Manulife
Investment Management

Real Estate House View

Mid-Year 2025

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What you'll *find*

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House View Introduction

Concepts Driving Market & Asset Selection Today

Economic Base: Labor market rebalancing, look for key industry growth, supportive markets & asset types.

Demographic Shifts: Reversal of Pandemic trends, immigration policy changes, affordability could result in new population centers.

Purpose of Space: Human–centric strategy drives outperformance, prioritizing assets that meet demand.

Sustainability: Climate risk and social impact, with variations in Sustainability prioritization and adoption, may differentiate selection.

Definition of Core: A shift in what the Core profile looks like, while generating stable returns and performance.

Innovation and Technology: Markets and assets need to be agile and able to integrate and adopt new technology.

Market Timing and Asset Management: Quickly changing market conditions and demand preferences warrants proactivity in operations.

Income Growth Potential: As cap rate compression is less of a component to returns, identifying strategies to grow income is paramount.

The Investment Spectrum Is Expanding Asset Selection

Transformation in the way we use space is recategorizing commercial real estate

Live
- Multi-housing
- Affordable/Attainable
- SFR / BTR[1]
- Student Hsg
- Senior Hsg/Active Adult*
- Manufactured Hsg
- Exp. Retail Centers

Manage & Optimize
- Self-Storage*
- IOS*
- Data Centers*
- Truck Terminals*
- Cold Storage*

Procure & Secure
- Warehouse & Distribution
- Retail / Power Centers
- Hospitality

Produce & Create
- Office
- Studio

Innovate
- Manufacturing
- Life-science*
- Medical Office
- Bio-Industrial*
- Ambulatory*

- Technological advances and demographic shifts are changing the way we use the built environment, leading to an evolution in Commercial Real Estate asset types and investment strategies.
- Investment performance today hinges on capitalizing on the way real estate is used by making strategic acquisition and asset management decisions to optimize experience in these spaces.
- Within this paradigm of space use and asset types floating across the spectrum, as real estate continues to diversify, the way investors account for risk in their portfolios needs to advance and consider a broader range of drivers and mitigation tactics.
- Structuring the deal and positioning the asset with the most efficiency and agility is critical in advancing the longevity of the investment as space use continually evolves, and at greater speed.

- The property types listed above are those Manulife IM RE determines are investable property types and sub-types, and include "Traditional" (e.g., Multi- housing, Office, Warehouse & Distribution, Retail) as well as Alternatives (e.g., IOS, Ambulatory).
- Some sub-property types may allow for multiple purposes (e.g., Data Centers may satisfy Manage & Optimize, and Innovate).
- Alternatives may be classified as a niche property type or sub-type that requires sophisticated operational expertise in order to execute on the business plan; data may not be readily available, especially historical; limited proven-out use cases; benefits from aggregation strategies; institutional activity may be limited.

*Alternatives Asset Sectors
1 Single-Family Rental / Build-to-Rent

U.S. House View

U.S. Economy

-0.2%
GDP Growth

2.7%
CPI

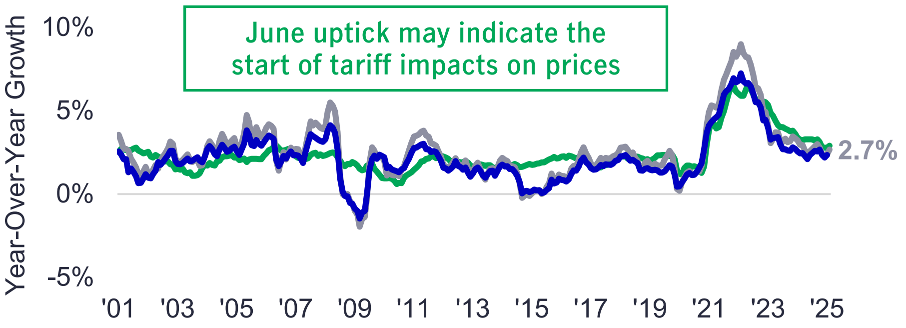
1.1%
Y/Y Job Growth

U.S. Macro-Economic Overview

Trade policy uncertainty slows economic growth.

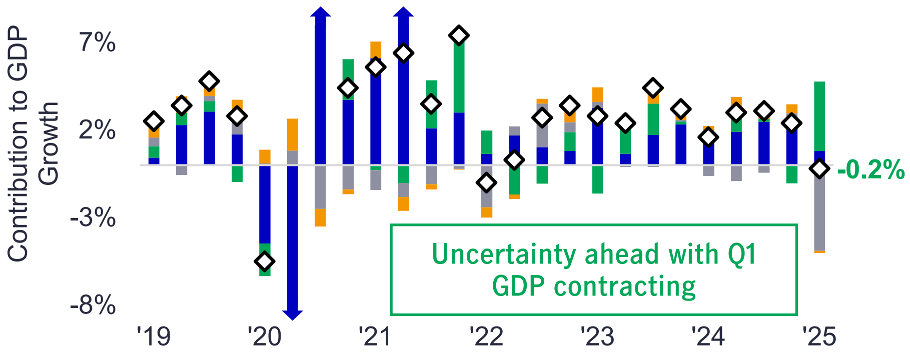
- **Economic signals are mixed amid heightened policy uncertainty amid resilient yet cooling labor markets, tepid inflation with mounting pressures from tariffs, a lukewarm consumer, and potential rate cuts later in the year.**
  - Oxford forecasts the Fed will begin cutting rates in December 2025 as the labor market weakens and inflation eases, with a 25-basis point cut at each of the first four Federal Open Market Committee meetings in 2026, lowering the Fed Funds target range to 3.0%-3.25% from the current 4.25%-4.5%. [1]
  - Concerns persist but the chance of recession has reduced slightly to 35% reflecting a stabilization in trade tensions, down from 45% in April when the economy was facing triple-digit tariffs on China. [2]
  - Deregulation, fiscal stimulus, and less policy uncertainty should support a more positive 2026.
- **Inventory front loading weighed on economic growth, resulting in a negative GDP print in 2Q25.**
  - Import front-loading ahead of April's reciprocal tariff announcements led to a -4.6% contribution to GDP from net exports. [2]
  - Household consumption and private fixed investment increased at a solid pace but slowed during 2Q, while corporate profit margins moved lower but remain elevated, a sign of cautious optimism around the trajectory of equipment spending.[2]

Annual Inflation



Source: U.S. Bureau of Economic Analysis as of May 2025.

Quarterly GDP Growth



Source: FRED as of July 2025. Chart is truncated to exclude outliers during the pandemic.

1 US: Demand risks and uncertainty will keep rates elevated. Oxford Economics. 6.11.2025.
2 US: Q1 GDP looks weaker despite slight upward revision. Oxford Economics. 5.29.2025.
Note: KPIs sourced from FRED. GDP and 10-Y Treasury as of 2Q25. CPI and job growth as of June-2025.

U.S. Economy

Economic Conditions are Playing out in Commercial Real Estate Uncertainty

GDP Momentum

- Net trade volatility will obscure the true health of the economy, of which consumer and business spending figures are expected to slow meaningfully.[1]

CPI Trajectory

- The CPI trajectory is moving closer to the Fed's 2% objective overall; however, inflationary pressures are expected to increase due to tariffs and reduced immigration.

Labor Market

- The labor market could weaken in the second half of the year as tariffs impact the economy, federal worker layoffs rise, and trade policy uncertainty slows hiring.

Interest Rates

- Fed taking its time to gauge how tariffs impact its dual mandate.
- Fed could begin cutting rates in December 2025 as the labor market weakens and inflation eases.

Impact to Commercial Real Estate

- Economic uncertainty and volatility encourages a 'wait-and-see' approach for now, creating a drag on business investment and consumer spending, potentially weighing on investment activity and demand side fundamentals.

- The risk of re-igniting inflation could weigh on consumer spending, impacting retail and household formation, but at least for now, wage growth is above inflation supporting spending and household formation.

- Demographics and policy uncertainty, which impacts business investment and hiring rates, point to slower growth ahead – a potential drag for office and multifamily.

- Despite market participants adopting a 'higher-for-longer' mentality, a more pronounced capital markets recovery may not take hold until interest rates trend down.

1 US: Trade data to remain source of volatility in GDP estimates. Oxford Economics. 6.5.2025.

-0.2%
GDP Growth

2.7%
CPI

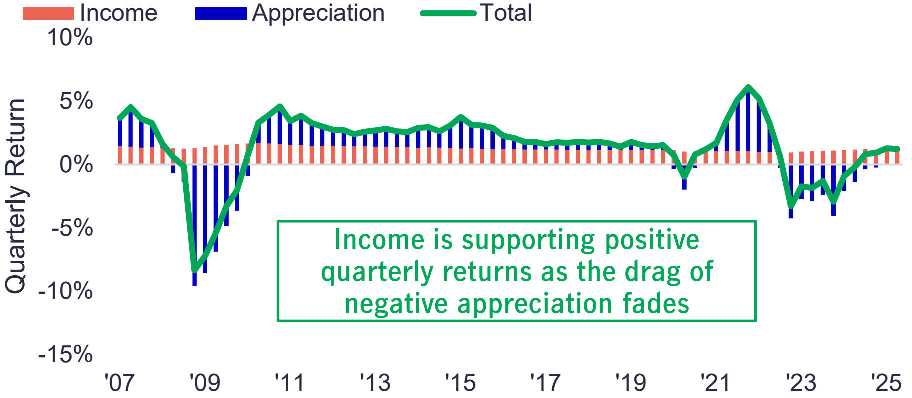
1.1%
Y/Y Job Growth

U.S. Capital Markets

Emerging recovery met with economic uncertainties creates pause.

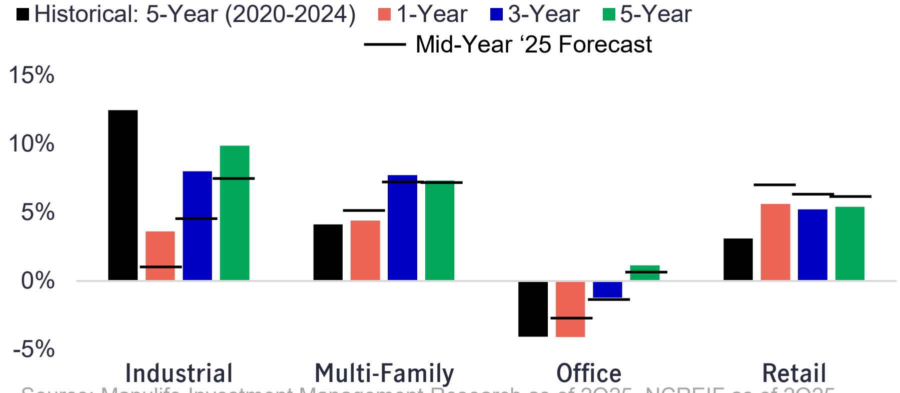
- Despite an early 2025 uptick in investment sales activity, **market sentiment appears cautious amid economic uncertainties** - trade policy impacts, higher tariffs, and rising interest rates - generating hesitancy among investors.
  - Adoption of a 'higher-for-longer' rate mentality, cautious economic optimism, stronger debt availability, and a strengthening returns environment supported solid capital markets activity in early 2025. By 2Q25, geopolitical concerns and trade policy volatility resulted in investor reluctance, resulting in flat investment volume year-over-year, but still up 10.0% through the first half of 2025 compared to a year ago, boosted by strong 1Q25 volumes.[1]
  - Some shift in sentiment away from the U.S. amid deglobalization and tariffs is burgeoning, but on balance the U.S. is still one of the most robust capital markets environments.[2]
  - Many assets trade below replacement cost, which could pull more capital off the sidelines. [3]
- **Attractive entry points are emerging** as the period of substantial devaluation ended in 1Q25, initiating a new liquidity cycle that could ramp up once greater economic clarity emerges.[5]
  - Deploying capital into a slowing development cycle positioning select property types in select markets for outperformance.
  - Capital raising totaled $57.5B during first half 2025, down more than 8% year-over-year.[6]

NCREIF NPI Income v. Capital Returns



Source: NCREIF, NPI Expanded as of 2Q25.

Forecasted Annualized Returns by Property Type



Source: Manulife Investment Management Research as of 2Q25. NCREIF as of 2Q25.

1 RCA as of 2Q25. 2 "US investors look to allocate more capital overseas." PERE. June 2025. 3 "Real Estate Investment Activity Sees Uncertainty, Proceeds Cautiously." GlobeSt. 6.4.2025. 4 "JVs and Creative Financing Shape Foreign Investment in U.S. Real Estate." GlobeSt. 6.13.2025. 5 NCREIF, NPI as of 2Q25. 6 Preqin as of 2Q25.
Note: KPIs sourced from Preqin (as of 4Q24), MSCI (as of 2Q25), and NCREIF (NPI-Expanded as of 2Q25).

Credit Markets

$1.5T
Credit Mkt Size

$197B
$ Credit Raised

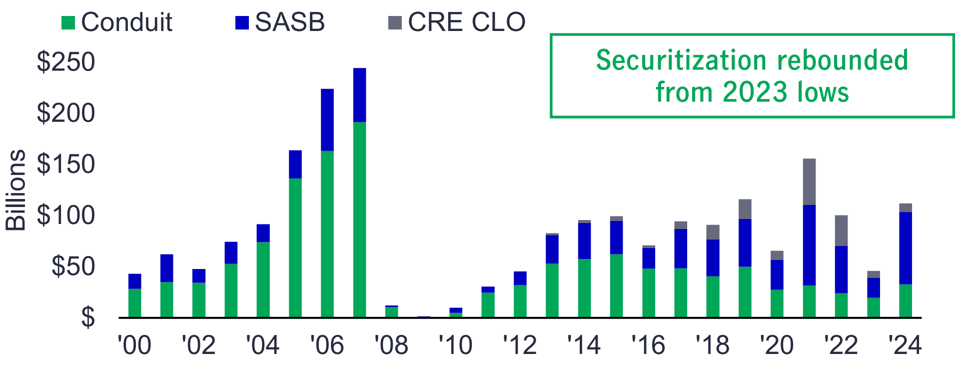
$2.9T
Debt Maturity

U.S. Credit Markets

Credit markets still offer a pathway for strategic exposure to Commercial Real Estate (‘CRE’) while mitigating risk from a pervasive higher-rate environment.

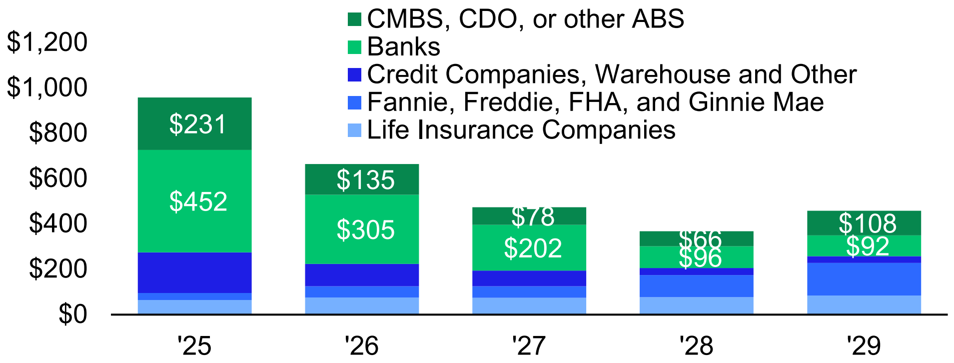
- **Overall CRE lending activity recovered in 2024, with CRE lenders infusing $498 billion into the market.** This represents a 16.1% increase relative to the prior year. The recovery in CMBS markets led the way, with issuance rising by 130.7%. Life co lending rose by 17.3% and private credit lending increased by 14.9%. By contrast, bank originations continued to slide, declining by 10.7% relative to 2023.[1,2]
- **Expectations of rates remaining elevated represent a tailwind for CRE credit markets**. Credit investors can continue to earn above-average returns, close to equity investments.
- **Real estate private credit still has room to grow.** Over the last 10 years (2015-2024), 639 credit funds were created by GPs based in the U.S. A total of $197 billion was raised for credit investments. This parallels the rise of private credit globally, with market size increasing by $500 billion in 2015 to over $1.5 trillion in 2024. [2]
  - Despite the recent increase in private credit activity, there remains room to grow. The share of private credit funds in total CRE lending rose from 6.2% to 10.3% from 2020 to 2024, still much less than CMBS (16.1%) or bank lending (23.7%). [2]
  - Furthermore, the $197 billion raised by private credit over the last ten years represents only 4.1% of the total addressable market of $4.8 trillion of CRE loans outstanding. [2]

Commercial Real Estate Securitized Debt Issuance



Source: Wells Fargo as of June 2025. “SASB” is single asset single borrower. “CRE CLO” is commercial real estate collateralized loan obligation.

Debt Maturity Wall



Source: Mortgage Bankers Association as of July 2025. “CMBS, CDO or other ABS” is commercial mortgage-backed security, collateralized debt obligation or other asset backed security. “FHA” is the federal housing administration.

1 Mortgage Bankers Association as of 2Q25.
2 Preqin as of 2Q25.

Manulife Investment Management

Operating Fundamentals

3.7%
Wage Growth

0.9%
Populat. Growth

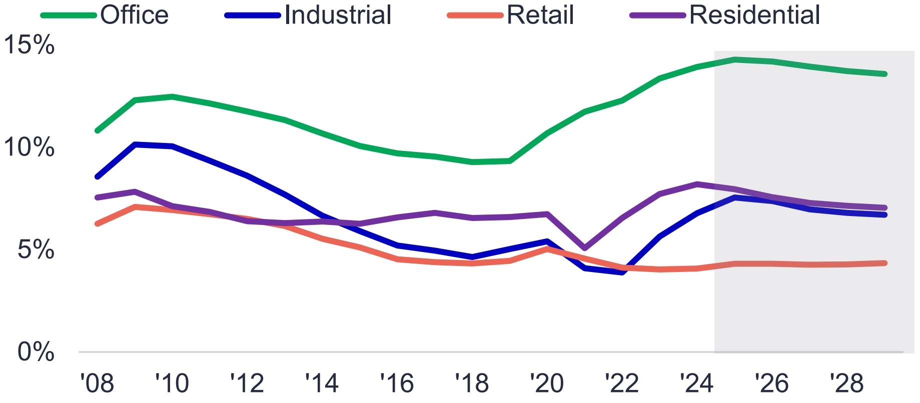
2.2%
Consumer Spend.

U.S. Operating Fundamentals

Normalizing fundamentals face a broad range of uncertainties.

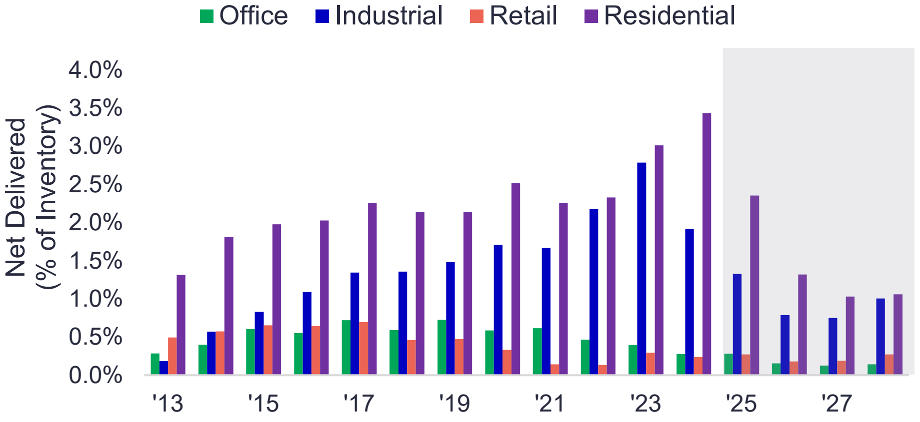
- **Just as operating fundamentals begin to normalize in most sectors, a broad range of uncertainties threatens to stall demand growth**; however, limited new development should support net operating income ('NOI') growth.
  - Tariffs and uncertainty emerged as top concerns for both consumers and businesses, most directly impacting the **industrial** sector which is experiencing a demand pullback after multiple years of robust growth following the pandemic.
  - Indirect tariff impacts could show up in the **retail** sector by way of weaker consumer spending amid economic uncertainty and potentially higher inflation, challenge demand in the period ahead, but personal consumption expenditures remain resilient amid record low availabilities, supporting solid NOI growth.
  - Labor market resiliency supports strong demand for **multifamily** while the supply wave moves past peak, translating to a turning point for fundamentals and the potential for tightening dynamics as deliveries move meaningfully lower.
  - The degree of space reductions is moderating for **office** while vacancy is showing signs of peaking, but demand is concentrated in high-quality assets with spillover benefits to Class A/B.
- **Overall demand conditions should remain resilient while significantly lower construction pipelines,** potentially tightening further due to higher tariffs and resulting higher construction costs, support operating fundamentals.

Vacancy



Source: Costar as of 2Q25.

Delivery Pipeline



Source: Costar as of 2Q25.

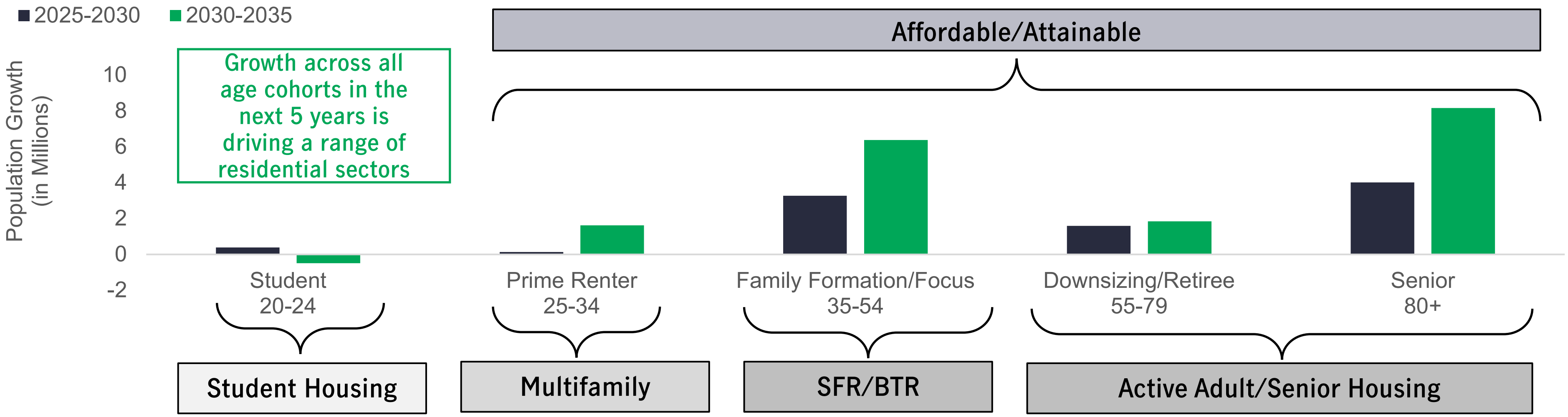
Note: KPIs sourced from FRED and measure year-over-year growth. Wage and consumer spending as of June 2025 and May 2025. Population growth as of 4Q24. Business investment as of 1Q25.

U.S. Residential Overview

The essential nature of housing, favorable demographics, affordability issues and a chronic housing shortage support durable, long-term investment potential for the residential sector.

- **Demographics support a wide range of housing options across various life stages, each with unique demand and lifestyle/life-phase drivers.**
  - Pent up demand from young adults living with parents and a growing number of prime-aged renters supports traditional multifamily. [1]
  - Ongoing aspirations for higher education bolsters resilient demand for student housing at brand name, flagship institutions, while tight supply of housing near campus that caters to modern student needs creates a compelling investment opportunity.
  - A large share of renters spending more than 30% of income on rent supports demand for attainable/affordable housing options.[2]
  - Challenging homeownership affordability, adoption of WFH, and millennials aging into prime-SFR age provides tailwinds for sustainable demand for SFR/BTR in markets with diversified demographics and active labor markets.
  - As baby boomers age, active adult housing—a lifestyle-focused subset of senior housing aimed at younger, healthier cohorts (typically aged 72-74) offering secure, maintenance-free rentals—appeals to their desire for community and a vibrant, independent living environment.[3]

Population Growth by Cohort and Primary Residential Sector Demanded



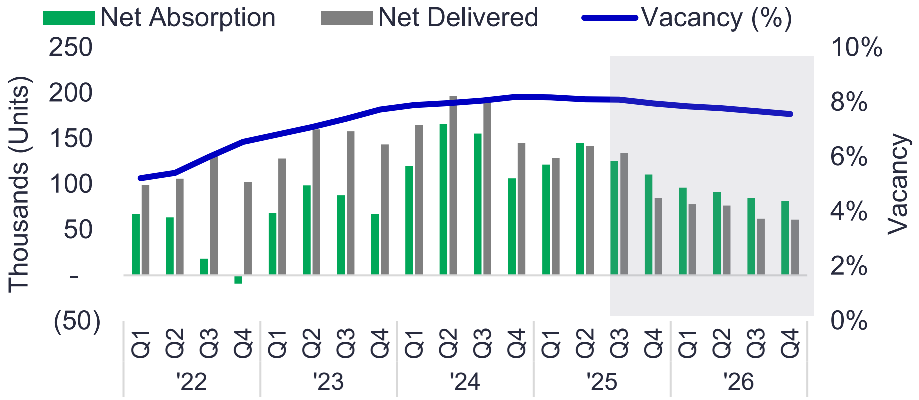
Source: Oxford Economics as of July 2025.

1 ULI RPIC, Spring Meeting 2025. John Burns Research & Consulting. 5.14.2025.
2 US Census Bureau, American Community Survey 1-Year Estimates, as of 3Q24.
3 Green Street. Health Care Insights - Active Adult Sector: Another Living Option. 7.12.2024.

U.S. Multifamily Fundamentals

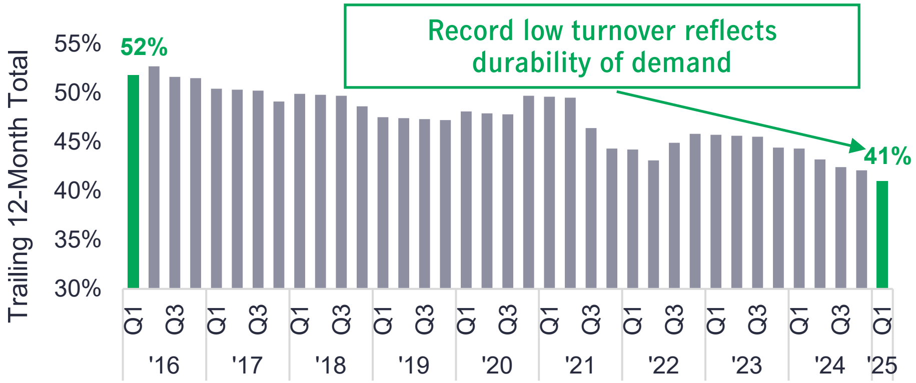
Strong demand paired with supply that has passed its peak supports a turning point for fundamentals.

Quarterly Supply and Demand



Source: Costar as of July 2025.

Apartment Same-Store Turnover



Source: John Burns Research and Consulting as of May 2025. Note: Data is for public REITs.

- **Supply and demand factors are strengthening** after a period of dislocation amid record apartment deliveries in 2023 & 2024.
  - Strong demand outpaced supply in 2Q25, as the sector nears a turning point with vacancy edging lower to 8.1%.
  - Rent growth continues to soften amid elevated vacancy, increasing 0.9% with wide variation across markets. [1]
  - Supply shortage could intensify as decade-plus low construction starts amid higher capital costs and stricter lending is met with construction labor force challenges, and elevated tariffs driving up construction material costs.
  - Sun Belt supply pressures easing which continue to be the top migration destination, but momentum has slowed. Other areas, particularly coastal gateways, showing a strong pickup in net migration rates, turning positive in the last 2-years, after years of outflows.[1,2]
- **Record low turnover could persist** amid a development slowdown, the stagnant, expensive single-family home sales market, and delayed adult milestones, keeping renters in place for longer.
- **Absorbing heavy new supply amid lower immigration levels could be a challenge in a handful of markets**, particularly those with a higher share of population growth from international migrants and high foreign-born rentership rates.[3]

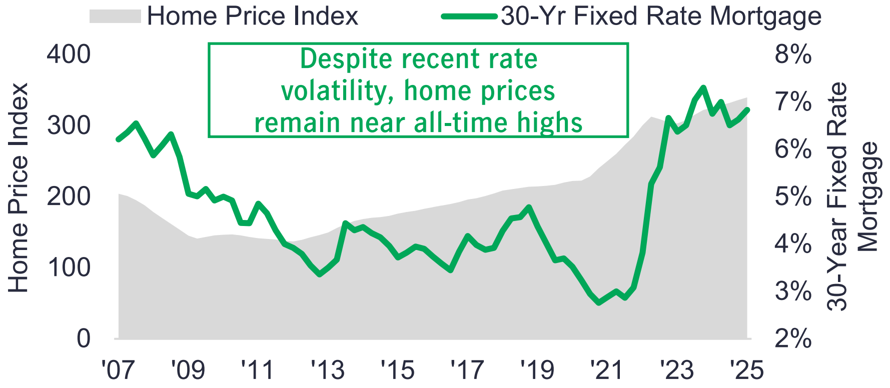
1 CoStar, data as of 2Q25.
2 Oxford Economics, data as of 2Q25.
3 "Immigration has bolstered apartment demand. What an expected slowdown means in four gateway markets. CoStar News. 6.12.2025.

Live

U.S. Attainable/Affordable Housing Overview

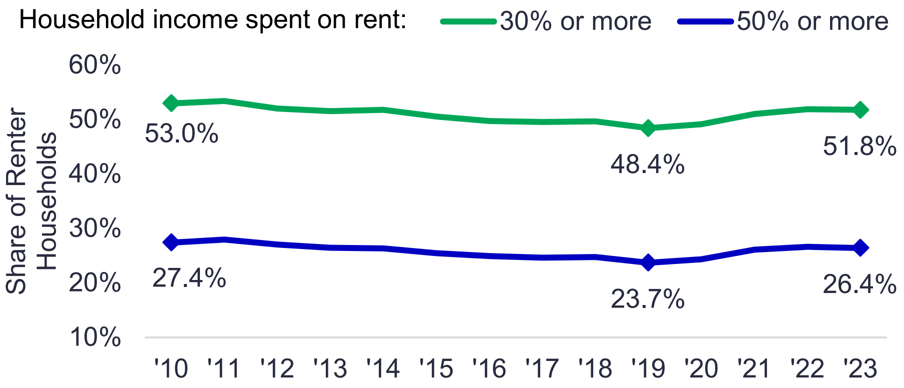
The affordable housing crisis is intensifying with soaring home prices, high mortgage rates and record-high renter cost burdens, colliding with a drop in new construction and expiring protections.

Home Price Index & Mortgage Rates



Source: FRED, Freddie Mac; S&P Dow Jones Indices LLC as of 1Q25.
Note: Home Price Index is the S&P/Case-Shiller 20-City Composite.

Share of Cost Burdened Renter Households



Source: US Census Bureau, American Community Survey 1-Year Estimates, as of 2Q25.

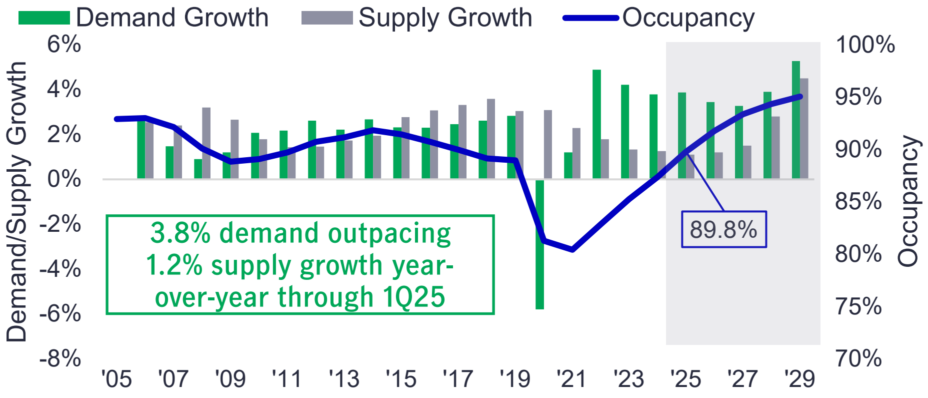
- **Rising rents stress tenants, even in "affordable" units.**
  - Occupancy reached over 98% in 1Q25 while HUD fair market rents jumped 10-15% year-over-year in high demand metros like Inland Empire and Washington, D.C.[1]
  - Demand for affordable rentals, especially in immigrant-heavy and working-class communities will likely remain robust as immigration drove the formation of +600K renter households from 2022-2024; however, increased deportations could have an impact in certain instances.[2]
  - Construction fell by 30% year-over-year in 2024 with only 66K units started.[1]
- **The short-term boost in supply won't be sustained as developers face barriers from rising land, labor and insurance costs.**
  - ~80,000 affordable units are expected to deliver in 2025, a 12.6% increase over 2024, but projected to fall to 68,000 and 51,000 in 2026 and 2027.[1]
  - By 2035, around 890,000 affordable housing units face the risk of losing affordability restrictions, threatening a significant portion of affordable housing stock.[3,4]
  - The preservation/production balance will be highly state-dependent as federal and local subsidies are critical with 14 states, like Ohio and Texas, possible seeing net losses.[4]

1 "National Report – Current State of Affordable Housing" Berkadia as of May 2025.
2 John Burns Research ULI RPIC Spring Meeting as of May 2025.
3 National Housing Preservation Database as of May 2025.
4 "National Affordable Housing Report" Yardi Matric as of March 2025.

U.S. Active Adult Overview

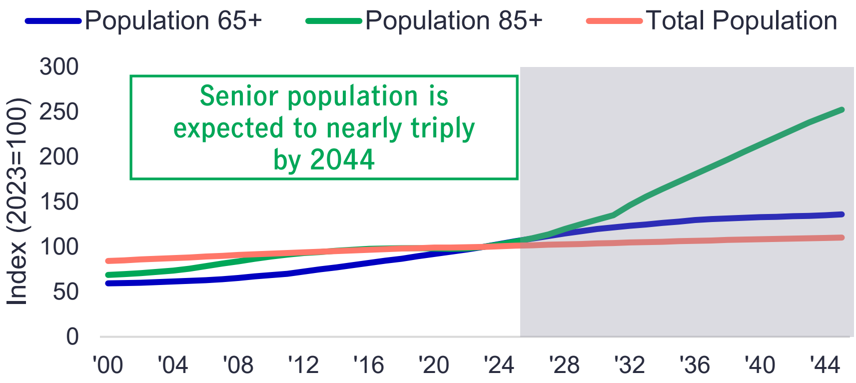
Active adult housing sector is entering a long-term demand upswing driven by senior population growth and constrained new supply further setting the stage for occupancy strength, rent growth and delivery pressures.

Senior Housing Supply and Demand Growth vs. Occupancy



Source: Green Street as of July 2025.

Population Growth Index by Age Cohort



Source: Oxford Economics as of May 2025.

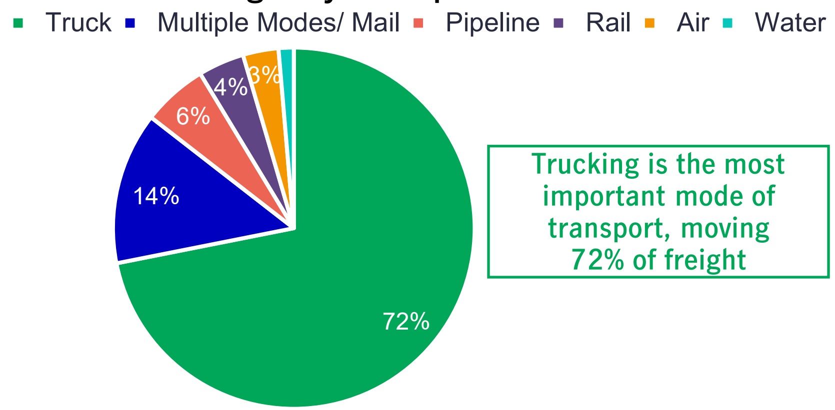
- **Occupancy hit record-high at 90% in 1Q25 while construction pipelines hit historic lows at 2.6% of inventory.**[1]
  - Rent growth decelerated to 3.9% year-over-year but remains ~150 bps above pre-Covid norms.[1]
  - Expected supply growth remains in the low 1% range, equal to about half the historical norm.
  - While the broader for-sale housing market softened, senior housing demand was largely unaffected (only a few Sun Belt metros showed weakness) likely due to pandemic recovery and seniors wealth gains from rising home prices. [2]
- **Forecasts expect occupancy to reach 94.5% by 2029 with rent growth holding in the 4-5% range, driven by surging 80+ population and minimal new supply.** [2,3]
  - Immigration-related labor constraints remain a longer-term threat.[3]
  - The U.S. will need 564,000 new units by 2030 but only ~191,000 are expected to deliver driving early move-ins and waitlist behavior among older adults and families. [4]
  - Cautious optimism in Sun Belt as areas with softening housing markets may see weaker near-term rent and occupancy growth, especially for independent living and active adult communities. [2]

1 "1Q25 NIC Data – Seasonality? Never Heard of It" Green Street as of April 2025.
2 "Housing Sector - Scanning for Housing Market Sensitivity" Green Street as of May 2025.
3 U.S. Senior Housing Outlook - Green Street as of January 2025.
4 "Senior housing is so scarce that many older adults are buying before they even need it" Market Watch as of April 2025.

U.S. Industrial Outdoor Storage (IOS) Overview

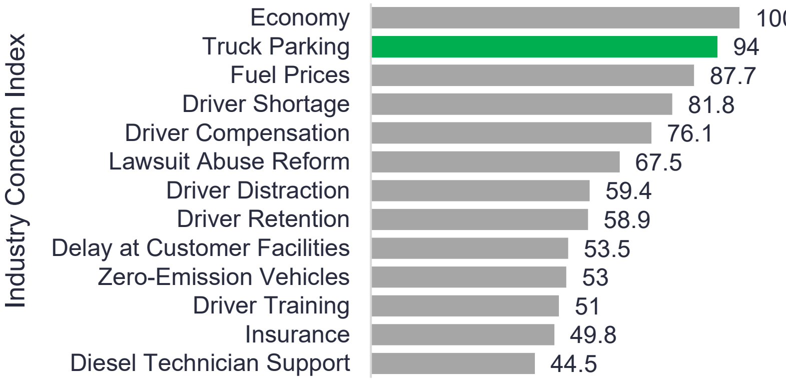
Brief softness amid uncertainty, but IOS remains a critical component of the supply chain.

Share of U.S. Freight by Transportation Mode



Source: U.S. Bureau of Transportation Statistics as of July 2025. Note: Based on value.

Top Trucking Concerns



Source: American Transportation Research Institute as of October 2024.

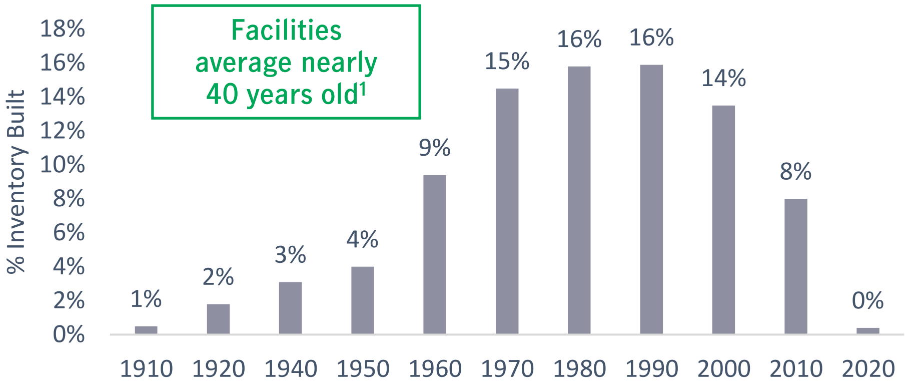
- **IOS facilities play a key role in logistics operations** as well as in the construction and utilities industries, by offering storage and maintenance for goods, vehicles, and equipment, supporting the efficient movement and storage of goods across the supply chain from ports to airports to warehouses to end users.
  - Trucking, the dominant mode of transport for freight, boosts demand for IOS properties, offering several key functions including parking, staging, maintenance and repair, cross-docking, transloading and serve as rest stops for compliance with trucking safety regulations, ultimately supporting the flow of goods throughout the economy.
  - IOS faces inherent supply constraints, due to restrictive zoning laws, land repurposing, and high land costs, with <10% of land zoned for outdoor storage use in some cities.[1]
- **A tight vacancy rate benefits the sector as tariff related uncertainty results in some slowdowns.**
  - National vacancy ticked up 40 bps to 2.54% while rents grew by 2.8% on an annualized basis, which compares to upwards of 8.8% on an average annual basis over the last 5-years.[2]
  - Around one-third of infill sites could be redeveloped within the next decade, particularly those near major metropolitan areas or industrial hubs, bolstering rent growth and signaling strong long-term potential for capital appreciation in strategic locations.[1]

1 Green Street as of 3Q24.
2 “Outside Chance: Investment Opportunities in Industrial Outdoor Storage.” CBRE. 6.24.2025.

U.S. Cold Storage Overview

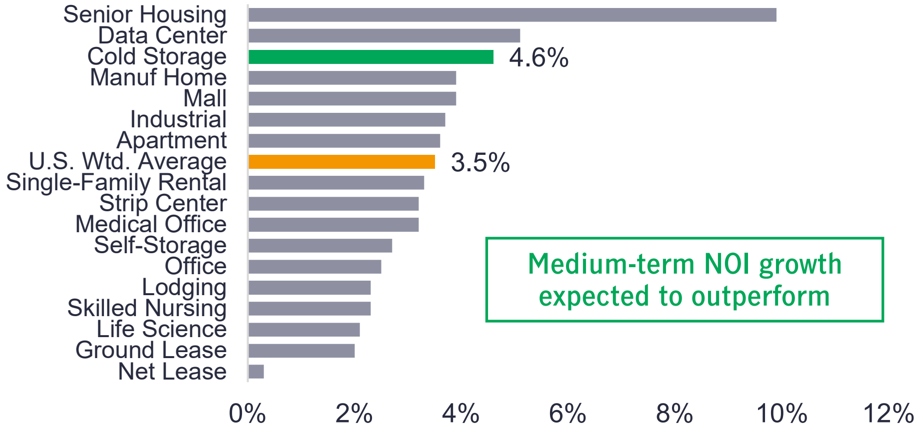
Demand favors modern inventory, of which there is little, as the pipeline thins.

Cold Storage Inventory by Year Bulit



Source: JLL Research as of April 2024.

Net Operating Income (NOI) Growth 2026-2029



Source: "Commercial Property Outlook." Green Street as of May 2025.

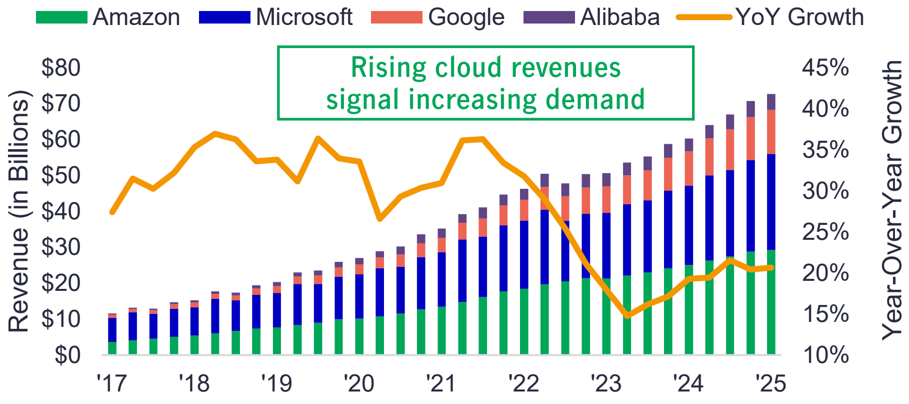
- **Long-term demand drivers remain intact while tariffs have a negligible direct impact.**
  - Seasonality played a role in 1Q25 economic occupancy and NOI growth declines, setting up the second half of 2025 for a potentially stronger period.[2]
  - Tariffs are having a negligible direct impact on cold storage business operations; however macroeconomic uncertainties have a put tenant expansion plans on pause.[3]
  - Shifting consumer behaviors – adoption of grocery delivery services, preferences for fresh produce, and rising interest in prepackaged meals – combined with the need to store temperature-sensitive pharmaceuticals, is supporting ongoing cold storage demand and growth.
  - Meanwhile, investor interest is strong, with $1.3B in investment sales in just the first half of '25, almost matching the $1.4B annual average totals in in all of '23 and '24.[4]
- **A thinning supply pipeline should boost fundamentals.**
  - The development pipeline has shifted lower, with just 4.9 MSF under construction as of 2Q25 down from 10.3 MSF in late-2023. [5]
  - Reshoring of essential sectors such as pharmaceuticals should be a positive for demand growth long-term.

1" The Future of Speculative Cold Storage Development: Trends and Challenges." Colliers. 3.14.2025.
2 "Cold Storage Sector Update." Green Street. 5.30.2025.
3 "Cutting Guidance but Holding on Price." Green Street. 5.8.2025.
4 MSCI Real Capital Analytics as of July 2025.
5 CoStar as of July 2025.

U.S. Data Centers Overview

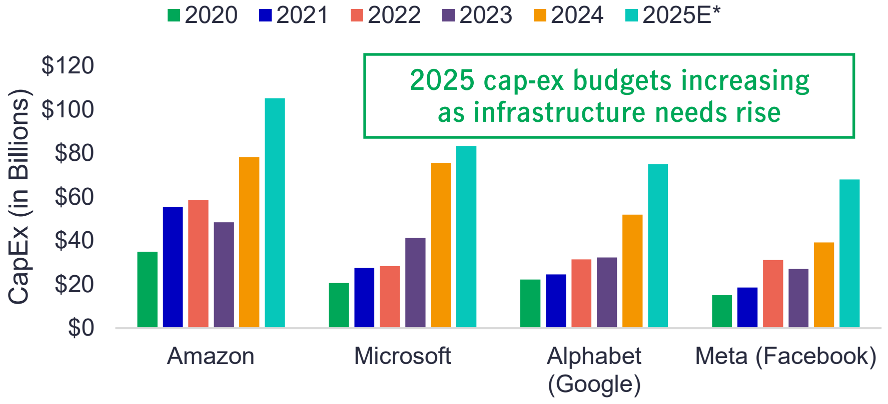
Near record low vacancy, supply restrictions, and healthy leasing supports rising rents.

Hyperscaler Cloud Business Revenue



Source: "Data Center Sector Update." Green Street. May 2025.

Hyperscaler Capital Expenditures



Source: "Data Center Sector Update." Green Street. May 2025. *Expected.

- **A strong demand backdrop supports continued new development, while occupancy approached 98% resulting in double-digit colocation rent growth in major U.S. markets.**[1]
  - Traditional data storage needs and networking services sustain a strong growth trajectory, but AI has the greatest growth potential, with supporting infrastructure needs growing from $40B today to $95B by 2029. [2]
  - Hyperscaler capital investments drove a 43% annual increase in new construction in 1Q25 across the four largest hubs, boosting Atlanta and Phoenix above Dallas and Silicon Valley as the second and third largest U.S. markets. [1]
  - Hyperscale rent growth should outpace colocation, given lack of large blocks of space.[3]
- **Challenges and opportunities are attracting capital to the sector.**
  - Mismatched data center development timelines and the pace at which utility providers can expand capacity and upgrade grid infrastructure will continue to be a challenge.
  - Land acquisition activity is set to grow while strategic expansions of existing sites continues. [4]
  - Debt is accessible with costs at a ~200 bp spread over risk-free rates and ABS issuance totals $7.7B* so far this year compared to $9.3B in 2024. [3]

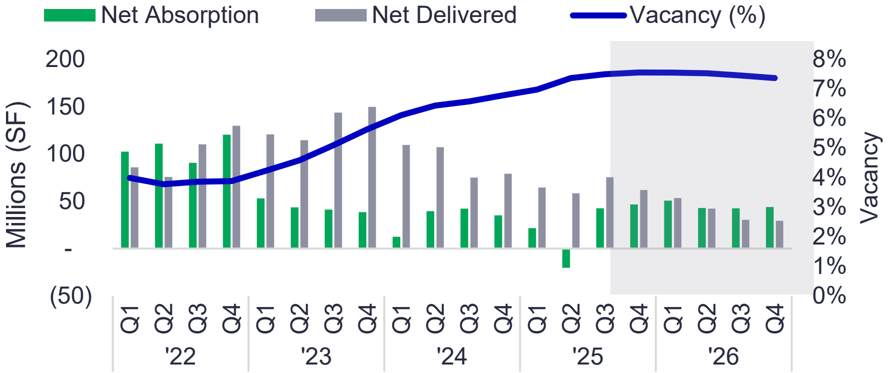
1 “Data center vacancy rates hit record low.” CIODive. 6.26.2025.
2 “Equinix (EQIX): If You Build It, They Will [Hopefully] Come.” Green Street. 6.25.2025.
3 "Data Center Sector Update." Green Street. May 2025.
4 “Midpoint 2025, Uncertainty Looms.” Cushman & Wakefield. June 2025.
*ABS Database, Green Street. Through June 2025.

Procure & Secure

U.S. Industrial Fundamentals

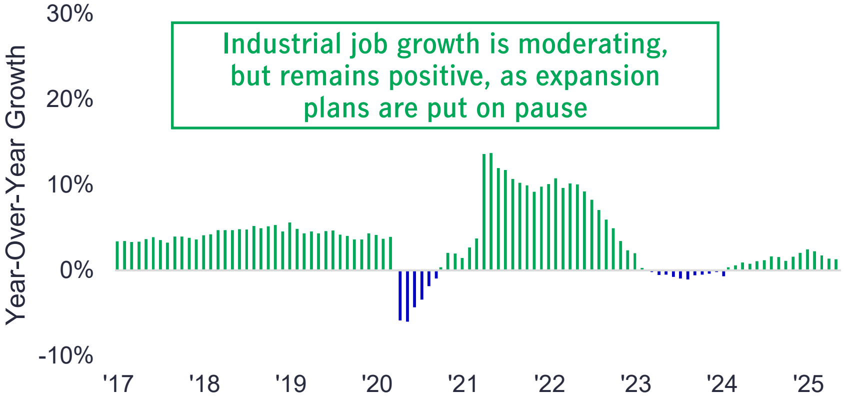
Long-term structural demand drivers remain intact – growing e-commerce sales volume and a focus on supply chain resilience including increased on/near-shoring – despite trade policy disruptions near-term.

Quarterly Supply and Demand



Source: Costar as of July 2025.

Monthly Transportation and Warehousing Job Growth



Source: Bureau of Labor Statistics as of June 2025.

- **Deliveries continue moderating but net absorption turned negative in 2Q25 as tenants navigate tariff uncertainty**, consistent with decelerating retailer inventory growth, decelerating industrial job growth and negative warehousing and storage job growth.[1,2]
  - Vacancy increased to a decade high, shifting rent growth below 2%, and increased efforts to shed excess pushed sublease space levels to record highs.[3,4]
  - The development pipeline is thinning, setting up '26 and '27 as years when occupancy can catch back up and stronger landlord pricing power can return.
- **Small bay asset vacancy sits near pre-pandemic lows of <5%** due to limited development and strong demand from construction contractors and businesses supporting the local housing market in many Sun Belt, robust migration markets.
  - **The most immediate effects of trade policy volatility has surfaced in big-box logistics buildings**, where many businesses are hesitant to expand their networks, leading to rent declines.
  - Manufacturing could benefit from protectionist policies and incentives that promote onshoring, particularly for heavy goods, essential products, and national security items, many of which have seen increased onshoring announcements this year.[5]

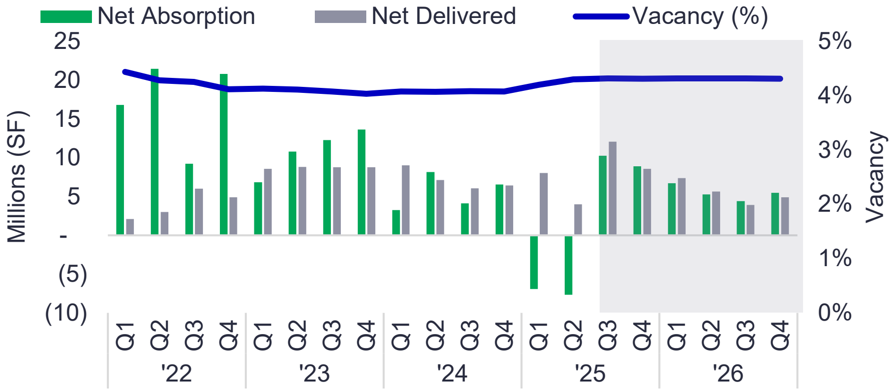
1 Monthly Retail Trade and Food Services. U.S. Census Bureau. July 2025.
2 Bureau of Labor Statistics. June 2025.
3 CoStar data as of 2Q25.
4 "Warehouse Vacancies Climb to Highest Level in More Than a Decade." WSJ. 7.9.2025.
5 Manulife Investment Management Research as of 2Q25.

Procure & Secure

U.S. Retail Fundamentals

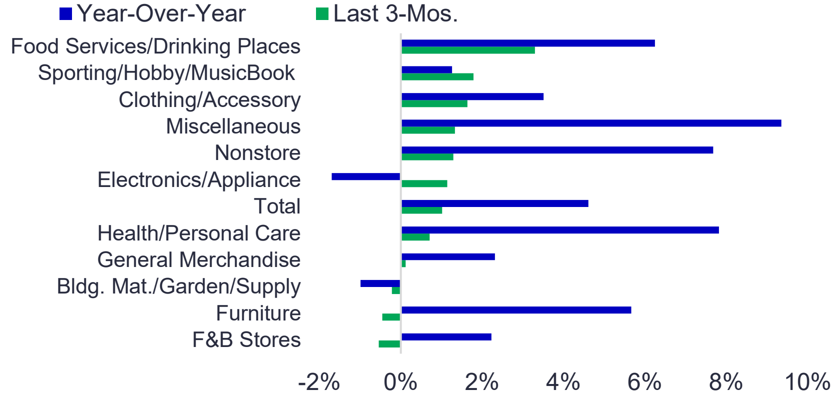
Demographics and foot traffic underpin demand as retailers adjust store strategies and footprints to evolving consumer behaviors and spending patterns, though economic headwinds remain top of mind.

Quarterly Supply and Demand



Source: Costar as of July 2025.

Retail Sales Growth by Category



Source: U.S. Census Bureau as of May 2025.

- **Solid real retail sales growth and disposable income growth reflects an overall healthy but cautious consumer,** supporting fundamentals, while limited availability is capping demand growth.
  - Retailers announced 5,140 store closings and 3,689 openings year-to-date, reflecting challenges amid tariff uncertainty, resulting in two consecutive quarters of negative absorption; however, store closures create expansion opportunities, reflected by the 4.3% vacancy rate which sits 100 bps below average and strong backfill demand for quality spaces.[1,2]
  - Store closures may accelerate to alleviate rising operating costs, but broad-based demand, limited space, and minimal new supply should limit vacancy expansion.
  - Overall, retail sales hit a record $24.96 per square foot, over 30% above pre-pandemic highs, supporting ongoing rent growth.[3]
- **Retailers are focused on store productivity and optimizing portfolios,** seeking newer, smaller, higher-quality space in affluent areas, but limited options exist.
  - Legacy tenants like Bed Bath & Beyond and Forever 21 are being replaced by businesses aligned with new consumer priorities: digital natives like Wayfair, wellness & preventative care centers, resale stores, and ethnic grocers.[4]
  - The average time to lease available shopping center space decreased to 7.3 months, the quickest pace on record.[4]

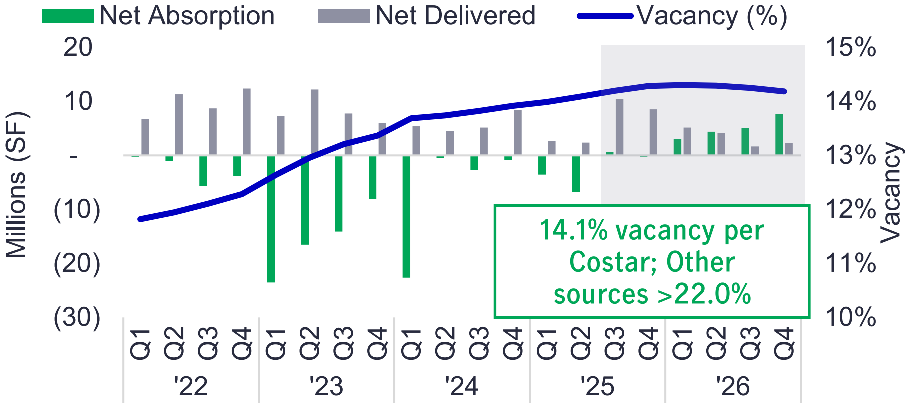
1 "US retailers move ahead with expansion plans." CoStar. 5.29.2025.
2 CoStar data as of 2Q25.
3 "At Home joins retailers filing for bankruptcy protection, plans to close dozens of US stores." CoStar. 6.16.2025
4 "Retail sales slowdown does little to dent upward trend for store rents." CoStar. 6.24.2025

Produce & Create

U.S. Office Fundamentals

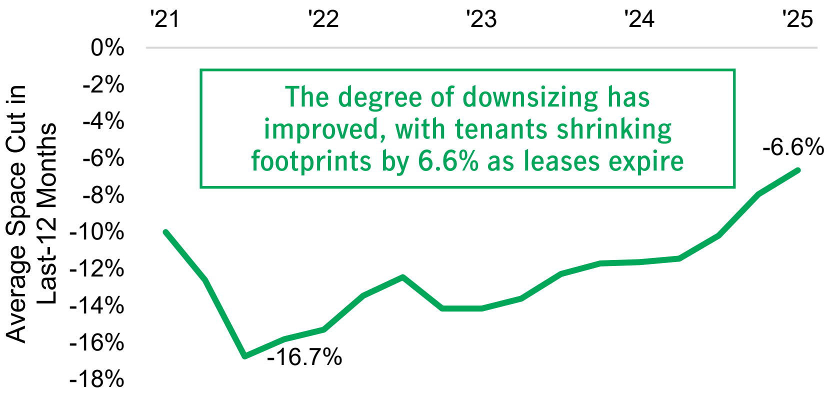
Stabilizing, but not yet widespread, office indicators are emerging five years after the pandemic onset.

Quarterly Supply and Demand



Source: Costar as of July 2025.

Average Downsizing Rate Among Expiring Tenants



Source: JLL as of April 2025. Note: Data is through 1Q25 and is among tenants >25k SF.

- **Despite continued negative net absorption, increasing vacancy and leasing volume declines, select key indicators suggest stabilization and peak vacancy may be nearing.**
  - Lease term lengths are normalizing, reaching 9.1 years for direct space, the longest term since early 2019.[1]
  - Space reductions have improved, shrinking ~2.8% as leases expire, compared to 11.4% a year ago and >16% in 2021.
  - Gateways leasing volumes declined by 6% quarter-over-quarter while tertiary markets grew by more than 16%.
  - Sublease space fell 15.1% year-over-year to its lowest level in three years, suggesting peak vacancy may have passed.
  - Conversions and demolitions totaling 23.3 million square feet ('MSF') are on track to outpace the 12.7 MSF of new supply additions in 2025. [2]
- **Challenges ahead remain**, including a potential economic contraction triggering another sequence of occupancy declines.
  - Office-using sectors will likely add jobs at a slower rate, and even those office-using jobs that are added may not translate to "in-office" attendance and fuller occupancy. [3]
  - Even as large employers enforce in-office attendance requirements, office utilization shows that office buildings are only 60.4% as busy as they were in February 2019, below the 65.4% peak in October of last year. [4]

1 "U.S. Office Market Dynamics." JLL. July 2025.
2 "More US office space to be removed this year than added for first time since at least 2000." CoStar. 6.2.2025.
3 "Office Sector Update, Demand Holding Up." Green Street. 5.22.2025.
4 Office Busyness Index. Avison Young. May 2025.

Canada House View

Canada Economy

1.0%
GDP Growth

1.7%
Headline CPI[2]

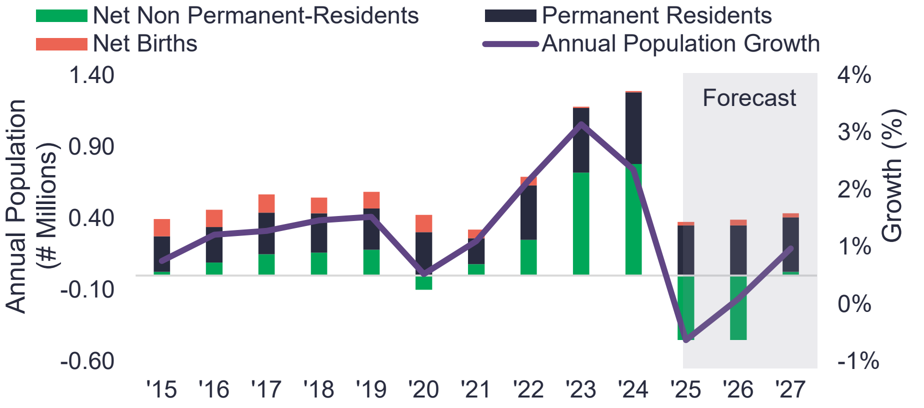
1.0%
Y/Y Job Growth

Canada Macro-Economic Overview

Signs to the upside and downward adjustments to retaliatory tariffs may curb some of the economic decline predicted over the next 12 to 18 months

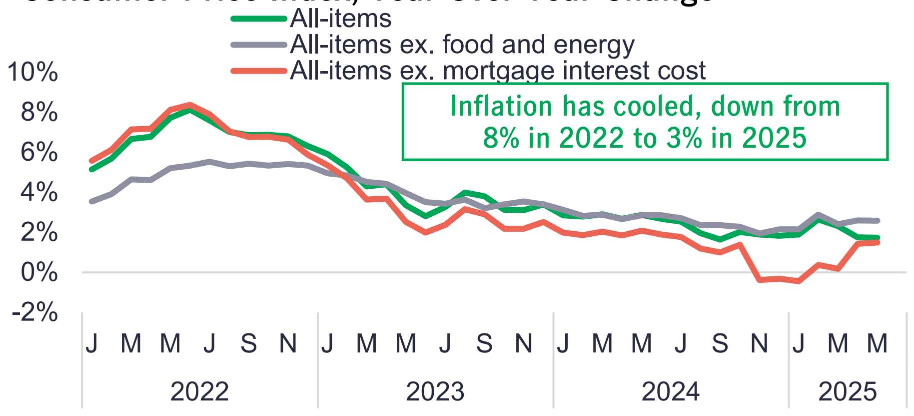
- **May 2025 marked significant progress towards the Bank of Canada's ('BoC') 2.0% inflation target** in spite of retaliatory tariff risk to domestic consumer pricing, even as some increases (e.g., groceries) started to take hold.[1]
  - The Headline Consumer Price Index (CPI) increased 1.7% year-over-year, level from April but down from 4.3% in March. This reflects some impact from the removal of the carbon tax lowering the price of energy products.
  - The BoC's "Supercore" three-month rolling average declined more than 100 bps to 3.3% from 4.4%, which strips out shelter and the effects of tax changes. Shelter, notably, also recorded an ease with slight mortgage rate reductions and slowing rental rates to about half the peak level recorded one year ago.
- **GDP pullback moves the economy closer to recession,** in response to trade-war headwinds – 1Q GDP up 2.2% on an annualized basis, boosted by stockpiling. [2]
  - Oxford Economics now projects more optimistic – but still weak – outlook for 0.8% annual GDP growth for 2025 and is still categorizing the economy as having "slipped into a trade-war induced recession." [3]

Population Growth and Immigration Trends



Source: JLL Research, Statistics Canada as of July 2025.

Consumer Price Index, Year-Over-Year Change



Source: Statistics Canada as of May 2025. Note: Data is not seasonally adjusted.

1 Canadian CPI cools as the summer heats up. RBC Economics. 6.24.25
2 Canada Chartbook. Oxford Economics. June 2025.
3 Canada: The trade-war induced recession began in April. Oxford Economics. 6.27.25.

Canada Economy

Macroeconomic volatility continued to fuel uncertainty across various commercial real estate sectors

GDP Momentum

- 1Q GDP was up 2.2%, on an annualized basis, above expectations.[1]
- Output was boosted by inventory stockpiling.
- April's advance est. is 0.1%, in line with March.

CPI Trajectory

- April CPI fell to 1.7% from 2.3% in March, driven by removal of the consumer carbon tax.[2]
- "Supercore" increased 4.4% - the highest rate since January 2024.

Labor Market

- 8.8k jobs gained in May, but manufacturing, transport & warehouse job losses were outsized.[3]
- Unemployment continued to rise to 7.0% from 6.6% in February 2025.

Tariffs & Policy

- Gov't/public administration job losses materializing.
- Population growth slowed to 37k – smallest increase in 3.5 years.[3]
- April exports fell 10.8%– lowest since June 2023.[4]

Impact to Commercial Real Estate[5]

GDP Momentum

- Business investment levels likely to pullback; hiring and investment plans are hampered
- Exports to continue shrinking along with less stockpiling of goods with anticipated slowdown.

CPI Trajectory

- Retail and industrial demand my be negatively impacted as household spending is squeezed.
- Shifts in market activity depending on incomes.
- Residential affordability diminishes.

Labor Market

- Weakened demand across all sectors.
- Stress on household balance sheets and spending – shifting demand for housing.
- Spending behaviors move further in favor of value.

Tariffs & Policy

- Industrial market shifts to upside and downside, export markets.
- Trickle down into retail spending as higher prices pass to consumer.
- Demographic shifts impact supply chain, retail

1 Canadian GDP growth slowing under the surface but not contracting. RBC Economics. 5.20.25.
2 Canadian CPI growth firmed in April excluding tax changes. RBC Economics. 5.20.25.
3 Canadian labor market softening but not collapsing. RBC Economics. 6.6.25.
4 Canadian international merchandise trade, April 2025. Statistics Canada. 6.5.25.
5 Manulife IM Real Estate Research & Strategy. June 2025.

$0.4T
Dry Powder-CND

$9.1B
Trans. Volume

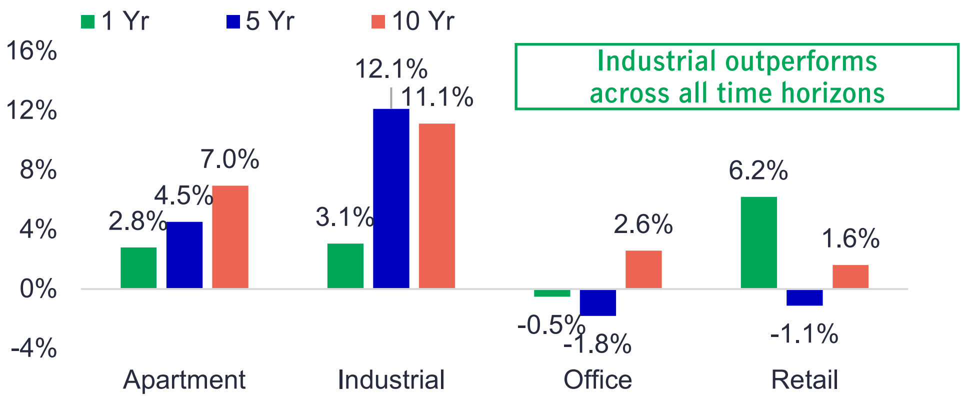
2.7%
Y/Y Total Return

Canada Capital Markets

Economic and geo-political volatility acting as push-pull forces in investor activity, emphasizing a focus on the long game.

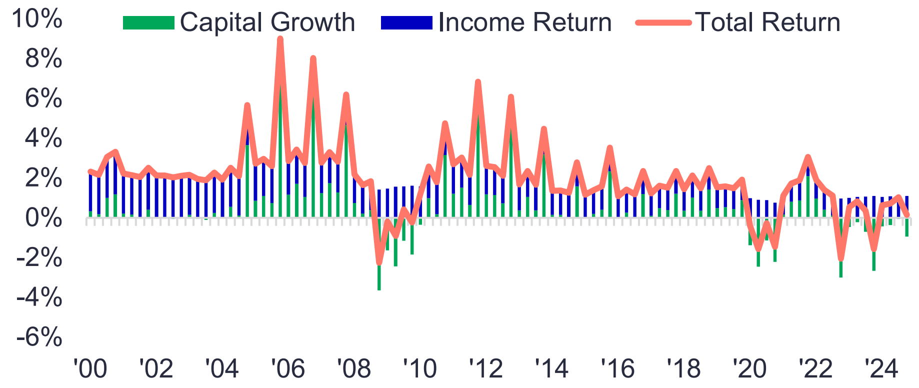
- **Near-term tariff and trade war impact is creating hesitancy in execution** after investors finally came off sidelines in late 2024 through early 2025.
  - While investor and occupier sentiment started to rise early on in the year, evidenced in increased bidding activity, March recorded a significant slowdown in transactions, which appears to be persisting through mid-year.[1]
  - Competing forces of increased economic uncertainty alongside the BoC holding on rates is leading to volatility in the capital markets, potentially translating to retrades or a reversion to the sidelines, with sellers hesitant to market assets without a strong buyer pool.[2]
- **Sector and asset selection is shifting** as industrial and multifamily reconcile new supply and normalize, while other sectors and subtypes offer potential for steady cashflow and diversification.
  - Supply pipelines are settling for industrial and multifamily, but investors are still cautious in market selection.
  - Investors increasingly focused on retail as a more stable source of income and balanced supply-demand fundamentals, but centers lacking counter-cyclical tenancy may underperform.[3]

MSCI REALPAC Annualized Total Return



Source: MSCI as of 1Q25.

Income vs. Capital Returns



Source: MSCI as of 1Q25.

1 Canada Market Dynamics – Capital Markets. JLL.1Q25.
2 "Shifting US tariffs prompt property pros to balance concern with calculation." CoStar. 4.25.25.
3 Canada Market Dynamics – Capital Markets. JLL.1Q25.

Operating Fundamentals

4.7%
Wage Growth

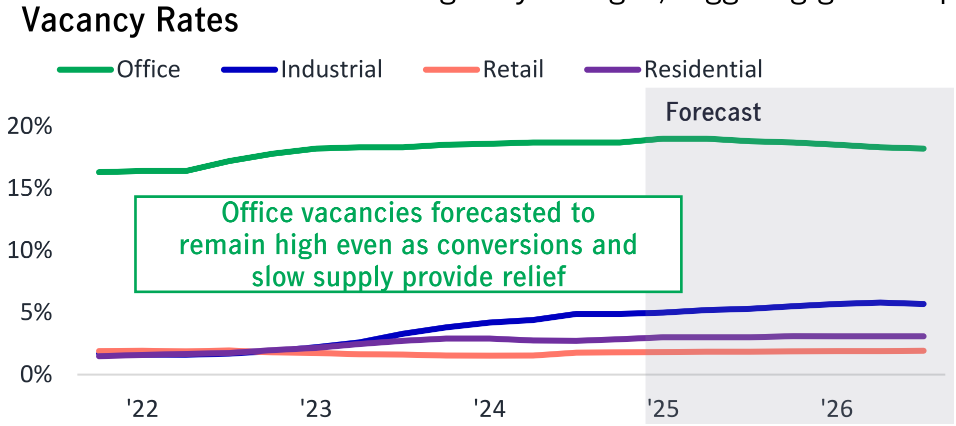
-0.3%
Populat. Growth

2.9%
Consumer Spend.

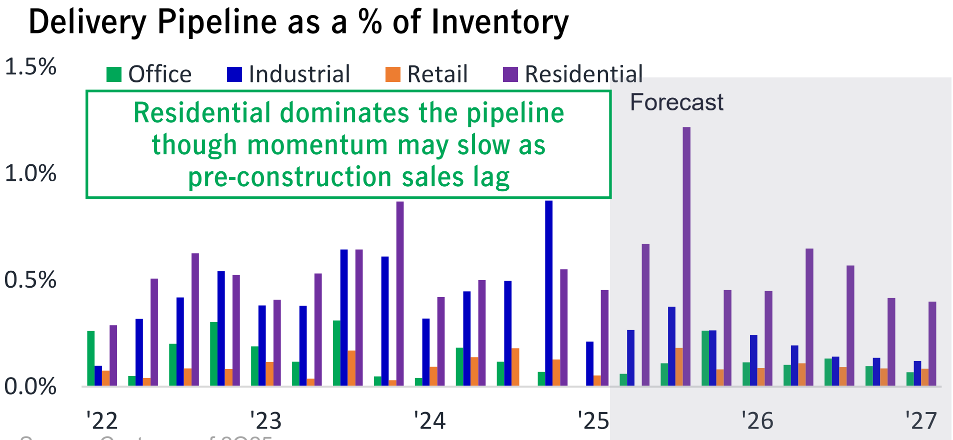
Canada Operating Fundamentals

Demand-side fundamentals exhibited softening heading into 2025, and volatility creeped in further during the first six months of the year with tariff impact.

- **Tariff impacts across Commercial Real Estate ('CRE') are already taking root.** While currently dispersed, depending on sector/market, as tariffs take a toll on the economy, effects will likely become more broad-based.
  - Effects are most prevalent in industrial, though retail may face some nearer-term trickle-down effects. Industrial occupiers, specifically, already began to stockpile in advance of tariffs, leasing to an early-2025 surge in demand that is now dissipating.
  - Retail demand may lessen as consumer confidence takes a hit; the upside being highly curated retail centers.
- **Demographic trends that initially rooted explosive growth in select CRE sectors like multifamily and industrial** may show a shift with immigration caps.
  - Canada's metros experienced two distinct population/migration flows during the Pandemic and after, with urban centers benefitting from increased immigration as well as an urban to suburban migration triggered by rising costs, forcing households to move father out or even relocate out of a major metro completely.
  - These patterns changed the demand landscape most notably in multifamily and industrial where new centers of gravity emerged, triggering ground-up development activity.



Source: Costar for Residential and Retail, CBRE for Office and Industrial as of 2Q25.



Source: Costar as of 2Q25

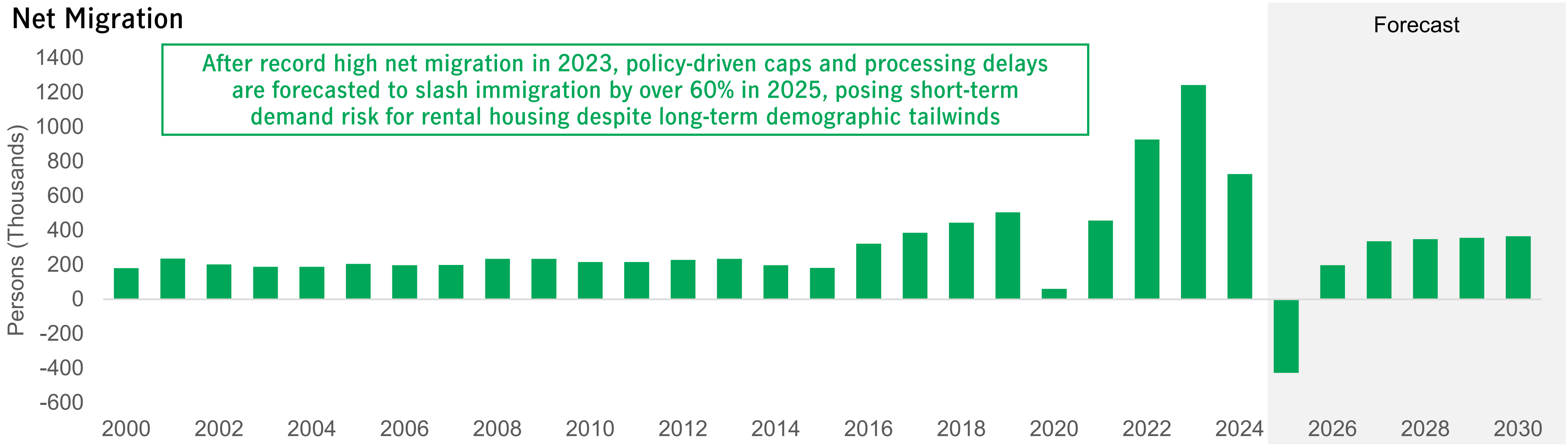
1 Canada Market Dynamics – Capital Markets. JLL.1Q25.
*Metrics: Statistics Canada, Oxford Economics, Bank of Canada Y/Y as of 2Q25.

Live

Canada Residential Overview

Across Canada’s living sector, chronic undersupply supports a long-term investment view, but near-term challenges create a complex environment in achieving a supply-demand balance

- **Strong demographic trends support housing absorption, but economic downturn, immigration caps, a rising cost to build, and regulatory measures may inhibit development of product aligned with demand and stifle rent growth potential during the near-term. We retain high conviction in the sector and select subsectors, implementing a strategic hold period to take advantage of recovery and longer-term upside.**
  - Long-term conviction in multifamily investment due to structural undersupply, but in the near-term an emphasis on primary and secondary markets with more favorable demographic characteristics and an unaffordable ownership environment.
  - In spite of an expected slowdown in international enrollment, university-proximate Student Housing is a main focus area for investment, supported by exceptionally low provision rates and limited private development, and lack of affordable market-rate rentals to compete.
  - Active Adult investment is targeted in metros with higher dependency rates, particularly in more affordable, secondary markets with provincial initiatives to drive development.

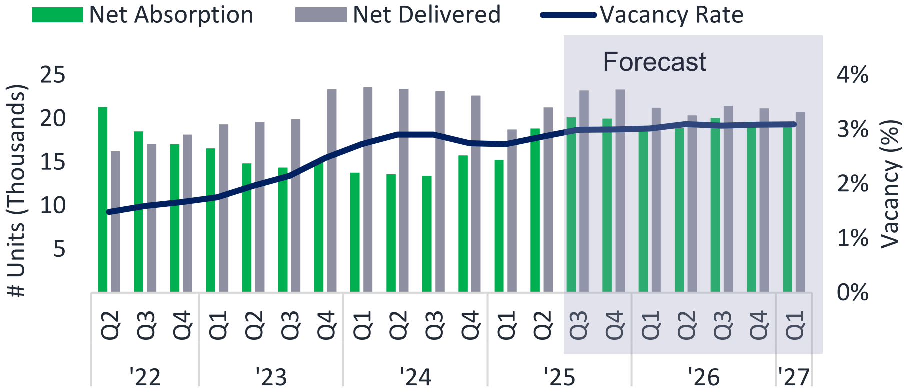


Source: Oxford Economics as of July 2025.

Canada Multifamily Overview

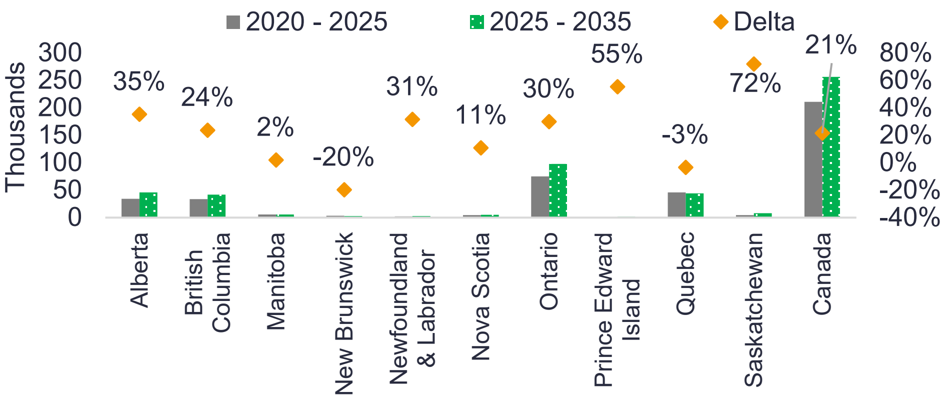
Normalization in the sector will create new opportunities for investors - near-term through potential re-caps or distress, and over the medium to longer-term through entry into previously high barrier markets.

Supply and Demand



Source: Costar as of 2Q25.

Housing Starts by Province (Historical & Forecast)



Source: Oxford Economics & StatsCan as of July 2025.

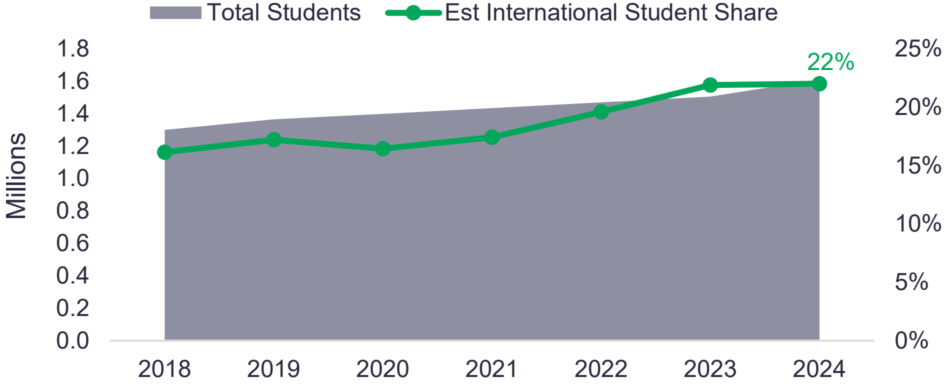
- **A short-term construction slowdown may not significantly impact the market** due to slowing population growth and localized oversupply.
  - After a 30% monthly increase in April, May residential construction starts declined slightly to 279,000 units.[1]
  - Vacancy rates are rising, reaching 3.6% in 2Q25, driven by a surge in high-end construction misaligned with broader demand. Although absorption remains positive, it has slowed significantly.[2]
  - Asking rents have declined for three consecutive quarters, down 0.5% year-over-year.[2]
- **Multifamily is staying on the radar of investors,** though volume through the mid-year mark has flattened, and valuations are showing some stress.
  - The annual total return through 1Q25 was 2.8%, up 30 bps quarter-over-quarter, and 0.7% for the quarter.[3]
  - Cap rates are starting to slowly widen, expanding slightly for the third consecutive quarter to 4.3% in 1Q.[3]
  - Energy-markets recording strong transaction activity relative to historical trends, while higher cost markets are drop off.[4]
  - Affordability gap still positions MF for strong occupancy and income growth, with income returns up 3.2% year-over-year as of 1Q.[5]

1 Monthly Housing Starts and Other Construction Data Tables. CMHC. May 2025.
2 CoStar. Data as of 2Q25.
3 MSCI. Data as 1Q25.
4 Canada Market Dynamics – Capital Markets. JLL.1Q25.
5 MSCI. Data as of 1Q25.

Canada Student Housing Overview

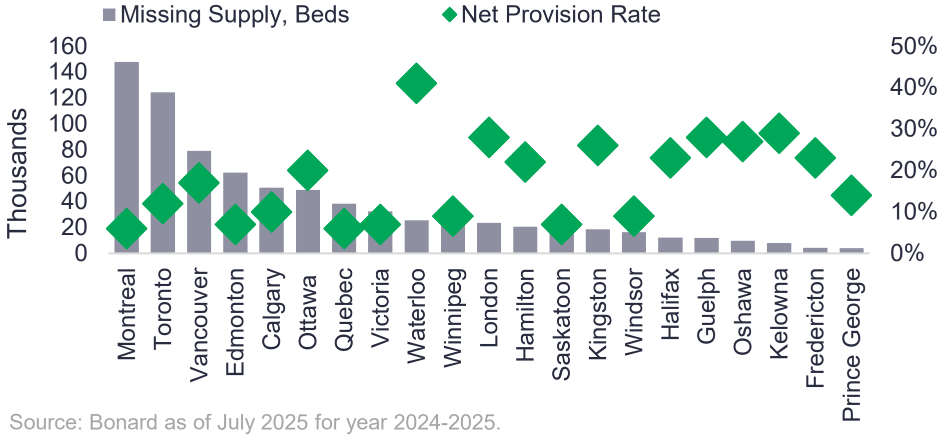
Student housing has proven its remarkable occupancy stability and rent growth during periods of economic uncertainty, though caution is warranted given policy shifts and localized factors.

Student Population Growth (Top 20 Canadian Cities)



Source: Provincial statistical offices as of July 2025. Note: each year reflects end of school year, i.e. 2018 reflects school year 2017-18.

Student Housing Net Provision Rate & Opportunity



Source: Bonard as of July 2025 for year 2024-2025.

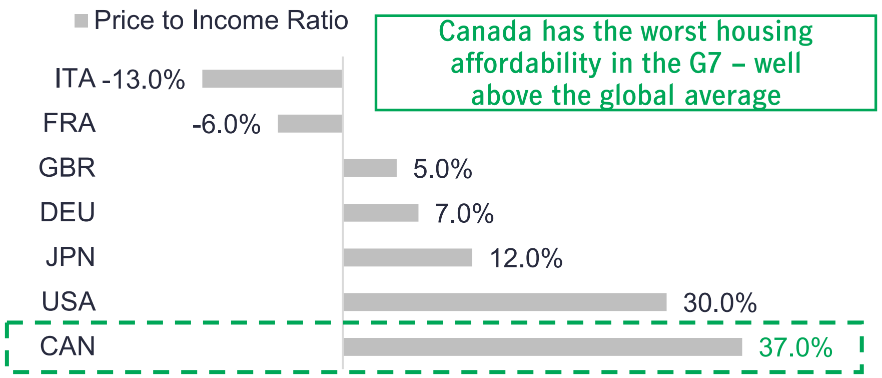
- **Student housing is a resilient and underpenetrated asset class,** driven by supply shortages, rising housing affordability concerns, and a growing student population.
  - Unlike the US and UK, Canada's PBSA market is nascent; the net provision rate is estimated to be 15%, compared to European countries which are in the 25% - 35% range.[1]
  - International students account for over 20% of enrollment, growing at a 10-year average rate of 10.5% year-over-year. Visa caps are expected to slow down this rate.
  - PBSAs are typically developed, run and operated by universities and colleges, resulting in a higher concentration of on-campus housing but limited availability, and often dedicated to first year students.
  - PBSAs are severely undersupplied by about 782K beds; off-campus housing is extremely limited, accounting for less than a third of total beds.[1]
  - PBSA stock is distributed disproportionately across metros, with Waterloo having one of the highest provision rates at 41% and Montreal with one of the lowest provision rates at 6%.[1]
  - PBSAs typically command a 10 - 30% rental premium over market-rate rentals, driven by a few factors: fully furnished units, all inclusive rent structure, safety, proximity to the school and student-oriented amenities.[2]

1 Bonard 2024 Report & 2025 PBSA Summit Presentation.
2 Statistics Canada & Unité de travail pour l'implantation de logement étudiant (UTILE).

Canada Affordable/Attainable Housing Overview

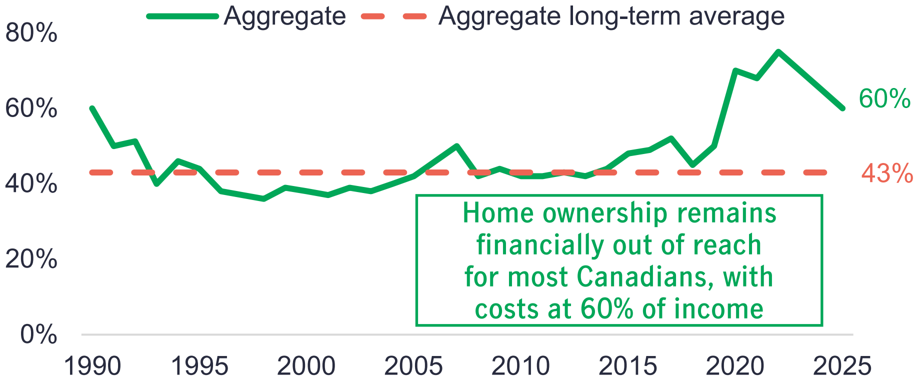
Canada's housing affordability crisis is deepening, driven by rapid population growth, stagnant income levels and limited attainable / affordable new housing supply, exacerbated by high construction costs.

G7 Price to Income Ratios Range (2015 – 2024)



Source: OECD as of 2024. .

Ownership Costs as a % of Median Household Income



Source: RBC Economics as of July 2025.

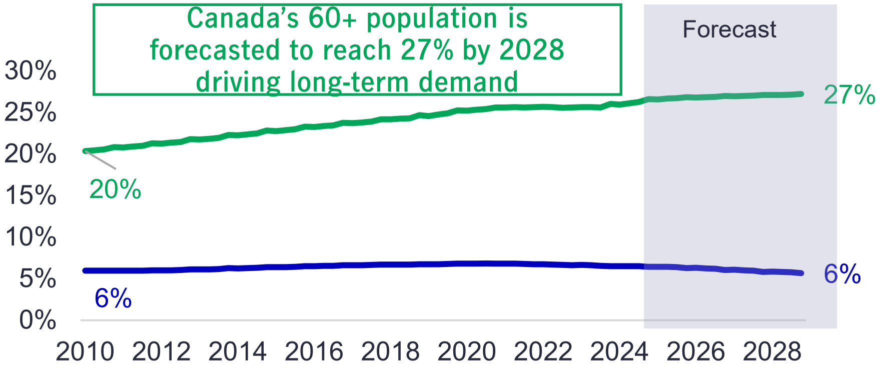
1 OECD as of December 2024.
2 RBC as of March 2025.

- **Canada's housing affordability crisis is not a short-term market correction or a post-pandemic imbalance - it is a structural issue** rooted in fragmented policies, lengthy approval processes, lagging infrastructure, restrictive land-use regulations, and distortions in capital markets.
  - As housing is increasingly treated as a financial asset and income growth has remained stagnant for nearly a decade, Canada has experienced the sharpest affordability decline among G7 Nations (a 37% deterioration). [1]
  - The crisis is now affecting not only low-income households but also middle-income workers, young professionals, seniors and newcomers, contributing to the "missing middle" phenomenon. This gap between subsidized housing and high-end condos highlights a potential investment opportunity.
- **In addition to major urban centers,** mid-sized municipalities are also facing growing housing affordability concerns.
  - While housing ownership costs have declined for four consecutive quarters, the long-term average remains at 43% of household income, well above the 30% affordability benchmark. [2]
  - Unlocking opportunities in this sector will require a rethinking of traditional development economics, embracing P3 partnerships, and adopting a more complex capital stack.

Canada Active Adult Overview

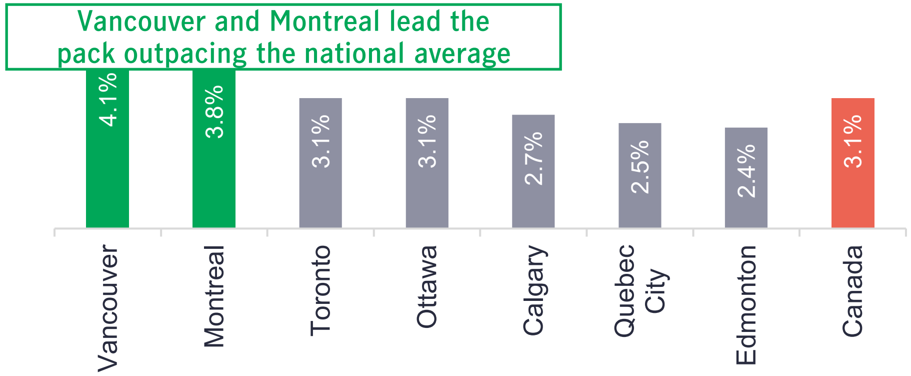
Driven by aging populations and shifting preferences, this sector reflects the convergence of demographic inevitability and lifestyle aspiration, offering a long-term investment opportunity.

Population 60+ as a % of Total Population



Source: Oxford Economics as of July 2025.

Senior Housing Market Rent '25-'29 CAGR



Source: Green Street as of July 2025.

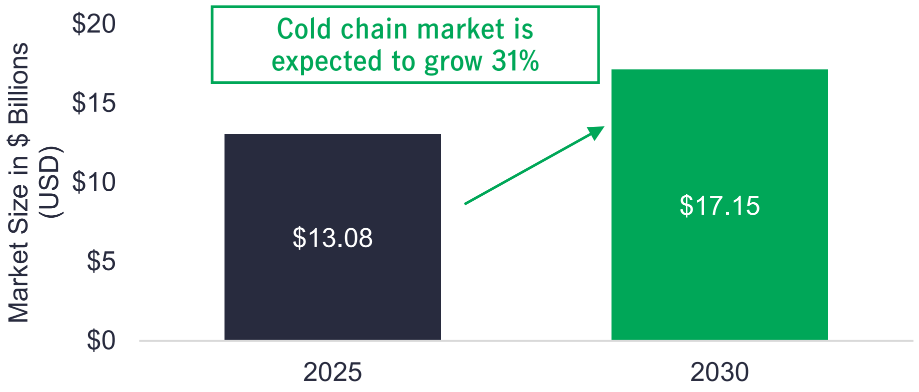
1 Cushman March 2025.
2 CMHC survey 2013.
3 Eldercare Review as of July 2025.

- **Today, more than 1 in 5 Canadians are over the age of 60 – this figure is expected to rise as baby boomers (1946 to 1965)** exit the workforce in the upcoming years, driving increased demand for senior housing.
  - Despite growing needs, construction starts are currently at an all-time low, largely due to rising costs, interest rate hikes, and lingering effects of the COVID pandemic.[1]
  - Over 63% of the existing stock are more than 15 years old, raising concerns about structural and functional obsolescence. This aging inventory is expected to decline by 1% to 2% annually.[1]
  - Approximately 85% of older Canadians prefer to age-in-place, often delaying moves to senior housing unless necessary – highlighting the need for more adaptable housing solutions.[2,3]
- **There has been a noticeable shift in the sector** as demand increases for flexible, community-oriented living models that emphasize wellness, freedom and lifestyle enrichment.[3]
  - Unlike previous generations, today's seniors are not just looking for downsizing - they prioritize physical health, social connection, and community.
  - The regional and cultural diversity in Canada calls for a localized, adaptable approach to the sector's development.

Canada Cold Storage Overview

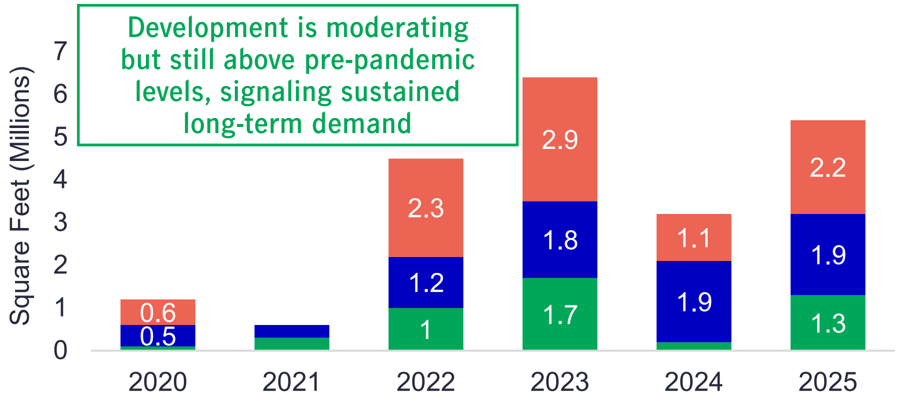
Cold storage provides a unique function in the supply chain, preserving the quality and safety of perishable goods such as food and pharmaceuticals, extending shelf life and ensuring regulatory compliance.

Cold Chain Logistics Market



Source: Mordor Intelligence as of January 2025.

Development Projects by Year and Type



Source: Colliers as of March 2025.

- **Driven by food safety regulations, paramedical logistics, e-commerce grocery delivery, and global cuisine trends,** cold storage presents a unique opportunity for investors to diversify while gaining strategic countercyclical protection.
  - Canada's cold chain logistics market is valued at USD $13.1B in 2025 and projected to reach $17.2B by 2030 (5.9% CAGR).[1]
  - It is estimated that every $1Bil in grocery sales translates to ~1.25 MSF of new industrial demand, spanning ambient, chill, frozen storage needs.
  - Despite strong growth prospects, the sector remains underdeveloped and fragmented, offering potential for consolidation and modernization.
  - Significant entry barriers include high construction costs (as it is 2–3x more expensive to build vs. conventional warehouses), limited zoned land, and operational complexity, which can account for up to 30% revenue.[2,3]
- **A few unique factors shape Canada's cold storage landscape:**
  - The colder climate limits year-round local agricultural production, making Canada a major importer of fruits and vegetables from the U.S. and Mexico.
  - Ranked among the world's leading meat exporters (i.e. beef, pork, chicken) with strategic access to Asian and European markets via ports on both the Pacific and Atlantic coasts.

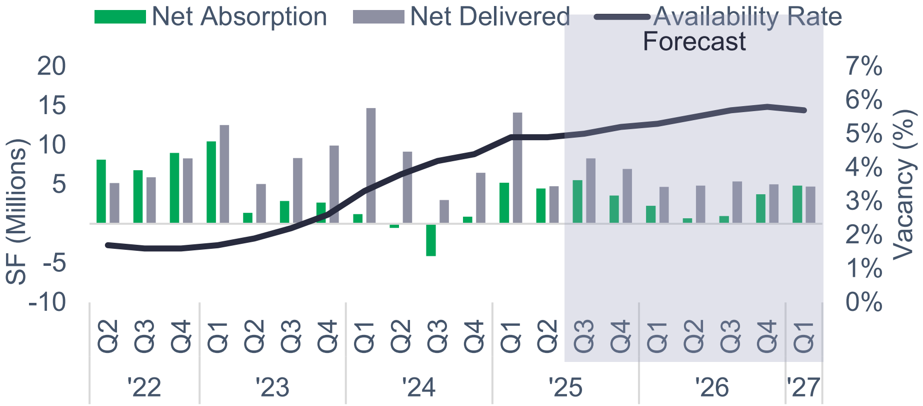
1 Mordor Intelligence as of January 2025.
2 CBRE / Altus as of 2Q25.
3 Colliers March 2025.

Procure & Secure

Canada Industrial Overview

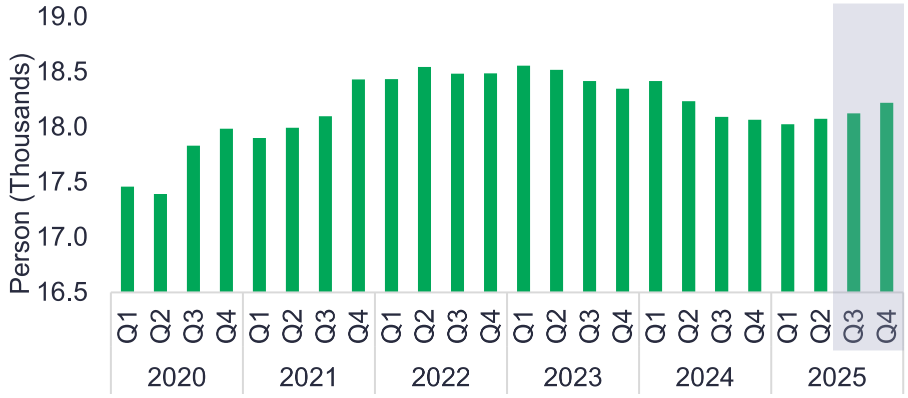
Long-term fundamentals and income resilience continue to support targeted industrial strategies, despite short-term headwinds such as rising vacancy and muted rent growth.

Supply and Demand



Source: CBRE as of 2Q25.

Manufacturing Employment



Source: Oxford Economics as of July 2025.

- **Key changes in the industrial space – supply and diversification –** will drive bifurcation in the market through year-end, benefitting established, infill locations with less tariff exposure.
  - By the close of 2024, vacancy moved higher than the 10-year average by 30 bps to 3.4%. Now at the mid-year mark for 2025, vacancy is up nearly a full point to 4.3%.[1]
  - Though construction pulled back 40% in 2024, and supply shock is limited to select markets and asset-types, the pipeline remains elevated with nearly 37 MSF underway.[1,2]
  - Asking rents increased just 1.3% through 2Q25 from 2Q24, and the rate of growth slowed 720 basis points.
- **Transaction activity pulling back due to** short term risk exposure to trade war and weaker operating fundamentals, likely to persist.
  - Conservative leasing assumptions leading to misalignment in pricing; capital returns contracted 0.8% year-over-year as of 1Q25, with valuations shrinking most in non-energy markets. [3,4]
  - After widening from the 4%-range four years ago, cap rates have generally stabilized in the mid-5s since 2023, but March showed an uptick on an annual basis to 5.7%. [4]
  - In contrast, total returns recorded uplift to 3.1% as of 1Q25 on an annual basis from 2.9% the quarter prior, boosted by a 3.9% income return. [4]

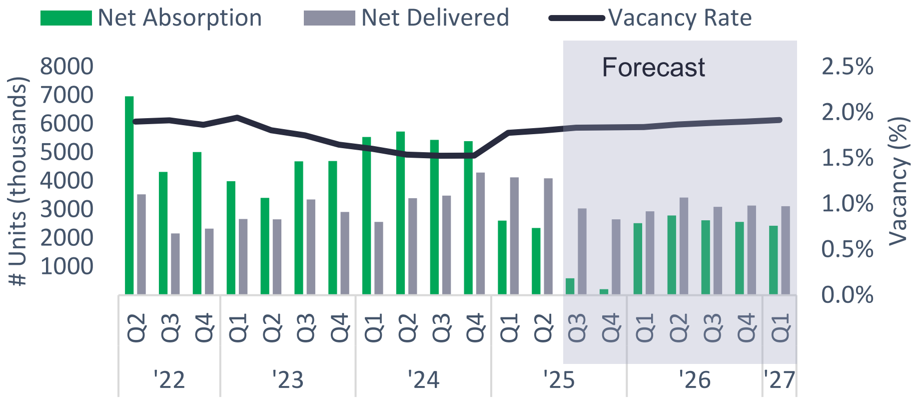
1 CoStar. Data as of 2Q25.
2 Five Canadian CRE investment trends to watch in 2025. Avison Young. 4.4.25.
3 Canada Market Dynamics – Capital Markets. JLL.1Q25.
4 MSCI. Data as of 1Q25.

Procure & Secure

Canada Retail Overview

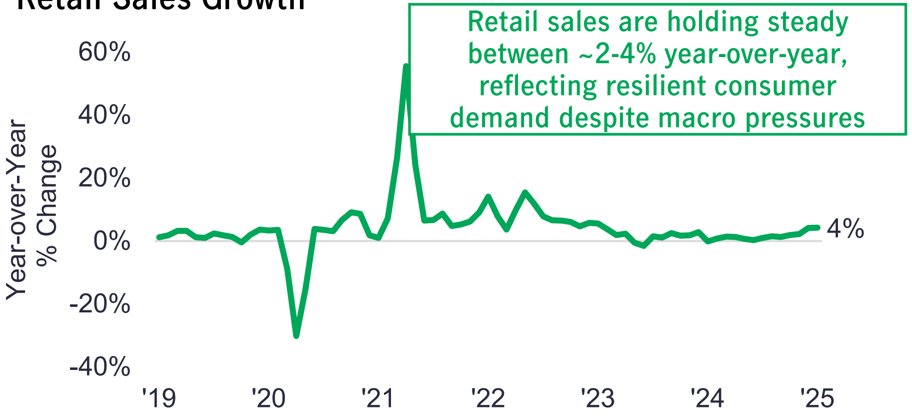
Retail remains a favorable sector with growing investor confidence, though rising cap rates and softening fundamentals call for selective positioning.

Supply and Demand



Source: Costar as of 2Q25.

Retail Sales Growth



Source: Statistics Canada as of July 2025.

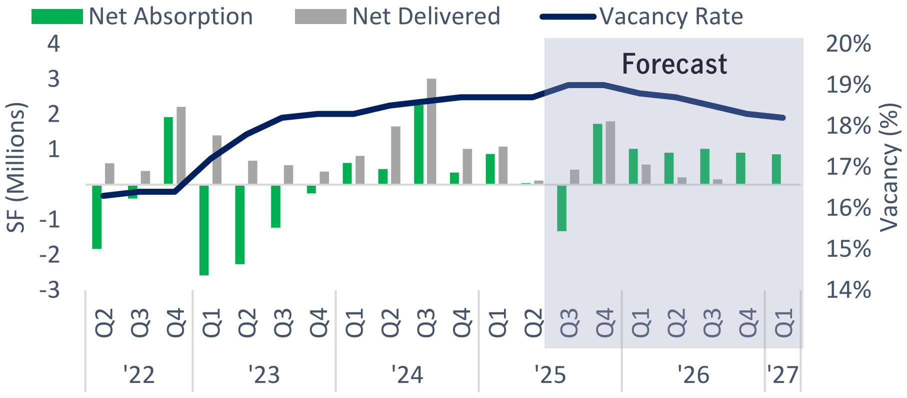
- **Though retail is firmly in expansion mode, boosted by continued supply constraints**, headwinds may derail momentum.[1]
  - Evident of a lack of supply, the vacancy rate remained at 1.8% in 2Q, up 10 bps from the previous two quarters.[2]
  - The pipeline ticked up slightly to 6.4MSF, which combined with any material pullback in demand, may put some short-term upward pressure on vacancy. A lack of turnover and ability to expand footprints without desirable space available for lease is in part to blame for low vacancy.[2]
  - This same challenge also may be curbing rent growth. Asking rents are rising, but at a slowing pace, up 3.1% year-over-year.[2]
- **Investor sentiment is improving, and retail is being leveraged to re-balance portfolios to diversify away from office,** with transaction volume reflecting interest in the sector.[3]
  - As of 2Q25, transaction volume is down at $1.025B compared to 1.68B for 2Q24.[4]
  - Annual returns data does not yet reflect any growing uncertainty in the retail sector. The annual return through first quarter was 6.2% – level with year-end 2024, and substantially stronger than year-end 2023.[5]
  - Capital returns, however, fell to -0.1% during the quarter, capping the annual return at 0.6%.[5] Cap rates are holding at 6.0%, up approximately 50 bps year-over-year.[5]

1 Five Canadian CRE investment trends to watch in 2025. Avison Young. 4.4.25.
2 CoStar. Data as of 2Q25.
3 Canada Market Dynamics – Capital Markets. JLL.1Q25.
4 CoStar. Data as of 2Q25.
5 MSCI. Data as of 1Q25.

Canada Office Overview

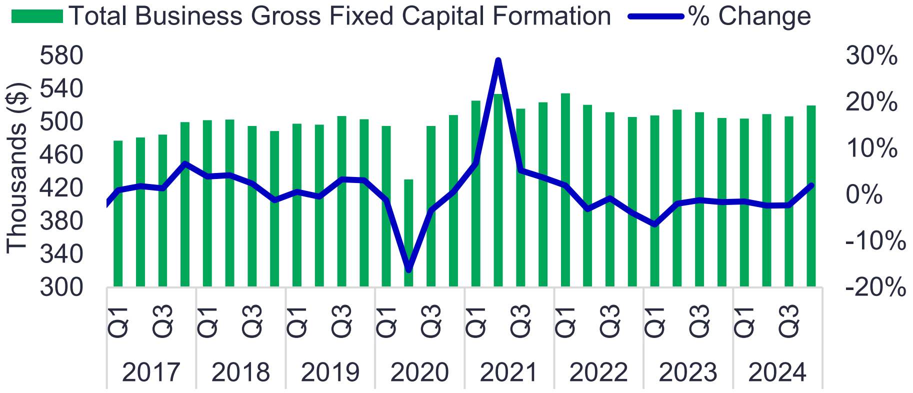
Ongoing macroeconomic softening continues to weigh on office performance, driven by shifting occupier behavior, declining valuations, fading investor confidence, and the absence of clear recovery signals.

Supply and Demand



Source: CBRE as of 2Q25.

Business Growth: Fixed Capital Formation



Source: Statistics Canada as of July 2025.

- **An ongoing threat of economic downturn** has office occupiers considering their footprint carefully and fueling cost optimization.
  - Office development is highly constrained but still needs to be accompanied by demolition and conversion activity.[1]
  - Vacancy increased another 40 bps during 2Q to 10.1%, fueled by another 1.4 MSF in negative net absorption during 2Q. [2]
  - Landlords have been able to boost face rates by offering more competitive tenant improvement and rent abatement packages.
  - Yet, in the first two quarters of 2025, asking rent growth dipped below 1.0% for the first time since mid-2022. [2]
- **Investors remain hesitant to take on a contrarian play in office,** discouraged by business sentiment, curbing transaction volume.[3]
  - In 2Q25, transaction volume decreased 44% year-over-year to $817M with owner-user sales rising to account for more than a third of transactions in 2025.[3,4]
  - Cap rates are holding steady to widening, depending on the asset class, and remain in the low 6.0%-range on average, but may eclipse 8-9.0% for Class B or Suburban segments. [3,4]
  - Total returns increased 0.5% in 1Q25, however, compared with -2.0 the previous quarter. Capital growth showed another, but more modest, 0.8% contraction during 1Q.[5]

1 Five Canadian CRE investment trends to watch in 2025. Avison Young. 4.4.25.
2 CoStar. Data as of 2Q25.
3 MSCI. Data as of 1Q25.
4 Canada Market Dynamics – Capital Markets. JLL.1Q25.
5 MSCI. Data as of 1Q25.

Investment Strategy & 2025 Go-Forward

2025: What's Next, What Matters

The remainder of the year presents a unique opportunity for investors to gain conviction and execute in select sectors, amidst a volatile macro-economic backdrop.

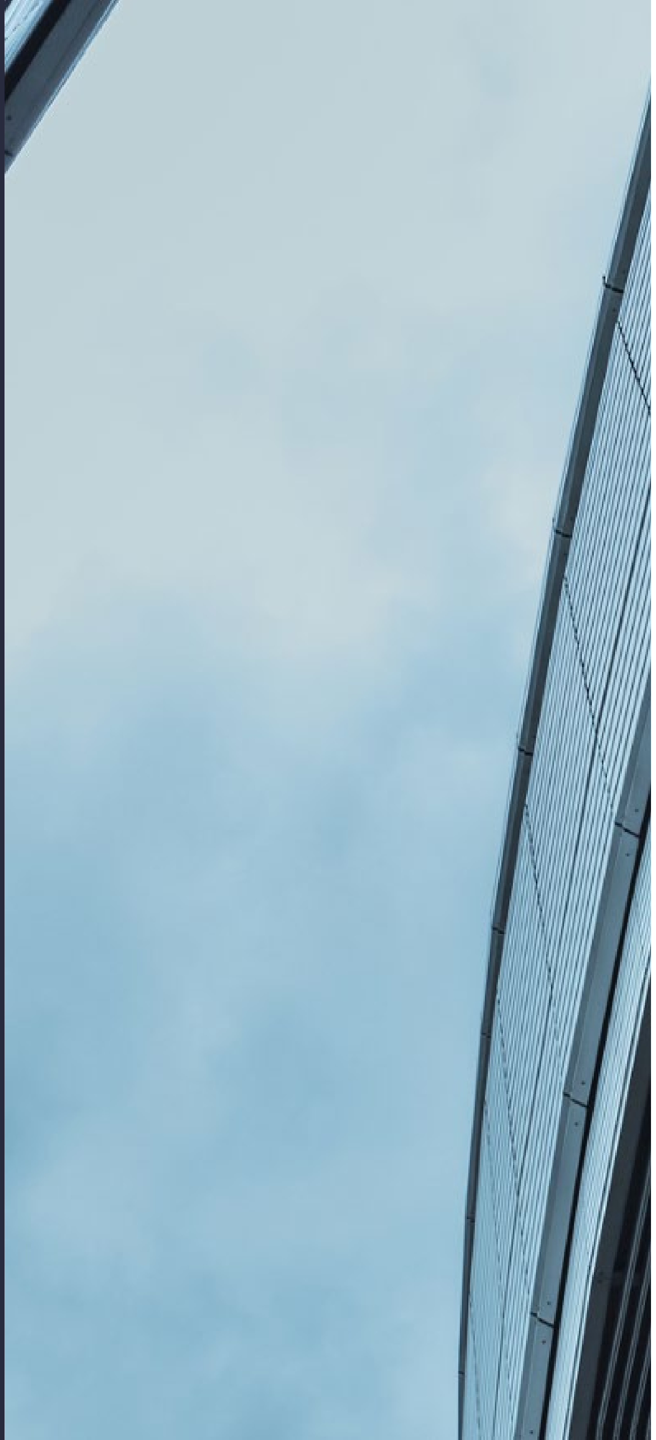
Risks

- Economic deterioration impacts demand drivers, particularly in support of industrial, retail, select alternatives, and continues to hamper office recovery.
- Persistent inflation reignites rate increases, putting leveraged buyers back on the sidelines.
- Trade-war induced volatility increases and has a more pronounced near-term impact on manufacturing and industrial, and related alternatives.
- Weakness may be exposed in markets and sectors that lack sustainable investment-grade features.

Opportunities

- Economic environment continues to stay in a slow-growth environment, allowing for stabilization in demand across a range of sectors, particularly bolstering traditional asset classes.
- Rates reflect stabilization and further a reconciliation in pricing and valuations, stimulating the capital markets.
- Supply-side dynamics remain subdued, allowing for a return to equilibrium across previously inflated sectors.
- Volatility will reveal markets and sectors that offer countercyclical protection and/or viable long-term fundamentals.

2025 Go-Forward



2025: What's Next, What Matters

Volatility demands proactivity in recognizing market signals and agility in execution.

- Canada and U.S. economic and market conditions will continue to morph in unprecedented ways, providing a blank canvas for more alternative real estate investing.
- Technology and innovation will further streamline and create efficiencies in execution, increasing competition among investors and advancing the ability to scale.
- Superior market intelligence and data analysis will differentiate established and new market entrants in opportunity identification and reduce liquidity and exit risk.
- By year-end, the Commercial Real Estate investment landscape will have evolved into a more diverse and dynamic ecosystem, shaped by innovative and adaptive strategies that capitalize on increasingly distinct local market dynamics.

Appendix

Notes & Disclosures

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Manulife
Investment Management

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Notes & Disclosures

Manulife Investment Management

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The basic risks of lending and direct ownership of commercial real estate mortgages include but are not limited to borrower default on the loan and declines in the value of the real estate collateral. Defaults can be complicated by borrower bankruptcy and other litigation including the costs and expenses associated with foreclosure which can decrease an investor's return.

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