

SENIORS HOUSING INDUSTRY OVERVIEW CANADA

A Cushman & Wakefield
Valuation & Advisory Publication

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On the cover:

ORA by Le Groupe Maurice
Montréal, Québec. Opened 2019.



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INTRODUCTION

While operating fundamentals continued to show signs of incremental improvement in 2022, the investment market was met with new challenges which disrupted a 12+ year market rally for many commercial real estate asset classes.

New headwinds in the form of rising inflation, higher interest rates and a risk-off sentiment in the market resulted in a decrease in transaction activity in the second half of last year. In light of the economic uncertainty, many seniors housing investors adjusted with a defensive, wait-and-see posture, while we all watched central banks deploy monetary policy tools in an effort to cool inflation.

For the first time in over 12 years cap rates for seniors housing product increased in Canada. Notwithstanding the higher cap rates, for many properties, values remained buoyant year-over-year, as strong rental growth, occupancy gains and improving margins offset the higher cost of capital.

As we enter 2023, there is more visibility on how the economic story will unfold, and at the very least, the potential scenarios appear to be more range-bound. Based on favourable demographic tailwinds, today we find ourselves on the doorstep of a paradigm shift for this sector. The generational opportunity is expected to be a beacon for medium- to long-term capital flows, which are expected to support a narrowing of the spread between seniors housing and multi-family apartment returns over the next decade.

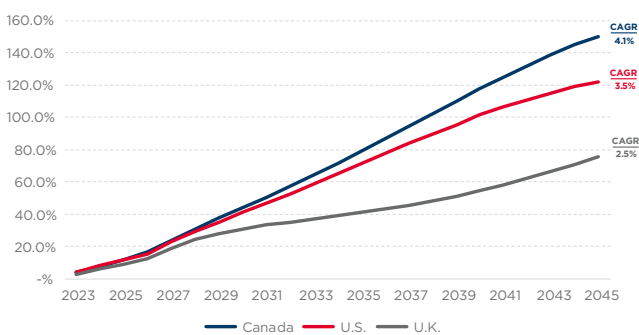
Favourable supply and demand fundamentals are expected to lead to a strong multi-year growth and recovery cycle. While some investors will remain on the sidelines, waiting for a seminal event (or comfort in numbers) to jump back in, other investors will identify 2023 as an entry point to get active and put capital back to work on an attractive risk/return basis at a higher yield and increasingly pronounced discount to replacement cost.

SECTOR SUMMARY

OPPORTUNITIES

- ‘Post-COVID’ occupancy recovery showing incremental improvement
- Demand paradigm shift: Long-term conviction in fundamentals intact
- Canada boasts strong population growth by global standards
- Continued slowdown in new supply due to rising construction costs
- Rental pricing power remains solid as operators boldly push rate
- Sustained interest in real estate alternatives (seniors, storage, student, hotels, etc.), as investors look to rebalance asset mix and reduce exposure to certain traditional ‘core’ real estate product types
- Flight to quality: Liquidity better for Class “A” vs. Class “B” and for assets without material lease-up required

PROJECTED CUMULATIVE GROWTH IN POPULATION AGE 80+

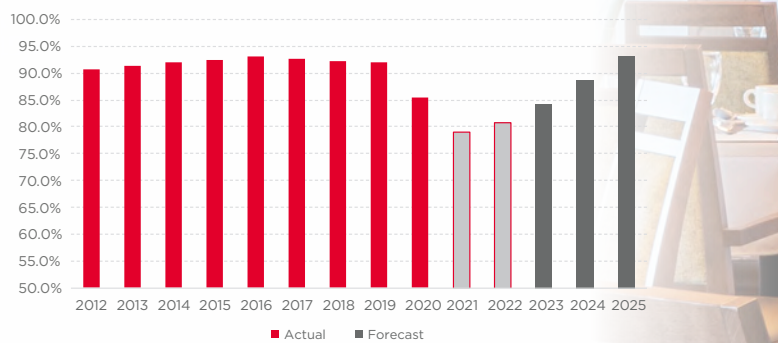


Sources: Canada: StatsCAN, Table: 17-10-0057-01, Projection scenario M4: medium-growth 7; U.S. Census Bureau: 2017 National Population Projections Datasets; U.K. Office for National Statistics, 2020-based Interim National Population Projections

CHALLENGES

- Occupancy recovery has been slower than initially expected for most market participants
- Softening of residential housing market
- Belief that pre-COVID margins are immediately attainable is fading for mid-market product and secondary/tertiary markets
- Labour market challenges persisting / sticky agency costs
- Supply over-hang in certain markets is the cause of delays in occupancy recovery. Pandemic restrictions no longer to blame
- Pullback in availability of credit relative to 12 months ago (albeit not to the extent of GFC panic levels)
- Higher interest rates have resulted in spreads between cap rates and the cost of debt narrowing below historical levels
- Construction cost escalation frustrating developers’ growth plans

OCCUPANCY FORECAST



Source: Cushman & Wakefield ULC and CMHC Seniors Housing Report (Time period adjustment (t-1) for historical CMHC survey data lag)




/ OPERATING FUNDAMENTALS

Like the rest of the market, the seniors housing sector is facing new economic realities which will result in short-term disruption. The longer-term view of operating fundamentals and the strategic importance of seniors housing as an asset class, however, remain firmly intact. There are a number of encouraging indicators that the market is emerging from the COVID lulls. Occupancy continues to recover, given the slowdown in new supply and the needs driven demand that characterizes the sector. We are also seeing the start of what we expect to become a hallmark of the seniors housing asset class: superior rent growth relative to many forms of real estate. The demographic driven tailwinds that have been boasted about for so long will finally begin to provide tangible benefits on the leasing side in the near future. This will represent a material shift in the leasing market, as vacancy fades and operators begin to command more and more pricing power.

As many of the challenges associated with the pandemic have begun to subside, residences have benefitted from some pent-up demand. We believe occupancy will continue to recover within a reasonable timeframe for most properties that had previously been stabilized pre-pandemic, considering (i) the demand for seniors housing is primarily needs-driven and (ii) population demographics and projections suggest that the 'Baby Boom' inflection point will begin to meaningfully contribute to demand in 2023 and beyond. Today we find ourselves at the leading edge of a major structural shift in Canadian population demographic trends. The age 75-plus segment of the population is poised to grow at a ~4% CAGR for the next 20 years. Few businesses have such a well-telegraphed potential demand curve.

Aside from the occupancy recovery related to COVID-19, we remain focused on monitoring development activity. In recent years, certain markets faced an excess of new supply, which contributed to a sequential decline in national occupancy from 2018 to 2021. Due to a decline in construction starts, over the short-term, we do not expect the impact from new supply to be as disruptive on a national basis as it was prior to the pandemic. Over the long-term, developers will have to closely pace the timing of new supply with the demand curve in order to avoid 'overbuilding' certain markets, as we have seen in the recent past.

Overall, we think the outlook for well located private-pay retirement residences is strong over the next two to three years and upgrade the outlook to excellent over the medium- to longer-term.



SENIORS HOUSING ANALYTICS

As you are likely aware, Canada Mortgage and Housing Corporation (“CMHC”) decided to discontinue its annual Seniors Housing Survey in 2022. While it was imperfect, for over a decade the CMHC Seniors Housing Survey was an important data point used by many stakeholders as an annual indicator of industry trends.

Our team at Cushman & Wakefield has connected with a broad range of market participants to understand the impact of the loss of the annual Seniors Housing Survey. This included discussions with many of the largest operators and industry stakeholder groups including capital providers, lenders, capital markets advisors and provincial industry associations. All involved agree there is a clear need for regularly published seniors housing market data.

ELEVATING THE PROFILE OF SENIORS HOUSING

C&W is committed to providing analytics and research that help elevate the Canadian seniors housing sector among the investment community. To that end, we are pleased to introduce C&W Seniors Housing Analytics, an initiative which will provide insights into the key seniors housing operating metrics within the major metro markets in Canada.

The C&W Seniors Housing Analytics initiative has involved an operator survey, which generated a dataset we plan to continue to report on through a new mid-year publication. A preview of the dataset is included in this report based on the selected Primary Markets, with additional reporting on Secondary Markets to follow in the coming months.

- To ensure this C&W Seniors Housing Analytics initiative is sustainable, we are intentionally starting small
 - o Our objective is to generate meaningful and reliable analytics while keeping the required data contribution from operators to a minimum
- To address certain logistics challenges and operator fatigue related to providing data, we have focused on a pre-selected ‘basket’ of representative residences in each of the major markets in Canada
 - o Cross section of Class “A” and Class “B” properties
 - o Sample size varies, but a minimum number of residences per market to generate statistics that are representative of the market
 - o Focus on Independent Living (“IL”) and Independent Supportive Living (“ISL”) care levels
 - o Starting with rent roll-based metrics: Occupancy and monthly rents
 - o Initial focus is on the core markets of Victoria, Vancouver, Edmonton, Calgary, Toronto, Ottawa, Montréal and Québec City (the “Primary Markets”)
 - o Future expansion of the survey universe, including but not limited to Okanagan, Windsor, Hamilton, Kitchener/Waterloo, Halton, Peel, York, Durham, Gatineau and other secondary markets (the “Secondary Markets”)

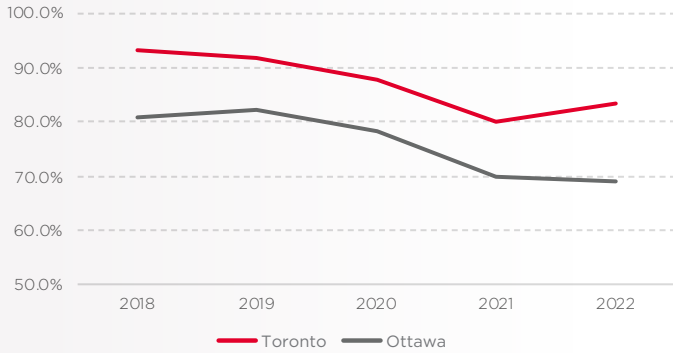
BROAD-BASED INDUSTRY PARTICIPATION

Our initial data collection efforts have yielded a response and participation rate of over 90% of target participants, which include hundreds of properties from a cross section of the industry’s leading operators, resulting in a data set which is statistically significant and representative of the distinct markets and regions within Canada.

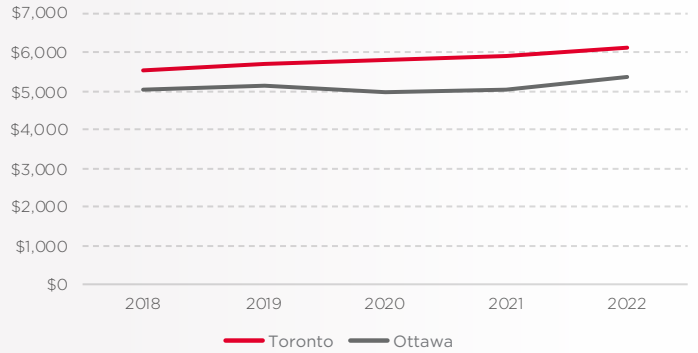
PRIMARY MARKETS: OCCUPANCY AND MONTHLY RENT

TORONTO / OTTAWA

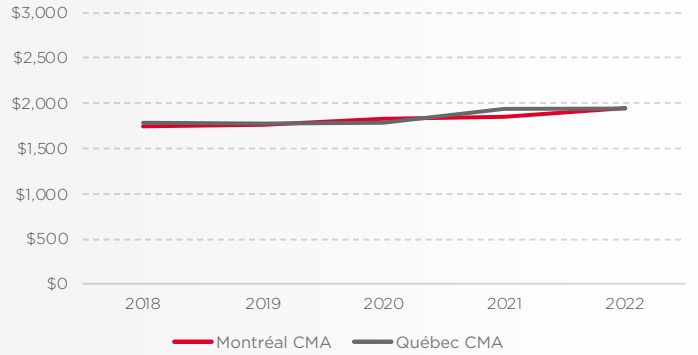
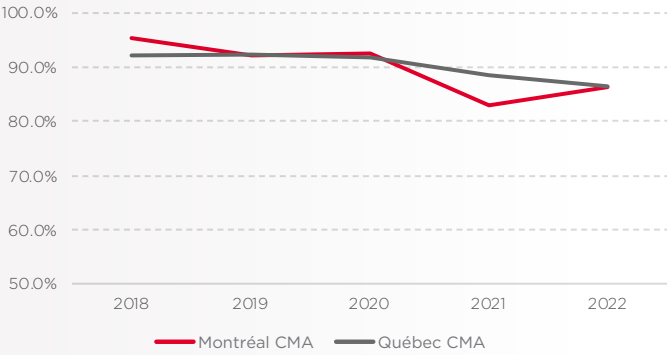
OCCUPANCY



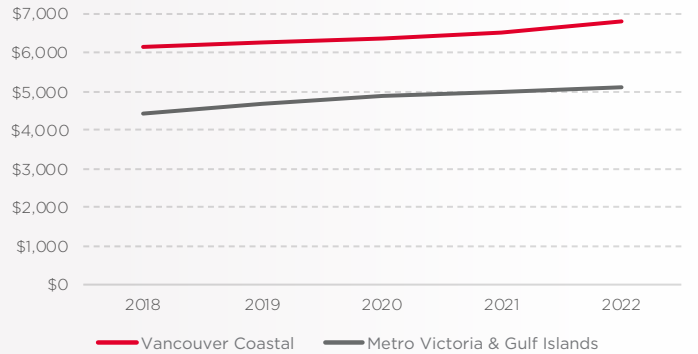
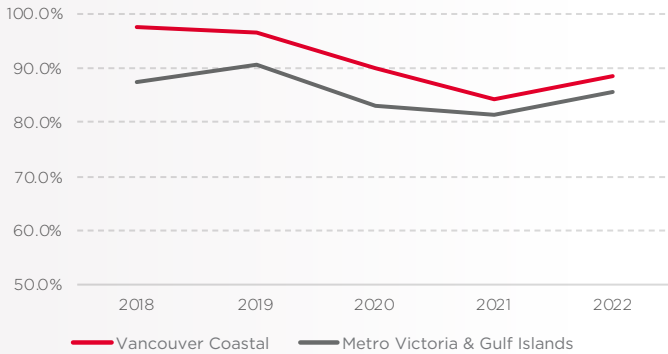
ONE BEDROOM RENT



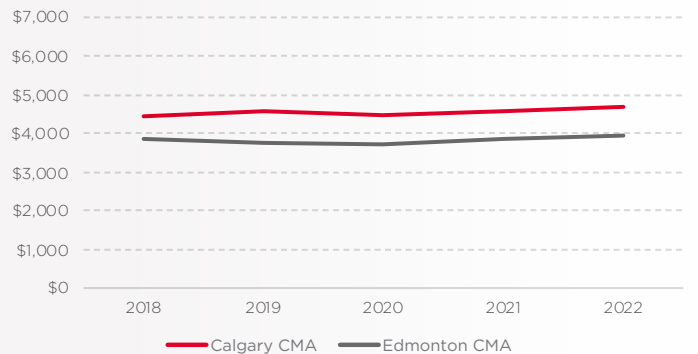
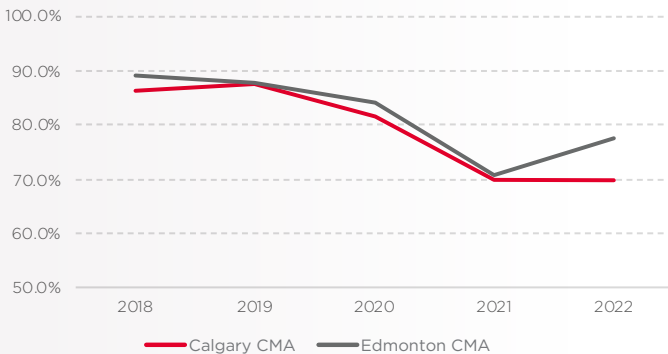
MONTRÉAL / QUÉBEC



VANCOUVER / VICTORIA & GULF ISLANDS



CALGARY / EDMONTON



Note: Average rents reflect typical ISL service package (i.e., including daily meals and weekly housekeeping) except for reported Montréal and Québec rents, which exclude the services component
 Source: Cushman & Wakefield ULC

CUSHMAN & WAKEFIELD: SENIORS HOUSING ANALYTICS

	2018	2019	2020	2021	2022		2018	2019	2020	2021	2022
TORONTO						OTTAWA					
OVERALL OCCUPANCY						OVERALL OCCUPANCY					
MEDIAN	93.2%	91.7%	87.7%	80.0%	83.4%	MEDIAN	80.9%	82.2%	78.3%	69.8%	69.0%
AVERAGE RENT						AVERAGE RENT					
MEDIAN RENT	\$5,315	\$5,436	\$5,578	\$5,686	\$5,884	MEDIAN RENT	\$4,351	\$4,471	\$4,324	\$4,322	\$4,581
RENT PSF	\$8.94	\$9.19	\$9.46	\$9.66	\$9.87	RENT PSF	\$8.27	\$8.50	\$8.12	\$8.19	\$8.66
POTENTIAL GAIN-TO-LEASE	5%	3%	3%	4%	5%	POTENTIAL GAIN-TO-LEASE	6%	8%	1%	1%	3%
% OF IL SUITE MIX	100%	100%	100%	100%	100%	% OF IL SUITE MIX	100%	100%	100%	100%	100%
STUDIO						STUDIO					
MEDIAN RENT	\$3,692	\$3,707	\$3,731	\$3,810	\$3,900	MEDIAN RENT	\$3,552	\$3,626	\$3,417	\$3,336	\$3,507
RENT PSF	\$10.41	\$10.66	\$10.73	\$10.96	\$11.17	RENT PSF	\$9.16	\$9.39	\$8.85	\$8.71	\$9.19
POTENTIAL GAIN-TO-LEASE	2%	2%	1%	3%	2%	POTENTIAL GAIN-TO-LEASE	8%	9%	1%	(0%)	3%
% OF IL SUITE MIX	24%	24%	23%	24%	23%	% OF IL SUITE MIX	51%	51%	50%	50%	49%
ONE BEDROOM						ONE BEDROOM					
MEDIAN RENT	\$5,533	\$5,683	\$5,791	\$5,923	\$6,120	MEDIAN RENT	\$5,020	\$5,157	\$4,969	\$5,046	\$5,363
RENT PSF	\$9.09	\$9.35	\$9.61	\$9.83	\$10.01	RENT PSF	\$8.33	\$8.56	\$8.23	\$8.36	\$8.88
POTENTIAL GAIN-TO-LEASE	6%	4%	3%	5%	6%	POTENTIAL GAIN-TO-LEASE	5%	9%	(0%)	0%	2%
% OF IL SUITE MIX	59%	59%	59%	59%	60%	% OF IL SUITE MIX	37%	37%	37%	37%	38%
ONE BEDROOM + DEN						ONE BEDROOM + DEN					
MEDIAN RENT	\$6,255	\$6,496	\$6,740	\$6,805	\$7,166	MEDIAN RENT	\$6,509	\$6,745	\$6,966	\$7,204	\$7,712
RENT PSF	\$8.07	\$8.38	\$8.69	\$8.78	\$9.24	RENT PSF	\$9.06	\$9.38	\$9.70	\$10.03	\$10.77
POTENTIAL GAIN-TO-LEASE	5%	4%	5%	4%	5%	POTENTIAL GAIN-TO-LEASE	4%	2%	5%	9%	5%
% OF IL SUITE MIX	5%	5%	5%	5%	5%	% OF IL SUITE MIX	2%	2%	2%	2%	2%
TWO BEDROOM						TWO BEDROOM					
MEDIAN RENT	\$7,079	\$7,243	\$7,628	\$7,737	\$7,954	MEDIAN RENT	\$5,458	\$5,729	\$5,747	\$5,890	\$6,108
RENT PSF	\$7.67	\$7.85	\$8.32	\$8.44	\$8.66	RENT PSF	\$6.01	\$6.29	\$6.29	\$6.43	\$6.69
POTENTIAL GAIN-TO-LEASE	3%	1%	3%	2%	5%	POTENTIAL GAIN-TO-LEASE	8%	6%	3%	2%	7%
% OF IL SUITE MIX	12%	12%	12%	11%	12%	% OF IL SUITE MIX	10%	10%	11%	10%	10%
MONTRÉAL CMA						QUÉBEC CMA					
OVERALL OCCUPANCY						OVERALL OCCUPANCY					
MEDIAN	95.4%	92.3%	92.4%	83.0%	86.3%	MEDIAN	92.2%	92.3%	91.7%	88.7%	86.5%
AVERAGE RENT						AVERAGE RENT					
MEDIAN RENT	\$1,772	\$1,857	\$1,944	\$1,993	\$2,055	MEDIAN RENT	\$1,908	\$1,923	\$1,999	\$2,097	\$2,146
RENT PSF	\$2.47	\$2.57	\$2.67	\$2.73	\$2.79	RENT PSF	\$2.59	\$2.59	\$2.64	\$2.72	\$2.78
POTENTIAL GAIN-TO-LEASE	1%	2%	7%	2%	3%	POTENTIAL GAIN-TO-LEASE	2%	3%	2%	4%	1%
% OF IL SUITE MIX	100%	100%	100%	100%	100%	% OF IL SUITE MIX	100%	100%	100%	100%	100%
STUDIO						STUDIO					
MEDIAN RENT	\$1,067	\$1,123	\$1,194	\$1,209	\$1,260	MEDIAN RENT	\$1,141	\$1,140	\$1,271	\$1,299	\$1,375
RENT PSF	\$2.41	\$2.52	\$2.68	\$2.71	\$2.82	RENT PSF	\$2.75	\$2.75	\$3.01	\$2.99	\$3.17
POTENTIAL GAIN-TO-LEASE	(4%)	(3%)	(0%)	(2%)	(0%)	POTENTIAL GAIN-TO-LEASE	1%	(1%)	3%	6%	4%
% OF IL SUITE MIX	17%	16%	15%	15%	14%	% OF IL SUITE MIX	15%	14%	13%	13%	13%
ONE BEDROOM						ONE BEDROOM					
MEDIAN RENT	\$1,745	\$1,770	\$1,820	\$1,843	\$1,947	MEDIAN RENT	\$1,781	\$1,776	\$1,784	\$1,929	\$1,942
RENT PSF	\$2.56	\$2.64	\$2.70	\$2.77	\$2.86	RENT PSF	\$2.68	\$2.64	\$2.61	\$2.73	\$2.75
POTENTIAL GAIN-TO-LEASE	2%	3%	8%	3%	5%	POTENTIAL GAIN-TO-LEASE	1%	2%	0%	0%	(2%)
% OF IL SUITE MIX	57%	57%	58%	57%	59%	% OF IL SUITE MIX	55%	56%	56%	56%	56%
ONE BEDROOM + DEN						ONE BEDROOM + DEN					
MEDIAN RENT	\$2,318	\$2,397	\$2,446	\$2,425	\$2,491	MEDIAN RENT	\$2,055	\$2,350	\$2,257	\$2,315	\$2,379
RENT PSF	\$2.33	\$2.41	\$2.46	\$2.68	\$2.76	RENT PSF	\$2.08	\$2.38	\$2.40	\$2.46	\$2.53
POTENTIAL GAIN-TO-LEASE	(1%)	(1%)	0%	1%	1%	POTENTIAL GAIN-TO-LEASE	(8%)	2%	2%	1%	2%
% OF IL SUITE MIX	0%	0%	0%	1%	1%	% OF IL SUITE MIX	1%	1%	2%	1%	1%
TWO BEDROOM						TWO BEDROOM					
MEDIAN RENT	\$2,268	\$2,452	\$2,589	\$2,674	\$2,660	MEDIAN RENT	\$2,533	\$2,555	\$2,682	\$2,734	\$2,835
RENT PSF	\$2.35	\$2.50	\$2.63	\$2.68	\$2.68	RENT PSF	\$2.47	\$2.51	\$2.63	\$2.66	\$2.76
POTENTIAL GAIN-TO-LEASE	1%	4%	7%	2%	1%	POTENTIAL GAIN-TO-LEASE	5%	6%	3%	8%	4%
% OF IL SUITE MIX	24%	25%	25%	26%	24%	% OF IL SUITE MIX	29%	29%	30%	30%	30%

Note: Average rents reflect typical ISL service package (i.e., including daily meals and weekly housekeeping) except for reported Montréal and Québec rents, which exclude the services component. The above figures are subject to re-statement as we are in the process of adding additional participating properties and operators to the C&W Seniors Housing Analytics initiative.

Cushman & Wakefield has adopted the same geographic boundaries as was defined by the former CMHC seniors housing survey

	2018	2019	2020	2021	2022		2018	2019	2020	2021	2022
VANCOUVER COASTAL						METRO VICTORIA & GULF ISLANDS					
OVERALL OCCUPANCY						OVERALL OCCUPANCY					
MEDIAN	97.6%	96.5%	90.0%	84.2%	88.4%	MEDIAN	87.4%	90.6%	83.1%	81.4%	85.7%
AVERAGE RENT						AVERAGE RENT					
MEDIAN RENT	\$5,964	\$6,125	\$6,197	\$6,336	\$6,954	MEDIAN RENT	\$4,328	\$4,550	\$4,818	\$4,879	\$5,000
RENT PSF	\$8.93	\$9.18	\$9.28	\$9.48	\$10.31	RENT PSF	\$7.33	\$7.87	\$8.14	\$8.29	\$8.51
POTENTIAL GAIN-TO-LEASE	7%	7%	5%	5%	7%	POTENTIAL GAIN-TO-LEASE	(1%)	2%	3%	9%	3%
% OF IL SUITE MIX	100%	100%	100%	100%	100%	% OF IL SUITE MIX	100%	100%	100%	100%	100%
STUDIO						STUDIO					
MEDIAN RENT	\$3,822	\$3,925	\$3,992	\$4,092	\$4,256	MEDIAN RENT	\$3,120	\$3,300	\$3,445	\$3,520	\$3,553
RENT PSF	\$9.93	\$10.19	\$10.37	\$10.63	\$11.00	RENT PSF	\$6.91	\$7.30	\$7.62	\$7.80	\$7.87
POTENTIAL GAIN-TO-LEASE	16%	15%	14%	15%	12%	POTENTIAL GAIN-TO-LEASE	(2%)	2%	3%	0%	(4%)
% OF IL SUITE MIX	16%	16%	16%	16%	15%	% OF IL SUITE MIX	24%	24%	19%	24%	24%
ONE BEDROOM						ONE BEDROOM					
MEDIAN RENT	\$6,149	\$6,255	\$6,380	\$6,523	\$6,808	MEDIAN RENT	\$4,423	\$4,688	\$4,863	\$4,976	\$5,104
RENT PSF	\$9.65	\$9.84	\$10.01	\$10.24	\$10.71	RENT PSF	\$7.54	\$8.01	\$8.31	\$8.51	\$8.73
POTENTIAL GAIN-TO-LEASE	4%	5%	3%	2%	2%	POTENTIAL GAIN-TO-LEASE	(4%)	(0%)	1%	16%	4%
% OF IL SUITE MIX	53%	53%	53%	53%	52%	% OF IL SUITE MIX	57%	57%	64%	57%	57%
ONE BEDROOM + DEN						ONE BEDROOM + DEN					
MEDIAN RENT	\$5,839	\$6,118	\$5,881	\$5,871	\$7,705	MEDIAN RENT	\$5,194	\$5,390	\$5,708	\$5,855	\$6,132
RENT PSF	\$8.22	\$8.61	\$8.28	\$8.26	\$10.61	RENT PSF	\$7.74	\$8.03	\$8.51	\$8.73	\$9.14
POTENTIAL GAIN-TO-LEASE	18%	17%	9%	7%	12%	POTENTIAL GAIN-TO-LEASE	4%	1%	4%	1%	3%
% OF IL SUITE MIX	15%	15%	15%	15%	18%	% OF IL SUITE MIX	7%	7%	6%	7%	7%
TWO BEDROOM						TWO BEDROOM					
MEDIAN RENT	\$7,509	\$7,795	\$7,952	\$8,295	\$9,039	MEDIAN RENT	\$5,745	\$5,933	\$6,468	\$6,569	\$6,797
RENT PSF	\$7.70	\$7.99	\$8.15	\$8.50	\$9.27	RENT PSF	\$6.92	\$7.96	\$7.79	\$7.91	\$8.20
POTENTIAL GAIN-TO-LEASE	3%	3%	2%	5%	11%	POTENTIAL GAIN-TO-LEASE	11%	11%	9%	5%	5%
% OF IL SUITE MIX	15%	15%	15%	15%	15%	% OF IL SUITE MIX	12%	12%	11%	12%	12%
CALGARY CMA						EDMONTON CMA					
OVERALL OCCUPANCY						OVERALL OCCUPANCY					
MEDIAN	86.3%	87.6%	81.6%	69.8%	69.8%	MEDIAN	89.1%	87.6%	84.2%	70.7%	77.4%
AVERAGE RENT						AVERAGE RENT					
MEDIAN RENT	\$4,376	\$4,509	\$4,330	\$4,342	\$4,445	MEDIAN RENT	\$3,860	\$3,630	\$3,631	\$3,764	\$3,851
RENT PSF	\$7.33	\$7.55	\$7.58	\$7.67	\$7.69	RENT PSF	\$5.96	\$5.35	\$5.36	\$5.59	\$5.76
POTENTIAL GAIN-TO-LEASE	4%	8%	6%	4%	6%	POTENTIAL GAIN-TO-LEASE	4%	5%	2%	1%	3%
% OF IL SUITE MIX	100%	100%	100%	100%	100%	% OF IL SUITE MIX	100%	100%	100%	100%	100%
STUDIO						STUDIO					
MEDIAN RENT	\$3,455	\$3,415	\$3,457	\$3,405	\$3,497	MEDIAN RENT	\$3,349	\$2,542	\$2,498	\$2,527	\$2,559
RENT PSF	\$8.67	\$8.57	\$8.74	\$8.61	\$8.89	RENT PSF	\$8.44	\$5.49	\$5.39	\$5.46	\$5.53
POTENTIAL GAIN-TO-LEASE	8%	6%	6%	3%	6%	POTENTIAL GAIN-TO-LEASE	6%	4%	5%	1%	2%
% OF IL SUITE MIX	31%	31%	33%	35%	35%	% OF IL SUITE MIX	16%	17%	17%	17%	16%
ONE BEDROOM						ONE BEDROOM					
MEDIAN RENT	\$4,442	\$4,589	\$4,491	\$4,583	\$4,686	MEDIAN RENT	\$3,845	\$3,760	\$3,716	\$3,837	\$3,943
RENT PSF	\$7.10	\$7.34	\$7.25	\$7.40	\$7.57	RENT PSF	\$6.09	\$5.72	\$5.65	\$5.90	\$6.11
POTENTIAL GAIN-TO-LEASE	5%	11%	6%	6%	6%	POTENTIAL GAIN-TO-LEASE	6%	7%	2%	1%	2%
% OF IL SUITE MIX	52%	52%	55%	51%	51%	% OF IL SUITE MIX	64%	64%	64%	64%	65%
ONE BEDROOM + DEN						ONE BEDROOM + DEN					
MEDIAN RENT	\$5,586	\$5,955	\$5,926	\$5,811	\$5,936	MEDIAN RENT	\$3,751	\$3,796	\$3,977	\$3,974	\$3,983
RENT PSF	\$7.01	\$7.47	\$7.90	\$7.75	\$7.91	RENT PSF	\$5.15	\$5.20	\$5.44	\$5.44	\$5.45
POTENTIAL GAIN-TO-LEASE	(3%)	2%	2%	(3%)	5%	POTENTIAL GAIN-TO-LEASE	7%	5%	7%	5%	3%
% OF IL SUITE MIX	4%	4%	2%	2%	2%	% OF IL SUITE MIX	5%	5%	5%	5%	4%
TWO BEDROOM						TWO BEDROOM					
MEDIAN RENT	\$5,818	\$6,220	\$5,853	\$5,917	\$5,999	MEDIAN RENT	\$4,530	\$4,280	\$4,469	\$4,796	\$4,892
RENT PSF	\$6.65	\$7.11	\$7.08	\$7.16	\$7.25	RENT PSF	\$4.68	\$4.28	\$4.47	\$4.81	\$4.91
POTENTIAL GAIN-TO-LEASE	(3%)	3%	4%	2%	5%	POTENTIAL GAIN-TO-LEASE	(4%)	(1%)	(1%)	2%	5%
% OF IL SUITE MIX	14%	14%	11%	11%	11%	% OF IL SUITE MIX	15%	15%	15%	14%	14%

Note: The above figures are subject to re-statement as we are in the process of adding additional participating properties and operators to the C&W Seniors Housing Analytics initiative.
Source: Cushman & Wakefield ULC

SUPPLY ANALYSIS

SYSTEM CAPACITY

In Canada, CMHC was the primary source of information for occupancy and average rent metrics and an accounting of the rental unit inventory for the seniors housing component of the sector up until the discontinuation of the annual CMHC Seniors Housing Survey in 2022.

Based on Cushman & Wakefield's proprietary database and other sources noted below, we are pleased to present the following estimate of the number of properties and units offered within retirement residences in Canada.

	# OF PROPERTIES	# OF UNITS	UNITS PER 1,000 AGE 75+	2022 POPULATION 75+	NOTES
BRITISH COLUMBIA	348	31,123	69	453,108	[1]
ALBERTA	310	29,476	111	266,463	[2]
SASKATCHEWAN	191	8,512	98	86,465	
MANITOBA	141	9,493	95	100,017	[3]
ONTARIO	841	79,318	66	1,210,811	
QUÉBEC	1,385	143,725	183	783,792	[4]
NEW BRUNSWICK	241	8,291	110	75,542	[3]
NOVA SCOTIA	69	3,481	37	93,032	[3]
PRINCE EDWARD ISLAND	34	1,204	85	14,241	[3]
NEWFOUNDLAND AND LABRADOR	91	5,302	109	48,791	[3]
TOTAL	3,651	319,925	102	3,132,262	

Notes:

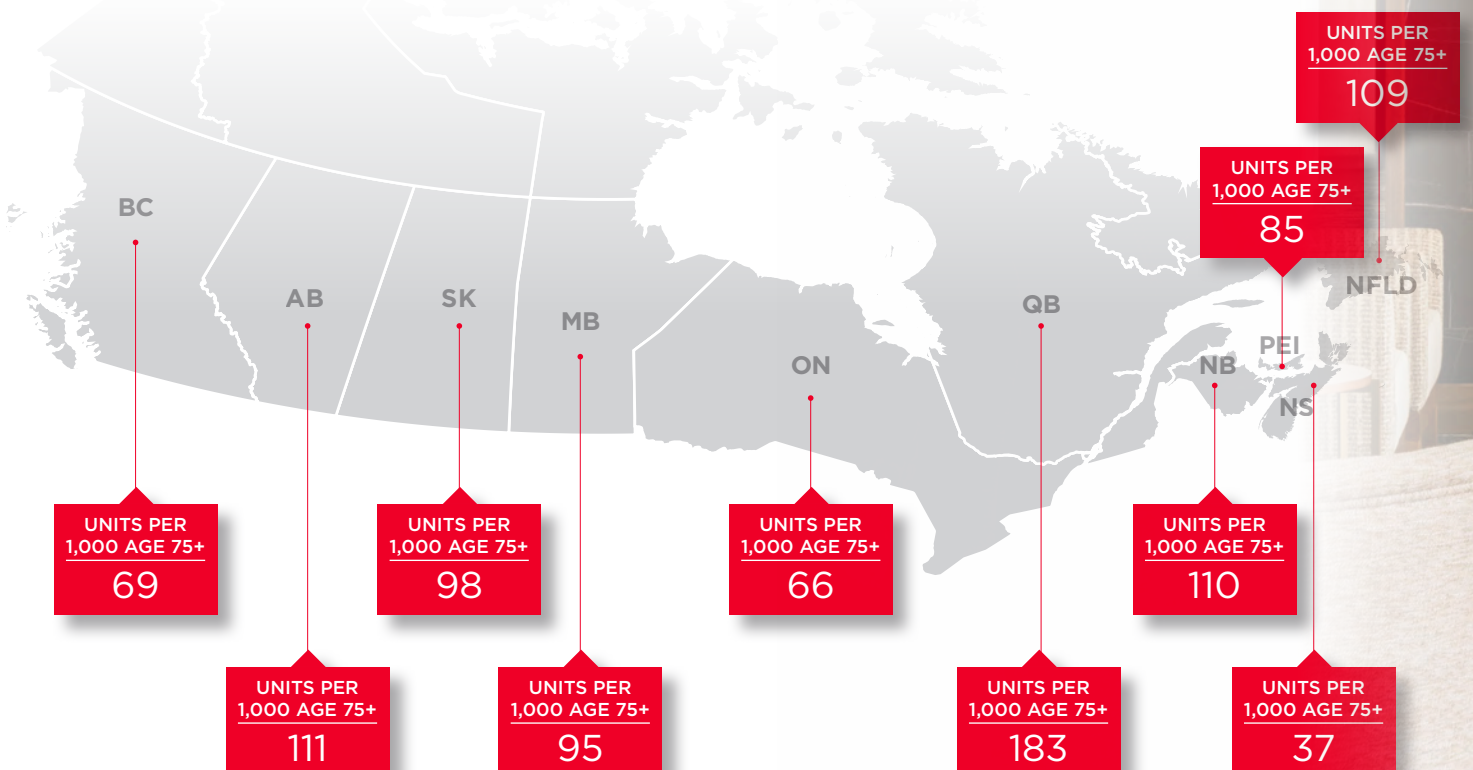
[1] British Columbia supply includes subsidized Assisted Living (AL) units and excludes private-pay Long Term Care (LTC) beds

[2] Alberta supply includes close to 12,000 Designated Supportive Living (DSL) beds

[3] Includes Personal Care Homes (PCH), which in many cases are subsidized

[4] Québec's tax credit available for support services for seniors is a primary driver of the higher supply of seniors housing units per capita

[5] Includes seniors apartments, independence living, assisted living and memory care units, intentionally excluding long-term care home beds



Source: Cushman & Wakefield ULC

LARGEST OPERATORS

ORGANIZATION	PROPERTIES UNDER MANAGEMENT		NUMBER OF RESIDENCES		UNITS	
	RESIDENCES	UNITS	RETIREMENT	LONG-TERM CARE	RETIREMENT	LONG-TERM CARE
CHARTWELL RETIREMENT RESIDENCES	192	29,803	169	23	26,483	3,320
REVERA INC.	156	19,326	98	58	12,295	7,031
EXTENDICARE INC.	105	13,752	-	105	-	13,752
COGIR MANAGEMENT CORPORATION	56	13,344	56	-	13,344	-
SIENNA SENIOR LIVING	93	12,483	47	46	5,202	7,281
SÉLECTION RETRAITE	43	11,526	43	-	11,526	-
LE GROUPE MAURICE	35	10,665	35	-	10,665	-
ALL SENIORS CARE	35	5,561	35	-	5,561	-
RÉSIDENCES SOLEIL	14	5,510	14	-	5,510	-
SCHLEGEL VILLAGES	27	5,081	9	18	2,555	2,526
AGECARE HEALTH SERVICES	39	4,884	11	28	1,552	3,332
RÉSIDENCES BATISSEURS	21	4,783	21	-	4,783	-
SHANNEX INC.	42	4,777	17	25	2,618	2,159
PARK PLACE SENIOR LIVING	47	4,581	21	26	1,678	2,903
AMICA SENIOR LIFESTYLES	32	4,438	32	-	4,438	-
VERVE SENIOR LIVING	30	4,288	30	-	4,288	-
THE RESPONSIVE GROUP	39	4,111	18	21	1,246	2,865
WEST COAST SENIORS HOUSING MGM'T	34	3,774	18	16	1,907	1,867
ATRIA SENIOR LIVING	29	3,373	29	-	3,373	-
BAPTIST HOUSING SENIOR LIVING	24	3,084	17	7	1,762	1,322

Notes: Includes properties owned by the noted entity and properties managed for third parties. Includes Canadian property holdings only. Excludes properties under development.
Source: Cushman & Wakefield ULC

**ROOM FOR FURTHER
CONSOLIDATION:
THE LARGEST 20 OPERATORS
MANAGE ABOUT 30% OF THE
TOTAL SUPPLY**

DEVELOPMENT MONITOR

NEW CONSTRUCTION

Key takeaways from our annual update on reported construction starts:

/
1

The trend of (historically) lower construction starts continues to hold

- Seniors housing construction activity increased slightly in 2021 and then trended lower in 2022 to historically low levels, as developers remain more selective about new projects
- For the 12 months ending December 31, 2022, construction starts represented 2.2% of inventory, down 1.2 pts from 2021 (peak was 2017: 5.6%)
- The absolute number of starts (by units) was ~50% lower than the peak construction starts observed in 2017

//
2

Regional differences

- Construction activity remains very low in Alberta (2022: starts are 0.4% of inventory; 2021: 5.0%) British Columbia (2022: 1.4%; 2021: 1.7%) and Québec (2022: 1.5%; 2021: 2.6%)
- Québec construction has cooled the most 'peak-to-trough' vs. other Canadian regions (peak was 2018: 6.7%)
- Activity in Ontario remains fairly robust in the urban centres, despite rising construction costs (2022: 4.0%; 2021: 4.7%). Many of the projects which commenced in 2021 and 2022 were planned for 2019 but delayed due to the pandemic. Some developers are making the decision to move forward with their project pipelines, particularly for projects in primary/secondary markets where rents can support the higher capital investment hurdle

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3

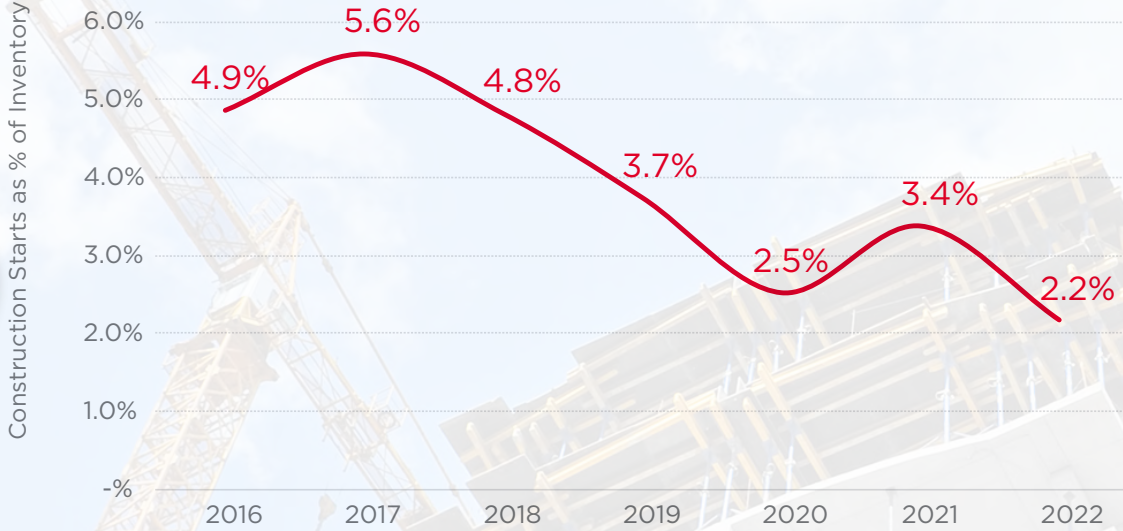
Favourable Fundamentals

- Construction starts in 2022 will translate into inventory growth in 2024. Fortunately for existing operators, the pace of new supply growth has slowed relative to historical levels, which contributes to the favourable supply and demand fundamentals we are seeing today. When coupled with growing demand, these factors are expected to lead to a strong multi-year growth and recovery cycle

Note: We expanded the number of constituent companies reported as part of the 'C&W Construction Index' this year, and stats for prior periods have been restated for the larger sample size. The Index now includes over 60% of the retirement inventory by units. We note that the 'C&W Construction Index' is comprised of the most active developers in the sector, and therefore sample statistics relating to construction may not be representative of the population data (i.e., total market construction starts for 2022 may well be less than 2.2% of inventory)



CONSTRUCTION STARTS AS % OF INVENTORY (UNITS)

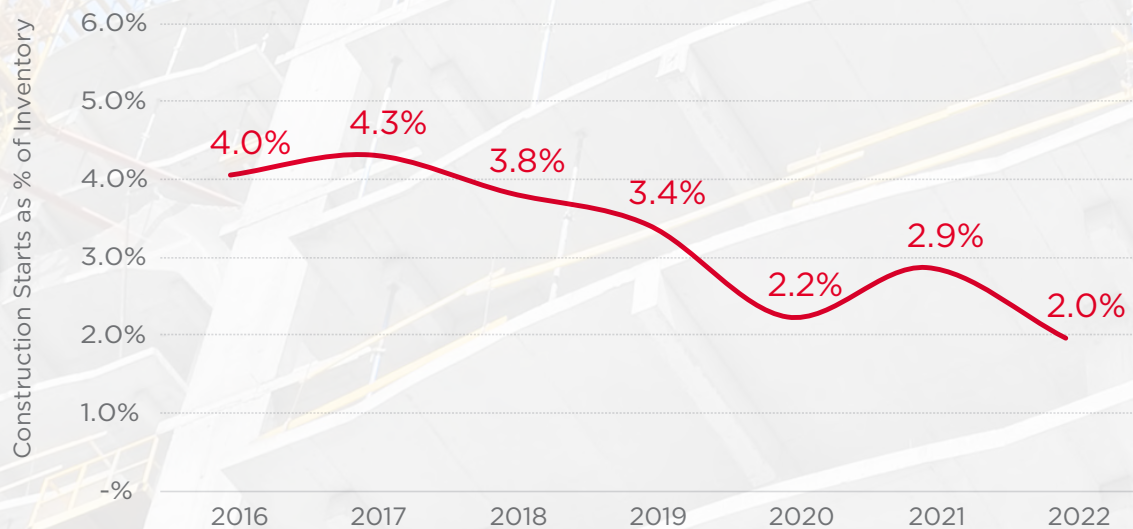


Metric: Projects which commenced construction in the period (measured by units) as a percentage of the existing units of inventory (Sample based on C&W Construction Index)

Source: Cushman & Wakefield ULC



CONSTRUCTION STARTS AS % OF INVENTORY (UNITS)



Metric: Projects which commenced construction in the period (measured by units) as a percentage of the existing units of inventory (Sample based on NIC MAP, All Markets, Seniors Housing)

Source: NIC MAP® Data Service, (Q4 2022)



INVESTMENT MARKET OVERVIEW

TRANSACTION ACTIVITY

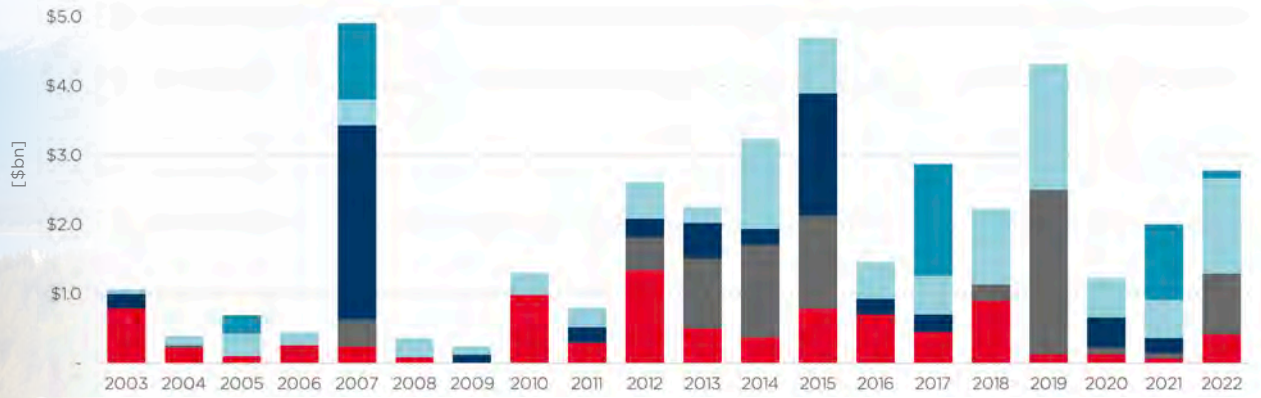
Following a quiet start to 2021, investment market activity picked up in the second half of 2021, marked by major investments by Blackstone, Ventas and Harrison Street. As a result, the total dollar volume of Canadian-based seniors housing transactions in 2021 nearly doubled the volume of transactions which closed in 2020.

The market rally continued with a robust start to 2022, including the sale of the Regency Retirement Resorts portfolio to Welltower & COGIR, the sale of a three-property portfolio from MTCO to Chartwell and the sale of Extendicare's 'Esprit' retirement residence portfolio to Sienna and Sabra in the first half of the year. Several other significant strategic transactions were announced in Q1 2022 including Chartwell's sale of its long-term care home platform to a joint venture between Axiom and AgeCare and Revera's sale of its remaining partial interest in most of its Class "A" long-term care properties to Extendicare. Both transactions are expected to close in 2023 upon receipt of regulatory approval.

The market slowed in the second half of 2022 and transaction activity declined as higher interest rates and broader market volatility impacted the market. Total transaction dollar volume of \$2.8 billion closed in 2022 (\$3.7 billion announced) which was ~40% ahead of 2021-dollar volume based on completed transactions.

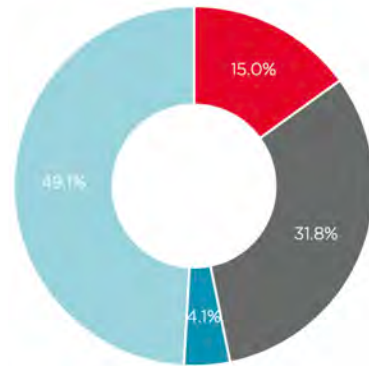
Looking ahead to 2023, we expect transaction volumes to remain modest given rates are expected to remain elevated, extending the period of price discovery. For investors who have longer investment horizons or can manage some short-term volatility, we believe that this period of disruption will mark the last 'value' buying opportunity in this sector for the next two decades.

TRANSACTION DOLLAR VOLUME

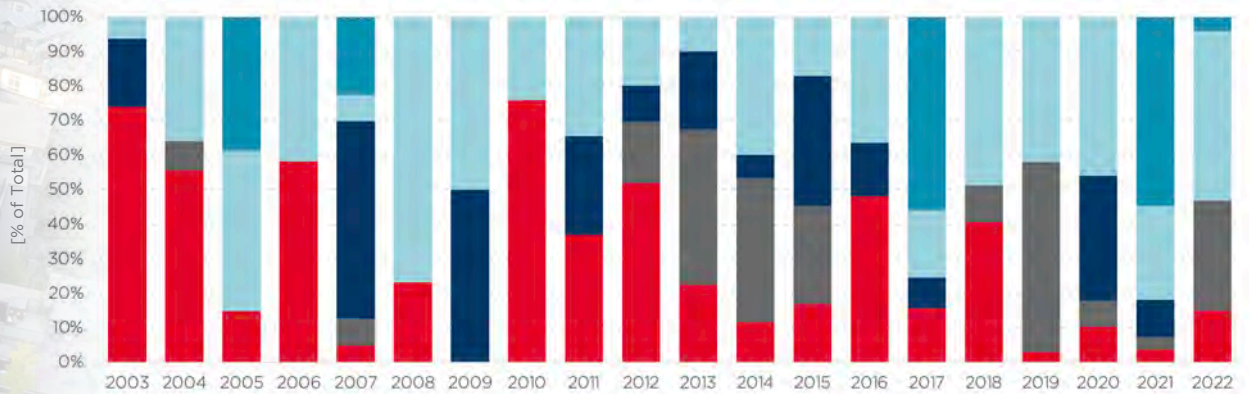


SOURCES OF BUYER CAPITAL: 2022

■ CDN REIT ■ US REIT
■ Foreign PE ■ CDN Pension ■ CDN PE

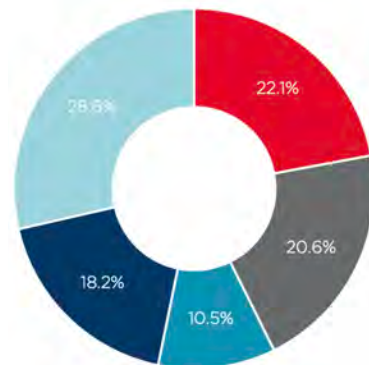


TRANSACTION DOLLAR VOLUME BY SOURCES OF BUYER CAPITAL



SOURCES OF BUYER CAPITAL: 2003 TO 2022

■ CDN REIT ■ US REIT
■ Foreign PE ■ CDN Pension ■ CDN PE



Source: Cushman & Wakefield ULC

LARGEST TRANSACTIONS FROM 2022

- Regency Retirement Resorts acquired by Welltower and Cogir in January 2022
- MTCO retirement home three-pack acquired by Chartwell in April 2022
- Extencicare 'Esprit' Portfolio acquired by Sienna and Sabra JV in May 2022
- Les Terrasses Versailles & Le Dufferin acquired by Welltower and Cogir in June 2022
- H&H Total Care Services acquired by Axiom and Optima JV in September 2022
- Chartwell BC LTC two-pack acquired by Axiom and AgeCare JV in December 2022

ANNOUNCED TRANSACTIONS

- Axiom and AgeCare to acquire 17 long-term care homes from Chartwell. AgeCare to assume additional third-party management contracts as part of the transaction
- Extencicare to acquire 15% managing interest in 24 long-term care homes from Revera. Extencicare to assume additional third-party management contracts as part of the transaction. Remaining interest continued to be owned by Axiom

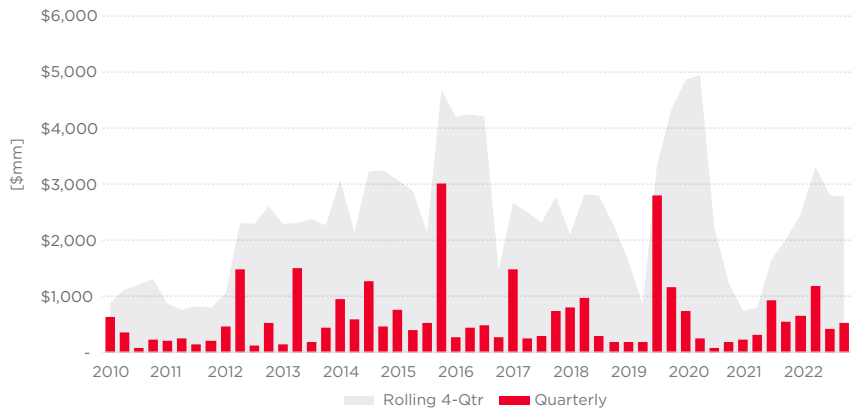
TOP-FIVE MOST ACTIVE PURCHASER GROUPS IN 2022

PURCHASER GROUP	SELLER / JV PARTNER SEED PORTFOLIO	DEALS	PROPERTIES	UNITS
		2	11 ⁽¹⁾	1,978 ⁽¹⁾
		4	20	1,852
		2	12	1,234
		1	3	467
		2	3	311

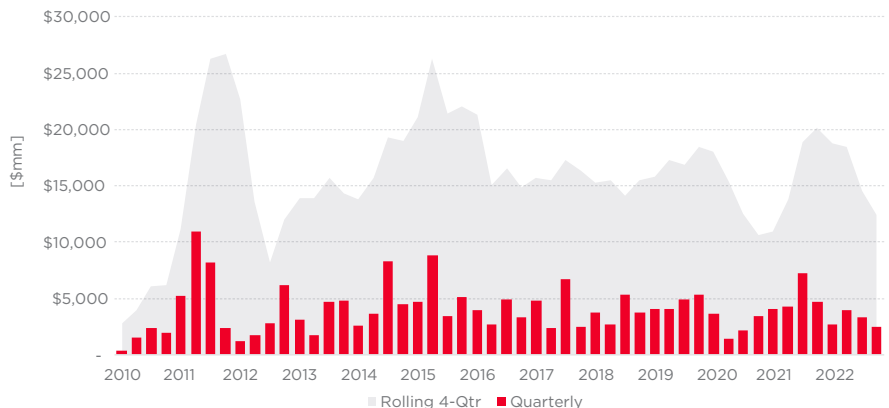
Notes: [1] Includes forward purchase of one property

ABOVE NOTED PURCHASERS WERE RESPONSIBLE FOR OVER 70% OF THE OVER \$2.8 BILLION IN SENIORS HOUSING & HEALTHCARE PROPERTY TRADES THAT CLOSED IN 2022 IN CANADA

CANADIAN SENIORS HOUSING & HEALTHCARE TRANSACTION DOLLAR VOLUME



U.S. SENIORS HOUSING & HEALTHCARE TRANSACTION DOLLAR VOLUME



Source: RCA Analytics and Cushman & Wakefield ULC

RATES OF RETURN

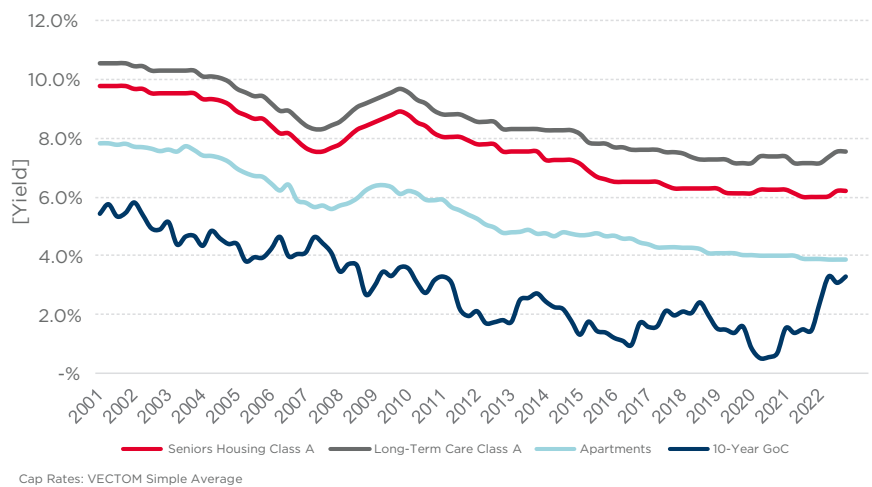
Prior to 2022, implied going-in cap rates on Class “A” seniors housing investments had steadily declined by over 300 bps during the past decade. For the first time in over 12 years, cap rates for seniors housing product increased in Canada in 2022. Notwithstanding the higher cap rates, for many properties, values remained buoyant year-over-year, as strong rental growth, occupancy gains and improving margins offset the higher cost of capital.

The investment thesis for seniors housing & care properties remains firmly intact. Best in class operators have learned how to adapt to a post-COVID operating environment. As industry occupancy recovers, we are expecting strong and accelerating organic cash flow growth due to improving sector fundamentals, which will elevate seniors housing relative to many other real estate asset classes and is expected to usher in a new wave of investment interest and capital flows to the sector.

As we continue to monitor the pace of rising inflation and interest rates, it is noteworthy that seniors housing as an asset class has historically performed well during transitional periods. As investors look for places to shelter from the inflation and interest rate headwinds which picked up in 2022, the seniors housing business model offers an ability to hedge against inflation, underpinned by a needs-driven demand.

Demographic factors and a slowing pace of development activity support a tightening market over the mid-term, which is expected to manifest in accelerating rent growth and declining vacancy.

SENIORS HOUSING CAP RATE VS. 10-YEAR GoC YIELDS



SENIORS HOUSING SPREADS



Source: Cushman & Wakefield ULC

Q4 2022 CAP RATE SURVEY

SENIORS HOUSING CAP RATES ACROSS MAJOR CANADIAN MARKETS

The following metrics are based on the premise of a fully stabilized property being sold as an individual asset, without any element of a portfolio premium. We note that many of the major transactions closing in 2022 and over the next 12 months will include an element of required lease-up due to sub-optimal spot occupancy, portfolio premium pricing or both. We therefore emphasize the key difference in premise between the following table and reported cap rate metrics on certain portfolio transactions.

	SENIORS HOUSING "A"			SENIORS HOUSING "B"			LONG-TERM CARE "A"		
	RANGE		▲	RANGE		▲	RANGE		▲
	LOW	HIGH		LOW	HIGH		LOW	HIGH	
VICTORIA	5.50%	6.00%	▲	6.75%	7.75%	▲	7.00%	7.50%	▲
VANCOUVER	5.25%	5.75%	▲	6.50%	7.50%	▲	6.75%	7.25%	▲
CALGARY	6.25%	6.75%	▲	7.50%	8.50%	▲	7.25%	7.75%	▲
EDMONTON	6.25%	7.00%	▲	7.75%	8.75%	▲	7.25%	8.00%	▲
WINNIPEG	6.50%	7.25%	▲	8.00%	9.00%	▲	7.75%	8.25%	▲
KITCHENER/ WATERLOO	6.00%	6.75%	▲	7.25%	8.50%	▲	7.25%	8.00%	▲
TORONTO	5.75%	6.25%	▲	7.00%	8.00%	▲	7.25%	7.75%	▲
OTTAWA	6.00%	6.50%	▲	7.50%	8.50%	▲	7.25%	7.75%	▲
MONTRÉAL	6.00%	6.50%	▲	7.25%	8.50%	▲	7.75%	8.25%	▲
HALIFAX	6.50%	7.25%	▲	8.00%	9.00%	▲	7.50%	8.50%	▲

Source: Cushman & Wakefield ULC

Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in over 400 offices and approximately 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services.

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SENIORS HOUSING INDUSTRY OVERVIEW CANADA

A Cushman & Wakefield
Valuation & Advisory Publication

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