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This is the Private Wealth Podcast with Manulife Private Wealth.

Speaker Participants

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Presentation

Leslie Brophy, AVP, Head of Investments and Head of Sales, Manulife Private Wealth

Hello, everyone. Welcome and thank you for taking the time to join us at this quarter's Manulife Private Wealth Webinar on Analyzing the Real Estate Landscape in Canada.

My name is Leslie Brophy. I'm the Head of Investments and Sales at Manulife Private Wealth and I will be your host today.

Hawkish central banks around the world have been steadily raising rates in an attempt to counter rising inflation and to tighten up on the monetary stimulus provided during the COVID-19 pandemic, driving both fixed income and equity markets into bear territory. The two recent 50-basis-point increases by the Bank of Canada in its key interest rate has many Canadian homeowners on watch, worried by how much their monthly mortgage payments are likely to go up and the bite the increase will take out of their household spending budget.

The good news is, the Bank of Canada reports in its 2022 Financial System Review that other consumer debt is down and the share of Canadians falling behind on their debt payments remains at historical lows.

So how can investors counter the negative effects of inflation? One of the ways that has proven effective is to invest in commercial and industrial real estate. This asset class has a long history of generating stable yet appreciating income and capital growth, while providing the potential for portfolio diversification and inflation protection.

We know the Canadian economy will continue to evolve due to fiscal and monetary policy, shifting consumer sentiment, and the overall health of the business sector. And the real estate market will ebb and flow in tandem. In this episode, our guest speakers will assess the macroeconomic trends for the upcoming quarter and comment on the current landscape of real estate investing in Canada.

As always, this webinar is prepared solely for your information. For those interested in a replay or in sharing the contents of this call with others, we are recording this segment and a copy of the recording will be available to participants on our website at manulifeprivatewealth.ca or LinkedIn at Manulife Private Wealth.

If you have any requests or questions after this call, please feel free to contact a member of the Manulife Private Wealth Team.

Our first speaker, Alex Grassino, is the Head of North American Macro Strategy Multi-Asset Solutions Team at Manulife Investment Management.

Alex forecasts macroeconomic and financial trends, analyzes the economy and capital markets for potential opportunities and risks, and contributes to thought leadership both within the firm and externally. In addition to his work on the Multi-Asset Solutions Team's returns forecast process, Alex provides portfolio and positioning views, directs thematic research, contributes to and coordinates internal and external publications, and is an active participant in various internal investment and risk committees.

With that introduction, Alex, I'll hand it over to you.

Alex Grassino, Head of North American Macro Strategy, Multi-Asset Solutions Team, Manulife Investment Management

Hi, Leslie. Thanks for having me on again. It's a pleasure to be here.

So, I think I was here last quarter. And when we did this last time, we were talking about how dramatically the world's changed over a few short weeks, even at that stage, and how the outlook was very far from being certain.

At this stage, the picture's starting to clarify and, unfortunately, the reality is that it looks like the risks are tilting very clearly to the downside. It's worth unpacking what's led to this view.

Well, at this stage it really comes down to two interconnected things that you've already mentioned—so

I might be a little bit redundant here but anyways—that we talked about before but that are becoming increasingly important. And they're basically inflation and how current inflationary pressures are shaping monetary policy.

So, if we take a look at what's happening with inflation right now, it's very clear that most forecasters, very simply put, got what inflation would look like wrong. And we're certainly in that boat as well. So, it's forced all of us to go back to the drawing board and think about how the process of price pressures are going to evolve over the next months, quarters.

And the idea that we're increasingly centring in on, at least internally, is the concept that we are transitioning from COVID-related inflation, which we're all fairly familiar with at this stage, towards something that's a little bit more pernicious, and that's conflict-driven inflation.
So to be fair to forecasters—so I'm giving myself a bit of an excuse here—there is some evidence that the first part of the narrative—so that's the COVID part of the inflationary picture—is beginning to unwind, at least at the margin. So if you look at things like freight costs from China, discounting on some excess inventories that are starting to happen, chipsets globally that have been affecting the car industry, those are all looking like they're starting to get a little bit back on track.

Here's the rub, though. The second part that we're talking about now, so the conflict-drive inflation part, is causing price spikes in areas that the consumer is likely to see and feel a lot faster than the other parts that we've been talking about.

If you put it another way, I mean, it's very nice that the prices of used cars, TVs possibly, patio furniture are all going to go down. But you don't buy those things every single month. However, you do go to the grocery store every single week, and you also go to the pump every single week, unless you're lucky enough to own an electric vehicle in these days, in which case congratulations. But I don't think everybody's in that boat right now.

The reality is that consumers feel it a lot more clearly and it becomes something that is top of mind a lot more. So it's starting to erode consumer confidence to a great degree than you know complaining about sort of the idiosyncratic pressures of, you know, having to buy a more expensive BBQ are. And it is very clear in various parts of the data that we're looking at when it comes down to consumer surveys and that sort of thing.

At this stage, the reality is that fighting inflation is priority one for the Fed, the Bank of Canada, pretty well every developed-market central bank that we have right now. And the spillover effects are very clear. And it's also very clear that a lot of the stuff they used to talk about before the pandemic, things like overall economic growth or well-performing markets, are almost an afterthought at this point.

Essentially, the way I think about it is that there's a level of needs that you have to meet before you get to be able to talk about markets and broad growth. And again, it comes back to priority one—inflation. And that's something that has evolved and that is front and centre. And if they have to break things, so be it. So essentially, what you're talking about is the idea that, if a market's correct by 10, 12%, which it has done, the Fed would step in, and support is out the window until there's a clear reason for why—until there's a clear signal that things like inflation are back on track again.

It makes perfect sense too when you listen to what the Fed's saying at this stage. When they're talking about inflationary pressures, they're very clearly aware of how painful some of the inflationary pressures in things that they traditionally don't talk about when they talk about inflation are. So again, food and energy. Those are two things that you strip out when you're talking about core inflation. Right now, they matter more. And Chairman Powell took the very unusual step recently of specifically talking about headline inflation and talking about consumer confidence, which you very rarely hear central bankers do. They have to get that back in line basically to get back to where they need to be.

The problem is that there's not a whole lot they can do about it directly. When you think about global commodity prices, things like oil and wheat, which are at the centre of what Russia and Ukraine—the conflict in Russia and Ukraine are impacting, higher interest rates aren't going to do anything to fix that problem.

So essentially what they're trying to do at this stage is target other parts of the economy that they can cool demand in, so even if specific areas still hurt, maybe there will be some relief in other areas. So you'll see the headline figure drop off precisely because of unwinds from the COVID-related inflation, so things like cars, and probably also because of cooling demand from durable goods.

So if you look out over the next two or three quarters, we do think it's coming. And the unfortunate reality is, when you look at all of it from a policy perspective, this idea that we're close to the end is probably just not quite accurate. We got 75 basis points most recently from the Fed and we do expect them to front-load the cycle at this point, which is quite a distinction from where we were before when we expected inflation would come back into line and the Fed would have the luxury of slowing down on the pace of monetary policy tightening.

And there's one very clear spillover here that we have to talk about, which is in interest rates. The bottom line is that, when you look at rates, they're not high by historical standards by any stretch of the imagination. But if you do look at charts like mortgage rates, they have gone parabolic and the speed that they've moved matters a lot. If you've heard me speak in the past, you've heard me say that, when you look at macro it's not just how far you go but how fast you get there. And the Fed and other central banks are essentially moving at light speed at this stage. So the likelihood of some sort of accident or something breaking happening is certainly a lot higher than it had been before. And if you look back to the comments we were talking about in March, we were talking about how fast they moved from September to December to when I gave the talk, we're moving even faster now. So that pace has not slowed down one bit so far.

And the reality is that this will spill over into things like real estate—I'm looking forward to hearing more on that in a little bit—durable goods, basically any interest-rate sensitive part of the economy. So when we do talk about the consumer balance sheet right now, it is something that we can take comfort from, especially in the United States. Canada's in a little bit of a different situation. But the reality is that the sanguine view of the consumer is usually predicated on a high balance sheet and on the ability to lever up. Those are the two pushbacks we get most frequently. And our big concerns right now are, one, the balance sheet statistics are lagged, and if they've been benefitting from the run-up in the equity markets, they will look a lot weaker when you see the most recent data prints start to come through.

And two, if you talk about a willingness to lever up, that might be true especially in the United States, but the thing that we have to look at is bank willingness to lend. And we don't know where that is yet. Anecdotal evidence is starting to pile up around tightening. But the problem is that we don't have any real data until the surveys come out and that's only in August. So we could be in a bit of blackout phase at the moment.

To be clear, we don't think that the consumer is going to fall off a cliff next month. You're probably going to see a deterioration more in the fall at this stage. So we have a few more months of probably positive data until that starts to happen.

If you look at corporates as well, it's not just what's happening in terms of credit spreads, which are critically important, but also the levels. So you'll probably see some weakness start to filter through, especially with the so-called zombie companies, so companies that are basically working to pay off the interest on their debts. If you're seeing massive resets there, you could start to see signs of distress in that area as well. So these are all factors that we're looking at that we're quite concerned about at this stage.

If we look over at Canada, it's a similar story to the United States. The Bank of Canada has become very aggressive. And in fact, they front ran the Fed a little bit by adding an optionality from more aggressive rate increases a few weeks before the Fed did, so we expect the path to be quite similar there. But on top of that, and when you look at Canada, yes, things have gotten better, but broad consumer leverage and the housing market are still factors of concern that we hope the Bank of Canada continues to weigh very carefully.

Europe, obviously we're talking about a bit of a mess here. There had been initial hope that maybe the conflict would be short lived; that's clearly not going to happen. And the picture becomes a lot foggier over there because of it.

And it's not just because of prices and it's not just because they're close to the war, but it becomes the risk of weaponization of energy as a policy tool over there. When you look at the possibility of gas being cut off, which is already happening in parts, it might not just be that cars are more expensive; it might be that, for example, German manufacturers can't make cars because they don't have the energy to run their plants. So things like that are areas that are quite front of mind for us at this stage.

So overall, the outlook is pretty glum, which is not exactly where I want to leave you. So I also want to talk a little bit about what I think we could see that will make things go a little bit better at this point.

There's really a few things that I'm looking at. One is the hope that the Fed gets cover to start to ease off on policy faster. So, if things like airfare, like used cars start to roll off, and you see inflation move clearly in the direction that we all want it to, so back towards that 2% target, even if it doesn't get there, if it's moving in that direction, that would be a very positive sign. If you start to get discounts from excess inventories at this stage, which you're starting to see evidence of in certain parts of the economy, that also would help inflation.

Basically, what we're looking for is any evidence that the Fed has cover a start to pull back on aggressive interest rate increases. That we'd view as positive. And the way we would see it and the sign that we would look as a clear risk-on event for markets at this stage would be signs of Fed speak starting to turn in that direction. So you're looking for key words like, pause and assess, or anything that would give us evidence that they're not going to go 75 basis points in successive meetings. Those are really what we're looking at this stage as signs that we can start to invest better.

Because one of the bedrocks of investment and macro planning in general is just knowing where things are. And that uncertainty for policy right now is creating massive volatility in the markets, which Leslie's talked about as well. But those are the things we're looking for and we do hope we get them in the next few months, but we're not quite there yet. So for now, just stay cautious.

On that note, Leslie, I'll pass it back to you.

Leslie Brophy, AVP, Head of Investments and Head of Sales, Manulife Private Wealth

Thank you, Alex. Certainly, a lot to consider as we go through this next period and move from COVID-stimulus inflation to conflict-driven inflation, and the pitfalls lying in wait for central banks.

Manulife Private Wealth's goal is to help you generate robust investment income that's built to last. As we continue our segment today, you'll discover that real assets have been gaining a lot of interest recently, with many institutional and high net-worth investors allocating investment dollars to timberland and industrial or commercial real estate for diversification.

Did you know Manulife has held real assets on its own balance sheet for over 95 years, aiming to add diversification, risk-adjusted returns, and market downside protection? As a result, at Manulife Private Wealth, we're able to offer our clients opportunities to invest in real assets that were once off limits to all but the very wealthiest of families and institutional investors, at reduced entry-level minimums.

These types of investments are subject to restrictions and availability. So for more information, please connect with your Manulife Private Wealth representative.

Our next speaker, Bryan Siekierko, is the Portfolio Manager for Manulife Investment Management's Canadian Real Estate Investment Fund and is responsible for the ongoing investment strategy of the firm's Canadian property portfolio, including acquisitions, dispositions, and financing.

As a valued speaker, Bryan was recently featured on Manulife Private Wealth's website, sharing his insights on some frequently asked real estate questions, where he provided his insight during short video clips. You can watch these videos in the article titled, A Spotlight on Real Estate Equity.

I'm pleased to welcome Bryan to the segment. Over to you, Bryan.

Bryan Siekierko, Portfolio Manager, Real Estate Equity, Manulife Investment Management

Thanks very much, Leslie, and thank you for inviting me to this call today. It's a great opportunity to interact with the Manulife Private Wealth team. It's a great support for our funds here at Manulife, and really appreciate the support over the years.

So, I get to talk about commercial real estate today; talk about a passion of mine. The majority of my career has been spent in this particular industry. And we're going to go over a couple of different points.

We'll start off by talking about commercial real estate and what it means from a private equity perspective, some of the different investments that you can make along those lines. We'll talk about commercial real estate as—the benefits of it to your portfolio as a diversification tool, as a strong risk-adjusted return basis that really is generated off of real estate returns. And I will get into some of the key attributes of what to look for when investing in a commercial real estate fund. And then finally I'll finish off by talking a little bit about the marketplace here in Canada and how the market environment is playing out for commercial real estate in what is seemingly a risk-on environment today.

So going back to the beginning and just talking about commercial real estate from a private equity perspective, so what does that mean? I mean, it effectively means you are going out and making a direct investment in the commercial real estate asset or fund.

You can access commercial real estate by investing in an asset directly and building up a portfolio on your own, but as Leslie mentioned, many of us do not have the availability of capital to go about doing that. We don't have hundreds of millions of dollars available to us to build an institutional-grade portfolio. So we rely on some of these funds, pooled funds, where multiple investors are coming together, pooling their funds together, allowing managers, as ourselves, to go out and build high-quality portfolios for them.

There's a number of different types of fund investments you can make, and I'll predominately be focused on talking about core funds today. It's what we operate here at Manulife.

Core fund essentially is a portfolio of assets that are institutional grade. There's a high focus on the income component. Obviously, when you invest in a commercial real estate asset, you buy the property, you're able to go out and lease that property to tenants, and you get rental income off of it. So, in a core portfolio, there's a heavy emphasis on ensuring that you have high-quality, stabilized assets with low capital exposure, that have long-term leases in place, and have good high-quality income coming off of that portfolio. About 80% of the return off of that portfolio should be coming from the income component, with the remainder being the capital growth, which generally comes from inflation of rents over time.

Moving up the risk chain, you can invest in core-plus funds, which basically have similar elements to a core fund in that it looks to provide a strong stream of income but has that plus component. So we'll be buying assets that are maybe 80% occupied, that require some capital investment to increase the value of that asset. They may have additional land availability on a specific site where you're allowed to go in and invest capital to do a building addition and create more space for leasing. So for the most part, you're still achieving a good, solid income stream off of this type of investment; a little bit more risk as it requires more capital reinvestment and get a little bit higher capital return off of it.

Then there's more risky investments you can make in different funds such as a value-add fund, which basically you'd be buying essentially a vacant office building or vacant assets and looking to reposition that asset to increase the occupancy again. Typically, you don't get significant cash flow off of these assets. You're looking at significant capital reinvestment to improve the asset value and achieve a strong capital return off of it.

And then finally, you're looking at probably the most riskiest investment you can make in the commercial real estate realm, which is an opportunistic fund, which is basically a development fund. You're going out and you're buying land, you're improving that land, you're going through the municipal approval process, you're looking at reinvesting, you're looking at building an asset and investing it in construction costs to build that asset, you're taking on leasing risk. So there's a number of risks that are taken on in that process and really is the highest level on the risk spectrum for investing in a commercial real estate fund.

I'll predominantly be talking about core funds here today. It's what we operate here at Manulife and is most relevant in the material that I'm going to present to you shortly. So moving on to the next segment, which is really talking about, what are the benefits of commercial real estate and adding that to your portfolio.

First and foremost, it's a great diversification tool. When you look at the variability and returns over time on a commercial real estate fund versus stocks and versus bonds, there's a very low correlation in returns across those different asset types. And what that means is that you're creating diversification. You're creating less volatility in your portfolio. You're creating less risk. So by adding commercial real estate, a direct investment in commercial real estate to your portfolio, you're effectively reducing the risk on your overall portfolio over time. It all has to do with the profile of returns and the variability of those returns over time, and the low correlation between asset types.

The next aspect to commercial real estate that is a real benefit to investors is that it produces really strong risk-adjusted returns. And this is heavily due to the fact that commercial real estate has this income component. When you're looking at a core fund, you're buying really solid, secure assets that have long-term leases in place, typically have good, secure covenant tenants in place as well to back those leases. So you've got contractual rents for some time and a really strong income component which creates a lot less volatility on the asset. There is the capital component as well, but—and it will fluctuate in value—but as I mentioned previously, the majority of the return off of that core fund really should be coming from that income component.

When you look at some of the financial metrics around commercial real estate and how it compares to other asset types as well, one of the methods we use in finance is looking at a Sharpe ratio, which effectively looks at the amount of return generated off an asset per unit of risk. So, the Sharpe ratio on commercial real estate over the last 10 to 15 years or so has shown to be significantly higher than other asset classes, which effectively means there is much greater risk-adjusted returns generated off of commercial real estate than other asset types. So, another great benefit there.

And finally, one of the great benefits and what's most relevant to the current environment is that commercial real estate is often seen as a good hedge against inflation. As I mentioned previously, one of the great elements of it is that we've got this income component. When we buy an asset, we lease it out to tenants, and they pay us rental income.

In inflationary environments, when you look at how rents have grown as compared to general inflation over time, rents generally grow consistently with general inflation. It either tracks inflation or tracks just below inflation over time. So you're able to grow your rents and grow your income off the property in accordance with inflation, provided that it isn't too significant of an economic shock that's happening. You need time for leases to roll over to be able to increase your rents on the properties and to effectively hedge against that inflationary pressure.

Now there are negative elements that happen as well when we have inflationary environments. Central banks obviously respond to that through increased interest rates, and that does provide some negative pressure on real estate values, as commercial real estate utilizes commercial mortgage debt pretty heavily. So, when you have your cost of capital increasing on the debt side, most investors require a higher level of return, which means that asset values are—there's negative pressure on asset values.

But ultimately, you know, the combatant to that is our ability to grow rents over time and the fact that it has been able to really track the level of general inflation in the market. You have this negative pressure from increased interest rates, but you also have this positive pressure from increased rents off of your properties. So those are just some of the great benefits of commercial real estate and why you really want to be adding that to your portfolio.

Now I'm going to talk about, I guess, some of the key attributes to commercial real estate funds, some of the things you really want to look for when making your first investment into a commercial real estate fund.
First and foremost, you really want to look at the diversification of that fund. Is it diversified by geography? Is it diversified by asset type? On a geographical basis, obviously, when you're looking at a fund and if it has all of

its assets located in Edmonton, Alberta, then you may want to think twice about investing in that fund.

The way we approach it here at Manulife, we spread our assets across Canada. We generally spread our assets by provincial GDP, so we effectively can get the whole Canadian economy represented in our asset base. It's a much more secure way of looking at investing across the geographical region.

The other side of diversification in a portfolio is through asset type diversification. Typically, a core fund will invest in four key asset types—that's multifamily, office, industrial, and retail properties. And the reason why we focus on those four major asset types is because of what I mentioned before that they have this profile that you can get long-term secure leases in place and security of income over time.

Multifamily sector is an exception to that, but you typically get shorter-term leases. But it's effectively a necessity of life; people need a roof over their heads, and there's a huge need for affordable housing. So, history shows that high occupancy rates on effectively managed assets in the multifamily sector have produced really strong income over time as well.

There are alternative asset types in which you can invest in, such as hospitality, in hotels, or you might be looking at doing seniors housing; there's student housing, there's investments such as that. But they're often looked at more operating businesses. They're more management intensive. You typically don't get the security and income over time with long-term leases. So they're typically not favoured by core funds here in Canada and abroad. So you want to ensure that there's a good mix of asset types within that portfolio.

Another thing to look at within the fund is—and this will be really dependent upon how much risk you're looking to take within your own portfolio—but how much debt is the portfolio utilizing. Typically speaking, if a fund is below 50% leverage, then it's pretty secure. There's not a lot of risk taken on through that amount of leverage.

However, when you start moving above 50% loan-to-value ratios on a fund, you start to—the risk actually becomes almost exponential: 60, 70% levels of debt. Your risk profile goes up quite significantly. So that's something you really want to watch for when investing in a core real estate fund.

The next aspect really is looking at the entry queues and looking at your redemption rates on that fund. So, if you're looking to place money quickly when going into a fund, you want to ask them what their typical investment time horizon is. It could be three months; it could be six months. Once you commit to placing capital within a fund, it does take some time for that capital to be placed. You want to ensure that that manager of that portfolio has an effective investment program going on so they can get your money working for you in a timely basis.

And then talking about the alternative to that, getting your money out of that fund, you want to ensure that it has strong redemption rates. You want to ensure that you have liquidity available to you that's necessary for your portfolio.

In some cases, you'll be subject to 30-day restrictions on redemptions. It could be 90 days, it could be 6 months, it could be 12 months. It's really dependent on the portfolio and the size of investment that you make in that portfolio. So you really want to understand that.

In some cases, certain funds will require you to pay a redemption fee. Fees are really important as well. You want to ensure that you're not overfeed by any manager out there and that you're paying for appropriate services. So, another key aspect to look for.

And finally, another aspect that you want to focus on is ask them about their valuation policy. When you're investing in a commercial real estate fund, you want to ensure that the values of that fund are representative of the values on the marketplace today.

A lot of these funds utilize third-party appraisers to provide a net asset value to the marketplace and, effectively, the value you would be buying into into that fund. So they use these third-party accredited appraisers to provide their valuations.

Here in Manulife, we do that on a quarterly basis to ensure that our assets are reflective of market values. There's no internal influence from individuals within Manulife to manipulate those values. So it's all done on a third-party basis, accredited appraisers, and they determine the values on the fund.

Some funds actually do internal appraisals. I believe they're still required to do it on an annual basis. But on a quarterly basis, they'll be looking at doing internal appraisals, which could mean that there's some internal influence on values and maybe not necessarily reflect the values in the marketplace at a given point in time. So, ask them about their valuation policy and ensure that they are valuating their assets with an effective process in place. Now moving to the final component of the presentation, just talking quickly about the Canadian marketplace and how that's shaping up.

Here in Canada, Canada has always been known to be a good secure market for commercial real estate. It's been known to be difficult to access, in particular because it's widely institutionally held. A lot of the big pension plans have gone in and gobbled up a lot of the great real estate assets here and are holding them very tightly and holding them tightly for a great reason, is that they're great investments to hold.

When you look at the return profile here in Canada compared to other markets around the world, you tend to see Canada as a low-volatile market. It may not achieve the same level of returns those other markets do, but when you consider the volatility, the lack of volatility here in the Canadian marketplace, the more secure investments, on a risk-adjusted basis, we're providing really strong investment returns on the commercial real estate sector.

And looking across the asset classes here in Canada, there's some really positive things happening, especially in the industrial sectors right now. We have this perfect storm that's been happening for industrial value growth, industrial property value growth to be happening over the last few years.

First and foremost, it was the advent of e-commerce. There's been significant demand for warehouse distribution space in Canada due to this new approach to retailing that's been coming into the marketplace, effectively pulling away from the retail market, and the new retail has really become industrial space through warehousing and distribution.

We've got lack of supply in land to meet the current demand. Looking at markets like Vancouver, for instance, where here's a market that is surrounded by mountains, it's got strong agricultural land reserve in place. I was looking at, actually, a research report recently that talked about the availability of land in Vancouver for industrial development, and there's about 3,000 acres of land left in that marketplace. Of those 3,000 acres, the average site size is 5 acres, which is not nearly enough to allow for modern distribution facilities to be built. And the estimate there within that market, there's only about six to eight years left of land supply for industrial development. So just to give you some perspective on how tight the industrial markets are, and really, what has been causing a lot of this rental rate growth we've been seeing in that sector.

The office market, there's definitely some challenges there still, seeing that the back-to-work initiative is—it's still not fully understood. We're not sure how that's going to play out. There is some positivity happening in the market right now, that leasing activity has been ticking up in portfolios across Canada. But definitely, still some uncertainty there about what the office environment is going to look like in the long term.

The retail sector seems to be having a nice comeback from COVID. A lot of the enclosed malls were shut down around Canada due to COVID restrictions. What we hold in our portfolios here is mainly grocery- and drug-anchored centres and needs-based retail, and those have been, you know, running quite effectively over this time period.

We're starting to see more interest in retail on a needs-based basis. We're looking at new pad developments. We're looking at increased rents on our property. So there's actually some good positive news out of bricks-and-mortar retail right now.

And finally, on the multifamily sector, I mean, we're still in a position here in Canada where housing affordability is an issue. We do not have the necessary supply to meet the demand for affordable housing. We've got increased immigration coming into Canada, with over 400,000 individuals coming in on an annual basis. There's going to be a significant need for affordable housing, and we do not have the stock available to meet that demand.

So, again, just going to be a continued, very strong investment to make, will produce really strong cash flows, and over time, will be a great investment for any core portfolio.

Now I guess I'll pass it back to Leslie to wrap up the event.

Leslie Brophy, AVP, Head of Investments and Head of Sales, Manulife Private Wealth

Thank you, Bryan. Definitely some key insights to real estate investing and the differentiation between investing for income generation versus capital appreciation for a given risk appetite and time horizon.

We hope today's comments were insightful and helpful towards understanding Manulife Private Wealth's view on the economy and opportunities for investing in commercial, industrial, and multi-residential real estate.

As Bryan pointed out, in general, by choosing real estate investing, clients who increase the diversification of their investments across more asset classes and regions across Canada tend to experience lower volatility, stable performance, and a hedge against inflation.

Should you wish to learn more about Manulife Private Wealth's specific investment platform, or for more information on our investment process, please reach out to a member of the Manulife Private Wealth team.

And with that, thank you for joining us today, and we look forward to hosting you at our next session.

Follow the Private Wealth Podcast on www.manulifeprivatewealth.com or contact us via manulifeprivatwealth@manulife.com for more information.

A widespread health crisis such as a global pandemic could cause substantial market volatility, exchange trading suspensions and closures, and affect fund performance. For example, the novel coronavirus disease (COVID-19) has resulted in significant disruptions to global business activity. The impact of a health crisis and other epidemics and pandemics that may arise in the future, could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other pre-existing political, social and economic risks. Any such impact could adversely affect fund performance, resulting in losses to your investment.

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