GLOBAL EQUITY | JANUARY 2022

Real Estate, Gaming, & Lodging

Industry Primer

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REGL
I. Industrial

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Industrial Real Estate – Primer

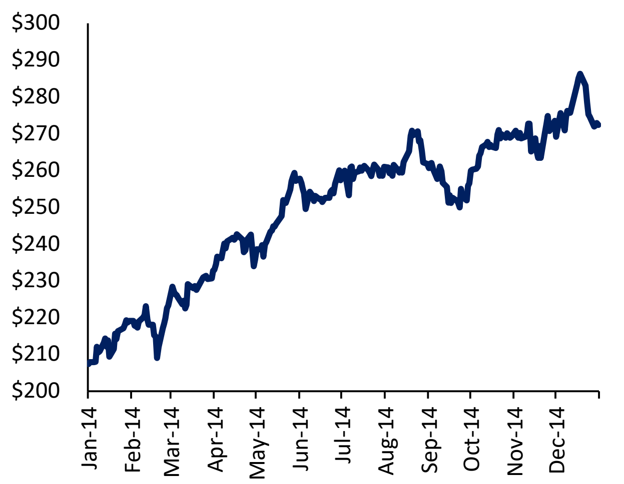
If You Build It, They Will E-Commerce

January 13, 2022

Industrial real estate (abbreviated as RE) is composed of properties primarily concerned with the development, production, movement, and storage of a plethora of raw inputs and finished goods. Subsequently, the industrial RE sector forms a key cornerstone of the world economy and plays an increasingly critical role in global logistics. This report focuses on both logistics and manufacturing industrial real estate in the North American (NA) market.

Industry Research ($US)	
NA Volume (Q3 2021)	**$42.7B (16.9% YoY)**
US Vacancy (Q3 2021)	4.4% (-1.1% YoY)
US Net Absorption (YTD)	413.3 MSF
Key Companies	
Prologis, Inc.	**NYSE:PLD**
Enterprise Value	$134.23B
EV/2021 EBITDA	32.03x
Newmark Group, Inc.	**NASDAQ:NMRK**
Enterprise Value	$5.43B
EV/2021 EBITDA	4.74x
CBRE Group, Inc.	**NASDAQ:CBRE**
Enterprise Value	$36.43B
EV/2021 EBITDA	14.8x

1-Year FTSE Nareit REIT Performance



Industry Overview – Record NA Demand & Growth

The North American industrial RE market recognized exceptionally strong rent growth across 2020 and 2021, with record demand and steady macroeconomic growth driving high absorption (i.e., new tenant space leased) and low vacancies and supply. While capital investment reductions and rising construction and materials costs present impediments, these factors have largely failed to dampen demand or new developments. Growth rates are expected to rise as investment increases into 2022, with 14.8B SF in global demand expected by 2023.

Industry Drivers – Logistics & Manufacturing Demand

The NA industrial RE market has recognized a marked shift toward e-commerce and third-party logistics (3PL). Logistics-oriented assets include warehousing facilities and fulfilment/distribution centres, flex manufacturing spaces, production lines, and specialized assets such as cold storage and life sciences facilities. Subsequently, demand is driven by downstream demand in relevant industries (e.g., last-mile delivery service providers). Supply and vacancy rates remain relatively low across the board, driving up rent prices and demand for new deliveries, especially in high-yield urban markets. Supply is expected to remain relatively constrained thanks to rising land/materials costs and sheer demand, despite record deliveries forecast through 2022 and beyond.

E-COMMERCE & LOGISTICS REAL ESTATE

Industry Analysis

Market Regions and Industrial RE Growth

The global commercial real estate (CRE) market – including industrial and logistics real estate – represents a considerable store of value and critical driver of the world economy. The market is estimated to have reached approximately $32.6T in 2020 (up from $30.3T in 2019), roughly split between the EMEA ($10.13T), APAC ($10.22T), North American ($10.12T), and Latin American ($0.95T) markets. The North American market is further divided between the United States ($9.4T) and Canada ($760.11B), which grew 6.24% and 2.9% YoY respectively. The industrial RE market grew approximately 6% during 2021 worldwide, fueled by rising property demand, record development and deliveries, and renewed investments.

Macroeconomic Benefits
Economic growth, inflation, and considerable demand stimulate investment growth and new deliveries.

Industry Benefits
Industrial rental price growth, low supply and vacancy rates, and consistent demand increase industrial earnings.

Industrial Real Estate Benefits and Challenges

Macroeconomic Challenges
COVID-19 recessionary pressure and mobility restrictions have the potential to dampen economic recovery.

Industry Challenges
Rising materials and land costs related to scarcity and supply chain issues increase development costs and reduce profits.

According to Colliers, the United States recognized particularly strong demand within the North American industrial RE market during 2021, with a 4.4% vacancy rate in Q3 2021 and virtually no single region rising above 10% vacancy. Net absorption stood at 413.3 MSF, with a 1.6% increase in new supply to inventory and 477.2 MSF under construction. Asking rents remained strong at $6.65 per SF for warehousing and distribution facilities. Across real assets and indices, industrial outlooks remain bullish, with FTSE Nareit Equity REITs in the industrial category posting 62.03% in total returns through 2021. Industrial and logistics real estate was similarly highlighted as a top area for investment (67% of US respondents) for 2022, driven by expectations of continued e-commerce demand and resolution of outstanding supply chain issues

Market Investment Asset Types and Strategies

Within the North American industrial and logistics-oriented real estate market, investment is anticipated to concentrate on a mixture of light industrial flex spaces and warehouses, along with logistics-oriented last-mile distribution spaces and facilities tailored to third-party logistics (3PL) providers. Primary drivers include the growth of e-commerce and the shift to a just-in-time (JIT) model in the wake of current supply chain challenges. Additionally, many industrial RE investors are expected to capture value in specialized properties such as dedicated cold storage facilities and container terminals which meet niche logistical demands.

Within the industrial and logistics sector, investment is anticipated to concentrate on a range of core (59%), core-plus (59%), value-added (59%), and development (57%) strategies to effectively deploy capital and maximize returns. North American capital deployment is expected to increase through 2022, with a growing focus on ESG (in accordance with RE benchmarks). In the United States and Canada, industrial real estate investment is expected to focus primarily on the following categories.

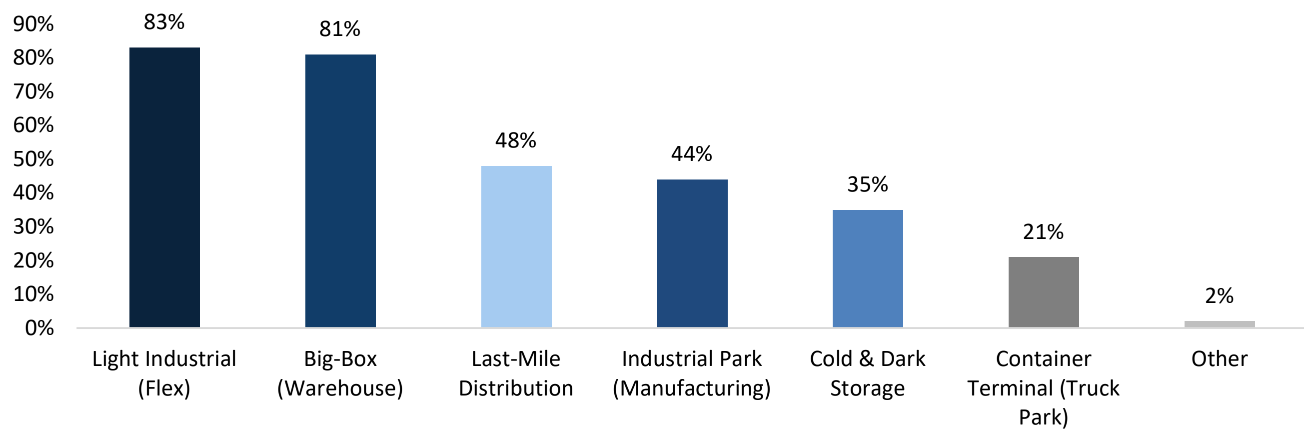


Figure 1. Forecast North American industrial and logistics real estate investment sectors, 2022 (in percentages)
Source: Colliers International

Market Absorption, Deliveries and Supply

The development of warehouses and fulfillment centres across North America is inextricably tied to growing demand for e-commerce, with 3PL service providers and other operators stepping in to fill supply chain gaps. While COVID-19 continues to challenge supply chains worldwide, e-commerce demand continues to grow; industrial absorption rates correspondingly remain strong, with anticipated industrial absorption of 855 MSF between 2022 and 2023 and new deliveries rising to 932 MSF during this period. Through 2022 and beyond, industry growth is expected to be further supported by currently low vacancy (5.8%), with North American net asking rent anticipated to reach $8.72 PSF by 2023.

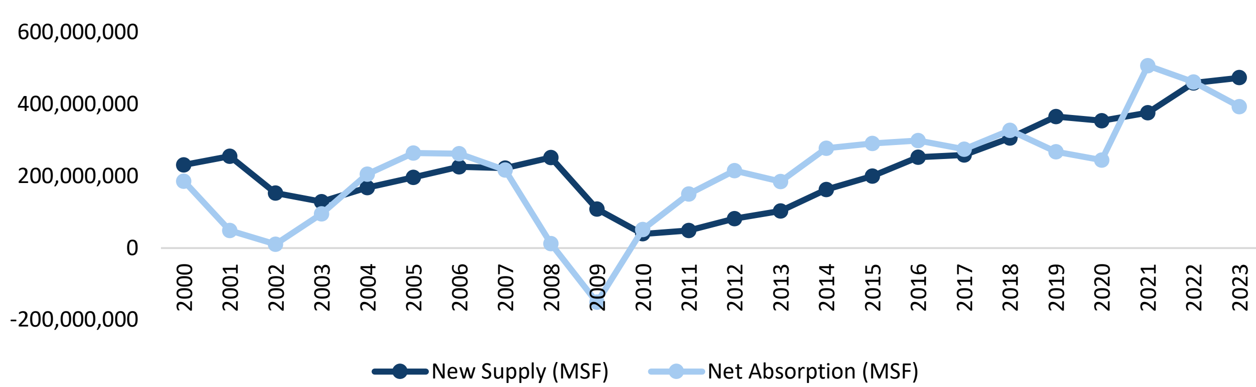


Figure 2. Historical and forecast North American industrial real estate supply forecasts, 2000-2023 (in MSF)
Source: Cushman & Wakefield

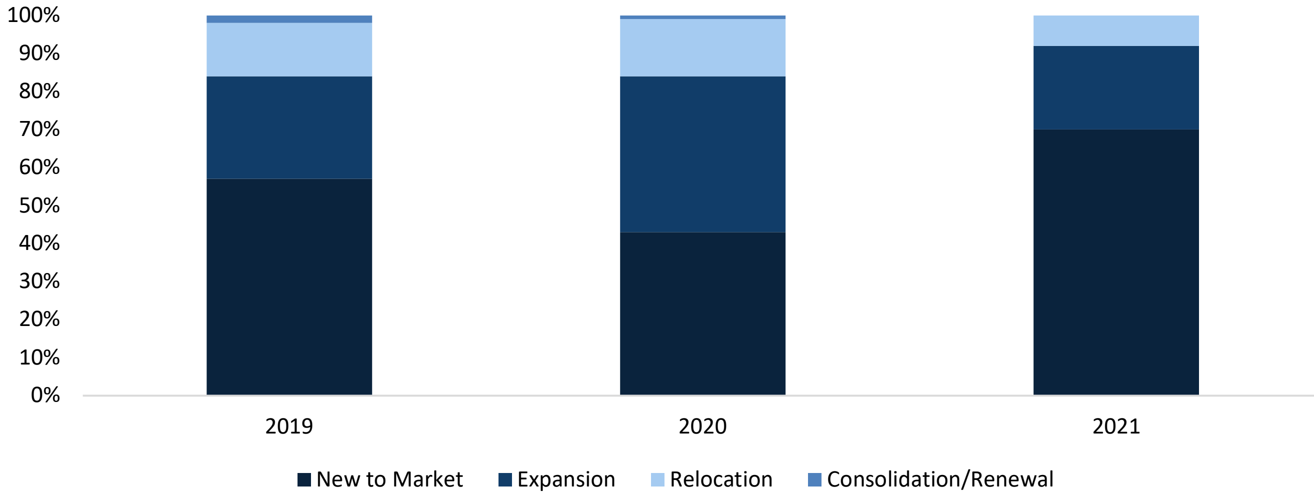


Figure 3. Historical US industrial real estate transaction trends, 2019-2021 (in percentages)

Source: Jones Lang LaSalle (JLL)

Market Rent Forecasts

The development of new industrial real estate projects is not anticipated to alleviate existing shortages in the short-term *ceteris paribus*, with strong rent growth across key NA industrial markets expected the foreseeable future at record rates that surpass the relatively stable 1.7% annualized growth (CAGR 2002-2023) recognized and projected over the past twenty years. In Canada, overall net rents are anticipated to hit $12.37 in 2023, approximately 42% higher than the North American average – driven by outstanding growth in key urban centers in the GTA and Lower Mainland. Until supplies are sufficiently delivered (which is highly unlikely given current trends), rent price growth is expected to continue largely unabated into the foreseeable future.

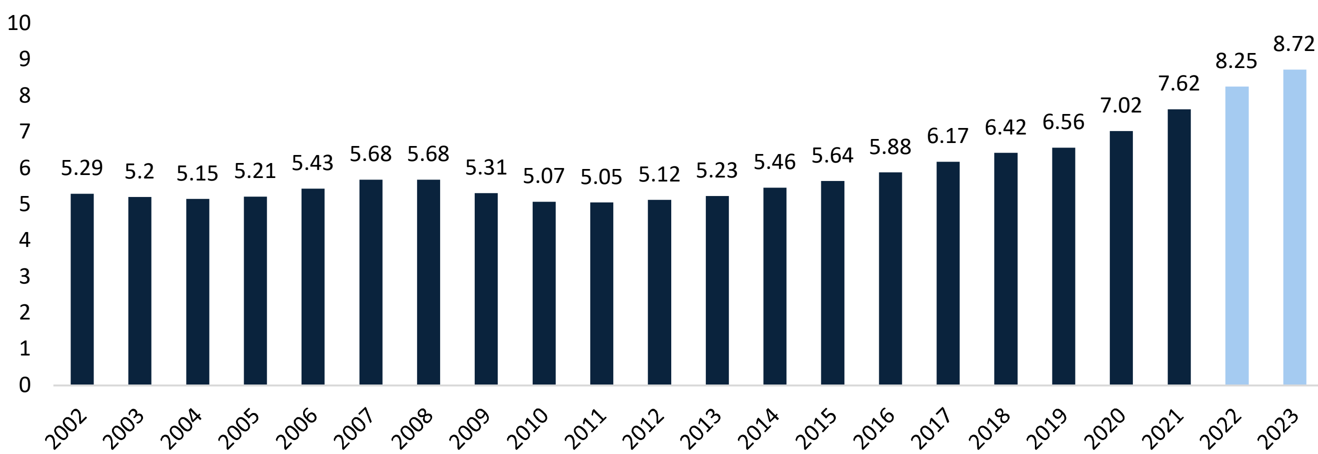


Figure 4. Historical and forecast North American industrial real estate rental price forecast, 2002-2023 (in USD)

Source: Cushman & Wakefield

Key Trends and Drivers

Global and North American E-Commerce Growth

E-commerce growth is a leading factor in the continued ascension of logistics-oriented real estate, with global e-commerce revenue anticipated to generate over $4.2T in 2022 and over $5.8T by 2025 at an annualized growth rate of 11.54% (CAGR 2022-2025), with almost 4.9 billion users during the same period. This exceptional growth only accelerated by the significant rise in demand in 2020 and 2021, spurred by a dramatic increase in online purchases during the global COVID-19 pandemic.

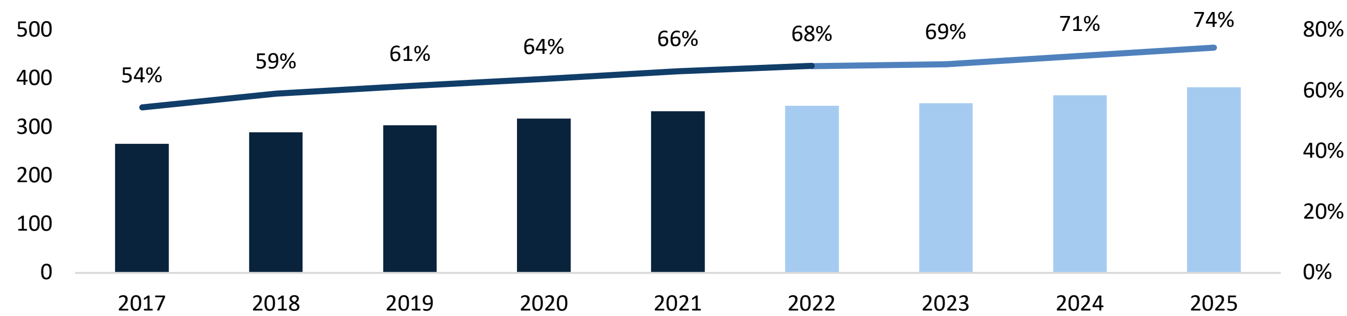


Figure 5. Historical and forecast North American e-commerce users and user penetration rate, 2017-2025 (in millions of individuals and percentages respectively)
Source: Statista

As e-commerce proliferates from an impressive 53.8% penetration rate in 2022 to an estimated 62.4% in 2025, investment in industrial RE remains essential. Warehouses and fulfilment centres, along with specialized facilities (e.g., cold storage), are vital assets for firms offering consumers order-winners such as last-mile delivery, along with 3PL operators filling gaps in the supply chain. With a projected NA market volume of over $1.5T in 2022 and a 68.1% user penetration rate, demand for e-commerce-oriented logistics facilities necessitates many new property deliveries to meet demand.

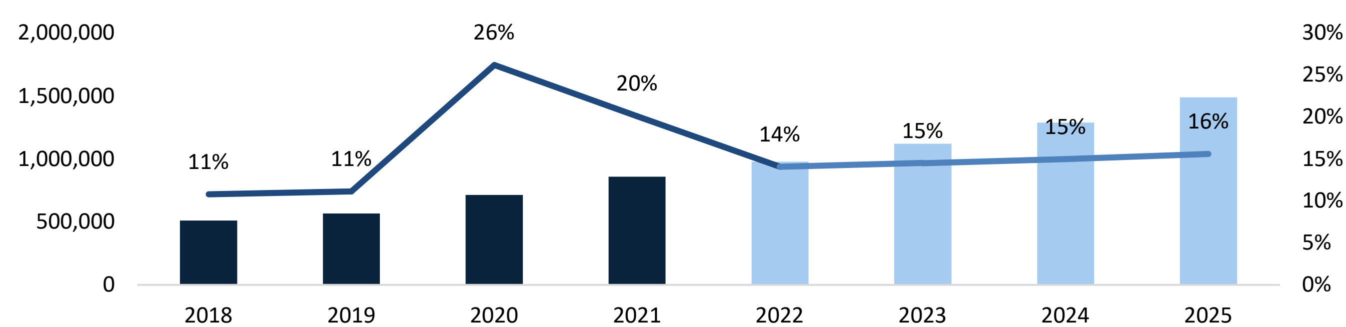


Figure 6. Historical and forecast North American e-commerce revenues and revenue change, 2018-2025 (in USD millions and percentages respectively)
Source: Statista

Facility Technology Adoption and Implementation

E-commerce demands a high level of speed, efficiency, and agility, which has driven a high level of technological innovation within dedicated logistics centres to accommodate consumers' ever-changing needs. The implementation of automation, supported by robust data analytics and extensive SCM frameworks, has further necessitated logistics-oriented real estate development. Modern technology has fundamentally altered how logistics companies approach traditional shipping and storage processes and, in turn, how they design, manage, and operate their industrial facilities. While technology adoption has the potential to minimize logistics space requirements, it necessitates additional land (e.g., external yard space) and dedicated facilities to support specialized semi-automated processing lines and storage centres. Land availability is an increasing issue in the NA industrial space, which inevitably increases development costs.

Facility ESG and Social Impact Trends

Shifting environmental requirements have placed a growing emphasis on ESG for investors and firms alike, with a growing majority of industrial real estate projects focusing on environmental and social sustainability. Environmental factors are a critical element of the real estate equation, which is responsible for a significant portion of global waste and GHG emissions (particularly in property construction and development). Operators in the global supply chain increasingly seek to offset their environmental impact through sustainable investment, which extends to the properties they lease and operate. As such, a growing emphasis has emerged on sustainability, as measured through real estate oriented ESG benchmarks such as GRESB (which is the only benchmark designed explicitly for real estate). Sustainability measures also include social considerations, particularly related to workplace safety and employee wellbeing, which has become a prominent social issue during the COVID-19 pandemic.

Interest Rates and Materials Costs

One of the single most significant challenges facing the industrial real estate industry is rising materials and other input costs, which have risen during 2021 (in part due to ongoing supply chain issues). Materials costs have hit new developments and limited new deliveries in many NA markets, further reducing supply and driving up development costs. While low interest rates have, overall, served as a boon for the real estate industry, which benefited from government actions aimed at stimulating continued investment and deliveries during the COVID-19 pandemic, there are conflicting outlooks regarding their long-term benefit to the industry, combined with expectations of rate hikes in Canada and the United States through 2023 which will increase cost of capital and impact both current and future developments.

Competitive Landscape

Prologis (NYSE:PLD)

Prologis, Inc. is the largest industrial REIT and industrial real estate company in the world, with a portfolio of almost 4,700 properties and one billion square feet. Prologis was formed through the 2011 merger of AMB Property Corporation and ProLogis, shifting from an initial focus on industrial parks and commercial shopping space toward logistics in the early 2000s; the company recently expanded to include a VC wing. Prologis' current strategy is based on a primary urban industrial focus, with an emphasis on warehouses and storage spaces. Since 1999, Prologis has prioritized e-commerce logistics properties, setting a strong foundation for success through the two decades.

Newmark Group (NASDAQ:NMK)

Newmark Group Inc. is a prominent, historic US commercial real estate advisory company. Founded in 1929 and subject to several notable mergers and investments (most notably with Koeppel Tener Real Estate Services in 2001 and London-based Knight Frank LLP in 2006), the company merged with BGC Partners (NASDAQ:BGC) in 2011. Newark Group currently offers an extensive portfolio of development and management services, including facilities and project management and a range of consulting and advisory services. Newmark Group's services are described as highly integrated, with every phase of property acquisition/development, ownership, and disposition broadly covered under its service umbrella.

Newmark Group's Newmark Grubb Knight Frank (NGFK) operates in the industrial logistics market in several capacities, including its NGFK Industrial Services suite, which offers a variety of in-demand facilities and ownership investment services, logistics facility assessment, and distribution centre analysis services.

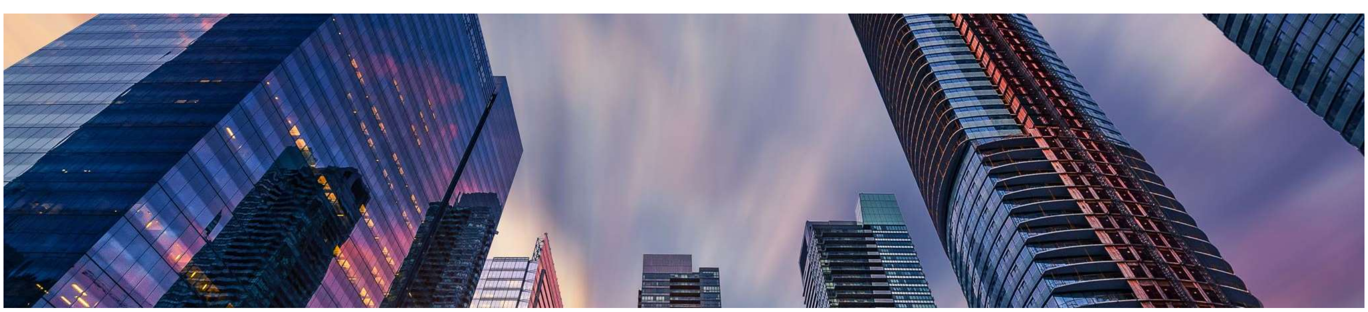
CBRE (NASDAQ:NMK)

Coldwell Banker Richard Ellis, or CBRE Group, Inc., is a leading US commercial real estate company and the largest global commercial RE services firm. CBRE, along with fellow market leaders Colliers, Cushman & Wakefield, and JLL (known as the "Big Four" real estate service companies), is a perennial Fortune 500 fixture. CBRE's service portfolio includes a wide variety of facilities and project management, sales and leasing, and valuation services, along with a host of investor offerings. With a long history tracing back to at least 1906, CBRE was publicly listed in 1996 and has grow steadily into a leader in the North American real estate market.

CBRE's Logistics Real Estate branch serves a range of clientele across industrial property sectors, including manufacturing, warehousing, and distribution clientele, focusing on scalability and incorporation into every stage of asset management.

Other Competitors

Other leading institutional competitors in the NA industrial real estate market include Colliers International (NASDAQ:CIGI), which offers a diverse portfolio of warehousing and distribution-oriented services; Cushman & Wakefield (NYSE:CWK), which offers industrial leasing and real estate services and comprehensive SCM solutions.



WESTPEAK RESEARCH ASSOCIATION

Prologis, Inc. (NYSE:PLD)

Analyst: James Tucker, BCom. '23
contact@westpeakresearch.com

Real Estate Investment Trusts (REITs) – Industrial REITs

Prologis, Inc. is a leading US industrial real estate investment trust (REIT) and the largest industrial real estate company in the world. Prologis operates two segments: Real Estate Operations (property ownership and development) and Strategic Capital (management of co-investment projects and other ventures).

Internal Analysis – Massive Portfolio Fuels Market Dominance

Prologis' industrial property portfolio encompasses $177B AUM, with an impressive roster of 4,675 properties (994 million sq ft) across 19 countries. The company's portfolio dwarfs competition, more than double other logistics REITs in many key US markets. Additionally, Prologis' $3.3B annual NOI is bolstered by inherent earnings consistency due to relatively lengthy, stable industrial leases. The company has benefited significantly from skyrocketing e-commerce, with 33.3% YoY revenue growth in 2020 alone. With 99.6% occupancy and 79.3% retention in Q3 2021, Prologis also benefits from high stability in its network of 5,500 clients.

External Analysis – CRE Demand Continues to Outstrip Supply

Prologis is anticipated to benefit substantially from e-commerce growth and ongoing supply chain disruption at the global level. The company boasts an estimated $2.2T global impact, generating 3.5% of GDP for the 19 countries it currently operates in. This level of market scale, with 461 million MSF and a healthy 20.8% unlevered IRR over the past 20 years, gives the company an extremely impressive track record and an excellent foundation for future sector expansion and growth.

Valuation

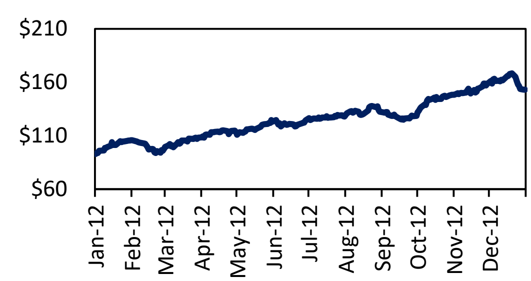
Our valuation was accomplished using DCF and CCA analysis and assumes above-average (8 – 9%) growth in 2023, with a reduction in net income due to increasing capital costs and materials prices for new construction. However, these headwinds are expected to be largely offset by enhanced demand growth for new logistics supply, which will fuel stable demand and EBITDA growth in the foreseeable future. In summary, we expect Prologis will exponentially grow earnings and retain its dominant position in line with market consensus, with marginal impact from market impediments.

Equity Research	US
Price Target	**US$172**
Rating	Buy
Share Price (Jan. 11 Close)	US$152.99
Total Return	12%

Key Statistics (US$)	
52 Week H/L	$169.9/$93.1
Market Capitalization	$113.1B
Average Daily Trading Volume	2.44M
Net Debt	$17.6B
Enterprise Value	$134.2B
Net Debt/EBITDA	4.8x
Diluted Shares Outstanding	$739.3M
Free Float	96.63%
Forward Dividend Yield	1.64%

WestPeak's Forecast (US$)	2021	2022E	2023E
Revenue	$4.1B	$4.5B	$4.8B
EBITDA	$3.6B	$3.9B	$4.2B
Net Income	$2.2B	$1.9B	$2B
EPS	$2.29	$2.31	$2.66
P/E	76.1x	66.6x	65.9x
EV/EBITDA	37.3x	35.6x	32.9x

1-Year Price Performance



MANUFACTURING REAL ESTATE

Industry Analysis

In Q3 2021, USA saw the Manufacturing sector a vacancy rate of 2.9% with average rent of $6.79. There was 3.5bn square feet of total stock with an additional 18mm square feet under construction. The overwhelming number of leases were between 10,000 to 49,000 square feet and the leasing market overall was dominated by 52.4% of leasing activity in the U.S. being under 100,000 square feet. However, this is mainly attributable to logistics and distribution as the 3PL industry represented for 28.3% of leasing volume in Q3. Industrial transactions are reaching record numbers, with Q3 2021 being the second highest quarterly total on record (JLL, Q3 2021).

One of the major changes as a result of the pandemic is the increased demand to have products sourced from a local supplier. As the pandemic has put a rapid increase in shipping prices (UNCTAD, April 2021). This has prompted many companies to consider deglobalization. As the previous benefits of lower costs are now diminished or obsolete. As companies look for new local suppliers, there will be an increased demand for local manufacturers, as a result driving the demand for industrial real estate.

USA Analysis

Lowest Vacancy	
Inland Empire	1.3%
Los Angeles	1.5%
New York City	1.6%
New Jersey	1.7%
Hampton Roads	1.9%
Orange County	2.0%
Highest annual net absorption	
Eastern & Central Pennsylvania	30,390,649
Dallas/Forth Worth	27,596,266

Chicago	25,675,945
Atlanta	24,357,847
Inland Empire	23,079,828
Houston	16,507,404
Highest under construction (s.f.)	
Eastern & Central Pennsylvania	41,772,612
Atlanta	37,702,741
Dallas/Fort Worth	35,135,082
Chicago	27,837,308
Inland Empire	23,597,763
Indianapolis	20,568,243

In USA industrial there is a 4.3% vacancy rate and industrial rents saw a 9.5% growth in 2021. The asking rent hit an average of just over $7 per square foot in 2021. As of Q4 2021, there was 586,261,264 square feet under construction. Q4 2021 saw deliveries of 355mm square feet adding to the existing 16mm square feet of inventory. There was 145.2mm square feet of net absorption (JLL Q4, 2021).

The 2022 Market outlook in America is indicating a resilient recovery despite the threats of the Coronavirus. It is forecasted that America will hit its peak COVID cases near the end of January 2022. Some key triggers to keep an eye out for are changes in monetary policy that will likely tighten to keep longer-term inflation pressures in check. Although this may have a short-term impact on the stock market thus impacting REITs, overall, the real estate private markets will likely remain unaffected. GDP is expected to grow by 4.6% thus improving conditions for industrial real estate. It is forecasted that inflation will hit its peak in Q1 of 2022 and slowly ease down, eventually hitting 2% near the tail end of 2023. 10-year treasury yields are forecasted to hit 2.3% by the end of 2022.

Source: (JLL, Q3 2021)

One of the new focuses within Industrial is ESG more than 75% of investors have adopted or are considering an ESG criteria, this is a trend that is expected to stay moving forward. ESG Criteria can involve many things such as swapping out inefficient items in a building such as old water heaters, hiring gardening companies that only use environmentally friendly chemicals, stopping the use escelators after a certain hour, having motion censored lights, and much more. It is likely that legislation will also be pushing more focus onto ESG investments. Given that 16% of CO_2 emissions in America come from commercial buildings, this will likely become something that is targeted to a greater extent as many developed countries are setting aggressive climate change goals.

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Commercial Real Estate - Primer

A Fresh Start

January 12, 2022

The Commercial Real Estate (CRE) industry is composed of office, retail, and hospitality. The industry saw significant reversal of growth since the COVID-19 pandemic due to companies opting for remote work, retail locations experiencing less foot traffic and hotels seeing downturn due to travel bans. Over the past year, CRE has grown compared to 2020, and the outlook going forward is more optimistic.

Industry View – Guarded Optimism

COVID-19 has made the short-term outlook of the CRE industry unclear. However, the industry is geared to adapt as offices learn to manage remote and in-person schedules and retailers have adapted to find a balance between brick-and-mortar stores and E-commerce. Companies have high demands to address ESG issues and aging technology in that will set the pace for next several years.

Industry Drivers – Adapting Properties to Accelerate Growth

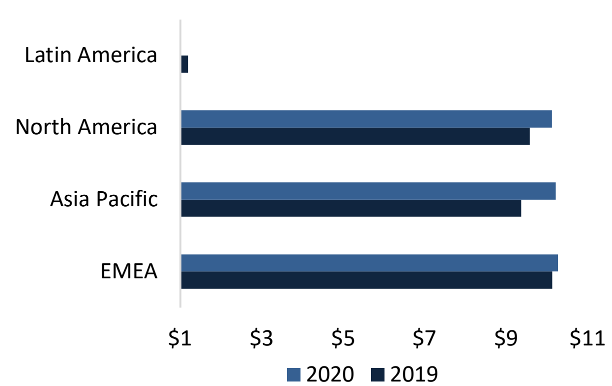
Companies are looking to repurpose commercial real estate spaces to maximize value – many retail locations may also have industrial uses going forward. Sustainable and technologically advanced properties are also keys to creating a better tenant experiencing and pushing for in-person work environments. Partnerships in property technology will help to create real estate-as-a-service (REaaS) model.

Industry Valuation – Property Valuation Metrics

There are various metrics that are used to value a property in the CRE space. They are broken down into the Cost Approach, which is based on how much it costs to build from the ground up, the Sales Approach, which considers metrics such as price per square foot or price per key, and the Income Capitalization approach which analyzes Net Operating Income and cap rate of a property.

Industry Research ($US)	
Global Market Size	**$32.6T**
North America Market Size	$10.1T
Europe, Middle East & Africa Market Size	$10.3T
Key Companies	
CBRE Group Inc.	**NYSE: CBRE**
Enterprise Value	$37.3B
EV/2021 EBITDA	18.7x
Jones Lang LaSalle Inc.	**NYSE: JLL**
Enterprise Value	$16.8B
EV/2021 EBITDA	14.6x
Hilton Hotels Corp.	**NYSE: HLT**
Enterprise Value	$50.7B
EV/2021 EBITDA	73.9x
Walmart Inc.	**NYSE: WMT**
Enterprise Value	$451.9B
EV/2021 EBITDA	12.4x
McDonald's Corp.	**NYSE: MCD**
Enterprise Value	$244.1M
EV/2021 EBITDA	20.4x

Value of CRE Market Worldwide (Trillions US$)



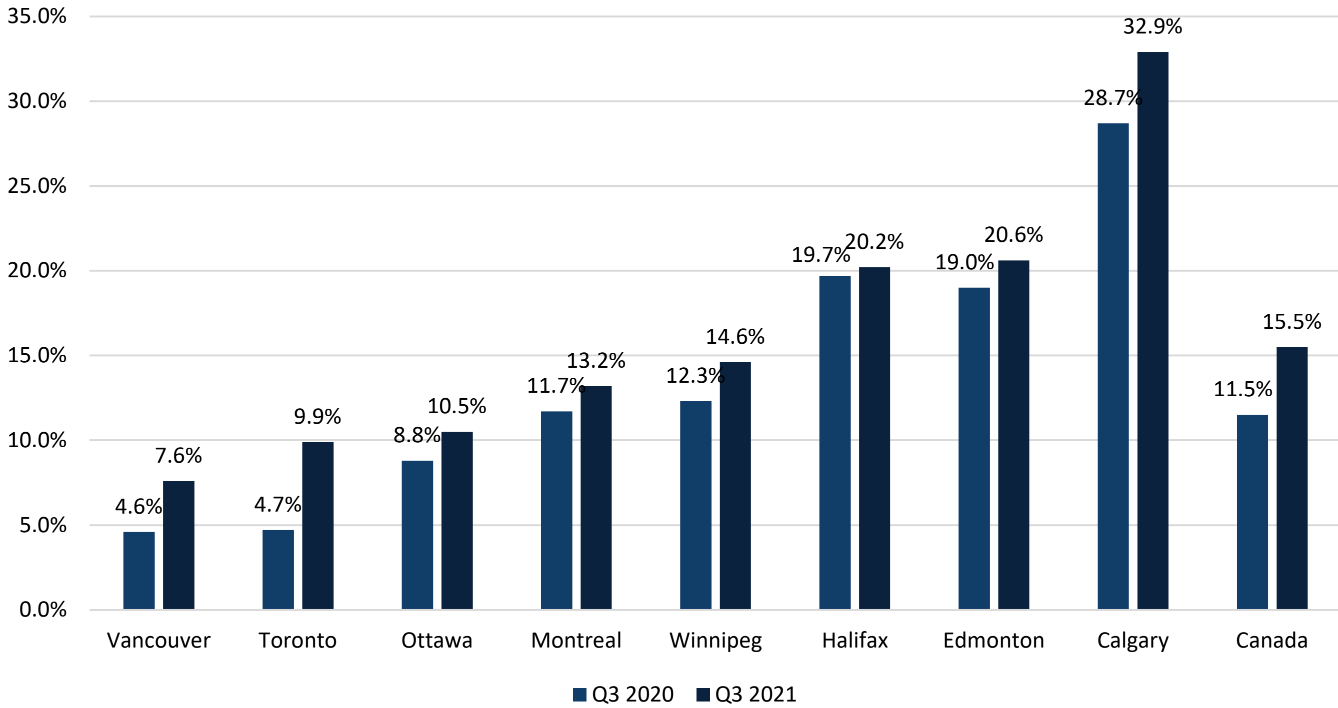
Office
Industry Analysis

Overview

Office real estate is a lucrative asset class of commercial real estate that can range from single story suburban buildings to multi-storied office buildings in urban areas. Office properties will include space from which employees can work, have meetings, business events or other work-related purposes. Typically, office properties will involve a long-term lease around five to ten years. In the years prior to 2020, companies were looking to reduce their office space requirements and have more open-concept and co-working environments. However, the pandemic's physical distancing mandates has required that offices need more space for their employees and less co-working areas. Furthermore, many companies were forced to move their employees to remote working environments. Office real estate in North America is quite segmented into the major metropolitan areas. There are three primary classes of office buildings. Class A office buildings are the highest quality of office buildings available and have higher-than-average rents, are typically newly renovated and in the central business district of a city. Class B office buildings are competitive buildings price in the average market rates; they are typically of equal quality to Class A buildings but are not in as highly sought-after locations. Class C office buildings are lower quality buildings, price below market rates and will not typically have accessible locations or amenities.

Canadian Office Real Estate Segmentation and Statistics

The largest markets for office real estate in Canada are the cities of Vancouver, Toronto, and Montreal. Prior to the pandemic, overall office unit vacancy in Canada saw a decrease from 13.2% to 10.9% between the years of 2016 to 2019. However, under the effects of the pandemic, vacancies rose to historic levels, reaching 15.5% today. However, the demand from prime office real estate still seems to be strong recently, with an estimated 17.3M square feet of office properties under construction in 2021. In Toronto, Canada's most populous city, the majority of office space is located in the suburbs, however, demand for downtown office buildings is far higher as the suburban office buildings have a significantly higher vacancy rate. The approximate asking rent per square foot of downtown office space in Toronto is $39.24CAD, with an approximate vacancy rate of 7.2%. However, unlike Toronto, Vancouver's office properties are primarily located downtown; the city is less populous than Toronto and is considered very densely populated in its downtown district.

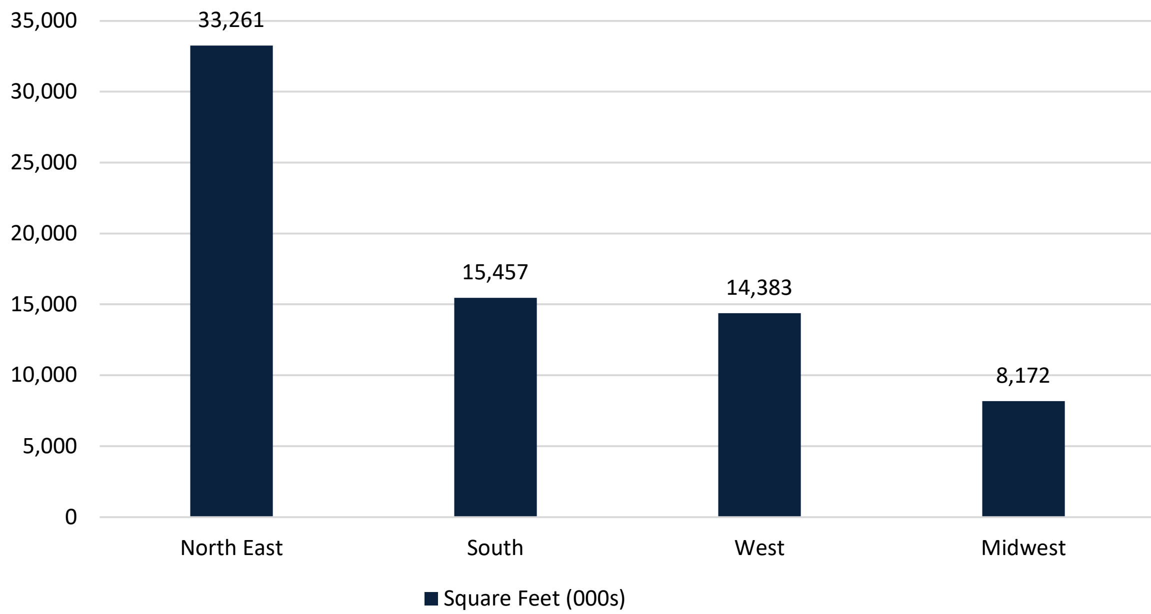


Vacancy rates in selected downtown office markets in Q3 2020 and Q3 2021

Source: Statista – EPRA Report

American Office Real Estate Segmentation and Statistics

While there are many large metropolitan areas in the United States, some of the most significant cities for office real estate include Manhattan, Boston, San Francisco, and Chicago. The entirety of the office sector in the United States was badly affected by the pandemic. The pandemic led to vacancy rates rites and leasing activity failing, as many companies did not renew their leases and paused plans for office expansion. Office space absorption remained negative through much of 2021, meaning that more office space was being vacated than leased. During Q2 2021, the size of the office real estate investment market was estimated to be $24.4B, and despite the aforementioned fluctuations due to the pandemic, rents have managed to steadily increase as they were before the pandemic. As of September 2021, gross rents have increased by as estimated 24% since 2008. Among the major markets of office real estate, the two most expensive markets were Manhattan, NY and San Francisco, CA. The annual square footage rent of these two cities were $128 and $95 respectively. Currently, the overall vacancy rate of U.S. office buildings is 12.4%. The largest U.S. office building purchase in 2021 was Americas Tower, located at 1177 Sixth Ave., Manhattan. It cost $800M and was purchased by CalSTRS, Silverstein Properties.



Amount of new office space under construction in the United States in Q2 2021 by region, 2022
Source: Statista – EPRA Report

Key Trends & Drivers

Repositioning Through Investment in Technology

Companies are finding that they can increase property value on their office buildings by investing in technological advancements for their buildings. Based on Deloitte's recent Global Outlook Survey, respondents have stated that having certain advancements such as building connectivity, market intelligence and geospatial analysis will benefit their company going forward. Furthermore, over 70% of respondents stated that improving the data-driven technology behind real estate finance functions will provide advanced forecasting and scenario planning. Regarding the blockchain, tokenization and cryptocurrency space, developers of office real estate have been found to favour blockchain in managing construction projects, whereas brokers on focusing on crypto-based payments. It is likely that implementation in this space will increase rapidly once larger players begin to invest in in the infrastructure required to create network effects.

Investing in new technological capabilities will allow those in the office real estate space to separate themselves drastically from competition. However, many legacy systems and the reliance on them will slow commercial real estate companies from implementing these technologies immediately.

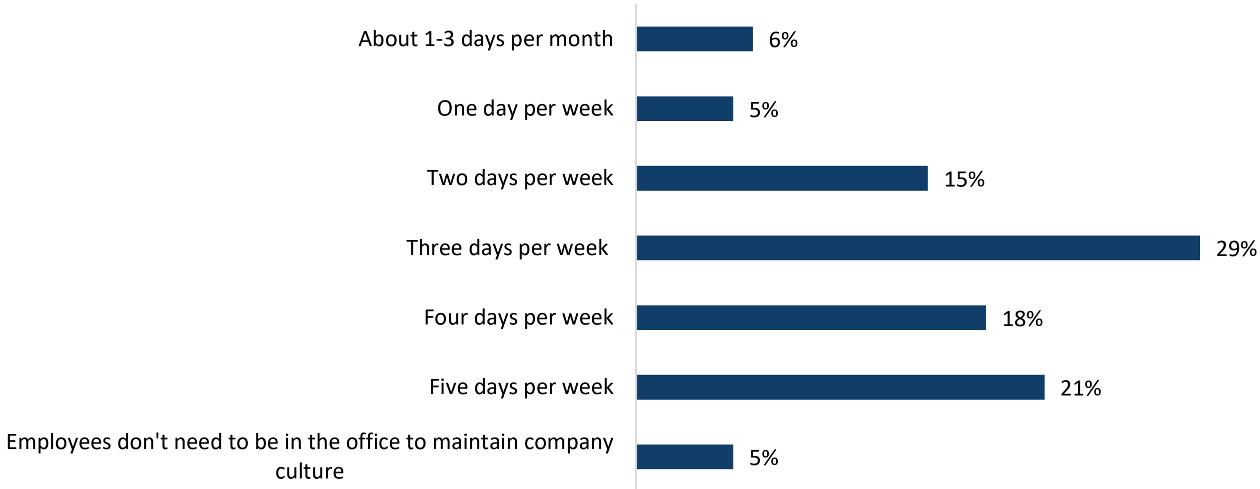
Technologies	Overall	Legacy System	Transition Phase	Modernized System
Cloud computing and storage	36%	33%	38%	38%
Blockchain	29%	22%	29%	35%
Robotic process automation	26%	25%	19%	30%
Artificial intelligence	23%	17%	19%	32%
Data analytics	22%	31%	24%	14%

Percentage of respondents who say their firms will make large investments in the above technologies (12-to-18-month time frame), 2021
Source: Deloitte

Flexible Work Arrangements and Remote Offices

Driven by the pandemic, companies have been forced to adapt their approach on how work gets done − most companies have embraced the remote work environment and have continued to offer a hybrid approach to employees as the regulations for office work changed over the course of the pandemic. Commercial real estate companies will likely continue to invest in digital tools that supports remote work. In the aforementioned Deloitte survey, two thirds of CRE respondents found that companies in their offices have revealed plans to be completely or partially virtual going forward. However, this does not necessarily mean the end of office workspaces going forward. Many companies are still eager to return to office space to embrace the social aspect of work, even if that may mean that offices are not being used every day, or if only for important face-to-face meetings and team- building meetings. Employees were also found to enjoy remote work and were interested in having the option to embrace a hybrid approach as the pandemic eventually fades.

However, remote working has also caused difficulties to maintain culture, productivity, engagement, and communication. This has also caused blurred lines between work/life balances and distractions and isolation leading to negative impacts on virtual work environments. Therefore, while we will likely see a hybrid work environment going forward, the full repercussions on how this will affect office real estate is still unclear.



How often should employees be in the office to maintain company culture., 2021
Source: PwC

Overview of Key Players*

Jones Lang LaSalle Inc. (NYSE: JLL)

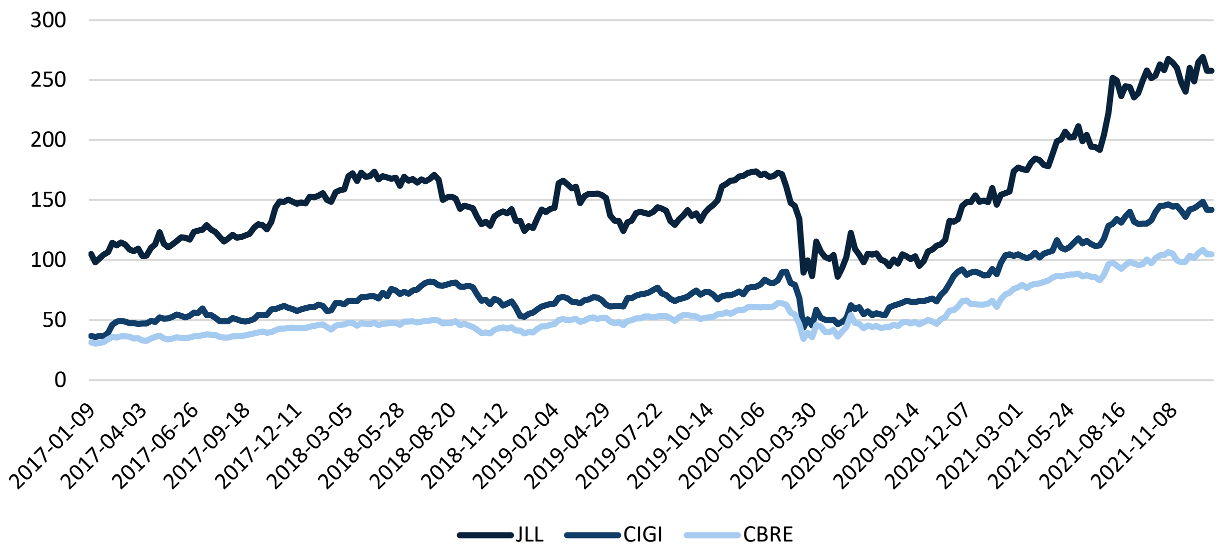
Jones Lang LaSalle (JLL) is a major real estate services and real estate investment management firm. JLL operates out of four geographic business segments: The Americas, Europe, Middle East and Africa, and Asia Pacific. Some of the company's local and regional real estate services includes leasing, capital markets, property and facility management, valuation, digital solutions services, and consulting services. Embracing the trend of technological advancements in office and other commercial properties, JLL recently announced their acquisition of property technology company Hank. This virtual engineering platform is powered by artificial intelligence and helps in optimizing the management system of commercial buildings autonomously, to increase comfort, energy savings and air quality. JLL currently has a market capitalization of $13.0B and TTM revenue of $18.3B.

Colliers International Group Inc. (TSX: CIGI)

Based in Toronto, Ontario, Colliers International Group is Canada's largest commercial real estate firm, and one of the largest in North America. In addition to its investment management practices, Colliers also offers expert advice for real estate investors, develops, tenants and owners. Colliers currently operates in over 65 countries worldwide, with an employee-base of over 18,000. They manage 2B square feet of real estate and operate under a market cap of $6.35B, with annualized revenue of $4.0B. Colliers recently released their forward outlook plan to pursue significant growth amid the pandemic. This strategy, named the Enterprise '25 Strategy, has2 an end goal of doubling company profitability by year-end 2025. The company plans to focus on its six key growth pillars: to build scale, expand client relationships, make culture count, innovate with technology, and strategically acquire. Strategic acquisitions are key to Colliers' growth and stock appreciation over the past five years. The company actively acquires smaller real estate firm in markets including New York, Grand Rapids, and Nashville; they also acquire firms internationally, with a n acquisition of Western European investment management firm, Antirion SGR S.p.A, set to close in early 2022.

CBRE Group, Inc. (NYSE: CBRE)

CBRE Group, Inc. is the world's largest commercial real estate investment and services firm, with placements on the Fortune 500 and the S&P 500. The company has a wide array of offered services that includes project management, property management, investment management, valuation service, leasing services, consulting, property sales and mortgage servicing for office spaces, and other commercial and residential real estate. The company employs over 100,000 employees in over 100 countries worldwide. CBRE Group has a market cap of $35.07B, and TTM Revenue of $26.11B. CBRE currently has more professionals who operate specifically in the Canadian office sector than any other firm.



Five-year stock price of key companies
Source: Yahoo Finance

*The above companies do not primarily deal in office real estate. While offices are a key part of their portfolio, they also develop and manage other real estate areas.

Retail

Industry Overview

Properties in the retail asset class cover both single and multi-tenant buildings which are occupied by businesses offering products and services to customers. This spans from large shopping centers and malls to restaurants to small mom and pop grocery stores. Oftentimes, retail investors will own large groupings of multi-tenant properties with an anchor tenant to drive initial foot traffic to the region. This allows many, or all tenants in the investor's area to maintain steady traffic and presumably revenues. The segment itself was valued at over $2.8 trillion USD in 2018.

The retail asset class has some of the longest leases with many starting at 10 or 20 years, making it an attractive investment for its more stable and predictable returns. Beyond that, certain niches in retail allowed the asset class to be more resilient than its peers in the CRE sector throughout the Covid-19 pandemic and various lockdowns. In particular, the necessity of grocery stores and the continued demand for restaurants and certain stores (ex. Building and Garden Equipment, Home furnishings) provided investors of this asset class with more of a cushion than other CRE segments. The Canadian and US governments also provided significant economic support and payment relief for retail businesses, giving this segment more leeway during the pandemic.

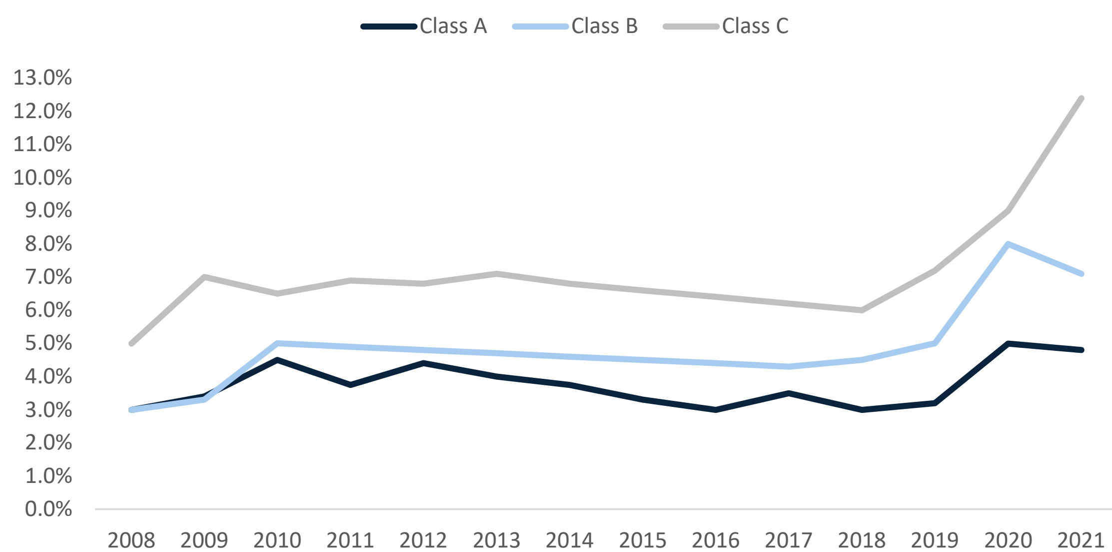
Strip Malls are integral to Suburban areas

Outdoor Outlet Malls had greater pandemic resiliency

Segmentation and Outlook

The Retail asset class saw a significant increase in demand over the course of 2021 as lockdown measures eased further and allowed for more in-person shopping. Within Canada, this sector saw investment volumes upwards of $2 billion during the second quarter alone. As of Spring 2021, average vacancy rates in the Canadian retail sector were continuing to trend upwards at 4.2% compared to past years. Vacancy rates in the US were at an all-time high in 2020 at 5.7% but have come down to roughly 4.8% since. Given the wide variety of categories housed under retail, different segments have come out of the pandemic quite differently. However, in general, the segment has been able to bounce back close to pre-pandemic levels of sales and foot traffic.

The retail market continues to be highly bifurcated in a clear distinction between Class A and Class B/C malls. Class A malls, high-end, well-located malls with a diverse mix of tenants continue to fare significantly better than Class B and C malls which include small regional malls, strip malls in undesirable locations and malls with more singular focus. Vacancy rates for these class B and C malls continues to rise, threatening their obsolescence. Many of these B and C malls have also lost their key anchor tenants during the pandemic increasing the pressure on these malls. It is also important to note the visible socioeconomic segregation between these malls, with Class A malls typically being located closer to the homes of wealthier families and individuals and Class B and C malls being relegated to those of lower socioeconomic status, worsening the conditions of mall and families alike.



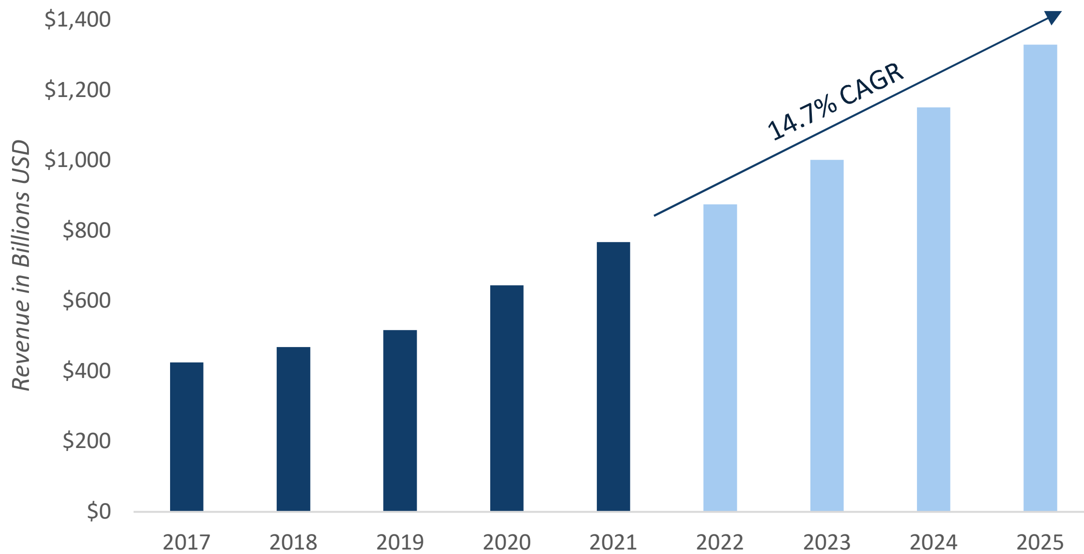
Class C malls see highest climb in vacancy
Source: CoStar, JLL

Key Trends and Drivers

The E-Commerce Effect

E-commerce has been playing an increasingly large role in the way consumers interact with retail. Retail real estate is heavily reliant on the ability for the brick-and-mortar stores to continue existing and drive foot traffic. At odds with this is the growth of e-commerce which has significantly decreased consumer reliance on physically entering retail locations. This process was further accelerated by the Covid-19 pandemic.

While e-commerce sales currently only make up 10% of total retail revenues in the US, it is expected to grow at a 14.7% CAGR over the next 4 years. In particular, smaller businesses are seen to be benefiting more from the shift to e-commerce and are able to be more flexible with their operations. While e-commerce will not drive all major retailers to remain online, it is anticipated that there will be a significant drop-off in smaller brick and mortar stores.



Retail E-Commerce Revenue in the US continues to grow
Source: Statista Research Department

On the flip side of this coin, e-commerce has not been all bad for the retail segment. In fact, it's forced the industry to adapt and accept new and creative ways of utilizing space for retail purposes. For example, there has been a surge in the number of ghost kitchens, virtual restaurants which exist solely for the purpose of having food be picked up for delivery, takeout or as a drive through. In 2019, investments of over $520 million to the development of ghost kitchens. Beyond creative uses of retail locales, major e-commerce stores have been driven to open up retail locations after achieving significant success. For example, eyeglass store, Warby Parker transitioned from only offering e-commerce purchasing channels to opening over 160 stores across North America. While other major e-commerce retailers have not made such a large-scale transition, many major e-commerce brands have been inclined to open flagship stores in major cities; this includes retailers like Glossier who sought to further enhance their brand identity and reach consumers through brick-and-mortar stores.

Retail Redirecting towards Mixed-Use Developments

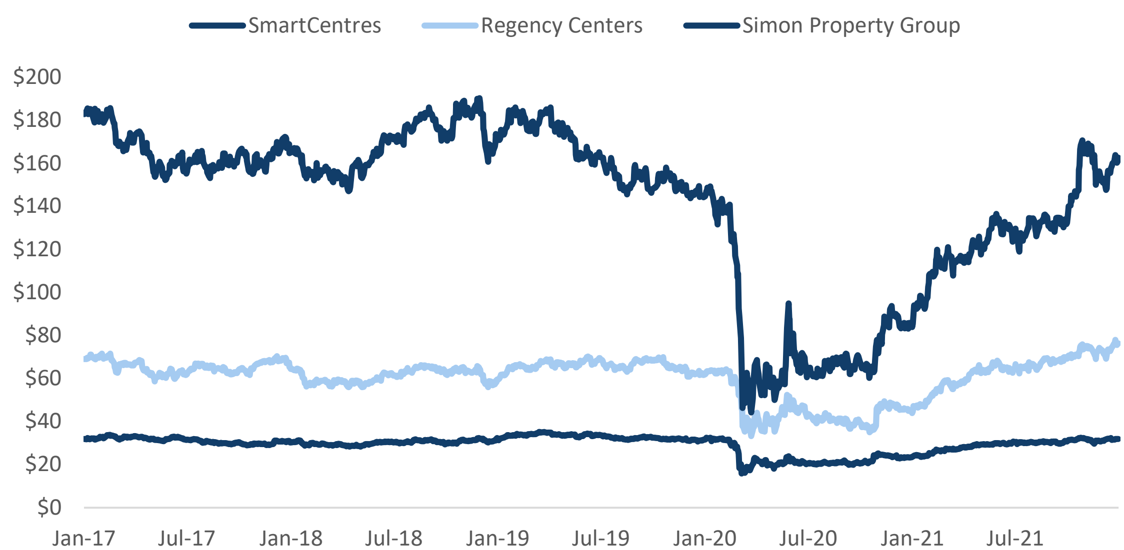
Throughout the pandemic, it became clear that certain aspects of the retail sector had a stronger future than others. Necessities like groceries and pharmaceuticals stayed steady, but previously struggling malls of various forms worsened with lockdown measures and the increased e-commerce presence. However, the pandemic also marked a dramatic shift in the way restaurants and stores approached retail.

Outdoor Dining persisted even in the Winter

As a result of restrictions, many restaurants moved towards 'alfresco' outdoor dining in streets, sidewalks, and parking lots, with retailers like gyms, salons and apparel following suit. While these kinds of practices are common for retailers in Europe and Asia, North America's focus on sprawl, cars and enormity has largely prevented this kind of urban usage in the past. This shift seems to be part of the greater redirection of retail away from isolated buildings towards more friendly 'neighborhood centric' centers.

Developers and investors in retail real estate have been placing a greater emphasis on creating mixed-use areas of their malls and major developments. This includes repurposing of retail/mall centres into fitness and banquet centres, parks as well as the further integration of residential buildings and retail stores. Particularly as more class B and C malls become more vacant, investors are looking for ways to repurpose and reinvigorate these spaces to be more inviting to consumers.

Overview of Key Players



5 year Stock Price of Key Companies
Source: Yahoo Finance

SmartCentres REIT (TSX: SRU.UN)

SmartCentres Real Estate Investment Trust is one of Canada's largest fully integrated REIT's with a primary focus on retail and mixed-use properties. SmartCentres currently holds over $10.2 Billion in AUM split across 167 properties in Canada. SmartCentres also has an industry leading occupancy rate of 97.6%. Notable transactions include the acquisition of the "SmartCentres" brand from Penguin, which was behind the development and construction of a new Walmart-anchored shopping center every three weeks on average for a period of 14 years. Currently, the REIT is also looking to expand its presence in both the Residential and Retail sectors through Project 512, a $13.1 billion intensification program which will produce an additional 54.7 million square feet of space. It hopes to use its hold on 'Smart' shopping centers to create livable residential areas with close proximity to stores and restaurants.

Regency Centers (NASDAQ: REG)

Regency Centers Corporation is a REIT based in Jacksonville, Florida and is one of the largest operators of shopping centers which use grocery stores as anchor tenants. The company currently holds 10.8 million USD in AUM spread out across 402 shopping centers. The company typically operates in middle to higher income neighborhoods with median annual household incomes over $130,000, it attracts consumers through its grocery store anchor tenants which include Whole Foods, Publix, Kroger and Trader Joe's. Given its focus on grocery stores, Regency Centres was more resilient throughout the pandemic. They found that by October of 2021 they had already matched 100% of pre-pandemic levels of foot traffic. Beyond that in the last quarter of 2021, they acquired 4 new properties in Long Island for $130 million and also conducted an all-stock acquisition of another Shopping Centre Real Estate company, EquityOne in a transaction valued at $4.6 Billion.

Simon Property Group (NYSE: SPG)

Simon Property Group (Simon) is a real estate investment trust engaged in the ownership of premier shopping, dining and mixed-use destinations, including its Simon Malls, Simon Mills and Simon Premium Outlets locations across North America, Europe and Asia. Simon holds over $34 Billion USD in AUM, spread across its 99 malls, 69 Premium Outlets, 14 Mills and various other lifestyle and retail centers. Simon has consistently done a good job of acquiring companies out of bankruptcy and reinvesting in brands through its SPARC platform, notable companies it has rebranded and grown include Aeropostale, Brooks Brothers, JCPenney and Forever21. Beyond investing in traditional retailers, Simon has also made significant investments into the digital space with Rue Gilt Groupe (RGG) in 2019, an e-commerce portfolio company. This has allowed Simon and its brands to remain relevant in the switch to e-commerce. Further, the company has also sought to expand its ability to create mixed-use properties by sponsoring the launch of its special purpose acquisition company (SPAC), Simon Property Group Acquisition Holdings with the intention of finding a target company to expand and enhance its ecosystem.

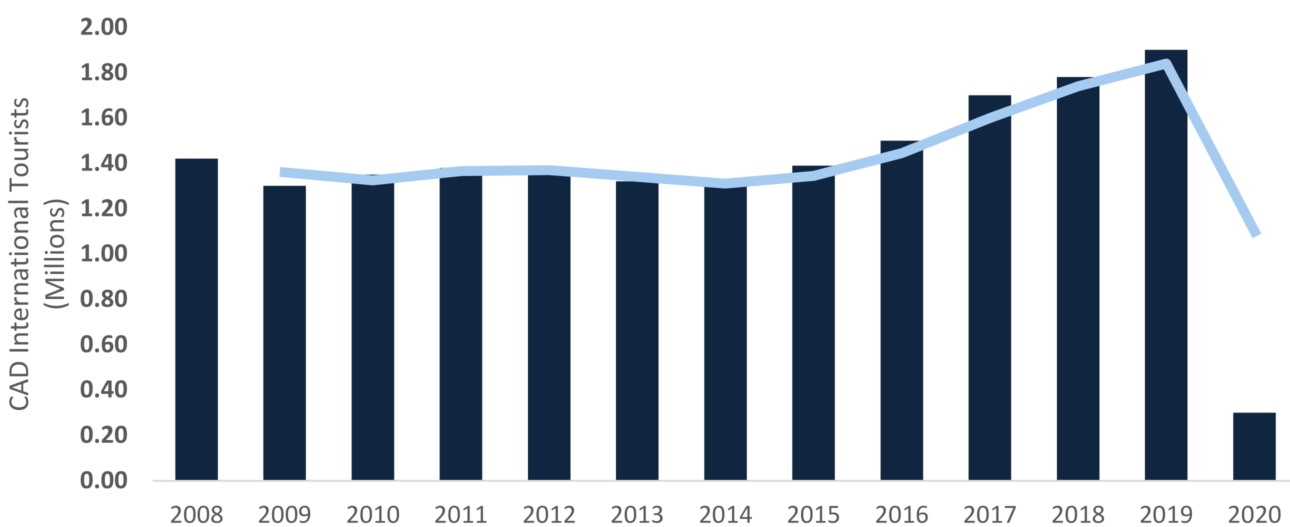
Hospitality

Segmentation and Growth

The lodging industry is a $3T asset class within the commercial real estate sector. Primarily driven by the tourism industry, hospitality as an investment has become increasingly popular amid the financial distress caused by the global pandemic. Following yearlong restrictions, higher than anticipated vaccine rollout and emergency-use authorization of three vaccines at the start of the year − the lodging sector has surged during the 2021 spring and summer months. As of November 2021, occupancy within Canada and the United States sits at 49.7% and 57.6%, respectively, representing a nearly ~10% increase from last year's period. Within the United States, revenue per available room (RevPAR) has surpassed previous years' levels by nearly 6%.

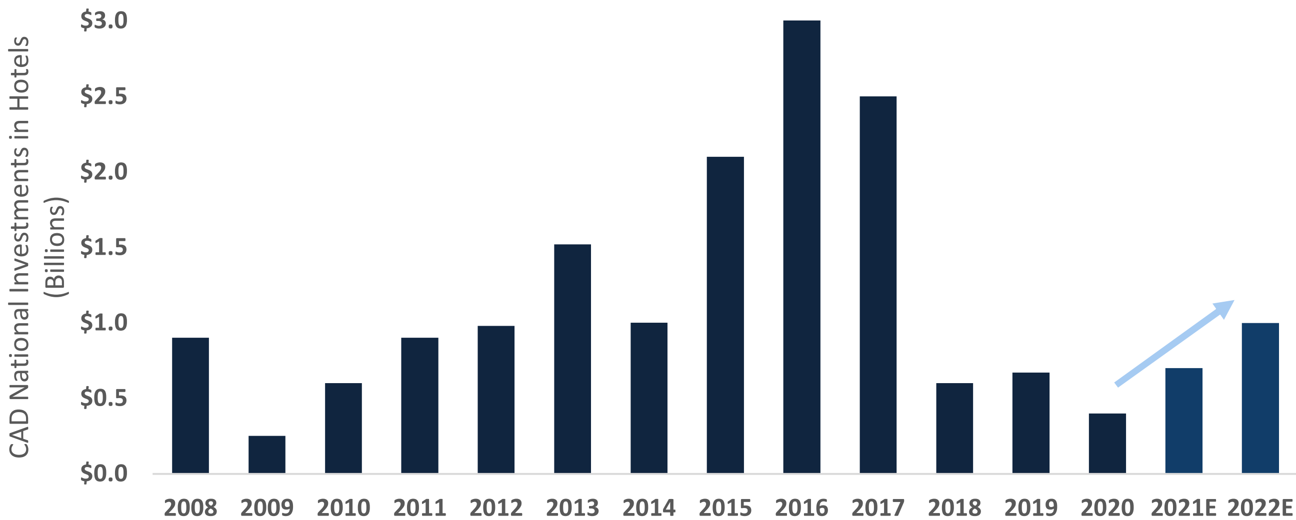
Domestic Leisure Travel

The recovery of the hospitality sector has largely been driven by leisure travelers looking for vacations but are limited due to restrictions. For example, extended border restrictions throughout the summer travel season has benefited both US and Canadian domestic leisure travel destinations. This has also resulted in a disproportionate performance across markets and asset classes, with drive-to markets and beach destinations experiencing accelerated growth while city-center businesses continue to lag.



Domestic leisure replaces international travel

In 2021, the leading metropolitan areas for hotel real estate investments in the United States, by investment volume, was San Francisco and New York, while cities such as Las Vegas, Philadelphia and Orlando are at the bottom of the spectrum. Historically, convention-oriented destinations, such as Las Vegas, have benefited from business travel that has remained suppressed over the past year and is unlikely to recover anytime soon. The pace of the recovery to date is largely reliant on the vaccine rollout and a significant decline in the rate of inflection. Within the United States, vaccine rates have significantly slowed over the summer, with 62% of the population fully vaccinated as of Jan 7, 2022.



Investment activity set to rebound

Key Trends & Drivers

Source: CBRE Research

Rise in the Price of Construction Material

Construction materials have experienced a significant price increase due to supply chain issues caused by the pandemic. After climbing almost 4.5% in 2020, building materials prices have increased over 12.2% during 2021. The most common material used in commercial construction is steel, which increased to a price as high as 85% over the past six months. Skyrocketing prices are causing developers to reconsider initiating long and expensive projects, especially within the hospitality real estate sector. Unfortunately, prices are projected to continue rising in the near future as demand for construction material grows. It is also likely that supply chain issues will continue to be disrupted as producers struggle to meet increasing demand.

Government Funding and Subsidies Drive Short-Term Recovery

Governing bodies in the United States and Canada have made it clear that they plan to support construction and other suffering industries following economic downturn. In October, the Trudeau administration shut down the government's broad based virus support program, replacing it with a newly targeted one for hardest-hit industries. The changes will inject an addition of over $4 billion into these industries.

President Joe Biden recently signed a $1.2 trillion infrastructure bill into law that will deliver nearly $550 billion in investment into America's Infrastructure. As well, nearly $100 million is being allocated to states to adopt construction management systems. An increase in efficiency and an injection of capital will overall help stimulate near-term recovery with respect to the construction industry. In the long term, with the government artificially propping up the construction industry and as suppliers adjust to current constrictions, prices and subsequent costs associated with the construction of lodging real estate assets are expected to fall.

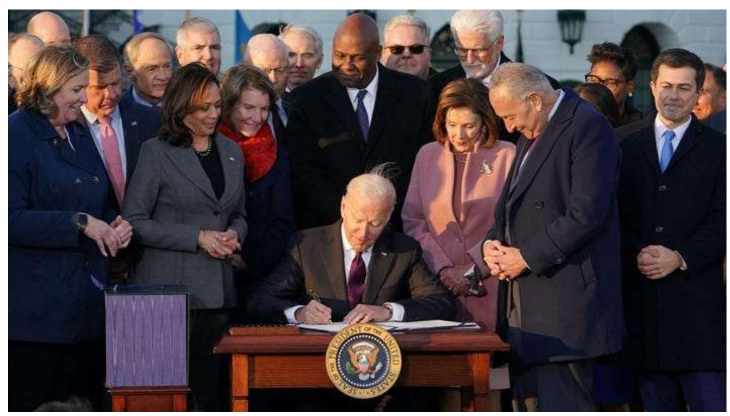
Capital Market Transactions

Transactions over the past year with respect to hotels have been turbulent. As forbearance agreements began to expire, there was an unprecedented wave of foreclosures. This has presented opportunities for different types of investors that have cash on hand. More than half of the 2021 sales in Canada are hotels being converted by investors who think there are better uses for the properties. As an example, six months ago, the BC Government purchased the Comfort Inn Hotel near downtown Victoria for $18.5 million, where the 65 room hotel will be converted into affordable housing units. The last-minute capital and loan sales in the lodging sector depend on the hotel investors/owners diversified portfolios, favourable balance sheet, and strong industry relationships.

Foreclosure deals have also become targets for private-equity firms looking for market deals. Notable deals include Banyan Investment Group, based in Atlanta, which is in the stage of bidding in a half-dozen separate deals to buy distressed hotel properties for its Banyan Lodging Enhanced Value Fund. As well, Lone Star, a Dallas private equity firm, recently acquired five luxury hotels worth $551 million in November.

Justin Trudeau announces COVID-19 relief for businesses

Source: CTV News

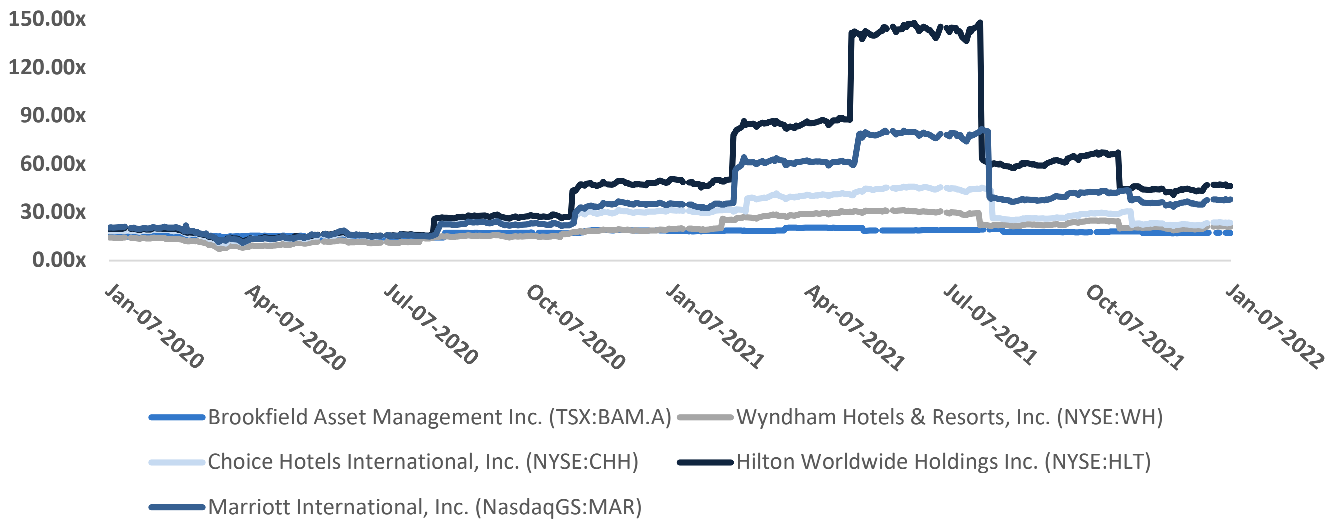


Joe Biden signs $1.2 trillion infrastructure bill into law

Source: WhiteHouse.gov

Overview of Key Players

Although the industry is relatively fragmented, several key players drive the industry in terms of both number of lodging Real Estate assets and franchise locations. Below are five notable companies with significant portfolios of real estate assets with either a large North American or International presence.



Two-year EV/EBITDA of key companies

Source: S&P 500 Capital IQ

Brookfield Asset Management (TSE: BAM.A)

Brookfield Asset Management Inc. is a Canadian based company and is sone of the world's largest alternative investment management companies with US$626bn of AUM. Brookfield has over 100-year heritage as a global owner and operator, they put their capital to work alongside various partners' in virtually every transaction. The company currently has 150,000 operating employees, 2,000 investments globally across 30 countries. Notable hotel transactions include, in the first quarter of 2018, in the BSREP II fund, BPY acquired a portfolio of extended stay hotels across the U.S. for $764 million. Bruce Flatt has been the CEO of Brookfield since 2002 and joined in 1990. Prior to Brookfield, He helped revive Brascan through various real estate deals – refashioning the firm into Brookfield Asset Management.

Wyndham Hotel Group (NYSE: WH)

Wyndham is the largest hotel franchisor that also provides hotel management service provider. The company's slogan is fittingly: "Chances Are, You're About 10 Minutes from a Hotel by Wyndham". The company has nearly 9,000 hotels across nearly 95 countries. Their global network has over 803,000 rooms under 22 hotel brands. These brands include Dolce, Esplendor, LaQuinta, DaysInn and Super 8. Wyndham's US RevPAR exceeded 2019 levels by 7%, growing 59% versus 2020. They also returned $50 million to shareholders in the quarter through

$27 million of share repurchases and a quarterly cash dividend of $0.24 per share. Geoff Ballotti is the current CEO and president having previously served over 10 plus years with the organization. He previously served as Chairman of the U.S. Travel Association and on the Executive Committee of the American Resort & Development Association.

Choice Hotels International (NYSE: CHH)

Choice Hotels is primarily a hotel franchisor with franchise agreements and owned hotels representing 7,147 hotels open comprising 597,977 rooms and 1,022 hotels under construction. Associated brand names include Comfort Inn, Comfort Suites, Ascend Hotel Collection, and Sleep Inn. Choice's primary revenue segment is the hotel franchising business, which represents approximately 96% of the Company's total revenues. According the to company's financial statement has equity method investments in joint ventures that total $40.5 million and

$56.9 million on the consolidated balance sheets at September 30, 2021 and December 31, 2020, respectively. In 2018, the company launched choiceEDGE, the hotel industry's most advanced cloud-based reservation system and distribution platform. Patrick Pacious is the CEO and President of Choice Hotels for 15 plus years.

Marriott International (NASDAQ: MAR)

Marriot International is a worldwide operator, franchisor, and licensor of hotel, residential, and timeshare properties under numerous brand names at different price and service points. The company is focused on franchising and licensing, as a result, they own very few of their lodging properties. In Q3 2021, Marriott reported $3.496 billion of revenue, of which, franchise fee and management fees accounted for 20%. The company's brands are extensive and includes the likes of: The Rtiz-Carlton, Edition, W Hotels, St. Regis, and Delta Hotels. Marriott is lead by Anthony Capuano who joined Marriott was "instrumental in its steady growth over the years which culminated in the acquisition of Starwood Hotels & Resorts Worldwide in 2016".

Hilton WorldWide Holdings Inc (NYSE: HLT)

Hilton is one of the largest hospitality companies in the world, with 6,478 properties comprising 1,019,287 rooms in 119 countries and territories as of December 31, 2020. Hilton was founded by Conrad Hilton and has been operational for more than 100 years. Hilton's brands include LXR, Conrad, Canopy, and DoubleTree. The company's largest shareholders include The Vanguard Group, Rowe Price Associates, T. Rowe Price Associates, Blackrock and Pershing Square. Hilton is lead by Christopher Nassetta who has been with the company with since 2007 and has had a total compensation of $21,374,100 in 2021. Previously, he was CEO and President of Host Hotels & Resorts, Inc., a position he held since 2000.

Marriott International (NASDAQ: MAR)

REGL – Commercial

The Sleeping Beauty

January 7, 2022

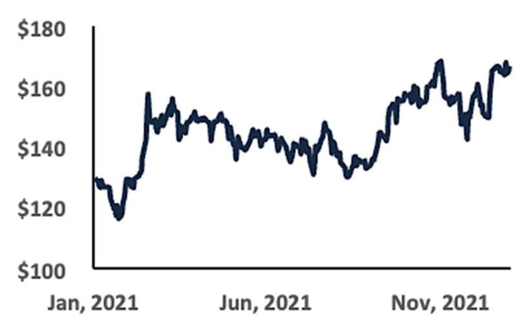
Analyst: Joshua Grewal BCom. '24
contact@westpeakresearch.com

Equity Research	Canada
Price Target	**US$ 163.09**
Rating	Buy
Share Price (Jan 7th Close)	C$ 166.66
Total Return	-2.1%

Key Statistics (US$)	
52 Week H/L	$171.68/$115.50
Market Capitalization	$54.28B
Average Daily Trading Volume	2.14M
Net Debt	$9.9B
Enterprise Value	$62.14B
Net Debt/EBITDA	12.1x
Diluted Shares Outstanding	$325.7M
Free Float	83.6%
Dividend Yield	0%

WestPeak's Forecast (US$)	2020A	2021A	2022E
Revenue	$2.11B	$13.4B	$18.4B
EBITDA	$886M	$2.22B	$3.33B
Net Income	-$267M	$956M	$1.7B
EPS	$0.82	$2.88	$5.33
P/E	73.2x	57.7x	31.2x
EV/EBITDA	67.3x	29.8x	19.1x

1-Year Price Performance



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Internal Analysis – Global Presence

Marriot International has an impressive global presence operating in more than 172 countries and territories. It is also one of the largest hotel chains in the world, with over 30 brands, 80 plus hotels and 1.2 million rooms. During the global pandemic, the hotel industry was sent into turmoil with the company losing up to 92% of its profits overnight. We believe Marriot is posed for a strong recovery during the 2022 fiscal year given loosening restrictions, vaccine rollout and pent-up demand.

External Analysis – Franchise and Licensing Opportunities

Construction materials have experienced an unprecedented price increase due to supply chain issues caused by the pandemic. After climbing almost 4.5% in 2020, building materials prices have increased over 12.2% during 2021. Skyrocketing prices have caused developers to reconsider initiating long and expensive lodging projects, instead preferring to license or franchise pre-existing locations. With the pre-existing infrastructure and a business model suited towards franchising and licensing, Marriott is well-positioned to capitalize.

Valuation – RevPAR is Key

Analysts are raising their EBITDA estimates by 7-16% which is driven by a solid Q3 performance and better than expected G&A guidelines. Marriot expected $800M of G&A for fiscal year end 2021, compared to $950M forecasted in January 2020. The primary investment risks relating to MAR stock are lower than anticipated RevPAR growth or a stall in the current industry recovery in North America. Marriott is heavily exposed to managed and franchised hotels so is most heavily reliant upon RevPAR and unit additions for growth.

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