SKYLINE

2025 CANADIAN REIT AND CLEAN ENERGY FUND OUTLOOK

Key trends shaping private real estate and clean energy investment in Canada

Inside

Head Office,
5 Douglas St., Guelph, ON

Wayne Byrd,

Chief Financial Officer, Skyline

As we move into a new year, the transition towards an improving economic and interest rate environment stands out as a defining condition to close 2024. The past few years have underscored the importance of resilience, adaptability, and a long-term perspective in guiding our funds through uncertainty and volatility. While we're confident in a more stable environment in 2025 should US-Canada trade relations stabilize, we remain vigilant of any potential impact from national and international events.

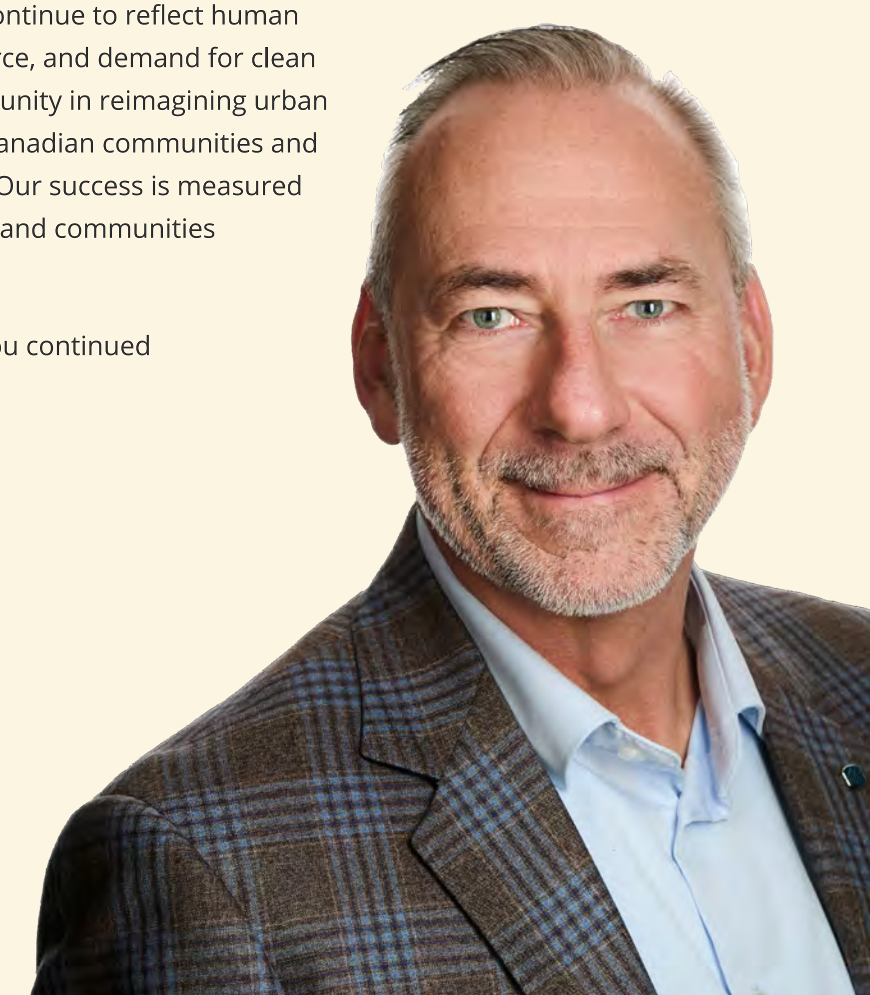
We anticipate new challenges and opportunities ahead. Interest rate fluctuations, trade policies, and market volatility will undoubtedly test our resolve. Yet, these challenges also present opportunities for disciplined investors who can identify value and mitigate risks. We believe maintaining a deep understanding of national markets and trends will be key to navigating this evolving landscape.

This year's report examines the current macroeconomic environment, as well as key trends likely to influence fund performance and decision-making in the year ahead. We will dive into how these factors may influence new acquisitions, unit values, and distribution in our own funds.

We believe the Canadian real estate market will continue to reflect human behaviours—our need for shelter, safety, commerce, and demand for clean energy will continue to grow. We see great opportunity in reimagining urban centres, adding much-needed rental housing to Canadian communities and developing Canada's clean energy infrastructure. Our success is measured by the positive impact we create for the investors and communities we serve.

We hope you find value in this report, and wish you continued success in 2025.

Wayne Byrd, CPA, CMA
Chief Financial Officer, Skyline



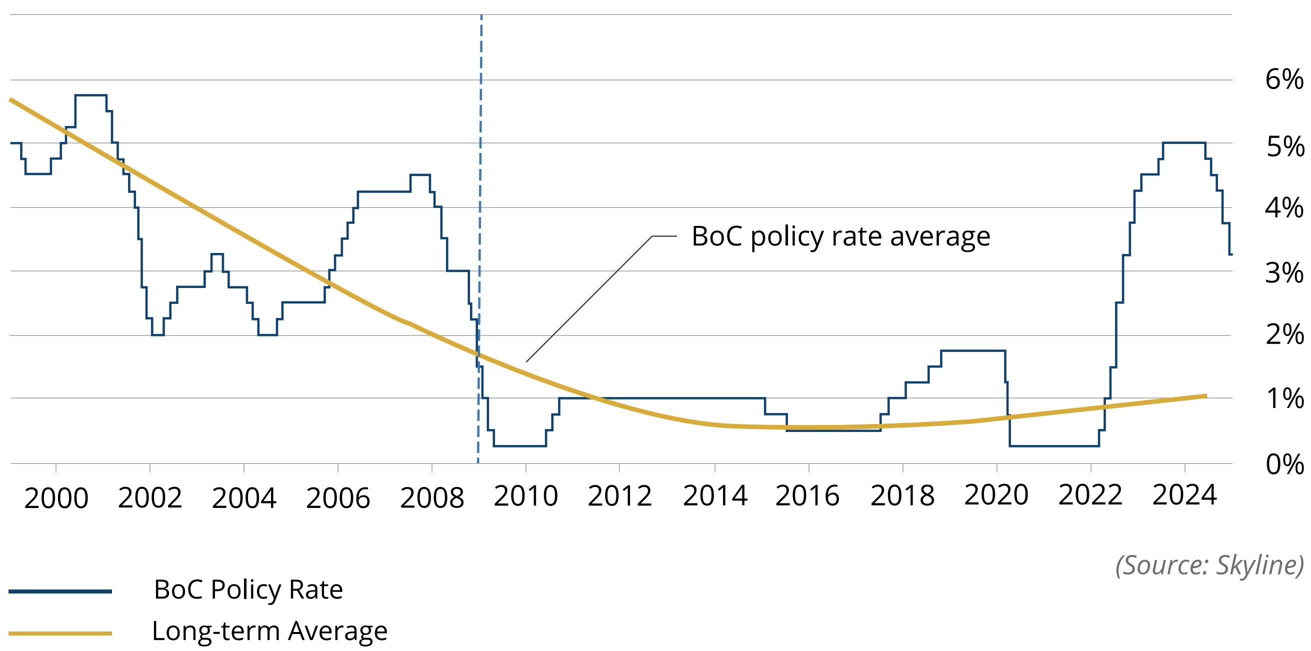
A Macro Perspective

Bank of Canada Policy Rate

Shifts in the Bank of Canada's (BoC) policy direction and overnight target rate were pivotal in shaping Canada's economic trajectory in 2024. Throughout the year, the BoC accelerated its rate easing cycle, adopting a more accommodative fiscal stance. Despite five rate cuts in 2024 and another on January 29, 2025, the benchmark lending rate of 3.00% remains relatively high compared to the historically low levels Canadians had become accustomed to since the 2007-2008 Great Financial Crisis.

BoC POLICY INTEREST RATE

Historical interest rates



(Source: Skyline)

By our calculations, the policy rate has only averaged around 1.0% since 2009. These ultra-low rates were mainly due to Zero Interest Rate Policy (ZIRP) and quantitative easing strategies implemented by many central banks worldwide to foster growth and counteract the deep deflationary shockwaves of the time. From the end of 2009 through to the end of 2024, the policy rate has spent approximately two-thirds of the time at ultra-low rates (<=1.00%).

The end of an era of low interest rates ended in 2022, driven by inflationary pressures stemming from the COVID-19 crisis. As we explained in a previous article, we expect the BoC's policy rate to keep dropping towards the neutral rate (midpoint: 2.75%) in 2025—a sentiment shared by much of the investment community. TD Economics, for example, recently "removed a quarter-point cut from its forecast with an expectation that the policy rate will come to rest at 2.50% by the end of 2025." Other leading institutions, including RBC, expect the overnight rate to reach 2% by mid-year.

With inflation now within the BoC's target range and economic growth still trending below potential, we believe conditions are favourable for further rate cuts in 2025. Where those drops ultimately stop—2%, 3% or somewhere in between—will depend on whether inflation pressures re-emerge and whether the economic output reaches its potential.

While there is always a chance for unforeseen shocks to market conditions, the present rate environment is increasingly favourable for Real Estate Investment Trust (REIT) mortgage debt laddering strategies and offers borrowers the most favourable refinancing opportunities at competitive rates since the peak of the COVID-19 pandemic. This will result in lower net interest payments as a percentage of total debt and a reduced cost of capital for REIT operators compared to refinancings completed in 2024.

Mortgage Rates

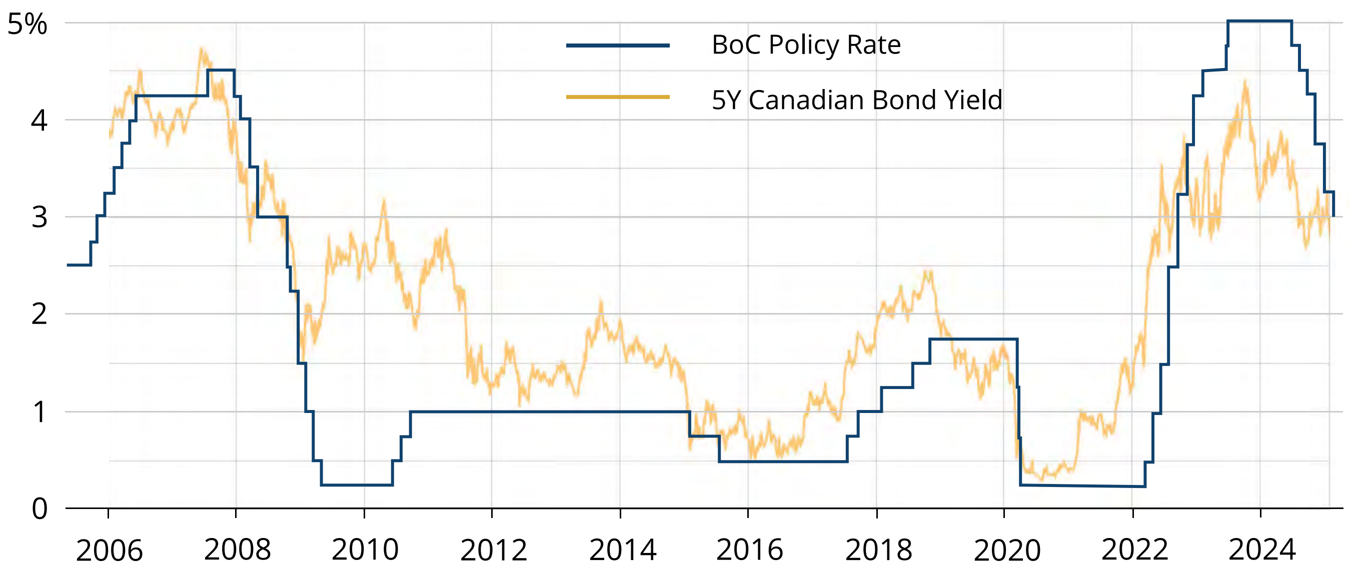
For all REIT operators, mortgage debt interest represents a substantial financing cost on the income statement. It also heavily influences key debt ratios across the board. As such, a declining interest rate environment provides a significant, if not long-term, tailwind to the industry's overall interest expense profile.

While BoC rate cuts primarily affect variable-rate mortgages by prompting lending institutions to adjust their prime rates accordingly, fixed-rate mortgages also benefit as longer-duration bond yields often anticipate shifts in shorter-duration yields over time.

The chart below illustrates the correlation between the BoC's target rate and the 5-year Canadian bond yield, which is closely tied to the 5-year fixed mortgage rate.

CORRELATION BETWEEN BOC POLICY RATE AND 5-YR CANADIAN GOVERNMENT BOND YIELD

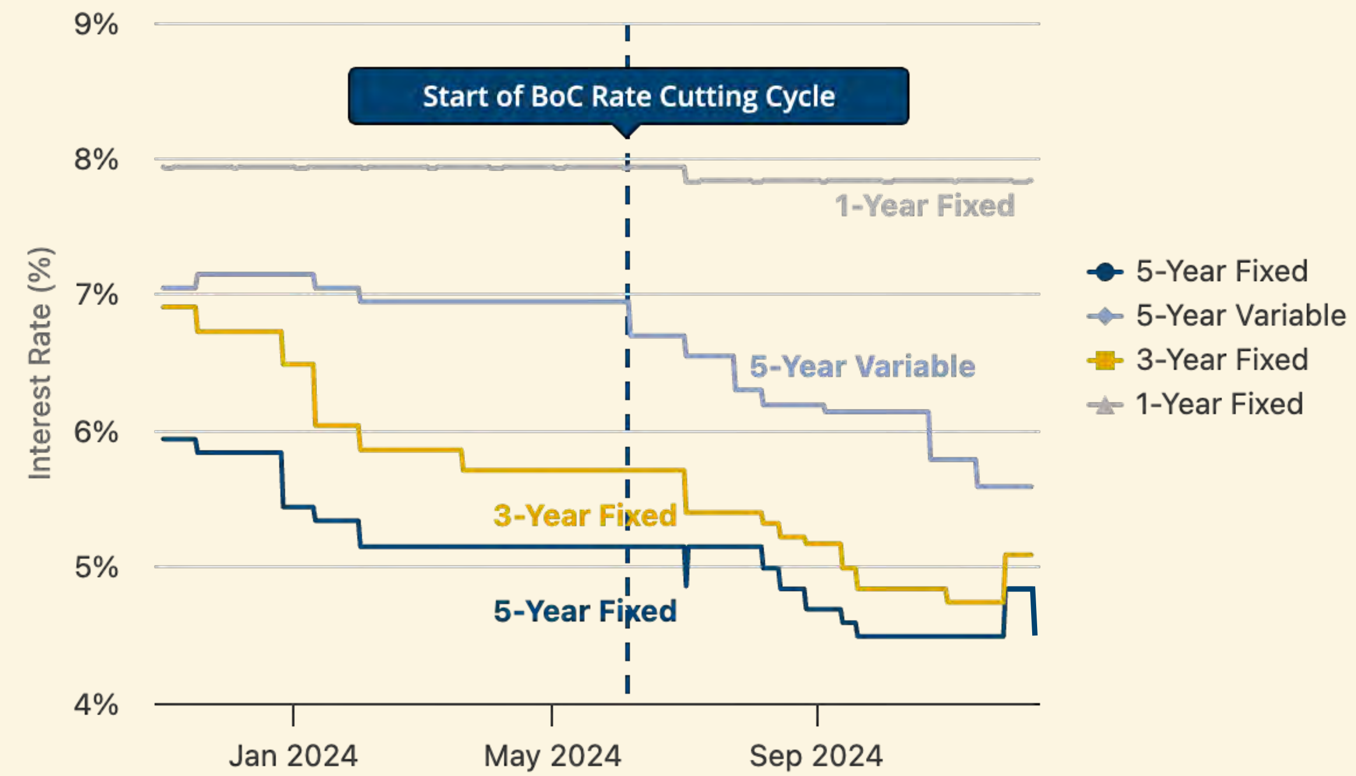
Last Twenty Years, Canada



(Source: Skyline)

Since the BoC initiated its rate-cutting cycle on June 5, 2024, 5-year fixed mortgage rates at Canada's largest banks have declined by 31 to 66 basis points (bps), varying by institution. With policy rates anticipated to continue falling towards the neutral rate (median 2.75%), the trend towards flat-to-lower fixed rates will likely continue.

TD FIXED AND VARIABLE RATE HISTORY



(Source: Wowa)

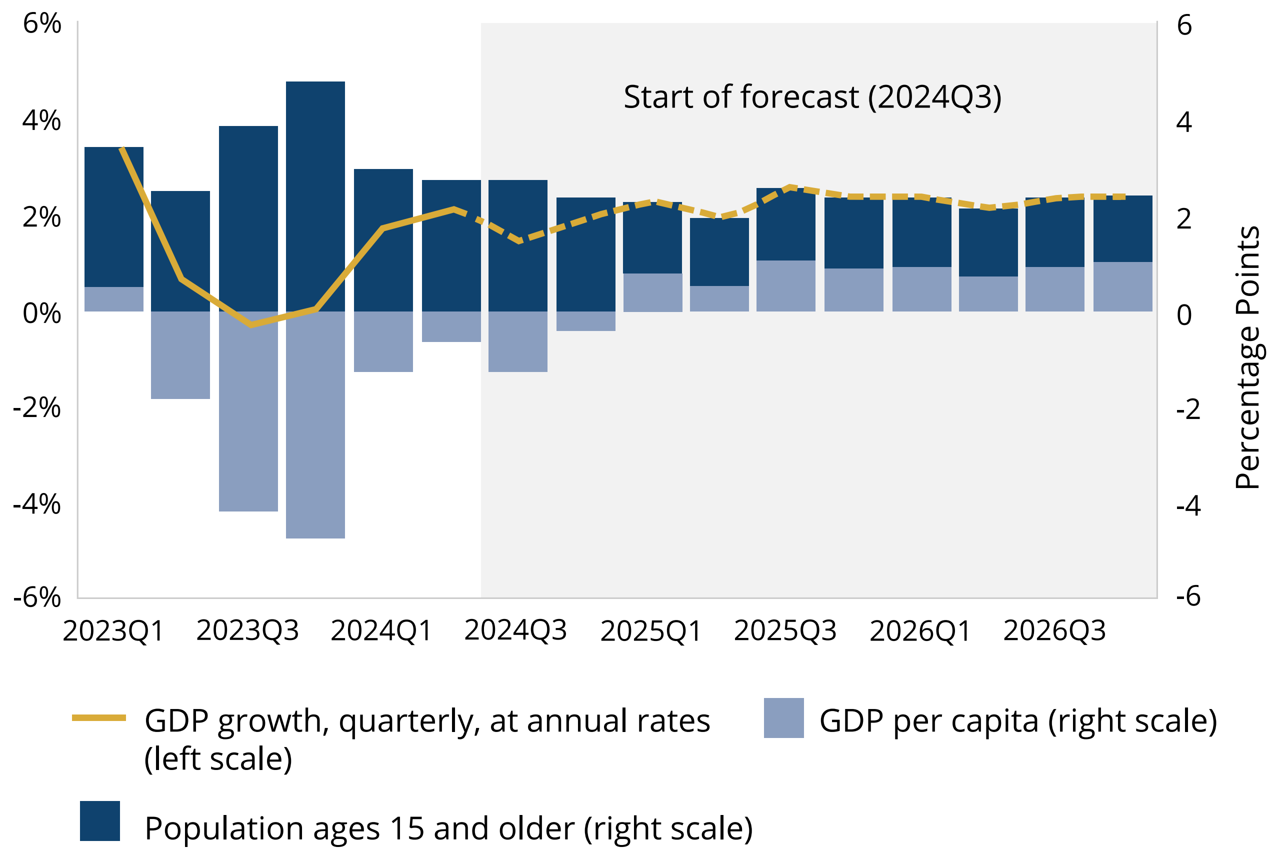
Taking Skyline as an example, approximately 24% of Skyline Industrial REIT mortgages and 29% of Skyline Retail REIT mortgages are due to mature in 2025, with a significant portion of short-term debt also coming due for both REITs. This could provide an opportunity to refinance maturing fixed-rate debt in 2025 at more favorable rates than those secured in the prior year.

Economy

After a year of below-trend gross domestic product (GDP) growth in Canada, the economy is forecast to rebound in 2025. We believe economic growth has bottomed out mainly due to BoC actions and will gather momentum as the full effects of rate cuts–typically seen between 12-18 months from the start of the easing cycle–begin stimulating the economy. We already saw signs of life in the quarterly data (Q3 2024), where consumer spending jumped by 3.5% and residential investment increased for the first time in four quarters to 3.0%. If the economy continues to rebound, we expect to see the impact in the rate-sensitive consumer first.

GROWTH OF GDP PER CAPITA IS EXPECTED TO PICK UP

Contribution to real GDP growth, quarterly data



(Source: Bank of Canada Monetary Policy Report—October 2024—Canadian economy)

Note: Data for the population aged 15 and older are from Statistics Canada's quarterly population estimates.

It's important to note that despite the interest rate tailwind, the Canadian economy remains in stall-speed growth. This is best typified by per capita GDP, which fell for a 6th consecutive quarter in Q3 of last year. While GDP rose at a 1.0% annualized rate in Q3, growth came in below the BoC's 1.5% forecast and below the overall pace of inflation. Business investment remains tepid at this stage of the economic cycle, constrained by limited visibility on Canada's growth trajectory.

With the election of U.S. President Donald Trump, another potential economic domino has dropped—the introduction of sweeping tariffs on Canadian imports. Unlike the previous administration, which fostered normalized trade relations, this administration offers no such assurance.

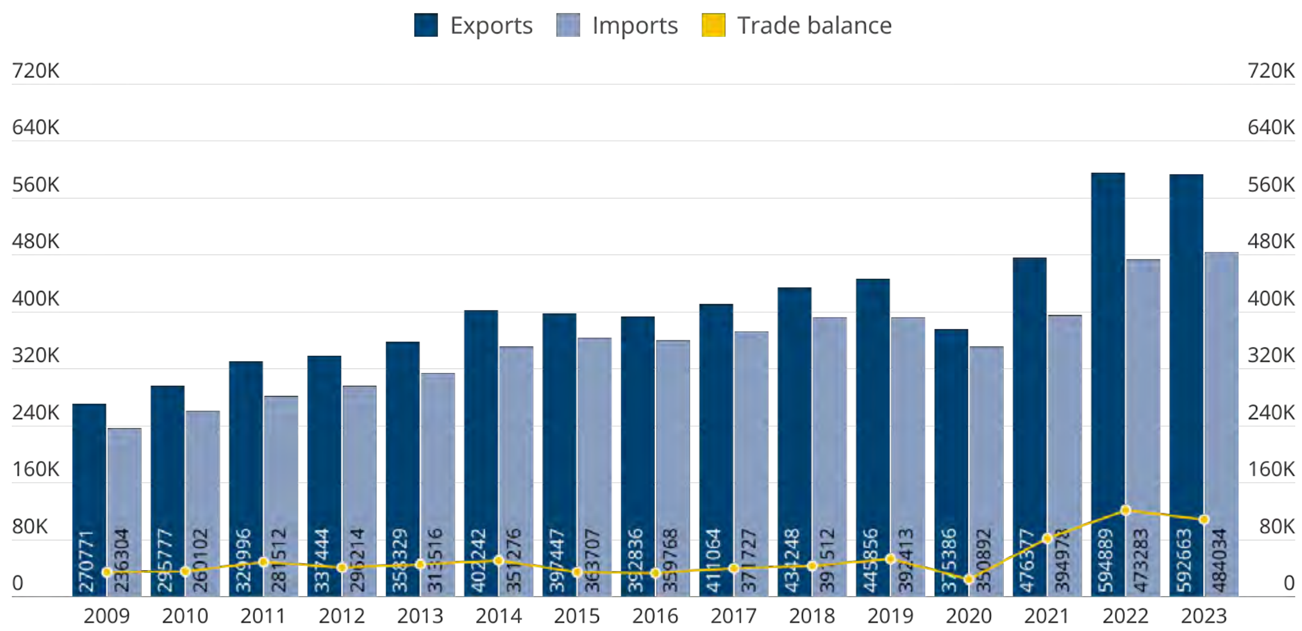
"The Canadian government has implemented sweeping security measures to address these concerns."

Following Trump's presidential election, the market initially anticipated a baseline 10% tariff on Canadian imports. Before long, the situation escalated when Trump announced plans to impose a blanket 25% tariff on all Canadian imports unless stricter border controls to address immigration and drug trafficking were implemented. In response, the Canadian government implemented sweeping security measures to address these concerns.

Even before the election, BNN Bloomberg reported that a 10% broad-based tariff could lead to a drop in real GDP of 2.4 percentage points over two years compared to baseline projections, assuming retaliation from Canada. A 25% tariff (with retaliation) would likely see the Canadian economy slip into recession, according to BDC.

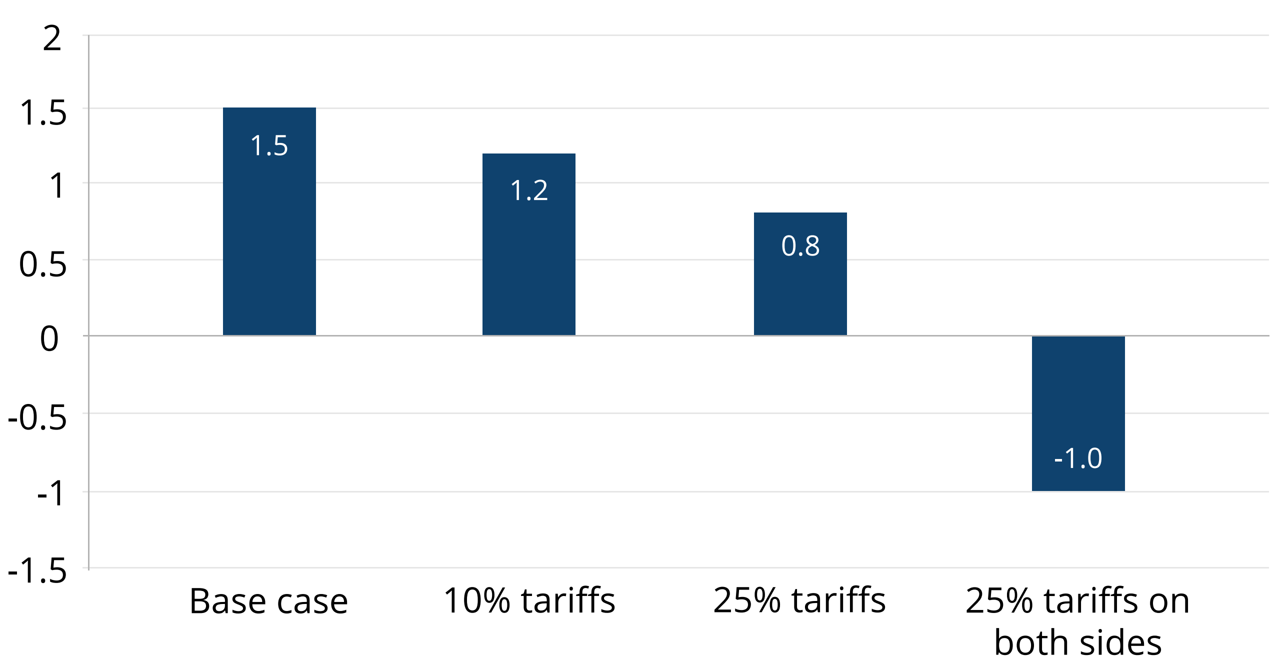
TRADE SURPLUS WITH THE UNITED STATES IN 2023

Exports to U.S., billions



(Source: StatsCan)

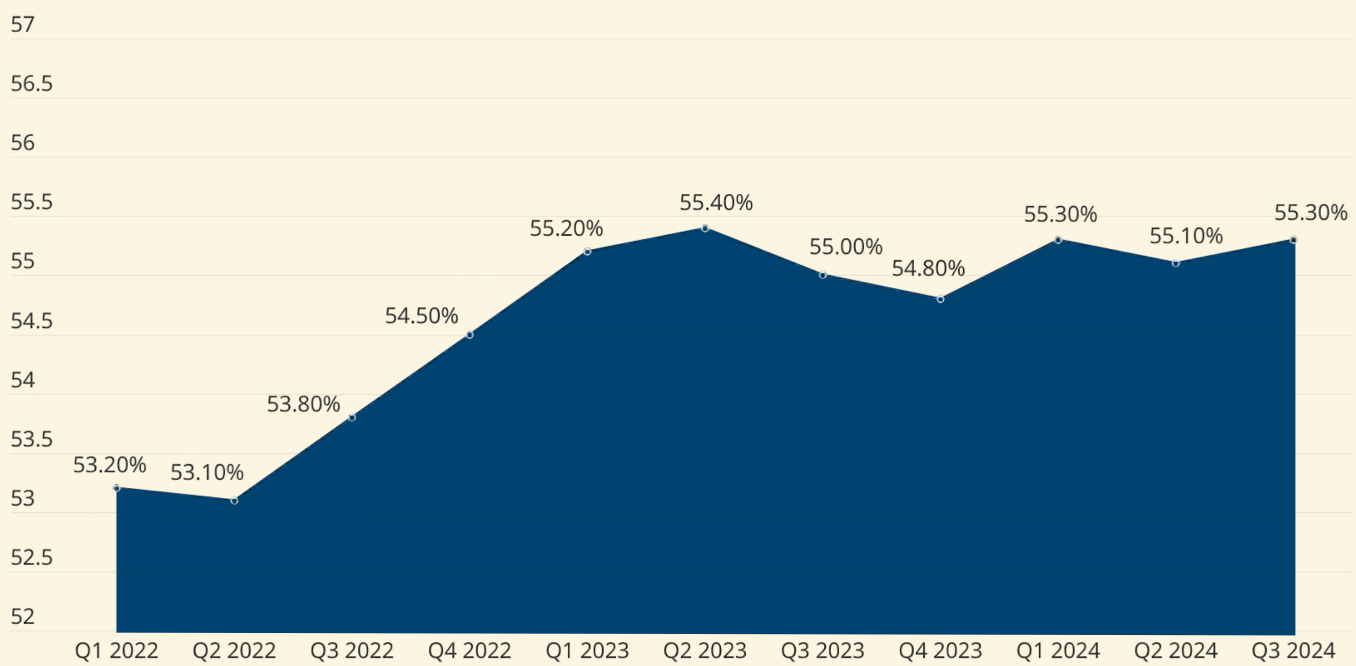
GDP GROWTH FORECAST UNDER DIFFERENT TARIFF SCENARIOS (%)



(Source: BDC)

Working under the assumption that the U.S. will seek to avoid a protracted tit-for-tat tariff war that could also damage their economy, we have good reason for optimism. The Canadian consumer—which accounts for over half of nominal GDP—has been building momentum in the second half of 2024. In a normalized business environment, it is ultimately the consumer who will dictate Canada's economic fortunes in 2025.

PRIVATE CONSUMPTION AS A SHARE OF CANADA'S GDP



(Source: Skyline)

As interest rates continue to fall in conjunction with accommodative election-year federal government stimulus programs, we are confident economic growth will perform modestly better in 2025, all things being equal.

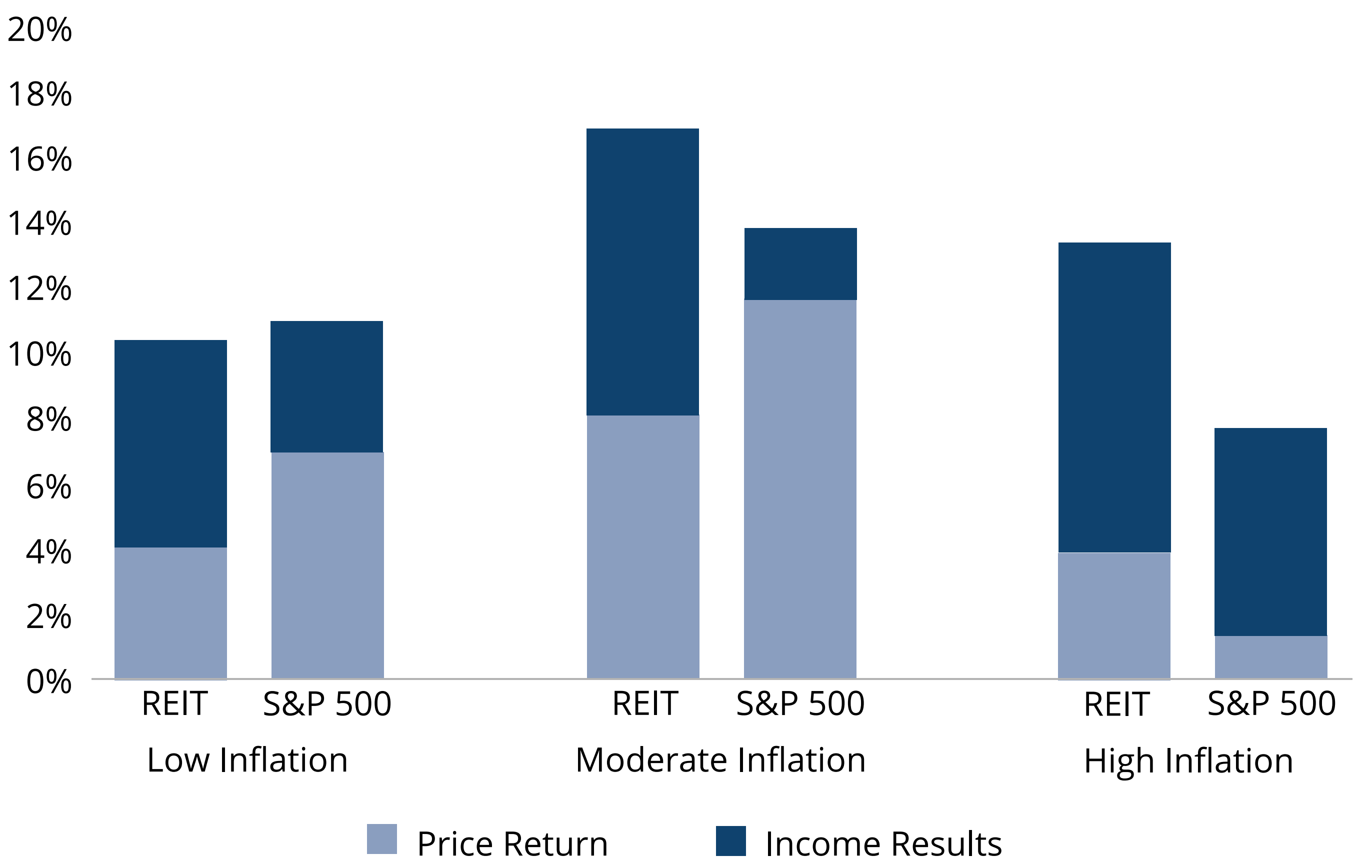
Inflation

Real estate is a tangible asset, so its value typically rises with the cost of materials, labour, and land—all key components of inflation, as measured by the Consumer Price Index (CPI). This generally make REITs, both public and private, excellent inflationary hedges over time. Returns in such environments, however, are not linear. Certain periods tend to generate disproportionately higher returns than others. Nareit, an organization that represents REITs and companies with an interest in U.S. real estate, has documented this phenomenon extensively.

According to data dating back to 1971, 'moderate' inflation—defined as between 2.5% and 7.0% annually—is the most optimal return environment for REITs compared to equities. *(Note: Nareit compared public REIT returns against S&P 500 returns and may not be representative of private REIT correlations, which are priced on appraisal value methods).*

As the chart below demonstrates, public REITs provided their highest aggregate returns in 'moderate' inflation environments between 1972 and 2021, with total annual returns of nearly 17%. Conversely, the S&P 500 returned less than 14% during the same period.

REIT RETURNS COMPARED TO S&P 500 RETURNS DURING DIFFERENT INFLATION PERIODS

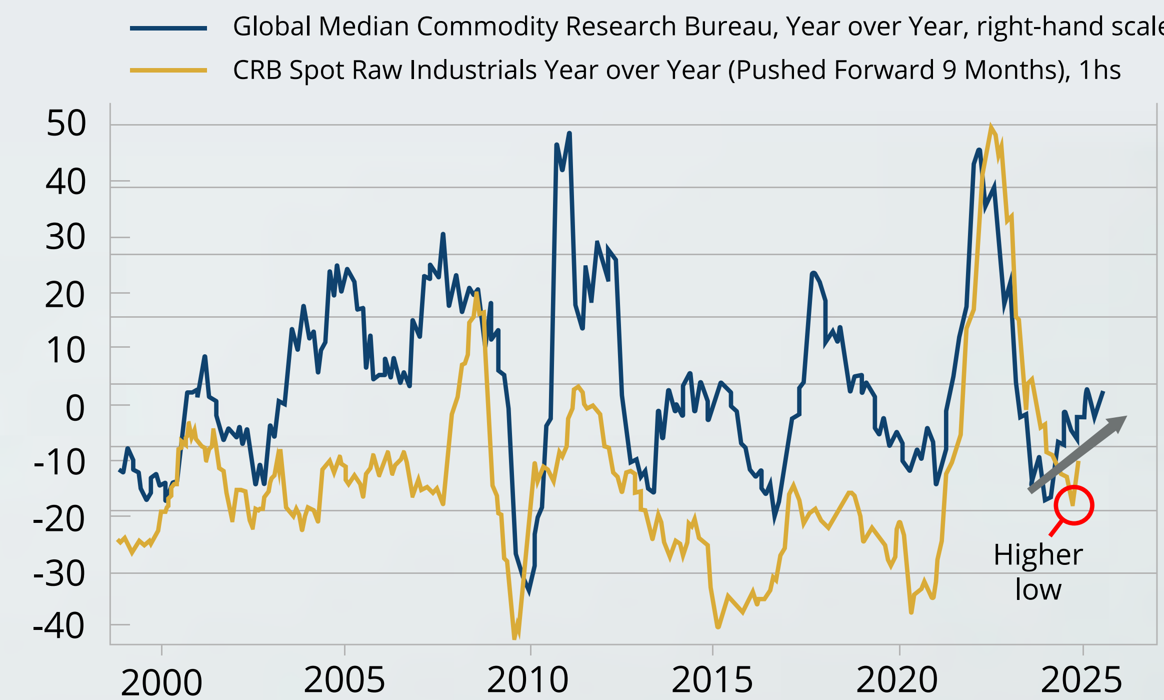


(Source: Nareit)

Currently, the BoC is projecting 2.3% inflation in 2025 and 2.0% in 2026. Although the former would be classified as a 'low' inflation environment according to Nareit's definition, it would not be surprising if inflation expectations are eventually revised upwards above 2.5% as a falling CDN dollar and Trump tariffs (among other factors) raise the cost of goods and materials across the supply chain. This was evident in the December CPI data, which, excluding the temporary tax break introduced by the federal government in early December rose by 2.2%, well above the consensus forecast of 1.9%.

It is important to note that Global CPI has started to rise again after marking a cyclical low, potentially lowering the expectation of further rate cuts on a global scale.

HAVE INFLATION EXPECTATIONS BASED?



(Source: Zerohedge)

Regardless of global factors, Canadian CPI will likely approach or exceed a moderate inflation range as defined by Nareit. Public REITs have traditionally performed well in a moderate inflation environment—neither too high, where rising consumer prices constrain spending, nor too low, where opportunities to increase lease and rental prices are limited. We anticipate similarly stable inflation dynamics to provide a tailwind for both public and private Canadian REITs.

Final Thoughts

Although 2024 presented challenges for both the Canadian real estate market and the Canadian economy overall, the BoC's easing policy trajectory has set the stage for positive momentum going forward. With declining policy rates, an improved cost-of-capital environment, and moderated inflation expectations, conditions appear favourable for stronger performance in 2025.

We believe economic growth likely reached a cyclical low point in 2024 and is poised to accelerate as the lagging effects of rate cuts begin to stimulate economic activity. While uncertainties remain, particularly regarding U.S. trade tariffs and their potential impacts, the convergence of accommodative monetary policy, stable inflation, and consumer spending momentum points to a promising outlook.

Potential Risks in our Analysis

- If 25% tariffs on most Canadian imports are implemented and/or for a longer-than-expected duration, combined with full retaliation from the Canadian government, could drive the Canadian economy into a recession and negatively impact cap rates, thereby affecting real estate values.
- Federal policy changes—specifically the Housing Accelerator Fund and Housing Infrastructure Fund—brought about by new federal government leadership. Pierre Poilievre, leader of the Conservative Party, has openly criticized these programs and pledged to eliminate them if elected. This could potentially impact new housing starts in the second half of 2025 and beyond.
- Inflation pressures resurge due to tariffs or other factors (with the BoC forecasting 2.2% for 2025), the central bank may conclude its easing cycle sooner than expected. This could dampen economic momentum, impact real estate values, and limit refinancing benefits for REITs and clean energy assets.
- Long-term bond rates continue to resist changes in the BoC policy rate, as observed in Q4 2024. Variable-rate mortgage rates decline further, but fixed-rate mortgage rates, which REITs depend on, remain stubbornly elevated.
- Mortgage reforms to increase the insured mortgage price cap from $1 million to $1.5 million, coupled with falling interest rates, could impact rental demand and adversely impact rental pricing more than anticipated.

SKYLINE

Apartment REIT*

10.52% 1-Yr Annualized Return	**9.24%** 3-Yr Return

15.99% 5-Yr Return	**14.49%** 10-Yr Return	**13.81%** Since Inception

Since 2006, Skyline Apartment REIT has grown from a small portfolio in the mid-sized community of Guelph, Ontario, to over 21,000 suites across the country. From our first investment property to the latest, we have remained steadfastly focused on delivering optimal capital returns to investors. Despite challenging conditions, we once again achieved our goals by producing a double-digit return in the REIT in 2024.

Skyline achieved this through strict adherence to capital deployment and strategic capital expenditure improvements, resulting in a best-in-class property portfolio. Regardless of where tenants are located across Canada, they can access quality suites at competitive prices—ensuring our occupancy rates remain strong.

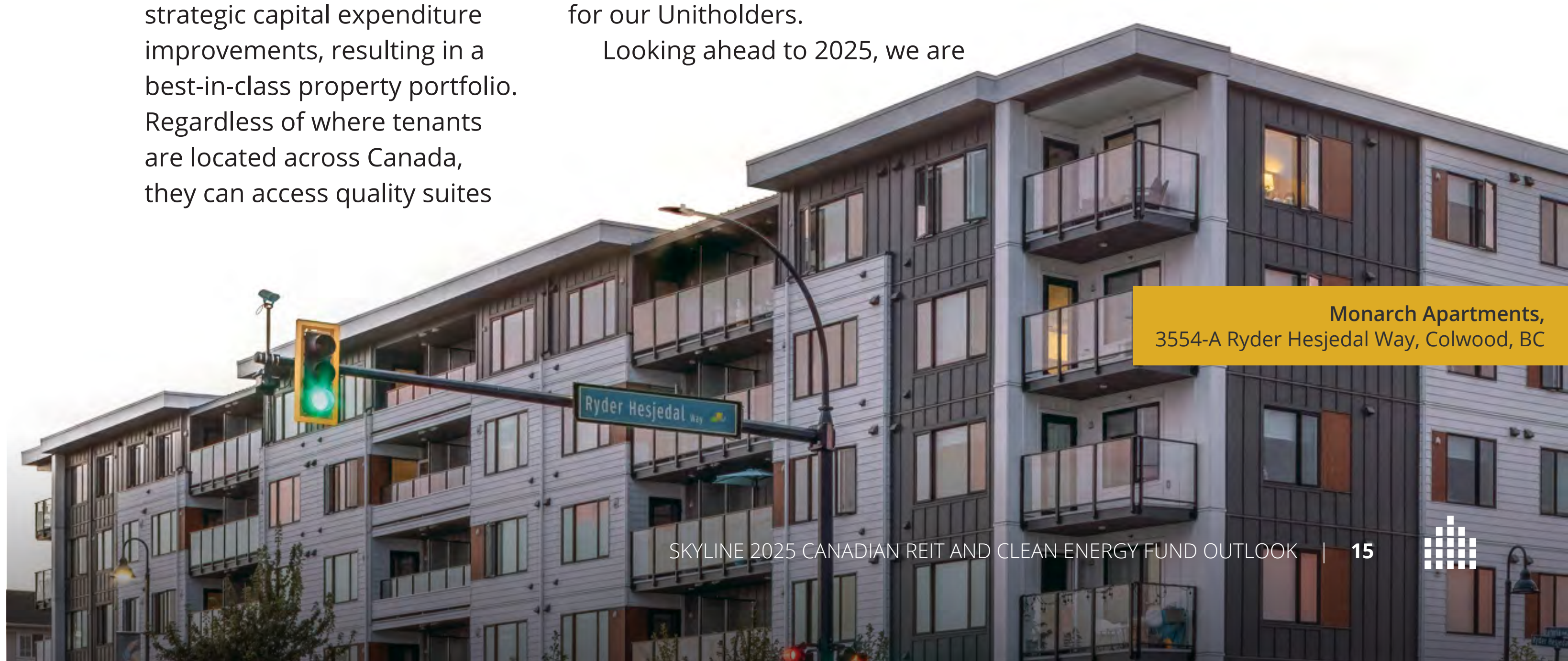
Beyond the numbers, we approach each investment with discipline—continually optimizing our asset portfolio and capitalizing on opportunities for growth through acquisitions and developments. This strategy has enabled sustainable growth and reliable value creation for our Unitholders.

> *"—we're pleased to report that challenging economic conditions from the past year are showing signs of improvement."*

Looking ahead to 2025, we are pleased to report that challenging economic conditions from the past year are showing signs of improvement. This benefits consumer spending and rental affordability—two areas heavily impacted in the post-pandemic economy. Falling capital costs, consistent with the BoC policy rate, benefit our refinancing and acquisition strategies. We expect these macro trends will continue for the balance of the year.

Matt Organ,
President, Skyline Apartment REIT

**Class A figures, as at December 31, 2024.*



Monarch Apartments,
3554-A Ryder Hesjedal Way, Colwood, BC

APARTMENT REIT

Trends in 2025

General

- **Home affordability:** Despite the loosening of rules around insured mortgages designed to help first-time homebuyers, home prices remain unaffordable to many—especially for new Canadians. This long-term macro trend shows no sign of abating anytime soon.

HOUSE PRICES AND AFFORDABILITY

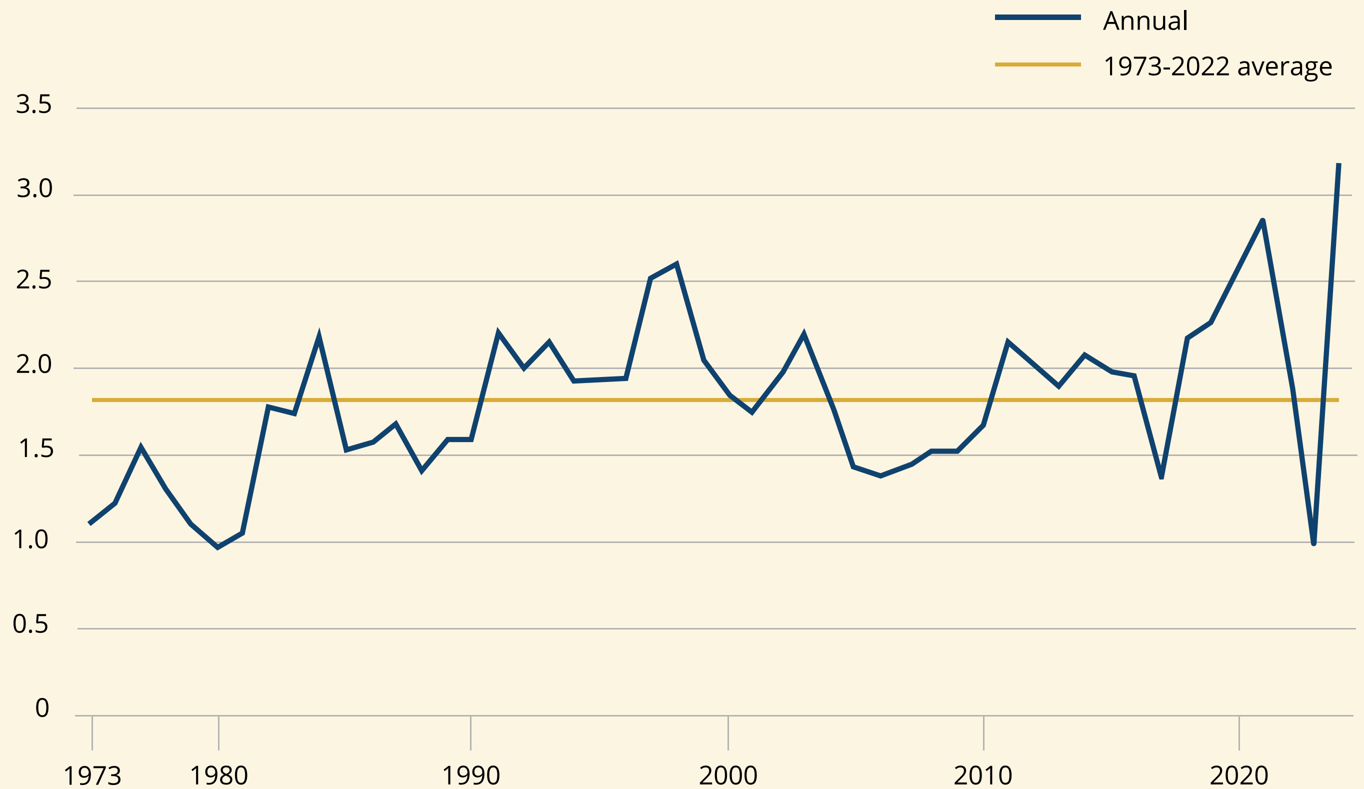
The new housing price index and the housing affordability

(Source: Real estate market: Definitions, graphs and data - Bank of Canada)

- **Immigration:** Despite announcing measures to reduce immigration, Canada's housing deficit is expected to persist beyond 2030, mitigating substantial downward pressure on rents.

POPULATION GROWTH HAS OUTPACED HOME BUILDING

Annual change in population relative to home completions

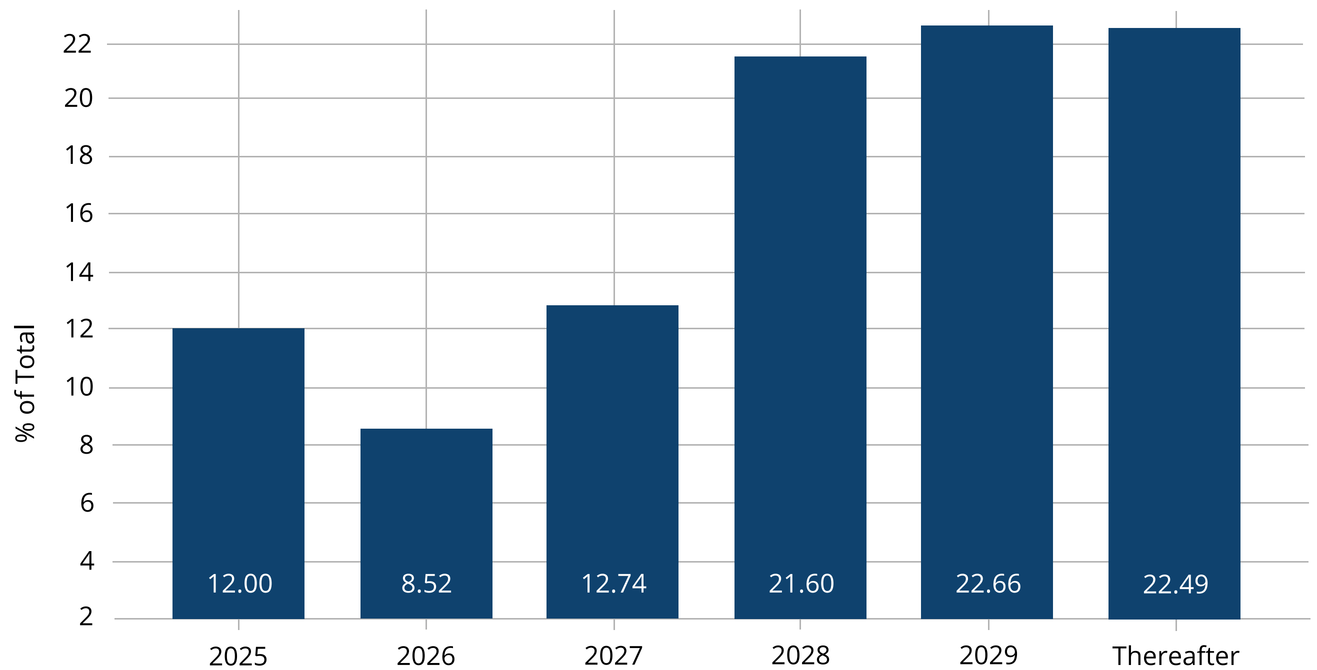


(Sources: The Conference Board of Canada, CMHC, Statistics Canada)

- **Immigration projection:** Even as immigration rates reduce through 2027, population growth is projected to remain well above the previous decade's trend and above long-term averages.
- **Residential prices:** After three years of flat to lower pricing, national average residential prices are likely to increase by approximately 5%, supporting increases in apartment REIT portfolio values.
- **Vacancy rates:** Although we expect a modest uptick, the rental market is expected to maintain historically low vacancy rates, supported by robust long-term fundamentals.

Creekview Heights,
1693, 1695, 1697, & 1699 Deleenheer Road, Vernon, BC

SKYLINE APARTMENT REIT MORTGAGE MATURITY



(Source: Skyline)

Skyline Apartment REIT

- **Dispositions:** Selective dispositions of non-core assets in 2024 have created flexibility for capital redeployment or the reduction of higher-interest debt in 2025.
- **Efficiency:** The REIT will maintain its focus on operational and asset management efficiency while further positioning the REIT's leading secondary and tertiary residential portfolio.
- **Mark-to-market gap:** The REIT maintains a $352 mark-to-market gap on in-place rents exiting 2024 (as of December 31/24), which, if fully captured, has the potential to boost unit value by approximately $22, representing a 74.58% increase over the current unit value ($29.50). This analysis presumes 100% unit turnover capture over time.
- **Portfolio quality:** We anticipate a steady improvement in portfolio quality over the next 3-5 years through the strategic divestment of assets and their replacement with new builds.
- **Turnover rate:** With a current 20% annual turnover rate, we expect to capture most of the unrealized value from mark-to-market gap over the next 8-10 years, if current trends hold.

SKYLINE
Industrial REIT*

6.61% 1-Yr Annualized Return

16.67% 3-Yr Return

16.57% 5-Yr Return

16.17% 10-Yr Return

14.60% Since Inception

Investing in industrial properties has historically been a reliable choice for those seeking steady income and long-term capital appreciation. Despite a challenging economic backdrop, 2024 proved no different for Skyline Industrial REIT, as we delivered solid returns within our sector.

Over the past year, we navigated the highest BoC policy rate in a generation and broader economic malaise with resilience, maintaining a high occupancy rate that began at 98.5% and concluded at 98.4%. Significant milestones included the acquisition of two stabilized developments from Rosefellow, adding approximately 370,000 square feet to the portfolio. By the end of 2024, nearly all development projects under construction were completed, allowing us to shift our primary focus to leasing.

> *"—we anticipate a more favourable leasing environment emerging by mid-2025."*

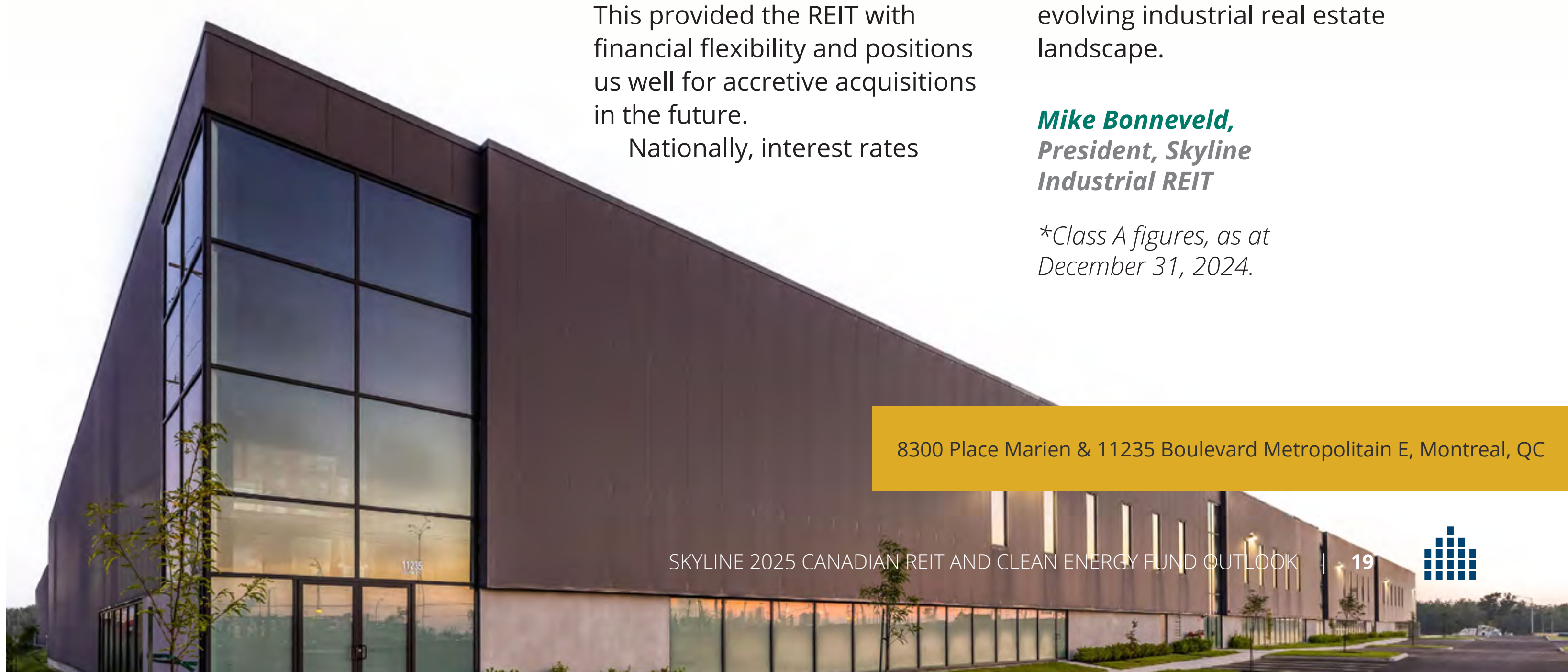
Additionally, we bolstered our balance sheet by selling two portfolio assets from unsolicited, off-market interests. This provided the REIT with financial flexibility and positions us well for accretive acquisitions in the future.

Nationally, interest rates and economic uncertainty led to softer leasing demand, extending lease-up timeframes. Despite these headwinds, our national availability rate stood at 3.3% as of Q4 2024—well below the national average of 6.3%—with rents stabilizing on a market-dependent basis. By late 2024, sentiment began to improve in select markets, and we anticipate a more favourable leasing environment emerging by mid-2025.

We are extremely proud of our return profile since inception and remain dedicated to achieving maximum results as we navigate Canada's ever-evolving industrial real estate landscape.

Mike Bonneveld,
President, Skyline Industrial REIT

**Class A figures, as at December 31, 2024.*



8300 Place Marien & 11235 Boulevard Metropolitain E, Montreal, QC

INDUSTRIAL REIT

Trends in 2025

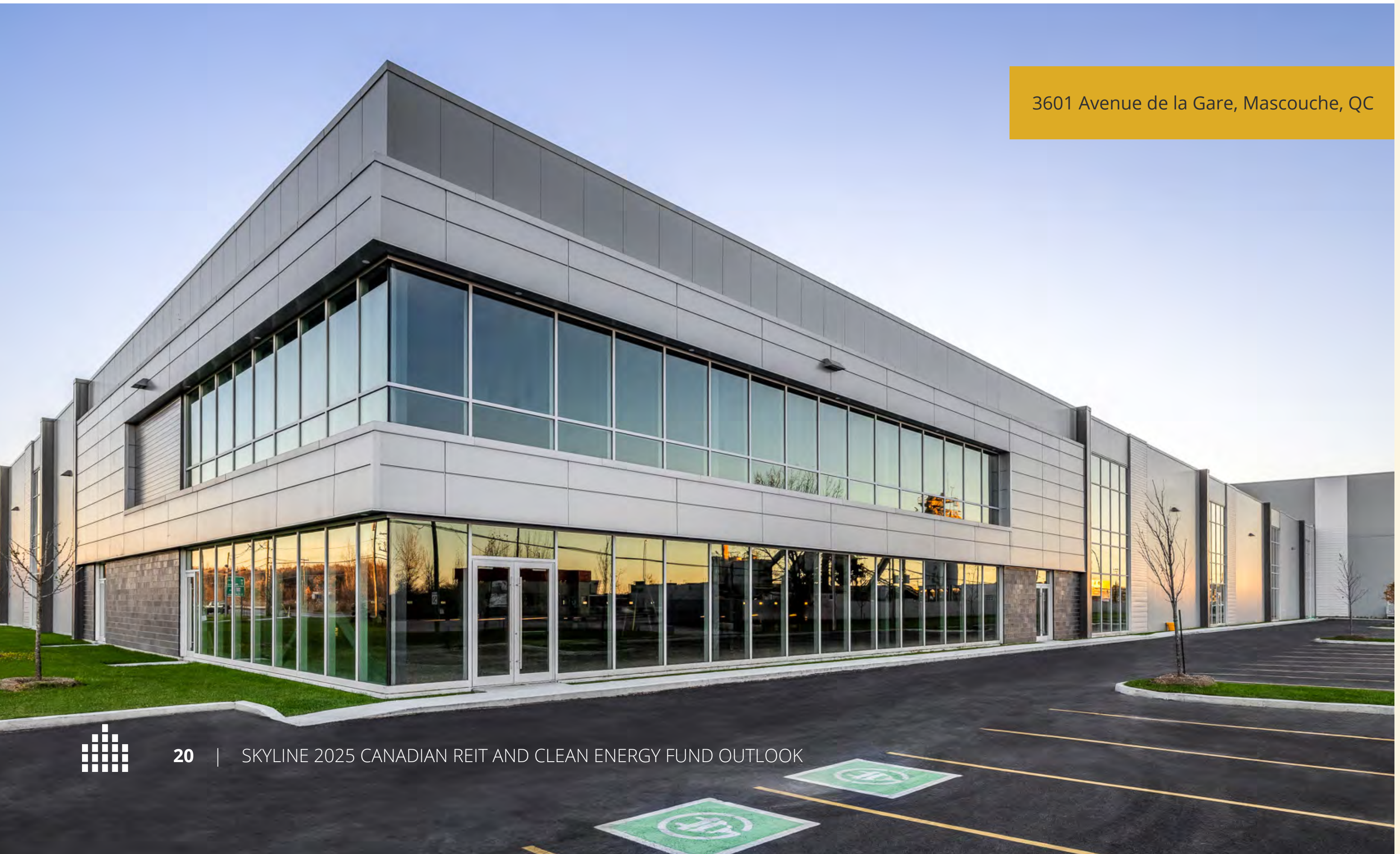
General

- **3PL demand:** The share of bulk industrial leasing activity by third-party logistics (3PL) providers steadily increased in the U.S. in 2024. This trend is expected to extend into Canada as domestic operators increasingly outsource distribution to conserve capital, focus on core operations, and diversify import locations.

- **Custom rents:** Demand is rising for niche industrial property types, including data centres and cold storage facilities.

- **Property subdivisions:** Select tenants are opting to build custom data centres and specialized spaces within subdivided, flexible-use industrial spaces.

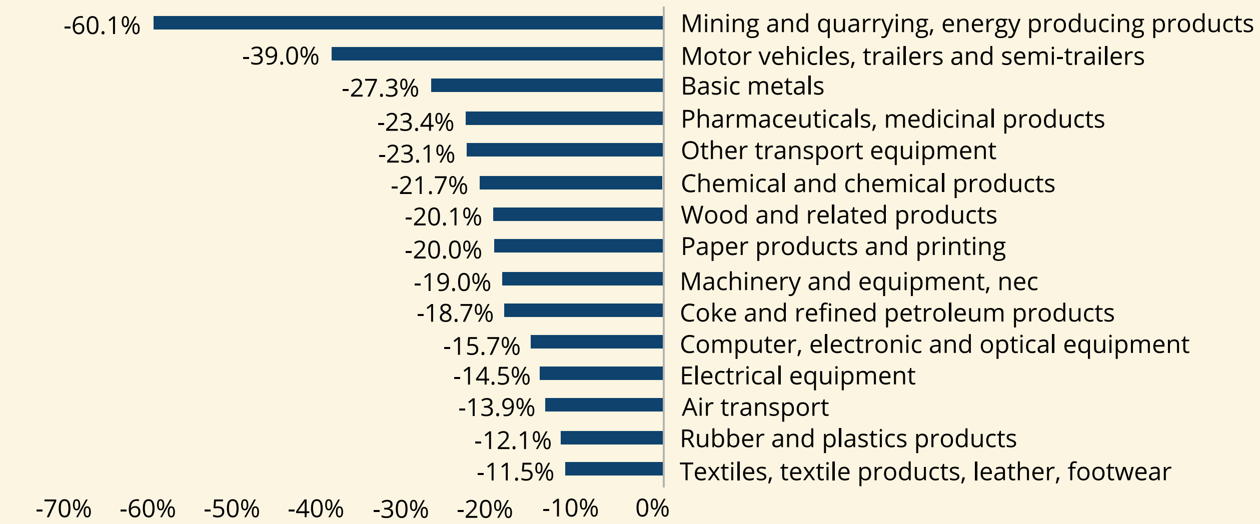
- **Trump tariffs:** While continued cuts in interest rates are expected to positively impact tenants' growth prospects, the near-term uncertainty of tariffs will likely subdue leasing growth activity in Canada (through Q3 2025) until such impact is understood.



3601 Avenue de la Gare, Mascouche, QC

BIGGEST HITS TO ENERGY, AUTO, METALS TRADE - CANADIAN EXPORTS TO THE U.S. BY SECTOR

Precentage point change as a share of each sector's output under a 25% U.S. across-the-board tariff with retaliation



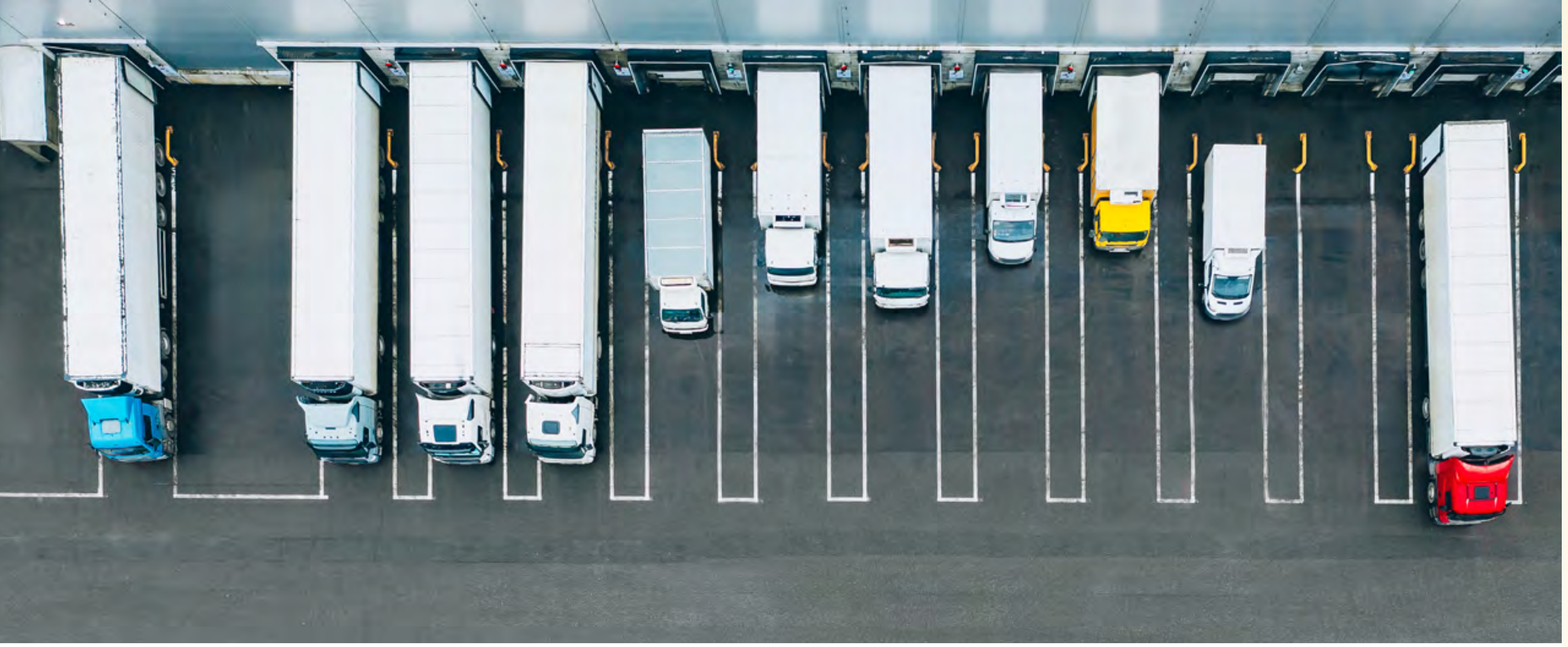
(Source: Business Data Lab of the Canadian Chamber of Commerce)

Skyline Industrial REIT

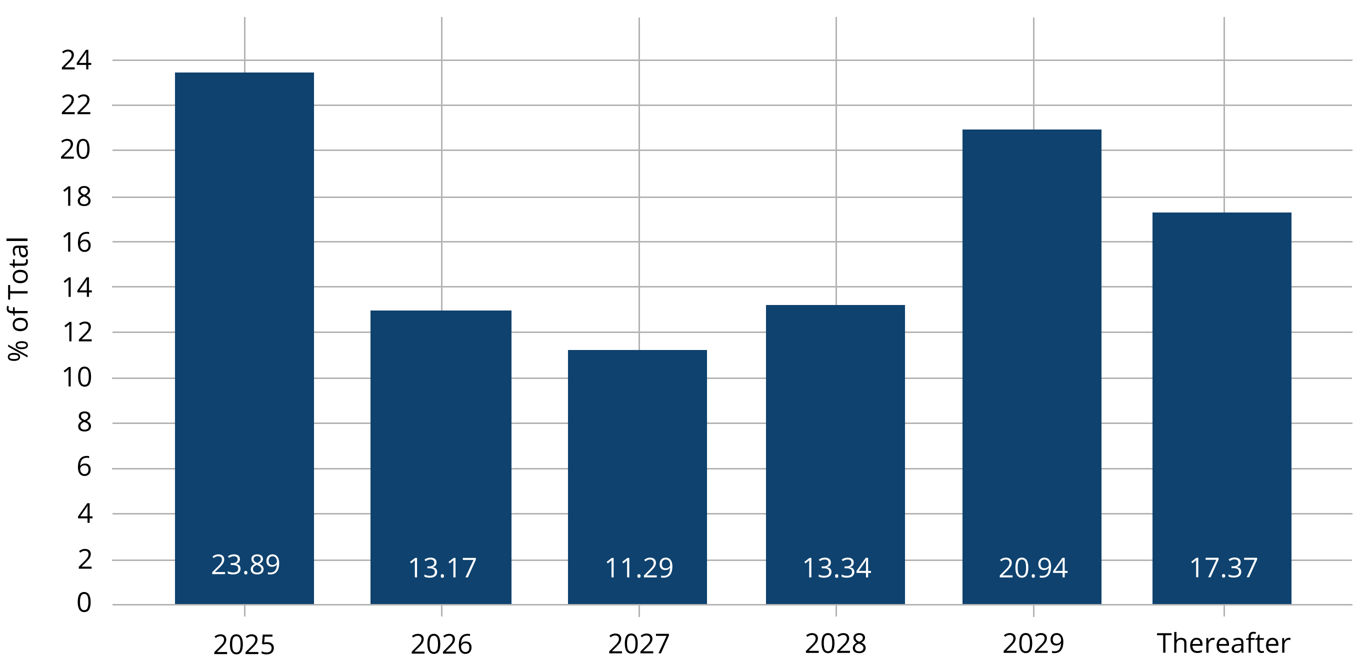
- **Acquisitions:** The REIT aims to increase leasing activity in select remaining development properties, while stabilizing and acquiring two to three new development projects in 2025.
  - This could include a buyout of partners, activating approximately $30 million of equity currently invested in these projects to income-producing properties, adding approximately 800,000 square feet to the portfolio.

- **Balance sheet:** In good shape through strategic management and recent transactions. The REIT is seeking to take advantage of potential acquisition opportunities as they arise.

- **Debt maturities:** With the BoC policy rate currently set at 3.0%, with additional cuts expected in 2025, we believe the impact on the REIT will be positive, specifically:
  - With approximately $200 million in debt maturing in 2025, we anticipate renewal rates on this fixed-rate debt to be, on average, approximately 50bps lower than refinancings secured in 2024. Our forecast relies on market sentiment and yield curve projections, key indicators of fixed-rate mortgage trends.
  - We anticipate using upward financing to facilitate capital projects and acquire third-party assets and development projects as they mature.
  - The REIT's access to debt from Tier-1 lenders continues to be strong with plenty of options available.



SKYLINE INDUSTRIAL REIT MORTGAGE MATURITY



(Source: Skyline)

- **Lease expiries:** The REIT is making strong progress on 2025 lease expiries, with approximately half already renewed at a double-digit percentage increase over previous in-place rents, on average.
  - We estimate this could generate approximately $2 million in top line rental growth to the REIT from the present year's tenant rollover by year end 2025.
- **Strategic focus:** Skyline Industrial REIT will continue to focus on portfolio asset management opportunities, tenant satisfaction, and asset value enhancement projects in 2025.

SKYLINE
Retail REIT*

8.31% 1-Yr Annualized Return

9.01% 3-Yr Return

10.33% 5-Yr Return

12.47% 10-Yr Return

11.99% Since Inception

At Skyline Retail REIT, we have always sought to deliver value through investment in essential retail assets that deliver everyday goods and services to local communities across Canada. This year will be no different.

This sector has shown time and again that adaptability, strategic insight and seizing opportunity are essential for success in this industry, allowing us to continue to unlock the value inherent to our portfolio. This perspective guides our approach, as we strive to enhance net operating income and drive portfolio growth. In 2024, the REIT strengthened its balance sheet by strategically disposing of a limited number of surplus assets, while improving portfolio quality with the addition of a newly developed grocery-anchored centre in Huntsville, Ontario.

As consumer trends and retailers continue to evolve, bricks-and-mortar shopping has maintained its importance and remains as vital as ever, as evidenced by our current committed occupancy rate of 98.7%. With construction starts remaining low due to elevated development costs, this limited availability amid unsatisfied tenant demand has enabled us to strategically enhance our tenant mix and optimize portfolio management. This has produced robust rental growth, driving improvements to same-store rental income and producing long-term overall performance that rivals any of our publicly traded peers.

> *"—almost 5.2 million sq. ft. of essential retail-anchored assets across Canada."*

Our focus in 2025 continues to be on maximizing the potential of almost 5.2 million sq. ft. of essential retail-anchored assets nationwide. More than just a stable source of income for our portfolio, they serve as critical social and economic hubs for their communities. These properties are integral to fostering local engagement, supporting local ecosystems, and driving economic vitality in the markets in which we operate.

Craig Leslie,
President, Skyline Retail REIT

**Class A figures, as at January 25, 2025.*

351-431 Talisman Drive & 155 & 225 Edward Street, Gravenhurst, ON

RETAIL REAL ESTATE
Trends in 2025

General

- **Click-and-collect and delivery:** Outdoor retail plazas are seeing increased use of click-and-collect services. This encourages greater unplanned consumer spending and allows for quick pickup of retail items with minimal time spent inside stores.

- **Essential retail:** Consumers are expected to prioritize essential goods and services over the next 12 months, ensuring consistent demand in both economic growth and downturn cycles.

- **Landlord market:** A supply-constrained retail landscape is expected to persist, driving retailers to adapt. This will likely involve expanding into secondary markets and adjusting store sizes. While sentiment remains positive, growth rates are moderating after the pandemic boom but remain on an upward trajectory.

675-677 Boulevard Des Seigneurs, Terrebonne, QC

- **De-Urbanization:** Persistently high living costs in major Canadian urban centers continue to drive demand in smaller urban markets, where the REIT holds much of its portfolio. This trend highlights a growing preference for affordability, enabling individuals and families to maximize their budgets.

- **Tariff impact:** We expect limited impact on essential goods from U.S. tariff action, although consumer demand for goods priced in Canadian dollars may soften amid potentially sharp rises in prices.

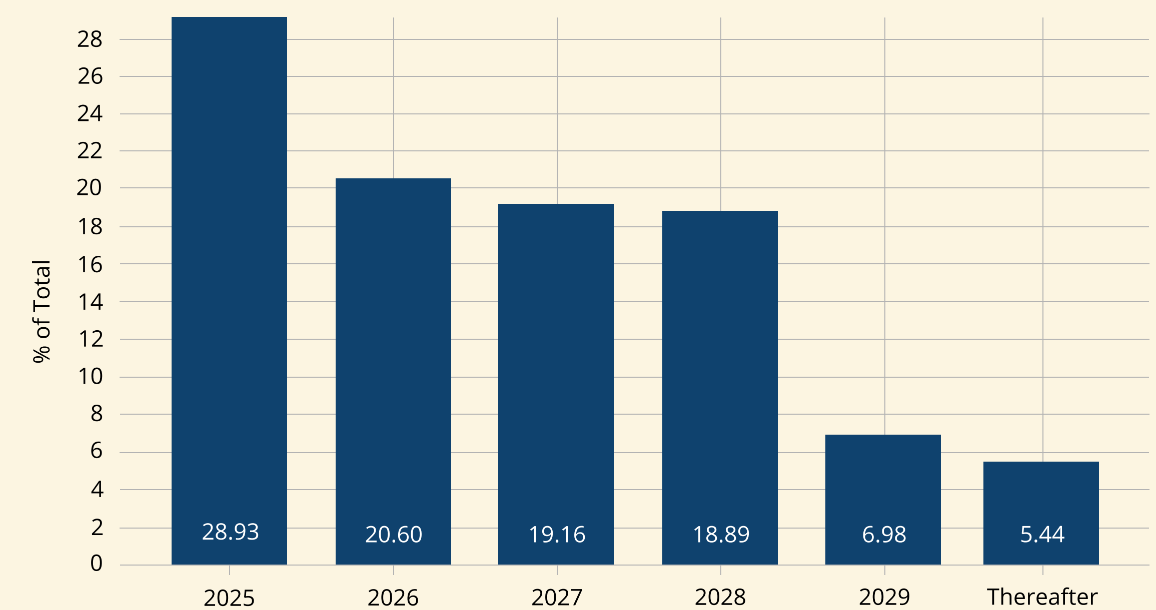
- **Visit frequency:** We expect the frequency of visits to grocery-anchored outdoor plazas is to rise as consumers shift towards more frequent, smaller shopping trips. As of 2023, 45% of Canadian grocery shoppers were already adopting this trend, with projections suggesting it will continue into 2025.

Skyline Retail REIT

- **Capitalization rates*:** Spreads have widened over the past 12 months, aligning with the 20-year historical average of 384 basis points over the Canada 10-year bond yield, easing upward pressure on cap rates in some sectors. For grocery-anchored retail, this trend, coupled with favorable cap rates and strong rental growth prospects, could attract more investor interest and lead to modest cap rate decreases in 2025.

- **Debt refinancing:** With approximately $240 million in debt maturing in 2025, the REIT is well-positioned to benefit from a more favorable interest rate environment. In line with Skyline Industrial REIT expectations, we anticipate renewing maturing fixed-rate debt at between 25 and 50 bps lower, on average, compared with fixed-rate debt secured in 2024.

SKYLINE RETAIL REIT MORTGAGE MATURITY



(Source: Skyline)

Capitalization rate: A capitalization rate (cap rate) is a metric used to estimate the rate of return on a real estate investment. It's calculated by dividing a property's net operating income by its market value.*

387-401 Wellington Road South London, ON

- **Immigration:** We do not expect slower immigration growth to significantly impact the market, as limited availability and construction-driven constraints on space delivery have trailed past population growth.

- **Investment market:** After two years of limited transactions due to high financing rates and vendor reluctance to sell assets at perceived below-market pricing, deal flow is showing signs of revival. Yields in certain markets have begun to decline—a trend expected to accelerate with a projected 15 bps drop in Canada's 10-year bond yield in 2025, according to median forecasts from Canadian banks.

- **Rental growth:** Reduced construction activity post-pandemic, driven by elevated costs, has created a dynamic where demand for prime retail space outpaces supply. This persistent imbalance continues to favor landlords, likely sustaining 2024's rental growth trend within existing assets—although headline rental growth for new leases and space will moderate as affordability becomes constrained.

- **Vacancy rates:** We expect retail construction to remain low, keeping the supply of retail space limited relative to demand. This dynamic will continue to support strong supply-side fundamentals, particularly for premium properties in expanding markets and sub-markets.

SKYLINE

Clean Energy Fund*

9.46%	10.05%	9.22%	9.00%
1-Yr Annualized Return	3-Yr Return	5-Yr Return	Since Inception

With the share of renewables in final energy consumption forecast to increase from 13% in 2023 to nearly 20% by 2030, clean energy will likely remain a compelling growth story for the balance of the decade. As early adopters of this trend, we have recognized since its inception (2018) that this thriving industry could not only generate strong profits but also benefit the environment. We are proud to say that, to date, we've successfully delivered on this dual mandate.

While there are different ways to operate in the space, the Skyline Clean Energy Fund focuses on sustainable power generation through clean energy assets, including large-scale solar systems and biogas generators. These domains provide a strong return on investment backed by long-term contracts with provincial governments or power purchase agreements with creditworthy counterparts.

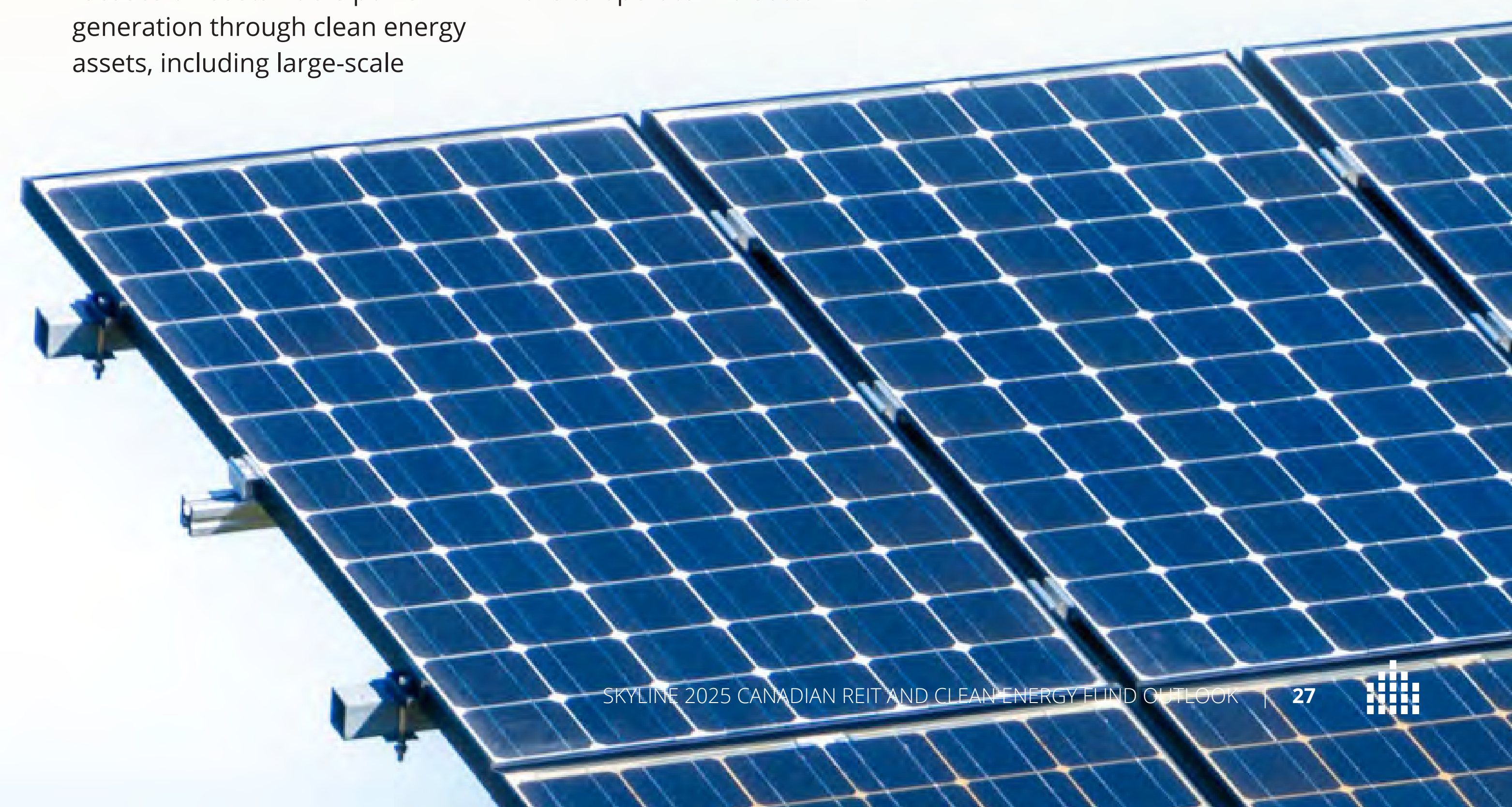
> *"—power demand steadily increases across Canada—"*

This stability makes our business more predictable and less reliant on power contracts traded on the spot market.

Reflecting on the past year, we realize how fortunate we are to operate in a sector with such resilience. While economic conditions in Canada remained subdued, the fund maintained a steady return and advanced several business initiatives. As power demand steadily increases across Canada, we remain at the vanguard of capturing this momentum—all while helping Canada stay green. It's a lasting win-win for both our investors and the environment.

Rob Stein,
President, Skyline Clean Energy Fund

**Class A figures, as at January 1, 2025.*



CLEAN ENERGY

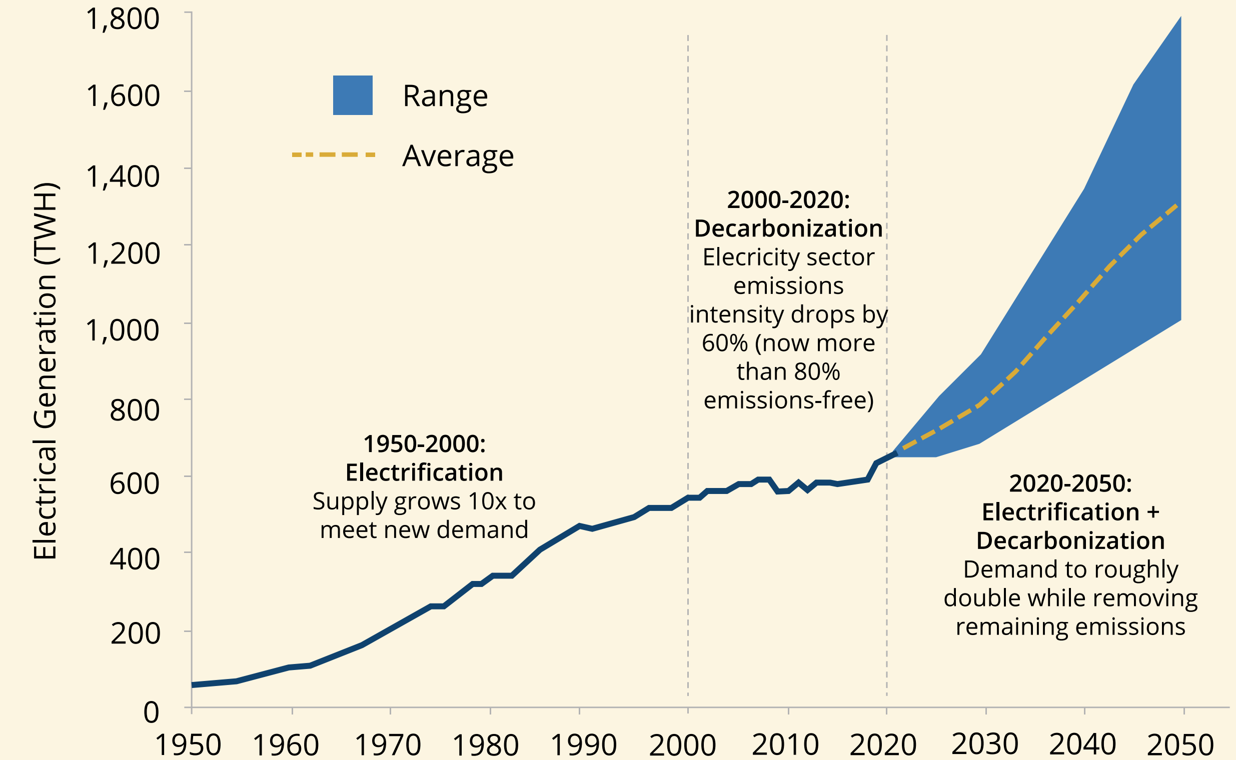
Trends in 2025

General

- **Clean energy transition:** The transition to clean energy and electrification of the grid will cause a sustainable increase in investment in structures, machinery, and equipment.
- **Job creation:** Canadian jobs in clean energy are set to grow 7% per year, from 509,000 in 2025 to 2.7 million in a net-zero 2050, according to modelling performed by Clean Energy Canada and Navius Research.
- **Local generation program:** On November 28, 2024, the Minister of Energy and Electrification issued a directive to the Independent Electricity System Operator (IESO) to develop a Local Generation Program. The program aims to re-contract 1,600 existing biogas, wind and solar projects, secure new small-scale generation resources, and explore opportunities for upgrades and expansions. A report on the program is due by April 30, 2025, with a competitive launch planned by early 2026. This underscores the importance of clean energy assets to Ontario's infrastructure.
- **Long-term energy demand:** The IESO anticipates that Ontario will see electricity needs increase. According to their annual forecast released in October 2024, electricity demand in Ontario is anticipated to grow 75% by 2050, a figure higher than previously forecasted. The key drivers include growing demand from expanding electrification, population growth, rising business investment in the province, the expiration of electricity supply and capacity contracts.

2200, 2210, 2220 Majoros Road, West Kelowna, BC

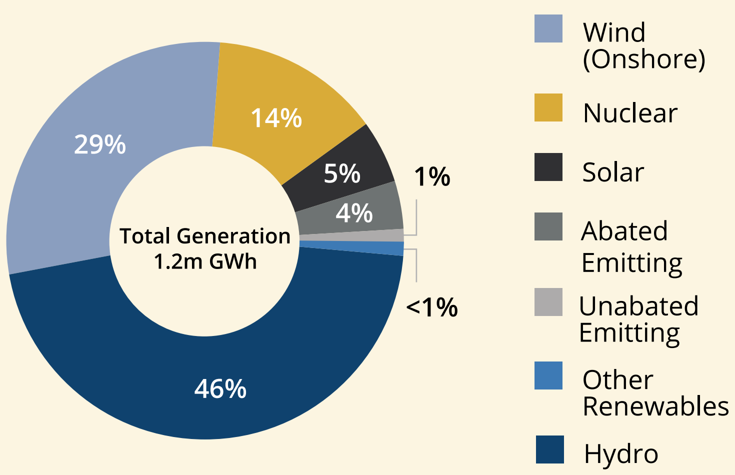
100 YEARS OF ELECTRICITY GENERATION IN CANADA



(Source: Government of Canada)

- **Regulations:** We expect Canada to generate almost all its electricity from non-emitting sources by 2050. Electricity generated by solar and abating emitting—the process of reducing or offsetting greenhouse gas emissions associated with energy production or industrial processes—which includes biogas, are expected to account for nearly 10% of total Canadian gigawatt-hours generated.
- **Renewables investing is mainstream:** According to an extensive senior executive survey conducted by KPMG, 64% have invested in energy efficiency technologies, 56% in renewable energy, 54% in energy storage.

CANADA'S PROJECTED ELECTRICITY GENERATIVE MIX BY 2050



(Source: Government of Canada)

Woolwich Bio-En,
Elmira, ON

Skyline Clean Energy Fund

- **Biogas production increase:** The fund is expecting to see an increase in tonnes of organic waste processed at both the Elmira, Ontario and Lethbridge, Alberta facilities in 2025, as new contracts procured in 2024 continue to come online.

- **Clean Technology Investment Tax Credit:** The fund continues to progress its renewable natural gas (RNG) expansion project in Elmira and work with the Canadian Biogas Association to lobby the government to expand the Investment Tax Credit to include biogas projects. If successful, we can expect to see 20% to 30% in savings on the Elmira RNG expansion project and future projects.

- **New systems:** An electrical systems analysis was undertaken on the solar portfolio in 2024 to identify opportunities to further boost performance and positively impact asset optimization projects in 2025.

- **Solar capacity:** Our goal is to enhance the performance of over 20 assets—accounting for approximately 82% of the fund's total solar generating capacity on a kW/DC basis—by installing new solar panels and inverters. These "repowering" projects qualify for the Investment Tax Credit, with expected internal rates of return ranging from 10% to 25%.

- **2025 investment objective:** We are focused on investing in accretive opportunities that exist in the current portfolio of assets. We will continue to advance the RNG upgrader project in Elmira and increase the capacity of the solar portfolio by utilizing technological advancements in the solar industry.

DISCLAIMER

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