hazelview
INVESTMENTS

GLOBAL PUBLIC REAL ESTATE OUTLOOK REPORT

2024

LETTER FROM THE PORTFOLIO MANAGERS

We believe REITs are ready to take off in 2024 after patiently awaiting their turn on the runway for the better part of two years.

The prevailing economic and capital market conditions have evolved into a much more favourable landscape, particularly regarding the trajectory of interest rates.

As we navigate the investment landscape for the year ahead, our focus is keenly set on REITs demonstrating resilience in a decelerating economic climate. We emphasize companies trading at an appealing valuation, offering a commensurate higher expected return.

Our conviction is substantiated by the attractiveness of REITs relative to public equities, private real estate, historical valuations, and our forward-looking projections which point to REITs currently trading at a high-teen discount to intrinsic value and implying 22% upside from current market levels.

As such, our report provides context for the recent lift in share prices, supports why we believe REITs are positioned for outperformance in 2024 and answer questions like:

- How REITs Perform in a declining interest rate environment
- Where Public vs. Private market valuations currently stand
- What is the embedded upside in REITs today
- Why rapid declines in new supply will lead to a brighter future

Finally, we spotlight a curated selection of companies in different regions where we believe there is a strong opportunity of outperformance.

On behalf of Hazelview Investments, we extend our sincere thanks to our clients and partners for entrusting our team as stewards of their investments. With a focus on the future and a vigilant eye on the dashboard, we are committed to ensuring optimal results in our endeavors.

Thank you,

Corrado Russo | Sam Sahn | Claudia Reich Floyd

MARKET RECAP

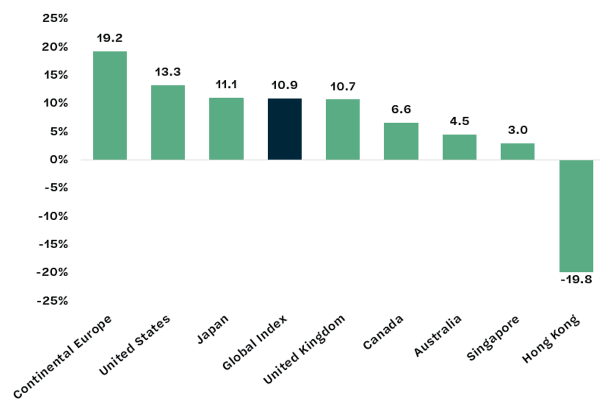
In 2023, REITs sprinted to the finish, benefitting from a shift in central banks' hawkish stance on future interest rate hikes. Global REITs saw a remarkable uptick, registering a substantial +18.9% gain in November and December to end the 2023 calendar year with an overall increase of 10.8%.[1] Notwithstanding this strong finish, REITs recorded a second consecutive year of underperformance relative to global equities, lagging by 1,359 basis points; primarily attributed to the persistent rise in interest rates throughout 2023.

Over the past 2 years, central banks worldwide implemented 520 interest rate hikes to curb inflation and restore it to pre-COVID-19 pandemic levels.[2] Despite the tightening of financial conditions in 2023, inflation exhibited unexpected resiliency, buoyed by a robust labour market, ultimately defying the anticipated recession, predicted by economists and Wall Street strategists for 2023.

> **"...IN 2023, INFLATION EXHIBITED UNEXPECTED RESILIENCY, BUOYED BY A ROBUST LABOUR MARKET, ULTIMATELY DEFYING THE ANTICIPATED RECESSION, PREDICTED BY ECONOMISTS AND WALL STREET STRATEGISTS FOR 2023."**

Germany emerged as a standout performer in 2023, delivering an impressive +32.0% (EUR) total return.[3] This stellar performance was fuelled by a robust recovery in the multifamily sector, led by Vonovia, a company we highlighted as one of our preferred investments in our 2023 Outlook Report. U.S. REITs ended the year +13.3% (USD), aided by a more favourable policy forecast from the Federal Reserve.[3] Conversely, Hong Kong turned in the worst performance of any country, declining nearly -20% (HKD).[3] This decline was attributed to concerns over a slowdown in China's economy impacting commercial real estate fundamentals in Hong Kong and coupled with negative investor sentiment from the U.S.

Figure 1. 2023 Performance by Country



Source: Bloomberg LP., Hazelview Securities Inc. As of December 31, 2023. Total Returns presented in local currency.

Throughout 2023, higher interest rates tempered investor enthusiasm for REITs, resulting in outflows of $10.3 billion from dedicated mutual funds and ETFs.[4] This follows the $18 billion of outflows experienced in 2022.[4] We believe the sharp increase in interest rates over the past two years have had a profound impact on fund flows with a notable reversal observed in December when the sector experienced $271 million of inflows.[4] To provide context, during the years between 2012 to 2021, when fund flows were positive, the REIT industry averaged $11.8 billion in annual inflows.[4]

In the following sections, we will delve into the implications of the shift in monetary policy for REITs and identify how valuations lay the foundation for outperformance in 2024.

2024 GLOBAL REAL ESTATE SECURITIES FORECASTS

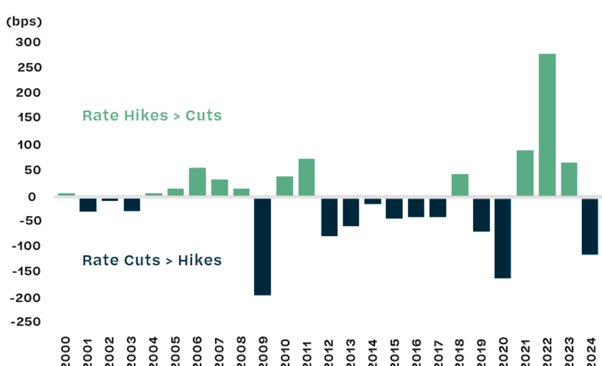
As we enter 2024, we believe REITs are ready to takeoff after two years of sitting on the runway.

We believe the current economic and capital markets environment is meaningfully more favourable today than it has been in the past two years, especially concerning the outlook for interest rates.

Recent economic signals indicate a slowdown in both inflation and economic growth, boosting the confidence of central bankers. They anticipate that the tightening of financial conditions, combined with the delayed impact of elevated interest rates and the reduction of central bank balance sheets, will likely restrain inflation to levels reminiscent of the pre-pandemic years.

As shown in Figure 2, according to the Bank of America, central banks around the world are forecasted to cut interest rates 152 times in 2024 – the first time in three years where interest rate cuts will outpace hikes.[5]

Figure 2. Global Central Bank Rate Hikes vs. Cuts



Source: BofA Global Investment Strategy.

In December, the U.S. Federal Reserve made a significant pivot, signaling the possibility for 75 basis points of interest rate cuts in 2024, responding to the anticipation of inflation reaching 2% by year-end. Similarly, the European Central Bank also suggested potential interest rate cuts, revising down its 2024 inflation forecast. China is also contemplating reserve requirement ratio and/or interest rate cuts to counter weak domestic demand and the risk of deflation.

As depicted in Figure 3, when central banks halt rate hikes, as seen in December, bond yields typically decrease.

Figure 3. Changes in U.S. 10-Year Bond Yields

	Aug '84	Sep '87	Feb '89	Feb '95	Mar '97	May '00	Jun '06	Dec '18	Average
-12m	100	214	118	192	52	80	122	29	113
-11m	97	200	87	138	23	50	92	10	87
-10m	100	201	61	72	11	76	103	-12	76
-9m	97	232	17	62	-13	46	90	-10	65
-8m	79	216	49	54	-8	53	63	-16	61
-7m	96	207	28	34	1	36	72	-30	55
-6m	69	218	4	55	7	47	84	-14	59
-5m	7	175	42	49	23	12	68	-8	46
-4m	-14	82	57	6	63	-26	64	-11	28
-3m	-86	76	30	-24	42	-12	39	-31	4
-2m	-113	100	34	-27	14	18	14	-44	0
-1m	-76	51	44	-16	37	57	15	-31	10
Last Fed Hike									
1m	-13	29	4	-44	18	-45	-20	3	-9
2m	-66	-41	-23	-46	-2	-33	-42	-12	-33
3m	-125	-33	-76	-60	-32	-59	-57	-14	-57
4m	-127	-50	-114	-146	-58	-58	-52	-20	-78
5m	-116	-102	-135	-146	-38	-69	-67	-36	-89
6m	-100	-101	-120	-119	-64	-76	-49	-73	-88
7m	-81	-63	-117	-143	-78	-124	-30	-70	-88
8m	-144	-37	-151	-148	-91	-119	-63	-115	-108
9m	-200	-22	-159	-168	-102	-132	-55	-97	-117
10m	-224	-52	-156	-195	-108	-165	-50	-100	-131
11m	-229	-31	-101	-209	-115	-117	-31	-97	-116
12m	-246	-29	-84	-206	-112	-98	-17	-83	-109

Source: Bloomberg LP., J.P. Morgan.

Therefore, we aim to address the question for investors:

WHAT IMPLICATIONS DOES THIS HAVE FOR REITS AS WE APPROACH 2024?

Looking back almost 30 years to 1995, when central banks paused their interest rate hiking campaigns, REITs emerged as the strongest asset class, delivering substantial returns over the subsequent six-month period, and over a nine-month period, REITs generated a 15%+ total return (Figure 4).

Figure 4. End of Hiking Cycle Total Returns

End of Hiking Cycle Return (1995-current)	1-Month Return	3-Month Return	6-Month Return	9-Month Return
S&P 500 Index	3.0%	6.6%	8.7%	11.2%
NASDAQ	3.5%	12.7%	8.3%	8.1%
Retail	2.7%	7.1%	11.1%	12.9%
Energy	0.7%	2.9%	4.1%	4.6%
Banks	3.2%	9.7%	15.8%	19.7%
Utilities	3.7%	9.9%	15.7%	21.1%
REITS	1.8%	7.4%	19.9%	15.9%
Transportation	4.4%	6.8%	13.8%	16.9%
Crude Oil - WTI	-5.9%	-4.4%	-11.6%	-12.7%
Gold	-1.3%	-3.0%	-0.7%	0.0%

Source: Bloomberg LP., JPM US Market Intelligence. Data as of July 7, 2023.

Where does this leave us?

In our 2023 Outlook Report, we identified three catalysts that would help REITs close the valuation discount:

- the pace of interest rate increases slowing
- corporate earnings exceeding dampened expectations
- mergers and acquisitions providing a floor for valuations

While all three catalysts materialized in 2023, the deceleration in the pace of rate increases and the shift in monetary policy stance had the most significant positive impact on REIT share prices.

Looking ahead to the investment opportunity landscape in 2024, we believe REITs that can deliver attractive earnings growth, retain pricing power in a slowing economic climate, grow margins, and trade at an appealing valuation with a higher-than-average expected return, will outperform.

As it relates to valuation, despite the flurry of gains experienced in November and December, we believe REITs are cheap relative to public equities, private real estate, historical valuations, and where we see valuations going over the next two years.

1

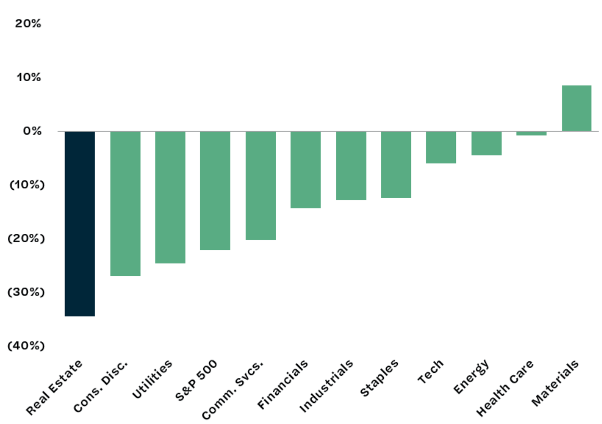
RELATIVE TO PUBLIC EQUITIES

As shown in Figure 5, since the beginning of 2022, global REITs underperformed global equities by 18.6%+, with roughly 13.6%+ of that underperformance taking place in 2023.[3]

Over the past two years, real estate fundamentals around the world, excluding the office sector, have been very good, characterized by better occupancy rates, rising market rents, higher net operating income margins, and releasing spreads on expiring leases and the reletting of vacant space. Since the beginning of 2022, the robust recovery in operating fundamentals has resulted in cumulative earnings growth of over 15% for the global REIT industry.[6]

Despite the growth, since the start of 2022, REITs have experienced a substantial contraction in its trading multiple of around 35%, surpassing declines observed in any other industry.

Figure 5. Change in Forward P/E Multiple Since 2021

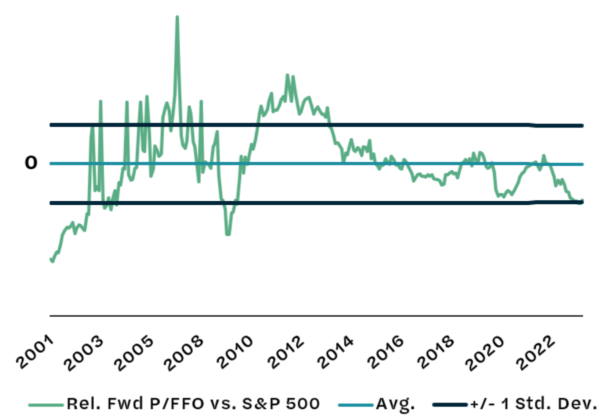


Source: Bank of America US Equity & Quant Strategy. Data as of November 30, 2023.

As shown in Figure 6, REITs are currently trading 1-standard deviation below their historical mean relative to the general equity market.

Over the past 20+ years, the only time periods where REITs have traded at such depressed valuations are the tech bubble burst in 2001, the global financial crisis ("GFC") in 2009, and the COVID-19 pandemic in 2020.

Figure 6. REIT vs. S&P 500 Index Forward FFO Multiple



Source: Bank of America US Equity & Quant Strategy. Data as of November 30, 2023.

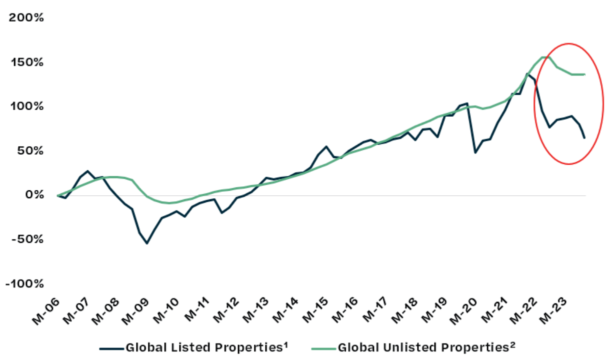
Comparatively, global REITs[7] are currently trading approximately 5.5% below their pre-pandemic peak in February 2020, while global equities[8] are trading approximately 30% above that level. This differential represents a ~36% spread, which is nearly equivalent to the decline in trading multiple experienced by REITs over the last two years.

2 RELATIVE TO PRIVATE REAL ESTATE

Economic uncertainty and capital market volatility in 2022 and 2023, caused by tighter central bank monetary policy, created a significant disconnect between public REIT and private market real estate valuations. As shown in Figure 7, public REITs are currently being valued significantly below core and stabilized private real estate, a dynamic we saw play out during the GFC, as well as the 2020 COVID-19 pandemic.

In both periods, public REIT share prices initially declined, like the past 24 months, but later outperformed over several years, ultimately narrowing the valuation gap with the private market. We face that same dichotomy today. However, this time the disconnect is wider and occurred faster than it did in the GFC and 2020 COVID-19 pandemic.

Figure 7. Discount to Private Real Estate



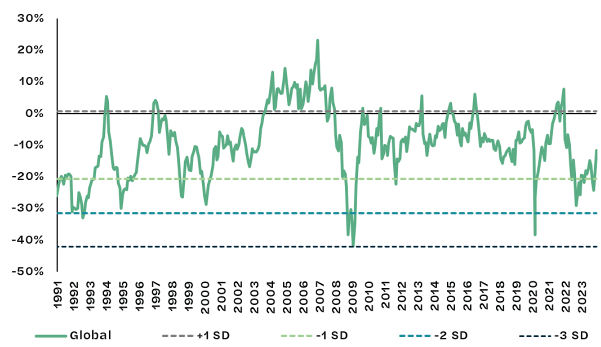
Source: 1. FTSE EPRA/NAREIT Global Local Return Index as of Q2 2006 to November 30, 2023. 2. GREFI All Funds Local Return Index, data as of Q2 2006 to June 30, 2023.

As illustrated in Figure 7, the current discount implied between public REIT and private market pricing is -30%.[9] We believe the gap between public and private real estate valuations has started to close and will continue to close in 2024, as seen in the prior cycles. If public REIT valuations were to revert to where the private real estate market is currently priced, that would imply a 43% upside.[9]

3 RELATIVE TO HISTORICAL VALUATIONS

As highlighted in Figure 8, global REITs are presently trading at nearly a 12% discount to spot net asset value (NAV), cheaper than their 30+ year long-term average.[10] We believe spot NAV reflects a higher interest rate environment than what is forecasted to be the case over the next 12 months. Meaning, spot NAVs may rise as rates fall and transaction volumes improve.

Figure 8. Discount to NAV of Global Listed Real Estate



Source: UBS. Data as of December 15, 2023.

As recently as November, REITs were trading at a 20%+ discount-to-NAV. As seen in prior cycles, it's common for discounts-to-NAV to exceed 20% for short periods of time. Historically, when REITs traded at a discount-to-NAV exceeding 20%, the sector has consistently reverted to NAV, often surpassing it. We believe the drop in publicly traded REIT valuations in 2022 and most of 2023 are likely finished, thanks to the pivot in monetary policy made in December.

4 RELATIVE TO HAZELVIEW VALUATIONS

Due to poor performance in 2022 and 2023, we believe REITs are cheap and the attractive valuations are a big part of the REIT story entering 2024.

Our valuation models suggest that REITs are priced at a high-teen discount to intrinsic value (defined as a blend between NAV and Discounted Cash Flow), which implies ~22% upside in price from today.[11]

Figure 9. Hazelview's Forward-Looking Projections

	P/D Intrinsic Value	Upside to Intrinsic Value	Dividend Yield	Potential Return Upside*
Global REITs Universe	-18.1%	22.1%	3.8%	25.8%

By Geography	P/D Intrinsic Value	Upside to Intrinsic Value	Dividend Yield	Potential Return Upside*
United States	-16.0%	19.1%	3.6%	22.7%
Canada	-23.2%	30.2%	4.9%	35.0%
Continental Europe	-22.7%	29.4%	2.8%	32.2%
United Kingdom	-21.9%	28.1%	4.2%	32.3%
Australia	-10.3%	11.5%	4.0%	15.6%
Hong Kong	-28.6%	40.1%	6.2%	46.3%
Japan	-20.4%	25.6%	3.4%	29.0%
Singapore	-14.5%	16.9%	5.4%	22.3%
Global REITs Universe	**-18.1%**	**22.1%**	**3.8%**	**25.8%**

Source: Bloomberg LP, Hazelview Securities Inc. Data as of January 3, 2024.
*For illustrative purposes only. The above hypothetical data is based on Hazelview Securities Inc. assessment and is not guaranteed. Potential return may be negative.

We believe our forward-looking valuation models are conservative, and throughout 2023, we increased the cost of capital for REITs to reflect a higher for longer interest rate environment. Should interest rates decline consistent with third party forecasts and central bank guidance, which could lead to higher asset values over the next 12 months, however, our forward-looking valuation models do not reflect potential cap rate compression.

For illustrative purposes, a 25-basis point change in cap rates could result in a ~7% increase in NAV.[11]

Thus, we see greater upside than downside to our NAVs, particularly as real estate transaction volumes improve, leading to better price discovery.

Finally, while REITs overall are trading at a large discount to intrinsic value, we believe through active management, we can strategically position our portfolios in specific companies, property types, and geographies with better upside and higher return potential to take advantage of the opportunities currently in the market.

How does this valuation paradigm change?

In addition to a more favourable interest rate environment in 2024, we believe there are further tailwinds that could assist REITs in closing the current valuation discount. These include resilient corporate earnings despite slower economic growth, and rapid declines in new supply, enabling real estate owners to exert greater pricing power for sustained rental rate increases.

1 RESILIENT CORPORATE EARNINGS

According to J.P. Morgan, the global economy is forecasted to grow 2.2% in 2024, which is slower than 2022 and 2023 due to the lag affect from 384 basis points of global tightening over the last two years.[12]

Even though economic growth is forecasted to be slower in 2024, we believe REIT earnings will prove resilient supported by annual contractual rent increases, positive releasing spreads upon expiration, and the lease-up of vacant space. According to UBS, global REIT earnings are forecasted to rise by over 10% cumulatively in 2024 and 2025.[6] This growth rate already incorporates higher property taxes, payroll costs and higher interest expenses from raised rates. The ability for REITs to deliver mid-single digit earnings CAGR that is more than twice the rate of real GDP growth is, in our view, both attractive and defensive.

In addition to the positive outlook for earnings, we see stark differences within the REIT Universe. While stock prices have suffered from negative sentiment, operating fundamentals differ significantly from company to company. Historically, we have found that we are able to generate attractive alpha after time periods where strong market reactions are mainly caused by macro factors, as experienced in 2022 and 2023.

RAPID DECLINES IN NEW SUPPLY 2

There are two sides to the fundamental coin: demand, and supply. Currently, demand for residential and commercial real estate space is good across most geographies and property types (with the exception of and life sciences), driven by a resilient global economy supported by ongoing job growth.

Not enough attention is being given to how much new supply is forecasted to decline in 2024 and 2025. A consequence of the rise in inflation over the past 18 months has been a significant increase in construction and financing costs over the last 12 months, from interest rates staying higher for longer.

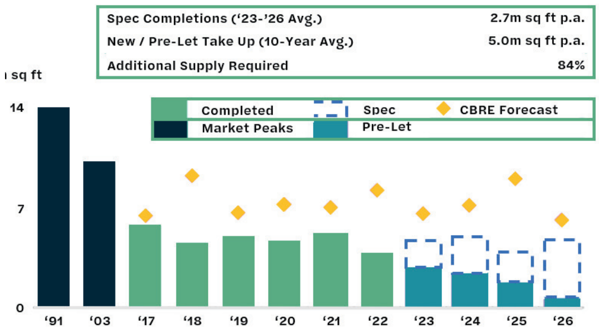
We frequently meet with companies and brokers who point to a supply shortage across numerous property types starting in the second half of 2024 and 2025. In certain markets, we began 2023 with minimal supply. The decrease in construction activity will further highlight the supply-demand imbalance in specific regions and property types.

For example, in the U.S. industrial sector, developers are experiencing tighter financial conditions, including higher recourse requirements and loan rates, making many projects less economically feasible. According to CBRE, industrial construction declined to 59.6 million square feet in Q2 2023, decelerating for three consecutive quarters, and down 50% compared to 2022. During their second-quarter earnings call, Prologis mentioned that new construction starts in Europe have decreased by 50%. We believe a declining supply backdrop in the second half of 2024, combined with a steady demand for space will result in a more sustainable rent-growth environment, as we enter 2025.

As demonstrated in Figure 10, according to CBRE and Great Portland Estates, supply of new Grade A space in central London between 2023 and

2026 is forecasted to decline to 2.7 million square feet per annum, which is 46% below the amount of annual demand (i.e., 5 million square feet per annum) experienced over the past 10 years.

Figure 10. New Office Supply in London to Tighten Further



Source: CBRE, GPE Half Year Results 2023 Report.

According to Vonovia, the German multifamily sector anticipates a decrease in new community completions and permits for new projects in 2024 and 2025. This is expected to result in a demand/supply imbalance of 700,000 units by the end of 2025. We believe that this imbalance will contribute to strengthened fundamentals and the potential for higher rents in the coming years. Considering housing supply shortages is a concern in many major economies, we believe municipalities and national governments will rely on private capital to solve those supply shortages.

According to Smith Travel Research, new supply in the U.S. lodging industry in 2024 is forecasted to rise slightly more than 1%, which is nearly 50% below the long-term average of 2%. We see travel demand as stable, especially from group and leisure customers. We believe steady demand combined with significantly less supply in 2024, may lead to an improvement in hotel occupancy rates that are still meaningfully below pre-pandemic levels.

According to Cushman and Wakefield, in the Canadian senior housing sector, construction starts as a percentage of total inventory is anticipated to decline to 1.5% of existing stock in 2023, the lowest amount in seven years, and down from 2.2% in 2022; 3.4% in 2021; and a peak of 5.6% in 2017. As a result of lower levels of new supply, Cushman and Wakefield is forecasting that national senior housing occupancy rates will continue to rise and match prior peak highs in 2025 and 2026.

CONCLUSION

As we enter 2024, we believe REITs are ready to takeoff after years waiting on the runway.

The current economic and capital markets environment is significantly more favourable than at any point in the past two years, especially regarding the trajectory of interest rates.

In the coming year, as we think about the investment opportunity set in REITs, we believe companies with resilient cash flows that can grow earnings faster than peers, in a decelerating economic environment and trade at an attractive valuation with a higher expected return, will outperform.

We believe REITs are cheap relative to public equities, private real estate, historical valuations, and where we see valuations going over the next two years.

Our forward-looking valuation models suggest REITs are priced at a high-teen discount to intrinsic value (defined as a blend between NAV and discounted cash flow), which implies an ~22% upside in price from today.[11]

For 2024, we are spotlighting a select number of companies that we believe are poised to create value and distinguish themselves from the pack. While we provided only a few examples, we think the underperformance of REITs in 2023 have provided us with the opportunity to build an entire portfolio of companies that we expect to deliver outsized returns in the next two to three years.

Our top investment opportunities for 2024:

United States:

AMERICAN TOWER

Canada:

CHARTWELL retirement residences

Europe:

MONTEA

ctp

Asia-Pacific:

sunevision

Ingenia

mirvac

UNITED STATES

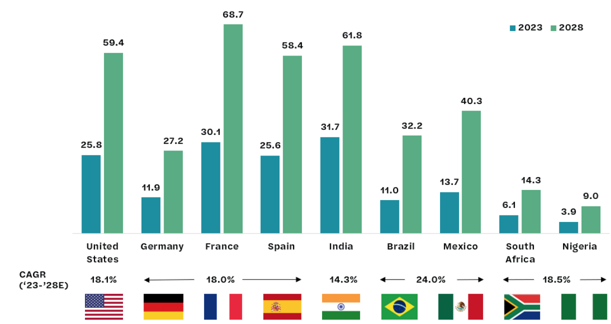
AMERICAN TOWER®

As we enter 2024, we see American Tower ("AMT") as a standout global investment opportunity, poised to capitalize on growing mobile data usage and the boom in artificial intelligence (AI). We believe AMT is well-positioned to benefit from these growth drivers leading to share price outperformance over the next 12 months.

American Tower owns the premier global portfolio of over 225,000 communication assets spread across 25 countries including 43,000 cell towers in the U.S. and Canada, and over 180,000 cell towers in Europe, Latin America, South America, India, and Africa along with one of the highest quality data centre portfolios in the U.S.

Global demand for cell towers is robust, driven by the deployment of 5G cellular networks around the world. Tower demand is a function of coverage (number of users) and capacity (data usage) among wireless users. As highlighted in Figure 11, mobile data usage is anticipated to grow by over 18% annually through 2028. As both the number of devices and traffic per device rises, the need for tower space will grow, resulting in increased demand from wireless carriers who will need to add additional telecommunication equipment to new and existing sites.

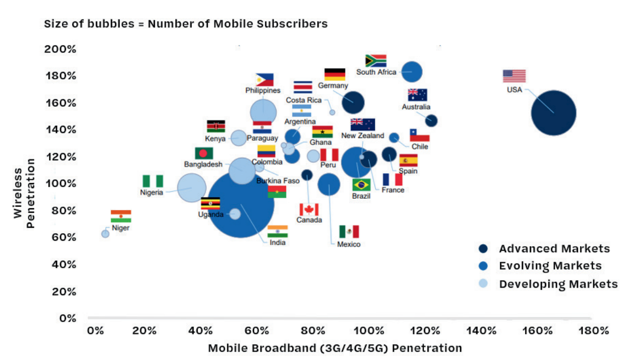
Figure 11. Monthly Smartphone Data Usage (GB/Month)



Source: American Tower, Ericsson Mobility Report June 2023.

American Tower's international footprint makes up ~45% of the company's revenue stream and in our view is a competitive advantage relative to peers who are more U.S. centric. As shown in Figure 12, mobile smartphone penetration rates in markets such as Europe, Latin America, South America, and Africa are well behind those in the United States. As 5G becomes more common internationally, we expect smartphone penetration to accelerate, leading to higher demand for cell towers. In 2023, organic tenant billings across AMT's international markets are forecasted to grow ~200 basis points faster than in the U.S., led by Africa at ~12% and Europe at ~8%. We see more of the same in 2024 with AMT's international footprint providing the company with a growth advantage relative to peers.

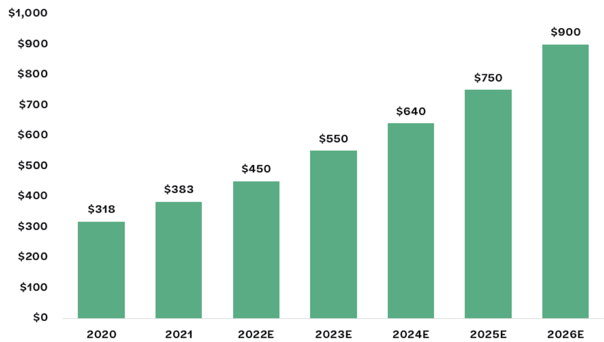
Figure 12. Wireless Penetration vs. Mobile Broadband Penetration



Source: American Tower, Bank of America Global Wireless Matrix April 2023.

In 2021, AMT spent $10.1 billion to acquire CoreSite, a leading data centre REIT in the U.S. that today owns 28 assets with over 38,000 cross connects totaling 250+ Megawatts (MW) in markets like Northern VA, Silicon Valley, Los Angeles and New York. Today, American Tower's data centre business is firing on all cylinders driven by the explosive growth in AI-related demand. As illustrated in Figure 13, Bank of America expects the global AI market to grow at a 19% CAGR over the next few years, reaching $900 billion by the end of 2026. This surge in spending on software, services, and hardware is expected to lead to a significant increase in AI workloads and demand for data centres.

Figure 13. Global AI Market Size (US$ bn)



Source: Bank of America.

In Q3 2023, new leasing activity in the top 8 U.S. markets exceeded 1 Gigawatt (GW) , setting a new quarterly record. Northern Virginia, which is one of AMT's largest markets, experienced 200 MW of leasing activity and a decline in vacancy rates to sub-2%. The ferocious appetite, coupled with lower market vacancy rates have led to a surge in market rents of over 35% in just two years. Considering supply bottlenecks in power availability and increased costs for land, construction, and financing, we anticipate a prolonged period of tight supply conditions. This is expected to lead to sustained growth in market rents and revenue for AMT's data center business throughout 2024.

In 2023, AMT underperformed the U.S. REIT market by 791 basis points as higher interest rates acted as a headwind on the company's trading multiple.[13] Higher interest rates have an outsized impact on the valuation of long-duration cash flows like those produced by American Tower, where master lease agreements can run more than 10 years with multiple five-year renewal periods.

Through the first nine months of 2023, AMT's share price declined 21.2% (USD), underperforming the U.S. REIT market by nearly 1,900 basis points. However, as interest rate headwinds began to abate in the fourth quarter, American Tower's stock price began to recover, outperforming by 1,775 basis points in Q4 2023 and recapturing most of the underperformance from the first nine months of the year.

As we turn the calendar to 2024, we believe lower interest rates will serve as a tailwind for share price outperformance, providing another arrow in American Tower's quiver over the next 12 months.

In a world of moderating economic growth, we believe American Tower's valuation is attractive, with the company trading at a 21% discount to our estimate of forward NAV, supported by ~5% top-line revenue growth, and ~3% fixed annual contractual rent bumps.

In addition to a more favourable interest rate environment in 2024, we believe there are further tailwinds that could assist REITs in closing the current valuation discount.

As we look ahead to the new year, we believe that Chartwell Retirement Residences ("CSH-U") is uniquely positioned to be a top performer in 2024. During the pandemic, senior housing communities faced significant challenges, including sharp declines in occupancy, restrictions on new resident move-ins which hindered occupancy rates, and increased labour costs impacting both NOI margins and earnings.

However, underneath this short-term headwind remains a positive long-term story, centered around the outsized demand tailwinds from the aging of the Canadian population, and the corresponding demand for retirement living.

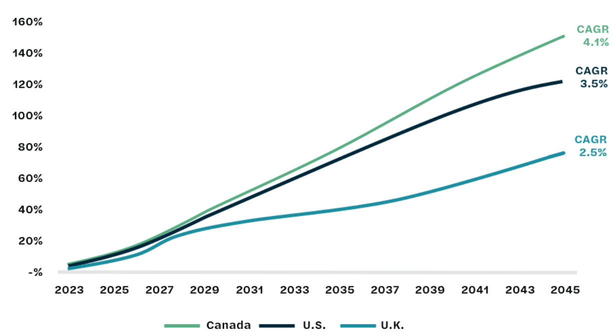
As we move beyond the challenges of the pandemic, we believe the senior housing sector is poised to experience an acceleration in top-line revenue growth at a time of moderating new supply due to elevated interest rates and material cost inflation limiting new construction, a trend expected to persist for some time.

Chartwell Retirement Residences is Canada's largest publicly traded owner and operator of retirement homes, with a portfolio of over 19,000 suites. Their portfolio is predominantly located in Ontario (47%), Quebec (34%), with smaller footprints in British Columbia, and Alberta. They focus primarily on the Independent Living (IL) subset of the seniors' housing market – seniors who still maintain a high degree of mobility/autonomy but may require additional care services.

Beginning in the spring of 2023, Chartwell began to see a notable recovery in their occupancy rate, driven both by the pent-up demand from nearly two years of various pandemic restrictions as well as changes Chartwell made to their marketing strategies, personnel compensation, and CRM systems. This occupancy recovery has persisted for most of 2023 and appears poised to continue well into 2024 and beyond, with Chartwell noting that move-in activity has surpassed their pre-pandemic averages, running more than 10% ahead in 2023.

This data is supported by the underlying demographics of the Canadian population. As per Statistics Canada, the 80+ cohort in Canada is forecasted to grow at a 4.1% CAGR through 2045 (Figure 14) which compares to a CAGR of just over 1% for the population. We believe Chartwell stands to benefit strongly from this demographic trend.

Figure 14. Projected Cumulative Growth in Population Aged 80+

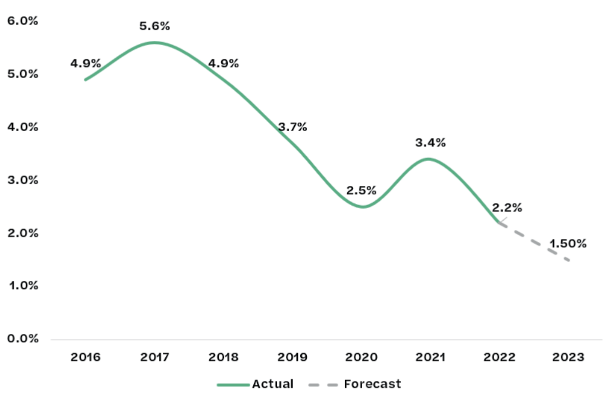


Source: Cushman & Wakefield: Seniors Housing Operating Performance, September 2023.

As we exit 2023, Chartwell's full-year occupancy will average approximately 80%, relative to its pre-pandemic occupancy rate that averaged closer to 90%. We see Chartwell still having notable room for revenue and NOI recovery in 2024, with most of the incremental revenue from additional occupancy dropping right to the bottom line.

Historically, elevated supply growth has weighed on sector-wide occupancies and rent growth. Following the pandemic-era inflation in labour and material costs, coupled with the more recent rapid increase in interest rates, supply growth across all real estate sectors has been meaningfully curtailed, and seniors' housing is no exception. According to Cushman & Wakefield, construction starts as a percentage of existing inventory fell to 2.2% in 2022, the lowest level since 2016, and this is forecasted to drop further to just 1.5% for 2023 (Figure 15). With supply growth likely to run at a below-trend pace for several years, this provides a unique opportunity for owners of existing assets to potentially see occupancy recovery to well above pre-pandemic levels.

Figure 15. Historical and Projected Seniors' Housing Construction Starts as % of Inventory



Source: Cushman & Wakefield: Seniors Housing Operating Performance, September 2023.

Looking ahead to 2024, we believe Chartwell could get back to pre-pandemic occupancies with margins over the next 12 to 24 months. On these assumptions, we currently see great value in Chartwell, with shares priced to deliver an 18.5% annualized expected return while trading at a 25% discount to our forward NAV estimate.

During the COVID-19 pandemic, there was a significant surge in global e-commerce volumes, with stay-at-home measures forcing consumers to shop online. This rapid increase in the adoption of e-commerce drove a secular shift higher in the valuation of global logistics real estate. Although demand for industrial space has since cooled from the pandemic-era peak, we believe demand for space in Europe remains incredibly strong, making the sector one of our top ideas in 2024.

We believe three overarching trends are expected to drive outsized cash flow and valuation growth for logistics owners in the year ahead:

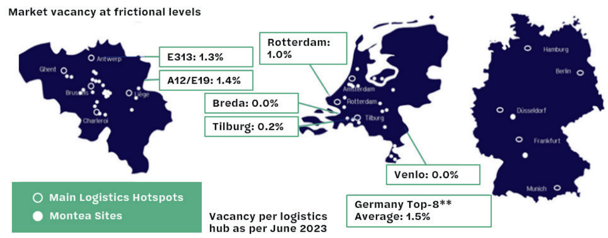
1. **Scarcity of land in strategically important regions proximate to major European ports**

2. **Nearshoring driving increased demand in Eastern Europe**

3. **Growing prevalence of ESG and sustainability measures accelerating the obsolescence of older, less efficient stock**

In key logistics markets such as the greater Amsterdam area, the supply of land available for new construction has drastically declined in recent years. Available land has fallen 73% between 2017 and 2021, which has driven vacancy rates to record lows. Vacancy in the Antwerp/Brussels region now stands at 1.3%, Rotterdam at 1%, and the top eight German locations are averaging 1.5% (Figure 16). At the same time, according to a CBRE survey, demand for industrial space is very high, with 67% of companies expecting to expand their footprint in the coming year. The scarcity of available land, combined with robust demand, is projected to have a lasting impact on both market rent growth and asset values in the coming years.

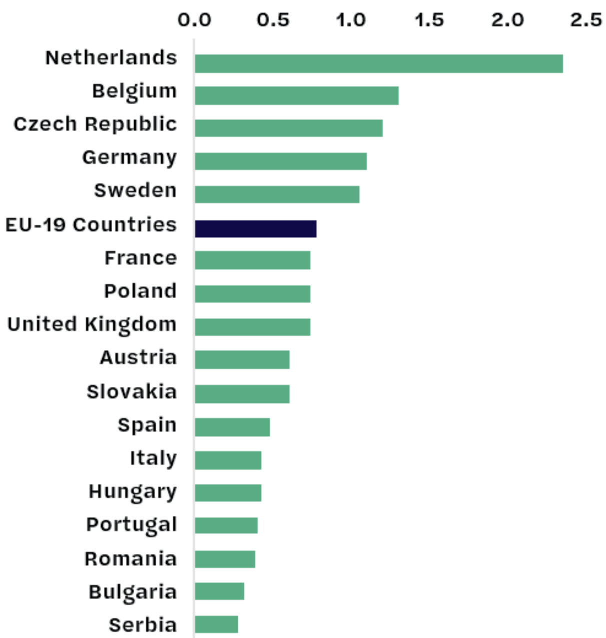
Figure 16. Vacancy Rate Across Major European Logistic Hubs



Source: Montea September 2023 Investor Presentation.

As it relates to nearshoring, many firms have increased their inventory levels to build a buffer against any future supply chain interruptions. Furthermore, firms are increasingly diversifying their manufacturing base away from Asia, while companies in Europe are looking to Eastern Europe as a viable alternative. These are markets that have not previously played a significant role in the European logistics market, and as a result are comparatively under-developed relative to Western European peers. For reference, square metres of logistics space per inhabitant stands at just 0.7 in Poland and 0.4 in Bulgaria, relative to a range of 1.2 to 2.4 across Germany and the Netherlands (Figure 17). Going forward, we believe growing demand and low supply in Eastern Europe should greatly benefit owners of existing logistics real estate in these markets.

Figure 17. Industrial Space Per Capita Across European Nations



Source: CTP September 2023 Capital Markets Day Investor Presentation. Industrial & Logistic sqm/capita, Q4 2022.

Europe is a leader in prioritizing ESG and sustainability principles. Industrial facilities have above-average energy consumption, often due to their high degree of automation. This has a major impact on their environmental footprint and energy costs. Sustainability in Europe favours tenants who focus on implementing net-zero target.

After evaluating the European logistics sector, we believe Montea ("MONT.BR"), a Belgian company with assets primarily in France and the Benelux region, and CTP, a Dutch company focused on Eastern Europe, are best positioned from strong fundamentals in 2024. Montea is characterized by the high quality of both their properties and locations. This quality is evident when looking at key performance indicators – Q3 2023 occupancy of 100%, same-property rental growth of 7%, and a peak-to-trough EPRA valuation decline of just 0.8% as 30 basis points of capitalization rate expansion was almost entirely offset by growth in underlying rental rates and income. Over the next two years, we expect Montea to develop approximately 40% of their existing land bank, adding over 600,000 square metres to their portfolio, representing 30% growth in leasable area. Between pre-leases and advanced negotiations, the pipeline is almost entirely spoken for at rents that correspond to a 7% yield on cost, generating more than 35% growth in net rental income by year-end 2025. The expansion of Montea's asset base, coupled with our positive projections for rental rate growth in their portfolio, leads us to anticipate significant outperformance by Montea in the upcoming year. From a valuation perspective, we expect Montea to generate same store revenue growth, approaching 5% annualized over the next 3 years, which when combined with new developments gets us to a 30% annualized expected return.

CTP ("CTPNV") is a logistics company, listed in Amsterdam, with a portfolio primarily concentrated in Eastern Europe. More than 45% of CTP's portfolio is located in the Czech Republic, one of the most developed logistics markets in Eastern Europe, with the remainder spread across Romania (15%), Hungary (9%), and Slovakia (6%), as well as smaller portfolios in Western Europe spread across Germany, the Netherlands, and Austria. CTP's existing portfolio totals 11.2 million square meters with their land bank supporting another 20.7 million square meters of potential development, half of which CTP intends to develop by 2030.

We expect CTP to continue benefitting from the nearshoring trend and high demand for logistics assets in Eastern Europe, particularly in Poland where the majority of CTP's 1.9 million square metre current development pipeline is located.

CTP's superior footprint in Eastern Europe, high tenant demand for industrial space and a low-cost structure, provides the company with an ability to deliver development yields exceeding 10%, providing a tailwind for future earnings growth.

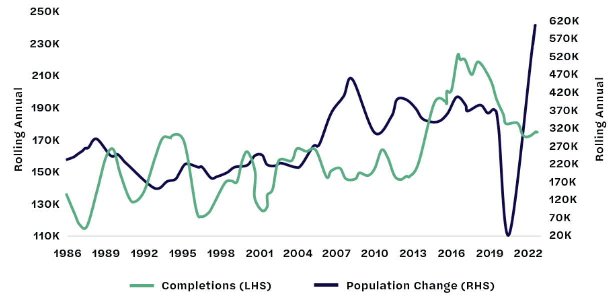
Should deliveries exceed our conservative estimates, we believe CTP shares are priced to deliver a 13% annualized expected return, with additional upside from their development pipeline.

We see tremendous opportunity in the Australian residential sector, driven primarily by a structural supply/demand imbalance that we believe will only grow larger over time, driving outsized rent growth and value accretion for owners of residential assets. We believe the favourable landscape will allow for strong outperformance in 2024 in both Mirvac ("MGR") and Ingenia Communities ("INA.AX"), which is emphasized by the prospect of declining interest rates.

In 2023, Australia welcomed more than 624,000 new residents, setting a new record for overseas migration (Figure 18). With the demand side of the equation continuing to surge, the government of Australia has revised their five-year home construction target to increase by 20% from 1 million to 1.2 million, equating to 240,000 completed housing units per year. However, actual results for both completions and new starts have fallen well short of those goals.

We do not anticipate these trends changing due to Australia's aging labour force and planning laws, which are likely to persist and serve as ongoing constraints on the country's ability to meet housing demand with sufficient supply.

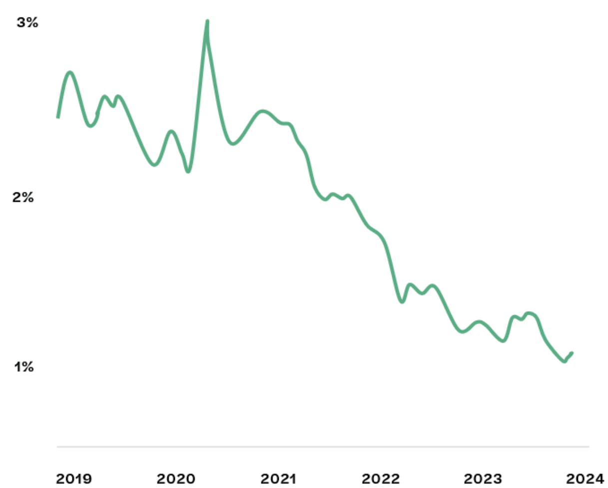
Figure 18. Rolling Annual Dwelling Completions vs. Population Change



Source: Australian Bureau of Statistics; 2023 Federal Budget.

This dynamic has resulted in a sharp decline in Australia's national residential vacancy rate to 1% as of October 2023 (Figure 19), driving high single digit rent growth and property price appreciation across Australia's major cities. Over the next five years, the Australian government projects migration of over 1.6 million people. Because of the structural incapacity to build new supply, we anticipate a prolonged period of rent growth and property price appreciation and expect this dynamic to strongly benefit Mirvac and Ingenia Communities in 2024.

Figure 19. Rental Vacancy Rate - Australian National Average, All Dwellings



Source: Australian Bureau of Statistics; 2023 Federal Budget.

Mirvac is an Australian property company with exposures across office, retail, industrial, funds management, and residential. Approximately 75% of their business is the ownership and operation of investment properties, primarily office and industrial, and the remaining 25% is commercial and residential development. While the investment property portfolio provides solid recurring revenue, we see their residential business as the primary driver of outperformance in the year ahead.

Historically, Mirvac has earned 27% of their aggregate profits from residential sales, but this fell to 14% in 2023, as higher interest rates weighed on demand by reducing affordability. We believe Mirvac will see a resurgence in home sales in 2024 as interest rates continue to ease from their highs. In addition, we are favourable on Mirvac's product mix of both condos and master-planned home communities. Currently, condos are 45% more affordable than detached homes, making them a preferred choice for budget-conscious buyers. Mirvac's extensive land bank, supporting up to 23,000 units, sets the stage for sustained residential sales and earnings growth over the coming years. Finally, we believe Mirvac's valuation is attractive and priced to deliver a forecasted annualized expected return of 24.5%.

Ingenia Communities is a leading provider of lifestyle living rental properties and holiday accommodations. The company is Australia's largest provider of manufactured home communities, which are often targeted by empty nesters (those aged 50+ and/or retirees). In a manufactured home community, the landlord owns the land while the tenant owns the home that sits on the land. This allows for much lower monthly rental payments, making these communities a more affordable housing option for tenants.

We see Ingenia's focus on the empty nester tenant as a leading demand driver in 2024 and beyond, as growth in the seniors' population accelerates relative to all other population cohorts. Every day in Australia, over 600 people turn 65, while supply is only growing by 3,000 homes per year. In the coming years, we believe the 2.6% current penetration rate of lifestyle living rentals is set to grow notably given the demographic wave and the attractiveness of Ingenia's offering, relative to other forms of retirement living that do not allow for ownership of the underlying home.

In 2024, we expect new tenant settlements to rise as interest rates come down and transaction volumes in the housing market increase. Meanwhile, Ingenia's stabilized portfolio is projected to deliver high-single digit same-property NOI growth driven by CPI/fixed indexation, positive re-leasing spreads, and occupancy growth in the holiday accommodation business.

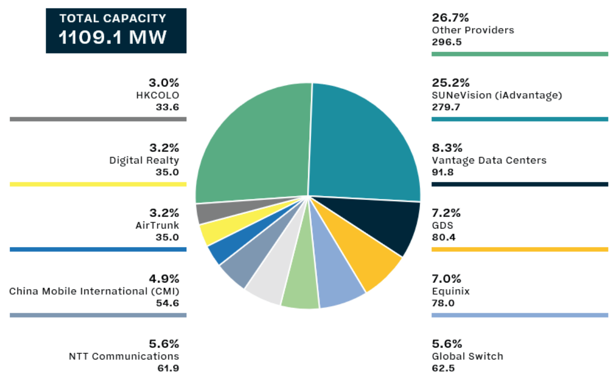
We anticipate that Ingenia will achieve substantial earnings growth over the next two years, leading to an expected annualized return of 17%, propped up by the mentioned positive factors and fundamental drivers.

Throughout 2023, the emergence of AI technologies and related consumer applications led to a rapid global rise in the profile of data centres due to the integral role they play in powering the AI revolution. Strong global demand for space, coupled with rising market rents, led to the outperformance of most data centre REITs in 2023, with the exception of Hong Kong. SUNeVision ("1686.HK"), Hong Kong's largest owner of high-quality data centres meaningfully underperformed in 2023, declining -24.0% (HKD) and trailing the global REIT market by 3,481 basis points.[13] We consider SUNeVision to be an exceptionally attractive investment opportunity in 2024, driven by the attractive combination of a discounted valuation and substantial earnings growth.

SUNeVision is strategically positioned to capitalize on current market trends, such as the expansion of cloud computing, the rise of the Internet of Things (IoT), and notably, the surging demand in AI workloads. SUNeVision's upcoming developments will nearly double their power capacity amid strong customer demand, positioning the company for double-digit annualized earnings growth over the next three years and setting the stage for potential outperformance in the coming year.

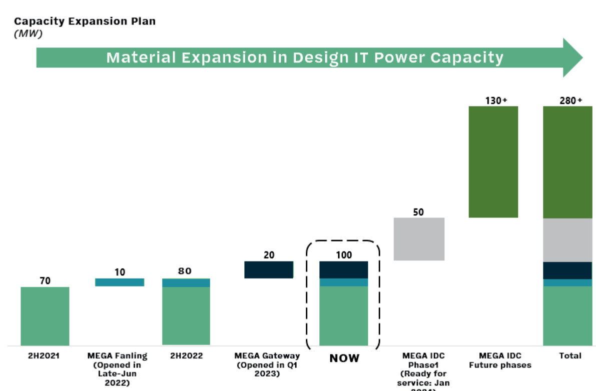
SUNeVision is Hong Kong's largest data centre provider with a total power capacity of 280 MW, which translates to over 25% market share (Figure 20). This far exceeds the 8% market share of their closest peer, Vantage. SUNeVision's outsized market share gives them a commanding presence in Hong Kong, with more than 80% of all major submarine cables in Hong Kong connected to their MEGA campus, and 75% of these cables terminating at their flagship MEGA-I data centre. Their portfolio is comprised of seven existing data centres, two cable landing stations, and one data centre under development that is expected to complete in Q1 2024, adding another 50 MW of capacity. Beyond this, SUNeVision has a further 130+ MW of capacity growth in future phases of their MEGA data centre expansion (Figure 21).

Figure 20. Total Hong Kong Data Center Market Capacity



Source: Structure Research.

Figure 21. SUNeVision IT Capacity Growth Overview



Source: SUNeVision Investor Presentation.

The Hong Kong data centre market is expected to grow at a 9% CAGR through 2028, driven primarily by growth in hyperscale and co-location activity. Despite concerns that geopolitical issues could drive hyperscale customers away from Hong Kong, current deployments persist, and there is an increasing desire for new builds by both domestic and international tenants. We believe Hong Kong plays a critical role as a connectivity hub that will shield it from broader geopolitical tensions. The city's land constraints should drive major hyperscale companies to lease data centre space from providers like SUNeVision, rather than owning it directly.

As a result of these trends, we believe SUNeVision is poised to outperform in 2024 and is the best way to gain exposure to the rising demand from hyperscale companies, within the local Hong Kong market. Furthermore, we think the market has yet to fully factor in SUNeVision's projected earnings growth in the coming years, especially as recently completed data centers start to increase their utilization rates. On a FY25 EV/EBITDA basis, SUNeVision trades at a multiple that is just half that of their APAC peers (9x vs 17.5x), and one-third the multiple of U.S. data centre REITs (9x vs 28x).

The company's significant discount relative to peers, along with our projected substantial earnings growth, gives us confidence in strong returns for the year 2024.

TEAM

Hazelview Investments is an active investor, owner and manager of global real estate investments committed to creating value for people and places. We have an active, hands-on investment management platform that helps us find opportunities to invest in sustainable long-term cash flow and we are committed to fostering the long-term growth of our employees, residents and the investments we make for our clients.

Equipped with an experienced team of real estate professionals strategically located in major markets (Toronto, New York, Hamburg and Hong Kong) provides an advantage of global perspective and the ability to stay on the pulse of new developments. This 'feet in the street' presence allows us to be face-to-face with local markets, enabling us to accurately and efficiently source, underwrite and monitor global real estate investments.

Our key investment strategies include Core and Focused and are offered to both institutional and retail audiences through a range of public and private vehicles.

Meet our seasoned, institutional team of investment professionals covering key global markets made up of:

- Portfolio Managers: 20 years average experience; 16 years together
- Dedicated 13 person REIT team located in 4 global offices
- Managing C$2.4B in global real estate
- 10-year track record

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SOURCES

1. Bloomberg LP. Represents the FTSE EPRA NAREIT Developed Total Return Index in Local Currency.

2. BofA Global Investment Strategy. Data as of September 29, 2023.

3. Bloomberg LP. Data as of December 31, 2023.

4. Citi Investments Research. Data as of December 21, 2023.

5. BofA Global Investment Strategy. Data as of December 15, 2023.

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7. Represented by the FTSE EPRA NAREIT Developed Total Return Index in USD.

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9. UBS. Data as of November 30, 2023.

10. UBS. Data as of December 6, 2023.

11. Hazelview Securities Inc. Data as of January 3, 2024.

12. J.P. Morgan. Data as of November 21, 2023.

13. Bloomberg LP. U.S. REIT Market represented by the EPRA NAREIT United States Total Return Index.

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