Markets Update April 2024

This document is for information purposes only and is NOT advice. This presentation should not be used in whole to make investment decisions.

Executive Summary

TWO SEVENS CAPITAL

This month's market report highlights several critical economic indicators and policy updates that shed light on current market dynamics and future expectations. The Bank of Canada (BoC) has decided to maintain the current interest rates as of April, reflecting a strategic response to the latest economic signals. Notably, headline inflation measured at **2.8% in February**; however, when **excluding Mortgage Interest Cost**, inflation aligns more closely with the Bank of Canada's **target at 2%**.

In terms of employment, the **unemployment rate** has **risen by 0.3%**, breaching the **6% mark** for the first time since **2017**, signifying a shift in job market conditions. A key observation is the divergent trends within the employment sectors: the **public sector** continues to **add jobs**, contrasting with **declines** in the **private sector**. Additionally, **population growth** remains robust with an expected increase of **1.27 million people in 2024**, driven by immigration. However, recent **policy adjustments** announced by the Immigration Minister, including **a cut in international student visas**, along with a slowing economy, suggest a forthcoming **moderation in immigration rates** which could impact various sectors.

Real estate markets, particularly GTA, continue to experience softness with house sales **declining by 4.9%** year-over-year, led predominantly by an **oversupply in the condo market**. Conversely, **rental markets** across the country show a **slight decrease** in rates month-over-month, yet **demand persists strongly**, suggesting an anticipated **moderate growth** in rental prices between **2-5%** moving forward. This reflects a cooling yet resilient rental market scenario. These indicators collectively provide a comprehensive view of the current economic landscape, assisting in strategic planning and decision-making for the forthcoming periods.

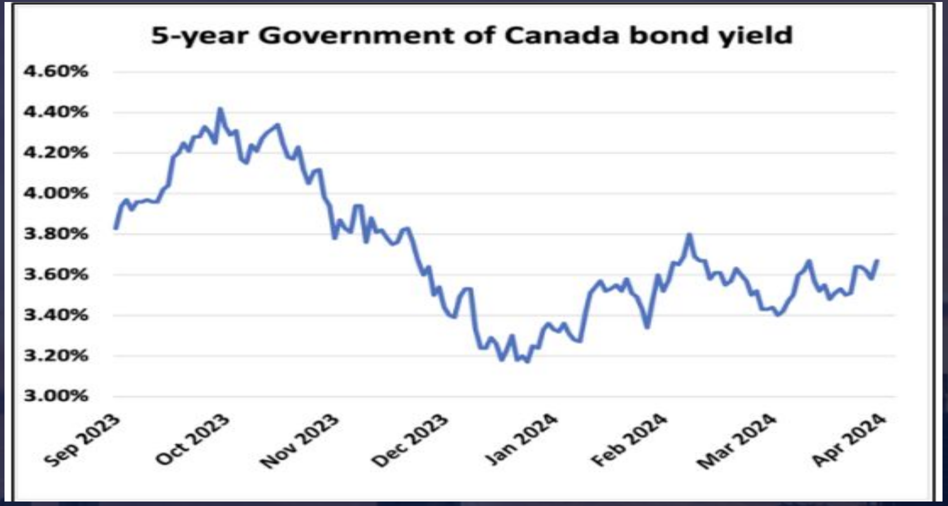
Macro Commentary

TWO SEVENS
CAPITAL

Bond Rates:

Rates in a **holding pattern** even as macro backdrop weakens

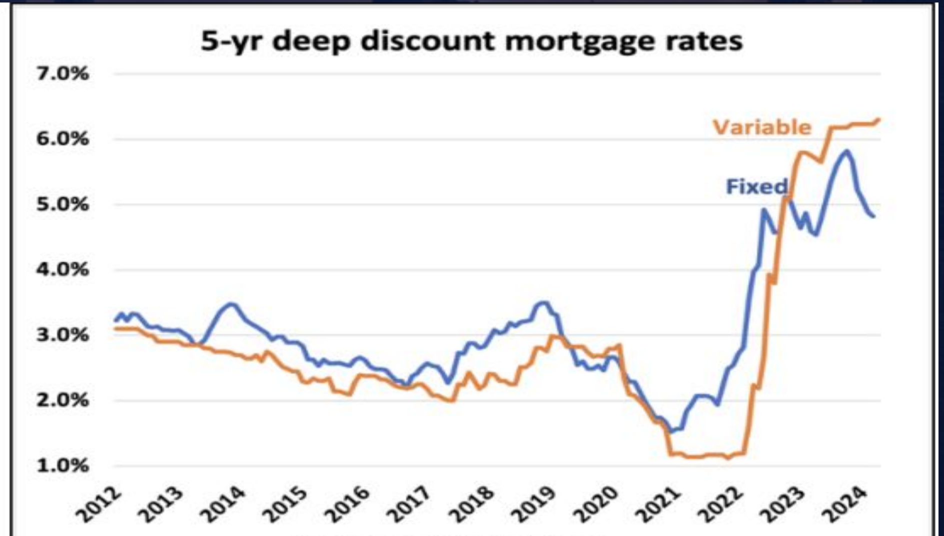
Bond yields remain more or less **range-bound**, with the bellwether **5-year** sitting just a shade under **3.7%**.



Mortgage Rates:

The implied policy path has been unchanged over the past month, with the **first cut** still expected in **June**.

Analysts continue to anticipate rate cuts by year end in the range of **0.75%**. There was some movement in the probabilities around the timing of the first rate cut as BOC continues to take a very conservative approach.



Source: MortgageLogic.news

Unemployment increased in March

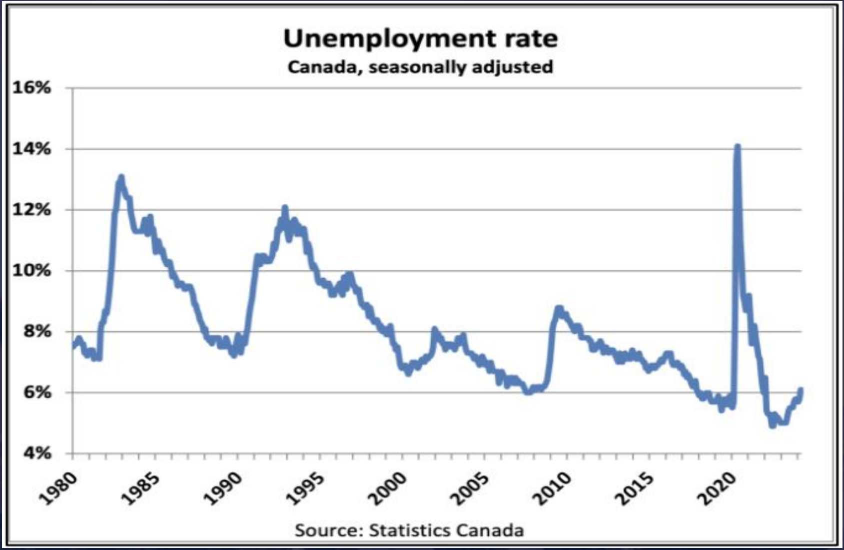
TWO SEVENS CAPITAL

Employment News:

Unemployment **increased by 0.3%**, the largest jump since mid-2022.

Total unemployment is **above 6%** for the first time since 2017, excluding the COVID related surge.

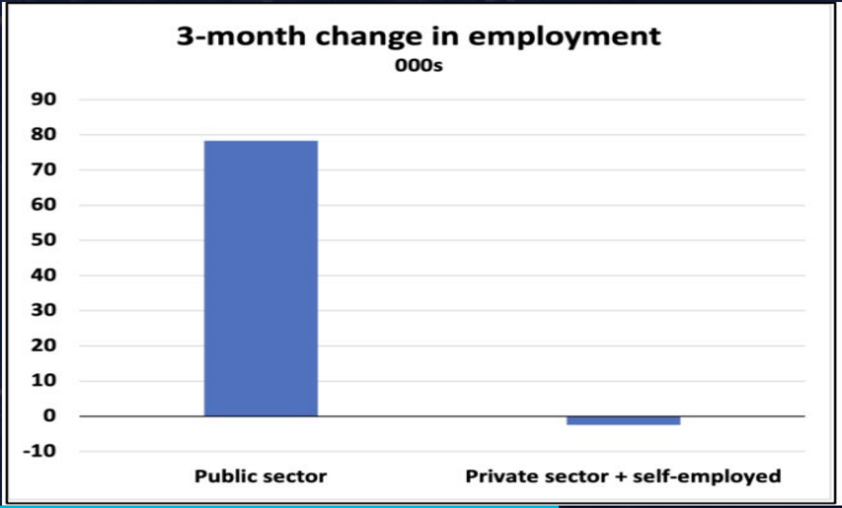
Historically, the tendency is for unemployment to trend. Once it gains momentum it tends to move for a while.



Jobs Data:

The composition of employment is also a red flag as we continue to see weakness in private sector employment being offset by growth in the public sector.

This softness in private sector employment correlates with a decline in real GDP.



Inflation - CPI

TWO SEVENS CAPITAL

Consumer Price Index:

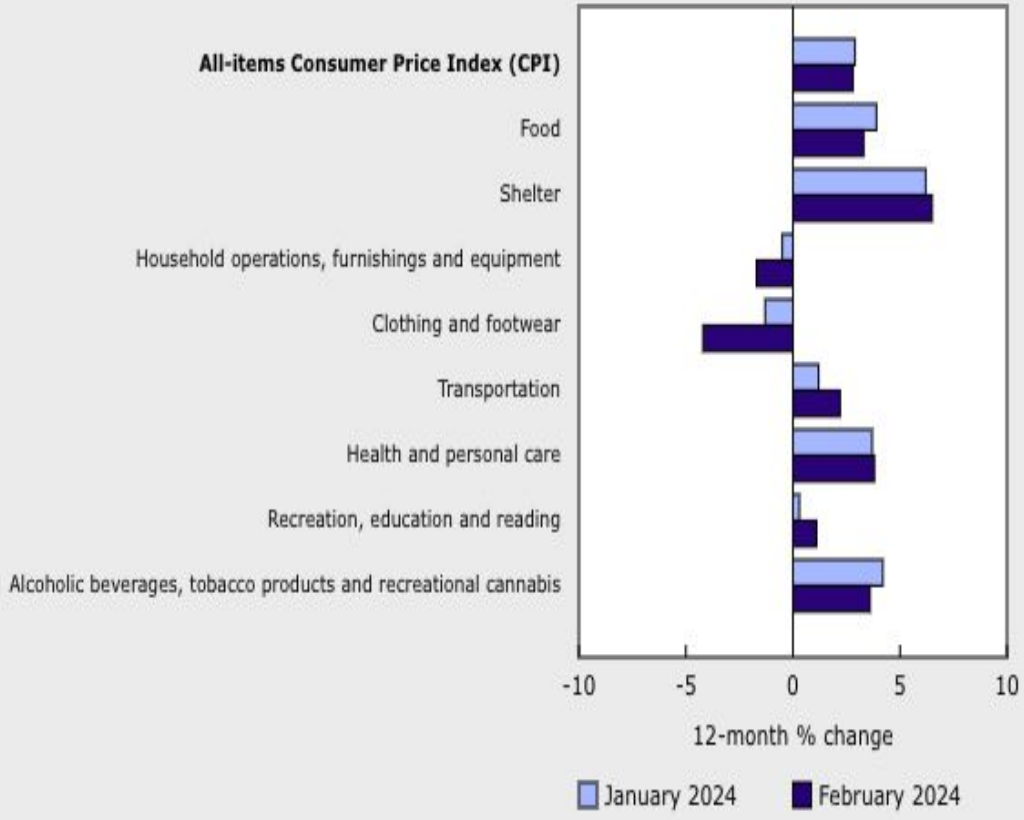
Headline inflation came in at **2.8%** in **February**, down from **2.9%** in **January**.

Household operations, furnishings & equipment continue to fall coming in at **- 1.7%.** Clothing & Footwear also saw a significant decline at **- 4.2%**.

Food is starting to level off coming in at **3.3%.** There are concerns that the April 01st **carbon tax increase** will have a flow through impact on food prices. **Transportation was up** a a full **1%** in February vs January, coming in at **2.2%**.

Shelter continues to be the greatest driver of inflation coming in at **6.5%** which is **+300 bps** month over month.

Mortgage interest costs were **0.8% of total inflation**, backing this out would have seen total inflation at the **BoC target of 2%.**



Source(s): Table 18-10-0004-01.

Population & Immigration

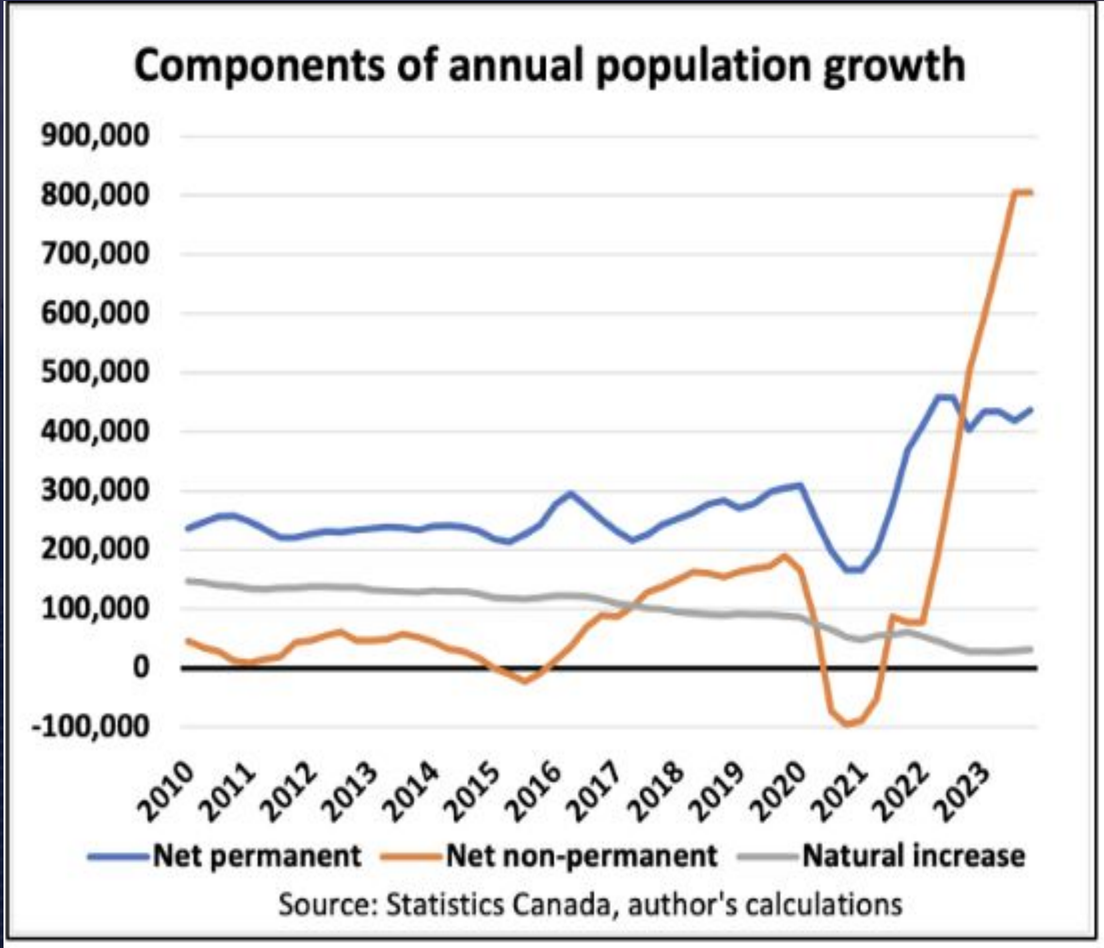
TWO SEVENS CAPITAL

Total Population is expected to grow by ~ 1.2mm in 2024. That's **+3.2%** YoY.

The key driver of population growth is **Non-Permanent Residents** (NPR) which makes up **~800k** of the **total** population **growth**.

The Immigration Minister recently announced a major overhaul of the NPR programs. The plan is to **reduce NPR** to **5% of total population** within **3 years**, it **currently** sits at **6.5%**.

On April 05th, Minister Miller announced a cap on the intake of international students. **Nationally,** the number of **approved** student **permits** will **decrease** by **28%**. Ontario will see the greatest decline as it expects to approve **141,000** permits in **2024** down from **239,768** in **2023**.



Real Estate - Residential

TWO SEVENS CAPITAL

Residential:

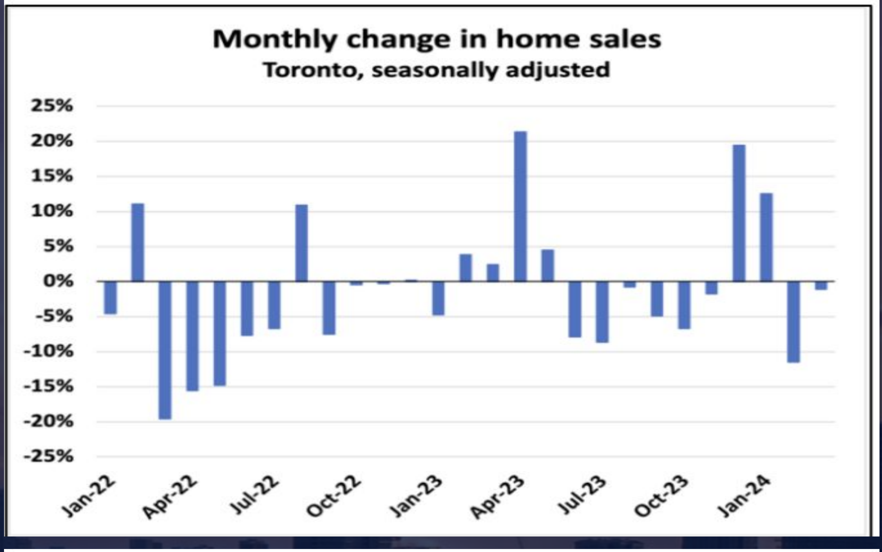
Home sales in the GTA fell by **- 1.1% month over month** (MoM) in March and were down **- 4.9% year over year** (YoY).

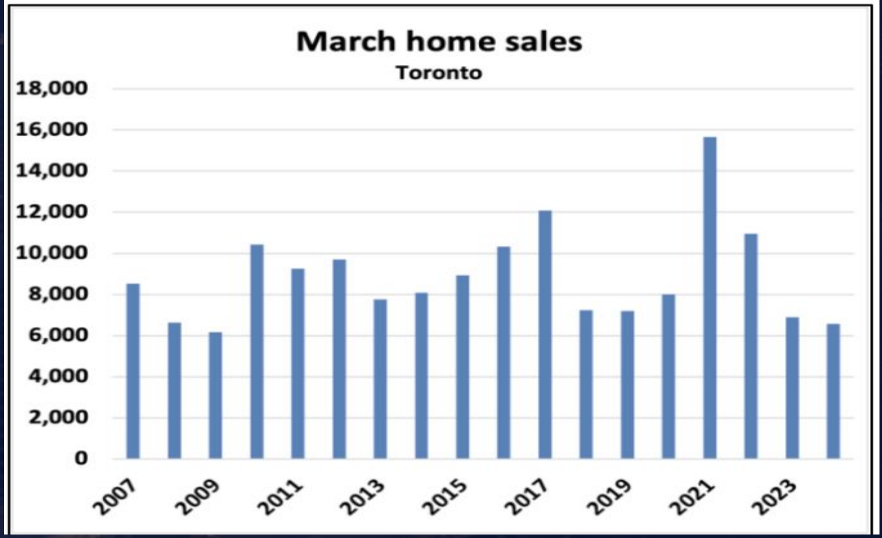
Condos in the 416 area code were the **biggest driver of the softness**. Single Family homes in 416 & 905, particularly "entry level" homes are still seeing considerable demand.

Affordability is the key driver and it's unclear if even a potential **June rate cut** will be enough to spur buyers into action.

There are still **no signs** that **prospective sellers** are **getting anxious** or being forced to liquidate. New listings are well below decade norms for March.

Prices remain **flat** relative to last year with **single family homes** growing **+2%** and **condos** in decline at **-2%.**





Real Estate - Rental

TWO SEVENS
CAPITAL

Overview:

For March, the average rents were down slightly across the country **(-0.1%).**

15 of the 20 major markets saw a **modest decline** in March, month over month.

With the planned reduction in non-permanent residents we expect to **see a flattening** of what has been an exceptionally robust rental market. To be clear, **not FALLING rents,** just a more moderate **growth** in the range of **2-4% YoY** in most areas.

Within our current primary markets, **Hamilton market** saw modest growth in March 1-Bed **+1.2%,** 2-Bed **+0.9% MoM**. **YoY** March 1-Bed **-0.6%,** 2-Bed **-1.5%**

Kingston market was slightly down on MoM basis, 1-Bed **-0.1%,** 2-Bed **-2% MoM**. **YoY** still rising March 1-Bed **+12.3%,** 2-Bed **+7.3%**

RANK**	CITY/AREA	1 BED	M/M	Y/Y	2 BED	M/M	Y/Y
2	Toronto, ON	$2,495	-0.6%	-0.2%	$3,287	-1.3%	-0.8%
4	Mississauga, ON	$2,294	-1.3%	5.2%	$2,722	0.3%	4.3%
5	Oakville, ON	$2,268	-0.5%	0.0%	$2,684	-1.8%	-8.1%
6	Etobicoke, ON	$2,255	0.1%	1.9%	$2,799	-1.2%	1.1%
7	Scarborough, ON	$2,194	-1.2%	10.1%	$2,519	-1.3%	3.0%
8	Burlington, ON	$2,193	-0.5%	-1.2%	$2,591	0.5%	2.4%
9	Brampton, ON	$2,155	-1.5%	15.5%	$2,398	-2.4%	3.8%
12	Ottawa, ON	$2,037	-0.2%	4.0%	$2,494	0.6%	6.7%
13	Waterloo, ON	$2,027	1.5%	14.2%	$2,449	-1.0%	6.4%
14	Guelph, ON	$1,986	0.3%	-1.7%	$2,476	2.4%	6.3%
16	Kitchener, ON	$1,924	-0.7%	-0.4%	$2,350	-0.2%	-2.4%
17	Barrie, ON	$1,915	-1.0%	-0.7%	$2,189	-2.9%	-12.1%
19	Kingston, ON	$1,874	-0.1%	12.3%	$2,279	-2.0%	7.3%
20	London, ON	$1,829	-0.9%	3.1%	$2,208	-0.2%	4.6%
21	Hamilton, ON	$1,817	1.2%	-0.6%	$2,201	0.9%	-1.5%
22	Oshawa, ON	$1,803	-1.8%	4.2%	$2,114	-2.1%	-0.4%

Unit Holder Impact

TWO SEVENS CAPITAL

Unit Holder Takeaways:

- With headline inflation trending toward the BoC target of 2% the expectation is that we will see rate cuts in the early summer. Intuitively, this should provide some stimulus to what has been a relatively quiet acquisition market. We anticipate to start seeing more deals getting completed in H2 2024. There is still a disconnect between sellers and buyers around valuations.

- Although immigration is expected to cool, the demand for housing remains high as new builds continue to lag the accumulated demand. Home purchase affordability also provides a tailwind for the multi family real estate market as would be buyers remain in the rental market.

- We continue to see significant growth in rental rates within our properties. As we see turnover in previously renovated units we are able to achieve rents that reflect the accelerated growth of the last 18 months.

Disclaimer

DISCLAIMER

No information, forward looking statements, or estimations represent any final determination. While every effort has been made to ensure accuracy in this document, numbers are subject to change and are not guaranteed. This document is for general information purposes only and is not to be construed as selling securities or real estate. While the information presented in this information sheet has been researched and thought to be reasonable, in general, real estate investments are highly speculative, real estate values can go up but they can also go down, and thus Two Sevens Capital, partners/and or their agents cannot and do not guarantee any rate of return or invested amount or investment timeline.

The reader acknowledges and agrees that Two Sevens Capital, their directors, officers, partners and/or their agents do not assume and hereby disclaim any liability to any party for any loss or damage caused by the use of information contained herein or errors or omissions in the information contained in this information sheet to make any investment decision in the venture referred to herein, where such errors or omissions result from negligence, accident or any other cause. Investors are required to conduct their own investigations, analysis, due diligence, draw their own conclusions, and make their own decisions. Any areas concerning taxes or specific legal or technical situations should be referred to lawyers, accountants, consultants, realtors, or other professionals licensed, qualified or authorized to render such advice.

In no event shall Two Sevens Capital and/or their agents be liable to any party for direct, indirect, special, incidental, or consequential damages of any kind whatsoever arising out of the use of the information contained herein even if Two Sevens Capital and/or their agents have been advised of the possibility of such damage. Two Sevens Capital, their partners and/or its agents specifically disclaim any guarantees, including, but not limited to, stated or implied potential profits or rates of return or investment timelines. This is not a solicitation for investments. Investments are sold only to investors that qualify under applicable rules. E & OE.

This report is privileged and contains confidential information. Not for mass distribution.