IPA | INSTITUTIONAL PROPERTY ADVISORS

A DIVISION OF
MARCUS & MILLICHAP, BROKERAGE

2026 CANADA

National Investment Forecast

TO OUR VALUED CLIENTS

Lingering trade uncertainty weighed on investor sentiment through much of 2025, yet the years ahead offer a meaningful turning point. As USMCA renegotiations come into view and a more pro-growth federal agenda gains traction, confidence is expected to rebuild, opening the door for renewed opportunity across Canada's commercial real estate sector.

Financing conditions are also stabilizing. The Bank of Canada's rate cuts have begun to normalize borrowing costs, improving liquidity and reliability. While progress will be gradual, a more stable rate environment is forming the foundation for investor reengagement and tenant expansion.

Many investors have already begun positioning themselves ahead of the next cycle — taking advantage of pricing, negotiating leverage and quality inventory before competition intensifies. The shift is underway.

As the market transitions into this new cycle, we hope this report provides meaningful insights to guide your investment decisions. Our professionals across Canada stand ready to help you identify opportunities and navigate an evolving landscape with clarity and confidence.

Sincerely,

MICHAEL HECK
First Vice President
District Manager
Western Canada

JOHN HOROWITZ
Senior Managing Director
Chief Revenue Officer
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LUKE SIMURDA
Director of Research
Canada

JOHN CHANG
Senior Vice President
Chief Intelligence
& Analytics Officer
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MARKET OVERVIEWS

CLIENT SERVICES

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

EXECUTIVE SUMMARY

CALGARY

- Persistent pressure on apartments from elevated openings is widening the vacancy gap, pushing effective rents lower as population growth moderates.
- Retail leasing should hold firm as lower borrowing costs lift consumer activity and population growth remains above national levels. Even so, migration tailwinds are easing, which may continue to put some upward pressure on the vacancy rate.

EDMONTON

- Disciplined supply and firm demand from logistics, manufacturing, and energy-related firms are sustaining tight conditions in the industrial sector. Recently announced infrastructure projects could also benefit the industry over the longer term.
- Retailers remain cautious amid trade uncertainty and slowing population growth, leading to delayed expansion plans and a modest rise in vacancy, despite easing construction activity. However, affordability advantages should sustain above-average population gains and maintain positive consumer spending.

MONTREAL

- Lower interest rates, growing trade clarity, and port expansion in Montreal could help stabilize the industrial sector later this year. This comes after the metro was one of the hardest hit by U.S. tariffs in 2025, while also seeing significant inventory expansion over the past few years.
- Downtown and suburban offices face mixed conditions as ongoing rightsizing efforts weigh on demand. Conversions, limited new supply and strong demand for trophy assets, however, are helping temper further vacancy increases.

OTTAWA

- Spending cuts through the federal government's recently announced operational efficiency agenda, along with ongoing hybrid work, are key risks for office fundamentals, even as conversions and constrained supply stabilize vacancy this year.
- Suburban retail is outperforming, while downtown foot traffic remains subdued. Some momentum could build, however, as recent return-to-office mandates and targeted public investments may gradually boost demand and support a recovery in tenant leasing activity in Ottawa's urban core.

SOUTHWESTERN ONTARIO

- Smaller-market factors are improving office leasing momentum, while selective space withdrawals and strong owner-occupier investment demand are tightening conditions. This has been primarily supported by virtually no new supply and rising conversion activity driven by more favourable cost dynamics.
- Trade disruptions, along with slowing student-driven population growth from tighter immigration policies, are weighing on multifamily and retail demand. Meanwhile, the loss of a major anchor tenant in The Bay is adding further upward pressure on retail vacancy rates across the metro.

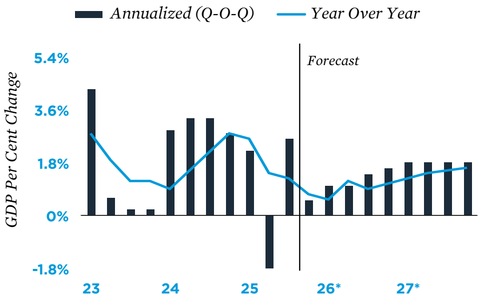
TORONTO

- Office vacancy could inch lower this year as the metro's historic development cycle winds down. This is further supported by growing return-to-office mandates and lower interest rates aiding corporate expansion. While trophy assets continue to lead this recovery, spillover demand will benefit high-quality Class A space and well-located Class B properties.
- Weaker industrial leasing from trade-exposed users and elevated tariffs suppressed absorption last year. Improving clarity later this year and easing financing conditions, however, are likely to help firm demand and stabilize fundamentals.

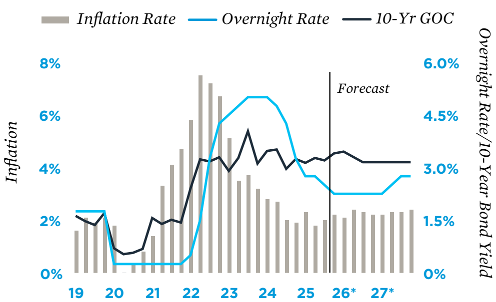
VANCOUVER

- A sharp pullback in immigration and a record wave of deliveries pushed multifamily vacancy to a historic high last year. With another surge in openings expected in 2026 and continued population growth slowing, the demand-supply imbalance is set to widen, prolonging the market's rebalancing phase.
- As a host of FIFA World Cup matches in 2026, along with growing local travel amid tensions with the United States, international and domestic visitations are set to rise. Combined with already tight supply conditions, performance will be one of the strongest in Canada. This will help reinforce the city's status as one of Canada's most resilient and high-demand hotel markets.

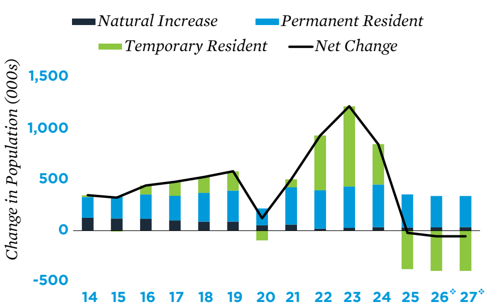
Economic Growth to Gain Momentum



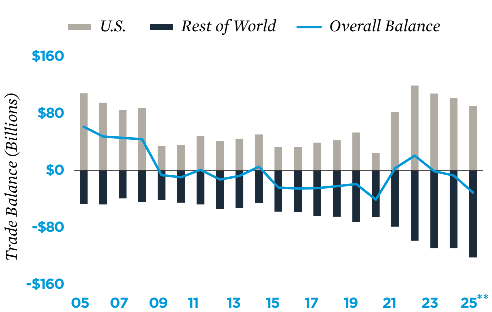
Inflation and Interest Rate Trends



Population Projected to Decline



Canada Merchandise Trade Balance



** Forecast provided by Capital Economics; ✦ Forecast based on government's immigration target; ** Through 3Q*

Sources: Bank of Canada; Capital Economics; Statistics Canada

Lower Rates and Fiscal Push Set the Stage for Economic Recovery Amid Growing Trade Clarity

Canada was poised for a strong 2025. Economic activity gained momentum in the latter part of 2024, as easing inflation facilitated a less restrictive interest rate environment, setting the stage for a healthy recovery last year. However, trade-related headwinds and their overall impact on exports, business investment, and, to a lesser extent, consumption, tempered overall gains. Conditions are expected to gradually improve, though the 2026 outlook remains vulnerable to lingering tariff uncertainty, a slowing U.S. economy, and near-zero population growth under tighter immigration policies. That said, stabilizing borrowing costs, increased government spending, and growing global trade clarity should foster a steady recovery over the latter half of 2026 and into 2027. GDP growth is projected to near 2.0 per cent annualized by year-end, helping the unemployment rate stabilize just below 7.0 per cent by the middle of the year. At the same time, inflation is expected to remain contained within the target range, potentially providing some additional runway for borrowing costs to trend slightly lower.

Interest rates to stabilize around a more neutral range. With economic growth muted and the possibility of unemployment edging higher through early 2026, the Bank of Canada may deliver additional rate cuts. Though most forecasts now place the terminal rate at the current 2.25 per cent, some anticipate a lower endpoint of 2.0 per cent by midyear. Potential parallel moves by the U.S. Federal Reserve could also exert modest downward pressure on long-term bond yields and commercial lending costs. However, persistent fiscal deficits tied to elevated public spending and residual tariff-related inflation are likely to limit the depth of rate declines. While monetary conditions may loosen slightly more, the 10-year Government of Canada bond yield is projected to stabilize just above 3.0 per cent, keeping financing costs historically low but not excessively accommodative relative to the average of 1.75 per cent between 2014 and 2019.

2026 ECONOMIC OUTLOOK

- **Trade uncertainty remains a key risk.** Ongoing USMCA renegotiations are expected to weigh on business sentiment and delay investment decisions through much of the first half of 2026, adding to broader trade uncertainty. While consumer and export activity may remain subdued in the near term, Canada's strong compliance with existing USMCA provisions and efforts to diversify trade towards Europe and Asia should help cushion the impact. Assuming the core framework of the agreement is maintained, these factors could preserve Canada's relative competitiveness and support a gradual recovery in cross-border trade later this year.

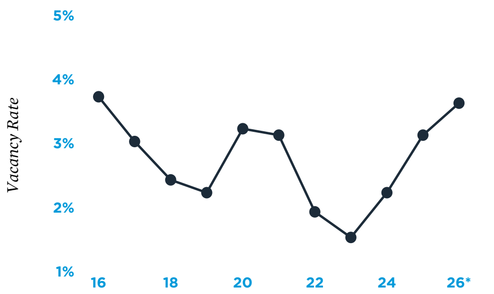
- **Federal policy to provide near-term support.** The One Canada Economy Act is set to play a pivotal role in shaping the medium-term outlook, targeting the removal of interprovincial trade barriers and the acceleration of major infrastructure projects. Combined with sizable fiscal spending embedded in the latest federal budget, these measures should provide a meaningful boost to productivity, employment and investment beginning in late 2026. While elevated deficits could limit fiscal flexibility over the longer term, the policy shift underscores Ottawa's focus on reigniting growth and strengthening national economic cohesion following a period of subdued expansion.

	Calgary	Edmonton	Montreal	Ottawa	SW Ontario	Toronto	Vancouver
	GCA Alberta	*GEA* Alberta	*GMA* Québec	*GOA* Ontario	*SWO* Ontario	*GTA* Ontario	*GVA* British Columbia
2025 JOB GROWTH* *Canada 1.5%*	**4.4%** 4.2%	**3.8%** 4.2%	**1.1%** 0.9%	**-4.0%** 1.1%	**1.3%** 1.1%	**2.6%** 1.1%	**1.4%** 0.1%
2025 POPULATION AGE 20-34 *Canada Average 21.3%*	**21.8%** 20.9%	**21.9%** 20.9%	**21.2%** 19.2%	**21.8%** 22.7%	**23.2%** 22.7%	**25.0%** 22.7%	**25.4%** 22.2%
2025-2030 HOUSEHOLD GROWTH *Canada 5.2%*	**14.4%** 10.1%	**10.9%** 10.1%	**1.6%** 2.1%	**7.3%** 5.4%	**6.3%** 5.4%	**4.5%** 5.4%	**5.8%** 6.1%
2025 MEDIAN HOUSEHOLD INCOME *Canada $94,619*	**$104,267** $98,797	**$98,348** $98,797	**$87,160** $84,180	**$114,556** $102,116	**$98,446** $102,116	**$104,282** $102,116	**$106,434** $103,405
2024-2025 CHANGE IN HOUSING STARTS** *Canada 5.5%*	**20.0%** 21.3%	**23.4%** 21.3%	**54.8%** 31.2%	**21.8%** -17.8%	**17.3%** -17.8%	**-37.0%** -17.8%	**-0.6%** -2.1%
PER CENT WITH BACHELOR'S DEGREE OR HIGHER *Canada 29.5%*	**37.3%** 28.4%	**29.3%** 28.4%	**32.0%** 26.0%	**39.6%** 32.8%	**28.9%** 32.8%	**41.1%** 32.8%	**38.2%** 31.4%

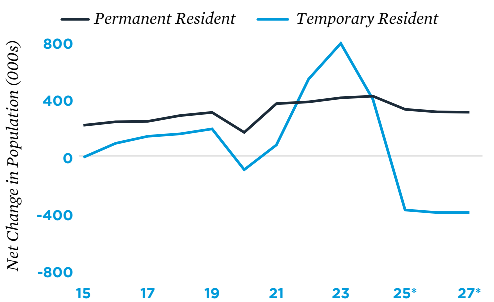
** Year over year as of November; ** Year to date through 3Q*

Sources: CMHC; Environics; Statistics Canada

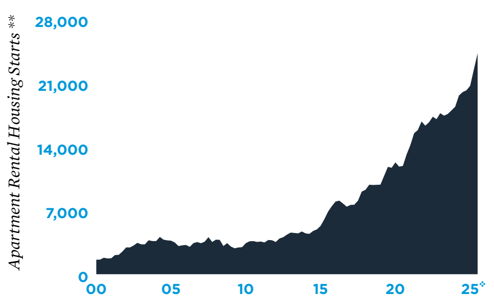
Multifamily Vacancy Trend



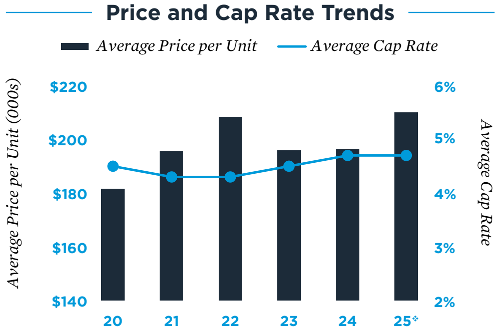
Temporary Residents Leaving Canada



Multifamily Starts Accelerated in 2025



Price and Cap Rate Trends



*Forecast; ** Trailing 12-month average; ✢ Trailing 12 months through 3Q*

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

Demand-Supply Realignment to Foster More Balanced Rental Conditions

A more tenant-friendly rental market emerged in 2025. Last year marked a period of adjustment for Canada's multifamily sector. As Ottawa tightened immigration policies, rental demand growth moderated. Outside the pandemic years, Canada saw its temporary-resident population decline for the first time since 2015, while the intake of permanent residents also slowed. Amid this deceleration in demand growth, rental supply continued to expand at a rapid clip. Although completions did not set another record, they remained elevated by historical standards, surpassing 80,000 units nationwide last year. At the same time, secondary rental supply kept rising, as more financially stressed condo owners listed their units — often at discounted rates — to offset higher mortgage costs. These shifting demand-supply dynamics created a more balanced environment, pushing vacancy rates higher and slowing rent growth across Canada.

Further rebalancing expected in 2026. In the new year, the rental market is expected to continue softening amid persistent cyclical demand headwinds and another year of elevated completions. Population gains are projected to remain muted as the government intensifies efforts to reduce temporary residents to less than 5.0 per cent of the total population. While this will remain the main demand headwind, a sluggish for-sale housing recovery — held back by weak sentiment and affordability pressures — signals a slow shift to homeownership, offering some support to rental demand. On the supply side, completions are forecast to reach a record high, reflecting rising construction starts during the post-pandemic years. As starts accelerated last year, this supply pressure may persist beyond 2026. Consequently, the vacancy rate is expected to continue its upward trajectory, approaching 4.0 per cent by year-end. Rising vacancies will offer relief for renters, particularly in high-rent markets, as apartment owners keep effective rents competitive amid longer lease-up periods.

2026 MULTIFAMILY OUTLOOK

- **Metro-level variations drive shifts in 2026 outlook.** While fundamentals are expected to soften nationwide, select regions are likely to outperform. Alberta will continue to benefit from strong domestic in-migration, helping to curb the rise in vacancy. In Toronto and Ottawa, more disciplined construction pipelines — in part due to project delays — will also help temper vacancy rate increases. In contrast, completions in Vancouver are projected to reach an all-time high following a significant jump in construction starts over the past few years. This will result in a steeper rise in vacancy and further downward pressure on effective rent growth.

- **Multifamily positioned to draw growing buyer interest.** Alongside the recent wave of new purpose-built rental projects, investment in multifamily assets has climbed steadily over the past three years, given their stability and defensive characteristic. By late 2025, apartment buildings accounted for roughly 30 per cent of all transactions, making multifamily the second most active property type among investors. While the sector is currently adjusting to cyclical headwinds, sentiment remains positive. Canada's structural housing shortage, persistent affordability pressures, a supportive policy environment and the growing emphasis on build-to-rent all point to a favourable long-term investment backdrop.

Space Demand Poised for Recovery as Macro Tailwinds Counter Uncertainties and Demographic Challenges

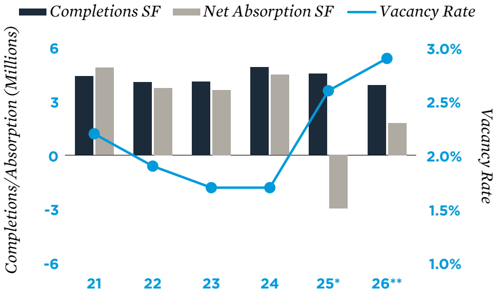
Fundamentals softened in 2025 under external pressures. Last year, Canada's retail sector grappled with multiple obstacles. Higher tariffs imposed by the United States and persistent uncertainties surrounding cross-border commercial ties increased operating costs and weighed on business sentiment, slowing retail leasing across the country. While consumer spending remained resilient amid lower interest rates, these headwinds tempered overall space demand. Coupled with the closure of Hudson's Bay stores, net absorption fell into negative territory, pushing the vacancy rate up to 2.6 per cent — its highest level since 2020. As vacancy rose, rent growth slowed to below 2.0 per cent, marking its lowest annual pace on record.

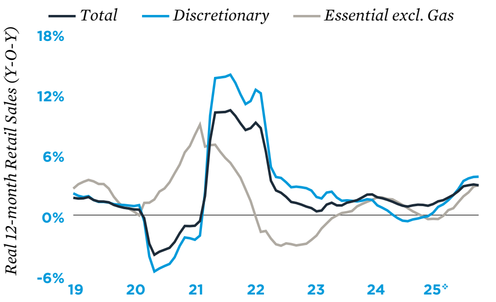
Tenant demand to improve in 2026, but vacancy rates to trend higher. Entering the new year, macroeconomic conditions are expected to support a gradual recovery in the need for retail space. The Bank of Canada's accommodative stance will continue to filter through the economy, sustaining growth in retail sales. This pickup in consumer spending should, in turn, stimulate leasing activity, pushing net absorption back into positive territory. However, persistent uncertainty surrounding trade policy could still keep many retailers cautious about expansion, particularly given the backfill challenges following the exit of Hudson's Bay. Moreover, as Canada doubles down on curbing population growth through reduced intake of temporary residents, the expansion of the consumer base and foot traffic will likely remain minimal. As a result, the recovery in space demand is expected to be measured and lag behind new supply, leading to another year of rising vacancy rates.

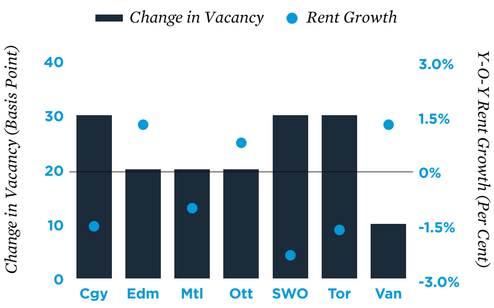
2026 RETAIL OUTLOOK

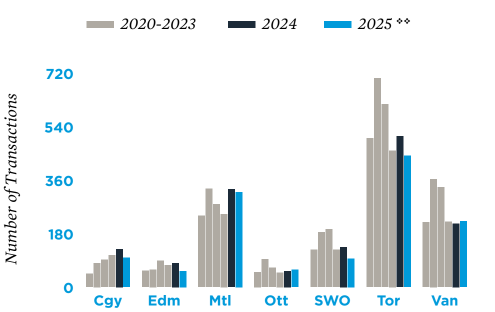
- **Regional divergence shapes retail recovery in 2026.** The recuperation in space demand is expected to be uneven across Canada, with stronger momentum in western metros and more measured gains in the east. In Alberta, population growth — though expected to slow — is still projected to rank among the highest in the country, which will continue to drive foot traffic in Calgary and Edmonton. In Vancouver, rising spending power amid lower interest rates and an anticipated influx of visitors ahead of the World Cup may bolster retailer confidence and reinforce leasing activity. By contrast, trade tensions and muted population growth are expected to remain key headwinds for eastern markets in 2026. Potential public-sector job losses stemming from the federal government's operational spending cuts could further compound these pressures, weighing on the recovery in metros with a higher concentration of government-related employment.

- **Solid fundamentals to underpin sales momentum.** Investment activity held up well last year despite trade policy uncertainties. The national vacancy rate remained well below 3.0 per cent, bolstering investor confidence. On top of that, lower borrowing costs facilitated acquisitions of larger properties, supporting dollar volume throughout the year. In 2026, the accommodative monetary environment should continue to prompt sidelined capital back into the market. However, amid lingering uncertainties and demographic headwinds, investors are expected to remain selective, focusing on high-profile, prime assets and properties anchored by grocery and essential retailers.



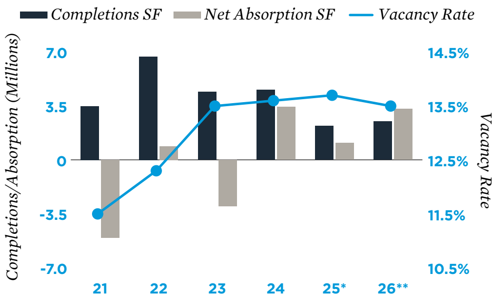




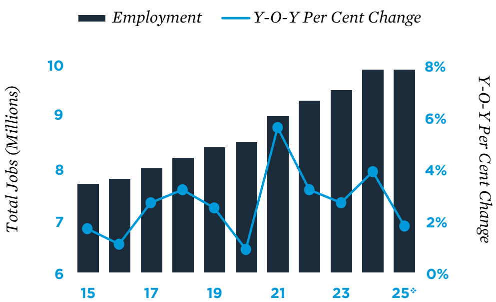


* Estimate; ** Forecast; * Through September;
** Trailing 12 months through 3Q
Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

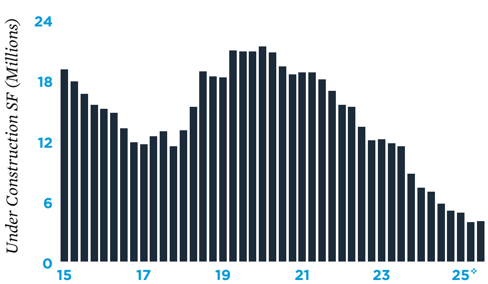
Office Supply and Demand



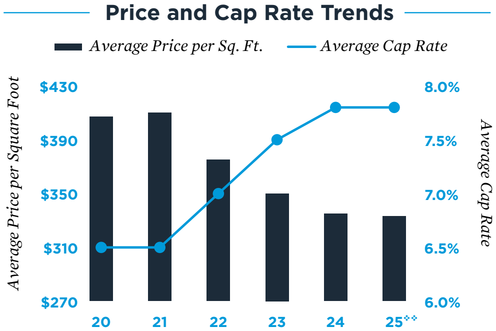
Office-Using Employment



Supply Pressues Beginning to Ease



Price and Cap Rate Trends



** Estimate; ** Forecast; + Through 3Q; ++ Trailing 12 months through 3Q*

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

Canada's Office Sector Could Enter its Next Cycle Amid Improving Conditions

Market stabilization takes shape. After five years of weakening performance, Canada's office market steadied through 2025. The nation's vacancy rate largely held flat at just above 13.5 per cent throughout the year as the country's historic build cycle that began just prior to the pandemic wound down. Nevertheless, leasing was uneven. Calgary and Edmonton were tempered by energy-sector consolidation. Toronto and Vancouver found their footing after historic development cycles largely delivered. Ottawa and Montreal faced mixed government and trade-related dynamics. Even so, on a national level the year marked a turning point from contraction to stabilization. Flight to quality continued to dominate, with tenants consolidating into top-tier, amenity-rich buildings while demand for secondary space lagged. Although hybrid work and trade uncertainty remain key risks to Canada's office sector outlook, it appears the worst of the pandemic-induced downturn is over.

Office recovery to begin, albeit with risks to monitor. Heading into 2026, Canada's office sector is positioned for incremental improvement. Lower borrowing costs are slowly filtering through to corporate expansion plans, while renewed return-to-office mandates from major employers are supporting higher utilization. With construction pipelines largely exhausted, supply pressures are also fading, paving the way for net absorption to gradually outpace completions. Vacancy is projected to decline modestly, while select suburban submarkets could outperform as tenants prioritize access, efficiency and affordability. Asking rents are also likely to stabilize in several markets, particularly those where high-quality space is scarce. That will set the stage for an early-cycle recovery in the latter half of the year, built on improved demand visibility. It is important to note, however, that ongoing tariff tensions remain key risks to the outlook, with any escalation likely to weigh on business confidence and leasing momentum.

2026 OFFICE OUTLOOK

- **Supply dynamics turning for the better.** Canada's office vacancy rate sat around 8.0 per cent before the pandemic. That near-record low triggered a historic construction wave. The pipeline peaked around 20 million square feet in 2020. Most of that space has since been delivered, leaving just 3 million square feet under construction at the end of last year — the lowest level in over two decades. This sharp pullback and removal of obsolete inventory through rising office-to-residential conversions is helping to restore balance. While feasibility challenges remain in higher-cost markets, conversions are alleviating lingering office vacancy and Canada's housing shortage. Together, these dynamics point to a stabilizing market supported by structural supply discipline and a firmer foundation for a longer-term demand recovery.

- **Investor profiles diverge across markets.** The most notable trend across Canada's office landscape is the widening performance gap. Trophy assets in prime downtown or suburban locations are attracting steady leasing, while lower-grade space continues to lag. Institutional investors remain focused on core opportunities in Toronto and Vancouver, positioning themselves for the next office demand cycle. Meanwhile, local owner-occupiers are increasingly active in more regional centres such as Southwestern Ontario and Edmonton. Together, these forces signal an evolving, more disciplined market as Canada's office sector begins to turn the corner.

Lower Interest Rates Set the Stage for a Gradual Recovery Amid Trade Turbulence

A battered 2025 amid tariff wars. Last year, trade tensions dampened the anticipated stabilization of Canada's industrial sector. Increased tariffs from the United States and persistent uncertainty about their levels and duration directly affected trade-dependent industries, slowing growth in the manufacturing, transportation and warehousing sectors. The impact was particularly pronounced in large-bay properties, as many manufacturing and third-party logistics firms scaled back expansion plans. Ontario and Quebec were the hardest-hit provinces, reflecting their heavy manufacturing base and deeply integrated supply chains with the U.S. As a result, space demand was subdued, pushing the national vacancy rate close to 4.0 per cent — its highest level since 2013.

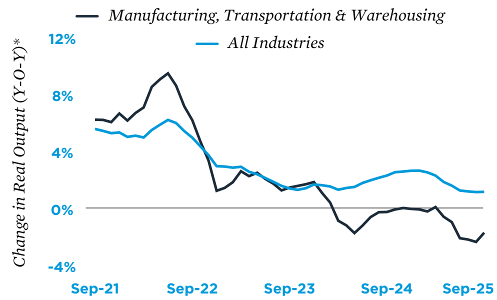
Trade policy continuing to play a decisive role in shaping 2026 outlook. With no guarantee that U.S. trade policy will not change further, firms are likely to remain cautious in their near-term expansion and capital spending plans. The joint review of the USMCA in July — where Canada, the U.S. and Mexico will decide whether to extend the agreement for another 16 years — could mark a key inflection point. If trade conditions improve thereafter, leasing activity is expected to rebound in the second half of the year as previously deferred expansion plans unleash pent-up space demand. Meanwhile, an accommodative monetary environment will continue to support domestic consumption, adding further momentum to this potential recovery. This outlook suggests that the vacancy rate may continue to edge higher early in the year before retreating in the latter half. On the supply side, the nation's historic build cycle is slowly winding down — first constrained by rising vacancy concerns during the 2023-2024 market recalibration, and later by trade-related uncertainty. As a result, completions are projected to decline further in 2026, reaching their lowest level since 2017.

2026 INDUSTRIAL OUTLOOK

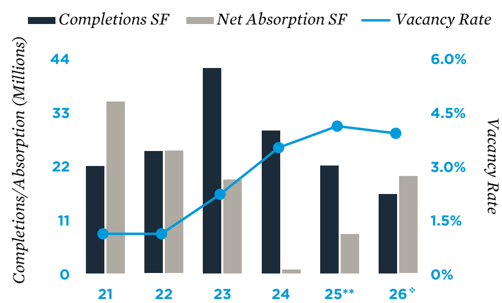
- **Recovery trajectories split across provinces.** As steel, aluminum, copper and pharmaceutical products face higher U.S. tariffs, Ontario and Quebec will continue to bear the brunt of trade-related disruptions. Net absorption remained sluggish throughout 2025 in Quebec and held below trend from the second quarter onwards in Ontario. This subdued space demand could persist across eastern metros until trade relations with the U.S. improve meaningfully. In Alberta, rising oil production, lower tariffs on energy products and above-average population growth are expected to drive a quicker demand recovery amid lower interest rates. Meanwhile, British Columbia's diversified trade ties — particularly with Asia-Pacific markets — make it less reliant on U.S. demand, positioning the province for an earlier rebound in absorption relative to other major provinces.

- **Investor preference growing for smaller-bay properties.** Heightened trade risks swiftly curtailed the recovery that had been anticipated earlier last year. Instead of a full-scale pullback, capital rotated towards smaller-bay assets. These properties have been structurally undersupplied and tend to exhibit greater stability during periods of volatility due to their exposure to local service-oriented tenants. Looking ahead, a trade resolution could catalyze a meaningful rebound in investment activity, amplified by easing long-term financing costs. That said, should trade frictions persist, investment flows are likely to remain constrained as risk appetite stays subdued.

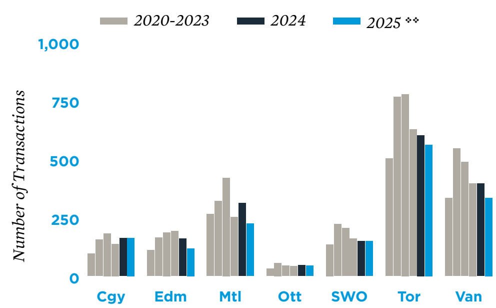
Industrial Sector Growth Weakened in 2025



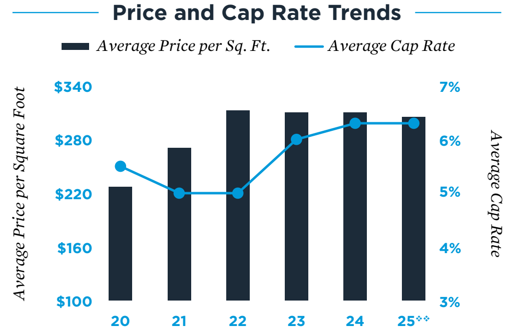
Industrial Supply and Demand



Industrial Transactions

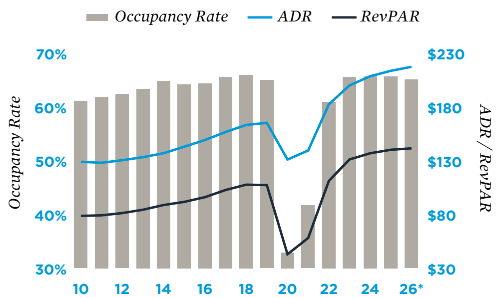


Price and Cap Rate Trends

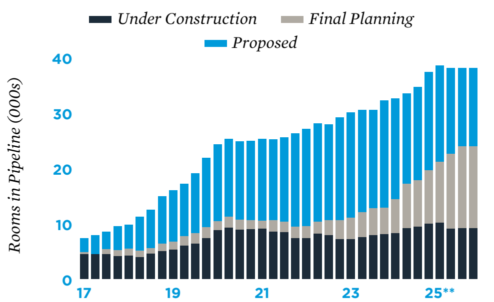


*3-month moving average; ** Estimate; ✢ Forecast;
✢✢ Trailing 12 months through 3Q
Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

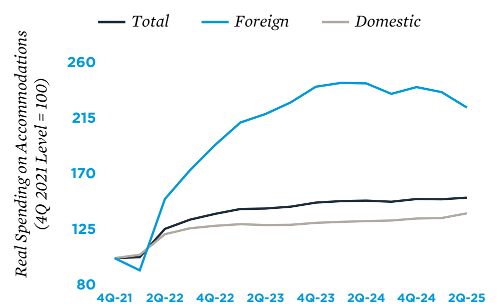
Occupancy and Revenue Metrics



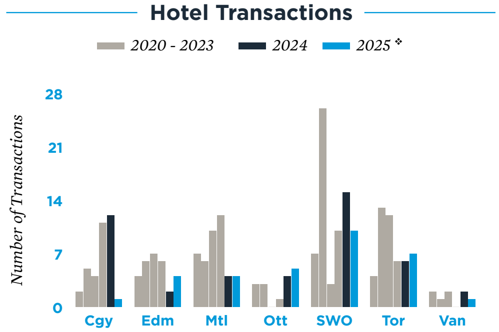
Supply Lingers Amid Investor Interest



Residents Stay Local Amid Tensions



Hotel Transactions



** Forecast; ** Through 3Q; ✣ Trailing 12 months through 3Q*

Sources: Altus Data Solutions; Statistics Canada; STR, a CoStar Group Company

Domestic Demand and Global Spotlight Maintains Stability for Canada's Hotel Sector

Resilient in-country travel and constrained supply buoyed performance in 2025. Canada's hotel sector saw growth in key revenue metrics slightly outpace that of inflation last year. This was supported by domestic leisure demand, reflecting softer cross-border travel and a growing Buy Canada movement amid economic tensions with the United States. During the summer, national occupancy hovered near an all-time high of just above 66 per cent, while the average daily rate and revenue per available room advanced by approximately 4.0 per cent to 5.0 per cent year over year. Although demand growth was modest compared to the outsize gains of prior years — largely due to uncertainty tied to U.S. tariff measures — performance was further backstopped by tight supply conditions. Limited new openings across most metros during the first half of the year helped sustain pricing power, enabling operators to keep key income growth metrics above inflation by year-end despite a softer macroeconomic backdrop.

New hotel supply driving a performance shift through 2026. Hotel fundamentals are expected to moderate this year, as a wave of projects come online. After several years of subdued development, openings increased significantly over the latter part of last year and are expected to remain elevated in 2026. This influx of high-quality supply will provide travellers with more options, tempering occupancy to roughly 65 per cent nationally. On the demand side, while growth was modest in 2025 amid trade-related uncertainty, ongoing domestic travel, improving trade clarity, lower interest rates and a growing return-to-office movement are projected to lift both leisure and business travel over the second half of 2026. Even though occupancy is likely to inch down again, ADR and RevPAR growth should broadly align with inflation by year-end, supported by a continued demand recovery and higher-quality openings.

2026 HOSPITALITY OUTLOOK

- **Domestic travel key for hotel demand.** Canadian travellers have increasingly re-directed spending towards local destinations amid ongoing trade frictions with the United States. By mid-2025, resident tourism spending within Canada was up 2.9 per cent. International visitor expenditures fell 5.3 per cent, reflecting softer U.S. inflows and heightened global uncertainty. Even so, non-U.S. arrivals by air rose roughly 2.0 per cent year over year in September, supported by gains from Europe and Asia. This trend, combined with resilient domestic activity, is expected to cushion demand through 2026. While international travel may remain below pre-pandemic peaks, the continued substitution of domestic for U.S.-bound trips will help absorb new hotel supply and reinforce stability amid a shifting global travel landscape.

- **International recognition to drive longer-term fundamentals.** Canada's role as co-host of the 2026 FIFA World Cup will provide a meaningful lift to hotel performance, particularly in Toronto and Vancouver. Featuring 13 matches split between the two cities, the tournament in Canada is projected to generate billions of dollars in economic benefit and attract over 60,000 incremental visitors. Beyond the immediate occupancy and ADR boost expected during the June and July period, the event will significantly elevate Canada's global tourism profile. Over the longer term, enhanced visibility, upgraded infrastructure and repeat travel from overseas visitors could yield enduring benefits for the hospitality sector.

Waves of New Supply Push Rental Market Further in Tenants' Favour

Vacancy to drift higher amid widening supply-demand gap. As completions remained elevated against a backdrop of slowing population growth, Calgary's apartment vacancy rate rose for a second consecutive year in 2025. This supply-demand imbalance is expected to widen in 2026. Projects launched during the post-pandemic period of record in-migration will continue to reach completion. Apartment construction starts also showed few signs of easing by the end of last year, suggesting that supply pressures could extend well beyond 2026. At the same time, the downtown office-to-residential conversion program will add yet another source of new supply. On the demand side, population growth — while still one of the strongest in Canada amid affordability advantages — is set to decelerate further as Ottawa places tighter constraints on international migration. Premium buildings with modern amenities are expected to face longer lease-up timelines due to more competition from new supply, while older and more affordable stock should see comparatively firmer demand. Together, these forces will sustain a renter-friendly environment, characterized by another year of rising vacancy and continued downward pressure on rent growth.

INVESTMENT TRENDS

- Despite softening fundamentals, sales held up in 2025. Calgary's above-average domestic migration continues to support population growth, bolstering buyer confidence in long-term prospects.
- In addition, the absence of rent control gives landlords greater flexibility amid Canada's structural housing shortage. This also bodes well for long-term multifamily investment activity.

2026 Multifamily Trends

8,000 UNITS
will be completed

CONSTRUCTION:
While cost-induced delays mean fewer units this year, the tally is still among the highest in recent memory. The 50 per cent surge in starts last year indicates this pressure will extend beyond 2026.

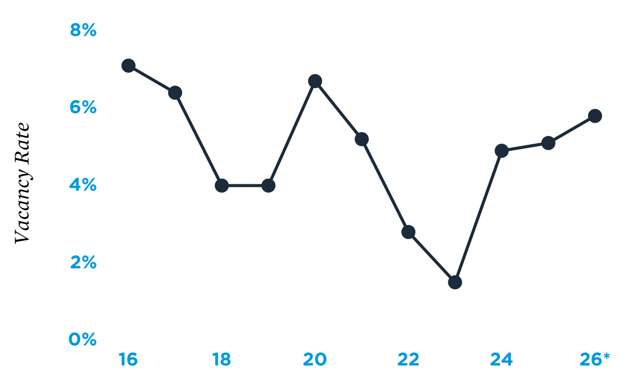
70 BASIS POINT
increase in vacancy

VACANCY:
Vacancy is projected to reach a new high amid above-average new supply pressures. The rate is expected to approach 6.0 per cent and likely remain elevated until population growth regains momentum.

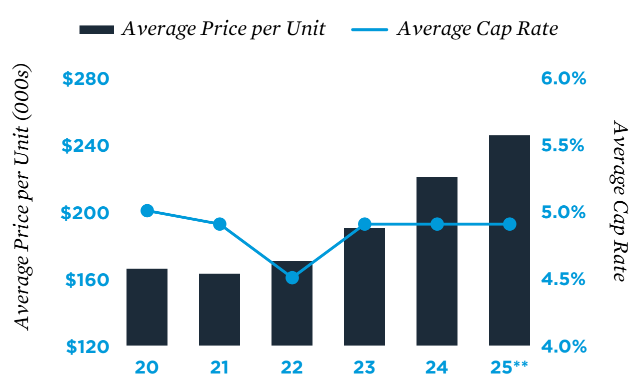
0.5% INCREASE
in effective rent

RENT:
The rise in vacancy will increasingly prompt owners to offer incentives to retain existing tenants and attract new ones. As a result, rent growth is projected to continue softening following last year's deceleration.

Vacancy Trend



Price and Cap Rate Trends



** Forecast; ** Trailing 12 months through 3Q*

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

Leasing to Improve as Lower Rates and Policy Support Lift Consumer Activity

Space demand on a recovery path. Calgary's retail sector weathered a challenging 2025, as trade tensions and weaker consumer confidence weighed on space demand early in the year. Net absorption turned sharply negative in the first half before rebounding in the second, reflecting renewed leasing momentum across several categories towards year-end. This recovery is expected to carry into 2026, supported by lower borrowing costs that will stimulate household spending and by population growth that continues to outperform most major Canadian markets. Another notable demand driver has emerged in the childcare segment, where operators such as Active Start Childcare have been expanding footprints under Alberta's new Affordability Grant for Child Care Programs, part of the province's $10-a-day initiative. This incentive has increased leasing activity for childcare and family-service tenants, particularly in neighbourhood and community retail centres. Still, elevated global uncertainty and renewed trade friction pose downside risks. A material drop in oil prices could dampen confidence and discretionary spending, potentially moderating the pace of Calgary's retail sector recovery.

INVESTMENT TRENDS

- Calgary retail investment remained resilient in 2025, supported by stable income streams and opportunities to enhance returns through rent growth and site intensification.
- Buyer demand is expected to remain strong in 2026 for well-located, anchored assets. These properties benefit from low vacancy, ongoing suburban growth and solid long-term fundamentals.

2026 Retail Trends

1.1 MILLION SQUARE FEET
will be completed

CONSTRUCTION:
Driven by the delivery of several neighbourhood and strip centres in suburban and outlying areas, retail completions are projected to rise, bringing construction activity back in line with the historical average.

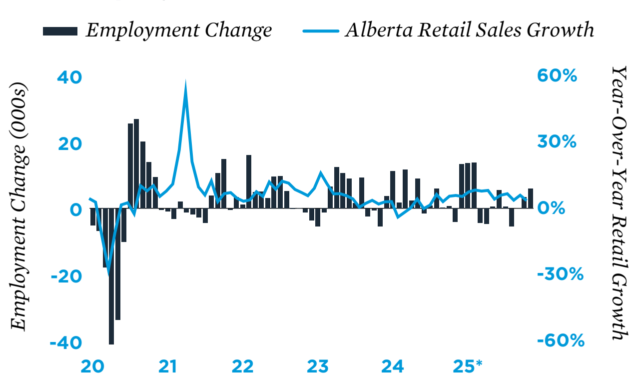
30 BASIS POINT
increase in vacancy

VACANCY:
While space demand is expected to recover, completions are projected to outpace absorption, resulting in another year of rising vacancy. The rate is forecast to approach 3.0 per cent by year-end.

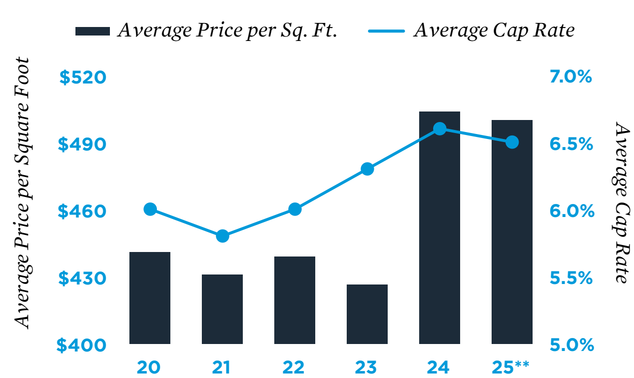
1.5% DECREASE
in asking rent

RENT:
Year-over-year asking-rent growth came under pressure late last year as the vacancy rate climbed. With new supply still entering the market, this downward trend is expected to extend into 2026.

Employment vs. Retail Sales Trends



Price and Cap Rate Trends



** Employment through November, retail sales through September; ** Trailing 12 months through 3Q*

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

Calgary's Office Sector Transitioning Towards A More Stable Foundation

Market steadies after years of recovery. Calgary's office market lost some momentum in 2025 after two years of outsize vacancy declines, with the rate increasing over the second half of the year to just below 18 per cent. Trade risks and continued consolidation within the energy sector contributed to this slowdown, trends likely to linger into 2026. Even so, underlying demand stayed positive. Office-using employment posted strong gains through 2025, pointing to potential future expansions if hiring persists. Population gains and corporate migration have also diversified Calgary's tenant base. The city's growing technology ecosystem — anchored by active venture-capital and emerging AI and data-centre activity — is beginning to provide a meaningful counterweight to traditional sectors. Combined with limited construction, ongoing conversions and an Alberta economy expected to lead the country this year, office fundamentals are improving. With the federal government's new Major Projects Office also anchoring additional institutional presence, and clean-energy and tech-driven industries gaining traction, Calgary's office market is positioned for gradual and sustainable improvement beyond 2026.

INVESTMENT TRENDS

- Dollar volume transacted over the past year ended September 2025 reached its highest level since 2018, reflecting the partial interest sales between CPP Investments and Oxford Properties.
- Recent trades underscore substantial value declines since pre-pandemic levels. These lower prices present compelling opportunities for strategic investors and residential conversions.

2026 Office Trends

30,000
SQUARE FEET
will be completed

CONSTRUCTION:
Some medical space will open this year, pushing deliveries higher. Since vacancy has not dropped below 15 per cent since 2016, builders have shifted focus, with some undertaking office-to-residential conversions.

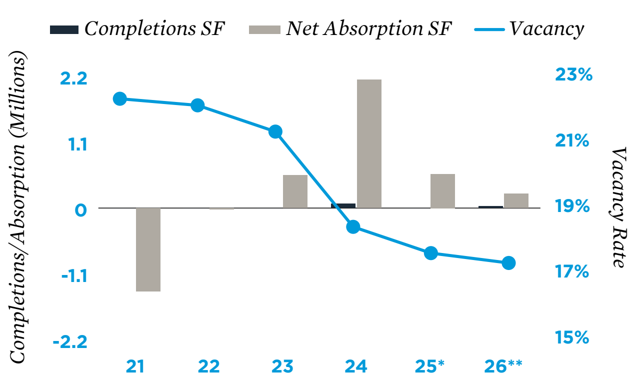
30
BASIS POINT
decrease in vacancy

VACANCY:
Vacancy will drop to roughly 17 per cent this year, down 550 basis points from the 2022 peak. This will largely be fuelled by continued office conversions, an economy set to outperform and a growing tenant base.

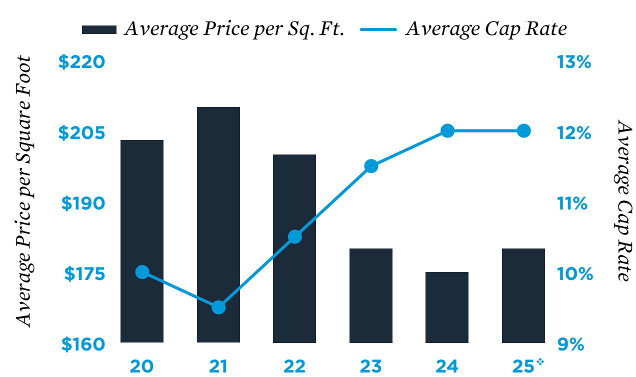
0.6%
INCREASE
in asking rent

RENT:
Despite recent improvements in Calgary's office market, vacancy remains elevated, which will temper annual rent gains. That said, oil and gas consolidation will put high-quality space on the market, which could yield higher asking rents.

Supply and Demand



Price and Cap Rate Trends



** Estimate; ** Forecast; * Trailing 12 months through 3Q*

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

New Policies Aid Long-Term Growth While Near-Term Uncertainties Linger

Space demand to recover at a measured pace. Lower interest rates and increased oil production will be tailwinds in 2026, supporting demand for industrial space. While larger-bay facilities are likely to continue benefitting from Calgary's growing distribution presence, smaller-bay spaces are expected to attract rising interest from tenants serving local communities. As a result, net absorption is forecast to improve gradually. Construction will also edge higher alongside the uptick in net absorption, helping to stabilize the metro's vacancy rate. Over the long term, the metro's Citywide Growth Strategy will advance Alberta's Industrial Action Plan, aiming to strategically focus industrial development and attract investment. Key Industrial Area Structure Plans — such as Southeast 68 Street and Shepard — are included in this process, with targeted policy amendments and infrastructure planning. Meanwhile, potential energy infrastructure projects and talks about a new oil pipeline under the One Canadian Economy Act could also unlock development potential and reinforce Calgary's position as a leading logistics and distribution hub in Western Canada.

INVESTMENT TRENDS

- Domestic private investors continued to account for the majority of transaction activity last year, while end-users slowed their pace of acquisitions amid trade-related uncertainty.
- Industrial investment made up about 30 per cent of dollar volume last year, which Alberta's Industrial Action Plan could boost in the future by attracting capital and unlocking new supply.

2026 Industrial Trends

2.2 MILLION SQUARE FEET
will be completed

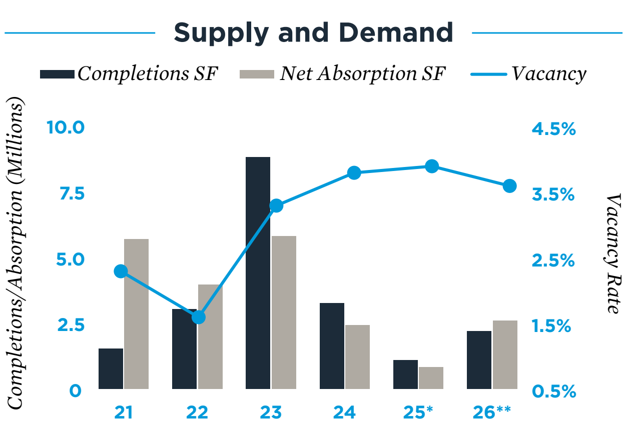
CONSTRUCTION:
With the completion of several large-bay spaces, deliveries are projected to increase. Major projects this year include sections of Rosemont Industrial Park and Stoney North Logistics Centre.

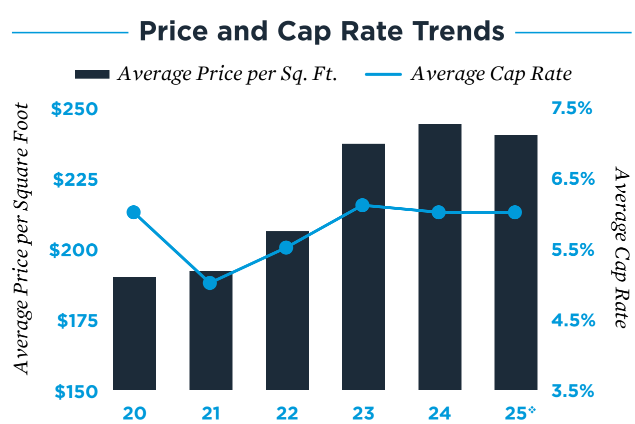
30 BASIS POINT
decrease in vacancy

VACANCY:
Leasing is projected to improve, albeit constrained by lingering trade risks. On top of more controlled supply pressures, the vacancy rate is likely to stabilize around 3.5 per cent by year-end.

2.5% INCREASE
in asking rent

RENT:
Greater availability is easing some of the competitive pressure on rents. This will result in overall modest growth in the average asking rent in 2026 compared with the year prior.





* Estimate; ** Forecast; * Trailing 12 months through 3Q

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

Infrastructure and Tourism Investment Prompts Optimistic Long-Term Outlook

Upside on the horizon amid normalizing fundamentals. Calgary's hotel market outperformed the nation last year, ranking among the top of Canada's major metros. Looking ahead, fundamentals will remain solid, with occupancy still above the 2019 benchmark and the average daily rate holding near record highs, though performance is expected to moderate. Room inventory expanded by 2.1 per cent between 2022 and 2025 — well above the national average of 0.7 per cent — which is now placing some downward pressure on occupancy as travellers benefit from more choice. Demand growth will likely be modest in the early part of the year, yet ongoing tensions with the United States are encouraging Canadians to vacation domestically, supporting Alberta's appeal as an outdoor destination. Corporate travel should also hold resilient, anchored by a strong energy sector and economic diversification, while potential infrastructure projects under the Building Canada Act could provide further upside. Meanwhile, Tourism Calgary has set a long-term goal of doubling visitor spending to $6 billion by 2035. These factors underscore a healthy long-term outlook for Calgary's hotel sector, despite near-term normalization.

INVESTMENT TRENDS

- There was only one major hotel trade last year, which was the $125 million sale of the Hyatt Regency downtown. This underscores the limited availability of hotel assets for sale in Calgary.
- Fallsview Group was the buyer, which holds a large hospitality portfolio. This purchase marked their first acquisition outside Southwestern Ontario, highlighting confidence in Calgary.

2026 Hospitality Trends

50 BASIS POINT
change in occupancy

OCCUPANCY:

Expanded hotel room inventory, along with the weight of trade-related risks on demand, will likely push occupancy below 65 per cent in 2026. Pressures are likely to be seen in the latter parts of the year.

0.3% DECREASE
in ADR

ADR:

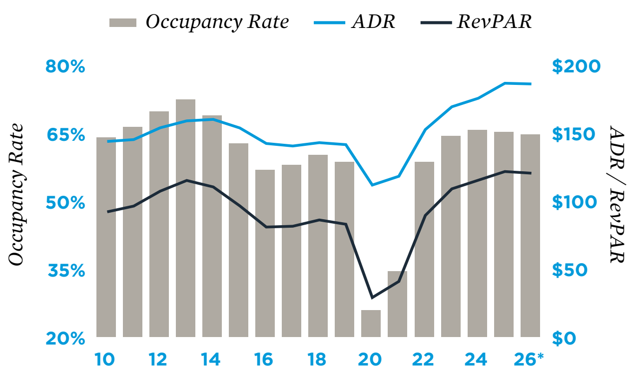
Hotel openings and demand risks will put some downward pressure on the average daily rate this year. That said, this represents more of a normalization after years of historic gains coming out of the pandemic.

1.0% DECREASE
in RevPAR

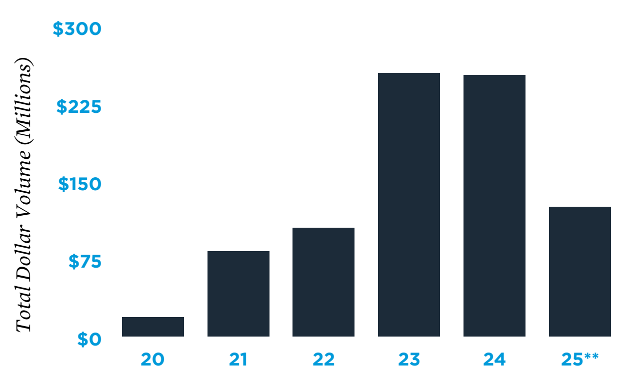
RevPAR:

Lower occupancy and a normalizing average daily rate will push revenue per available room down to $120 by year-end. Nevertheless, this is still 45 per cent above the 2019 level and just 3.0 per cent below the all-time high set in August of last year.

Occupancy and Revenue Metrics



Transaction Trends



** Forecast; ** Trailing 12 months through 3Q*

Sources: Altus Data Solutions; Statistics Canada; STR, a CoStar Group Company

Young and Growing Population Drives Momentum in Short and Long Run

Manageable rise in vacancy expected for 2026. As people from other parts of Canada relocated to Edmonton for its lower cost of living in the post-pandemic years, domestic in-migration accounted for roughly one-third of the metro's resident gains. This demographic advantage has supported population growth, despite the recent pullback in immigration. As a result, apartment demand softened more gradually than in most other metros in 2025. Coupled with a modest decline in completions, vacancy rose only 70 basis points last year. Looking ahead to 2026, population growth is expected to remain positive, in contrast to a decline projected nationally, which will continue to underpin rental demand. On the supply side, completions will rebound above 7,000 units following last year's dip, likely resulting in another mild rise in vacancy. Over the long term, Edmonton's demographic advantage stands out. Beyond its more balanced population growth, it is one of Canada's youngest metros, with a median age four years below the national figure. This youthful population — combined with a diversifying economy and steady public-sector employment — positions Edmonton's multifamily sector for durable, long-run strength.

INVESTMENT TRENDS

- Investment data through September indicates total dollar volume likely hit a record in 2026. Solid fundamentals and ongoing population growth continued to support investor sentiment.
- Lower borrowing costs may continue to spur strong sales activity in 2025, which, in turn, will support construction and help maintain Edmonton's housing affordability advantage.

2026 Multifamily Trends

7,200 UNITS
will be completed

CONSTRUCTION:
With an average construction cycle of 12 months, most projects launched last year are expected to complete in 2026. Deliveries will reach the second-highest level on record, just below their 2024 peak.

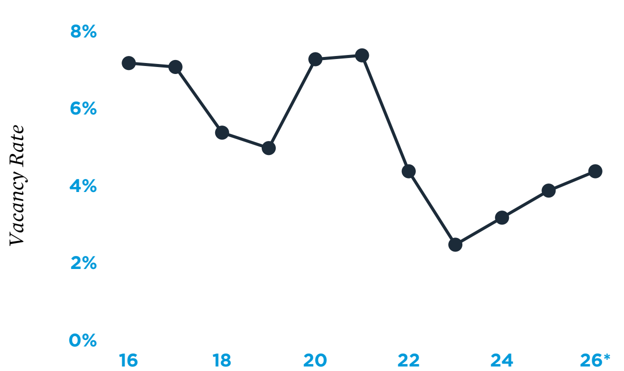
50 BASIS POINT
increase in vacancy

VACANCY:
The vacancy rate is projected to approach 4.5 per cent, as demand moderates amid smaller population gains. However, strong domestic in-migration will help prevent a more pronounced rise in vacancy.

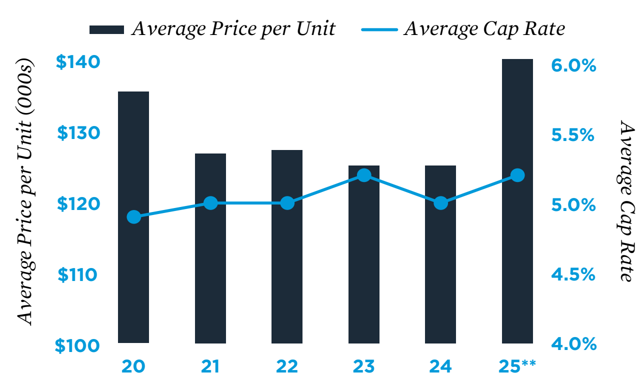
2.5% INCREASE
in effective rent

RENT:
Rent growth slowed notably last year but remained positive alongside the increase in the vacancy rate. In 2026, effective rents are expected to continue stabilizing, with another year of modest gains anticipated as vacancy holds below 5.0 per cent.

Vacancy Trend



Price and Cap Rate Trends



** Forecast; ** Trailing 12 months through 3Q*

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

Space Demand to Stay Soft as Cautious Retailers Hold Back on New Leases

Vacancy rate set to rise modestly in 2026. Retail space demand in Edmonton moderated through 2025 as trade disruptions weighed on business confidence, prompting many retailers to pause or scale back expansion plans. Entering 2026, leasing activity is expected to remain soft even as consumer spending holds relatively firm, supported by steady wage growth and easing inflation. Retailers, however, are likely to stay cautious for several reasons. Lingering trade uncertainties continue to cloud import costs and supply chain stability, discouraging new leasing commitments. At the same time, population growth — while still positive — is slowing from the post-pandemic surge, tempering demand in emerging suburban nodes where new retail projects have been concentrated. In the downtown core, persistently high office vacancy is limiting daytime foot traffic and weighing on retailer confidence, further restraining expansion activity. As a result, the metro's overall retail vacancy rate is projected to edge higher in 2026. Even so, completions are expected to fall notably as the construction pipeline continues to taper, and this moderation in new supply should help cap further increases in vacancy rates.

INVESTMENT TRENDS

- Despite trade risks, Edmonton's retail sector continued to attract national and local investors last year, with activity concentrated in well-located malls, urban centres and value-add plazas.
- Investor demand is expected to remain steady in 2026, particularly for high-quality urban and mixed-use retail assets, even as the vacancy rate is projected to edge higher.

2026 Retail Trends

700,000 SQUARE FEET *will be completed*

CONSTRUCTION: After several community, neighbourhood and strip centres were completed last year, construction is expected to slow notably in 2026, with most deliveries concentrated in suburban submarkets.

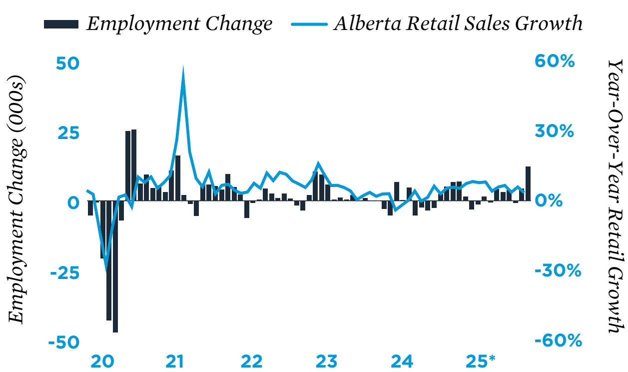
20 BASIS POINT *increase in vacancy*

VACANCY: Space absorption is anticipated to lag behind completions, pushing the vacancy rate higher. However, vacancy is likely to be capped around 4.0 per cent as supply growth is still limited compared to past years.

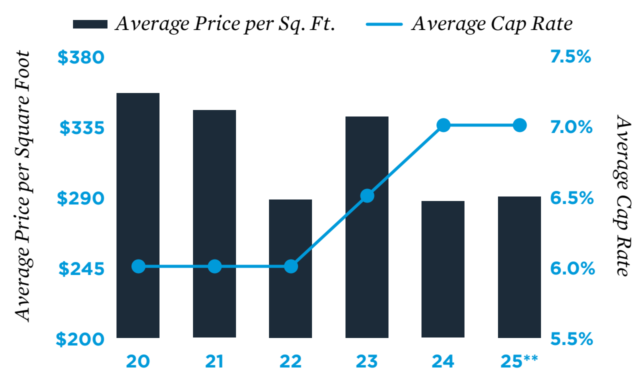
1.3% INCREASE *in asking rent*

RENT: Year-over-year rent growth peaked at 5.8 per cent in the final quarter of 2024 and has since decelerated. This year, annual rent growth is expected to continue slowing amid rising vacancy and lingering trade risk.

Employment vs. Retail Sales Trends



Price and Cap Rate Trends



* Employment through November, retail sales through September; ** Trailing 12 months through 3Q

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

Suburban Strength and the Return of the Provincial Government Aid Sector

Suburbs continue to shine. Edmonton's office vacancy rate has largely trended down since 2022, supported by limited supply growth and some office-to-residential conversions. However, leasing volumes also slowed over that period, which stabilized the vacancy rate around 14.5 per cent last year. That said, suburban areas continued to outperform. This strength stemmed from population growth in surrounding areas and strong demand from mid-to-large engineering, construction and professional-service firms seeking amenity-rich modern buildings with proximity to industrial corridors and ample parking. By contrast, the downtown core remained weighed down by hybrid work policies from major government occupiers and ongoing tenant rightsizing. Looking ahead, leasing is expected to edge higher and rents should tick up this year, with suburban assets leading the way. Limited new supply, a handful of office-to-residential conversions, and the provincial government's recently announced return-to-work mandate starting in February will all help vacancy gradually trend lower. However, the downtown recovery will likely continue to lag as obsolete towers face structural headwinds.

INVESTMENT TRENDS

- Over the trailing 12 months ended September 2025, dollar volume transacted increased by nearly 30 per cent compared to the prior yearlong period, with private capital driving this trend.
- Edmonton has no government incentives for office conversions. Even so, some investors are beginning to undertake the task amid favourable pricing and multifamily demand tailwinds.

2026 Office Trends

0
SQUARE FEET
will be completed

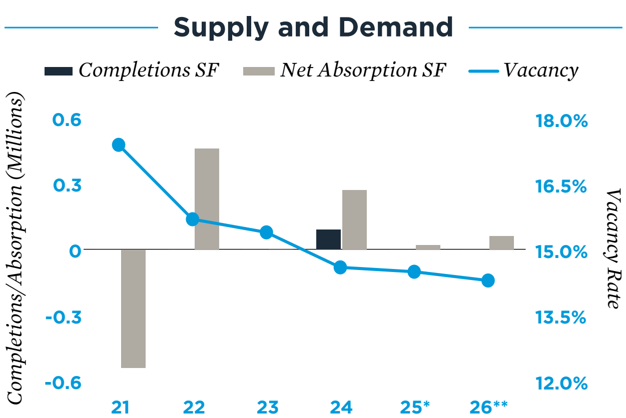
CONSTRUCTION:
Edmonton's office market has underperformed since the 2014 oil crash. Developer confidence has waned since, with almost no new supply since 2018. This year will mark the second straight with no openings.

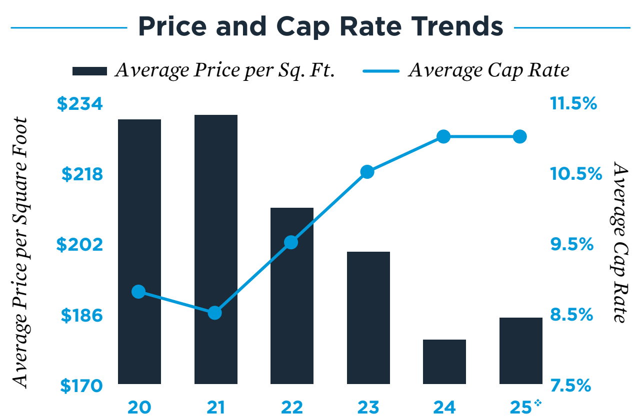
20
BASIS POINT
decrease in vacancy

VACANCY:
Leasing is expected to pick up amid lower interest rates, growing trade clarity and return-to-work mandates. Along with no openings and some office conversions, the vacancy rate will fall to just above 14 per cent.

1.5%
INCREASE
in asking rent

RENT:
Office rents are projected to rise in 2026, marking the first meaningful uptick since 2022. The modest increase reflects growing leasing momentum and tightening conditions in well-located suburban nodes.





** Estimate; ** Forecast; ⁺ Trailing 12 months through 3Q*

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

Leasing Strength and Limited Supply Power a Constructive Outlook

Fundamentals poised for continued gains. Edmonton was one of the few metros in Canada that did not see a notable rise in vacancy last year. Demand from logistics, manufacturing and energy-related firms, as well as support services, fuelled leasing activity. Notably, small-bay units under 20,000 square feet made up 90 per cent of all signed deals. The metro's lower rents, as well as less restrictive development and permitting processes, also drew tenants and investors from higher-cost markets, adding another layer of strength to space demand. This healthy net absorption did not translate into a rise in development, however. Builders turned cautious first in 2023 when fundamentals began to soften nationally, and again last year when trade-related uncertainties weighed on sentiment. As a result, completions dropped to their lowest level since 2021 last year, helping to keep vacancy below 3.0 per cent. The construction pipeline for 2026 points to another year of subdued openings. With lower interest rates, increased oil production and above-average population growth supporting an outperforming economy and space demand, the vacancy rate is likely to continue declining amid this muted supply growth.

INVESTMENT TRENDS

- Investment activity last year was characterized by a rise in premium asset sales, aided by strong demand for flex industrial properties combining office and warehouse space.
- Edmonton's new Guaranteed Industrial Development Timelines promises a 40-day decision window for new projects. It is set to accelerate starts and boost investment over the coming years.

2026 Industrial Trends

265,000 SQUARE FEET
will be completed

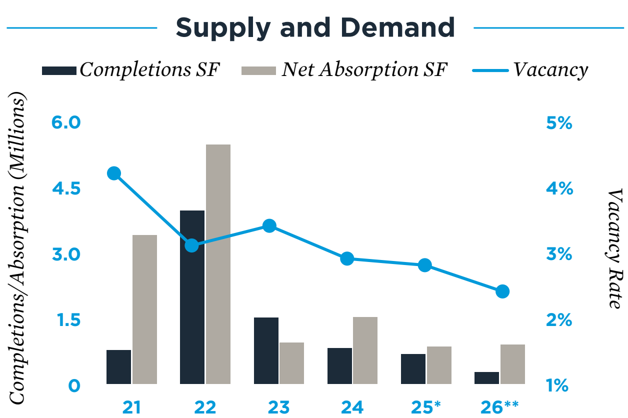
CONSTRUCTION:
Completions are expected to decline for the fourth straight year, reaching an all-time low. Additions will consist primarily of small-bay units, concentrated in the city of Edmonton and the Nisku-Leduc region.

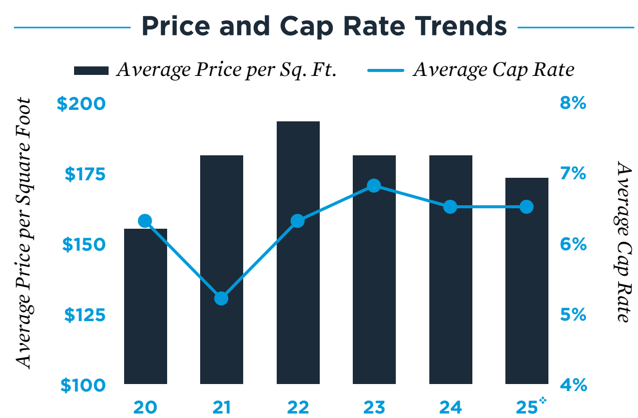
40 BASIS POINT
decrease in vacancy

VACANCY:
With tenants actively absorbing available space and fewer completions materializing, industrial fundamentals should remain solid, helping to sustain a tight vacancy rate at around 2.5 per cent.

2.0% INCREASE
in asking rent

RENT:
Leasing momentum and limited supply growth are expected to keep rents on the rise. The average asking rate is forecast to reach roughly $11.20 per square foot by year-end, marking a record high.





* Estimate; ** Forecast; * Trailing 12 months through 3Q

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

Economic and Market Dynamics Foster a Stable Hotel Outlook

Sector aided by resilient demand drivers. Hotels in Edmonton posted healthy gains in recent years, with 2025 occupancy reaching its highest level since 2015 and growth in the average daily rate continuing to outpace inflation. Stability is underpinned by the city's large government presence, which provides a reliable base of year-round demand. On the supply side, conditions remain balanced. Very limited construction has kept the market from being oversaturated, and few projects sit in the pipeline. Looking ahead, performance could be hindered by trade uncertainties. But, for now, the expectation is that demand will hold resilient, supported by the energy, healthcare and education sectors, as well as steady corporate travel tied to oil sands operations and the provincial government. Future large-scale energy and infrastructure projects associated with the Building Canada Act may also generate spillover demand from corresponding teams, contractors and consultants. Meanwhile, event-related demand, anchored by Rogers Place and the Edmonton Expo Centre, could backstop the group and leisure segments. With favourable supply conditions, these factors point to a stable long-term outlook for Edmonton's hotel market.

INVESTMENT TRENDS

- Four hotels sold over the past year ended September, slightly below the trailing five-year average of five. This was likely due to limited availability and restrictive lending conditions.
- All purchasers were private buyers looking for midscale and economy hotels. This may be due to the classes' more affordable nature, attracting more stable travel patterns.

2026 Hospitality Trends

100
BASIS POINT
change in occupancy

OCCUPANCY:
On the heels of a potential acceleration in demand growth, occupancy is forecast to eclipse 61 per cent by year-end. This marks a first in over 10 years and is 700 basis points above the 2019 mark.

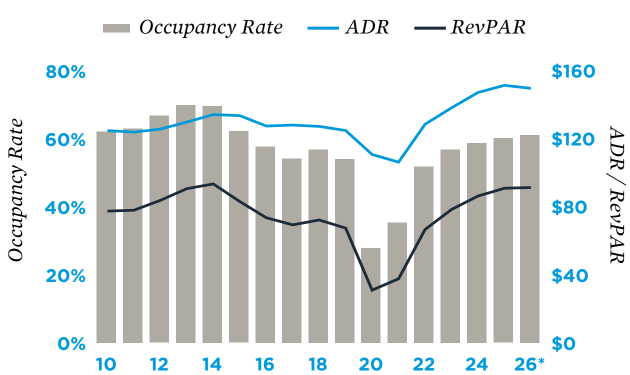
1.2%
DECREASE
in ADR

ADR:
Despite occupancy achieving a milestone, the level is still low compared to other major markets. Along with lingering economic risks, ADR is likely to fall slightly after outpacing inflation over the past four years.

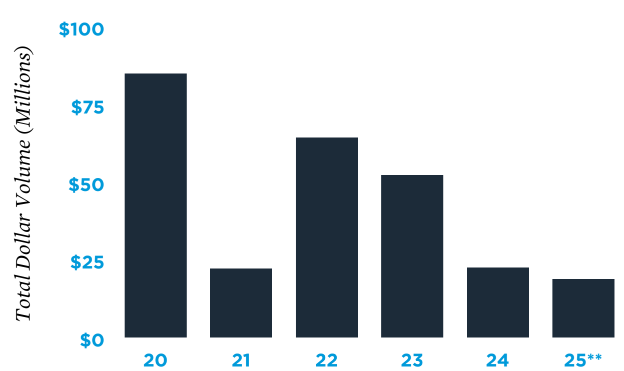
0.5%
INCREASE
in RevPAR

RevPAR:
Growth in revenue per available room will be driven by rising occupancy amid accommodating supply-side dynamics. RevPAR will hit $91, just shy of the previous highs set in 2008 and 2014, when oil markets were running strong.

Occupancy and Revenue Metrics



Transaction Trends



** Forecast; ** Trailing 12 months through 3Q*

Sources: Altus Data Solutions; Statistics Canada; STR, a CoStar Group Company

Rebalancing Underway as Long-Term Tenancy Anchors Structural Strength

Rent growth to ease amid rising vacancy. Montreal's apartment fundamentals held up well last year despite fewer residents moving in. Although vacancy rose for a second consecutive year, rent growth accelerated, driven by a significant increase in in-place rents. Even after those multiple rent hikes, the metro remains one of the most affordability-anchored rental markets in the country, supporting resilient demand from newcomers. Looking ahead, population growth is expected to cool further as Quebec's new immigration restrictions take effect. In line with national trends, this will keep rental demand growth subdued while completions continue to rise steadily. As a result, vacancy is projected to drift higher again this year, slowing rent increases. Beyond short-term fluctuations, Montreal's deep renter culture — rooted in a long-standing preference for apartment living and a high share of renter households across all age groups — will continue to underpin market stability. With this tradition, the metro's multifamily sector will remain a primary source of housing and a durable investment option over the long run.

INVESTMENT TRENDS

- Healthy fundamentals supported sales last year. Dollar volume rose despite macro headwinds, even outpacing the pull-forward of transactions in the second quarter of 2024.
- Amid investor optimism, the average sale price hit a record in the third quarter of last year. Lower financing costs may sustain investment activity and support continued price growth in 2026.

2026 Multifamily Trends

16,500 UNITS
will be completed

CONSTRUCTION:
With construction starts recovering in 2024, completions are projected to increase by 10 per cent this year. Total deliveries are estimated to set a new high just above the 2022 level.

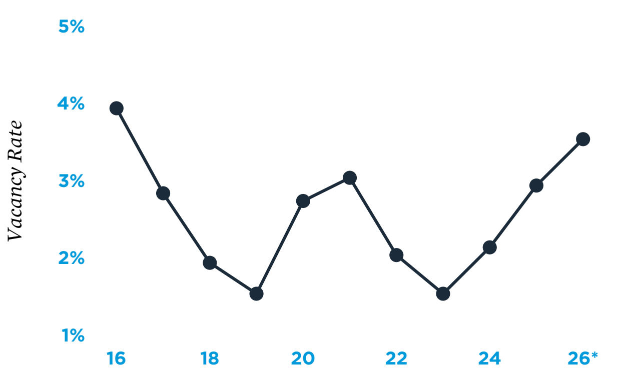
60 BASIS POINT
increase in vacancy

VACANCY:
Vacancy is set to record its third consecutive year of increases since bottoming out at 1.5 per cent in 2022. Despite this rise, the metrowide rate will remain relatively tight, staying around 3.5 per cent.

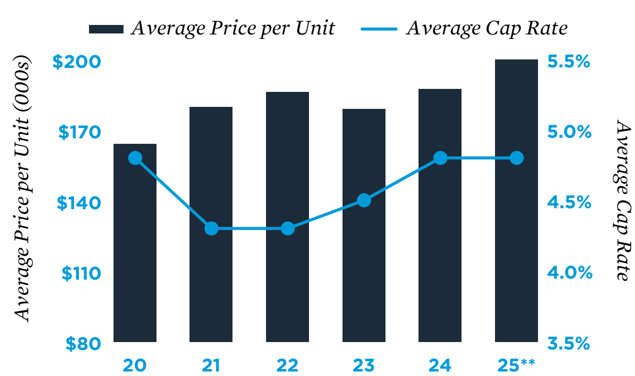
3.7% INCREASE
in effective rent

RENT:
The still-low vacancy rate will support another year of climbing rents. However, as demand growth moderates, the pace of increase is expected to slow, reaching its lowest level since 2021.

Vacancy Trend



Price and Cap Rate Trends



** Forecast; ** Trailing 12 months through 3Q*

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

Favourable Conditions Set Stage for Recovery Amid Still-Cautious Retailers

Consumer health to underpin a stable outlook. Montreal's retail sector prospects for 2026 are broadly positive, supported by steady consumer spending growth and improving economic conditions. Lower interest rates are expected to ease borrowing costs, while the city's relatively modest household debt levels and elevated savings rate will help sustain purchasing power. These factors should underpin retail sales momentum through the year. However, much of this spending strength may be absorbed by existing retail formats rather than translating into significant new leasing activity. Lingering trade tensions and a softer manufacturing sector could continue to weigh on job creation, while a slowdown in immigration is likely to limit the expansion of the consumer base. As a result, many retailers may remain cautious and could delay expansion plans until greater clarity emerges on these fronts. On the supply side, development activity continues to be disciplined, with most upcoming projects concentrated in suburban areas as part of larger mixed-use communities. This controlled pipeline should help maintain market stability through 2026.

INVESTMENT TRENDS

- Investment activity stayed strong last year despite macroeconomic challenges. The largest transaction was Primaris REIT's $565 million acquisition of Promenades St-Bruno.
- Food-anchored strip centres were a favoured property type last year, prized for their stability, reliable income and resilience against economic and e-commerce pressures.

2026 Retail Trends

480,000 SQUARE FEET
will be completed

CONSTRUCTION:

Completions are projected to remain broadly in line with last year's level, consisting mostly of mixed-use developments. The largest addition will be a new 225,000-square-foot Canac location in Laval.

20 BASIS POINT
increase in vacancy

VACANCY:

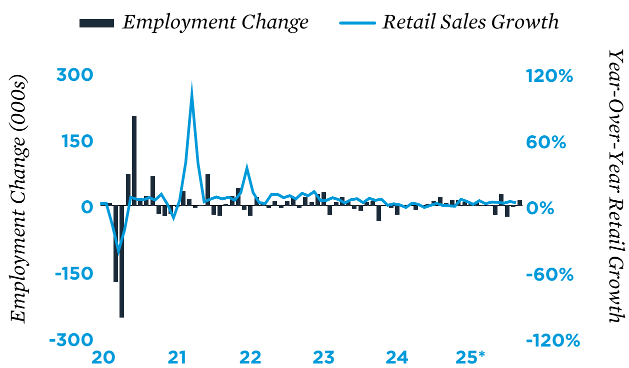
Space demand will grow at a measured pace as uncertainties weigh on leasing activity. As a result, vacancy is likely to edge higher. However, disciplined construction will prevent any significant increases.

1.0% DECREASE
in asking rent

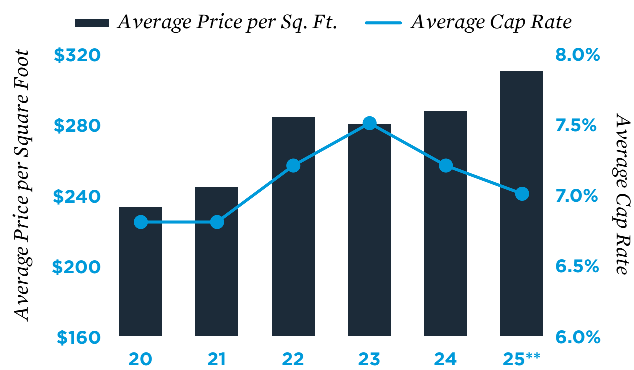
RENT:

Retail rents are expected to soften slightly in 2026, reflecting modest upward pressure on the vacancy rate and cautious leasing amid headwinds from slower population growth and ongoing trade risks.

Employment vs. Retail Sales Trends



Price and Cap Rate Trends



** Employment through November, retail sales through September; ** Trailing 12 months through 3Q*

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

Office Market Stabilization Beginning to Take Shape

Flight to quality anchors path to recovery. Montreal's office market is showing clearer signs of stabilization heading into 2026, following an uneven 2025 marked by selective leasing and widening performance gaps across property tiers. Class AAA space continues to outperform, with vacancy largely trending down over the past two years as tenants consolidate into best-in-class buildings. This flight to quality is now beginning to slowly spill into high-end Class A and well-located Class B assets, helping to steady vacancy across the broader market. New supply remains limited — virtually unchanged since the 1.3-million-square-foot National Bank headquarters delivered in 2023 — providing a critical backstop against further softening. Government downsizing and trade-related uncertainty have tempered demand in select submarkets more exposed to tariff risks. However, the metro is positioned for modest improvement through 2026, thanks to limited deliveries, selective conversions that removed obsolete stock from inventory, and tightening conditions in top-tier properties. Overall, Montreal is poised to shift from cyclical correction towards a gradual recovery.

INVESTMENT TRENDS

- Year-to-date dollar volume through September 2025 was up 20 per cent. This was led by KingSett's $101 million purchase, which highlights institutional optimism in Montreal's office sector.
- Owner-users accounted for the second largest buyer pool in 2025. These occupiers are capitalizing on strategic entry points to better control their real estate amid favourable asset pricing.

2026 Office Trends

94,000 SQUARE FEET
will be completed

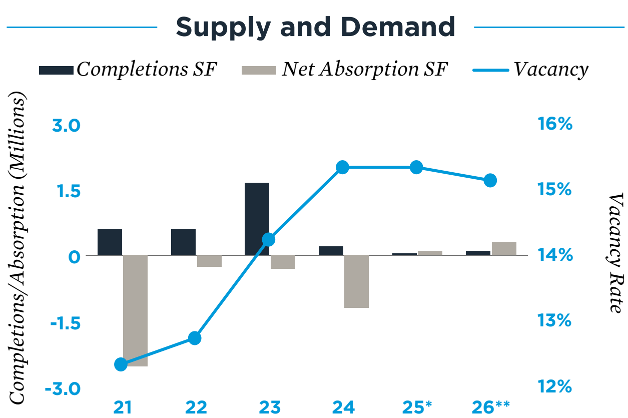
CONSTRUCTION:
Deliveries have been muted since Montreal's robust build cycle ended in 2023. Openings will increase compared to last year though, due to the completion of a top-tier life science building downtown.

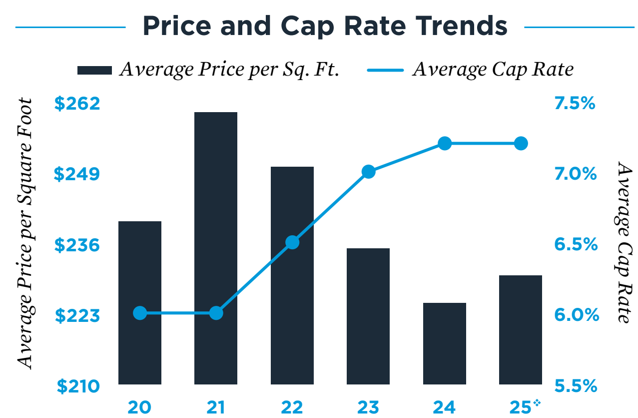
20 BASIS POINT
decrease in vacancy

VACANCY:
While tenant right-sizing is still ongoing and trade uncertainties are prompting caution, vacancy is forecast to stabilize around 15 per cent in 2026. This will be led by top-tier properties amid a flight to quality.

1.0% INCREASE
in asking rent

RENT:
Despite an overall improvement in vacancy, asking rents are likely to hold flat due to lingering economic uncertainties and higher vacancy in lower-tier assets. Class A space is expected to lead rent gains.





* Estimate; ** Forecast; ⁺ Trailing 12 months through 3Q

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

Trade Policy Development Casts Shadow Over Near-Term Outlook

Cautious recovery amid tariff risks. As a major manufacturing hub for machinery, pharmaceuticals and metal products, Montréal was among the hardest-hit industrial markets last year, weighed down by higher U.S. tariffs and persistent trade-related uncertainty. The vacancy rate surpassed 6.0 per cent by the fourth quarter, reflecting negative absorption that characterized much of the year. Looking ahead in 2026, trade policy developments are set to remain a key driver of the metro's near-term industrial outlook. Tenants and investors will pay close attention to the upcoming USMCA joint review. The outcome will carry significant implications for cross-border supply chains and investment sentiment. At the same time, accommodative monetary policy is expected to spur leasing momentum. Even so, this tailwind will likely be tempered by the overhang of policy uncertainty, keeping the recovery measured. As a result, vacancy could edge higher early in the year before reversing course later on. Over the long term, the expansion of the Port of Montreal's Contrecoeur Terminal could stimulate space demand, as it will boost container capacity by 60 per cent once completed.

INVESTMENT TRENDS

- Investors focused on smaller assets last year as a way to mitigate trade risks. Even so, lower interest rates and greater clarity on trade policy could help revive demand for larger assets in 2026.
- Areas near population centres and key highway corridors, such as Saint-Laurent and Lachine, are expected to continue attracting investors interest, given their strategic location advantages.

2026 Industrial Trends

1.6 MILLION SQUARE FEET
will be completed

CONSTRUCTION:
Completions are expected to decline as soft fundamentals weigh on developer sentiment. Major upcoming deliveries include Project XM and portions of Écoparc Laval 15.

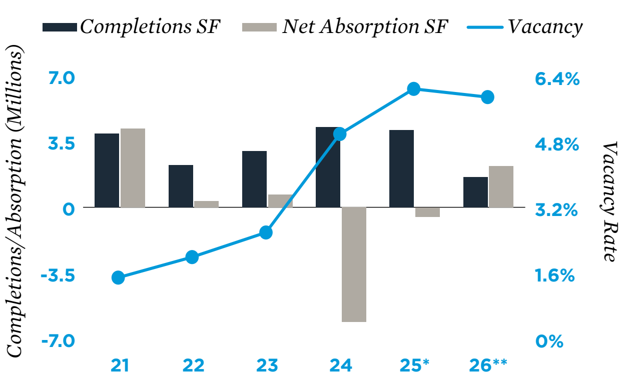
20 BASIS POINT
decrease in vacancy

VACANCY:
Trade risks could push vacancy higher in the near term; however, the rate may stabilize around 6.0 per cent by the end of 2026, driven by a second-half recovery in space demand and limited inventory growth.

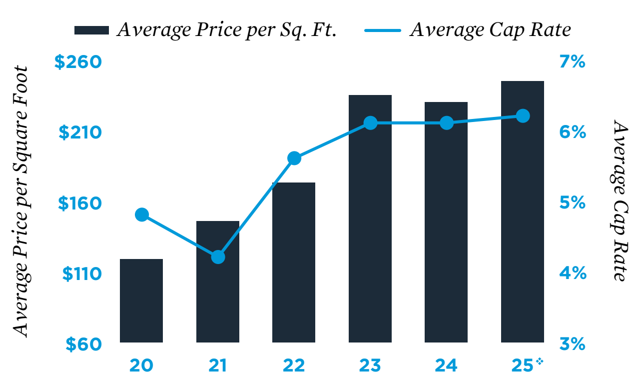
0.7% INCREASE
in asking rent

RENT:
Rents are expected to hold firm in 2026. A gradual recovery in demand, combined with limited new supply, should support this slight upwards trend. By year-end, the average asking rate is projected to stabilize around $14 per square foot.

Supply and Demand



Price and Cap Rate Trends



** Estimate; ** Forecast; ⁺ Trailing 12 months through 3Q*

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

Supply Surge Tempers Growth Prospects, Yet Fundamentals Remain Sound

Rapid development gives way to a phase of normalization. Following several years of outsized growth, Montréal's hotel market is poised for a measured pullback in 2026. The moderation reflects the metro's rapid inventory expansion — total supply has risen roughly 4.0 per cent over the past few years — creating near-term occupancy pressure as recently opened hotels compete for market share. Meanwhile, demand growth is broadly slowing, as softer cross-border travel and lingering trade-related economic uncertainty limit near-term upside. Even so, Montréal's hotel fundamentals are still sound. The metro continues to attract a strong mix of convention and business travel, supported by its diversified economy and the proposed expansion of the Palais des congrès convention centre. On the leisure side, visitation will continue to be underpinned by the city's rich history, culinary excellence and vibrant nightlife, along with marquee events such as Osheaga, the Formula 1 Grand Prix and the International Jazz Festival. As future supply stabilizes due to cost pressures and demand growth resumes, the market is well positioned for recovery beyond 2026, supported by its broad visitor base and long-term tourism appeal.

INVESTMENT TRENDS

- Over the first three quarters of 2025, dollar volume was up 24 per cent compared with 2024. Despite elevated interest rates, investment is holding amid long-term confidence in the sector.
- While deliveries are set to ease in the medium term, a number of projects remain in the planning stages, underscoring continued investor interest in hotel development.

2026 Hospitality Trends

170
BASIS POINT
change in occupancy

OCCUPANCY:
As supply pressures continue to linger, along with an expected fall in room demand, the metro's hotel occupancy rate is forecast to drop to 64 per cent by year-end.

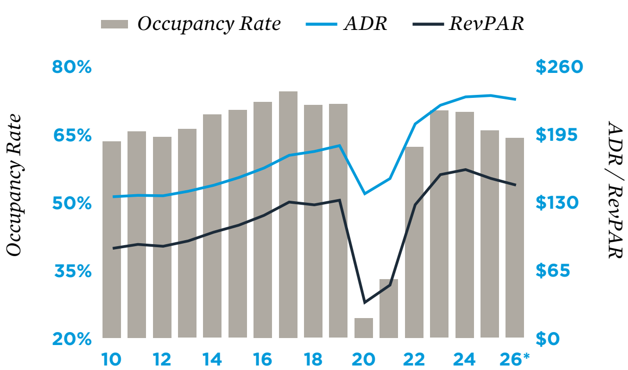
1.6%
DECREASE
in ADR

ADR:
Although the average daily rate will remain 25 per cent above the 2019 reading, the rate is set to moderate slightly when compared with last year's all-time high amid cooling demand and growing supply.

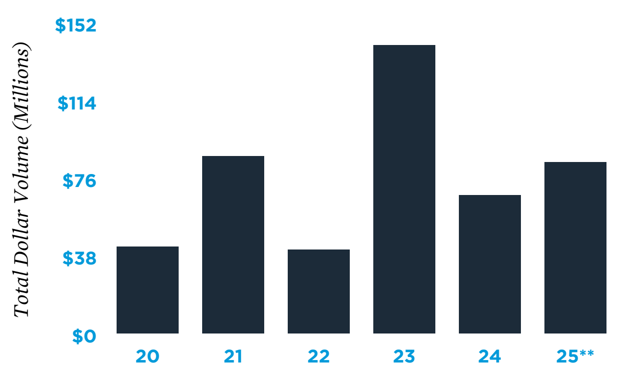
4.2%
DECREASE
in RevPAR

RevPAR:
The fall in revenue per available room will largely be driven by occupancy declines, bringing the measure to $145.56. Although down from the record high set in 2024, RevPAR will be up 11 per cent from 2019.

Occupancy and Revenue Metrics



Transaction Trends



** Forecast; ** Trailing 12 months through 3Q*

Sources: Altus Data Solutions; Statistics Canada; STR, a CoStar Group Company

Crosscurrents in Jobs and Demographics Shaping Metro's Rental Market

Operations to soften but remain healthy. The interplay of several opposing forces shapes Ottawa's multifamily outlook for 2026. As part of Budget 2025, the federal government will shed nearly 30,000 jobs over the next two years, most of which will be concentrated in the capital region. Even so, ongoing expansion in the tech sector should help partially offset the drag from public-sector downsizing, supporting job growth in hubs like Kanata, where both established firms and new entrants continue to scale. Population growth is also expected to slow as fewer temporary residents arrive. Still, continued inflows from other provinces and higher-cost cities within Ontario will help backstop rental demand despite overall growth moderating. Taken together, these trends point to softer apartment demand through 2026, though the pullback is expected to be manageable given the city's still-positive population inflows and ongoing tech-sector support. On the supply side, completions are set to tick slightly higher following last year's pullback, supported by a mild increase in construction starts from their 2023 lows. As a result, vacancy is expected to rise only modestly, with limited new supply providing a stabilizing backstop.

INVESTMENT TRENDS

- Multifamily represented the largest share of total commercial property sales last year, reflecting investors' confidence in the metro's long-term demographic profile and economic stability.
- While private buyers remained the dominant investor group last year, public equity and REIT capital have gained traction more recently, likely encouraged by the sector's solid fundamentals.

2026 Multifamily Trends

3,300 UNITS
will be completed

CONSTRUCTION:
Completions are expected to edge higher this year but remain below their 2024 peak. Deliveries are likely to accelerate beyond 2026, as construction starts only began recovering in mid-2025.

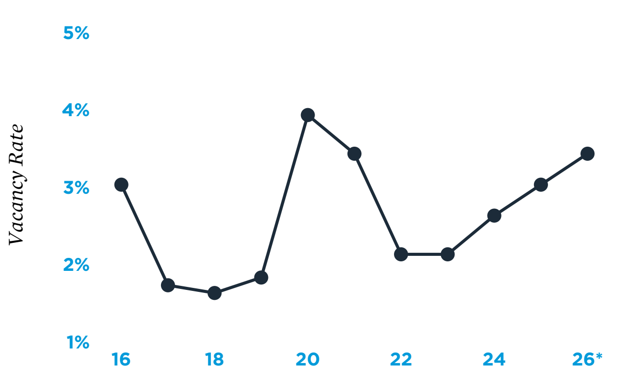
40 BASIS POINT
increase in vacancy

VACANCY:
Rental demand will slow as population gains dwindle. Along with rising completions, vacancy will continue its upward trajectory. However, the rate will stay low at 3.4 per cent, signalling a still-tight market.

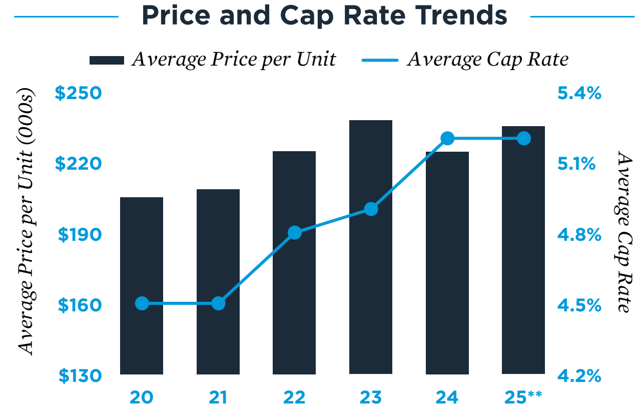
2.5% INCREASE
in effective rent

RENT:
As vacancy rises, rent growth will stabilize, posting a modest increase in 2026. Even so, the tight vacancy environment, a disciplined construction pipeline and Ontario's rent control policy should maintain some upward momentum in rents.

Vacancy Trend



Price and Cap Rate Trends



** Forecast; ** Trailing 12 months through 3Q*

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

Vacancy to Edge Higher as Interest Rate Relief Collides With Demand Headwinds

Muted leasing amid mounting challenges. Ottawa's retail outlook for 2026 warrants caution following softening fundamentals last year. Trade disruptions and weaker consumer sentiment weighed on space demand in 2025, resulting in a 60-basis-point rise in vacancy. Entering this year, lower interest rates will continue to support consumer spending, but underlying headwinds are likely to persist. Population growth is projected to stay subdued as federal policies continue to restrict the intake of international students and foreign workers, limiting the expansion of the metro's consumer base. More notably, the federal government's ongoing efforts to rein in operational spending could lead to significant job reductions across departments, posing risks to Ottawa's retail fundamentals given the metro's dependence on public-sector employment. These factors are expected to mute leasing activity through the year. On the supply side, construction is forecast to remain restrained, with developers hesitant to launch new projects amid elevated costs and uncertain demand. This limited pipeline should help prevent a significant rise in vacancy and maintain overall market stability despite modest space absorption.

INVESTMENT TRENDS

- Despite uncertainties, sales activity picked up in 2025. Deals like Meadowlands Mall and Greenbank Hunt Club Centre underscored sustained buyer interest in Ottawa's tight retail market.
- Downtown could become the next investment hub as government-led initiatives enhance public spaces, boosting foot traffic and creating new leasing opportunities.

2026 Retail Trends

200,000 SQUARE FEET
will be completed

CONSTRUCTION:
After the completion of SmartCentres Carleton Place last year, construction is projected to slow. Most additions are expected to consist of small, free-standing projects within strip centres in Kanata.

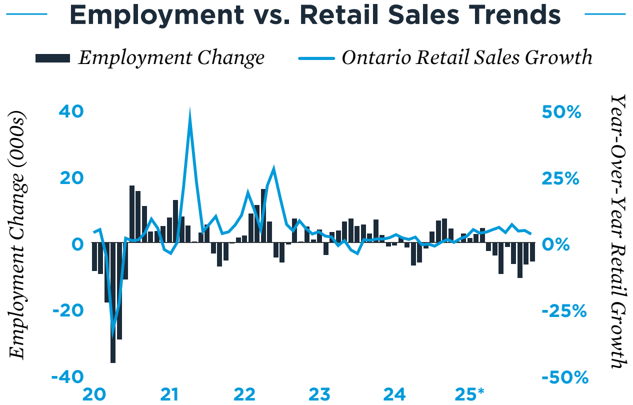
20 BASIS POINT
increase in vacancy

VACANCY:
Macro challenges — including public-sector job cuts and limited population growth — will weigh on space demand, pushing vacancy higher. The rate is projected to approach 3.0 per cent by year-end.

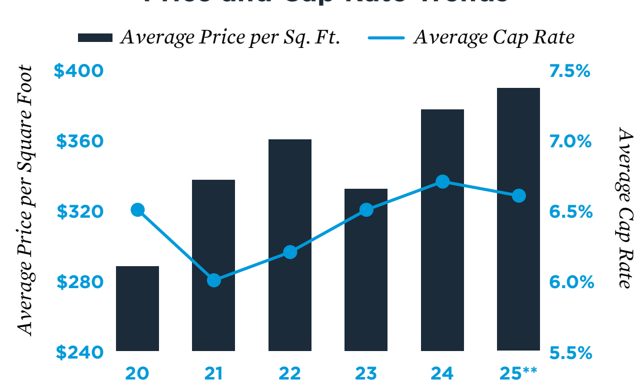
0.8% INCREASE
in asking rent

RENT:
Following significant growth last year, the rate of rent increase is expected to moderate in 2026 as the vacancy rate continues to tick up. Nevertheless, well-located properties in core submarkets could see stronger rent gains.

Employment vs. Retail Sales Trends



Price and Cap Rate Trends



** Employment through November, retail sales through September; ** Trailing 12 months through 3Q*

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

Local Resilience to Improve Office Market Amid Federal Caution

Government realignment meets opposing forces. Ottawa's office market showed mixed conditions in 2025, with overall vacancy increasing to roughly 10.5 per cent as lingering trade risks slowed leasing velocity. Even so, office-to-residential conversions are beginning to reshape the metro's office landscape. Roughly 200,000 square feet of space was removed from inventory last year, helping contain further upward pressure on vacancy. Looking ahead, counterbalancing forces are set to emerge. The federal government's recent budget suggests public sector employment will fall sharply over the next five years; however, new full-time return-to-office mandates from local levels of government may lift overall utilization, with the federal government also planning to follow suit this year. At the same time, growing investment in defense and infrastructure should underpin a baseline level of private-sector demand. If Canada successfully renews its trade agreement with the United States, additional momentum could also materialize. Combined with Ottawa's expanding technology ecosystem and continued conversions, these dynamics point to a market that is beginning to stabilize, with high-quality assets leading the recovery.

INVESTMENT TRENDS

- Investment has cooled amid the widespread adoption of hybrid work. Over the past year ended September 2025, dollar volume traded was 67 per cent below the trailing 10-year average.
- This pullback in investment has brought the average sale price down significantly from recent highs. These lower prices have helped aid office sales with the intention of conversion.

2026 Office Trends

72,000
SQUARE FEET
will be completed

CONSTRUCTION:
The trend of minimal supply growth will continue this year. Openings will increase compared to last year though, as the metro is expected to deliver some office space in the Kanata submarket.

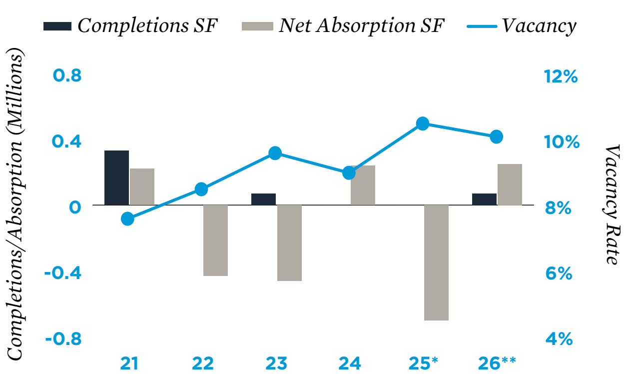
40
BASIS POINT
decrease in vacancy

VACANCY:
Vacancy will inch lower to around 10 per cent, aided by conversions and a modest uptick in demand. However, government efficiency plans, trade uncertainties and shadow vacancies pose a risk to this outlook.

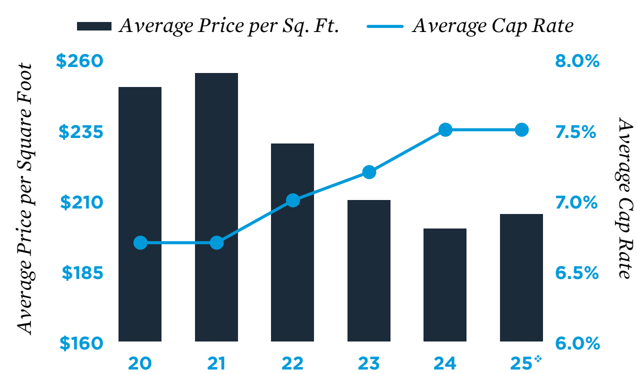
1.5%
INCREASE
in asking rent

RENT:
After two years of decline, the average asking rate has likely hit bottom amid a stabilizing vacancy rate. Meanwhile, net effective rents are also expected to improve as property owners scale back incentives and market fully built-out suites.

Supply and Demand



Price and Cap Rate Trends



* Estimate; ** Forecast; * Trailing 12 months through 3Q

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

Well-Positioned but Under-Supplied Market Sustains Low Vacancy Rates

Structural supply shortage reinforces fundamentals. Ottawa's industrial sector softened last year, with the vacancy rate trending up to just above 3.0 per cent amid heightened trade risks. That said, no major projects were delivered during the year, which minimized supply-side pressures and helped to uphold healthy market fundamentals. While the One Canadian Economy Act could serve as a catalyst to boost investor and developer sentiment, Ottawa's low land availability, strict zoning bylaws and strong pre-leasing strategies are likely to continue constraining construction activity over the coming years. Nevertheless, the volume of space arriving this year will rise substantially, led by Amazon's new 3.1 million-square-foot Nepean fulfillment centre. This project highlights confidence in the metro's long-term logistics positioning, benefiting from its strategic location between Toronto, Montreal and the U.S. border, as well as from well-established highways and infrastructure links. Lower interest rates, coupled with greater clarity on trade policies, are expected to reinforce this demand tailwind, paving the way for a vacancy rate decline in 2026.

2026 Industrial Trends

3.2 MILLION SQUARE FEET
will be completed

CONSTRUCTION:
Amazon's new distribution centre will drive completions to a record high. Other openings remain minimal, including a flex project delivering 33,000 square feet of industrial space at 145 Thad Johnson Pvt.

20 BASIS POINT
decrease in vacancy

VACANCY:
Vacancy will decline amid limited speculative developments. Demand continues to favour the metro's smaller facilities, which will help push the vacancy rate down to around 3.0 per cent by year-end.

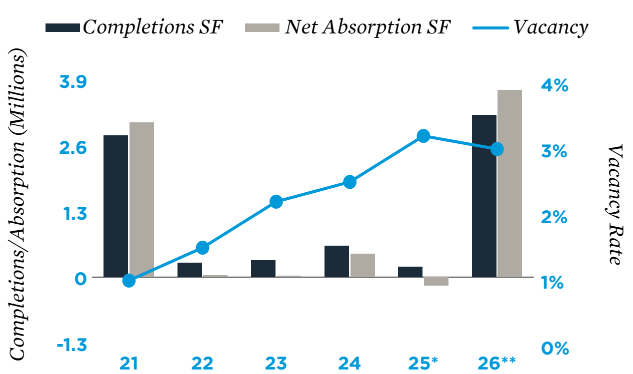
2.0% INCREASE
in asking rent

RENT:
Rents are poised for another year of growth, supported by a low and tightening vacancy rate. With Ottawa's vacancy rate projected to be one of the lowest in Canada, rent growth is forecast to outpace the national average in 2026.

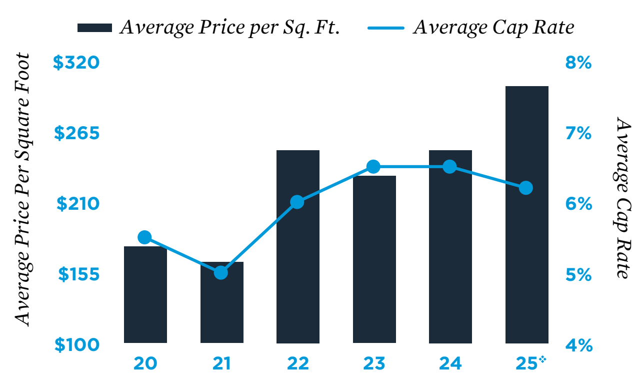
INVESTMENT TRENDS

- Limited opportunities in Ottawa's industrial sector continued to constrain investment activity last year. Amid trade disruptions, small-bay assets accounted for the majority of dollar volume.
- Most sales were concentrated in logistics, while specialized industrial properties — including light manufacturing and niche facilities — also attracted buyer interest from owner-operators.

Supply and Demand



Price and Cap Rate Trends



* Estimate; ** Forecast; * Trailing 12 months through 3Q

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

Influx of New Supply to be Absorbed Amid Stable Demand Dynamics

High-quality deliveries capturing bookings. As of late 2025, hotel rooms under construction as a percentage of existing inventory was 5.4 per cent in Ottawa — above the national reading of 2.0 per cent. This incoming hotel supply — anchored by projects like the MOXY Downtown, the Alt Airport Hotel, a Marriott and the Renaissance — represents a noticeable bump to inventory. Even so, the market's demand fundamentals suggest this new supply should be absorbed over the medium term. The city benefits from a uniquely stable base of year-round government travel, bolstered by health care, education, and a resilient corporate presence tied to federal contracts and a strong tech sector. Tourism demand is also expanding, with events, festivals and conventions driving an increase in visitor spending. At the same time, strategic initiatives through Ottawa Tourism are creating longer-term opportunities. However, bookings may not be uniform. New, premium, well-located product that is coming online will likely fare best, while older, mid-tier hotels may feel displacement pressure. In short, demand growth looks sufficient to balance openings, but operators at the lower end of the quality spectrum may face some risks.

INVESTMENT TRENDS

- Five hotels valued at $88.3 million traded hands over the past year ended September 2025. Dollar volume largely aligned with long-term averages, yet the number of deals was higher.
- Two high-profile sales valued over $20 million each traded in the first half of last year. Although availability remains limited, this indicates that top-tier properties are in high demand.

2026 Hospitality Trends

170
BASIS POINT
change in occupancy

OCCUPANCY:

Occupancy is set to hit a 10-year high of 72.1 per cent by the end of 2026. While deliveries will be elevated, Ottawa's hotel inventory has contracted since 2022, maintaining an under-supplied market.

0.6%
INCREASE
in ADR

ADR:

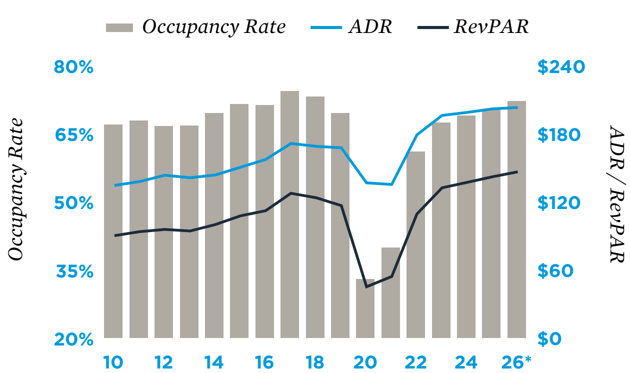
The combination of rising occupancy and high-quality supply coming on market will push the average daily rate to roughly $203. This represents an all-time high and is 21 per cent above the 2019 reading.

3.1%
INCREASE
in RevPAR

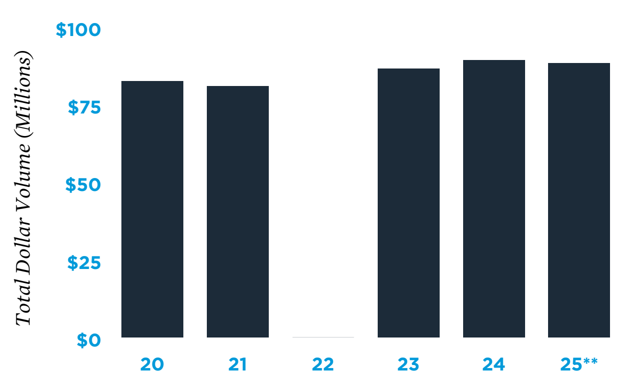
RevPAR:

As occupancy and the average daily rate inch higher, revenue per available room will follow. By year-end, the rate will sit at roughly $146 — up 26 per cent from 2019 and up 15 per cent from the past high set in 2017.

Occupancy and Revenue Metrics



Transaction Trends



** Forecast; ** Trailing 12 months through 3Q*

Sources: Altus Data Solutions; Statistics Canada; STR, a CoStar Group Company

Momentum Begins to Build Amid Better Monetary and Trade Conditions

Early signs of stabilization expected in new year. Southwestern Ontario's multifamily sector entered 2026 after a challenging year. Slowing population gains and rising unemployment amid tighter immigration and trade disruptions weighed on rental demand. Meanwhile, completions reached an all-time high, pushing the vacancy rate to its highest level since 2012. Conditions are expected to improve modestly this year. The exceptional momentum in rental need driven by the post-pandemic population surge is unlikely to return. However, an industrial recovery — supported by lower interest rates, ongoing producer adaptation and a potential improvement in trade relations — should provide a backstop for leasing activity. Although the vacancy rate is still projected to rise as population growth cools further, stronger labour conditions and fewer deliveries will likely moderate the pace of increase. Beyond the near term, long-run fundamentals remain constructive. Affordability-driven resident inflows, a steadily diversifying economy and deeper integration with the greater Toronto area through expanding transit links will sustain long-term rental demand, reinforcing Southwestern Ontario's appeal for apartment investors.

INVESTMENT TRENDS

- Investment activity improved last year despite demographic headwinds and trade risks. This reflects the impact of lower interest rates and confidence in the metro's long-term outlook.
- Transit expansions, including the LRT to Cambridge and GO's Hamilton and Kitchener expansion, will boost connectivity to the GTA and underpin the metro's long-term investment appeal.

2026 Multifamily Trends

6,000 UNITS
will be completed

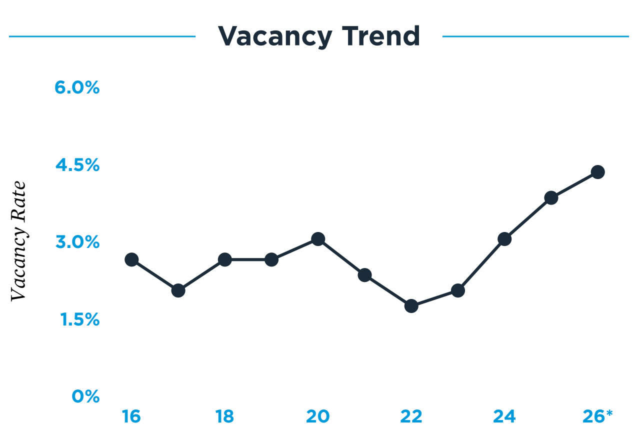
CONSTRUCTION:
Completions are projected to retreat from last year's record level. While construction remains concentrated in Kitchener-Cambridge-Waterloo and London, Windsor has seen a notable pickup in recent years.

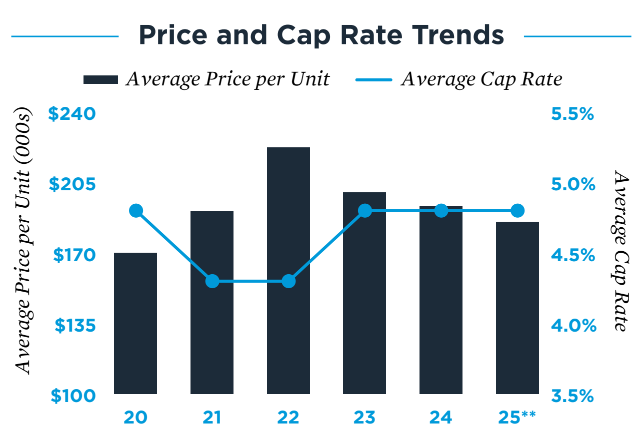
50 BASIS POINT
increase in vacancy

VACANCY:
Vacancy will face continued upward pressure to around 4.5 per cent, as the temporary resident population declines. However, improving economic activity and lower deliveries could slow the pace of increase.

2.0% INCREASE
in effective rent

RENT:
Upward momentum in economic activity and resident inflows from other parts of Ontario are expected to support rent growth. The metro will remain one of Canada's most affordable major rental markets, aiding longer-term demand.





** Forecast; ** Trailing 12 months through 3Q*

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

Trade Risks, Demographic Shifts to Extend Near-Term Strain on Fundamentals

Vacancy rate to remain on upward trajectory. Southwestern Ontario's retail market came under pressure in 2025 from both trade disruptions and the exit of Hudson's Bay. The sharp rise in U.S. tariffs rippled through the region's auto supply chain, curbing production in cities such as Windsor and London. These disruptions dampened job growth, eroded consumer sentiment and weakened demand for retail space across the metro. The closure of nine local Hudson's Bay stores added to the strain by removing a major department-store anchor and forcing landlords to backfill larger spaces in a challenging leasing environment. Looking ahead to 2026, ongoing uncertainty surrounding Canada-U.S. trade relations is expected to remain the region's primary headwind. Meanwhile, Canada's plan to cut international student admissions by half will slow population growth in college and university towns in the near term, weighing on foot traffic and tenant expansion. With both economic and demographic drivers losing momentum, space demand is likely to remain subdued and vacancy rates could edge higher before stabilizing later in the year.

2026 Retail Trends

700,000 SQUARE FEET
will be completed

CONSTRUCTION:

The expected delivery of two large spaces along Henry Street in Brantford, totaling 240,000 square feet, will lead to a modest rise in completions. Most other additions are in London and Kitchener.

30 BASIS POINT
increase in vacancy

VACANCY:

Vacancy is expected to inch up as space demand remains sluggish amid economic and demographic challenges. The rate is projected to hover around 2.5 per cent by year-end, doubling its 2024 level.

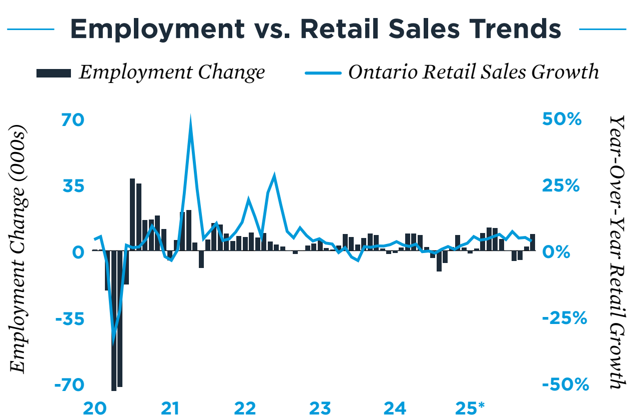
2.3% DECREASE
in asking rent

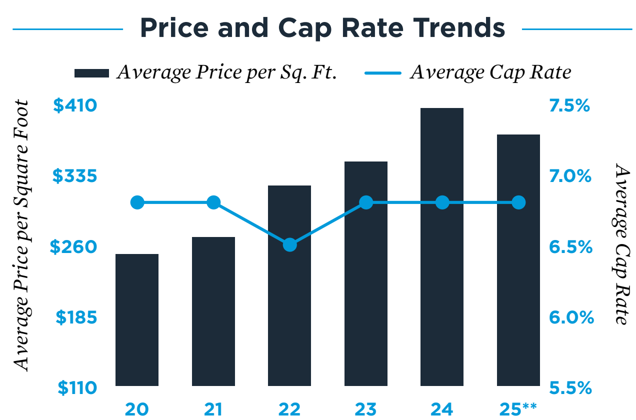
RENT:

Year-over-year growth in asking rents slowed last year and turned negative through the second quarter. This downward trend is likely to persist in 2026 as the vacancy rate climbs further.

INVESTMENT TRENDS

- Primaris REIT's $416 million acquisition of Lime Ridge Mall from Cadillac Fairview was the largest deal last year, highlighting the resilience of buyer confidence despite trade risks.
- While short-term trade and population challenges persist, steady domestic in-migration and affordability advantages will continue to attract investors seeking long-term gains.





** Employment through November, retail sales through September; ** Trailing 12 months through 3Q*

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

Local Strengths Battle Global Headwinds as Office Outlook Stabilizes

Regional characteristics underpin performance. Southwestern Ontario's office market strengthened in 2025, with vacancy falling sharply to 8.5 per cent. This was largely due to strong leasing momentum, selective space withdrawals and repositioning efforts, as well as rising owner-occupier activity tightening conditions. The improvement also reflected the region's structural advantages over larger metros — more affordable parking, shorter commute times and a tenant base dominated by smaller firms with greater control over their return-to-office strategies. Amid a limited new-supply pipeline, these factors, along with competitive rents, helped improve office demand despite widespread tariff uncertainty. Looking ahead, 2026 is expected to continue this trend. While trade negotiations could still sour — which does pose a material risk to the metro's office outlook — greater policy clarity is likely to emerge. This, along with continued return-to-office momentum, is likely to support tenant demand. Meanwhile, older buildings are expected to attract growing investor attention for adaptive reuse and conversion opportunities, positioning Southwestern Ontario as a more balanced office market heading into the next cycle.

INVESTMENT TRENDS

- Owner-user interest increased last year, driven by more favourable pricing and the desire for control over real-estate decisions.
- Office conversions also gained momentum. Combined with more balanced fundamentals due to less supply growth, dollar volume in 2025 largely aligned with the trailing 10-year average.

2026 Office Trends

0
SQUARE FEET
will be completed

CONSTRUCTION:
For the second straight year, Southwestern Ontario will see no office deliveries. In contrast, some investors are undertaking office-to-residential conversions to help address the region's widespread housing shortage.

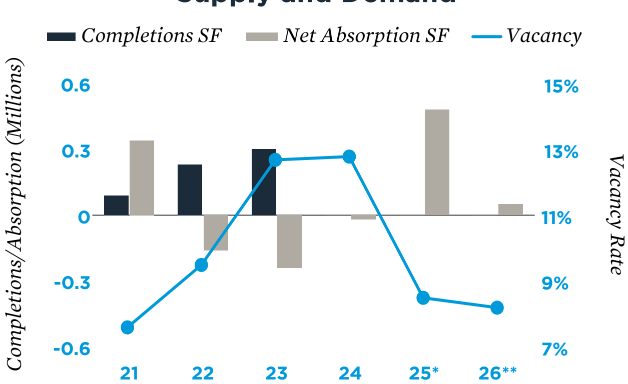
30
BASIS POINT
decrease in vacancy

VACANCY:
While vacancy forecasts are highly dependent on trade negotiations, positive momentum is building. Combined with favourable supply dynamics, vacancy could fall to just below 8.5 per cent this year.

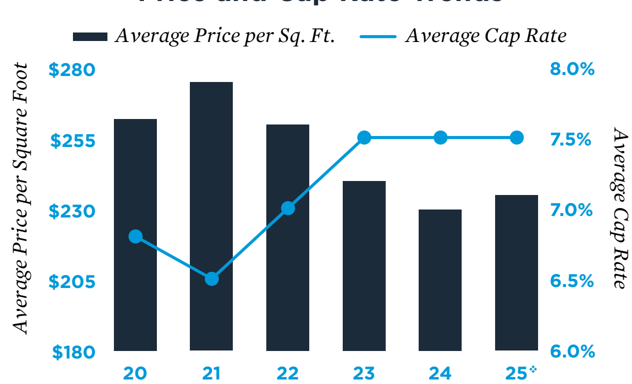
0.3%
DECREASE
in asking rent

RENT:
While the metro's vacancy rate is expected to see continued improvement, Southwestern Ontario is highly exposed to protectionist U.S. trade. Consequently, tenants are likely to remain cautious, which may temper any rent increases.

Supply and Demand



Price and Cap Rate Trends



** Estimate; ** Forecast; + Trailing 12 months through 3Q*

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

Conflicting Forces to Define Industrial Market Trajectory in 2026

Vacancy to level off with improving demand towards year-end. Despite higher tariffs and uncertainty, net absorption remained positive for most of 2025. Strategic stockpiling in anticipation of tariffs and relocations by some tenants from the neighbouring GTA in search of lower rents helped sustain leasing activity. The metro's high concentration of food and agri-processing operations — industries that tend to be recession-resistant — also supported space demand. Even so, as the U.S. raised tariffs on steel products in June 2025 and on non-USMCA-compliant imports from Canada in August 2025, pressure on space demand intensified in the third quarter as net absorption turned negative. Looking ahead, the metro will contend with two opposing forces shaping its industrial market. Tariff risks are expected to continue weighing on absorption in the near term. This drag may be offset later by renewed momentum from lower interest rates and a potential improvement in U.S. trade. Over the long term, the metro could benefit from policies that encourage domestic production and reinvestment, including the federal Building Canada infrastructure initiative and Buy Canadian procurement measures that prioritize local suppliers.

INVESTMENT TRENDS

- Despite trade risks, dollar volume rose slightly over the past year ended September. Transactions were largely limited to smaller-bay assets acquired by private investors and owner-users.
- The long-term outlook remains positive, supported by Southwestern Ontario's strategic location and cost advantages. Greater trade clarity should also help lift investor confidence.

2026 Industrial Trends

1.0 MILLION SQUARE FEET
will be completed

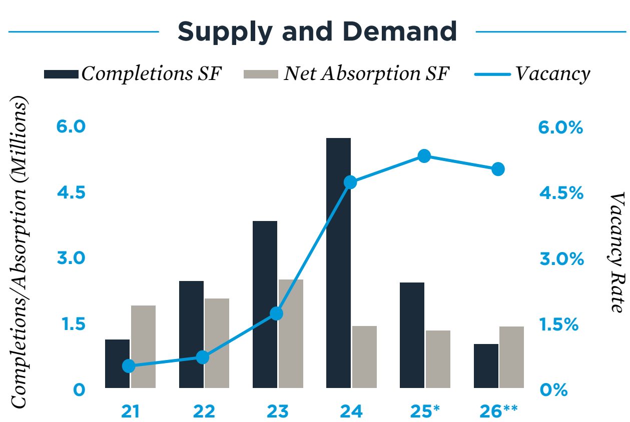
CONSTRUCTION:
With speculative development winding down, completions will reach their lowest level since 2020. The largest project is a new food processing plant in Brantford.

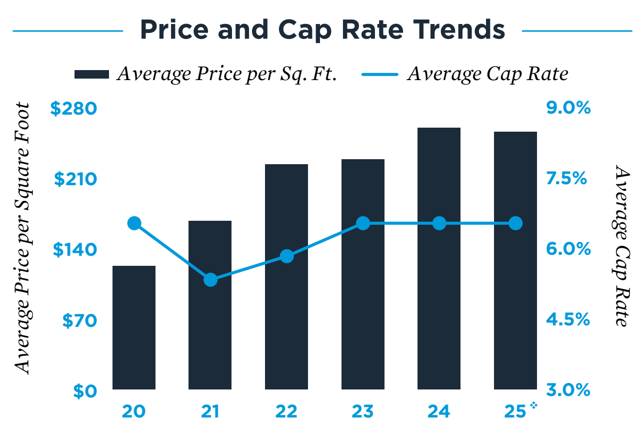
30 BASIS POINT
decrease in vacancy

VACANCY:
Vacancy may continue to edge higher in early 2026; however, lower interest rates and greater trade clarity, if realized, are expected to improve leasing and help stabilize vacancy around 5.0 per cent by year-end.

0.1% INCREASE
in asking rent

RENT:
Rents began declining year over year in the third quarter of 2024 and may continue to slip as demand softens. Nevertheless, with vacancy projected to stabilize in the second half, rents are expected to do the same towards year-end.





* Estimate; ** Forecast; * Trailing 12 months through 3Q

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

Elevated Construction and Tariff Risks Temper 2026 Hotel Prospects

Less corporate travel to test upcoming supply. Southwestern Ontario's hotel sector is poised for another year of correction in 2026 following a robust post-pandemic recovery. Regional occupancy is forecast to decline, reflecting an ongoing moderation in demand amid trade-related uncertainties and rising supply. The region's hotel pipeline remains elevated — projects under construction account for 3.0 per cent of existing inventory, compared with the national level of 2.0 per cent. Meanwhile, overall room stock has expanded at a faster rate than the national measure over the past three years. This influx of new supply is expected to weigh on near-term performance, particularly as industrial and manufacturing activity softens under U.S. tariff pressure on steel and automotives. These trade frictions could dampen corporate travel and project-related stays, especially in manufacturing-heavy submarkets. Meanwhile, given Southwestern Ontario's proximity to the U.S., trade disputes are also limiting cross-border visitors, further tempering demand. Despite these factors, average daily rates are projected to edge up, supported by higher-quality new builds and operators maintaining pricing discipline.

INVESTMENT TRENDS

- Over the past year ended September 2025, total hotel trades were largely aligned with the trailing five-year average. Dollar volume was above the average by 30 per cent.
- Amid proximity to the United States and vast tourist demand stemming from Niagara Falls, the surrounding metro area comprised 60 per cent of total trades.

2026 Hospitality Trends

350
BASIS POINT
change in occupancy

OCCUPANCY:
Occupancy is forecast to come under further pressure, falling to 54.4 per cent. This marks the third consecutive annual drop amid strong supply growth and trade-related uncertainties waning on travel demand.

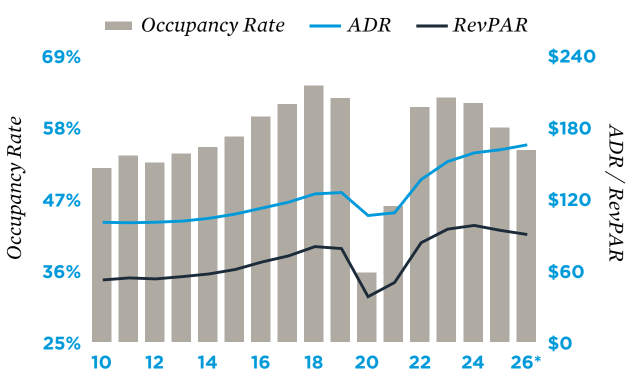
2.5%
INCREASE
in ADR

ADR:
Despite the fall in occupancy, the average daily rate could see a solid increase. Even so, this is largely due to the delivery of high-quality supply, as demand is forecast to fall by roughly 3.0 per cent this year.

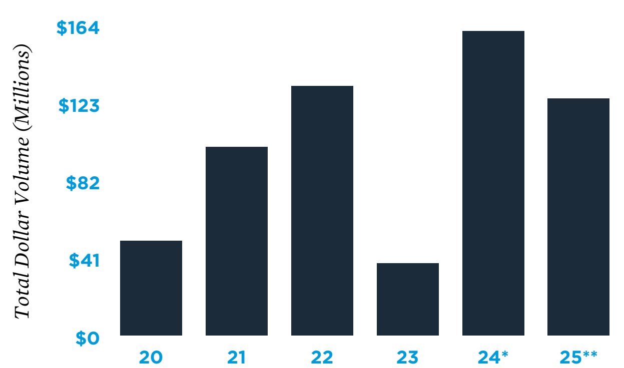
3.7%
DECREASE
in RevPAR

RevPAR:
Revenue per available room will drop for the second straight year on the heels of rising supply and moderating demand. That said, RevPAR will end the year at roughly $90, which is 13 per cent above the pre-pandemic high set in 2018.

Occupancy and Revenue Metrics



Transaction Trends



** Forecast; ** Trailing 12 months through 3Q*

Sources: Altus Data Solutions; Statistics Canada; STR, a CoStar Group Company

Public Measures to Support Supply Growth Despite Softening Conditions

Rental market in readjustment phase. Alongside a sharp deceleration in population growth last year, Toronto's rental market saw a surge in secondary rental supply. As condo prices fell, an increasing number of financially stressed condo owners rented out their units at discounted rates to cover mortgage costs. This influx of options prompted many purpose-built operators to offer incentives to attract and retain tenants. In 2026, muted resident gains and ongoing competition from the condo market are expected to continue posing headwinds for the multifamily sector. Even so, with lower interest rates and a potential improvement in trade, Toronto's economy could regain momentum in the second half of 2026. This should help firm rental demand, keeping the apartment vacancy rate low at approximately 3.4 per cent. Over the longer horizon, Toronto's rental supply is poised to increase meaningfully as various municipal, provincial and federal initiatives take effect. These measures range from building affordable homes on public land to improving infrastructure to address construction bottlenecks. This concerted effort will help address the metro's structural housing shortage and, over time, could help restore housing affordability.

INVESTMENT TRENDS

- By the third quarter of last year, the average sale price had declined 19 per cent from its 2022 peak. However, prices appear to have bottomed out in 2024 as financing costs declined.
- Near-term multifamily fundamentals may ease, but Toronto's scale and long-term demand support a resilient rental market, making it an appealing destination for investors.

2026 Multifamily Trends

5,500 UNITS
will be completed

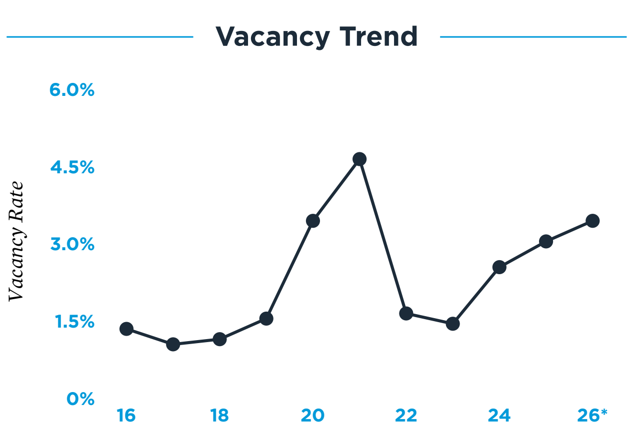
CONSTRUCTION:
Completions are projected to rise, reflecting the pickup in construction starts in 2023. Toronto now faces the longest construction cycle among major metros, with projects averaging roughly 27 months.

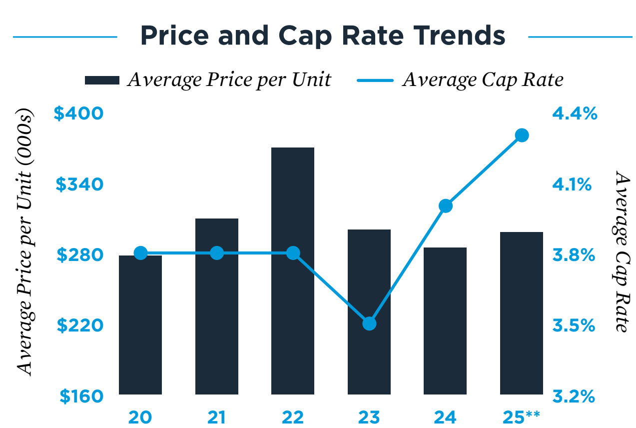
40 BASIS POINT
increase in vacancy

VACANCY:
Vacancy will continue rising, as slowing population growth and the increased supply of secondary rentals provides some balance. Nonetheless, the rate is projected to remain at a manageable level of 3.4 per cent.

1.7% INCREASE
in effective rent

RENT:
While effective rents in higher-end buildings may continue to decline, rent control measures will still allow older, regulated buildings to raise rents by roughly 2.0 per cent. This will likely more than offset softness in the premium segment.





** Forecast; ** Trailing 12 months through 3Q*

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

Economic and Demographic Hurdles to Weigh on Sector Expansion

Demand-side challenges to prolong upward vacancy pressures. Last year, mounting economic headwinds from trade tensions and the closure of Hudson's Bay stores led to negative net absorption in Toronto, pushing the vacancy rate to its highest level since 2017. Retailers grew increasingly apprehensive about expansion, delaying rollouts and lease renewals amid uncertain demand and tighter margin pressures. Looking ahead, persistent trade uncertainties and subdued population growth will cloud the near-term outlook. Toronto has long been a top destination for new immigrants, and restricting population inflows could further temper growth in retail sales amid sluggish foot traffic expansion. Additionally, ongoing weakness in the condominium market may continue to erode household net worth and prolong muted consumer confidence, posing some downside risks to spending. As a result, space demand is expected to remain soft in the short term. On the supply side, completions are projected to pull back significantly in 2026 as developers have become cautious as cost pressures mount. This limited pipeline should help cap any large increases in vacancy and support broader market stability.

INVESTMENT TRENDS

- Investment activity remained resilient last year despite macro challenges. Still-low vacancy rates helped keep investor demand strong amid a scarcity of quality assets for sale.
- Although retail fundamentals are set to soften in the near term, lower financing costs could draw sidelined buyers — particularly those eyeing long-term gains — back into the market.

2026 Retail Trends

500,000 SQUARE FEET
will be completed

CONSTRUCTION:
Completions are projected to decline notably, reaching an all-time low. Downtown, however, will see a major addition, with more than 100,000 square feet delivered as part of the YSL Residences Condos project.

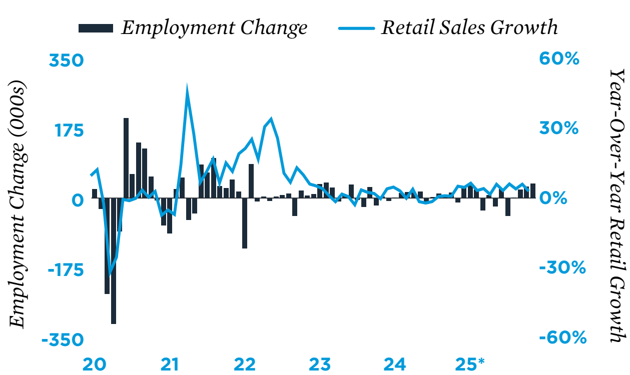
30 BASIS POINT
increase in vacancy

VACANCY:
Macroeconomic headwinds will weaken space demand, exerting upward pressure on vacancy. Limited supply growth, however, will help temper this rise, keeping the rate low at below 3.0 per cent.

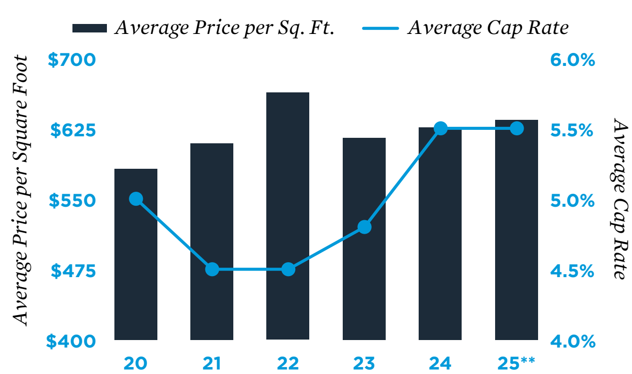
1.6% DECREASE
in asking rent

RENT:
As the vacancy rate rose, year-over-year growth in asking rent slowed in the second half of 2025 and is expected to slip into negative territory this year. The average asking rate is projected to settle just above $35 per square foot by year-end.

Employment vs. Retail Sales Trends



Price and Cap Rate Trends



** Employment through November, retail sales through September; ** Trailing 12 months through 3Q*

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

Dwindling Supply Pressures and Renewed Demand Set Stage For Office Recovery

Office market is turning the corner. Vacancy climbed to 14 per cent last year after approaching all-time lows just prior to the pandemic, with downtown at only 2.0 per cent. This drastic rise reflected a historic development cycle that began in 2019 amid tight market conditions, just as hybrid work sharply reduced space needs. Now, with this wave of product largely delivered, the city's once-robust build pipeline is tapering off, with virtually no large-scale projects expected outside of the fully pre-leased CIBC Square. At the same time, demand is improving. Major banks, telecommunications firms and local levels of government have expanded return-to-office mandates, helping lift occupancy and leasing activity in the core. Class AAA vacancy is extremely tight as tenants consolidate into higher-quality space, while limited new supply will likely prompt spillover demand into high-quality suburban assets as well as Class A and select Class B buildings downtown. With Toronto's role as Canada's financial and business hub anchoring long-term demand, vacancy is expected to stabilize and then modestly improve over the course of 2026 as supply constraints take hold and corporate space requirements gradually recover.

INVESTMENT TRENDS

- Over the past year ended September, investment was muted. Dollar volume hit $1.2 billion and total sales were under 200. This was below the 10-year average of $3 billion and 213 deals.
- While sales are down due to soft fundamentals and tighter capital markets, opportunistic investors are slowly reentering the market to position themselves for the next demand cycle.

2026 Office Trends

2.0 MILLION SQUARE FEET
will be completed

CONSTRUCTION:
While deliveries will rise this year, it is solely due to the first quarter completion of CIBC Square Phase II. This project is fully pre-leased and marks the end of Toronto's historic build cycle.

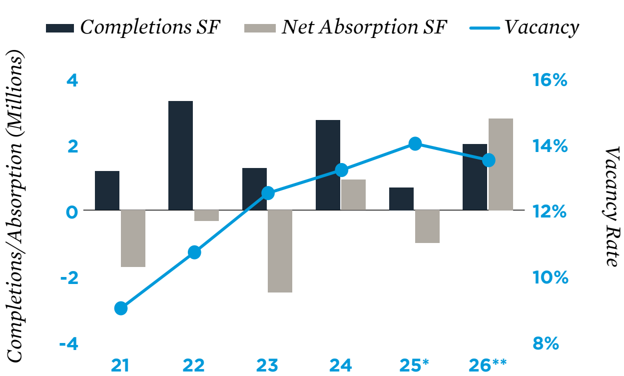
50 BASIS POINT
decrease in vacancy

VACANCY:
While flight to quality dominates, the vacating of older space and lingering trade risks will cap downward momentum on vacancy. Even so, dwindling new supply may pull the rate down to around 13.5 per cent.

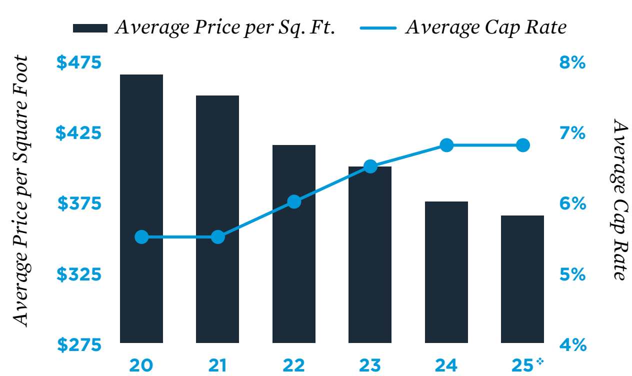
0.8% INCREASE
in asking rent

RENT:
The average asking rent has largely held stable since 2019, with that trend expected to continue this year. Net effective rents, especially in higher-quality spaces, are starting to improve as space demand picks up.

Supply and Demand



Price and Cap Rate Trends



** Estimate; ** Forecast; * Trailing 12 months through 3Q*

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

Trade Resolution Key to Unlocking Pent-Up Space Demand

Tenants awaiting greater clarity. Last year, Toronto was among the metros most affected by trade tensions. The region hosts much of Canada's core manufacturing capacity in the steel and automotive sectors, along with a dense logistics network and supply chains that are deeply integrated with the United States. As a result, net absorption lagged behind completions, driving up vacancy across the metro. This trend was more notable in Toronto East — a submarket with a high concentration of manufacturing-oriented businesses. Looking ahead, trade relations with the U.S. will remain a key factor closely watched by tenants and investors. Greater clarity on trade policy or a resolution to the current dispute would likely encourage many businesses to reengage expansion and investment plans. Despite the uncertainty surrounding trade, an accommodative monetary backdrop should continue to support consumer spending, sustaining demand in the transportation, distribution and warehousing sectors. Meanwhile, fundamentals in the small-bay segment are expected to stay robust. These facilities are typically occupied by local businesses, which are more insulated from the trade-exposed volatility elsewhere in the economy.

INVESTMENT TRENDS

- Despite a slowdown in overall investment activity last year, small-bay acquisitions held steady as investors gravitated towards lower-risk, locally connected assets amid limited supply.
- Many investors targeting large-bay assets have adopted a wait-and-see approach. If trade tensions ease following the 2026 USMCA joint review, activity could meaningfully pick up.

2026 Industrial Trends

6.8 MILLION SQUARE FEET
will be completed

CONSTRUCTION:
As the construction pipeline winds down, completions are forecast to fall by 35 per cent in 2026. Most new projects consist of large-bay facilities in key industrial nodes like Brampton and Vaughan.

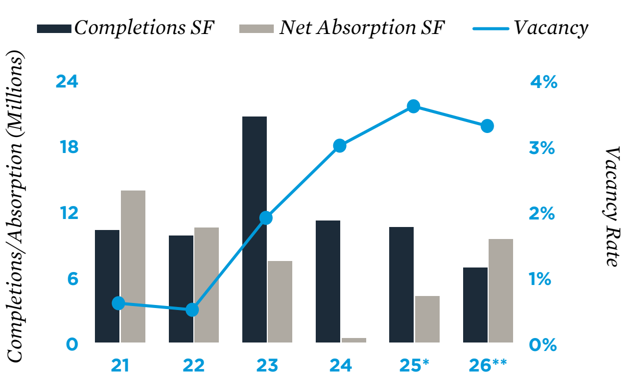
30 BASIS POINT
decrease in vacancy

VACANCY:
Vacancy is projected to fall modestly in 2026 to just below 3.5 per cent, driven by recovering space demand amid lower interest rates. That said, this is dependent on some trade clarity, which remains a key risk.

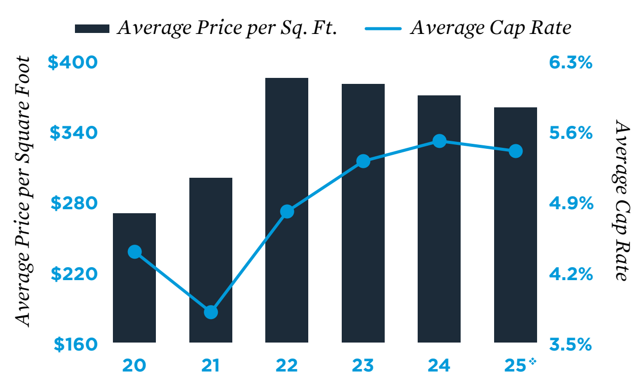
0.3% INCREASE
in asking rent

RENT:
After falling to their lowest level in three years, industrial rents may stabilize on the back of recovering space demand. Annual declines may persist in early 2026, but a recovery could materialize by year-end.

Supply and Demand



Price and Cap Rate Trends



* Estimate; ** Forecast; * Trailing 12 months through 3Q

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

Investors Bet on Toronto's Hotel Future, Despite Softer Near-Term Performance

Supply dynamics test demand. Toronto's hotel sector was resilient through 2025, as demand increased and key fundamentals held firm. That said, performance began to moderate amid lingering economic risks. Meanwhile, the city's under-construction inventory sits at 3.6 per cent of existing supply, nearly double the national level of 2.0 per cent, reflecting developers' confidence in long-term fundamentals. Despite elevated construction activity, demand growth has largely kept pace, though occupancy is projected to ease slightly in 2026 due to these supply-side pressures. Even so, downtown Toronto is poised to outperform, buoyed by corporate and group travel tied to major employers, convention facilities and a strengthening return-to-office trend supporting midweek stays. At the same time, Toronto's global reputation and early momentum tied to the 2026 FIFA World Cup will further underpin leisure demand. Modest rate gains should help offset small occupancy declines, keeping overall revenues on a positive trajectory. Toronto's hotel market enters 2026 from a position of strength, transitioning from a post-pandemic recovery phase into a more mature, supply-driven cycle.

INVESTMENT TRENDS

- Investment volumes neared record highs last year, led by three high-profile sales — the Ritz-Carlton, Sheraton Toronto Airport and the BISHA.
- Pricing for these assets was strong, signaling that investors believe in ADR and demand upside over the longer term. With interest rates coming down, sales could pick up this year.

2026 Hospitality Trends

40
BASIS POINT
change in occupancy

OCCUPANCY:
Following 2025's historic level, openings this year will remain elevated. A softer economic backdrop and ongoing tariff risks may also temper travel demand, pushing occupancy down to 75 per cent.

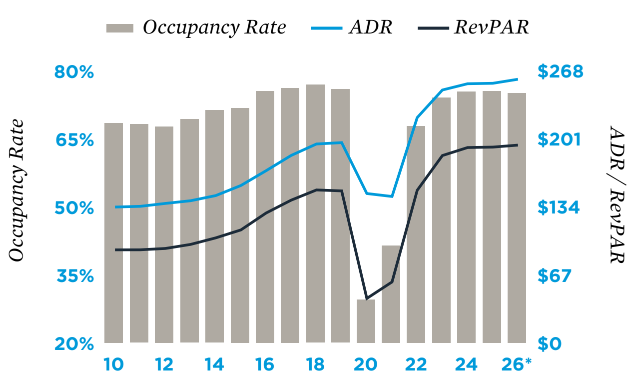
1.6%
INCREASE
in ADR

ADR:
With high-quality supply expected and modest economic improvement likely in the latter half of the year, ADR growth is projected to gain momentum by year-end, moderately accelerating compared with 2025.

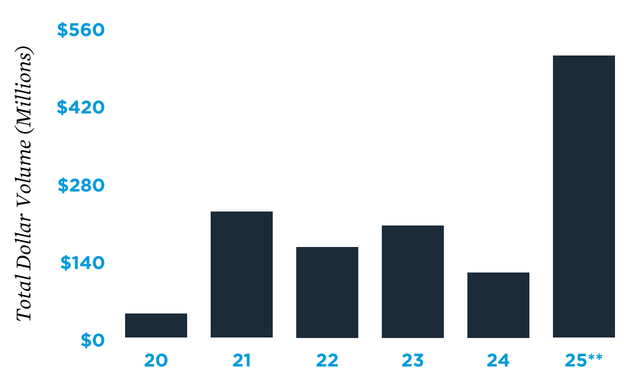
1.0%
INCREASE
in RevPAR

RevPAR:
Gains in 2026 will be concentrated downtown, while other submarkets are expected to post mild declines. The core's outperformance reflects its prime location, constrained hotel supply and a strong, diversified demand base.

Occupancy and Revenue Metrics



Transaction Trends



** Forecast; ** Trailing 12 months through 3Q*

Sources: Altus Data Solutions; Statistics Canada; STR, a CoStar Group Company

Rising Construction and Immigration Cuts Help Usher in a More Balanced Market

Vacancy rate trending up amid demographic shift. Vancouver's multifamily market is entering 2026 with clear signs of rebalancing. Population growth slowed last year under tighter immigration policies, just as apartment completions hit a record high. This pullback in demand growth, combined with a surge in new units, pushed the vacancy rate to 3.7 per cent in 2025 — providing much-needed relief for renters who had faced a near-full market for years. Looking ahead, construction starts data suggests that deliveries will ease gradually beyond 2026. With population growth expected to remain subdued as Ottawa doubles down on immigration reductions, vacancy rates are likely to continue rising through 2027. This should help return rent growth closer to the long-term average and improve affordability in Canada's costliest rental market. Despite softening fundamentals, Vancouver remains one of the most sought-after apartment markets in Canada, supported by high-quality job opportunities and exceptional lifestyle appeal. Long-term demographic drivers and structurally limited land supply will continue to make Vancouver a desirable investment destination for both domestic and global capital.

INVESTMENT TRENDS

- Sale prices peaked in 2022 and have since stabilized amid softening fundamentals. Cap rates have trended upward, with older properties often exceeding 4.0 per cent last year.
- While rising vacancy rates and rent declines have created a more cautious investment environment, lower financing costs should support transaction volumes through 2026.

2026 Multifamily Trends

9,500 UNITS
will be completed

CONSTRUCTION:
Deliveries are projected to reach a new high this year as the surge of projects launched in 2023 and 2024 reach completion. Total openings in 2026 will be roughly 70 per cent above their pre-pandemic level.

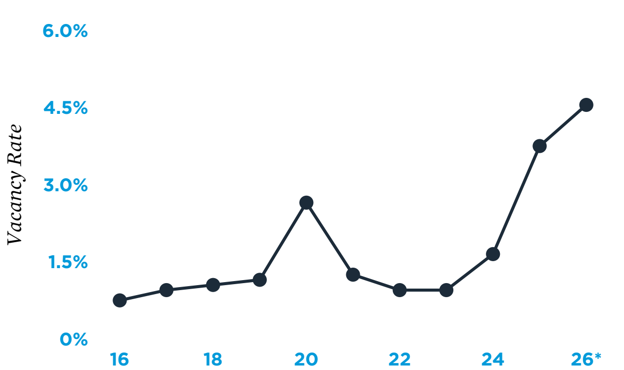
80 BASIS POINT
increase in vacancy

VACANCY:
As supply surges against muted population gains, vacancy will approach 5.0 per cent. Owners are likely to face longer lease-up periods, especially for newer properties, which typically command higher rents.

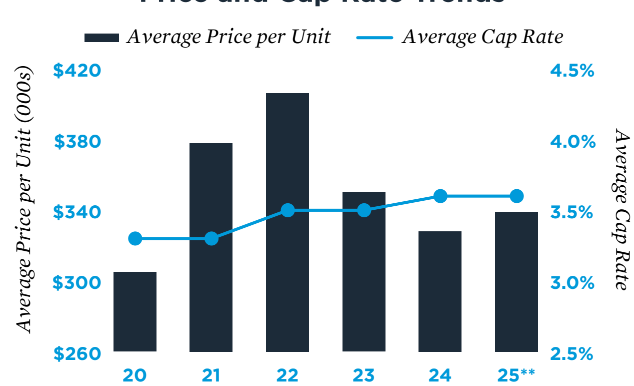
0.5% INCREASE
in effective rent

RENT:
The continued rise in vacancy is expected to prolong muted rent growth. Renters are likely to see more incentives, such as flexible lease terms and move-in promotions, as owners compete to attract and retain tenants.

Vacancy Trend



Price and Cap Rate Trends



** Forecast; ** Trailing 12 months through 3Q*

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

Lower Borrowing Costs and Greater Visitor Inflows Aid Retail Expansion

Recovery expected to take hold in 2026. Retail fundamentals in Vancouver softened in 2025 as vacancy climbed amid a rise in store closures linked to trade disruptions and weaker consumer sentiment. While these challenges may linger into 2026, the outlook for the year points to a gradual recovery supported by improving economic conditions and renewed spending momentum. Lower interest rates are expected to ease household debt burdens — historically elevated in Vancouver — helping to lift consumption and retail sales activity. Tourism will also play a key role in driving consumer spending this year. The upcoming FIFA 2026 World Cup and growing domestic travel intentions amid ongoing Canada-U.S. trade tensions are expected to draw a significant influx of visitors from within Canada and abroad. These factors are likely to bolster retailer confidence and reinforce leasing activity across the metro. On the supply side, the delayed opening of Oakridge Park will introduce a wave of high-quality space to the market, contributing to an increase in completions. However, overall development will remain disciplined, with most additional projects concentrated in mixed-use formats.

INVESTMENT TRENDS

- Despite trade risks, investment activity remained robust last year, supported by several high-profile transactions, including the sales of Willowbrook Park and Cottonwood Centre.
- Neighbourhood, grocery-anchored retail with redevelopment or intensification potential continues to attract positive sentiment, as this format stands to benefit from evolving demand dynamics.

2026 Retail Trends

700,000 SQUARE FEET
will be completed

CONSTRUCTION:
Completions will rise with the delivery of Oakridge Park. Most new openings will be situated outside downtown, primarily as part of mixed-use developments incorporating office or residential space.

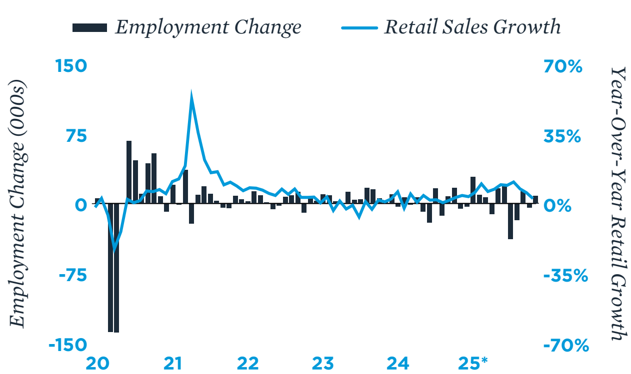
10 BASIS POINT
increase in vacancy

VACANCY:
Following last year's increase, the vacancy rate is forecast to rise at a slower rate as space demand improves in 2026. By the end of the year, vacancy is projected to sit just below 3.0 per cent.

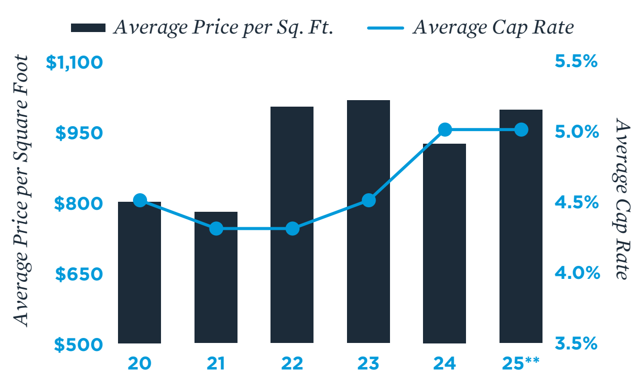
1.3% INCREASE
in asking rent

RENT:
The absorption recovery is expected to continue, with retail asking rents increasing. However, growth is likely to moderate as the vacancy rate has risen from the exceptionally low levels seen in recent years.

Employment vs. Retail Sales Trends



Price and Cap Rate Trends



** Employment through November, retail sales through September; ** Trailing 12 months through 3Q*

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

Metro Well-Positioned to Capture Potential Demand Spillovers

Market steadies as tech prospects could build. Vancouver's office landscape showed some resilience last year, with leasing activity outperforming expectations despite widespread trade risks. After an uncertain start to 2025, net absorption was positive through the first three quarters, as small- and mid-sized tenants reentered the market and larger occupiers renewed space. Office-using employment posted solid gains, helping the metro's vacancy rate hold below 10 per cent — among the lowest of major North American cities. Demand remained firmly tilted toward best-in-class assets, while suburban submarkets continued to outperform amid stronger commuter access and newer inventory. Looking ahead, fundamentals point to gradual stabilization. New supply is set to decline sharply, limiting further upward pressure on vacancy. At the same time, Vancouver's tech industry is well-positioned to welcome talent displaced by U.S. visa restrictions, as accelerating investment in artificial intelligence joins an already well-established presence of several larger firms. Together, these forces could lift medium-term office demand, driving a more balanced market where flight to quality and selective tenant expansion anchors growth.

INVESTMENT TRENDS

- Dollar volume jumped 70 per cent over the past yearlong period ended September 2025 to $551 million. While up compared to the prior year, it was 20 per cent below the 10-year average.
- KingSett Capital recently acquired the Class AAA Pender Place Office Towers in downtown for $125 million, underscoring institutional optimism for Vancouver's top-tier office product.

2026 Office Trends

300,000 SQUARE FEET
will be completed

CONSTRUCTION:
Following a 15 per cent rise in inventory since 2020, Vancouver's historic build cycle is nearing completion. Deliveries will fall in 2026 to their lowest level in six years, with most space being outside the downtown.

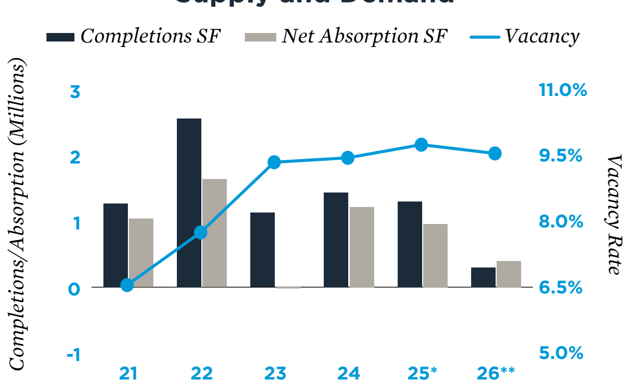
20 BASIS POINT
decrease in vacancy

VACANCY:
Demand tailwinds are forming, which may pull vacancy down to roughly 9.5 per cent. Challenges do remain, however, with deliveries still to come as well as ongoing trade risks prompting tenant caution.

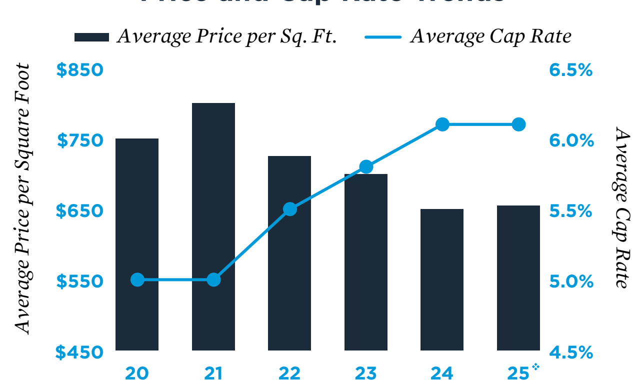
0.4% INCREASE
in asking rent

RENT:
After contracting for a second-straight year in 2025, the average rent could stabilize alongside a more firm vacancy rate this year. Suburban assets offering built-out suites could be the main driver.

Supply and Demand



Price and Cap Rate Trends



** Estimate; ** Forecast; * Trailing 12 months through 3Q*

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

Cyclical Tailwinds Stabilize Vacancy as Energy Initiatives Fuel Long-Term Growth

Vacancy rate to level off as supply growth slows. In Vancouver, over 13 million square feet of industrial space was delivered during the past four years, while net absorption lagged. This imbalance pushed the vacancy rate from 0.5 per cent in 2021 to 3.5 per cent by the end of last year. In 2026, this trend is set to turn the corner as the post-pandemic construction boom winds down. Fundamentals are poised to stabilize, with few major deliveries slated for Richmond, Surrey, and other submarkets that drove much of last year's softening demand. Meanwhile, leasing may pick up with lower interest rates, though prolonged trade uncertainties may keep the recovery gradual, especially in older stock, which is showing weaker performance. Looking beyond the near term, new programs supporting clean energy and the H2 Gateway hydrogen network will expand modern infrastructure. At the same time, many of the major infrastructure projects being announced under the Building Canada Act are focused around liquefied natural gas expansion in British Columbia. Combined with greater access to Asia-Pacific markets, these initiatives could drive longer-term space demand for modern industrial facilities across the province.

INVESTMENT TRENDS

- Institutional investors pulled back last year amid trade uncertainties, while private buyers and end users drove small-bay asset sales, which are partly insulated from the tensions.
- With annual rent declines moderating and sale prices retreating last year, 2026 could offer an attractive entry point, as cyclical tailwinds support a recovery in fundamentals.

2026 Industrial Trends

1.1 MILLION SQUARE FEET
will be completed

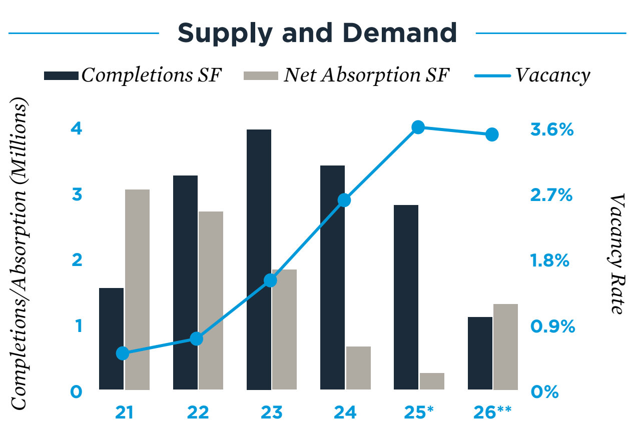
CONSTRUCTION:
After four years of elevated completions, the pace of delivery is set to slow in 2026. Pitt Meadows will see the largest addition, with roughly 370,000 square feet completed in Eagle Meadows Business Park.

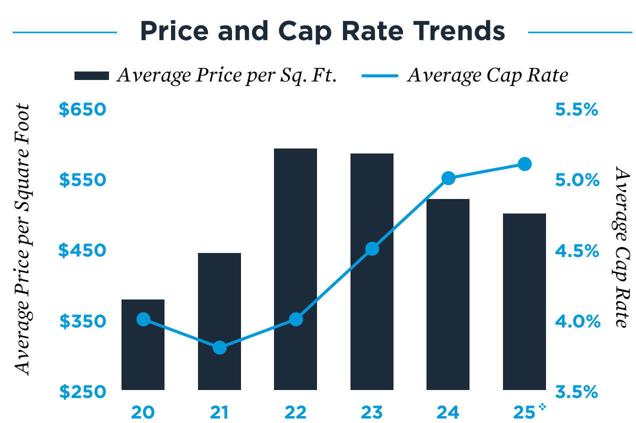
10 BASIS POINT
decrease in vacancy

VACANCY:
Vacancy is largely set to stabilize as space demand recovers and supply pressures ease. Lingering trade uncertainties are likely to make this improvement gradual, however, keeping the rate around 3.5 per cent.

1.0% DECREASE
in asking rent

RENT:
After last year's decline, the average asking rent may inch lower again in 2026. Weak demand for large-bay spaces amid trade risks may continue to weigh on rents, especially given that they are the highest among major Canadian metros.





* Estimate; ** Forecast; ⁺ Trailing 12 months through 3Q

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

World Cup to Drive Performance While Highlighting Limited Hotel Supply

Strong outlook underpinned by global events and tight supply. As one of the hosts for the FIFA World Cup in 2026, Vancouver is poised to see another year of modest growth for its hotel sector. The event will draw significant international visitation, boost group and leisure demand, and provide global exposure for the city's already strong hospitality industry. This demand surge will be layered onto already tight market conditions, as Vancouver continues to operate with some of the most limited hotel supply among major Canadian metros. While the city is considering loosening restrictions on short-term rentals such as Airbnb to expand accommodation options, the scale of that supply remains modest compared with traditional hotels, ensuring pricing power largely stays with operators. With average daily rates already among the highest in the country, the influx of global travellers in the summer months will likely push performance to record levels by year-end. Beyond the World Cup, Vancouver's role as an international gateway, in addition to its strong convention and leisure base, will sustain long-term demand, reinforcing the metro's position as one of Canada's most resilient hotel markets.

INVESTMENT TRENDS

- Brookfield's acquisition of the Shangri-La — a 119-room hotel with 307 residences located in the heart of downtown — underscores the deep strength of Vancouver's luxury hotel segment.
- Vancouver has lost about 500 hotel rooms over the past decade, creating a widespread shortage. As a result, investment in hotel development may pick up in the years ahead.

2026 Hospitality Trends

50 BASIS POINT
change in occupancy

OCCUPANCY:
Occupancy gains will largely be driven by increases in the summer months due to the FIFA World Cup. This will be led by 12-month occupancy growth of above 150 basis points in each of May, June and July.

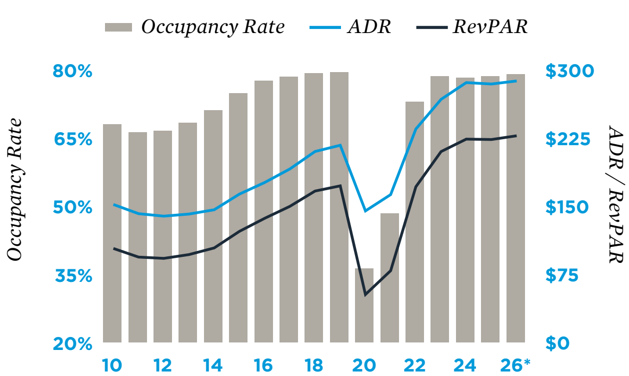
1.2% INCREASE
in ADR

ADR:
On a year-over-year basis, the average daily rate is set to decline in most months. Even so, robust gains during the World Cup will be enough to lift the average for the full year.

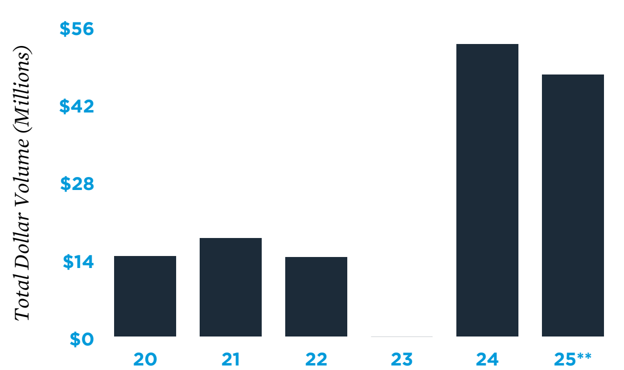
1.8% INCREASE
in RevPAR

RevPAR:
Strong traveller demand in the late spring and early summer will drive revenue per available room to record levels. This will be further supported by limited hotel supply and increasing domestic travel amid tensions with the United States.

Occupancy and Revenue Metrics



Transaction Trends



* Forecast; ** Trailing 12 months through 3Q

Sources: Altus Data Solutions; Statistics Canada; STR, a CoStar Group Company

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Statistical Summary Note: Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2025. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and property performance are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, expressed or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; Altus Data Solutions; Bank of Canada; Canada Mortgage and Housing Corporation; Capital Economics; CoStar Group, Inc.; Environics; Statistics Canada; STR, a CoStar Group Company

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