



Real Estate

INDUSTRY UPDATE

February 06, 2018

Canadian REITs Monthly

Q4 Preview; REITs Flat YTD As Rising Yields Expectations Offset M&A

Our Conclusion

We expect Canadian REITs' Q4/17 FFO per unit to grow +2% on average (shopping centre REITs +6%; diversified commercial REITs -5%; Canadian office REITs -10%; industrial REITs +3%; Canadian apartment REITs +3%; and, retirement/LTC REITs +16%).

Canadian REITs returned +1% YTD (unweighted, flat for the large-cap-weighted S&P/TSX REIT Index) versus the S&P/TSX Composite at -1% and our 0-10% total return expectation for 2018. The 10-year GoC bond yield increased 24 bps YTD, while the REIT yield spread fell 30 bps to 359 bps, below our view of the normal range of spreads (400-550 bps).

We believe REIT pricing fairly reflects current property fundamentals and the economic outlook, but a renewed focus by investors on the potential for increased interest rates in the very near term could cause a negative headwind for unit price performance, ultimately testing the historical price support levels for the REIT space (~10% discount to NAV).

We expect several key investment themes will have varying degrees of impact on relative REIT performance in 2018, including: 1) interest rates; 2) sentiment regarding retail REITs; 3) relative REIT valuations; 4) shifting focus towards developments; 5) a potential prolonged recovery in Alberta; and, 6) exposure to the U.S. dollar.

Implications

Canadian REITs trade at 13.6x NTM FFO (vs. 12.9x 10-year average), ~6% below NAV, and yield ~6% with modest FFO growth prospects. Overall, we expect Canadian REITs to deliver average total returns of 0% to 10% in 2018, compared to 10% in 2017.

Valuation

In what we expect to be a largely income-driven year, we favour below-average valuations and above-average yields from large-cap REITs CRR, REI, SRU, and HR and APR, HOT, NVU, and WIR among smaller-cap REITs.

All figures in Canadian dollars, unless otherwise stated.

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For required regulatory disclosures please refer to "Important Disclosures" beginning on page 50.

Table Of Contents

This Month – REIT Activity In January (Post Q4)	3
Q4 Preview: Moderate FFOPU Growth – Seniors, Shopping Centres To Offset Canadian Office, Diversified	6
Investment Themes	9
Interest Rates: It's Not Just The Absolute Level That Matters	9
Retail: Down But Far From Out.....	14
Valuation: It's All Relative.....	17
Developments In Real Estate – REIT Strategy As The Noose Tightens	25
The Wild West, Still Cautious (But A Little Less So)	27
Still Minding The Currency	29
2018 Outlook For 0%-10% Total Returns	30
REITs +1% In 2018 YTD; Bond Yields Continue To Rise	30
Property Fundamentals	34
The M&A Environment.....	37
The REIT Operating Environment.....	38
Summary Of Current REIT Ratings.....	39

This Month - REIT Activity In January (Post Q4)

Allied Properties REIT (Dispositions): On December 20, Allied sold a five-property portfolio in Winnipeg, totaling 343K sq. ft., for \$30 million and subsequently announced the sale of a six-property portfolio in Quebec City, totaling 224K sq. ft. for \$24 million. We [transferred coverage of Allied Properties](#) from Dean Wilkinson to Chris Couprie as of January 23, 2018.

Artis REIT (Recycling Activities & Pref Raise): On December 11, Artis acquired two industrial properties in Phoenix and one in Denver, totaling ~380K sq. ft., for US\$40 million at a 6.3% cap rate and agreed to sell an office building (~106K sq. ft.) in Greater Phoenix, AZ for US\$19 million at a 6.0% cap rate. On January 31, Artis issued 5 million cumulative minimum rate reset preferred units (Series I), at \$25.00 per unit, totaling \$125 million. The units will pay a distribution of \$1.50/unit (6% annually). The units are redeemable by Artis, at its option, on April 30, 2023 and every fifth year thereafter. In February, Artis announced a \$200 million, two-year floating rate senior unsecured debt. The REIT expects to use the funds to partially pay down its outstanding credit facilities.

Automotive Properties REIT (Acquisition): On January 4, Automotive Properties agreed to acquire a dealership property in Kitchener-Waterloo for \$7.5 million, which will be redeveloped for an automotive company that will take occupancy of the building. The transaction is expected to close in late February 2018.

Boardwalk REIT (Dispositions): On December 13, Boardwalk announced the sale of a 641-unit apartment portfolio (~\$112,000 per door), including two acres of residual land and a warehouse, in Regina, SK to Mainstreet Equity Corp. for \$71.65 million. Boardwalk will also provide a \$38.76 million vendor-take-back mortgage at 2.19% annual interest for a period not exceeding two years.

Choice Properties REIT (Redemption Of Debentures): On January 12, Choice Properties provided unitholders a notice of redemption of \$400 million of 3.6% senior unsecured debentures maturing July 2018. The debentures will be redeemed at \$1,007.20 plus accrued interest per \$1,000 principal amount on February 12, 2018.

Cominar REIT (Dispositions): On December 18, Cominar announced the sale of its entire non-core property portfolio, totaling 6.2 million sq. ft., to Slate Acquisitions for \$1.14 billion, at an estimated cap rate of 6.2%. Approximately 40% of the portfolio is located in the Greater Toronto Area (GTA) (estimated cap rate of 5.3%). The portfolio totals 97 properties across office, industrial, and retail sectors and proceeds will be used to reduce indebtedness by ~\$875 million.

CT REIT (Debt & Leasing): On January 10, CRT received a notice that Sears Canada Inc. will vacate the Sears Distribution Centre, comprising two adjacent properties in Calgary, AB (expected by February 2018). One of the vacated buildings (625,000 sq. ft.) will be leased by Canadian Tire Corp., facilitated by a move from a 201,000-sq.-ft. property in CRT's portfolio. The other property vacated by Sears totals 30,000 sq. ft. On January 24, CRT agreed to issue \$200 million of 3.9% senior unsecured debentures maturing December 7, 2027.

First Capital Realty (Redemption Of Convertibles): On January 25, First Capital provided unitholders a notice of redemption for its 4.5% convertible unsecured debentures due February 28, 2020. The debentures will be redeemed at par plus accrued interest on February 28, 2018. Approximately \$55.1 million in principal of the debentures remain outstanding.

Granite REIT (Dispositions): On February 1, Granite sold 10 properties, totaling \$400 million. Three of the properties are classified as special purpose and were sold for ~\$334 million, including two in St. Thomas, ON (1.5 million sq. ft., 7.3% cap rate) and one in Bowling Green, KY (1.2 million sq. ft., 7.0% cap rate). The remaining seven properties are adjacent in Newmarket, ON and were sold for \$63 million (600K sq. ft., 4.5% cap rate).

H&R REIT (Debt Issuance): On January 23, H&R completed its \$250 million issuance of 3.4% senior unsecured debentures (Series O) due January 2023.

Inovalis REIT (Amended MD&A & Acquisition): On December 22, Inovalis REIT amended and refiled its MD&A from prior quarters (Q4/16, Q1/17, and Q2/17) in connection with a continuous disclosure review by the Ontario Securities Commission. On January 17, Inovalis REIT acquired an office property, totaling 135K sq. ft., in Greater Frankfurt, Germany as part of a 50-50 joint venture (JV) that valued the property at ~\$57.6 million (5.8% going-in cap rate). The REIT's 50% interest in the JV totaled \$14.1 million.

Invesque (Acquisitions & Pref Raise): In December, Invesque agreed to acquire three memory care communities in Greater Dallas, TX for US\$21.5 million, which will be leased to Constant Care Management under a 15-year term. Invesque entered into subscription agreements with Magnetar Financial to issue preferred shares totaling US\$71.5 million (7.6 million shares at US\$9.46 per share). The preferred shares have a conversion price of US\$9.75 per share and the liquidation preference will accrete at 5.65% per year. In January, Invesque acquired a 72-bed transitional care facility in Lincoln, NE for US\$21.6 million and a 70-bed transitional care facility for US\$22.8 million from Mainstreet Property Group.

Killam Apartment REIT (Acquisitions & Index Inclusion): On December 11, Killam announced its addition to the S&P/TSX Composite Index. In December, Killam acquired a 106-unit building in Halifax, NS and a 106-unit, eight-building complex in London, ON, and completed its previously announced acquisition of a 172-unit property in Sherwood Park, AB for a total of \$60.7 million (5.6% weighted average cap rate). Killam also increased its credit facility by \$40 million.

Melcor REIT (Transactions): On January 12, Melcor Developments announced it completed the sale of five fully leased commercial properties in Alberta, totaling ~173K sq. ft. of owned GLA, to Melcor REIT for \$80.9 million.

Morguard REIT (Increased Ownership By MRC): On January 10, Morguard Corp. announced it acquired ~1.3 million units of Morguard REIT at a weighted average price of \$14.13 per unit, representing 2.14% of total units. Morguard Corp. owns 55.9% of Morguard REIT's total outstanding units.

Morguard North American Residential REIT (Convertible Offering & Redemption): On January 25, MRG.UN entered into an agreement to issue \$75 million of 4.5% convertible debentures, maturing March 31, 2023. The debentures are convertible into trust units at \$20.20/unit. As part of the transaction, Morguard Corp. has agreed to acquire \$5.0 million of the debenture offering. Funds will be used to redeem the REIT's 4.65% convertible debentures at par plus accrued interest (previously announced on January 24), which were due to mature on March 30, 2018 and have an outstanding balance of \$60 million.

NorthWest Healthcare Properties REIT (Platform Integration): On January 29, NorthWest announced the integration of its management platforms, Vital Healthcare Management and Generation Healthcare Management in Australia and New Zealand. The new platform will be rebranded as NorthWest Healthcare Properties Management. Generation Healthcare REIT will be rebranded as NorthWest Healthcare Properties Australia REIT. On February 1, the REIT entered into agreements to acquire three MOB's and two hospitals in Germany along with five hospitals in Australasia for \$314 million. In Q4/17, NWH sold two MOB's in Canada and Australia for \$32 million and in Q1/18 the REIT waived conditions to sell an MOB in downtown Toronto for \$167 million.

Partners REIT (Debt Financings & Debenture Redemption): On January 22, Partners redeemed its Series III 5.5% convertible debentures due March 31, 2018, at ~\$1,016.42 for each \$1,000.00 of principal plus accrued interest.

Plaza Retail REIT (Redevelopment Acquisition): On January 11, Plaza Retail acquired a redevelopment site in Brockville, ON for \$14.0 million. The REIT plans to reposition the vacant enclosed mall (~281K sq. ft.) into a strip plaza (~155K sq. ft.). In February, Plaza increased its interest from 10% to 50% of two properties, totaling 271K sq. ft., in Moncton for an incremental gross investment of ~\$17 million (\$5.6 million net).

Pure Industrial REIT (Acquired By Blackstone): On January 9, PIRET announced it agreed to be [acquired by Blackstone Property Partners](#) for \$8.10/unit in cash, at an implied cap rate of 4.9% and ~19x 2018E FFO. The transaction is subject to unitholder and regulatory approval, and unitholders will continue to receive distributions through to the transaction close (expected to close in Q2/18).

Pure Multi-Family REIT (Director Appointment): On January 5, Pure Multi-Family REIT LP appointed Mr. Maurice (Maish) Kagan as an independent director to the Board of Directors.

RioCan REIT (Debt Issuance & Development): On January 29, RioCan issued \$300 million in 3.2% Series AA senior unsecured debentures maturing on September 29, 2023, with proceeds to be used for general trust purposes. On December 18, RioCan sold a 50% interest in its mixed-use development project in Toronto, ON to Woodbourne Canada Partners for \$8.8 million.

Sienna Senior Living (Expansion & Equity Offering): On January 22, Sienna acquired 10 private-pay retirement residences in the GTA and the Greater Ottawa Area, consisting of 1,245 private-pay retirement home suites, for ~\$382 million at an estimated 6.1% cap rate. Sienna also announced a \$160 million equity offering (~9.1 million shares at \$17.65 per share).

Slate Office REIT (Acquisitions & Equity Raise): On January 26, Slate Office completed its \$103.5 million equity offering and \$28.75 million offering of 5.25% convertible unsecured debentures, including full exercise of the over-allotment options. Proceeds will be used, in part, to fund the \$191.4 million acquisition of the seven-property portfolio to be sold by Cominar REIT. Slate Office will proceed with a special meeting on March 8, 2018 to consider the acquisition of the properties.

SmartCentres REIT (Debt Issuance): On December 21, SmartCentres issued \$250 million of senior unsecured debentures with a floating rate maturing on December 2020 and \$250 million of 3.8% senior unsecured debentures maturing December 2027.

Summit Industrial Income REIT (Acquisition): On December 27, Summit announced the [formation of a JV with Urbacon Montreal LP](#) to invest in data centres across Canada, with an initial \$45 million investment in the program comprised of equity, a mezzanine loan, and a three-year working capital loan at an average going-in yield between 8%-10%. Summit completed its \$103.5 million equity offering on December 13, and has now fully invested its proceeds.

True North Commercial REIT (Acquisitions): True North acquired a business campus (298K sq. ft. at 88.1% occupancy) in Halifax, NS for \$53 million on December 21 and a 78,800-sq.-ft. office building in Burlington, ON for \$22.75 million on January 18.

Q4 Preview: Moderate FFOPU Growth - Seniors, Shopping Centres To Offset Canadian Office, Diversified

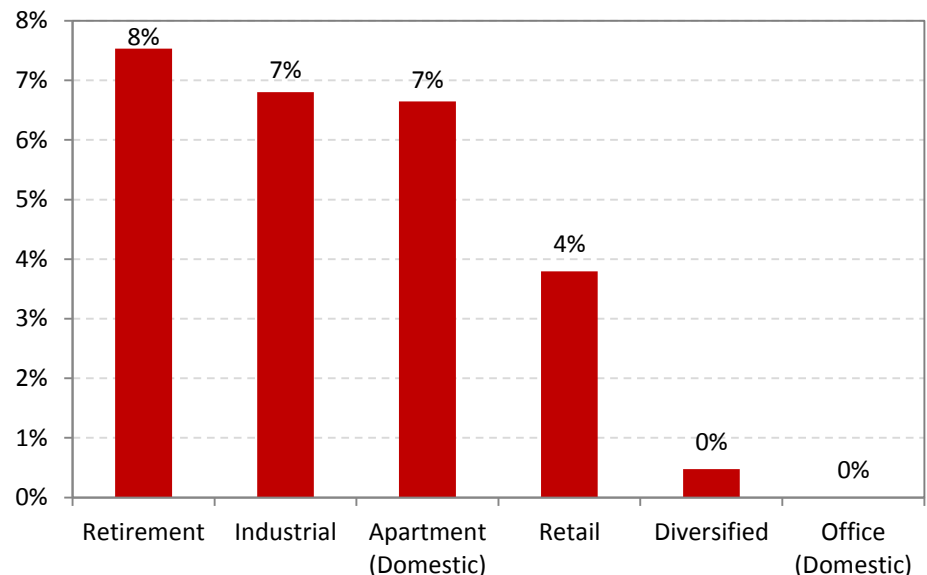
We expect Q4/17 commercial REITs' (excluding small-cap retail REITs) FFOPU to increase 0.5%. Overall, we forecast that Canadian REITs' (excluding hotels) Q4/17 FFO per unit will grow +2.3% on average (shopping centre REITs +6%; diversified commercial REITs -5%; Canadian office REITs -10%; industrial REITs +3%; Canadian apartment REITs +3%; and, retirement/LTC REITs +16%). We expect Q4/17 results to benefit from stable performance, including moderate FFO growth, lower payout ratios, and favorable refinancing.

The conditions outlined above appear to reflect some moderation of the favorable environment REITs have enjoyed in recent years with support from refinancing tailwinds. However, we believe the environment remains supportive of solid operating and financial performance and an improving economic backdrop leaves the door open to higher organic growth. However, we believe a more moderate environment could warrant lower REIT multiples over time, compared to previous peak valuations.

Modest 2018 FFOPU Expected

We expect 2018 comparable FFO per unit growth (ex-hotels) of +5% on an unweighted average (including shopping center REITs +4%; diversified commercial REITs flat; Canadian office REITs flat; industrial REITs +7%; domestic residential REITs +7%; and, retirement/LTC REITs +8%). Seniors housing, hotels, and small-cap retail REITs have more seasonality in demand and tend to experience greater fluctuations in operating and financial performance, reflecting the characteristics of the underlying property and the relatively lesser diversification among the smaller-cap REITs.

Exhibit 1. 2018E FFO Growth (Unweighted Average)



Source: Company reports and CIBC World Markets Inc.

Among our current coverage universe, we favour large-cap REITs CRR, REI, SRU, and HR and smaller-cap REITs APR, HOT, NVU, and WIR.

Exhibit 2. Q4/17 Expected FFO Results

Quarterly FFO						Annual FFO						
REIT	Q4/2016	Consensus Q4/2017E	% Change	CIBC Q4/2017E	Variance	2016A	Consensus 2017E	'17E/'16E (%)	Consensus 2018E	'18E/'17E (%)	CIBC 2018E	Variance
Shopping Centre												
RioCan REIT	\$0.40	\$0.45	13%	\$0.44	-2%	\$1.68	\$1.75	4%	\$1.82	4%	\$1.75	-4%
SmartCentres	\$0.56	\$0.56	0%	\$0.55	-2%	\$2.18	\$2.21	1%	\$2.28	3%	\$2.29	0%
Crombie REIT	\$0.30	\$0.31	3%	\$0.29	-6%	\$1.17	\$1.19	2%	\$1.24	4%	\$1.22	-2%
Choice Properties	\$0.25	\$0.27	8%	\$0.26	-4%	\$1.00	\$1.05	5%	\$1.08	3%	\$1.07	-1%
First Capital Realty	\$0.27	\$0.29	7%	\$0.28	-3%	\$1.11	\$1.15	4%	\$1.20	4%	\$1.19	-1%
CT REIT	\$0.27	\$0.28	4%	\$0.28	0%	\$1.06	\$1.10	4%	\$1.16	5%	\$1.16	0%
Shopping Centre Average			6%		(3%)	3%				4%		-1%
Diversified (Office/Retail/Industrial)												
H&R REIT	\$0.47	\$0.47	0%	\$0.47	0%	\$1.88	\$1.82	(3%)	\$1.83	0%	\$1.85	1%
CREIT*	\$0.84	\$0.81	(4%)	NA	NA	\$3.19	\$3.30	4%	\$3.29	(0%)	NA	NA
Morguard REIT*	\$0.44	\$0.39	(11%)	NA	NA	\$1.81	\$1.53	(15%)	\$1.54	1%	NA	NA
Artis REIT	\$0.37	\$0.36	(3%)	\$0.36	0%	\$1.54	\$1.41	(9%)	\$1.43	2%	\$1.42	-1%
Cominar REIT*	\$0.39	\$0.35	(9%)	NA	NA	\$1.62	\$1.40	(13%)	\$1.34	(4%)	NA	NA
Melcor REIT*	\$0.24	\$0.24	1%	NA	NA	\$1.03	\$1.04	1%	\$1.02	(2%)	NA	NA
Agellan REIT*	\$0.31	\$0.29	(8%)	NA	NA	\$1.28	\$1.18	(8%)	\$1.26	7%	NA	NA
Diversified Commercial Sector Average			(5%)		0%	(6%)				(0%)		0%
Office												
Dream Office REIT*	\$0.59	\$0.39	(34%)	NA	NA	\$2.54	\$2.01	(21%)	\$1.59	(21%)	NA	NA
Allied Properties REIT	\$0.54	\$0.54	0%	\$0.53	-2%	\$2.15	\$2.14	(1%)	\$2.26	6%	\$2.26	0%
Slate Office REIT*	\$0.24	\$0.21	(13%)	NA	NA	\$0.96	\$0.85	(11%)	\$0.95	12%	NA	NA
True North Commercial REIT*	\$0.14	\$0.15	7%	NA	NA	\$0.62	\$0.61	(2%)	\$0.63	3%	NA	NA
Office Sector Average			(10%)			(9%)				0%		
International Office												
Dream Global REIT*	\$0.20	\$0.25	27%	NA	NA	\$0.80	\$0.93	16%	\$1.00	7%	NA	NA
NorthWest Healthcare REIT*	\$0.23	\$0.22	(6%)	NA	NA	\$0.90	\$0.90	(0%)	\$0.93	4%	NA	NA
Inovalis REIT*	\$0.19	\$0.22	16%	NA	NA	\$0.78	\$0.81	4%	\$0.93	14%	NA	NA
International Office Sector Average			12%			7%				8%		
Industrial												
Pure Industrial	\$0.10	\$0.10	0%	\$0.10	0%	\$0.40	\$0.40	0%	\$0.43	7%	\$0.43	0%
WPT Industrial (USD)	\$0.22	\$0.23	5%	\$0.24	4%	\$0.89	\$0.91	2%	\$0.98	8%	\$0.99	1%
Dream Industrial	\$0.21	\$0.23	10%	\$0.23	0%	\$0.90	\$0.90	0%	\$0.92	2%	\$0.92	0%
Granite REIT*	\$0.81	\$0.85	5%	NA	NA	\$3.18	\$3.28	3%	\$3.49	6%	NA	NA
Summit Industrial Income	\$0.16	\$0.15	(6%)	\$0.15	0%	\$0.61	\$0.57	(6%)	\$0.63	10%	\$0.64	2%
Industrial Sector Average			3%		1%	(0%)				7%		1%
Small-cap Retail												
Plaza Retail REIT	\$0.09	R	R	R	R	\$0.34	R	R	R	R	R	R
Slate Retail REIT (USD)	\$0.24	\$0.32	33%	\$0.32	0%	\$1.24	\$1.26	1%	\$1.33	6%	\$1.32	-1%
Partners REIT*	\$0.02	NA	N/A	NA	NA	\$0.35	NA	NA	NA	N/A	NA	NA
Automotive Properties REIT	\$0.23	\$0.24	4%	\$0.24	0%	\$1.04	\$0.98	(6%)	\$1.06	8%	\$1.09	3%
Small-cap Retail Average			13%		0%	(0%)				5%		2%
Average – Commercial REITs (Retail, Office, Industrial)			1.8%		(0.9%)	(1.4%)				3.6%		0.1%
Average – Commercial REITs Excl. Small-cap Retail			0.5%		(1.2%)	(1.5%)				3.4%		(0.2%)

*Company is not covered by CIBC. Estimates used are consensus.

R - Restricted

Source: Company reports, FactSet, SNL and CIBC World Markets Inc.

Exhibit 2. Q4/17 Expected FFO Results (cont'd.)

REIT	Quarterly FFO					Annual FFO						
	Q4/2016	Consensus Q4/2017E	% Change	CIBC Q4/2017E	Variance	2016A	Consensus 2017E	'17E/'16E (%)	Consensus 2018E	'18E/'17E (%)	CIBC 2018E	Variance
Residential												
Boardwalk REIT	\$0.58	\$0.50	(14%)	\$0.47	-6%	\$2.84	\$2.09	(26%)	\$2.27	9%	\$2.16	-5%
CAP REIT	\$0.44	\$0.47	7%	\$0.45	-4%	\$1.75	\$1.83	5%	\$1.93	5%	\$1.90	-2%
Northview Apartment REIT	\$0.49	\$0.52	6%	\$0.53	2%	\$2.21	\$2.10	(6%)	\$2.20	5%	\$2.20	0%
Killam Apartment REIT	\$0.21	\$0.22	5%	\$0.22	0%	\$0.86	\$0.89	4%	\$0.92	3%	\$0.92	0%
InterRent REIT	\$0.10	\$0.11	10%	\$0.11	0%	\$0.38	\$0.42	11%	\$0.47	11%	\$0.46	-2%
Residential Sector Average			3%		(2%)			(3%)		7%		(2%)
North American Residential												
Morguard NA Residential	\$0.31	R	R	R	R	\$1.20	R	R	R	R	R	R
Pure Multi-Family (USD)	\$0.08	\$0.09	13%	\$0.09	0%	\$0.41	\$0.31	(24%)	\$0.40	29%	\$0.42	5%
North American Residential Average			5%		0%			(13%)		18%		2%
Retirement/LTC												
Sienna Senior Living*	\$0.32	R	R	R	R	\$1.28	R	R	R	R	R	R
Extencare Inc.*	\$0.17	\$0.16	(7%)	NA	NA	\$0.61	\$0.60	(2%)	\$0.67	12%	NA	NA
Invesque Inc.*	\$0.20	\$0.24	20%	NA	NA	\$0.90	\$0.90	0%	\$0.97	8%	NA	NA
Chartwell Retirement*	\$0.23	\$0.24	3%	NA	NA	\$0.91	\$0.93	2%	\$1.00	8%	NA	NA
Retirement/Nursing Homes Sector Average			16%					0%		8%		
Hotel												
American Hotel	\$0.19	\$0.21	11%	\$0.24	14%	\$0.93	\$0.87	(6%)	\$0.97	11%	\$1.01	4%
Hotel Sector Average			11%		14%			(6%)		11%		4%
Average All REITs												
			2.5%		(0.4%)			(1.8%)		4.9%		(0.0%)
Average REITs Excl. Hotels			2.3%		(1.0%)			(1.8%)		4.9%		(0.2%)
Average REITs Excl. Hotels & Retirement/LTC			2.1%		(1.0%)			(2.0%)		4.6%		(0.2%)

*Company is not covered by CIBC. Estimates used are consensus.

R - Restricted

Source: Company reports, FactSet, SNL and CIBC World Markets Inc.

Investment Themes

We believe several key themes will have material implications for the path of potential returns and alpha generation:

- **Interest Rates;** more specifically the term structure of the yield curve. The consensus call for the better part of the last five years as we entered each new year has been “this is the year rates are going up”; however, five years post the initial move to rate normalization, benchmark bond yields are relatively unchanged (albeit rate volatility has been arguably unprecedented during this period due to the low starting point). While undoubtedly all indicators do, in fact, point to increased rates at the short end of the yield curve, the impact at the longer end remains, in our view, questionable at best. With the current slope of the yield curve well below its long-run historical average, history suggests that a commensurate increase in longer-term rates is not necessarily fait accompli and it’s the longer end that has a more meaningful impact on REIT valuations.
- **Retail:** Among property types, the two most important to Canadian REIT sector performance are retail and office, accounting for approximately 70% of the value of Canadian REIT assets, including the retail- and office-focused REITs along with the office and retail components of diversified REITs. With an overarching negative sentiment persistent to all things retail, we believe that, absent a sentiment change towards this overrepresented sector, it will be difficult for the REIT group as a whole to outperform the broader market.
- **Relative Valuation:** Canadian REITs (as broadly defined by our coverage universe) are trading at valuations that are in line with historical measures on almost every basis, which, on the surface, make them look at least as attractive as the broader market as well as other traditional yield sectors of the S&P/TSX Composite.
- **Development Activity:** We anticipate that we will see more development activity (if even only at the conceptual stage) through 2018 as management teams seek to maximize the highest and best use for their assets and attempt to offset potentially slowing per unit metrics (FFO/AFFO growth) with NAV accretion.
- **Western Canada:** Is this the year the West roars back or will it continue to be a slow and steady recovery? There is no question that Canada’s economy, and currency, has witnessed significant challenges related to the sharp decline in oil prices since the summer of 2014, and while the price volatility has subsided over the past year, we anticipate the lagged effect of depressed investment will continue to prevail over much of 2018. We believe that markets often underestimate the magnitude and duration of these lagged economic trends on property fundamentals.

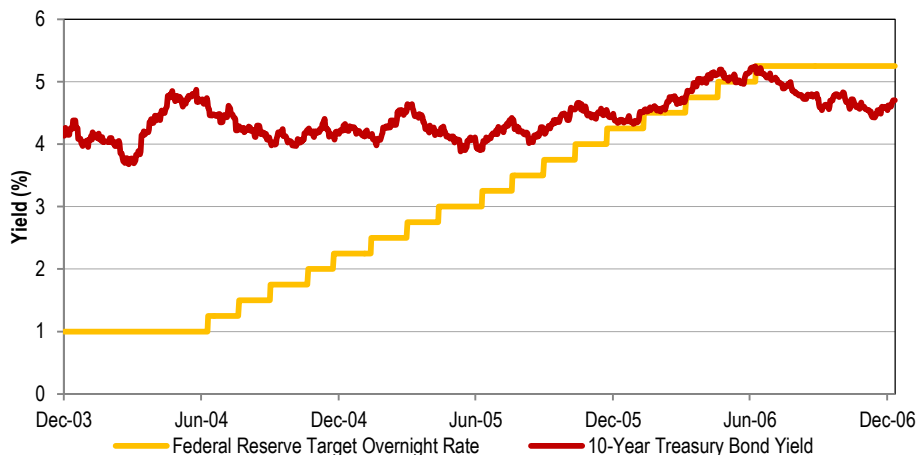
Interest Rates: It’s Not Just The Absolute Level That Matters

While Canadian REIT unit prices have tended to demonstrate above-average short-term trading price sensitivity to interest rate changes, we expect REITs’ financial results and value per unit metrics to be significantly more stable and enduring in the medium and longer terms. In a prior [report](#), we explored the role interest rates play in REIT financial performance, with the dual conclusions that:

- Interest rates have a very muted impact on cash flow performance; and,
- From a valuation perspective, current valuations reflect materially higher benchmark interest rates than exist today.

We believe that concerns about the potential negative impact of higher interest rates have impacted the valuations of Canadian REITs in recent years, particularly in advance of recent (and expected) Fed rate hikes. We would observe that the mere act of the Fed raising its overnight rate does not necessarily (or at least immediately) result in the increasing of the benchmark interest rates in and of themselves; in fact, during the last rate hike cycle, the Fed raised overnight rates 17 times before the impact was sustainably observed in the benchmark 10-year bond yield.

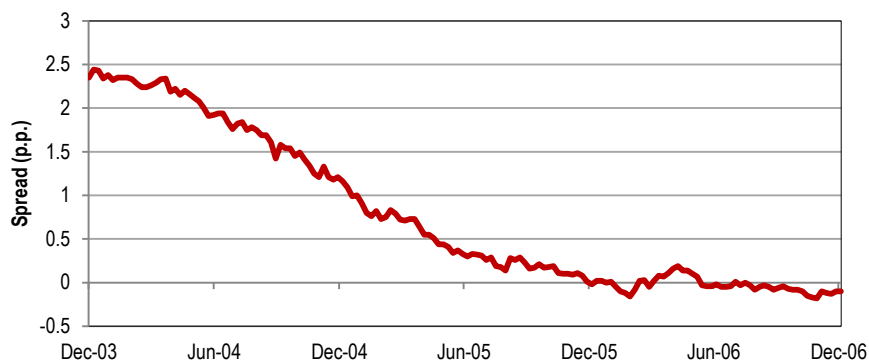
Exhibit 3. Does The Fed Control The Yield Curve?



Source: Fact Set and CIBC World Markets Inc.

Looked at another way, we have dissected the term structure of the yield curve to assess the impact of these Fed moves on the benchmark bond yield spread and the ensuing potential impact on REIT pricing. During the last rate hike cycle, the structure of the curve materially changed from significantly steep to effectively inverted. If one subscribes to the view that, at least on some level, REITs are a spread investment (rooted in the longer end of the curve), then any weakness in REIT pricing on such rate hike fears (as exhibited in the spring of 2013, fall of 2015, fall of 2016, and summer of 2017) should represent attractive buying opportunities.

Exhibit 4. U.S. 10Yr - 2Yr Spread



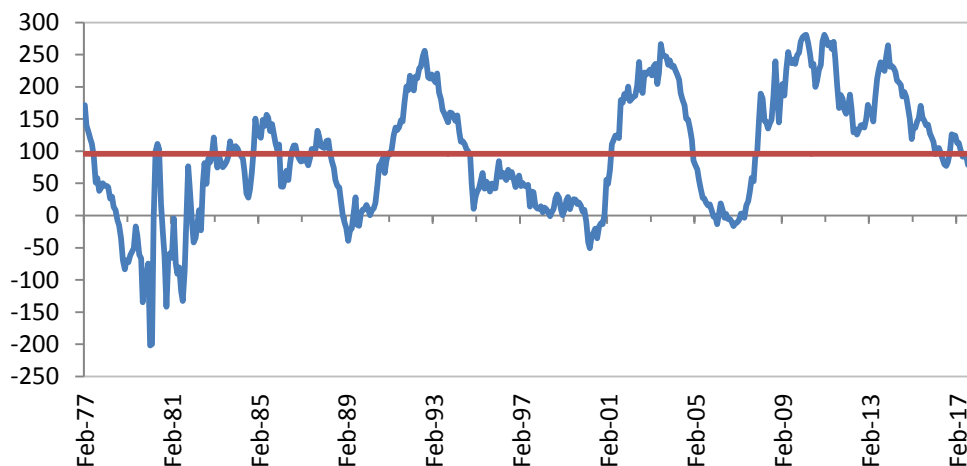
Source: FactSet and CIBC World Markets Inc.

The fundamental question investors have to ask themselves at what is arguably an inflection point in rates is once again, “Is this time different?” The unquestioned call that has persisted since the spring of 2013 is that rates are going up; however, we believe that over the last 12 months investors have begun paying more attention to what we think may be a much more important determinant of future (or at least intermediate-term) price performance: the term structure of the yield curve, as opposed to the absolute value of the overnight rate itself.

Looking at the longer-term trend in the aforementioned 2-10 spread, several things stand out:

- Over time, the slope of the yield curve has been extremely volatile, having been inverted by as much as 200 bps during recessionary periods and in excess of 250 bps wide during economic expansions.
- Like most time series data, the spread tends to be mean reversionary and, despite a fairly wide dispersion, it tends to anchor to its long-term average spread of ~100 bps.
- Every time the trend line has broken this long-term average from prior highs, the mean reversion has manifested itself in an inverted curve.

Exhibit 5. U.S. GG 2Yr - 10Yr Spread

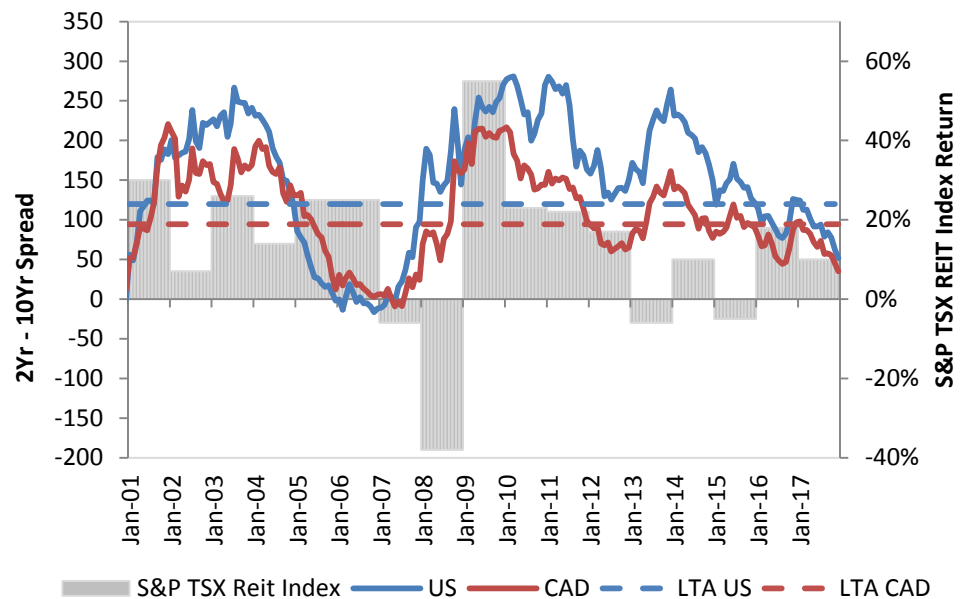


Source: Bloomberg and CIBC World Markets Inc.

While it's not within the realm of our forecasts to predict broader economic recessions (we'll leave that to those much smarter and qualified than us), we think it's at least instructive to look at these longer-term trends to guide our view of future potential outcomes.

If (and we acknowledge, it's a fairly big if) history holds, then it would suggest that, even in the face of increasing short-term rates, the benchmark bond yield to which REIT pricing is viewed to take its cues may continue to remain relatively unchanged, as it has for much of the past five years - suggesting perhaps little change in REIT pricing and returns, which would be predominantly in line with current yields (and in keeping with our 0% to 10% total return outlook). However, if one were to believe that “this time it's different” and the current environment is more a function of global synchronized growth and bond yields around the world are likely to increase in a similar fashion and magnitude (something we think would need to have to happen for a sustained move in North American long rates), then that would portend a potential headwind to not just the REIT space but all competitive yield-oriented investments - while this outcome is not our base-case assumption, we believe it could be the single-largest downside risk to our total return forecast.

Exhibit 6. S&P TSX REIT Returns Vs. The Yield Curve



Source: Bloomberg and CIBC World Markets Inc.

Our current comfort with the interest rate environment and its potential impact on Canadian REITs does not reflect complacency. At the outset of 2014, recognizing that interest rates had reached, or would soon likely reach, the end of a 30-year trend of declines, we [outlined](#) a view that the historically successful Canadian REIT model of higher leverage and higher payout ratios, driven by accretive acquisitions, would underperform relative to lower-leverage, lower-payout-ratio, value-creation strategies in a flat or rising interest rate environment. In that report, we recommended that REITs focus on reducing payout ratios to below 80% of AFFO and improve EBITDA interest coverage to 3.0x or higher. We believe these metrics provide REITs with the flexibility to pursue value-creation strategies, including development, value-add acquisitions (i.e., partly occupied or under-leased properties), redevelopments and intensifications, among others.

While certain REITs have seen negative progress over the past few years due to market conditions and Alberta exposures (e.g., BEI, CUF, D), we are pleased to see many REITs have significantly improved payout ratios and EBITDA interest coverage, and have outlined plans for significant value-creation strategies.

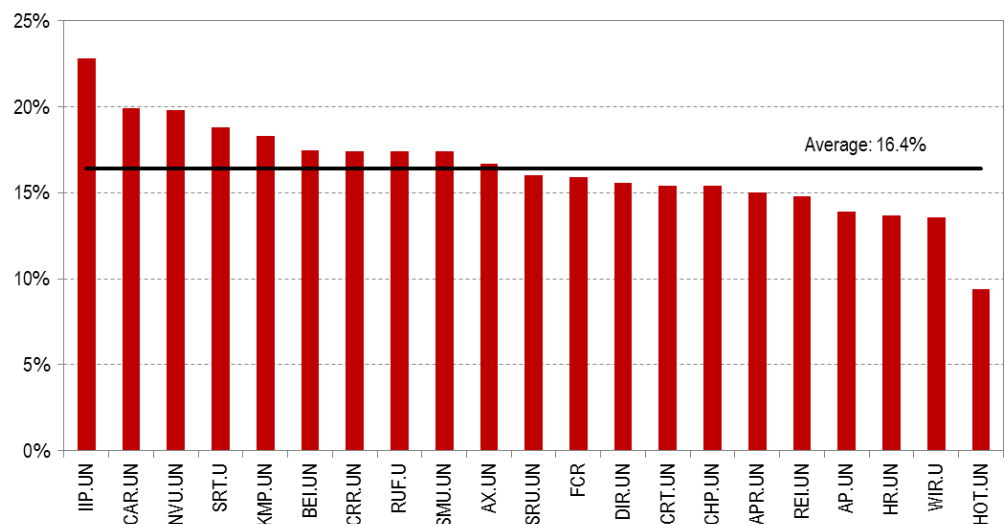
Exhibit 7. Continuing Members Of The S&P/TSX REIT Index

	EBITDA Interest Coverage			Forward AFFO Payout Ratio		
	31-Dec-07	31-Dec-15	30-Sep-17	31-Dec-07	31-Dec-15	30-Sep-17
AP.UN	2.8x	4.0x	3.8x	84%	73%	82%
AX.UN	2.4x	2.9x	3.3x	106%	82%	86%
BEI.UN	2.3x	3.6x	2.8x	86%	64%	65%
CAR.UN	1.9x	3.0x	3.2x	105%	84%	83%
CRR.UN	3.0x	2.7x	2.8x	87%	93%	91%
CUF.UN*	2.9x	2.7x	2.6x	90%	89%	100%
SRU.UN	2.7x	3.0x	3.1x	93%	80%	85%
D.UN*	2.4x	2.9x	3.3x	109%	97%	71%
HR.UN	2.3x	2.8x	3.0x	94%	82%	84%
NVU.UN	3.0x	3.3x	3.0x	81%	77%	95%
REF.UN*	3.0x	3.3x	3.7x	68%	66%	68%
REI.UN	2.5x	3.1x	3.4x	104%	88%	89%
	2.6x	3.1x	3.2x	92%	81%	83%

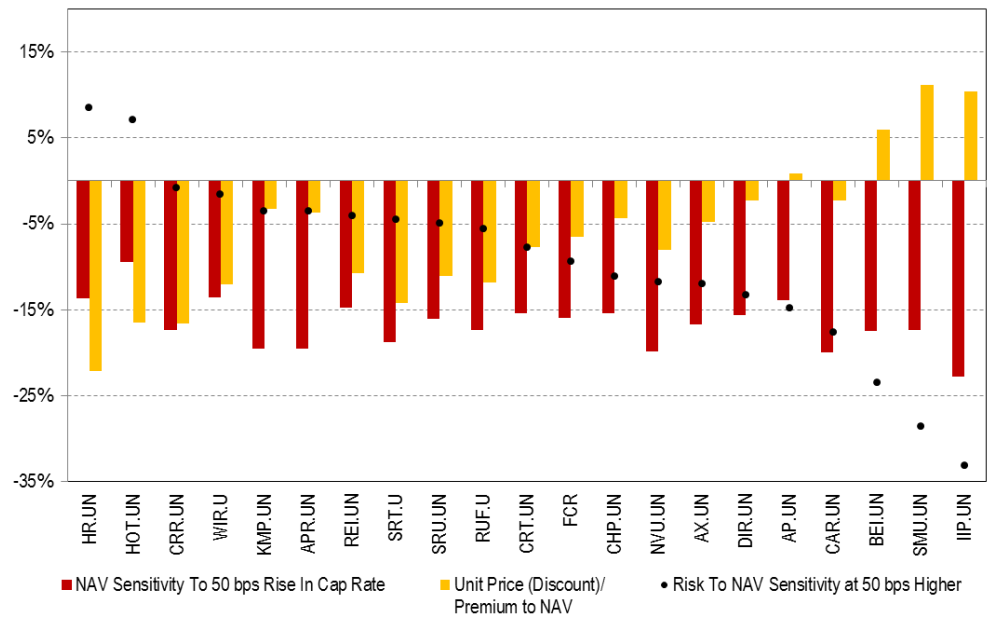
*Company is not covered by CIBC. AFFO Payout Ratio Estimates used are consensus.

Source: Company reports, Factset and CIBC World Markets Inc.

With the combination of modest potential cash flow impacts if interest rates rise, current NAVs already incorporating higher interest rates, and progress on delivering and refocusing on value creation, we expect Canadian REITs are positioned to perform relatively well should a modestly higher interest rate environment emerge. While REITs tend to, and should be expected to, sell off during periods of sharply rising bond yields, we expect any such sell-off from current fairly valued levels could present attractive opportunities to buy Canadian REITs, particularly for investors with an income orientation and a longer-term focus.

Exhibit 8. NAV Sensitivity: 50 bps Rise In Cap Rate Reduces NAV ~ 16%

Source: Company reports and CIBC World Markets Inc.

Exhibit 9. NAV Sensitivity & Current Discount/Premium To NAV

*Risk to NAV refers to the return from current levels if the unit price traded to be in line with NAV at a 50 bps higher cap rate than currently used. Looking at it another way, where black dots are above the 0% line, those REITs trade at implied cap rates more than 50 bps higher than our NAV.

Source: Company reports and CIBC World Markets Inc.

CIBC Economics anticipates that the GoC 10-year bond yield could rise by a mere 6 bps from current levels to 2.35% by 2018 year-end.

Exhibit 10. Interest Rate Forecast (%)

End Of Period:	Current	2018E				2019E	
	31-Jan	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E
98-Day Treasury Bills	1.20	1.20	1.25	1.45	1.45	1.75	1.70
Chartered Bank Prime	3.20	3.20	3.20	3.20	3.20	3.20	3.20
10-Year Gov't. Bond	2.29	2.20	2.30	2.40	2.35	2.45	2.40
30-Year Gov't. Bond	2.36	2.40	2.60	2.70	2.70	2.65	2.70

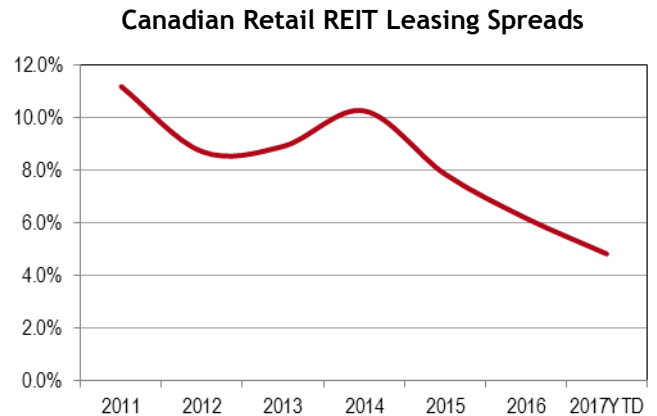
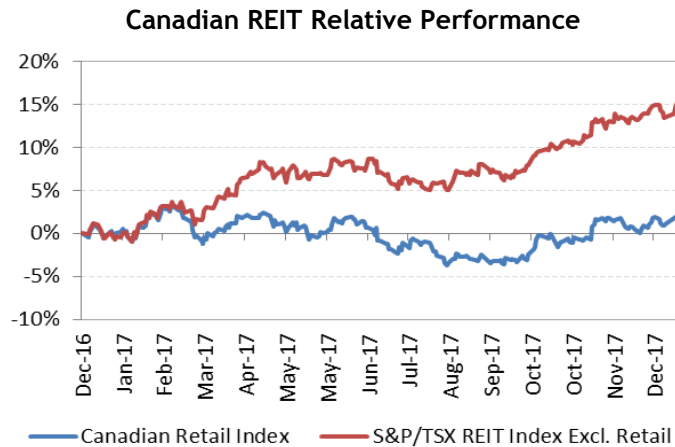
Source: Bank of Canada, FactSet, CIBC World Markets Inc.

Retail: Down But Far From Out

Among property types, the two most important to Canadian REIT sector performance are retail and office, accounting for approximately 70% of the value of Canadian REIT assets, including the retail- and office-focused REITs, along with the office and retail components of diversified REITs. As a result, property fundamentals in these two property types are critically important to overall Canadian REIT performance. Between the two, retail is the larger, accounting for ~48% of Canadian REIT assets. Where retail and office property performance go, so, too, does Canadian REIT performance. We believe the exceptionally strong performance of the non-retail-related REITs in 2017 had the impact of masking the relative underperformance of retail and, absent any such outsized returns from these smaller sub-sectors in 2018, the direction and magnitude of retail performance could have a larger impact to the sector over the next 12 months.

The continuously strong performance of retail property over the past 20 years has been key to the excellent long-term results delivered by Canadian REITs (12% compound annual returns over the last 15 and 20 years), as has the absence of a sustained downturn in office market conditions. However, in 2017, the retail segment continued to underperform the overall property market owing to the current and all too common narrative surrounding retail (i.e., Amazon is taking over all things retail). We acknowledge and observe the current trend in leasing spreads has moderated in the past few years; that being said, current spreads remain a relatively healthy and positive ~5%.

Exhibit 11. Canadian Retail Sentiment



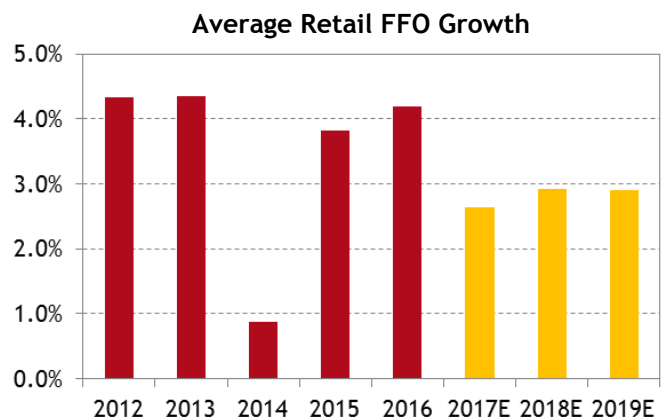
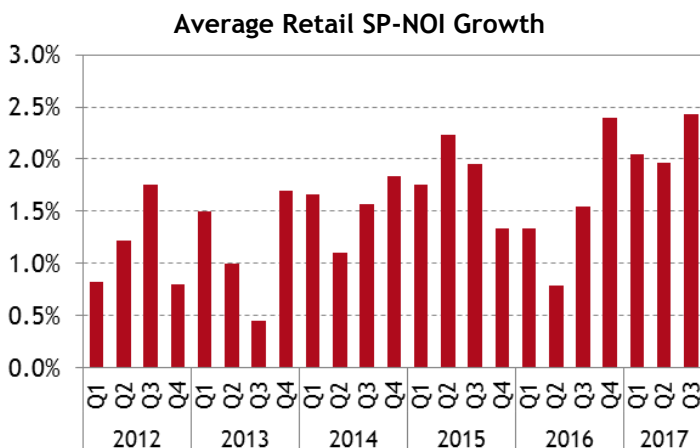
Source: Bloomberg and CIBC World Markets Inc.

*Canadian Retail Index includes RioCan REIT, Smart REIT, Crombie REIT, First Capital Realty, CT REIT, and Choice Properties REIT.

Source: RioCan REIT, SmartCentres, First Capital Realty & Crombie REIT

While the negative sentiment surrounding the space is undeniable, and readily apparent in the significant relative underperformance of retail-oriented REITs, the actual operating performance is anything but. Recent operating results in the retail sector have actually been amongst the strongest in the entire Canadian REIT space, with 2017 Y/Y FFO growth averaging close to 3% against an industry average of -2%.

Exhibit 12. Canadian Retail Operating Fundamentals Remain Positive



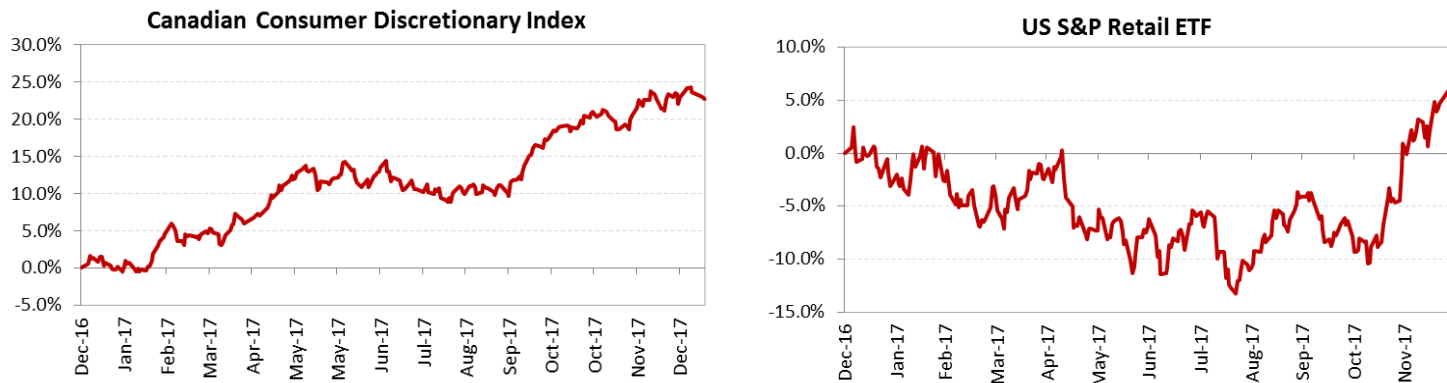
*Canadian Retail average includes RioCan REIT, SmartCentre REIT, First Capital Realty, Crombie REIT, Choice Properties, and CT REIT.

Source: Company Filings and CIBC World Markets Inc.

We believe that the headwinds facing the retail sector are indeed real; however, the operating performance of the underlying real estate appears to be at odds with the significant unit price underperformance, suggesting an expectation by investors, perhaps, of a greater deterioration of the underlying fundamentals than that which is likely to be borne out.

As a broad measure of sentiment, one of the indicators we look to is the performance of the underlying retail sector as measured by the retail ETF.

Exhibit 13. Canadian And U.S. Retail Total Return Performance YTD



Source: Bloomberg.

We acknowledge that the composition and character of the consumer discretionary indices may not be a perfect comparison to the broader retail REIT sub-sector; however, what we are looking to take from this comparison is a measure of general sentiment surrounding the consumer. If, at the margin, the view regarding retailers has turned, we believe it could be a leading indicator that the sentiment around the real estate that underpins these retailers may also be turning. Perhaps it is merely coincidence that the consumer discretionary sector and retail REITs both seemed to have bottomed in the summer of 2017. But the health of the consumer appears to be validating the above-average operating results demonstrated by the underlying real estate, even despite the Y/Y unit price underperformance.

Additionally, we've been spending a lot of time researching the dynamics of the continued growth of online retailing, in a cross-sector, multi-analyst investigation, further probing the implications for bricks and mortar retailing. While the topic is vast and complicated, our preliminary conclusions are twofold:

- Retail property is an essential and irreplaceable component of the distribution of products to consumers; and,
- Retailers are broadly not prepared for the dramatic implications and changes to logistics and supply chains required for bricks and mortar retailers to remain competitive in an increasingly online retail market.

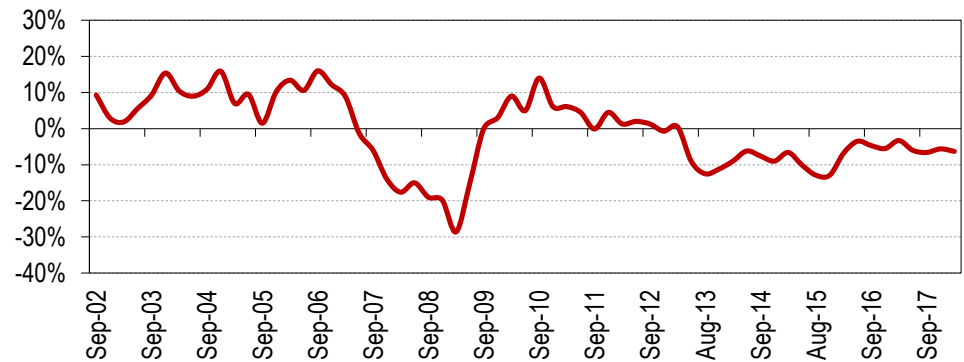
We believe the value of Canadian retail property is unlikely to be materially affected by the proliferation of online retailing *in the long term*, but also that in the shorter term many retailers could struggle, potentially impacting shorter-term cash flows and occupancy in certain retail properties.

All together, we expect the impacts of a contraction in Sears Canada square footage, moderating leasing spreads in Alberta, and the drag of retailers struggling with online retailing could lead to moderation of retail leasing spreads in Canada, possibly to a point where average leasing spreads swing negative over the next few years. In this environment, we expect more defensive property types, like grocery-anchored retail and urban retail, to perform better than average.

Valuation: It's All Relative

Canadian REITs (broadly defined by our coverage universe) are trading at valuations in line with historical measures on a multiple basis (P/FFO) and in line with our estimated Net Asset Values (NAVs), which are close to the average premium/discount seen over the past 15 years.

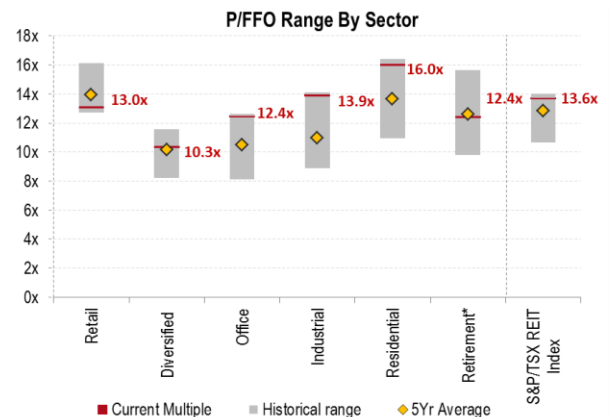
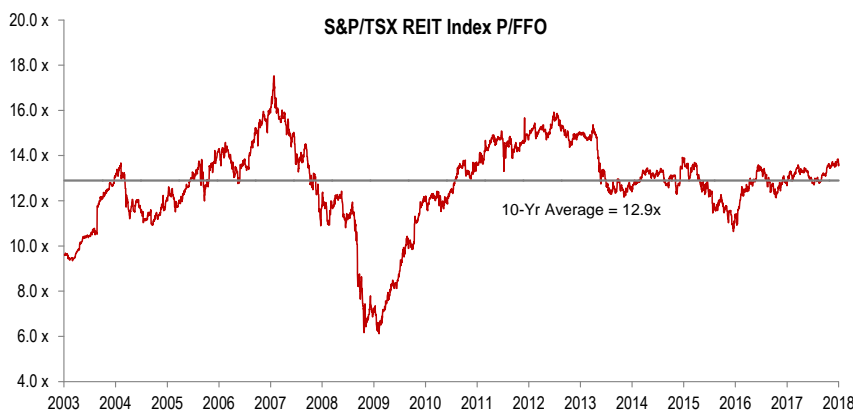
Exhibit 14. Historical Premium/(Discount) To Estimated NAV



Source: FactSet and CIBC World Markets Inc.

Canadian REIT valuations are significantly influenced not just by the level of interest rates but also by the prospects and outlook for economic growth. Compared to historical valuations, current REIT prices reflect an average NTM FFO multiple of 13.6x, over the five-year average of 13.3x and 10-year average of 12.9x. Moderating, but still quite favourable, property fundamentals suggest lower multiples are appropriate relative to the 2012 highs; however, exceptionally low interest rates and a larger and more liquid REIT market suggest this valuation could be fair to low. As discussed earlier, we expect REIT valuations to remain vulnerable to any spike in benchmark bond yields, with any such sell-offs representing attractive buying opportunities, in our view.

Exhibit 15. P/FFO NTM Multiple Since 2003

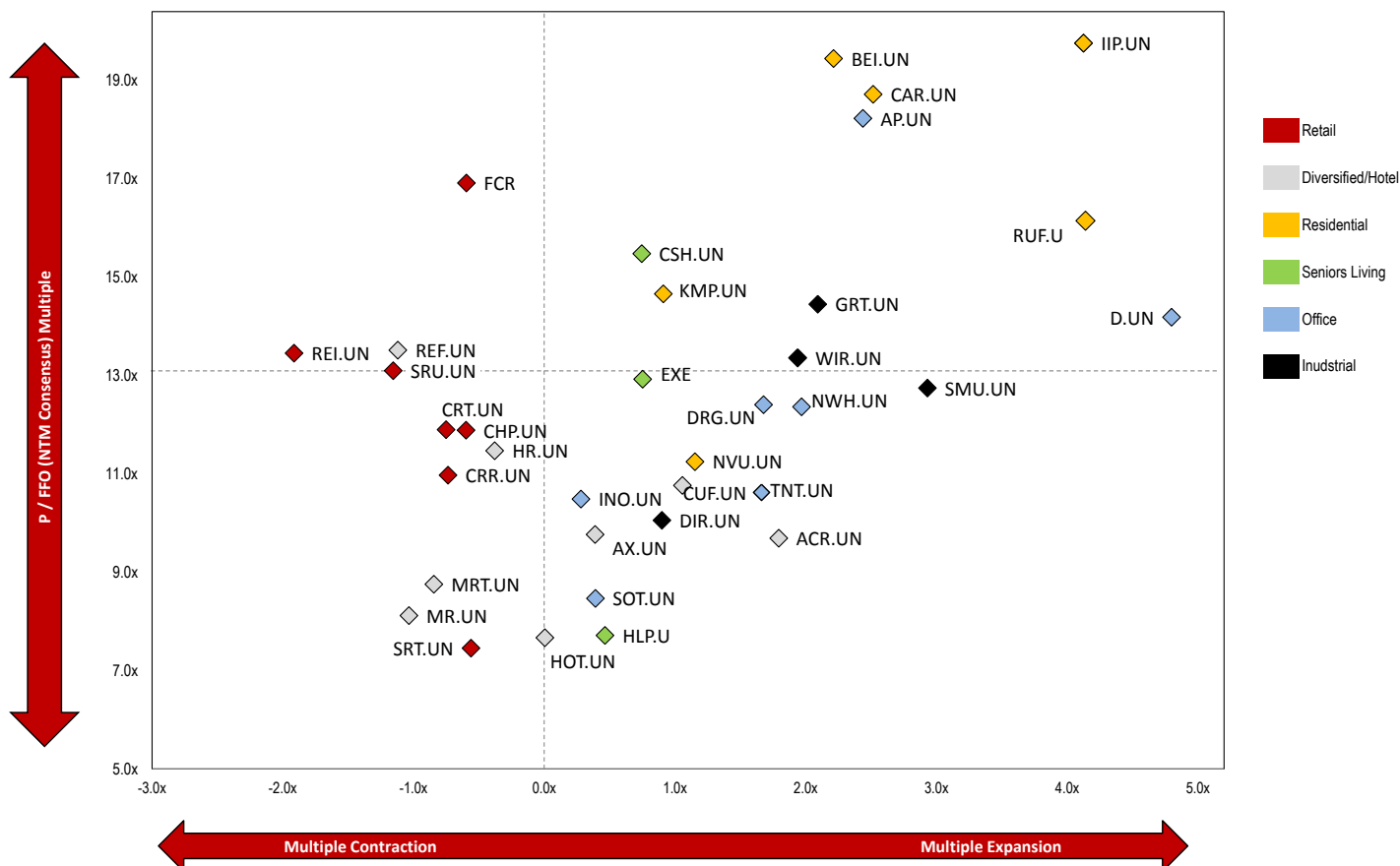


*Retirement sector excludes REITs/REOCs that have been acquired / privatized: RLC, ACC, BOX.

Source: FactSet and CIBC World Markets Inc.

Although on an aggregate basis REITs' valuations appear to be in line with historical multiples, REITs with below-average multiples that have experienced multiple contraction carry an overall lower valuation risk profile. We expect deviations from the historical average price to revert to the historical average over time, barring any recent change that could impact the long-term fundamentals of the underlying asset.

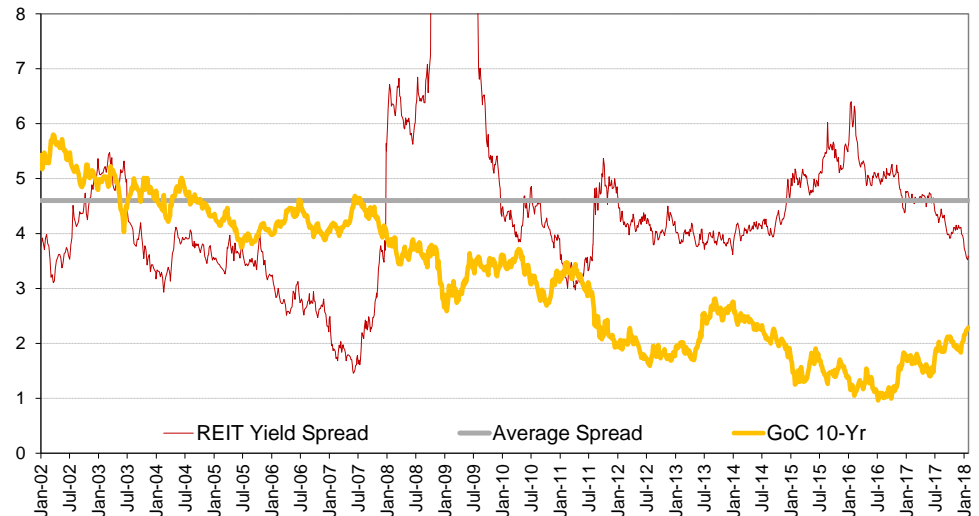
Exhibit 16. Mean Reversion: P / FFO (NTM Consensus)



Source: FactSet and CIBC World Markets Inc.

The current spread between REIT yields and the GoC 10-year bond yield is well above the long-term average seen during non-credit-crisis periods. The current spread of 359 bps is 27 bps above the average of 332 bps during 2002-2007 inclusive (and a 2007 low of 133 bps). Notably, the spread remained largely close to or above 400 bps from mid-2011, when the 10-year GoC dropped sharply, below 3.0%, through until late 2013, and then again for most of 2014 and 2015. A significantly wider-than-average spread is suggestive of a valuation “cushion,” with REITs effectively already pricing in significantly higher interest rates. As discussed earlier, we expect the “new normal” REIT yield spread may be wider in today’s REIT environment than has been the case over the past 15 years.

In previous instances in 2003, 2010, and 2012, the 500 bps threshold had correctly identified discounted pricing, and the market quickly responded with price gains. Of course, the spread also exceeded the 500 bps threshold in 2008/2009, which ultimately did turn out to be a good buying opportunity, albeit over a slightly longer time horizon.

Exhibit 17. REIT Yield Spread History (%)

Source: Bloomberg and CIBC World Markets Inc.

Having spent most of the past two years at REIT yield spreads of 500 bps or more, we believe our new normal spread range of 400 bps to 550 bps (with a strong buy signal at 600 bps) could be a reliable valuation tool in an environment of more moderate (and in some cases quite soft) property fundamentals, bottoming interest rates, and lower economic growth environment.

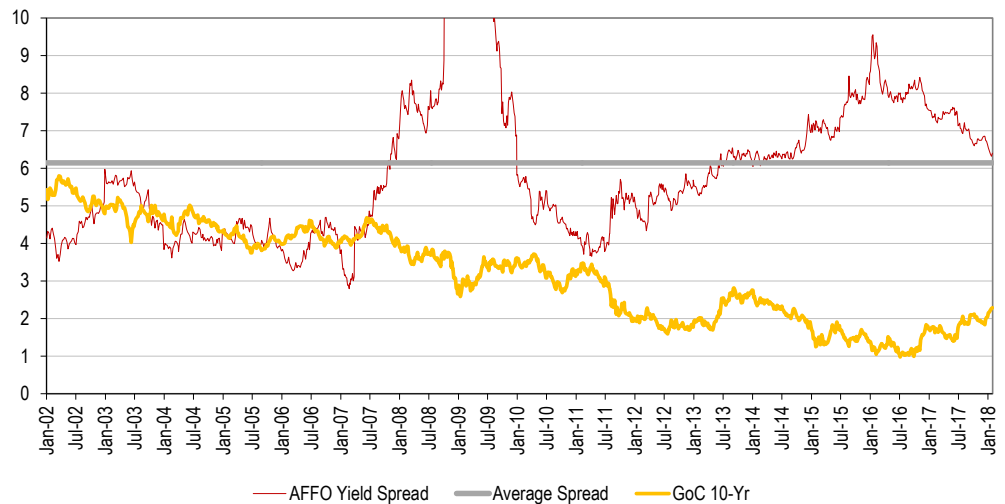
Looking at the REIT yield spread combined with the relative change in the GoC 10-year bond yield as a predictive tool for REIT returns, over the past 15 years, in years that began with both 1) a 400 bps or higher REIT yield spread, and 2) a ~50 bps or more decline in 10-year GoC yields the prior year, the total return in the following year has averaged 24% (including 2015's -5% return). That is 1,200 bps higher than the average total annual return of 14% over the past 15 years (unweighted REITs). While the REIT yield spread at the beginning of 2018 remains above the 400 bps level, the GoC 10-year bond yield actually rose 32 bps (82 bps from a 50 bps decline) last year, suggesting 2018 is less likely to deliver the very strong type of performance that would be required to exceed the high end of our expected return range of 0% to 10%.

Exhibit 18. Yield Spreads, 10-yr Bond Movements And Future Returns

Year	REIT Yield Spread Jan 1	Prior Year GCAN10YR Yield Move (bps)	S&P/TSX REIT Index Total Return
2000	551	135	21%
2001	601	(-86)	30%
2002	389	(-4)	7%
2003	537	(-56)	26%
2004	330	(-14)	14%
2005	357	(-35)	25%
2006	322	(-33)	25%
2007	212	11	-6%
2008	561	(-10)	-38%
2009	1159	(-131)	55%
2010	453	93	23%
2011	400	(-49)	22%
2012	486	(-118)	17%
2013	424	(-14)	-6%
2014	368	96	10%
2015	482	(-97)	-5%
2016	541	(-39)	18%
2017	468	33	10%
2018E	408	32	0%-15%
Average When	> 400	<= (-50)	24%

Source: Bloomberg, company reports and CIBC World Markets Inc.

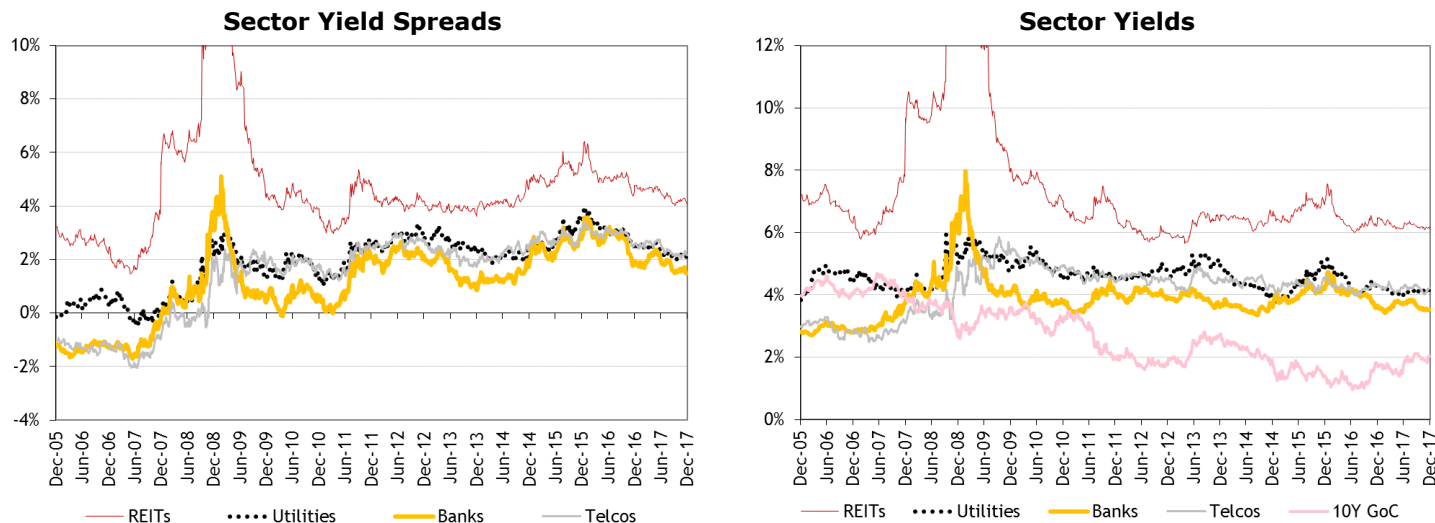
This spread is also somewhat skewed by changing REIT dynamics, as payout ratios have declined over time and the liquidity of REITs has improved dramatically with the doubling of aggregate market capitalization of the REIT sector since the peak in 2007. If, instead of using REIT distribution yields, we use AFFO yields, the spread is even more dramatic and apparent.

Exhibit 19. REIT AFFO Yield Spread History (%)

Source: Bloomberg and CIBC World Markets Inc.

On the surface, REIT valuations look attractive (even if modestly so) when viewed through the lens of the competitive landscape.

Exhibit 20. Relative Yields And Spreads



Source: FactSet and CIBC World Markets Inc.

Our 2018 expectations reflect a return profile that would be consistent with a mid-single-digit positive return expectation for the S&P/TSX Composite Index and in line with our strategist Ian de Verteuil's [expectations](#). Current consensus 2018 TSX earnings expectations, per Bloomberg, appear to imply a rather robust year-over-year earnings growth expectation in excess of 20%. Against this backdrop of what may prove to be optimistic expectations for the overall market, we believe Canadian REITs could offer a relatively attractive risk/reward profile for income-oriented investors.

From a direct property-market cap rate perspective, the picture is similar. The spread between cap rates for good-quality commercial property (column A, Exhibit 21) and *real* 10-year Government of Canada bond yields (column G, Exhibit 21) is currently 580 bps (5.8 percentage points, column H, Exhibit 21), in the wider end of the historical range (above historical average of ~470 bps) over the past 25 years of 90 bps to as much as 750 bps. And, similarly, in 2011, this spread widened significantly, following the GoC 10-year yield dropping sharply below 3.0%, again suggesting property markets have been pricing in higher benchmark bond yields over the past two years.

Exhibit 21. Comparison Of Commercial Property Cap Rates (Yields), Nominal GoC Yields, Real GoC Yields, Nominal Corporate A Bond Yields, And Real Corporate A Bond Yields

	Est. Average Commercial Property Yield (Cap Rate)	10-year Nominal GOC Yield	Average Spread: Commercial Property Yield Over Nominal 10-year GOC Yield	10-year Canada Corporate A Bond Yield	Average Spread: Commercial Property Yield Over 10-year Canada Corporate A Bond Yield		10-year GOC Yield Minus Inflation	Average Spread: Commercial Property Yield (Cap Rate) Over 10-year GOC Yield Minus Inflation	10-year Canada Corporate A Yield Minus Inflation	Average Spread: Commercial Property Yield Over 10-year Canada Corporate A Bond Yield Minus Inflation
Column	A	B	C	D	E	F	G	H	I	J
1988	8.2%	10.0%	(1.8%)			4.0%	6.0%	2.2%		
1989	7.9%	10.2%	(2.3%)			4.5%	5.7%	2.2%		
1990	7.3%	9.6%	(2.3%)			5.0%	4.6%	2.7%		
1991	7.6%	10.3%	(2.7%)			6.3%	4.0%	3.6%		
1992	7.4%	8.1%	(0.7%)	9.3%	(1.9%)	1.6%	6.5%	0.9%	7.7%	(0.3%)
1993	7.9%	7.9%	0.0%	7.7%	0.2%	1.8%	6.1%	1.8%	5.9%	2.0%
1994	8.8%	6.6%	2.2%	9.8%	(1.0%)	0.2%	6.4%	2.4%	9.6%	(0.8%)
1995	8.9%	9.1%	(0.2%)	7.8%	1.2%	2.5%	6.6%	2.3%	5.3%	3.7%
1996	9.4%	7.1%	2.3%	6.7%	2.7%	1.4%	5.7%	3.7%	5.3%	4.1%
1997	9.2%	6.4%	2.8%	6.2%	3.1%	1.7%	4.7%	4.5%	4.5%	4.8%
1998	9.0%	5.6%	3.4%	5.7%	3.3%	0.8%	4.8%	4.2%	4.9%	4.1%
1999	8.5%	4.9%	3.6%	7.1%	1.4%	1.7%	3.2%	5.3%	5.4%	3.1%
2000	9.3%	5.9%	3.4%	6.5%	2.8%	2.7%	3.2%	6.1%	3.8%	5.5%
2001	9.0%	5.5%	3.5%	6.4%	2.6%	2.5%	3.0%	6.0%	3.9%	5.1%
2002	9.3%	5.4%	3.9%	5.8%	3.5%	2.3%	3.1%	6.2%	3.5%	5.8%
2003	8.9%	4.8%	4.1%	5.3%	3.7%	2.8%	2.0%	6.9%	2.5%	6.5%
2004	8.6%	4.6%	4.0%	4.9%	3.7%	1.8%	2.8%	5.8%	3.1%	5.5%
2005	8.0%	4.1%	3.9%	4.7%	3.3%	2.2%	1.9%	6.1%	2.5%	5.5%
2006	6.4%	4.2%	2.2%	4.9%	1.5%	2.0%	2.2%	4.2%	2.9%	3.5%
2007	6.2%	4.0%	2.2%	5.2%	1.0%	2.1%	1.9%	4.3%	3.1%	3.1%
2008	6.4%	2.6%	3.8%	6.6%	(0.2%)	1.7%	0.9%	5.5%	4.9%	1.5%
2009	7.0%	3.6%	3.4%	4.7%	2.3%	1.7%	1.9%	5.1%	3.0%	4.0%
2010	6.5%	3.1%	3.4%	4.3%	2.2%	1.8%	1.3%	5.2%	2.5%	4.0%
2011	6.5%	1.9%	4.6%	3.4%	3.1%	2.9%	(1.0%)	7.5%	1.4%	6.0%
2012	6.0%	1.8%	4.2%	3.0%	3.0%	1.5%	0.3%	5.7%	1.0%	4.5%
2013	6.0%	2.8%	3.2%	3.9%	2.1%	0.9%	1.9%	4.1%	1.9%	3.0%
2014	6.0%	1.8%	4.2%	3.1%	2.9%	1.9%	(0.1%)	6.1%	1.2%	4.8%
2015	6.0%	1.4%	4.6%	3.3%	2.7%	1.9%	(0.5%)	6.5%	1.4%	4.6%
2016	6.0%	1.7%	4.3%	3.0%	3.0%	1.7%	0.0%	6.0%	1.3%	4.7%
2017	6.0%	2.0%	4.0%	3.1%	2.9%	1.6%	0.4%	5.6%	1.5%	4.5%
2018 YTD	6.0%	2.3%	3.7%	3.2%	2.8%	2.1%	0.2%	5.8%	1.1%	4.9%

Source: StatsCan, ICREIM/IPD and CIBC World Markets Inc.

We view this spread (column H) as a proxy for the risk premium for investing in real estate. It remains at quite wide levels, consistent with the current REIT yield spread, which is wider than the historical range, reflecting moderating fundamentals across Canadian property markets.

The move to valuation discounts to NAV since mid-2013 appears to reflect the expected medium-term direction of trends in interest rates and development activity, as well as lower FFO growth and likely weaker occupier demand for certain property types and markets. Interest rates could be headed higher in the medium term, and several large new development projects have been announced across the country, including large office projects. The slightly less supportive environment formed by these conditions could suggest REITs may continue to trade at modest discounts to NAV.

Exhibit 22. Year-end REIT Yield Spreads Versus Following-year Unweighted REIT Returns

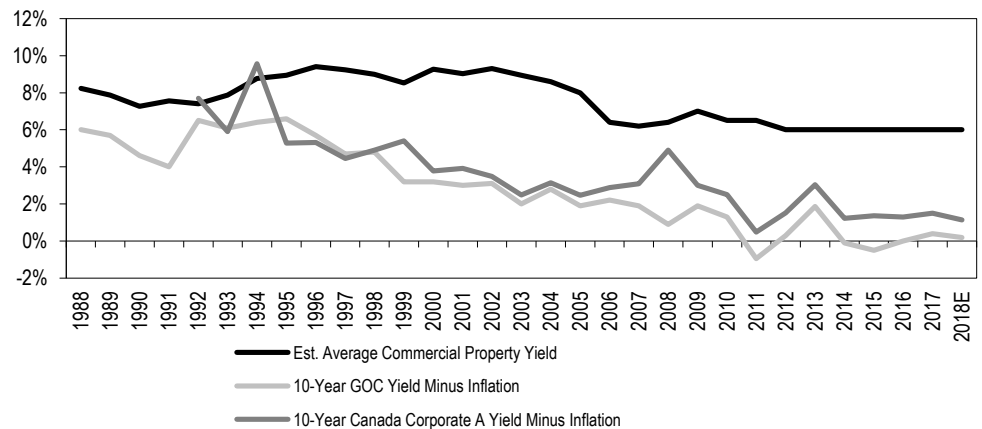
Year-end	Year-end REIT Yield Spread	Following-year Unweighted REIT Return
1997	2.7%	(9.9%)
1998	6.7%	11.1%
1999	5.5%	18.6%
2000	6.0%	22.0%
2001	3.9%	8.6%
2002	5.4%	25.2%
2003	3.3%	14.7%
2004	3.6%	18.9%
2005	3.2%	27.5%
2006	2.1%	1.0%
2007	3.7%	(33.7%)
2008	9.8%	59.1%
2009	4.5%	25.0%
2010	4.0%	12.7%
2011	5.0%	17.9%
2012	4.2%	(3.6%)
2013	3.7%	10.9%
2014	4.8%	9.3%
2015	5.4%	18.7%
2016	4.7%	12.2%
2017A / 2018E	4.1%	0%-10%
Median (2000–2016)	4.2%	14.7%

* Subsequent year's return is CIBC forecast return for 2018.

Source: CIBC World Markets Inc.

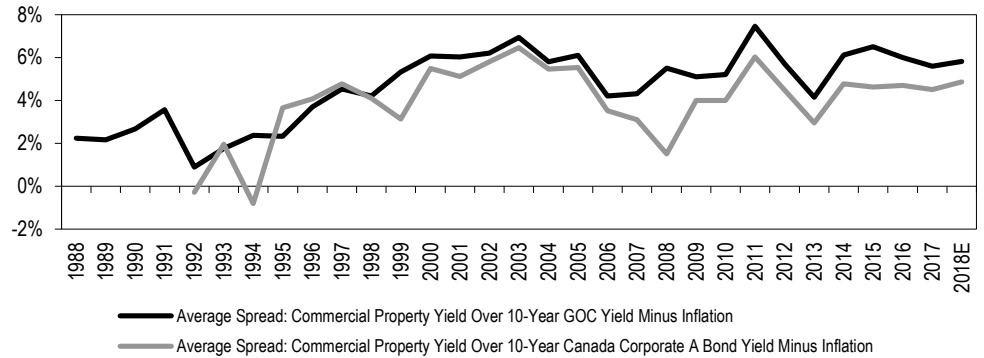
The cap rates reflected in our NAVs are consistent with the prior table (and reflect conservative estimates of current market conditions). Current market prices for REITs reflect an approximate 6% discount to our conservative NAV estimates, on average, and imply an average implied cap rate of -6.4%.

Exhibit 23. Average Commercial Property Cap Rates Vs. *Real* 10-year GoC Bonds And *Real* 10-year Corporate A Bond Yields



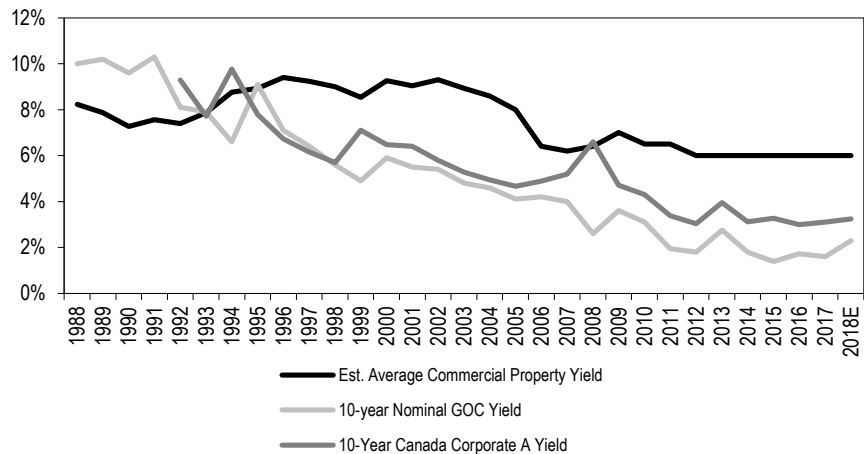
Source: Bloomberg and CIBC World Markets Inc.

Exhibit 24. Average *Real* Spreads: Commercial Property Cap Rates Vs. Real 10-year GoC Bond Yields And *Real* 10-year Corporate A Bond Yields



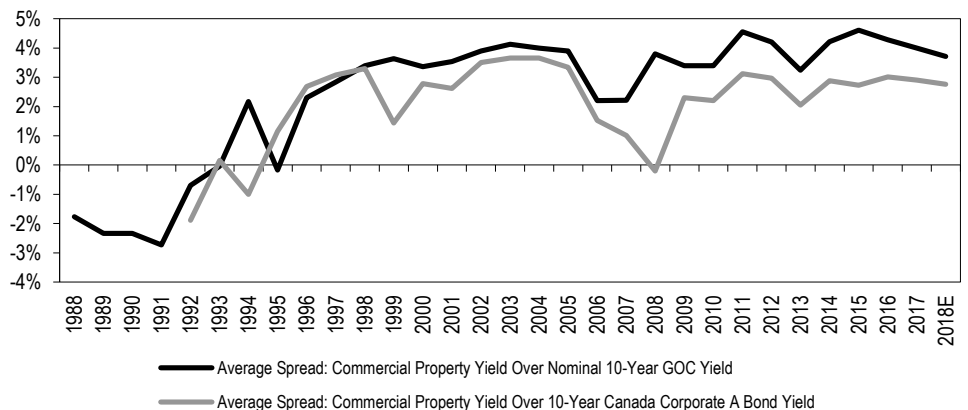
Source: Bloomberg and CIBC World Markets Inc.

Exhibit 25. Average Commercial Property Cap Rates Vs. *Nominal* 10-year GoC Bond Yields And *Nominal* 10-year Corporate A Bond Yields



Source: Bloomberg and CIBC World Markets Inc.

Exhibit 26. *Nominal* Average Spreads: Average Commercial Cap Rates Vs. *Nominal* 10-year GoC Bond Yields And *Nominal* 10-year Corporate A Bond Yields



Source: Bloomberg and CIBC World Markets Inc.

Developments In Real Estate - REIT Strategy As The Noose Tightens

In a previous [report](#), we outlined some of the challenges facing REITs as they look to grow into the future. After a prolonged period of robust growth, Canadian REITs now face material growth constraints fueled in part by a highly competitive acquisition environment, and an embedded low-cost basis on historical acquisitions resulting in potential capital gains recognition.

With scale acquisition opportunities unlikely over the intermediate term, internal growth opportunities take centre stage, including development and re-development. The current structure and policy constraints of most REITs inherently limit both the ability of effective capital recycling and material development activity; however, many of the larger mature REITs, which possess large portfolios of properties in urban locations in Canadian cities, offer significant intensification and redevelopment opportunities that have the ability to materially create value and NAV per unit.

Many Canadian REITs have now identified and disclosed details of these significant development pipelines, including **Artis REIT, Allied Properties, Boardwalk, Choice Properties, CT REIT, CAPREIT, Crombie REIT, Chartwell Retirement Residences, Extencicare, First Capital, H&R REIT, Killam Properties REIT, CREIT, RioCan, Smart REIT, and Plaza Retail REIT**, among others. For REITs with scale and the appropriate capital structures, development can provide attractive returns and a solid pipeline of growth, albeit at a generally slower rate than the growth rates delivered by accretive acquisitions in the past, when conditions were ideal.

While this growth strategy offers attractive and significant value-creation opportunities for many Canadian REITs, it is also more complicated and difficult to execute on than other strategies. Indeed, when asked a decade ago why they don't do more development, Canadian REIT CEOs almost unanimously answered with three points: 1) it's too slow; 2) it's too much work and risk; and, 3) development doesn't move the needle (i.e., grow scale or impact per unit metrics materially).

There are a number of challenges REITs face in capitalizing on development and intensification opportunities, including:

- **Capped Allocations:** Most REIT declarations of trust limit to 15% the share of assets that can be invested in development properties. This limits the impact that development and intensification can have on per unit metrics, as well as REIT scale. We expect REITs with significant and high-impact development pipelines could ask investors to approve higher limits on investments in developments, with 25% a logical next level, and one that would almost certainly accommodate most Canadian REITs' development pipelines.
- **Recognition Of Capital Gains:** With the largest share of development opportunities among Canadian REIT portfolios being residential intensification, recognition of capital gains will increasingly limit the ability of REITs to choose to sell condominium units, instead defaulting to purpose-built rental apartments. Despite REITs having a strong ability to manage the timing of sales of individual condo units to fit within the constraints of their existing distributions (likely precluding any special distributions), such sales would be limited in absolute value, require staggered sales over time, and crowd out other capital recycling, potentially further limiting the ability of REITs to efficiently recycle capital on any meaningful scale. Capital gains recognition also limits the ability of REITs to clearly demonstrate the value creation of purpose-built rental apartment developments through sales.

- **Limited FFO/AFFO Accretion:** The most popular intensifications, purpose-built apartment developments, currently offer development yields on costs (excluding land cost) closely approximating Canadian REITs' overall costs of capital. This means that while significant value can be created, reflecting the significantly lower market cap rates on apartment property, the impact of these developments on commercial REIT FFO and AFFO is likely to be quite muted.
- **Lease-up Drag:** REITs completing developments that are not fully pre-leased at the time of completion face the FFO/AFFO dilutive impact of lease-up periods, which for apartment developments can last up to two years or longer. This can weigh on FFO and AFFO per unit as new developments come on line, muting a REIT's FFO/AFFO growth profile as development completions accelerate.
- **Limitations On JV Structures:** REITs will need to structure joint ventures to avoid capital gains, resulting in more joint ventures where the REIT contributes a development site and the partner provides capital to fund any remaining amounts. This type of arrangement avoids the recognition of a capital gain on selling a portion of the development site, and provides the capital required to fund the project. Notably, REITs will be significantly limited in their ability to sell density, as doing so would result in capital gains.
- **Reflecting Value:** Canadian REIT investors and analysts are less familiar with valuing and investing in development-focused entities, which could make it less likely that REITs will see development potential reflected in unit pricing (at least in the near term). It has been a long time since the late 1980s' era when most publicly traded real estate companies were developers, and more recent experience has reflected discounted valuations for developers (including Dream Unlimited and Tricon, in certain respects). Valuing developments is further complicated by the lack of confidence Canadian REIT investors have in IFRS fair value as a result of both: 1) the short history of IFRS in Canada, having been adopted less than a decade ago; and, 2) the very inconsistent manner in which IFRS fair value is being calculated by different Canadian REITs. Until a unified and consistent approach comes to dominate the application of IFRS fair value, the measure will face skepticism regardless of how conservative an individual REIT might make its approach to valuation.

Indeed, in terms of recognition of value, while development and intensification may be viewed as value-creation activities, we would note that a significant portion of the value "created" through these activities can be more accurately described as value that is being surfaced, as these development sites have seen their values rise substantially on a highest- and best-use basis. This, in a sense, means that while Canadian REITs are well positioned to benefit from rising values for developable sites, capital gains recognition constrains (but does not preclude) these REITs' ability to surface, crystalize, and benefit from this rising value. Absent markets correctly ascribing value for the latent intensification potential in their portfolios, some Canadian REITs face the risk of being privatized by investors more familiar with valuing development opportunities.

We expect that demonstrating and gaining recognition from unitholders and analysts of the value of pipelines and value created through development will require significant additional disclosure and education efforts, which may or may not result in a fuller reflection of value in unit prices.

Notably, many REITs in the U.K. undertake development activity that represents much larger percentages of their asset bases, and typically utilize lower financial leverage, both increasing the per-share impact of developments and moderating the financial risk. These REITs also tend to have small to moderate scale, further enhancing the per-share impact of development activity. Adopting a similar model in Canada would lead to more capital gains recognition challenges.

Overall, we view development and intensification as a “slow and steady” growth strategy, and one with significant complexity for Canadian REITs.

The Wild West, Still Cautious (But A Little Less So)

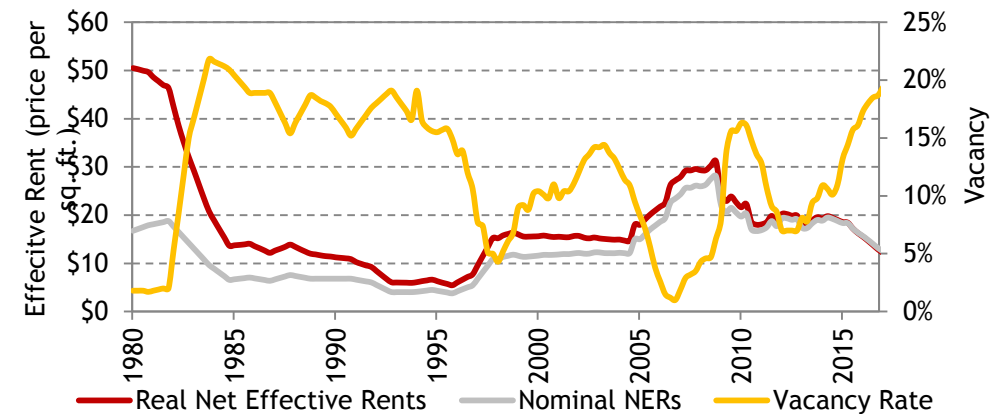
There is no question that Canada’s economy, and currency, has seen significant challenges related to the sharp declines in oil prices since the summer of 2014 (although today’s price is improved from a year ago). Canadian REITs have been impacted by weaker property market conditions in Alberta, particularly office properties and increasingly in the apartment sector.

We expect higher energy prices are required to materially impact demand for space on a sustained basis. With an oil price in the US\$50/Bbl-US\$60/Bbl range, we expect there could be a materially positive impact on employment and activity “in the field.” However, the larger capital projects and corporate activity that would return the core economic centres of Western Canada to above-average growth levels will likely not resume in the near term, absent an oil price closer to US\$70/Bbl or higher.

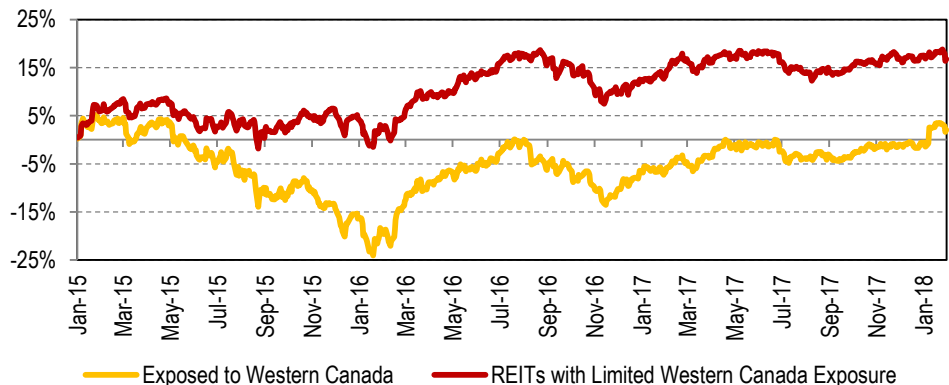
We expect the lagged economic impact of depressed energy sector investment and employment, combined with significant new property development in the province, to result in further erosion of NOI (albeit at a slowing pace) among office and apartment property, and moderation of conditions in industrial and retail property.

We believe markets often under-estimate the magnitude and duration of the lagged impact of economic trends on property fundamentals. We expect that until we see a sustainable rally in the price of oil, to significantly higher levels, the REITs with above-average Western Canada exposure are likely to maintain (or in the near term revert to) above-average NAV discounts. Should a sharp and, arguably more importantly, sustainable rally in energy prices materialize, the reversal of these substantial discounts could offer outsized returns when sentiment towards the price of oil improves.

Looking at past cycles, the disruptive consequences of a supply shock into a deteriorating underlying economic backdrop can clearly be seen. In the early 1980s, an increase in supply coupled with a commodity price drop resulted in a marked increase in office vacancies from rather robust low single digits to well in excess of 20% over the span of a few years (not at all unlike the dynamic playing out right now). However, an oft overlooked component of the recovery is the time component thereto - it took well beyond a decade for vacancies to recover, while the delayed impact on rents (both nominal and effective) took even longer to recover - a dynamic we believe is set to repeat itself once again.

Exhibit 27. Calgary Office Market: Recoveries Take Time

Given the lagging impact of economic weakness on property fundamentals, we expect Alberta-exposed REITs could underperform in the near term, particularly if erosion of fundamental and financial performance becomes apparent in quarterly reports, and if Alberta-related news flow is negative (i.e., job losses, housing and insolvency statistics).

Exhibit 28. Unweighted REIT Price Return

REITs with exposure to Western Canada (~over 10% NOI, Average ~35% NOI): AAR.UN, AX.UN, BEI.UN, CRR.UN, D.UN, DIR.UN, NVU.UN, MR.UN, MRT.UN, REF.UN.

Includes FCR, SIA, and EXE corporations, which have similar operating and financial policies to REITs.

Source: FactSet and CIBC World Markets Inc.

Exhibit 29. Unweighted Average REITs' Total Return

	Western Canada Exposure (%)	Limited Exposure (%)	Oil Price Change (%)
2015	(9.1)	10.2	(30.6)
2016	19.1	17.7	44.8
2017	12.8	11.0	12.3
Jan 2018	2.2	0.1	7.0

REITs with exposure to Western Canada (~over 10% NOI, Average ~35% NOI): AAR.UN, AX.UN, BEI.UN, CRR.UN, D.UN, DIR.UN, NVU.UN, MR.UN, MRT.UN, REF.UN.

Includes FCR, SIA, and EXE corporations that have similar operating and financial policies to REITs.

Source: FactSet and CIBC World Markets Inc.

Still Minding The Currency

Through assets owned and/or managed in the U.S., the REITs noted in Exhibit 30 provide direct U.S. dollar currency exposure. Hedging of this exposure is little (i.e., hedging of distributions) to none, which generally reflects a hedge of less than ~10% of the investment value. Ownership of U.S.-denominated assets largely tends to be funded through equity and U.S.-denominated debt, providing a 1:1 currency exposure to equity.

Exhibit 30. REIT NOI Exposure To US\$

REIT	% US (NOI)	Property-Type	Trading Price Currency	Currency Hedging
Agellan REIT	75%	Diversified	C\$	Forwards
American Hotel	100%	Hotel	US\$ / C\$	US\$ Distributions
Artis REIT ¹	40% (est. 20%* net)	Diversified	C\$	US\$ Debt, US\$ Unsecured Convertible Debt & US\$ Preferred Stock
Brookfield Asset Management ³	41%		US\$ / C\$	Manages Currency Exposures With Financial Contracts
H&R REIT ²	33%	Diversified	C\$	US\$ Debt
Morguard NA Residential	61%	Multi-residential	C\$	US\$ Cash Flow Repays US\$ Expenses and Debt
Slate Retail REIT	100%	Retail	US\$ / C\$	US\$ Debt
Pure Industrial	31%	Industrial	C\$	US\$ Debt
Pure Multi-Family REIT	100%	Multi-residential	US\$ / C\$	US\$ Debt
Tricon ³	~91%	Single Family Rental & Development	US\$	US\$ Debt
WPT Industrial REIT	100%	Industrial	US\$	US\$ Debt

¹Artis REIT has issued preferred equity in addition to US\$ mortgage debt, which reduces the net US\$ exposure, which we estimate at ~20%.

²Includes interests in U.S. equity accounted investments

³BAM segmented by total consolidated assets and TCN segmented by AUM.

Source: Company reports and CIBC World Markets Inc.

Several of the REITs we cover own U.S. properties exclusively, and operate and report in U.S. dollars. Others offer a combination of Canadian and U.S. properties, reporting in either U.S. or Canadian dollars. Over the past two years, these REITs have benefitted from the dual tailwind of stronger domestic (U.S.) growth and an appreciating currency, with arguably the currency being the predominant driver of Canadian dollar-denominated returns. We won't try to forecast the exchange rate - the Canadian dollar has been trading in a range of \$0.70 to \$0.80 for about a year.

Exhibit 31. Exchange Rate Forecast

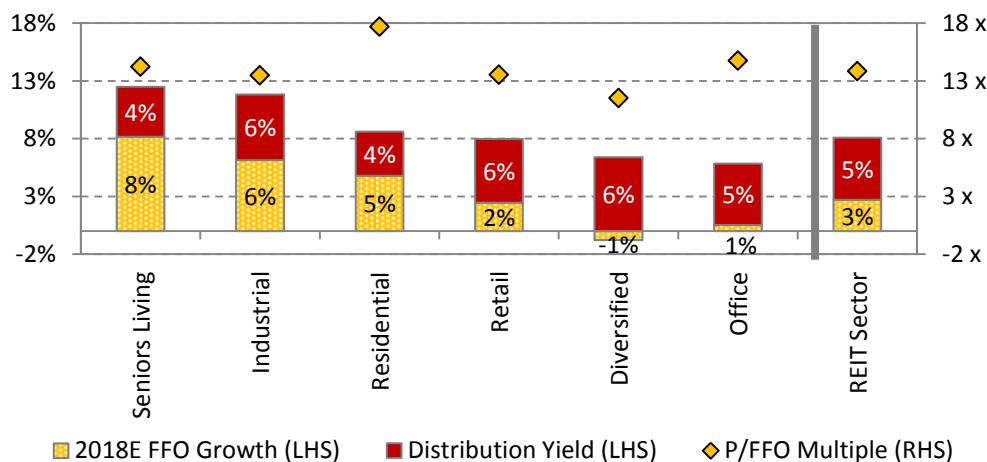
End Of Period:	Current	2018E			2019E	
	(Jan 31)	Q1E	Q2E	Q3E	Q4E	Q1E
USD/CAD	1.23	1.28	1.33	1.32	1.31	1.28
CAD/USD	0.81	0.78	0.75	0.76	0.76	0.78

Source: FactSet and CIBC World Markets Inc.

2018 Outlook For 0%-10% Total Returns

We continue to expect Canadian REITs to deliver 0% to 10% total returns in 2018, comprising ~3% cap-weighted average expected FFO growth, a ~5% weighted average yield, and largely unchanged average FFO multiples. A high current REIT yield spread of 408 bps, an average discount to NAV of 6%, moderate property fundamentals, and low benchmark bond yields are all supporting factors in our relatively benign outlook.

Exhibit 32. Weighted Average Yield, FFO Growth And Current FFO Multiple



Source: Company reports and CIBC World Markets Inc.

REITs +1% In 2018 YTD; Bond Yields Continue To Rise

In January 2018, Canadian REITs delivered +1% on a total-return, unweighted basis (flat for the large-cap-weighted S&P/TSX Canadian REIT Index) compared to the S&P/TSX Composite Index's total return of -1%. YTD the 10-year GoC bond yield has increased by 24 bps and the average REIT yield spread¹ decreased 30 bps to 359 bps (vs. the long-term average of 460 bps).

YTD 2018 performance across all property types was, on average, positive. The best-performing segments YTD are Industrials (+8.7%) and Apartments (+1.3%). The best-performing REITs in 2018 YTD are Pure Industrial (+19.9%), Pure Multi-Family (US\$, +10.4%), and Invesque (+10.3%) while Killam (-4.3%) and Extencicare (-4.4%) posted the lowest total returns.

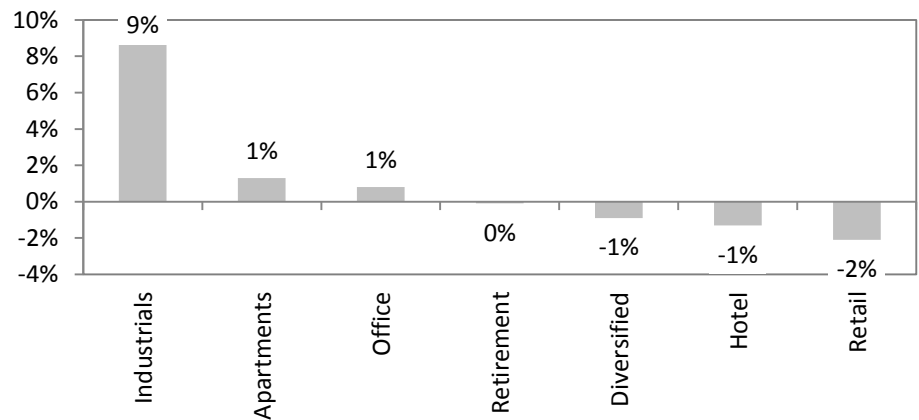
In December 2017, Canadian REITs were up +1% on an unweighted basis (the S&P/TSX REIT Index was +1%) and the S&P/TSX Composite Index returned +1%. During December, the performance across the REIT sectors was positive. The best-performing segment in December was Hotel REITs (+2.7%). The best-performing REITs/REOCs in December were Boardwalk REIT (+7.4%), SmartCentres REIT (+6.6%), and Chartwell (+5.3%) while Granite (-3.1%) and Pure Multi-family (US\$, -3.9%) were the weakest performers.

In 2017, Canadian REITs were up +12% on an unweighted basis (S&P/TSX REIT Index returned +10%) and the S&P/TSX Composite Index was up +9%. During 2017, the performance from the REIT sectors was on average positive. The best-performing segment was Office (+22.5%) and Industrial (+18.4%). The

¹ REITs only; includes First Capital Realty and Sienna Senior Living, corporations that have similar operating and financial policies to REITs and are included in our comparative tables in Exhibits 51 and 52.

best-performing REITs/REOCs in 2017 were Dream Global (+39.4%), Northview (+34.4%), and Pure Industrial (+26.9%) while Plaza Retail (-9.7%) and Boardwalk REIT (-6.8%) were the weakest performers.

Exhibit 33. 2018 YTD Total Returns By Property Type



Source: Company reports and CIBC World Markets Inc.

Large-cap Canadian REITs have an average P/2018E FFO multiple of 13.6x compared to an average of 16.9x for U.S. large-cap REITs, while Canadian large-cap distribution yields are 5.5%, on average, compared to dividend yields averaging 3.8% for U.S. large caps (in part due to higher payout ratios in Canada; see Exhibits 47 and 48).

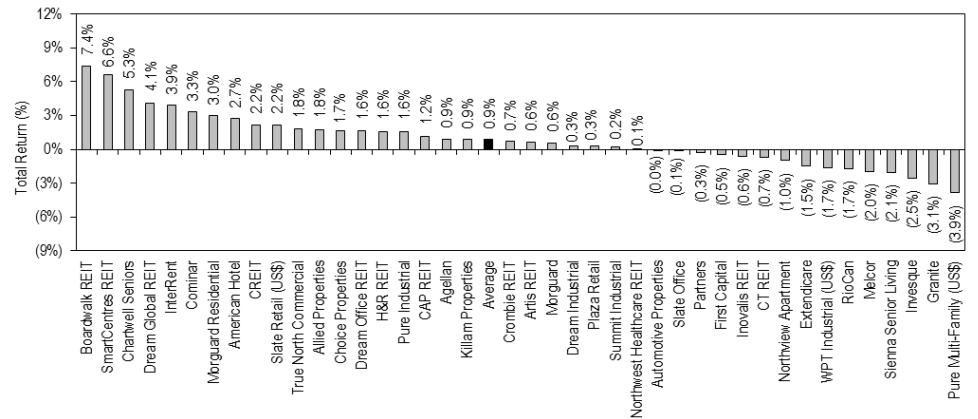
Exhibit 34. Real Estate Equities' Average Annual Rates Of Return Versus S&P/TSX Indices

	S&P/TSX Composite	S&P/TSX Financial Index	Real Estate Stocks Unweighted	REITs Unweighted	S&P/TSX REIT Index	Bloomberg U.S. REIT Index	UBS Bloomberg CMCI Composite USD Total Return Index
2001	(13%)	NA	21%	22%	30%	14%	(15%)
2002	(12%)	(3%)	5%	9%	7%	4%	21%
2003	27%	28%	32%	25%	26%	36%	28%
2004	15%	19%	17%	15%	14%	32%	28%
2005	24%	24%	20%	19%	25%	12%	38%
2006	17%	18%	34%	28%	25%	36%	20%
2007	10%	(1%)	(11%)	1%	(6%)	(17%)	23%
2008	(33%)	(36%)	(51%)	(34%)	(38%)	(38%)	(33%)
2009	35%	46%	79%	59%	55%	30%	33%
2010	18%	9%	47%	25%	23%	29%	18%
2011	(9%)	(4%)	21%	13%	22%	8%	(7%)
2012	7%	17%	22%	18%	17%	19%	3%
2013	13%	27%	2%	(4%)	(6%)	2%	(7%)
2014	11%	13%	(3%)	11%	10%	29%	(19%)
2015	(8%)	(3%)	(10%)	9%	(5%)	3%	(24%)
2016	21%	24%	11%	19%	18%	9%	17%
2017	9%	13%	14%	12%	10%	9%	8%
20 Years (1998-2017)	7%	N/A	8%	12%	N/A	9%	N/A
15 Years (2003-2017)	9%	11%	11%	13%	11%	11%	6%
10 Years (2008-2017)	5%	8%	8%	10%	8%	8%	-3%
Jan 2018**	-1%	1%	-1%	1%	0%	-3%	2%

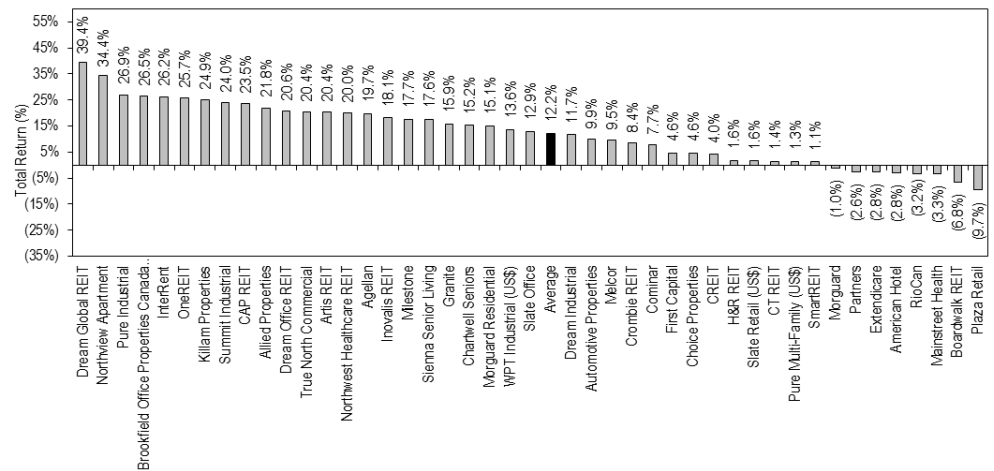
*Total returns assumes distributions/dividends are reinvested in the index. 10-, 15- and 20-year returns are compound annual returns.

**As of January 31, 2018.

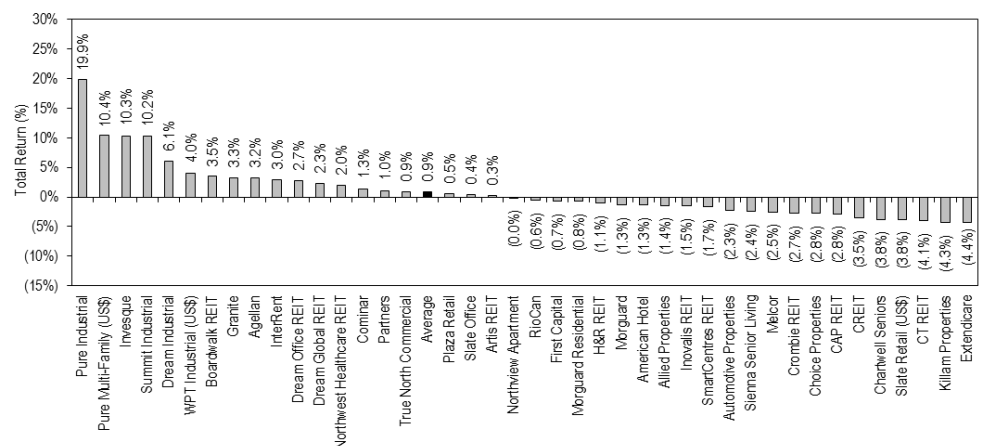
Source: Bloomberg and CIBC World Markets Inc.

Exhibit 35. Total Return (%), December 2017

Source: Bloomberg and CIBC World Markets Inc.

Exhibit 36. Total Return (%), 2017

Source: Bloomberg and CIBC World Markets Inc.

Exhibit 37. Total Return (%), January 2018

Source: Bloomberg and CIBC World Markets Inc.

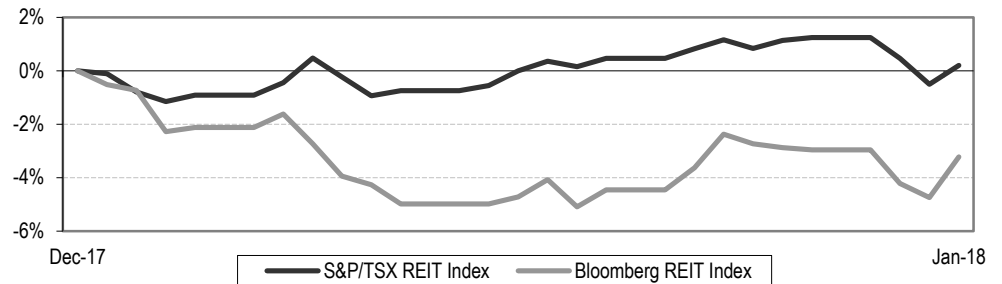
*As at January 31, 2018

Exhibit 38. 2018 YTD Comparative Returns Summary

	Currency	Price Appreciation (%)	Total Return (%)
S&P/TSX Index	C\$	(1.6%)	(1.4%)
S&P/TSX REIT Index	C\$	(0.3%)	+0.2%
Bloomberg REIT Index (U.S. REITs)	US\$	(3.4%)	(3.2%)

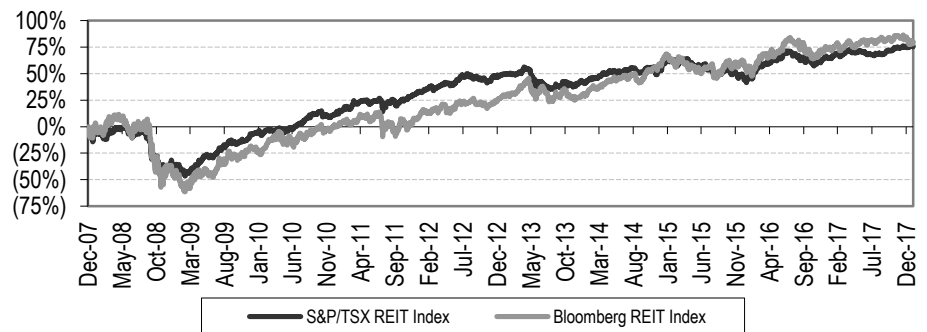
*As at January 31, 2018

Source: Bloomberg and CIBC World Markets Inc.

Exhibit 39. 2018 YTD* Comparative Total Returns (Local Currency)

*As at January 31, 2018.

Source: Bloomberg.

Exhibit 40. 2008-2018 YTD* Comparative Returns (Local Currency)

*As at January 31, 2018.

Source: Bloomberg.

Exhibit 41. REIT Total Returns By Property Type (%)

Property Type	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Jan 2018
Apartments	59.3%	(3.7%)	(18.2%)	30.8%	28.7%	21.3%	19.7%	(7.9%)	13.0%	6.0%	22.9%	17.0%	1.3%
Hotel	24.6%	15.8%	(46.8%)	24.6%	16.9%	(30.5%)	(11.3%)	28.1%	20.7%	4.0%	23.6%	(2.8%)	(1.3%)
Diversified Commercial	27.0%	(4.6%)	(33.4%)	75.1%	29.2%	22.9%	14.8%	(2.5%)	6.3%	(5.5%)	20.2%	6.5%	(0.9%)
Office	44.4%	(9.1%)	(33.7%)	65.9%	18.2%	13.6%	25.4%	(7.4%)	4.0%	(0.6%)	17.2%	22.5%	0.8%
Shopping Centers*	24.9%	(4.6%)	(33.9%)	63.6%	25.0%	19.2%	17.4%	(4.1%)	9.2%	8.4%	17.0%	2.8%	(2.1%)
Industrials	5.9%	(32.2%)	(62.7%)	106.0%	81.1%	12.1%	25.4%	(1.6%)	5.0%	5.0%	22.4%	18.4%	8.7%
Retirement/LT Care	(6.1%)	13.5%	(44.8%)	59.7%	14.6%	6.1%	19.3%	(5.3%)	22.8%	61.1%	11.5%	6.7%	(0.1%)
Average – Overall	27.5%	0.6%	(33.7%)	59.1%	25.0%	12.7%	17.9%	(3.6%)	10.9%	9.3%	18.7%	12.2%	0.9%
Average – Excl. Hotels	28.1%	(2.3%)	(32.3%)	63.0%	25.9%	16.0%	20.0%	(6.1%)	10.3%	9.6%	18.4%	12.5%	0.9%

* Includes returns for large-capitalization shopping center REITs.

**As of January 31, 2018.

Source: Bloomberg and CIBC World Markets Inc.

Property Fundamentals

Like the year prior, 2017 witnessed a modest deterioration of overall property fundamentals, from what we would describe as previously robust to currently just okay. While the challenges with the office sector have made headlines, detailing the oversupply in certain markets and associated rising vacancy and softening rents, retail is the most important property type to the Canadian REIT sector, and it has more quietly begun to moderate. In keeping with the frequency that industry statistics are released, going forward, our traditional detailed review for each sub-sector will be addressed on a quarterly basis. See our previous publication ([Canadian REITs Outlook](#)) for full details on each sub-sector updated as of Q3/17.

Retail: The retail property market across Canada has demonstrated very high stability and moderate growth in rents over time, although the surge in demand in 2010-2013 from U.S. retailers has faded, perhaps most notably highlighted by Target's 2015 exit from Canada (re-introduction of 15 million sq. ft. of retail space, or supply surge of ~2.5% of total inventory). That supply shock has had the effect of swinging the balance of negotiating strength more in favour of tenants, after an extended period (nearly two decades) of landlord strength. This is now evident in the leasing activity of Canadian retail REITs, with leasing spreads dropping by nearly half since 2014.

We expect to see further erosion of leasing spreads among retail landlords—possibly to a point where average leasing spreads swing negative over the next few years—given: 1) the likely contraction in Sears Canada square footage (up to ~16 million sq. ft. of retail space); 2) moderating leasing spreads in Alberta; and, 3) the drag of retailers struggling with online retailing. In this environment, we expect more defensive property types, like grocery-anchored retail and urban retail, to perform better than average.

Office: We expect office market headwinds to continue to challenge landlords. After a remarkable and extended period of generally positive property operating conditions across Canada's geographic and property-type markets that lasted roughly 20 years, conditions have changed for the worse. Canadian office markets are generally in balance between 8% and 10% vacancy, with landlords' markets below 8% (with rent pricing power) and tenants' markets above 10% (generally softening market rents).

Office construction across Canada's six largest centres averages 1.8% of existing inventory, while national vacancy is 11.7%, including downtowns and suburbs. We expect softer office market conditions to continue through 2017 and into 2018, particularly in Alberta markets, where market rents are well below in-place rents for most properties, and NOI erosion is expected to be significant. The Toronto market is also an outlier, with recent new development announcements from Cadillac Fairview and Ivanhoe Cambridge for ~4 million square feet of projects due to be completed in 2020 and later, reflecting a very tight downtown office market, contrasting with a soft suburban market.

Exhibit 42. Q3/17 Office Market Dynamics

	Total Inventory	Total Construction	Q3/17 Vacancy	Construction + Vacancy
Toronto	177,784,634	1.9%	6.9%	8.8%
Montreal	92,704,949	3.1%	13.7%	16.8%
Calgary	73,020,033	0.9%	20.8%	21.7%
Vancouver	57,678,263	2.1%	6.5%	8.6%
Ottawa	40,769,003	NA	11.7%	11.7%
Edmonton	28,627,310	4.3%	16.4%	20.7%
National	518,553,972	1.8%	11.7%	13.5%

Source: Company reports and CIBC World Markets Inc.

Multi-family: Historically, the multi-family sector has been one of the most stable real estate asset classes in Canada with vacancies below 5% on a national average for the better part of two decades, owing to limited supply. Notably, in April 2017, Ontario introduced new legislation to expand rent control to all rental units (previously applicable to rental units built prior to 1991). Although this regulation should have no impact on existing rental properties, we expect the recent pick-up in planned and ongoing purpose-built rental activity (after decades of virtually no construction) could moderate. Canadian REITs with plans to build purpose-built rental apartment buildings in Ontario (including RioCan, Smart REIT, CREIT, Artis, CAP REIT, Choice Properties REIT, CT REIT, First Capital, Killam) are still assessing the potential impact of the regulation, which could lead them to switch instead to condo developments (for sale).

Industrial: The industrial property market remains highly stable, consistent with historical trends, reflecting the short lead time for new construction and relatively low construction cost of developing new gross leasable area. Rental rate growth has been modest over time, supporting balanced supply and demand conditions.

Moderate Cap Rate Compression In 2017

Cap rates modestly compressed in 2017, by ~20 bps across comparable sub-categories, on average, according to CBRE. There also appears to have been a further widening between the highest-quality properties and lower-quality properties. There have been declines in market cap rates for prime office properties and urban retail properties, while suburban office properties and secondary and tertiary market properties appear to have seen some increases to market cap rates. Some investors have questioned whether the recent rate hikes from the Federal Reserve could trigger the potential for higher cap rates, though spreads between interest rates and cap rates remain wide on a historical basis, and the most recent transactions suggest no material movement.

Market sentiment has oscillated from a focus on and/or fear of interest rate increases to deflation fears, and we expect these fears to remain present as long as our low interest rate environment persists. This could continue to weigh on REIT valuations for some time. In reality, the relationship between cap rates and interest rates, while certainly linked, is more complex than merely a linear mathematical relationship that moves lock step in a 1:1 fashion. The ultimate movement of cap rates also factors in such elements as underlying real estate fundamentals, inflation, investor risk appetite, capital flows, and asset allocation, to name a few.

By sector in Q4/17, hotel cap rates experienced the largest compression on a sequential basis with ~15 bps on average across all regions. Industrial cap rates declined marginally across the country, although Toronto was a standout with 25 bps of compression (on the lower end of the range) - a reflection of higher capital flows into the space buoyed by the e-commerce narrative and still robust sector fundamentals.

Cap rates for all retail classes were relatively unchanged with the exception of a 25 bps increase in Montreal's power centres and regional malls and a 25 bps decrease in Toronto's strip centres. Apartments in Q4/17 were relatively unchanged from the prior quarter across all major markets, except for Calgary, which experienced a 25 bps decline in high rise class A apartments.

Suburban A office cap rates and downtown office class B in Montreal declined 50 bps and 25 bps, respectively compared to the prior quarter. In Alberta, office cap rates were flat and have unexpectedly decoupled from changing market conditions, suggesting that Alberta office markets have not seen significant volumes of transactions to provide a high degree of confidence in market pricing or liquidity.

Exhibit 43. Income Property Capitalization Rates (%) At Q4/17

		Toronto		Montreal		Ottawa		Calgary		Vancouver		Edmonton	
		Q4/17	Q3/17	Q4/17	Q3/17	Q4/17	Q3/17	Q4/17	Q3/17	Q4/17	Q3/17	Q4/17	Q4/17
Office:	Downtown Premium A	4.00-4.50%	4.00-4.50%	4.25-4.75%	4.25-4.75%	4.75-5.25%	4.75-5.25%	5.25-5.75%	5.25-5.75%	3.75-4.00%	3.75-4.00%	5.50-6.00%	5.50-6.00%
	Downtown Class A	4.25-4.75%	4.25-4.75%	5.00-5.50%	5.00-5.50%	5.00-5.50%	5.00-5.50%	6.25-7.00%	6.25-7.00%	3.75-4.25%	3.75-4.25%	6.75-7.50%	6.75-7.50%
	Suburban Class A	5.50-6.25%	5.50-6.25%	5.25-6.50%	6.00-6.75%	6.00-6.50%	6.00-6.50%	6.25-6.75%	6.25-6.75%	4.75-5.50%	4.75-5.50%	6.75-7.50%	6.75-7.50%
Retail:	Power Centers	5.50-6.50%	5.50-6.50%	6.00-6.75%	5.75-6.50%	5.75-6.50%	5.75-6.50%	5.50-6.00%	5.50-6.00%	5.00-5.00%	5.00-5.00%	5.75-6.25%	5.75-6.25%
	Regional Malls	4.50-5.50%	4.50-5.50%	5.00-5.75%	4.75-5.50%	5.00-5.75%	5.00-5.75%	4.75-5.25%	4.75-5.25%	4.00-4.50%	4.00-4.50%	5.00-5.50%	5.00-5.50%
	Strip Centers	5.00-6.00%	5.25-6.25%	5.25-6.00%	5.25-6.00%	5.50-6.25%	5.50-6.25%	5.25-5.75%	5.25-5.75%	4.00-5.00%	4.00-5.00%	5.50-6.00%	5.50-6.00%
Apartments:	High Rise Class A	3.00-3.75%	3.00-3.75%	4.00-4.75%	4.00-4.75%	3.25-3.75%	3.25-3.75%	4.25-4.75%	4.50-5.00%	2.50-3.00%	2.50-3.00%	4.00-4.50%	4.00-4.50%
	Low Rise Class A	3.00-3.75%	3.00-3.75%	4.50-5.00%	4.50-5.00%	3.50-4.00%	3.50-4.00%	4.75-5.25%	4.75-5.25%	2.75-3.25%	2.75-3.25%	5.00-5.50%	5.00-5.50%
Industrial:	Class A	4.00-4.75%	4.25-4.75%	5.50-6.25%	5.50-6.25%	4.50-5.00%	4.50-5.00%	5.00-5.50%	5.00-5.50%	4.00-4.50%	4.00-4.50%	5.25-5.75%	5.25-5.75%
Hotel*:	Downtown Full-Ser.	5.00-6.00%	5.00-6.25%	7.00-8.00%	7.25-8.00%	7.00-8.00%	7.00-8.00%	7.00-8.75%	7.75-8.75%	4.50-6.00%	5.00-6.25%	7.25-8.75%	7.75-8.75%
	Suburban – Lim.-Ser.	7.00-8.50%	7.00-8.50%	7.75-9.00%	8.25-9.00%	7.75-8.75%	7.75-8.75%	8.00-9.25%	8.25-9.25%	6.50-7.50%	6.50-7.50%	8.50-9.50%	9.00-9.50%

* Hotel cap rates are based on net operating income after provisions for maintenance-type capital expenditures.

Source: CBRE.

The M&A Environment

2018 kicked off with a bang as Pure Industrial REIT announced an agreement to be acquired by Blackstone Property Partners with a particularly strong bid (implied sub-5% cap rate), highlighting the demand for Canadian industrial real estate fundamentals and its relative undervaluation on a global basis.

With Canadian REITs broadly trading at discounts to NAV, and pension funds underweight, we believe conditions remain ideal for the privatization of select Canadian REITs by pension funds. Accordingly, we expect a normalized level of M&A activity in 2018, in line with historical activity, averaging ~three takeovers a year over the last 15 years. With the Pure Industrial REIT acquisition under way, we are essentially a third of the way to historical activity levels already.

While M&A has been a fairly consistent feature of the Canadian REIT sector for the past several years, given the volume of news and activity investors and analysts face on a daily basis, and only a handful of transactions a year, it's easy to see how perceptions of frequency diminish. Over the last two years, M&A transactions included the acquisition of: 1) Milestone Apartment REIT by Starwood Capital group; 2) the acquisition of Brookfield Canada Office by Brookfield Property Partner; 3) the privatization of OneREIT by SmartCentres and Strathallen; and, 4) the acquisition of InnVest REIT by Blue Sky Hotels and Resorts.

Additionally, there were several large M&A transactions in 2015, including: 1) Calloway REIT (now **SmartCentres REIT**) acquiring SmartCentres; 2) HCN and Revera's acquisition of **Regal Lifestyle Communities**; 3) **Northern Property REIT's** (now Northview REIT) acquisition of **True North Apartment REIT**; and, 4) Baybridge's acquisition of **Amica Mature Lifestyles**.

Notwithstanding a number of takeovers over the past few years, we expect a number of Canadian REITs could hold high appeal to large institutional investors with a preference for high-quality properties and large-scale portfolios. A potential takeover scenario would also require either a lack of controlling shareholder and an internal management structure, or an amenable controlling shareholder or external manager.

We believe the REITs that could be likely to receive takeover offers in the future might include:

- RioCan REIT;
- Killam Apartment REIT; and,
- Canadian Apartment Properties REIT.

However, forecasting M&A is a low-probability activity, and we wouldn't advise investing solely based on expectations of a takeover.

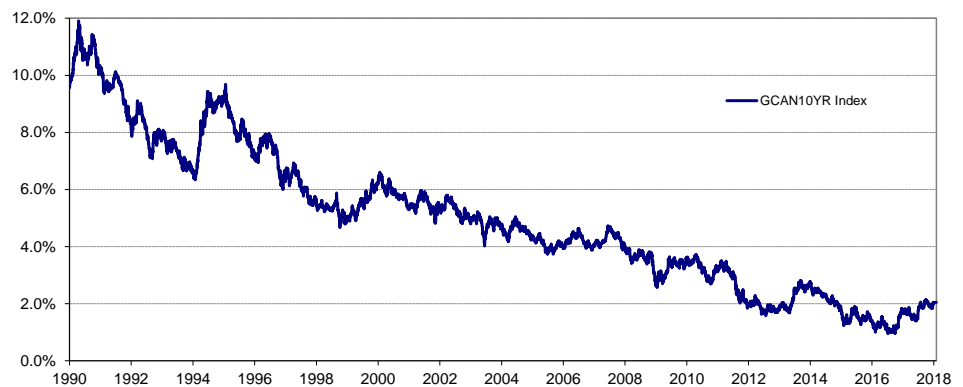
The REIT Operating Environment

The two most important factors for a supportive environment for real estate and REIT financial and operating performance are: 1) access to and, to a lesser degree, cost of debt; and, 2) new development/supply.

The **availability of debt**, which is significantly more critical for the proper function of REIT and real estate markets than cost of debt, is strong. Since the credit crisis, the private sector has undergone a significant de-levering, including declining corporate debt issuance and significant equity capital-raising activities. Canadian banks, in particular, have adopted more conservative leverage and lending practices, which is quite favourable for the conservative borrowing profile of secured mortgages in the largely fully recourse and prudent loan-to-value Canadian mortgage market. Debt, and capital in general, is widely available, supporting a favourable outlook for continued availability of capital. We do not anticipate any changes in this situation in the near term.

On the **cost of debt**, Canadian REITs have enjoyed a mostly continuous period of declining interest rates since the first REITs were formed 20 years ago in the early 1990s. We believe it's fair to say the period of continuously declining interest rates is over. Interest rates simply cannot deliver another several hundred basis points of declines over the next decade, as seen over the past two decades.

Exhibit 44. The End (Of Secularly Declining Bond Yields) Is Near!



Source: Bloomberg.

However, the weighted-average interest rate on debt for commercial REITs under coverage is 3.7% (for CMHC-eligible REITs, average is 3.5%), above current 10-year mortgage rates, which are roughly 4.1% for 10-year commercial mortgages, and ~3.8% for five-year commercial mortgages (and closer to 3.0% for five-year CMHC-insured mortgages). Even more importantly, the average interest rate for Canadian commercial REITs' mortgages expiring in 2017 is 3.1% (CMHC eligible REITs: 3.0%) and in 2018 is 3.9% (CMHC eligible: 3.8%).

Current interest rates suggest that REITs should continue to benefit from a favourable cost of debt and declining interest costs as mortgages are refinanced through 2017, even if benchmark bond yields were to rise moderately (50+ bps) from current levels, while also continuing to employ longer mortgage terms than were common prior to the credit crisis. Should REITs elect to refinance with shorter terms on new mortgages, the period of refinancing benefit could potentially extend well beyond 2017 (although increase financing risks in the more intermediate term).

The **new development and supply** environment in Canada has been evolving over the past few years as construction activity has picked up in response to high occupancy and rising rental rates across most property types and markets.

The increase in construction activity has been most evident in the Toronto, Calgary, Edmonton and Vancouver office markets, and more broadly for retail property across the country. The Toronto condominium market has also seen significant construction activity, which doesn't directly affect the rental apartment market, but adds to the aggregate supply of accommodation, which could affect rental apartment fundamentals in the future. More recently, a number of purpose-built apartment projects have been announced, mainly in Toronto, targeting higher-end rental rates. The projects have been limited, and target a fairly small portion of the rental market to date.

Outside of Alberta office markets, we expect most of the new space under construction across the country will be absorbed over the next few years. This new development activity should, however, tend to bring leasing markets into more balanced conditions, suggesting market rental rates could flatten or even decline in many markets.

Somewhat mitigating the potential impact of this new supply on operating performance of properties, due to the lag of capturing market rents upon lease maturity, Canadian REITs have in-place rental rates that remain below market, on average. This should allow for continued positive leasing spreads for the next several quarters, though perhaps moderating over time depending on property type, market, and the future path of market rents.

Overall, the conditions appear to reflect some moderation of the favourable environment REITs have enjoyed in recent years, but continue to represent a supportive environment for solid operating and financial performance. We expect this moderating environment and its effect on operating and financial performance could warrant lower REIT multiples over time, compared to previous peak valuations, not inconsistent with current valuations.

Summary Of Current REIT Ratings

Exhibit 45. Current REIT Ratings

Outperformer	Neutral	Underperformer	Restricted
AHIP REIT	Artis REIT		Morguard N.A. Residential REIT
Allied Properties REIT	Boardwalk REIT		Plaza Retail REIT
Automotive Properties REIT	Choice Properties		
Canadian Apartment REIT	CT REIT		
Crombie REIT	First Capital Realty Inc.*		
Dream Industrial	InterRent REIT		
H&R REIT	Pure Industrial REIT		
Killam Apartment REIT	Slate Retail REIT		
Northview Apartment REIT			
Pure Multi-Family REIT LP			
RioCan REIT			
SmartCentres REIT			
Summit Industrial Income REIT			
WPT Industrial REIT			

* First Capital is a taxable Canadian corporations, but has operating, financial and payout policies that are similar to REITs.

Source: CIBC World Markets Inc.

Exhibit 46. Canadian Large-capitalization REITs

Ticker	Name	Mkt. Cap. (\$ millions.)	Last Price 1/31/2018	2017E FD FFO		2018E FD FFO		P/FFO		Dividend		2018E FFO
				Per Share	% Change	Per Share	% Change	2017E	2018E	Indicated	Yield	Payout Ratio
Canadian Shopping Centre REITs												
REI.UN	RioCan REIT	\$7,889	\$24.09	\$1.78	6.0%	\$1.75	(1.7%)	13.5x	13.8x	\$1.44	6.0%	82%
SRU.UN	SmartCentres	\$4,731	\$30.25	\$2.20	0.9%	\$2.29	4.1%	13.8x	13.2x	\$1.75	5.8%	76%
CRR.UN	Crombie REIT	\$2,007	\$13.35	\$1.18	0.9%	\$1.22	3.4%	11.3x	10.9x	\$0.89	6.7%	73%
CHP.UN	Choice Properties	\$5,320	\$12.92	\$1.04	4.0%	\$1.07	2.9%	12.4x	12.1x	\$0.74	5.7%	69%
CRT.UN	CT REIT	\$2,960	\$13.85	\$1.12	5.7%	\$1.16	3.6%	12.4x	11.9x	\$0.73	5.3%	63%
FCR	First Capital Realty	\$5,019	\$20.57	\$1.13	1.8%	\$1.19	5.3%	18.2x	17.3x	\$0.86	4.2%	72%
Average		\$27,926	(Total)		3.2%		2.9%	13.6x	13.2x		5.6%	73%
Apartment REITs												
BEI.UN	Boardwalk REIT	\$2,261	\$44.50	\$2.06	(27.5%)	\$2.16	4.9%	21.6x	20.6x	\$1.00	2.2%	46%
CAR.UN	CAP REIT	\$5,008	\$36.16	\$1.82	4.0%	\$1.90	4.4%	19.9x	19.0x	\$1.28	3.5%	67%
NVU.UN	Northview REIT	\$1,438	\$24.84	\$2.10	(6.3%)	\$2.20	4.8%	11.8x	11.3x	\$1.63	6.6%	74%
Average		\$8,707	(Total)		(9.9%)		4.7%	17.8x	17.0x		4.1%	63%
Canadian Diversified Commercial (Office/Industrial/Retail)												
HR.UN	H&R REIT	\$6,319	\$21.02	\$1.85	(1.6%)	\$1.85	0.0%	11.4x	11.4x	\$1.38	6.6%	75%
AX.UN	Artis REIT	\$2,116	\$14.05	\$1.44	(6.5%)	\$1.42	(1.4%)	9.8x	9.9x	\$1.08	7.7%	76%
REF.UN	CREIT*	\$3,263	\$44.52	\$3.30	3.5%	\$3.29	(0.4%)	13.5x	13.5x	\$1.87	4.2%	57%
MRT.UN	Morguard REIT*	\$821	\$13.54	\$1.53	(15.4%)	\$1.54	0.7%	8.8x	8.8x	\$0.96	7.1%	62%
AP.UN	Allied Properties REIT	\$3,833	\$41.35	\$2.13	(0.9%)	\$2.26	6.1%	19.4x	18.3x	\$1.56	3.8%	69%
CUF.UN	Cominar REIT*	\$2,653	\$14.49	\$1.40	(13.4%)	\$1.34	(4.3%)	10.3x	10.8x	\$1.14	7.9%	85%
D.UN	Dream Office REIT*	\$2,406	\$22.68	\$2.01	(20.9%)	\$1.59	(20.8%)	11.3x	14.3x	\$1.00	4.4%	63%
Average		\$21,411	(Total)		(7.9%)		(2.9%)	12.1x	12.4x		5.9%	69%
Overall Average – Canada		\$58,044	(Total)		(4.1%)		0.7%	13.7x	13.6x		5.5%	69%
Government Of Canada 10-year Bond											2.29%	
Canada REIT Yield Spread											+318 bps	

*Company is not covered by CIBC. Estimates used are consensus.

Source: FactSet and CIBC World Markets Inc.

Exhibit 47. U.S. Large-capitalization REITs

		Mkt. Cap.	Last Price	2017E FD FFO		2018E FD FFO		P/FFO		Dividend		2018E FFO
Ticker	Name	(\$ millions.)	1/31/2018	Per Share	% Change	Per Share	% Change	2017E	2018E	Indicated	Yield	Payout Ratio
U.S. Shopping Centre REITs												
FRT	Federal Realty Invs Trust	\$8,764	\$120.80	\$5.91	4.6%	\$6.18	4.6%	20.4x	19.5x	\$4.00	3.3%	65%
KIM	Kimco Realty Corp	\$6,772	\$15.91	\$1.54	16.6%	\$1.53	(0.5%)	10.3x	10.4x	\$1.12	7.0%	73%
REG	Regency Centers Corp	\$10,700	\$62.91	\$3.70	12.3%	\$3.82	3.3%	17.0x	16.5x	\$2.12	3.4%	56%
DDR	Developers Diversified Rlty	\$2,992	\$8.12	\$1.16	(9.7%)	\$1.02	(12.1%)	7.0x	8.0x	\$0.76	9.4%	75%
SKT	Tanger Factory Outlet Center	\$2,380	\$25.18	\$2.07	(12.1%)	\$2.51	21.0%	12.1x	10.0x	\$1.37	5.4%	55%
WRI	Weingarten Realty Investors	\$3,795	\$29.55	\$2.43	3.9%	\$2.40	(1.2%)	12.2x	12.3x	\$1.54	5.2%	64%
SPG	Simon Property Group Inc	\$50,784	\$163.37	\$11.21	6.9%	\$12.07	7.7%	14.6x	13.5x	\$7.35	4.5%	61%
GGP	General Growth Pptys Inc	\$22,033	\$23.03	\$1.56	1.7%	\$1.60	2.7%	14.8x	14.4x	\$0.88	3.8%	55%
MAC	Macerich Co/The	\$9,090	\$64.57	\$3.94	(3.4%)	\$4.07	3.3%	16.4x	15.9x	\$2.96	4.6%	73%
TCO	Taubman Centers Inc	\$3,743	\$61.65	\$3.56	(8.8%)	\$3.79	6.4%	17.3x	16.3x	\$2.50	4.1%	66%
Average		\$121,052	(Total)		1.2%		3.5%	14.2x	13.7x		5.1%	64%
U.S. Apartment REITs												
AVB	Avalonbay Communities Inc.	\$23,530	\$170.40	8.61	5.1%	9.10	5.7%	19.8x	18.7x	\$5.68	3.3%	62%
ESS	Essex Property Trust Inc.	\$15,385	\$232.98	11.90	7.8%	12.41	4.3%	19.6x	18.8x	\$7.00	3.0%	56%
ACC	American Campus Communities	\$5,247	\$38.46	2.30	1.1%	2.42	5.3%	16.8x	15.9x	\$1.76	4.6%	73%
CPT	Camden Property Trust	\$8,021	\$86.56	4.53	(2.3%)	4.79	5.7%	19.1x	18.1x	\$3.00	3.5%	63%
EQR	Equity Residential	\$22,674	\$61.61	3.13	1.3%	3.26	4.1%	19.7x	18.9x	\$2.02	3.3%	62%
MAA	Mid-America Apartment Comm	\$10,837	\$95.37	5.94	6.2%	6.13	3.3%	16.1x	15.5x	\$3.69	3.9%	60%
UDR	UDR Inc.	\$9,774	\$36.53	1.86	3.3%	1.97	5.7%	19.7x	18.6x	\$1.24	3.4%	63%
Average		\$95,468	(Total)		3.2%		4.9%	18.7x	17.8x		3.6%	63%
U.S. Office REITs												
SLG	SL Green Realty Corp	\$9,329	\$100.52	6.45	(22.2%)	6.73	4.4%	15.6x	14.9x	\$3.25	3.2%	48%
BXP	Boston Properties Inc	\$19,091	\$123.71	6.22	3.2%	6.33	1.7%	19.9x	19.5x	\$3.20	2.6%	51%
VNO	Vornado Realty Trust	\$13,581	\$71.68	3.72	(39.9%)	3.91	5.1%	19.3x	18.3x	\$2.52	3.5%	64%
CLI	Mack-Cali Realty Corp	\$1,803	\$20.07	2.25	10.4%	2.06	(8.4%)	8.9x	9.7x	\$0.80	4.0%	39%
BDN	Brandywine Realty Trust	\$3,142	\$17.94	1.29	37.2%	1.38	7.2%	13.9x	13.0x	\$0.72	4.0%	52%
EQC	Equity Commonwealth	\$3,712	\$29.91	0.85	(28.0%)	0.84	(1.2%)	35.2x	35.6x	\$0.00	0.0%	0%
Average		\$50,657	(Total)		(6.6%)		1.5%	18.8x	18.5x		2.9%	42%
U.S. Industrial/Warehouse REITs												
PLD	Prologis	\$34,652	\$65.11	2.81	9.3%	2.90	3.3%	23.2x	22.4x	\$1.76	2.7%	61%
EGP	Eastgroup Properties Inc.	\$2,988	\$86.81	4.25	5.7%	4.47	5.2%	20.4x	19.4x	\$2.56	2.9%	57%
FR	First Industrial Realty Trust	\$3,698	\$30.86	1.55	7.2%	1.63	5.1%	19.9x	18.9x	\$0.84	2.7%	51%
DCT	DCT Industrial Trust Inc.	\$5,513	\$59.19	2.45	7.8%	2.58	5.5%	24.2x	22.9x	\$1.44	2.4%	56%
Average		\$46,851	(Total)		7.5%		4.8%	21.9x	20.9x		2.7%	56%
Overall Average – U.S.												
		\$314,029	(Total)		0.9%		3.6%	17.5x	16.9x		3.8%	58%

10-year U.S. Treasury
U.S. REIT Yield Spread

2.71%
+ 113 bps

Source: FactSet and CIBC World Markets Inc.

Exhibit 48. Tax Allocation Of 2016 REIT Distributions

REIT	Ticker	2016 Distributions (\$)			2016 Breakdown Of Distributions (%)						Return Of	
		Taxable	Capital	Total	Eligible Dividend	Non-Eligible Dividend	Other Income	Capital Gain	Foreign Income	Non-business Income	Taxable	Capital
Pure Industrial REIT	AAR.UN	\$0.19	\$0.12	\$0.31	-	-	37.6%	13.4%		9.0%	60.0%	40.0%
Agellan Commercial REIT	ACR.UN	\$0.77	\$0.01	\$0.77	-	-	21.1%	46.5%		31.6%	99.1%	0.9%
Allied Properties REIT	AP.UN	\$0.26	\$1.25	\$1.50	-	-	13.9%	3.2%		-	17.1%	82.9%
Automotive Properties REIT	APR.UN	\$0.28	\$0.52	\$0.80	-	-	34.8%	-		-	34.8%	65.2%
Artis REIT	AX.UN	\$0.97	\$0.11	\$1.08	-	-	47.6%	37.2%		5.0%	89.8%	10.2%
Boardwalk REIT	BEI.UN	\$0.83	\$1.40	\$2.23	-	-	37.1%	-		-	37.1%	62.9%
Brookfield Canada OP	BOX.UN	\$3.88	-	\$3.88	-	-	19.6%	80.4%		-	100%	-
Canadian Apartment Properties REIT	CAR.UN	\$0.37	\$0.87	\$1.24	-	-	24.4%	5.5%		-	29.8%	70.2%
Choice Properties REIT	CHP.UN	\$0.67	\$0.02	\$0.69	-	-	92.9%	3.9%		-	96.9%	3.1%
Crombie REIT	CRR.UN	\$0.67	\$0.22	\$0.89	-	-	54.5%	20.7%		-	75.1%	24.9%
Chartwell Retirement Residences	CSH.UN	\$0.35	\$0.21	\$0.56	-	5.2%	58.2%	-		-	63.4%	36.7%
CT REIT	CRT.UN	\$0.57	\$0.11	\$0.68	-	-	83.7%	-		-	83.7%	16.3%
Cominar REIT	CUF.UN	\$0.34	\$1.13	\$1.47	-	-	16.5%	6.7%		-	23.2%	76.8%
DREAM Office REIT	D.UN	\$1.55	\$0.01	\$1.56	-	-	35.3%	64.0%		-	99.3%	0.7%
DREAM Industrial REIT	DIR.UN	\$0.24	\$0.46	\$0.70	-	-	15.7%	18.5%		-	34.2%	65.8%
Dream Global REIT	DRG.UN	\$0.30	\$0.50	\$0.80	-	-	-	1.1%		36.6%	37.7%	62.3%
Granite REIT	GRT.UN	\$2.27	\$0.16	\$2.43	-	-	24.2%	9.3%		60.1%	93.6%	6.4%
American Hotel Income Properties	HOT.UN	\$0.53	\$0.34	\$0.87	-	-	60.7%	-		-	60.7%	39.3%
H&R REIT	HR.UN	\$1.15	\$0.08	\$1.23	-	-	27.7%	53.8%		11.5%	93.1%	6.9%
InterRent REIT	IIP.UN	\$0.00	\$0.23	\$0.23	-	-	-	-		-	0.0%	100.0%
Inovalis REIT	INO.UN	\$0.36	\$0.46	\$0.83	-	-	44.1%	-		-	44.1%	55.9%
Killam Apartment REIT	KMP.UN	\$0.18	\$0.42	\$0.60	-	-	29.5%	0.0%		-	29.5%	70.5%
Melcor REIT	MR.UN	\$0.27	\$0.41	\$0.68	-	-	40.0%	-		-	40.0%	60.0%
Morguard NA Residential REIT	MRG.UN	\$0.00	\$0.61	\$0.61	-	-	-	-		-	0.0%	100.0%
Morguard REIT	MRT.UN	\$0.81	\$0.15	\$0.96	-	-	73.3%	11.3%		-	84.6%	15.4%
Milestone Apartments REIT	MST.UN	\$0.10	\$0.45	\$0.55	-	-	-	-		18.0%	18.0%	82.0%
Northview Apartment REIT	NVJ.UN	\$0.25	\$1.38	\$1.63	-	-	-	15.5%		-	15.5%	84.5%
NorthWest Healthcare Properties REIT	NWH.UN	\$0.00	\$0.80	\$0.80	-	-	-	-		-	0.0%	100.0%
Partners REIT	PAR.UN	\$0.01	\$0.24	\$0.25	-	-	-	4.2%		-	4.2%	95.8%
Plaza Retail REIT	PLZ.UN	\$0.22	\$0.04	\$0.26	-	1.6%	30.2%	54.1%		-	85.9%	14.1%
Canadian REIT	REF.UN	\$1.65	\$0.17	\$1.82	-	-	84.3%	1.9%		4.4%	90.6%	9.4%
RioCan REIT	REI.UN	\$1.41	-	\$1.41	-	-	71.0%	24.2%		4.8%	100%	-
Pure Multi-Family REIT*	RUF.U	\$0.26	\$0.24	\$0.49	-	-	44.9%	6.9%		-	51.8%	48.2%
Summit Industrial Income	SMU.UN	\$0.00	\$0.50	\$0.50	-	-	-	-		-	0.0%	100.0%
Slate Office REIT	SOT.UN	\$0.07	\$0.68	\$0.75	-	-	6.0%	3.8%		-	9.7%	90.3%
Slate Retail REIT*	SRT.UN	\$0.52	\$0.28	\$0.80	-	-	-	-		65.0%	65.0%	35.0%
Smart REIT	SRU.UN	\$1.12	\$0.54	\$1.66	-	-	67.1%	0.4%		-	67.5%	32.5%
True North Commercial REIT	TNT.UN	\$0.00	\$0.59	\$0.59	-	-	-	-		-	0.0%	100.0%
WPT Industrial REIT	WIR.U	\$0.32	\$0.44	\$0.76	-	-	-	-		42.4%	42.4%	57.6%

*Amounts reported above have been translated into Canadian dollars.

Source: Company reports and CIBC World Markets Inc.

Exhibit 49. REIT Debt Profiles

REIT	Debt/		Int.	Short Term*		Long Term*		Conv. Debt	Avg. Avg.		Long-term Debt Maturities (Mortgages & Unsecured Debentures)												
	Total Debt	GBV							Term	Int.	2017			2018			2019			2020			
	(\$ millions.)	Assets		Cov.	(\$ millions.)	% Tot.	(\$ millions.)	% Tot.	(\$ millions.)	Due (Years)	(Years)	Rate	(\$ millions.)	%	Rate	(\$ millions.)	%	Rate	(\$ millions.)	%	Rate	(\$ millions.)	%
Shopping Centre																							
RioCan	5,950	42%	3.7x	948.0	15.9%	5,002	84.1%	-	-	3.3	3.4%	454.3	7.6%	3.3%	858.3	14.4%	3.4%	780.9	13.1%	3.8%	872.5	14.7%	3.2%
SmartCentres	3,829	44%	3.1x	607.8	15.9%	3,221	84.1%	-	-	4.5	3.8%	307.5	8.0%	2.9%	389.7	10.2%	4.3%	362.5	9.5%	3.1%	328.2	8.6%	4.7%
First Capital Realty	4,231	43%	2.5x	424.7	10.0%	3,806	90.0%	54.2	'20	5.4	4.4%	164.7	3.9%	5.6%	389.2	9.2%	4.1%	343.2	8.1%	4.9%	405.7	9.6%	3.3%
Crombie	2,513	49%	2.8x	118.9	4.7%	2,394	95.3%	73.1	'21	5.7	4.3%	0.0	0.0%	0.0%	293.9	11.7%	4.0%	170.3	6.8%	0.0%	457.5	18.2%	2.8%
Choice Properties	4,250	45%	3.6x	400.2	9.4%	3,850	90.6%	-	-	4.8	3.6%	0.2	0.0%	2.5%	400.2	9.4%	3.6%	201.6	4.7%	2.7%	550.0	12.9%	2.7%
CT REIT	2,395	46%	3.4x	30.3	1.3%	2,364	98.7%	-	-	10.1	4.1%	13.3	0.6%	3.1%	17.1	0.7%	3.1%	43.6	1.8%	3.1%	251.6	10.5%	4.1%
Diversified (Office/Retail/Industrial)																							
H&R	6,099	44%	3.0x	93	1.5%	6,006	98.5%	102.9	'20	4.7	4.0%	92.8	1.5%	5.7%	820.0	13.4%	4.0%	606.0	9.9%	3.0%	758.9	12.4%	4.6%
CREIT	2,069	39%	3.7x	32	1.5%	2,037	98.5%	-	-	5.7	4.0%	31.8	1.5%	4.4%	255.7	12.4%	4.1%	300.8	14.5%	3.4%	247.1	11.9%	4.6%
Cominar	4,533	53%	2.6x	79	1.8%	4,454	98.2%	-	-	4.0	4.1%	79.4	1.8%	4.5%	523.2	11.5%	5.0%	1,306.4	28.8%	3.7%	527.2	11.6%	4.6%
Artis	2,510	50%	3.3x	745	29.7%	1,765	70.3%	-	-	3.9	3.9%	22.7	0.9%	3.2%	340.5	13.6%	3.6%	300.5	12.0%	3.8%	194.5	7.8%	3.7%
Morguard	1,300	45%	3.1x	135	10.4%	1,166	89.6%	166.6	'17	4.3	4.1%	18.7	1.4%	6.1%	90.0	6.9%	4.3%	191.3	14.7%	3.6%	142.6	11.0%	4.6%
Melcor	340	49%	2.7x	36	10.6%	304	89.4%	33.2	'19	3.6	3.6%	12.0	3.5%	n/a	39.1	11.5%	n/a	111.2	32.7%	n/a	36.0	10.6%	n/a
Agellan	387	47%	2.9x	71	18.2%	316	81.8%	-	-	n/a	4.2%	5.1	1.3%	0.0%	81.6	21.1%	5.3%	57.6	14.9%	4.0%	50.9	13.2%	3.9%
Office																							
Allied Properties	1,990	34%	3.8x	134	6.7%	1,856	93.3%	-	-	4.8	4.1%	53.8	2.7%	3.1%	241.5	12.1%	3.5%	148.9	7.5%	6.5%	256.2	12.9%	3.8%
Dream Office	1,472	50%	3.3x	251	17.0%	1,221	83.0%	-	-	4.7	3.9%	12.2	0.8%	5.6%	219.7	14.9%	3.4%	73.0	5.0%	3.9%	224.4	15.2%	4.0%
Slate Office	794	60%	3.0x	194	24.5%	600	75.5%	-	-	4.4	3.4%	14.2	1.8%	2.9%	182.9	23.0%	2.9%	139.7	17.6%	3.2%	110.2	13.9%	3.1%
True North Commercial	285	54%	3.3x	28	9.7%	257	90.3%	-	-	3.4	3.2%	2.2	0.8%	n/a	38.3	13.4%	n/a	32.9	11.5%	n/a	82.0	28.8%	n/a
Dream Global	2,357	48%	4.0x	41	1.7%	2,316	98.3%	-	-	5.8	1.7%	24.7	1.0%	n/a	16.4	0.7%	n/a	17.6	0.7%	n/a	352.5	15.0%	n/a
NorthWest Healthcare	2,413	41%	2.5x	563	23.3%	1,850	76.7%	342.2	"18,"19,"20,"21	n/a	4.4%	147.2	6.1%	n/a	612.4	25.4%	n/a	684.6	28.4%	n/a	431.2	17.9%	n/a
Inovalis	246	51%	3.5x	25	10.3%	221	89.7%	-	-	6.7	2.1%	18.6	7.6%	n/a	0.0	0.0%	n/a	50.4	20.5%	n/a	0.0	0.0%	n/a
Industrial																							
Granite	691.5	25%	9.6x	0.0	0.0%	691	100.0%	-	-	5.2	2.5%	0.0	0.0%	n/a	0.0	0.0%	n/a	0.0	0.0%	n/a	0.0	0.0%	n/a
Pure Industrial	1,152	38%	3.5x	82	7.1%	1,070	92.9%	-	-	4.9	3.9%	11.2	1.0%	3.9%	94.0	8.2%	3.7%	114.4	9.9%	3.8%	170.7	14.8%	4.2%
Dream Industrial	884	45%	3.3x	140	15.8%	744	84.2%	127.7	'17, '19	3.8	3.9%	45.2	5.1%	4.8%	114.4	12.9%	3.6%	183.2	20.7%	5.3%	106.5	12.0%	3.3%
WPT Industrial	418	42%	3.8x	34	8.0%	384	92.0%	-	-	3.9	3.8%	0.6	0.1%	0.0%	33.9	8.1%	4.5%	32.1	7.7%	3.4%	87.7	21.0%	3.1%
Summit Industrial Income	344	49%	3.1x	55	16.1%	289	83.9%	-	-	4.3	3.4%	3.2	0.9%	3.4%	60.4	17.5%	3.4%	16.0	4.6%	3.4%	50.1	14.6%	3.3%
Small Cap Retail																							
Plaza Retail	550	49%	2.4x	67	12.2%	483	87.8%	39.8	"18,"21	6.3	4.4%	3.3	0.6%	0.0%	104.0	18.9%	4.9%	70.0	12.7%	3.9%	79.7	14.5%	4.8%
Slate Retail	846	57%	3.3x	52	6.2%	794	93.8%	-	-	3.4	3.1%	0.0	0.0%	0.0%	49.8	5.9%	3.2%	3.1	0.4%	4.7%	316.8	37.4%	2.9%
Partners	277	58%	1.8x	81	29.1%	197	70.9%	7.5	'18	4.0	4.0%	36.3	13.1%	4.6%	53.8	19.4%	5.1%	24.7	8.9%	3.6%	36.8	13.3%	4.3%
Automotive Properties	235	46%	4.0x	-	0.0%	235	100.0%	-	-	3.6	3.4%	2.3	1.0%	n/a	23.2	9.9%	n/a	21.1	9.0%	n/a	115.4	49.1%	n/a

Exhibit 49. REIT Debt Profiles (cont'd.)

REIT	Debt/			Short Term*	Long Term*	Conv. Debt	Avg. Term	Avg. Int. Rate	Long-term Debt Maturities (Mortgages & Unsecured Debentures)														
	Total Debt	GBV	Int.						2017			2018			2019			2020					
	(\$ millions.)	Assets	Cov.						(\$ millions.)	% Tot.	(\$	% Tot.	(\$	Due (Years)	(\$ millions.)	%	Rate	(\$	%	Rate	(\$	%	Rate
Residential																							
CAP	3,910	45%	3.2x	222	5.7%	3,687	94.3%	-	-	5.7	3.0%	31.9	0.8%	3.2%	230.2	5.9%	3.1%	385.3	9.9%	3.4%	565.6	14.5%	2.0%
Boardwalk	2,632	45%	2.8x	245	9.3%	2,387	90.7%	-	-	4.3	2.6%	74.0	2.8%	3.1%	205.1	7.8%	2.9%	540.5	20.5%	2.5%	287.6	10.9%	2.5%
Northview Apartment	1,907	57%	3.0x	268	14.1%	1,639	85.9%	24.4	'19	4.7	3.2%	55.1	2.9%	4.4%	257.0	13.5%	4.1%	360.6	18.9%	3.3%	218.5	11.5%	2.7%
Killam Properties	1,126	51%	3.0x	174	15.4%	952	84.6%	-	-	4.2	2.9%	11.1	1.0%	3.9%	89.9	8.0%	3.6%	189.0	16.8%	3.0%	203.3	18.1%	2.6%
InterRent REIT	776	49%	2.5x	76	9.8%	700	90.2%	-	-	4.8	2.8%	76.4	9.8%	2.7%	165.2	21.3%	2.9%	82.9	10.7%	3.2%	144.3	18.6%	2.8%
North American Residential																							
Morguard NA Residential	1,390	55%	2.4x	195	14.0%	1,196	86.0%	61.8	'18	6.2	3.5%	5.1	0.4%	0.0%	116.7	8.4%	4.8%	117.1	8.4%	3.2%	31.8	2.3%	4.3%
Pure Multi-Family	565	49%	1.9x	4	0.8%	561	99.2%	21.0	'20	9.0	3.7%	0.9	0.2%	n/a	4.6	0.8%	n/a	66.7	11.8%	3.3%	7.0	1.2%	n/a
Retirement/Nursing Homes																							
Chartwell Seniors Housing	2,024	50%	3.5x	192	9.5%	1,833	90.5%	-	-	6.9	3.8%	20.2	1.0%	3.9%	227.3	11.2%	3.7%	241.5	11.9%	3.1%	360.5	17.8%	3.5%
Extendicare¹	531	43%	3.3x	50	9.5%	481	90.5%	124.6	'19	4.6	3.8%	13.9	1.8%	3.0%	89.6	11.4%	4.9%	78.6	10.0%	4.5%	86.9	11.1%	2.8%
Sienna Senior Care¹	784	52%	3.5x	34	4.3%	751	95.7%	44.2	'18	7.4	5.0%	25.9	4.9%	n/a	31.5	5.9%	n/a	148.9	28.0%	n/a	67.6	12.7%	n/a
Mainstreet Health (USD)	400	47%	3.0x	25	6.1%	376	93.9%	41.8	'16	5.2	4.5%	21.2	5.3%	n/a	25.1	6.3%	n/a	23.8	6.0%	n/a	19.5	4.9%	n/a
Hotel																							
American Hotel Income	739	54%	3.7x	11	1.5%	727	98.5%	45.2	'22	7.8	4.6%	1.4	0.2%	n/a	11.6	1.6%	n/a	6.9	0.9%	n/a	9.2	1.2%	n/a
Average	48%	3.1x		10.2%		89.8%			5.1	3.7%		2.6%	3.1%		10.7%	3.9%		12.0%	3.6%		13.6%	3.6%	
Average – Commercial	47%	3.1x		11.4%		88.6%			4.8	3.7%		2.6%	3.2%		11.6%	4.0%		11.6%	3.7%		14.9%	3.8%	
Average – Res. & Seniors	50%	2.9x		9.3%		90.7%			5.7	3.5%		2.8%	3.0%		9.1%	3.8%		13.9%	3.3%		11.2%	2.9%	

*Short term includes current debt and debentures due; long term includes mortgage debt and unsecured debentures.

¹ Extendicare Inc., Sienna Senior Living, First Capital Realty, and Mainstreet Health are taxable Canadian corporations.

Source: Company reports and CIBC World Markets Inc.

Exhibit 50. Asset Mix Of REITs

REIT	Ticker	Geographic Mix				Property Type Mix					
		Western Canada ⁵	Central Canada	Atlantic Canada	United States	Office	Retail	Indust.	Res. ⁶	Seniors	Hotel
RioCan	REI.UN	24.1%	74.2%	1.7%	0.0%	5.7%	92.6%	0.0%	1.7%	0.0%	0.0%
SmartCentres	SRU.UN	19.5%	75.4%	5.1%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
First Capital Realty ¹	FCR	34.0%	66.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Crombie ²	CRR.UN	41.1%	23.2%	35.7%	0.0%	3.9%	96.1%	0.0%	0.0%	0.0%	0.0%
Choice Properties	CHP.UN	31.9%	58.6%	9.5%	0.0%	1.4%	85.6%	13.0%	0.0%	0.0%	0.0%
CT Reit	CRT.UN	27.4%	65.6%	7.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
H&R ³	HR.UN	25.2%	31.2%	10.1%	33.4%	48.2%	32.1%	8.8%	10.9%	0.0%	0.0%
CREIT	REF.UN	48.0%	38.0%	12.0%	2.0%	21.0%	55.0%	24.0%	0.0%	0.0%	0.0%
Cominar	CUF.UN	4.3%	91.8%	3.9%	0.0%	40.9%	37.1%	22.0%	0.0%	0.0%	0.0%
Artis	AX.UN	49.6%	11.5%	0.0%	38.9%	55.4%	20.2%	24.4%	0.0%	0.0%	0.0%
Morguard	MRT.UN	55.0%	45.0%	0.0%	0.0%	47.0%	51.0%	2.0%	0.0%	0.0%	0.0%
Melcor	MR.UN	100.0%	0.0%	0.0%	0.0%	50.2%	42.9%	4.6%	2.2%	0.0%	0.0%
Agellan	ACR.UN	0.0%	25.0%	0.0%	75.0%	51.0%	0.0%	49.0%	0.0%	0.0%	0.0%
Allied Properties REIT	AP.UN	13.1%	86.9%	0.0%	0.0%	90.5%	9.5%	0.0%	0.0%	0.0%	0.0%
Dream Office REIT	D.UN	40.0%	60.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Slate Office REIT	SOT.UN	8.8%	47.1%	44.1%	0.0%	97.7%	1.3%	1.1%	0.0%	0.0%	0.0%
True North Commercial	TNT.UN	20.6%	65.7%	13.7%	0.0%	96.9%	0.0%	3.1%	0.0%	0.0%	0.0%
Dream Global ⁷	DRG.UN	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NorthWest Healthcare REIT	NWH.UN	0.0%	29.5%	0.0%	70.5%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Inovalis REIT ⁷	INO.UN	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Granite REIT	GRT.UN	0.0%	28.0%	0.0%	72.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Pure Industrial REIT	AAR.UN	35.0%	34.0%	0.0%	31.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Dream Industrial REIT	DIR.UN	37.5%	46.4%	16.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
WPT Industrial REIT	WIR.U	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Summit Industrial Income REIT	SMU.UN	8.9%	90.2%	0.9%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
Plaza Retail	PLZ.UN	2.8%	36.4%	60.8%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Slate Retail	SRT.U	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Partners REIT ⁴	PAR.UN	18.0%	82.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Automotive Properties	APR.UN	46.6%	53.4%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
CAP REIT ⁸	CAR.UN	26.0%	73.5%	0.5%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Boardwalk REIT	BEI.UN	73.2%	26.8%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Northview REIT	NVU.UN	53.9%	32.3%	13.8%	0.0%	0.0%	13.0%	0.0%	87.0%	0.0%	0.0%
Killam	KMP.UN	2.0%	21.1%	76.9%	0.0%	1.6%	0.0%	0.0%	98.4%	0.0%	0.0%
InterRent	IIP.UN	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Morguard NA Residential	MRG.UN	2.1%	38.0%	0.0%	59.9%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Pure Multi-Family	RUF.U	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Chartwell Seniors Housing	CSH.UN	13.0%	87.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
Extendicare Inc. ¹	EXE	24.5%	75.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
Sienna Senior Living ¹	SIA	20.7%	79.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
Mainstreet Health ¹	HLP.U	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
American Hotel Income	HOT.UN	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

¹ First Capital, Sienna Senior Living, Extendicare Inc. and Mainstreet Health are taxable Canadian corporations but have operating, financial and payout ratio policies that are similar to REITs.

² Crombie's retail amount includes mixed-use property which includes some office, hotel and warehouse space.

³ Excludes properties under development. Properties listed as 'others' have been presented in "Atlantic Canada".

⁴ Includes office and mixed-use GLA as part of retail portfolio

⁵ Includes Nunavut, Northwest Territories and the Yukon.

⁶ Includes MHC units.

⁷ NOI from Australia and Europe are included in the U.S. column.

⁸ Includes MHC Land Lease Sites.

Source: Company reports and CIBC World Markets Inc.

Exhibit 51. Canadian REIT Estimates And Statistics

	Rating	31-Jan-18	Units	Market	Current	FFO Per Unit³ (\$)					AFFO Per Unit⁴ (\$)				
		Unit	O/S¹	Cap.	D/GBV²										
		Price (millions)	(\$millions)	Assets	2016	2017E	17E-16	2018E	18E-17E	2016	2017E	17E-16	2018E	18E-17E	
Shopping Centre															
RioCan (REI.UN)	OP	\$24.09	327.5	\$7,889	42%	\$1.68	\$1.78	6.0%	\$1.75	(1.7%)	\$1.55	\$1.59	2.6%	\$1.56	(1.9%)
Smart (SRU.UN)	OP	\$30.25	156.4	4,731	44%	2.18	2.20	0.9%	2.29	4.1%	2.11	2.07	(1.9%)	2.16	4.3%
First Capital Realty (FCR) ⁶	NT	\$20.57	244.0	5,019	43%	1.11	1.13	1.8%	1.19	5.3%	1.04	1.05	1.0%	1.11	5.7%
Crombie (CRR.UN)	OP	\$13.35	150.3	2,007	49%	1.17	1.18	0.9%	1.22	3.4%	1.01	0.98	(3.0%)	1.01	3.1%
Choice Properties (CHP.UN)	NT	\$12.92	411.8	5,320	45%	1.00	1.04	4.0%	1.07	2.9%	0.84	0.88	4.8%	0.91	3.4%
CT REIT (CRT.UN)	NT	\$13.85	213.7	2,960	46%	1.06	1.12	5.7%	1.16	3.6%	0.84	0.9	7.1%	0.94	4.4%
Shopping Centre Average				27,926		3.2%			2.9%		1.8%			3.2%	
Diversified (Office/Retail/Industrial)															
H&R (HR.UN)	OP	\$21.02	300.6	6,319	44%	1.88	1.85	(1.6%)	1.85	0.0%	1.64	1.64	0.0%	1.64	0.0%
CREIT (REF.UN) ⁷	NR	\$44.52	73.3	3,263	37%	3.19	3.30	3.5%	3.29	(0.4%)	2.85	2.74	(3.9%)	2.73	(0.4%)
Cominar (CUF.UN) ⁷	NR	\$14.49	183.1	2,653	53%	1.62	1.40	(13.4%)	1.34	(4.3%)	1.39	1.13	(18.8%)	1.06	(6.2%)
Artis (AX.UN)	NT	\$14.05	150.6	2,116	50%	1.54	1.44	(6.5%)	1.42	(1.4%)	1.35	1.25	(7.4%)	1.23	(1.6%)
Morguard (MRT.UN) ⁷	NR	\$13.54	60.6	821	44%	1.81	1.53	(15.4%)	1.54	0.7%	1.25	1.17	(6.5%)	1.18	1.2%
Melcor REIT (MR.UN) ⁷	NR	\$8.30	28.1	233	50%	1.03	1.04	1.0%	1.02	(1.7%)	0.86	0.81	(5.8%)	0.81	0.3%
Agellan Commercial REIT (ACR.UN) ⁷	NR	\$12.25	33.0	404	47%	1.28	1.18	(7.7%)	1.26	6.9%	1.08	0.92	(14.8%)	1.01	9.3%
Diversified Commercial Sector Average				17,983		(5.7%)			(0.0%)		(8.2%)			0.4%	
Office															
Allied Properties (AP.UN)	OP	\$41.35	92.7	3,833	34%	2.15	2.13	(0.9%)	2.26	6.1%	1.89	1.68	(11.1%)	1.83	8.9%
Dream Office (D.UN) ⁷	NR	\$22.68	106.1	2,406	32%	2.54	2.01	(20.9%)	1.59	(20.8%)	1.90	1.41	(25.5%)	1.13	(20.4%)
Slate Office (SOT.UN) ⁷	NR	\$8.10	73.4	594	59%	0.96	0.85	(11.4%)	0.95	11.8%	0.84	0.70	(17.1%)	0.78	12.4%
True North Commercial (TNT.UN) ⁷	NR	\$6.72	45.5	306	53%	0.62	0.61	(1.6%)	0.63	3.3%	0.56	0.58	3.6%	0.60	3.4%
Dream Global (DRG.UN) ⁷	NR	\$12.43	174.5	2,169	51%	0.80	0.93	16.3%	1.00	7.4%	0.67	0.86	28.5%	0.92	6.7%
NorthWest Healthcare (NWH.UN) ⁷	NR	\$11.53	105.7	1,219	47%	0.90	0.90	(0.4%)	0.93	3.9%	0.76	0.84	10.7%	0.88	5.1%
Inovalis (INO.UN) ⁷	NR	\$9.76	22.2	217	51%	0.78	0.81	4.4%	0.93	13.8%	0.67	0.81	20.3%	0.91	12.7%
Office Sector Average				10,744		(2.1%)			3.6%		1.3%			4.1%	
Industrial															
Granite (GRT.UN) ⁷	NR	\$50.63	46.9	2,376	NA	3.18	3.28	3.2%	3.49	6.4%	3.16	3.08	(2.3%)	3.27	5.9%
Pure Industrial (AAR.UN)	NT	\$8.08	305.9	2,472	38%	0.40	0.40	0.0%	0.43	7.5%	0.36	0.36	0.0%	0.39	8.3%
Dream Industrial (DIR.UN)	OP	\$9.28	90.2	837	45%	0.90	0.91	1.1%	0.92	1.1%	0.79	0.80	1.3%	0.80	0.0%
WPT Industrial (WIR.U)	OP	\$13.20	48.2	636	42%	0.89	0.92	3.4%	0.99	7.6%	0.83	0.78	(6.0%)	0.86	10.3%
Summit Industrial (SMU.UN)	OP	\$8.06	67.0	540	49%	0.61	0.58	(4.9%)	0.64	10.3%	0.52	0.45	(13.5%)	0.56	24.4%
Industrial Sector Average				6,861		0.6%			6.6%		(4.1%)			9.8%	
Small-Cap Shopping Centre Average															
Plaza Retail (PLZ.UN)	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Slate Retail (SRT.U)	NT	\$10.55	46.3	488	57%	1.24	1.24	0%	1.32	5.6%	0.92	1.01	9.8%	1.04	3.0%
Partners (PAR.UN) ⁷	NR	\$3.00	45.8	137	57%	0.35	NA	NA	NA	NA	0.31	NA	NA	NA	NA
Automotive Properties (APR.UN)	OP	\$10.59	26.1	276	46%	1.04	0.98	(5.8%)	1.09	11.2%	0.92	0.89	(3.3%)	1.00	12.4%
Small-Cap Shopping Centre Average				1,340		0.3%			6.5%		4.3%			6.1%	
Total Commercial Average (Retail/Office/Industrial)				64,854		(1.1%)			3.4%		(1.6%)			4.2%	

Notes are located on the following page.

Exhibit 51. Canadian REIT Estimates And Statistics (cont'd.)

		31-Jan-18 Unit	Units O/S¹	Market Cap.	Current D/GBV²	FFO Per Unit³ (\$)					AFFO Per Unit⁴ (\$)				
	Rating	Price (millions)	(\$millions)		Assets	2016	2017E	17E-16	2018E	18E-17E	2016	2017E	17E-16	2018E	18E-17E
Residential															
CAP REIT (CAR.UN)	OP	\$36.16	138.5	\$5,008	45%	\$1.75	\$1.82	4.0%	\$1.90	4.4%	\$1.64	\$1.55	(5.5%)	\$1.63	5.2%
Boardwalk (BEI.UN)	NT	\$44.50	50.8	2,261	45%	2.84	2.06	(27.5%)	2.16	4.9%	2.50	1.53	(38.8%)	1.63	6.5%
Northview (NVU.UN)	OP	\$24.84	57.9	1,438	57%	2.21	2.10	(5.0%)	2.20	4.8%	1.89	1.72	(9.0%)	1.80	4.7%
Killam Apartment (KMP.UN)	OP	\$13.54	74.7	1,011	51%	0.86	0.89	3.5%	0.92	3.4%	0.77	0.71	(7.8%)	0.73	2.8%
InterRent REIT (IIP.UN)	NT	\$9.38	83.8	786	49%	0.38	0.42	10.5%	0.46	9.5%	0.33	0.36	9.1%	0.39	8.3%
Residential Sector Average				10,504				(3.1%)		5.4%			(10.4%)		5.5%
North American Residential															
Morguard NA Res. (MRG.UN)	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Pure Multi-Family (RUF.U)	OP	\$6.17	76.9	474	49%	0.41	0.31	(24.4%)	0.42	35.5%	0.37	0.29	(21.6%)	0.40	37.9%
North American Residential Sector Average				1,231				(11.8%)		18.2%			(9.3%)		21.0%
Retirement/Nursing Homes															
Chartwell (CSH.UN) ⁷	NR	\$15.60	194.6	3,036	53%	0.91	0.93	2.5%	1.00	7.5%	0.85	0.87	2.0%	0.93	7.3%
Extendicare (EXE) ⁶, ⁷	NR	\$8.71	88.8	773	36%	0.61	0.60	(2.2%)	0.67	12.3%	0.72	0.60	(17.1%)	0.67	12.3%
Sienna Senior Living (SIA) ⁶, ⁷	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Invesque (HLP.U) ⁷	NR	\$9.06	32.3	293	49%	NA	0.90	NA	0.97	7.6%	NA	0.84	NA	0.84	(0.8%)
Retirement/Nursing Homes Sector Average				4,920				0.2%		7.5%			(4.3%)		5.2%
Hotel⁵															
American Hotel (HOT.UN)	OP	\$7.52	78.0	587	54%	0.93	0.91	(2.2%)	1.01	11.0%	0.78	0.78	0.0%	0.86	10.3%
Hotel Sector Average				587				(2.2%)		11.0%			0.0%		10.3%
By Property Type															
Shopping Centre Total/Averages				27,926				3.2%		2.9%			1.8%		3.2%
Diversified Total/Averages				17,983				(5.7%)		(0.0%)			(8.2%)		0.4%
Office Sector Total/Averages				10,744				(2.1%)		3.6%			1.3%		4.1%
Industrial Total/Averages				6,861				0.6%		6.4%			(4.1%)		9.8%
Average/Total – All REITs				79,922				(1.9%)		4.9%			(3.3%)		5.6%
Average/Total – All REITs, excl. Hotels				79,335				(1.8%)		4.8%			(3.4%)		5.5%
Average – Commercial And Residential REITs				74,416				(2.0%)		4.5%			(3.3%)		5.3%

¹ Units o/s include exchangeable securities.² Excluding Convertible Debentures.³ Net earnings plus depreciation, amortization and deferred taxes.⁴ AFFO (Adjusted Funds from Operations) is cash flow minus a normalized provision for tenant inducements and maintenance-type capital expenditures.⁵ REIT cash flows in the hotel sector are not contractual in nature and have above-average potential for fluctuation during the course of an economic cycle.⁶ FCR, SIA, and EXE are taxable Canadian corporations, but have operating, financial and payout policies that are similar to REITs.⁷ Company is not covered by CIBC. Estimates used are consensus.

OP = Outperformer; NT = Neutral; UN = Underperformer; R = Restricted; NR = Not Rated.

Source: Company reports, FactSet and CIBC World Markets Inc.

Exhibit 52. Canadian REIT Estimates And Statistics

	Distributions (\$)			P/FFO ¹			P/AFFO ²			Est. NAV Per Unit (\$)	Est. NAV Cap Rate (%)	Unit Price (Discount)/ Premium To Est. NAV (%)	Sensitivity Of NAV To +/-50 bps In Cap Rate (%)
	Current Annualized	Current Yield	% Of 2017E AFFO										
Shopping Centre													
RioCan	\$1.44	6.0%	91%	14.3	13.5	13.8	15.5	15.2	15.4	\$27.00	5.50%	(10.8%)	14.8%
SmartCentres	1.75	5.8%	85%	13.9	13.8	13.2	14.3	14.6	14.0	34.00	5.50%	(11.0%)	16.0%
First Capital Realty ⁴	0.86	4.2%	82%	18.5	18.2	17.3	19.8	19.6	18.5	22.00	5.25%	(6.5%)	15.9%
Crombie	0.89	6.7%	91%	11.4	11.3	10.9	13.2	13.6	13.2	16.00	6.00%	(16.6%)	17.4%
Choice Properties	0.74	5.7%	84%	12.9	12.4	12.1	15.4	14.7	14.2	13.50	5.75%	(4.3%)	15.4%
CT REIT	0.73	5.3%	81%	13.1	12.4	11.9	16.5	15.4	14.7	15.00	5.75%	(7.7%)	15.4%
Shopping Centre Average		5.6%	86%	14.0	13.6	13.2	15.8	15.5	15.0		5.63%	(9.5%)	15.8%
Diversified (Office/Retail/Industrial)													
H&R	1.38	6.6%	84%	11.2	11.4	11.4	12.8	12.8	12.8	27.00	6.00%	(22.1%)	13.7%
CREIT ⁵	1.87	4.2%	68%	14.0	13.5	13.5	15.6	16.3	16.3	48.50	6.00%	(8.2%)	NA
Cominar ⁵	1.14	7.9%	101%	8.9	10.3	10.8	10.4	12.8	13.7	15.75	6.50%	(8.0%)	NA
Artis	1.08	7.7%	86%	9.1	9.8	9.9	10.4	11.2	11.4	14.75	6.75%	(4.7%)	16.7%
Morguard ⁵	0.96	7.1%	82%	7.5	8.8	8.8	10.8	11.6	11.5	19.75	6.50%	(31.4%)	NA
Melcor ⁵	0.68	8.2%	84%	8.1	8.0	8.1	9.7	10.2	10.2	10.00	6.75%	(17.0%)	NA
Agellan ⁵	0.81	6.6%	88%	9.6	10.4	9.7	11.3	13.3	12.2	12.25	7.75%	0.0%	NA
Diversified Commercial Sector Average		6.1%	85%	9.8	10.3	10.2	11.6	12.6	12.6		6.61%	(15.9%)	15.2%
Office													
Allied Properties	1.56	3.8%	93%	19.2	19.4	18.3	21.9	24.6	22.6	41.00	5.50%	0.9%	13.9%
Dream Office ⁵	1.00	4.4%	71%	8.9	11.3	14.3	11.9	16.0	20.1	23.25	6.00%	(2.5%)	NA
Slate Office ⁵	0.75	9.3%	108%	8.4	9.5	8.5	9.6	11.6	10.4	8.50	6.75%	(4.7%)	NA
True North Commercial ⁵	0.59	8.8%	102%	10.8	11.0	10.7	12.0	11.6	11.2	6.25	NA	7.5%	NA
Dream Global ⁵	0.80	6.4%	93%	15.5	13.4	12.4	18.6	14.4	13.5	11.50	6.00%	8.1%	NA
NorthWest Healthcare ⁵	0.80	6.9%	95%	12.8	12.9	12.4	15.2	13.7	13.0	11.50	7.00%	0.3%	NA
Inovalis ⁵	0.83	8.5%	103%	12.5	12.0	10.5	14.6	12.1	10.7	11.25	6.00%	(13.2%)	NA
Office Sector Average		6.9%	95%	12.6	12.8	12.4	14.8	14.9	14.5		6.21%	(0.5%)	13.9%
Industrial													
Granite REIT ⁵	2.72	5.4%	88%	15.9	15.4	14.5	16.0	16.4	15.5	49.25	7.50%	2.8%	NA
Pure Industrial	0.31	3.8%	86%	20.2	20.2	18.8	22.4	22.4	20.7	7.00	5.50%	15.4%	14.6%
Dream Industrial	0.70	7.5%	88%	10.3	10.2	10.1	11.7	11.6	11.6	9.50	7.00%	(2.3%)	15.6%
WPT Industrial	0.76	5.8%	97%	14.8	14.3	13.5	15.9	16.9	15.3	15.00	6.00%	(12.0%)	13.6%
Summit Industrial	0.52	6.5%	116%	13.2	13.9	12.6	15.5	17.9	14.4	7.25	6.00%	11.2%	17.4%
Industrial Sector Average		5.8%	95%	14.9	14.8	13.9	16.3	17.1	15.5		6.40%	3.0%	15.3%
Small-Cap Shopping Centre Average													
Plaza Retail	R	R	R	R	R	R	R	R	R	R	R	R	R
Slate Retail	0.84	8.0%	83%	8.5	8.4	8.0	11.5	10.4	10.1	11.50	7.00%	(8.3%)	18.8%
Partners ⁵	0.25	8.3%	NA	8.6	NA	NA	9.6	NA	NA	NA	NA	NA	NA
Automotive Properties	0.80	7.6%	90%	10.2	10.8	9.7	11.5	11.9	10.6	11.00	6.50%	(3.7%)	15.0%
Small-Cap Shopping Centre Average		7.5%	84%	9.9	10.4	9.7	11.5	11.6	11.0		6.83%	(7.4%)	16.1%
Total Commercial Average (Retail/Office/Industrial)		6.5%	89%	12.2	12.4	12.0	14.0	14.5	13.9		6.3%	(5.7%)	15.5%

Notes are located on the following page.

Exhibit 52. Canadian REIT Estimates And Statistics (cont'd.)

	Distributions (\$)			P/FFO ¹			P/AFFO ²			Est. NAV Per Unit (\$)	Est. NAV Cap Rate (%)	Unit Price (Discount)/ Premium To Est. NAV (%)	Sensitivity Of NAV To +/-50 bps In Cap Rate (%)
	Current Annualized	Current Yield	% Of 2017E AFFO										
					2016	2017E	2018E	2016	2017E	2018E			
Residential													
CAP REIT	\$1.28	3.5%	83%	20.7	19.9	19.0	22.0	23.3	22.2	\$37.00	4.50%	(2.3%)	19.9%
Boardwalk	1.00	2.2%	65%	15.7	21.6	20.6	17.8	29.1	27.3	42.00	5.25%	6.0%	17.5%
Northview	1.63	6.6%	95%	11.1	11.8	11.3	13.1	14.4	13.8	27.00	5.75%	(8.0%)	19.8%
Killam Apartment	0.62	4.6%	87%	15.7	15.2	14.7	17.6	19.1	18.5	14.00	5.50%	(3.3%)	18.3%
InterRent REIT	0.27	2.9%	75%	24.7	22.3	20.4	28.4	26.1	24.1	8.50	4.75%	10.4%	22.8%
Residential Sector Average		4.0%	81%	17.6	18.2	17.2	19.8	22.4	21.2		5.15%	0.5%	19.7%
North American Residential													
Morguard NA Residential REIT	R	R	R	R	R	R	R	R	R	R	R	R	R
Pure Multi-Family	0.38	6.1%	129%	15.0	19.3	14.7	16.7	21.3	15.4	7.00	5.50%	(11.9%)	17.4%
North American Residential Sector		5.3%	98%	13.7	15.9	13.3	16.0	18.1	14.9		5.75%	(13.5%)	17.6%
Retirement/Nursing Homes													
Chartwell ⁵	0.58	3.7%	67%	17.1	16.7	15.6	18.4	18.0	16.8	15.25	6.00%	2.3%	NA
Extendicare ^{4, 5}	0.48	5.5%	80%	14.3	14.6	13.0	12.1	14.6	13.0	10.00	8.00%	(12.9%)	NA
Sienna Senior Living ^{4, 5}	R	R	R	R	R	R	R	R	R	R	R	R	R
Invesque ⁵	0.74	8.2%	75%	NA	10.0	9.3	NA	9.2	8.5	10.00	7.75%	(9.4%)	NA
Retirement/Nursing Homes Sector Average		5.6%	72%	15.1	13.8	12.8	14.5	13.6	12.7		7.31%	(5.1%)	NA
Hotel³													
American Hotel	0.65	8.6%	83%	8.1	8.3	7.4	9.6	9.6	8.7	9.00	8.25%	(16.4%)	9.4%
Hotel Sector Average		8.6%	83%	8.1	8.3	7.4	9.6	9.6	8.7		8.25%	(16.4%)	9.4%
By Property Type													
Shopping Centre Total/Averages		5.6%	86%	14.0	13.6	13.2	15.8	15.5	15.0		5.63%	(9.5%)	15.8%
Diversified Total/Averages		6.1%	85%	9.8	10.3	10.2	11.6	12.6	12.6		6.61%	(15.9%)	15.2%
Office Sector Total/Averages		6.9%	95%	12.6	12.8	12.4	14.8	14.9	14.5		6.21%	(0.5%)	13.9%
Industrial Total/Averages		5.8%	95%	14.9	14.8	13.9	16.3	17.1	15.5		6.40%	3.0%	15.3%
Average/Total – All REITs		6.1%	87%	13.1	13.4	12.7	14.8	15.4	14.6		6.27%	(5.5%)	16.3%
Avg/Total – All REITs, Ex-Hotels		6.1%	87%	13.2	13.5	12.8	14.9	15.6	14.8		6.22%	(5.2%)	16.6%
Average – Commercial & Residential REITs		6.1%	89%	13.1	13.5	12.9	14.9	15.8	15.0		6.09%	(5.2%)	16.6%

¹ Net earnings plus depreciation, amortization and deferred taxes.² AFFO (Adjusted Funds from Operations) is cash flow minus a normalized provision for tenant inducements and maintenance-type capital expenditures.³ REIT cash flows in the hotel sector are not contractual in nature and have above-average potential for fluctuation during the course of an economic cycle.⁴ FCR, SIA, EXE are taxable Canadian corporations, but have operating, financial and payout policies that are similar to REITs.⁵ Company is not covered by CIBC. Estimates used are consensus.

Source: Company reports, FactSet and CIBC World Markets Inc.

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Killam Apartment REIT (2a, 2c, 2e, 2g) (KMP.UN-TSX, C\$13.07)
Morguard North American Residential REIT (2g) (MRG.UN-TSX, C\$13.78)
Northview Apartment REIT (2a, 2c, 2e, 2g) (NVU.UN-TSX, C\$23.81)
Plaza Retail REIT (2g, 7) (PLZ.UN-TSX, C\$4.08)
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Restricted	5	1.6%	Restricted	5	100.0%

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