



Manna Industrial Newsletter provides latest industry trends and updated data of industrial real estate sector in global & regional Markets.

Manna Industrial Property (Value-Add) Limited Partner (the "Fund") is a real estate fund that specializes in the acquisition and management of income producing industrial properties in Canada.

Securities Offered:	<b>Class A LP Units*</b>
Distribution Frequency:	<b>Quarterly</b>
Preferred Distribution:	<b>5% annually</b>
Total Target Return:	<b>15%</b>
DRIP:	<b>Available with 2% discount</b>
Eligibility:	<b>Eligible for Accredited Investors</b>
Investment Style:	<b>Income &amp; Growth</b>
Redemption Rights:	<b>Subject to quarterly limits and potential charges</b>

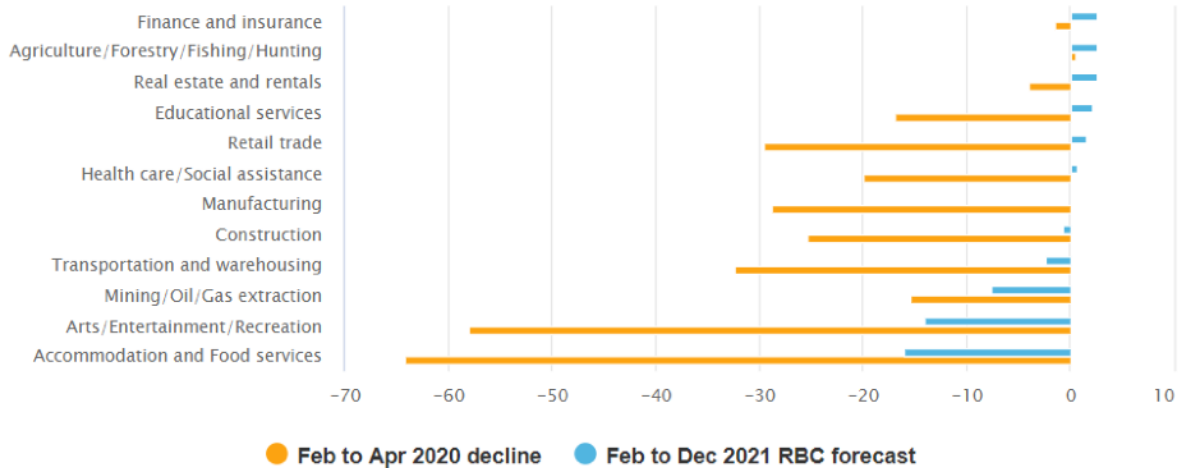
## NAVIGATING 2021

In our previous December Newsletter, we referenced Canada 2021 industrial real estate forecast published by Avison & Young. Meanwhile, many financial institution and commercial brokers has made their thoughts about 2021. The followings are the most related topics to commercial real estate.

RBC, one of Canada's biggest banks, mentioned in its article “Navigating 2021: 21 Charts for the Year Ahead” whatever shape and speed the recovery takes, the Canadian economy will continue to blend past and present, physical and digital, further dispersing economic activity and potentially ushering in a new era of decentralization.

- **Recovery will be uneven across industries**

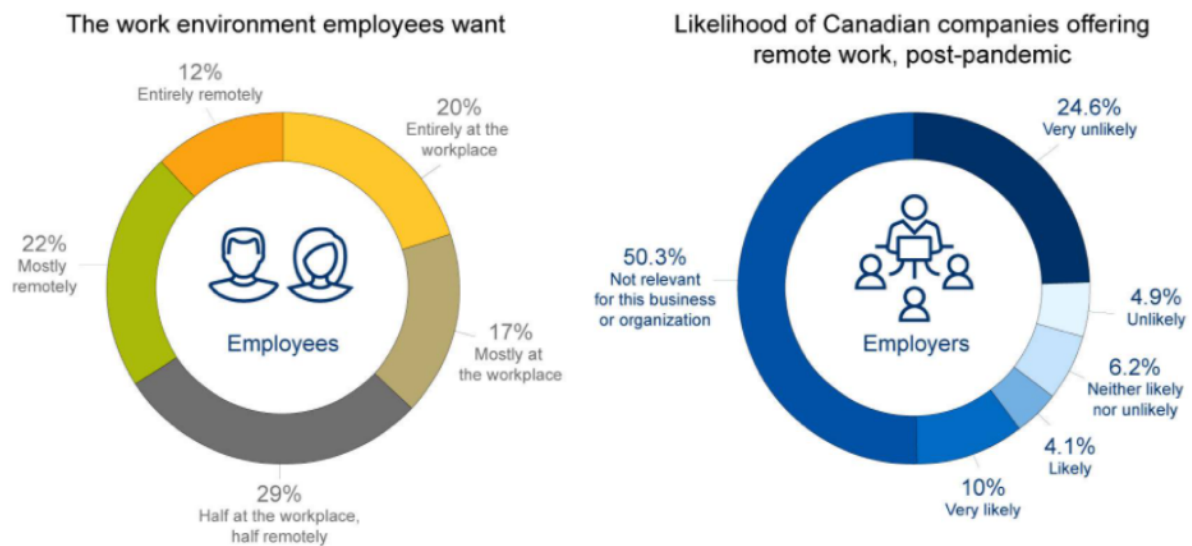
Percentage change in GDP by industry



Source: Statistics Canada, RBC Economics

The early recovery has been much more uneven, which is likely to continue well into 2021. Manufacturing bounced back as consumers bought more cars and as businesses invested in protective equipment and supplies. Higher-value services, including finance, real estate, education and healthcare, also showed resilience, while sectors that rely on social gathering and travel—retail, restaurants and accommodation, especially—continued to struggle, with employment lagging GDP.

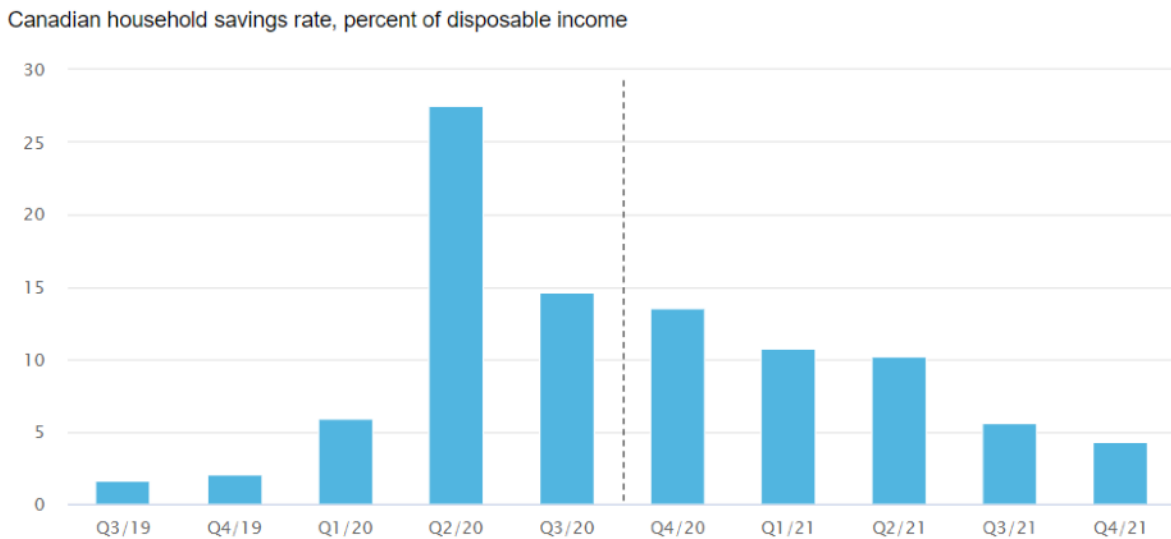
• **Work From Home or Office?**



Source: Statistics Canada, PwC, RBC Economics

The work-from-home model is here to stay, to some extent and for some workers. With so many employees demanding remote work, and experience showing that it often works well, companies will need to create flexible arrangements if they're to compete in tight labour markets for highly skilled and mobile knowledge workers. While this flexibility will vary greatly across industries and workers, it will have implications for commercial and residential real estate and the design of our cities.

- **Canadians are socking away cash**



Source: Statistics Canada, RBC Economics | \*Period after dashed line represents RBC forecast

Canadians are sitting on a trove of unspent cash. Household savings balances spiked a cumulative \$160 billion relative to pre-COVID levels through the last three quarters. For consumers, a bigger cash buffer means a chance to spend on big-ticket items, invest and pay down debt. For businesses, the opportunity lies in finding ways to tap this spending power.

- **Online shopping became a habit**



Source: Statistics Canada, RBC Economics

The proportion of goods and services we buy through e-commerce exploded amid the early lockdowns when consumers weren't able to venture into stores. Even after reduced containment measures allowed more in-person shopping, e-commerce spending remained much higher than before the pandemic hit, suggesting a new

habit had been hardwired. It's more important than ever for businesses, large and small, to up their game in a virtual marketplace. The online economy can also create more opportunities for local producers to reach global markets.

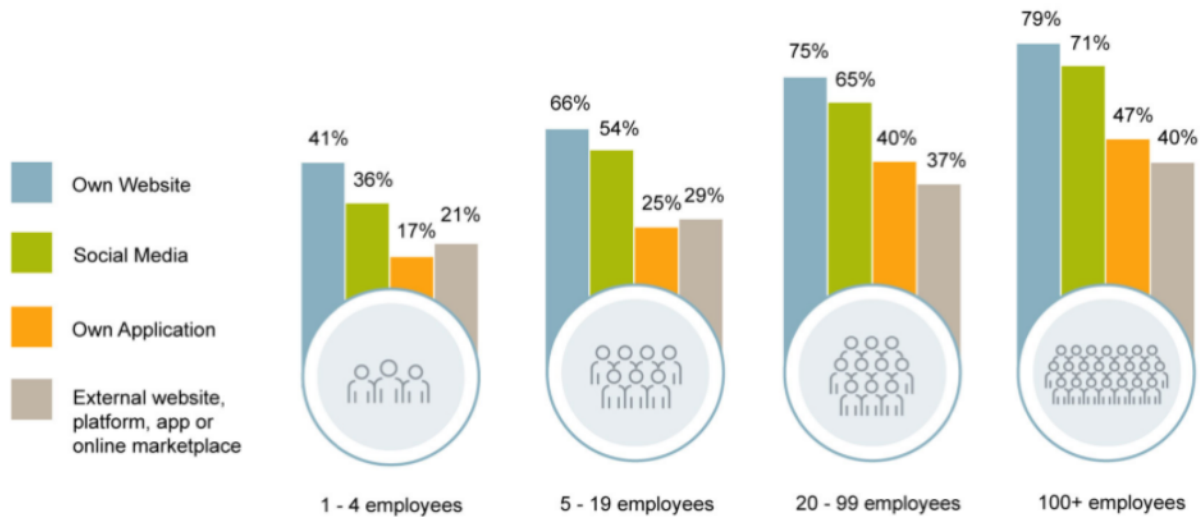
- **Go online of traditional retailers**



Source: Statistics Canada, RBC Economics

More than half of the persistent growth in e-commerce sales since April was driven by bricks-and-mortar retailers adapting to the virtual marketplace. Some of these gains were driven by e-commerce, which Canadians had been slower than many other countries to adopt before the crisis. The demand for e-commerce is still there if retailers can embrace the transition to digital sales channels, and pivot their efforts to help build better platforms for consumers scrolling online. The pressure for hybrid models, to compete with both digital platforms and big-box retailers, will also grow. Smaller retailers, already under enormous strain, and often lacking the necessary capital, could struggle to make the leap. Policymakers will need to find ways to encourage their transition.

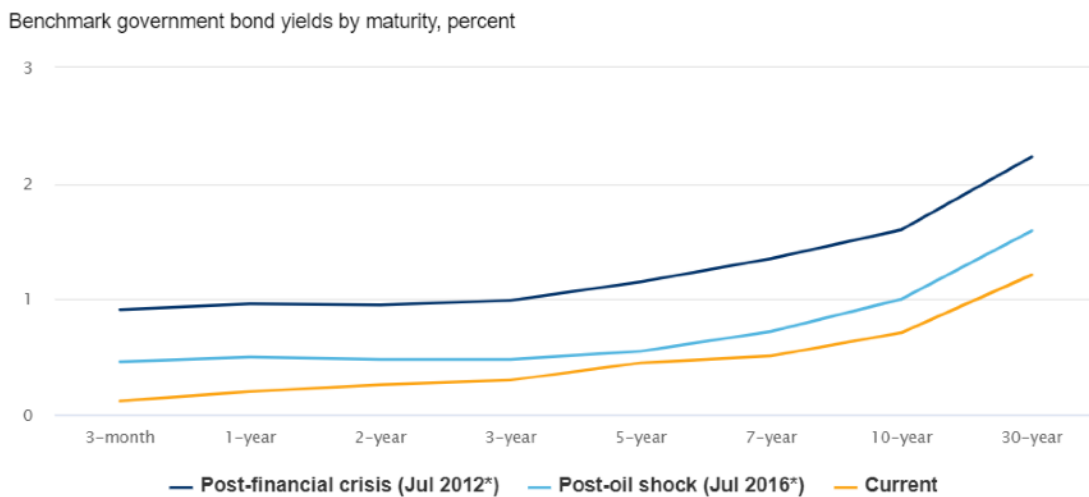
- **Small businesses still lack an online presence**



Source: Statistics Canada, RBC Economics

Small businesses are the backbone of Canada’s economy, representing 42% of GDP and 48% of new jobs. Yet small businesses in particular have been caught off guard by the abrupt transition to a virtual economy. Many still lack even a business website, with some citing barriers such as lack of technical expertise or high startup and maintenance costs. This crisis could be the moment that these small firms make the jump, repositioning themselves for a post-pandemic economy more virtual and mobile than we’ve seen.

- **A borrower’s opportunity, a saver’s dilemma**



Source: Bank of Canada, RBC Economics | \*Dates based on 10-year yield lows | \*\*As of December 2, 2020

The unconventional tools the Bank of Canada adopted are designed to lower longer-term interest rates across the yield curve, reducing borrowing costs on fixed-rate mortgages and longer-term business loans. That’s helped home sales recover sharply, but business investment remains subdued. Savers, meanwhile, will have to look beyond safe, fixed-income investments to grow their money.

Investors are betting policymakers will be successful in re-inflating the economy, with market-based inflation expectations in Canada and the U.S. rising back to pre-pandemic levels or higher, reflected in a steepening yield curve. But there appears to be little concern that easy monetary policy will overstimulate the economy and

result in excessive inflation. Subdued inflation pressures reflect constrained activity, particularly in the services sector, which has been the source of consumer price inflation in recent years. Although consumer prices are likely to remain moderate, asset-price inflation can be expected to continue as we move through the recovery.

Source: <https://thoughtleadership.rbc.com/navigating-2021-21-charts-for-the-year-ahead/>

## Avison Young Forecast, Ten Trends in 2021

Canada's commercial real estate market was challenged by the global pandemic's emergence in early 2020; however, strong market fundamentals and robust government responses likely blunted the full impact that necessary containment measures inflicted on the national economy. Avison Young, a global real estate advisory, illustrated ten trends in 2021 which have the potential to profoundly influence the world and the role of real estate within it. Here are the summaries.

- DeGlobalization became a trend to watch in 2020, despite the COVID-19 pandemic accelerated the changes so dramatically. Multinational companies were rethinking global footprints to find a new balance between cost-efficiency and business effectiveness. Politically, tensions between and within the major trading blocs go well beyond the views of any specific politician or party.



**The biggest global impact of COVID-19 will be its influence on supply chains.**

Among the many memorable images of the crisis are empty shelves in grocery stores. Regionalization is typically a core component of the strategy, shortening the links in the chain while creating networks that provide flexibility and parallel capacity in case of supplier failure. Risk management now rivals or even exceeds efficiency as the priority in decision-making – or as one commentator neatly summarises it, ‘just-in-time’ is being replaced with ‘just-in-case’.

- Office workers in the millions started working from home. The productivity upside may have been exaggerated during the initial period while organizations were largely focused on servicing existing needs. Over time, the appeal of homeworking will start to wear off for some. Companies may have other causes for concern. Homeworking clearly isn't for every individual or organization, but there is an unavoidable sense that the genie is out of the bottle. At the conclusion of the Ctrip experiment, half the workers chose to return to the office; that means half didn't.

Despite what many believe, remote working does not exclusively mean work from home; it just means work does not have to be done exclusively within the confines of a central office and could be within a “third place” such as co-working/serviced office locations, satellite

offices or coffee shops. This trend will have huge implications for workplaces and property portfolios.

**Homeworking is only a part of the story – but flexible working is now a given.**

- One immediate impact of COVID-19 lockdowns was an unprecedented spike in online shopping. The emergence of new generations of retailers and consumers has put pressure on all aspects of the supply chain. The current pandemic has intensified existing trends in the retail and logistics sector. E-commerce was already expanding in most markets but is estimated to have expanded by more than a third during 2020. Particularly noteworthy is not just the rate of growth, but the expansion of demand into areas that were previously dominated by in-store shopping. Consumers continue to demand speed of delivery and convenience. They want ease of ordering, rapid order fulfilment and free or cheap delivery.

The traditional model of regional distribution centers isn't available to many retailers, and even major players have struggled to keep up with the increased demand and speed requirements of the current consumer. The result is a growing requirement for localized stocking and order fulfilment closer to the consumer.

**The traditional model of regional distribution centres isn't available to many retailers.**

The pandemic has also stimulated the transformation of many retail businesses, within which physical stores still play a crucial role and have a demonstrable “halo effect” as part of an Omni channel strategy. Traditional stores were always a combination of the retail and logistics functions; recent trends suggest a renewed recognition of this dual role. As surplus retail space becomes cheaper and more available, innovations around hyperlocal delivery will be a key part of reimagining the future of retail.

- The pandemic continues to affect almost every aspect of our work and personal lives, in ways that potentially have far-reaching consequences for real estate assets.

Investors are used to operating in an unprecedented ‘lower for longer’ interest rate environment that will persist for many years. However, the economic stimulus measures being considered by governments across the globe offer some interesting investor opportunities.

**Investors are focusing on what the 'new normal' might bring.**

While core real estate undoubtedly faces challenges from a weakened economy, a substantial volume of capital is targeting the sector in search of the yield and return profile that prime real estate can offer.

**The profile of income generated is typically attractive to core investors.**

As was evident during the Global Financial Crisis, many investors are looking to seize the

chance to acquire real estate at advantageous prices under an expectation that there will be distress. Whether, and to what extent, this distress will materialize remains to be seen. In the meantime, investors are focusing on what the 'new normal' might bring.

Source: <https://avison-young.foleon.com/2021-forecast/real-estate-trends/overview/>

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