spike in industrially zoned land prices, which has pressured some developers into expanding existing sites upward, rather than build new space in more outlying areas. Meanwhile, the expanding East Toronto corridor is reporting the strongest rent growth figures and lowest availability of the GTA submarkets, due to the area's connectivity to other eastern Canadian and American markets. H&M recently signed a lease to fill roughly 700,000 square feet in the eastern city of Ajax, highlighting retailer interest in large-scale facilities here, as a disrupted global supply chain prompts stores to hold more stock.

Toronto Industrial Investment Trends

- Outstanding fundamentals have strengthened investor interest, supporting a fast rise in pricing to an average of $300 per square foot and cutting the mean cap rate to 4.0 per cent.
- Investors pursuing a value-add strategy could target smaller, outmoded spaces near strategic locations. Incentives offered for these types of projects aid in keeping redevelopment costs feasible.

2022 Industrial Trends

4.2 M SQ. FT. will be completed

CONSTRUCTION: The annual completion total will fall short of the trailing five-year average of nearly 5.8 million square feet finalized, despite a shortage of available space and extremely tight conditions.

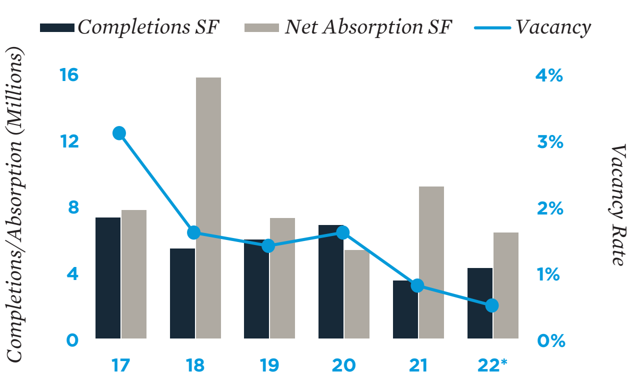
30 BPS decrease in vacancy

VACANCY: Robust demand, indicated by a heavily pre-leased pipeline, will drive net absorption ahead of completions by more than 2 million square feet, shrinking vacancy to 0.5 per cent.

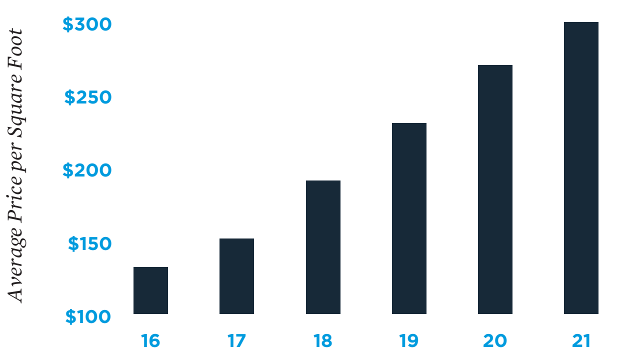
12.4% INCREASE in asking rent

RENT: After jumping 15.8 per cent in the prior year, strong tenant demand and a general under supply in the GTA allow the average asking rent to surge to $12.80 per square foot.

Supply and Demand



Sales Trends



* Forecast

Sources: Altus Data Solutions ; CoStar Group, Inc.; Statistics Canada

APARTMENTS

Immigration, Tourism Recovery and Housing Landscape Spell Promising Outlook

Sky-high home prices push potential buyers toward rentals. Demand for housing in the metro is robust, due to the presence of top tech firms and a high rate of immigration — an economic driver that should strengthen as the nation raises its immigration targets for 2022 and 2023. Meanwhile, single-family housing and apartment construction has lagged population growth, leading to a housing shortage. This has created an environment where ownership is very challenging in the GVA for many mid-to-high-income residents, as a record-low inventory of homes available for purchase is driving up prices at a hasty pace. With ownership out of reach, many prospective buyers are choosing to rent, which is fuelling apartment absorption. The return of international tourism should help the service sector add jobs in 2022 as well, further boosting demand for lower-tier rentals. While the overall GVA vacancy rate has yet to realign with the 2019 level, availability in Downtown Vancouver is already tighter than it was prior to the onset of the pandemic.

Vancouver Apartment Investment Trends

- Competitive bidding has led to high pricing for the market's best offerings, prompting many local investors to sell. Many institutions and REITs are eager to acquire listings in the GVA.
- At $376,000 per unit last year, the average sale price for apartment assets was the highest in the nation, resulting in Vancouver claiming the lowest average cap rate at 2.8 per cent.

2022 Apartment Trends

3,140 UNITS will be completed

CONSTRUCTION:
Developers will deliver roughly 500 fewer units than in 2021. This should be beneficial for existing apartments, as the housing shortage in B.C. will lead residents to sift through available options.

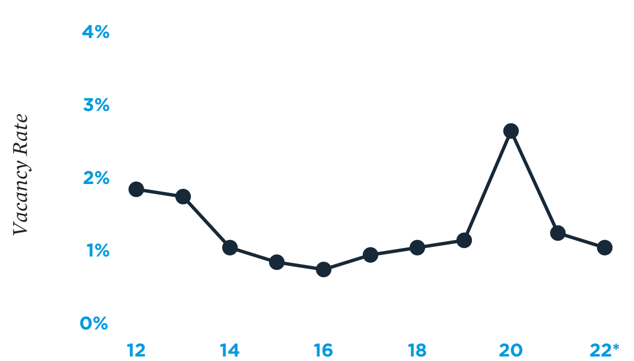
20 BPS decrease in vacancy

VACANCY:
Vacancy remains slightly elevated relative to the pre-pandemic trough, but rising immigration will help tighten vacancy to 1.0 per cent in 2022, just 30 basis points above the 2016 rate.

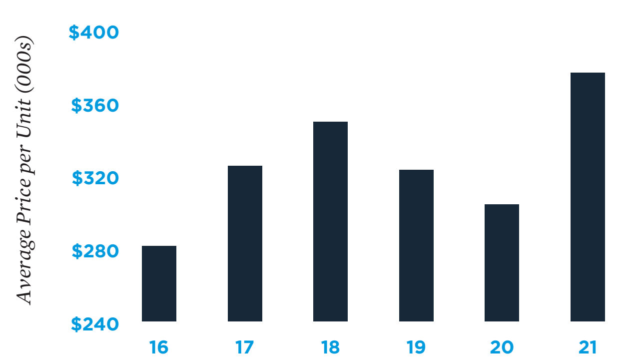
4.6% INCREASE in effective rent

RENT:
Annual rent growth measures above 4 per cent for the first time since 2019. Average monthly rent will reach $1,840, keeping Vancouver as the priciest rental market in Canada.

Vacancy Trend



Sales Trends



* Forecast

Sources: Altus Data Solutions; CMHC; CoStar Group, Inc.; Statistics Canada

RETAIL

Healthy Demand and Low Construction Enhance Canada's Strongest Retail Market

Vancouver boasts nation's tightest vacancy rate. The metro is often an entry point for international retailers angling for a foothold in the country. Since the beginning of 2022, roof rack producer Thule and Paris-based Maison Kitsuné have both opened locations in the market, indicative of the broad attraction of the consumer base. Overall, space demand will increase by 0.5 per cent this year, though extremely tight conditions point toward a pent-up need for more inventory. That pressure will not be alleviated in 2022, as the limited amount of construction coming online this year is mostly pre-leased, constraining the number of speculative footprints. When developers do resume delivering inventory at levels on par with the pre-recession pace, supply will be necessary along the Millennium SkyTrain extension and eventually the Surrey-Langley SkyTrain extension, the latter being projected for completion in 2028. Core areas are also starved for new space, though adding supply is more challenging. In the cities of Vancouver and Surrey, the retail vacancy rate is very tight.

Vancouver Retail Investment Trends

- The metro claims the highest prices and lowest cap rates in the country. Entering this year, the average cap rate for both single and multi-tenant transactions was 3.4 per cent. The average sale price for all retail assets was just short of $800 per square foot.
- International buyers will retain their active role, as capital searches for high-end assets with consistent performance.

2022 Retail Trends

390,000 SQ. FT.
will be completed

CONSTRUCTION:
Land constraints and a slow ramp-up from the health crisis are limiting inventory growth to 0.3 per cent in Vancouver this year.

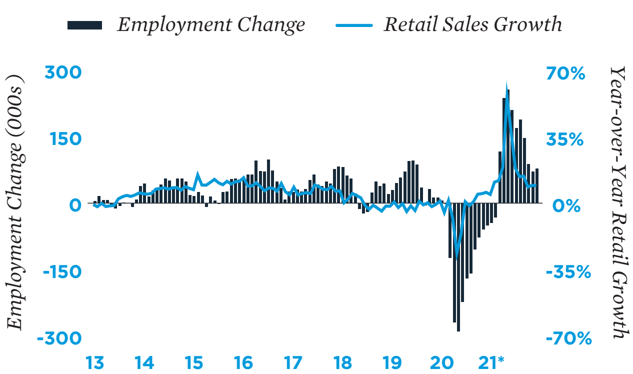
20 BPS
decrease in vacancy

VACANCY:
Improving demand will pull down the availability rate, building on last year's 30-basis-point decline.

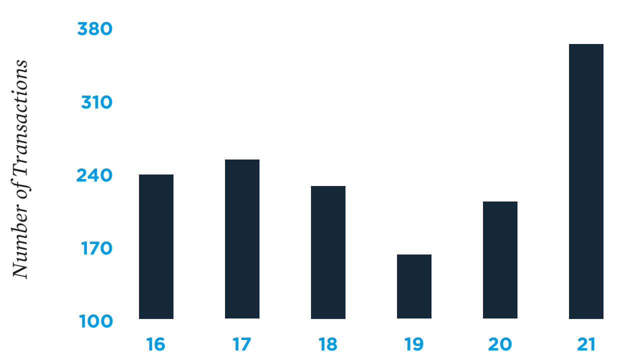
4.0% INCREASE
in asking rent

RENT:
The average asking rent advances to $36.10 per square foot by year-end, as the pace of growth slows modestly from the 5.2 per cent clip in 2021.

Employment vs. Retail Sales Trends



Transaction Trends



** Retail sales through November, 2021*

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

OFFICE

Expansionary Firms Mitigate Magnitude of Tenant Losses in Downtown Office Hubs

Bevy of completions adds to available space. Vancouver's labour market has recovered from its pandemic-related job losses, with an employment tally entering this year 25,000 jobs higher than the prior peak; job gains and an expanding tech ecosystem, however, are only partially alleviating the impacts of the health crisis and corresponding shift to at-home work models. Vacant stock in the GVA exceeded 4 million square feet last year, up more than 40 per cent from the 2019 measure. Over that two-year stretch, roughly 2 million square feet was finalized at a time when many firms shifted to remote work, accelerating upward vacancy movement. The recovery should gain steam this year, but the landscape will be bifurcated. Well-positioned tech firms are often seeking higher-quality spaces, leaving a block of Class B and C space on the market and weighing on asking rents. This trend has been evident in the urban core. Here, Class B vacancy moved above the Class A rate, leading to a drop in the submarket's average asking rent last year.

Vancouver Office Investment Trends

- Investor confidence, paired with a greater emphasis on asset quality, factored into the average sale price reaching a new high last year, climbing at the fastest pace of the major metros.
- In 2021, multiple flagship assets in the core traded at premium price points. One such exchange, involving the former MEC headquarters, was sold vacant and filled by EA Sports within months.

2022 Office Trends

3.1 M SQ. FT. will be completed

CONSTRUCTION:

Supply growth will exceed 3 million square feet for the first time on record, as a 60-40 mixture of pre-leased and speculative construction is scheduled to open in 2022.

60 BPS increase in vacancy

VACANCY:

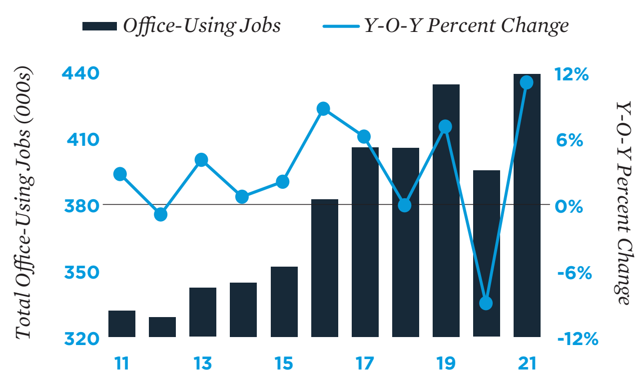
Office availability will climb in 2022; the rate, however, will remain below the national average.

1.5% INCREASE in asking rent

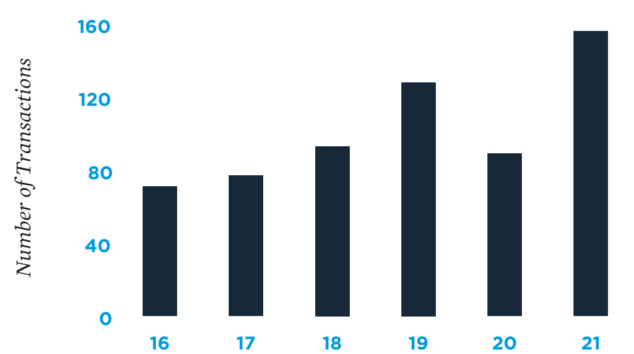
RENT:

The multitude of tech firms seeking a footprint in Vancouver will elevate rents for new Class A space, leading to a slight gain in the metro's average asking rent to $41.40 per square foot.

Office-Using Jobs Trends



Transaction Trends



Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

INDUSTRIAL

Key Role Within the Nation's Supply Chain Aids North America's Tightest Market

E-commerce boom increases activity at the Port of Vancouver. Volume is rising at the Port of Vancouver as Canadian consumers utilize e-commerce, with online spending up more than 30 per cent from 2019. The GVA's location makes this trend especially impactful for industrial performance, as the metro serves as a point of first contact for many goods traveling by boat from Asia. This is facilitating a rapid decline in availability for a market that already claimed one of the lowest vacancy rates on the continent. Vacancy entered 2022 at a historic low, with availability for distribution centers and spaces larger than 50,000 square feet a rarity. This has forced tenants who seek larger footprints to browse new developments, resulting in very strong pre-leasing. This will prevent new supply from keeping pace with skyrocketing demand, moving availability even lower in 2022. This strong performance has happened despite the key field of automobile production lagging. The port can be expected to see even higher activity once these headwinds subside, further boosting tenant demand in the years to come.

Vancouver Industrial Investment Trends

- Vancouver records the highest industrial prices in Canada, at $448 per square foot. The mean cap rate is in the low-3 per cent range.
- Investors could target locales more distant from downtown, as tenants like Lululemon occupy outlying space. Assets in Surrey, Burnaby and Richmond are in demand by both buyers and tenants.

2022 Industrial Trends

3.7 M SQ. FT. will be completed

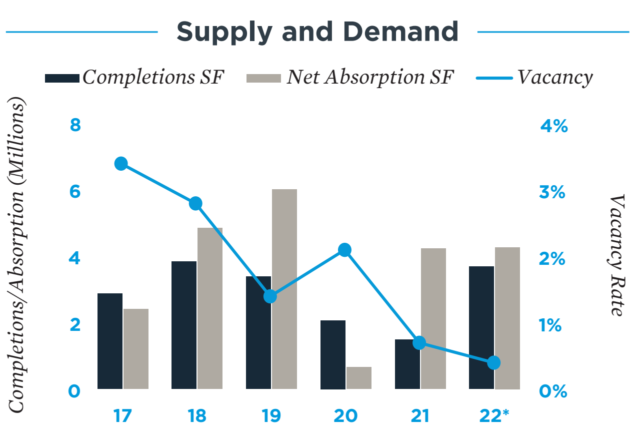
CONSTRUCTION: Completions this year increase substantially from the more than 1.4 million square feet built one year prior. This will be the largest annual addition since 2018.

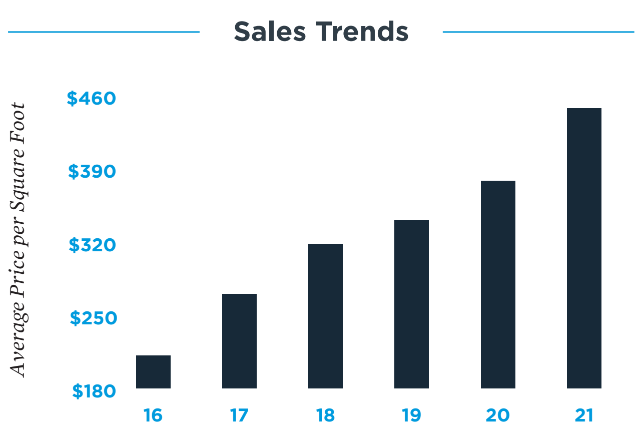
30 BPS decrease in vacancy

VACANCY: Net absorption will surge past 4.2 million square feet as space demand is robust near Canada's largest port, compressing vacancy to 0.4 per cent — the lowest year-end rate on record.

12.6% INCREASE in asking rent

RENT: Boasting the tightest industrial market in the nation, the average asking rent in Vancouver will increase to $17.15 per square foot, as competition for space is fierce.





* Forecast

Sources: Altus Data Solutions ; CoStar Group, Inc.; Statistics Canada

Canada

Calgary
602-16 Avenue Northwest, Suite 211
Calgary, Alberta T2M 0J7
(587) 349-1302
Micheal Heck

Edmonton
10175 101 Street, Suite 1820
Edmonton, Alberta T5J 0H3
(587) 756-1600
Micheal Heck

Montreal
1000 de la Gauchetière West
Suite 4230
Montreal, Quebec H3B 4W5
(438) 844-6500
Julien Marois

Ottawa
275 Bank Street, Suite 301
Ottawa, Ontario K2P 2L6
(613) 364-2300
Mark Paterson

Toronto
200 King Street W, Suite 1210
Toronto, Ontario M5H 3T4
(416) 585-4646
Mark Paterson

Vancouver
333 Seymour Street, Suite 1280
Vancouver, British Columbia
V6B 5A6
(604) 638-2121
Micheal Heck

United States

Corporate Headquarters
Marcus & Millichap
23975 Park Sorrento
Suite 400
Calabasas, CA 91302
(818) 212-2250
www.InstitutionalPropertyAdvisors.com

Atlanta
1100 Abernathy Road, N.E.
Building 500, Suite 600
Atlanta, GA 30328
(678) 808-2700
John M. Leonard

Austin
9600 N. Mopac Expressway,
Suite 300
Austin, TX 78759
(512) 338-7800
Bruce Bentley III

Bakersfield
4900 California Avenue
Tower B, Second Floor
Bakersfield, CA 93309
(661) 377-1878
Jim Markel

Baltimore
100 E. Pratt Street, Suite 2114
Baltimore, MD 21202
(443) 703-5000
Brian Hosey

Baton Rouge
10527 Kentshire Court, Suite B
Baton Rouge, LA 70810
(225) 376-6800
Jody McKibben

Birmingham
The Steiner Building
15 Richard Arrington Jr.
Boulevard North, Suite 300
Birmingham, AL 35203
(205) 510-9200
Jody McKibben

Boise
800 W. Main Street, Suite 1460
Boise, ID 83702
(208) 401-9321
Justin Forman

Boston
100 High Street, Suite 1025
Boston, MA 02110
(617) 896-7200
Thomas Shihadeh

Brooklyn
One MetroTech Center, Suite 2001
Brooklyn, NY 11201
(718) 475-4300
John Horowitz

Charleston
151 Meeting Street, Suite 450
Charleston, SC 29401
(843) 952-2222
Benjamin Yelm

Charlotte Uptown
201 S. Tryon Street, Suite 1220
Charlotte, NC 28202
(704) 831-4600
Benjamin Yelm

Chicago Downtown
333 W. Wacker Drive, Suite 200
Chicago, IL 60606
(312) 327-5400
Joseph Powers

Chicago Oak Brook
One Mid-America Plaza, Suite 200
Oakbrook Terrace, IL 60181
(630) 570-2200
Steven D. Weinstock

Cincinnati
600 Vine Street, 10th Floor
Cincinnati, OH 45202
(513) 878-7700
Josh Caruana

Cleveland
Crown Center
5005 Rockside Road, Suite 800
Independence, OH 44131
(216) 264-2000
Grant Fitzgerald

Columbia
1320 Main Street, Suite 300
Columbia, SC 29201
(803) 678-4900
Benjamin Yelm

Columbus
230 West Street, Suite 100
Columbus, OH 43215
(614) 360-9800
Grant Fitzgerald

Dallas
5001 Spring Valley Road, Suite 100W
Dallas, TX 75244
(972) 755-5200
Tim Speck

Dallas Uptown
3131 Turtle Creek Boulevard
Suite 1200
Dallas, TX 75219
(972) 267-0600
Tim Speck

Denver
1225 17th Street, Suite 1800
Denver, CO 80202
(303) 328-2000
Adam A. Lewis

Detroit
2 Towne Square, Suite 450
Southfield, MI 48076
(248) 415-2600
Steven Chaben

Encino
16830 Ventura Boulevard, Suite 100
Encino, CA 91436
(818) 212-2700
Jim Markel

Fort Lauderdale
5900 N. Andrews Avenue, Suite 100
Fort Lauderdale, FL 33309
(954) 245-3400
Ryan Nee

Fort Worth
300 Throckmorton Street, Suite 1500
Fort Worth, TX 76102
(817) 932-6100
Mark R. McCoy

Fresno
6795 N. Palm Avenue, Suite 109
Fresno, CA 93704
(559) 476-5600
Jim Markel

Greensboro
200 Centreport Drive, Suite 160
Greensboro, NC 27409
(336) 450-4600
Benjamin Yelm

Hampton Roads
999 Waterside Drive, Suite 2525
Norfolk, VA 23510
(757) 777-3737
Benjamin Yelm

Houston
3 Riverway, Suite 800
Houston, TX 77056
(713) 452-4200
Ford Noe

Indianapolis
600 E. 96th Street, Suite 500
Indianapolis, IN 46240
(317) 218-5300
Josh Caruana

Inland Empire
3281 E. Guasti Road, Suite 800
Ontario, CA 91761
(909) 456-3400
Adam Christofferson

Iowa
425 Second Street S.E., Suite 610
Cedar Rapids, IA 52401
(319) 333-7743
Todd Lindblom

Jacksonville
5200 Belfort Road, Suite 250
Jacksonville, FL 32256
(904) 672-1400
Justin W. West

Kansas City
7400 College Boulevard, Suite 105
Overland Park, KS 66210
(816) 410-1010
Josh Caruana

Knoxville
1111 Northshore Drive, Suite S-301
Knoxville, TN 37919
(865) 299-6300
Jody McKibben

Las Vegas
9205 W Russell Road, Suite 100
Las Vegas, NV 89148
(702) 215-7100
Justin Forman

Los Angeles
515 S. Flower Street, Suite 500
Los Angeles, CA 90071
(213) 943-1800
Adam Christofferson

Louisville
9300 Shelbyville Road, Suite 1012
Louisville, KY 40222
(502) 329-5900
Josh Caruana

Manhattan
260 Madison Avenue, Fifth Floor
New York, NY 10016
(212) 430-5100
Susan Bands

Memphis
5100 Poplar Avenue, Suite 2505
Memphis, TN 38137
(901) 620-3600
Jody McKibben

Miami
5201 Blue Lagoon Drive, Suite 100
Miami, FL 33126
(786) 522-7000
Ryan Nee

Milwaukee
13890 Bishops Drive, Suite 300
Brookfield, WI 53005
(262) 364-1900
Todd Lindblom

Minneapolis
1350 Lagoon Avenue, Suite 840
Minneapolis, MN 55408
(952) 852-9700
Todd Lindblom

Mobile
208 N. Greeno Road, Suite B-2
Fairhope, AL 36532
(251) 929-7300
Jody McKibben

Nashville
6 Cadillac Drive, Suite 100
Brentwood, TN 37027
(615) 997-2900
Jody McKibben

New Haven
265 Church Street
Suite 210
New Haven, CT 06510
(203) 672-3300
Susan Bands

New Jersey
250 Pehle Avenue, Suite 501
Saddle Brook, NJ 07663
(201) 742-6100
Jim McGuckin

New Mexico
5600 Eubank Boulevard N.E.
Suite 200
Albuquerque, NM 87111
(505) 445-6333
Ryan Sarbinoff

Oakland
555 12th Street, Suite 1750
Oakland, CA 94607
(510) 379-1200
David C. Nelson

Oklahoma City
101 Park Avenue, Suite 1300
Oklahoma City, OK 73102
(405) 446-8238
Jody McKibben

Orange County
19800 MacArthur Boulevard
Suite 150
Irvine, CA 92612
(949) 419-3200
Jonathan Giannola

Orlando
300 S. Orange Avenue, Suite 700
Orlando, FL 32801
(407) 557-3800
Justin W. West

Palm Springs
74-710 Highway 111, Suite 102
Palm Desert, CA 92260
(909) 456-3400
Adam Christofferson

Palo Alto
2626 Hanover Street
Palo Alto, CA 94304
(650) 391-1700
Ramon Kochavi

Philadelphia
2005 Market Street, Suite 1510
Philadelphia, PA 19103
(215) 531-7000
Sean Beuche

Phoenix
2398 E. Camelback Road, Suite 300
Phoenix, AZ 85016
(602) 687-6700
Ryan Sarbinoff

Portland
111 S.W. Fifth Avenue, Suite 1950
Portland, OR 97204
(503) 200-2000
Joel Deis

Raleigh
101 J Morris Commons Lane, Suite 130
Morrisville, NC 27560
(919) 674-1100
Benjamin Yelm

Reno
50 W. Liberty Street, Suite 400
Reno, NV 89501
(775) 348-5200
Daniel A. Kapic

Richmond
4401 Waterfront Drive, Suite 230
Glen Allen, VA 23060
(804) 802-6900
Benjamin Yelm

Sacramento
3741 Douglas Boulevard, Suite 200
Roseville, CA 95661
(916) 724-1400
Daniel A. Kapic

Sacramento Downtown
333 University, Suite 150
Sacramento, CA 95825
(916) 724-1400
Daniel A. Kapic

Salt Lake City
111 S. Main Street, Suite 500
Salt Lake City, UT 84111
(801) 736-2600
Justin Forman

San Antonio
8200 IH-10 W, Suite 603
San Antonio, TX 78230
(210) 343-7800
Bruce Bentley III

San Diego
12544 High Bluff Drive, Suite 100
San Diego, CA 92130
(858) 373-3100
Damon Wyler

San Francisco
750 Battery Street, Fifth Floor
San Francisco, CA 94111
(415) 963-3000
David C. Nelson

Seattle
601 Union Street, Suite 2710
Seattle, WA 98101
(206) 826-5700
Joel Deis

South Bay
880 Apollo Street, Suite 101
El Segundo, CA 90245
(424) 405-3900
Dawson Rinder

St. Louis
7800 Forsyth Boulevard, Suite 710
St. Louis, MO 63105
(314) 889-2500
Josh Caruana

Tampa
201 N. Franklin St., Suite 1100
Tampa, FL 33602
(813) 387-4700
David G. Bradley

Tucson
One South Church, Suite 1262
Tucson, AZ 85701
(520) 202-2900
Ryan Sarbinoff

Tulsa
7633 E. 63rd Place, Suite 300
Tulsa, OK 74133
(918) 294-6300
Jody McKibben

Ventura
2775 N. Ventura Road, Suite 101
Oxnard, CA 93036
(805) 351-7200
Jim Markel

Washington, D.C.
7200 Wisconsin Avenue, Suite 1101
Bethesda, MD 20814
(202) 536-3700
Brian Hosey

West Los Angeles
12100 W. Olympic Boulevard
Suite 350
Los Angeles, CA 90064
(310) 909-5500
Tony Solomon

Westchester
50 Main Street, Suite 925
White Plains, NY 10606
(914) 220-9730
Susan Bands

The Woodlands
1790 Hughes Landing Boulevard
Suite 400
The Woodlands, TX 77380
(832) 442-2800
Ford Noe

Research Services Division

John Chang | *Senior Vice President, National Director*
Peter Tindall | *Vice President, Director of Research Operations*
Connor Devereux | *Research Engagement Manager*
Maria Erofeeva | *Graphic Designer*
Luis Flores | *Research Analyst*
Nayomi Garcia | *Copy Editor*
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Benjamin Kunde | *Research Analyst*
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Chris Ngo | *Data Analyst*
Adam Norbury | *Data Analyst*
Carlos Pietri | *Research Associate*
Erik Pisor | *Research Analyst*
Spencer Ryan | *Senior Data Analyst*
Daniel Spinrad | *Research Associate*
Jacinta Tolinos | *Executive Assistant*
Cody Young | *Senior Market Analyst, Editor*

Contact:

John Chang | *Senior Vice President*
National Director, Research and Advisory Services
4545 East Shea Boulevard, Suite 201
Phoenix, Arizona 85028
(602) 707-9700 | *jchang@ipausa.com*

Media Contact:

Gina Relva | *Public Relations Director*
555 12th Street, Suite 1750
Oakland, CA 94607
(925) 953-1716 | *gina.relva@marcusmillichap.com*

Senior Management Team

Hessam Nadji | *President and Chief Executive Officer*

Richard Matricaria | *Executive Vice President, Chief Operating Officer, Western Division*

J.D. Parker | *Executive Vice President, Chief Operating Officer, Eastern Division*

Evan Denner | *Executive Vice President, Head of Business, MMCC*

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Michael L. Glass | *Senior Vice President, Division Manager*

Tim Speck | *Senior Vice President, Division Manager*

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Sources: Marcus & Millichap Research Services; Altus Data Solutions; Canadian Real Estate Association; CMHC; CoStar Group, Inc.; Environics; Statistics Canada.

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JOHN CHANG

Senior Vice President, Director
IPA Research Services
JChang@ipausa.com

MICHAEL HECK

Edmonton/Vancouver
Regional Manager
Michael.Heck@MarcusMillichap.com

JULIEN MAROIS

Montreal
Regional Manager
Julien.Marois@MarcusMillichap.com

MARK PATERSON

Ottawa/Toronto
Vice President, Regional Manager
Mark.Paterson@MarcusMillichap.com

Offices Throughout the United States and Canada

RESEARCH SERVICES
4545 E. Shea Boulevard • Phoenix, AZ 85028 • 602.707.9700