Accrued Interest

CMLS mortgage fund

February 2026

cmls asset management

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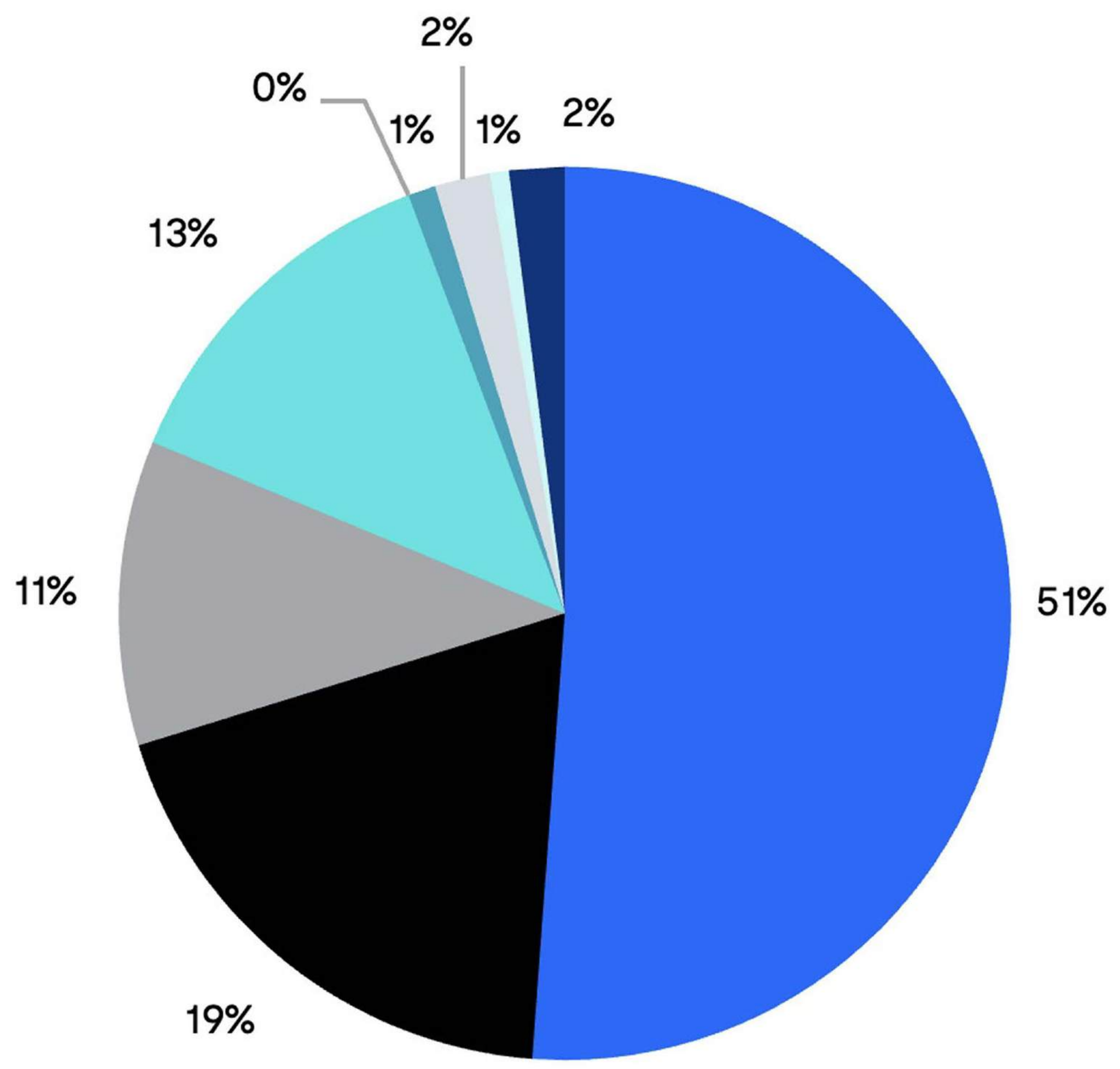
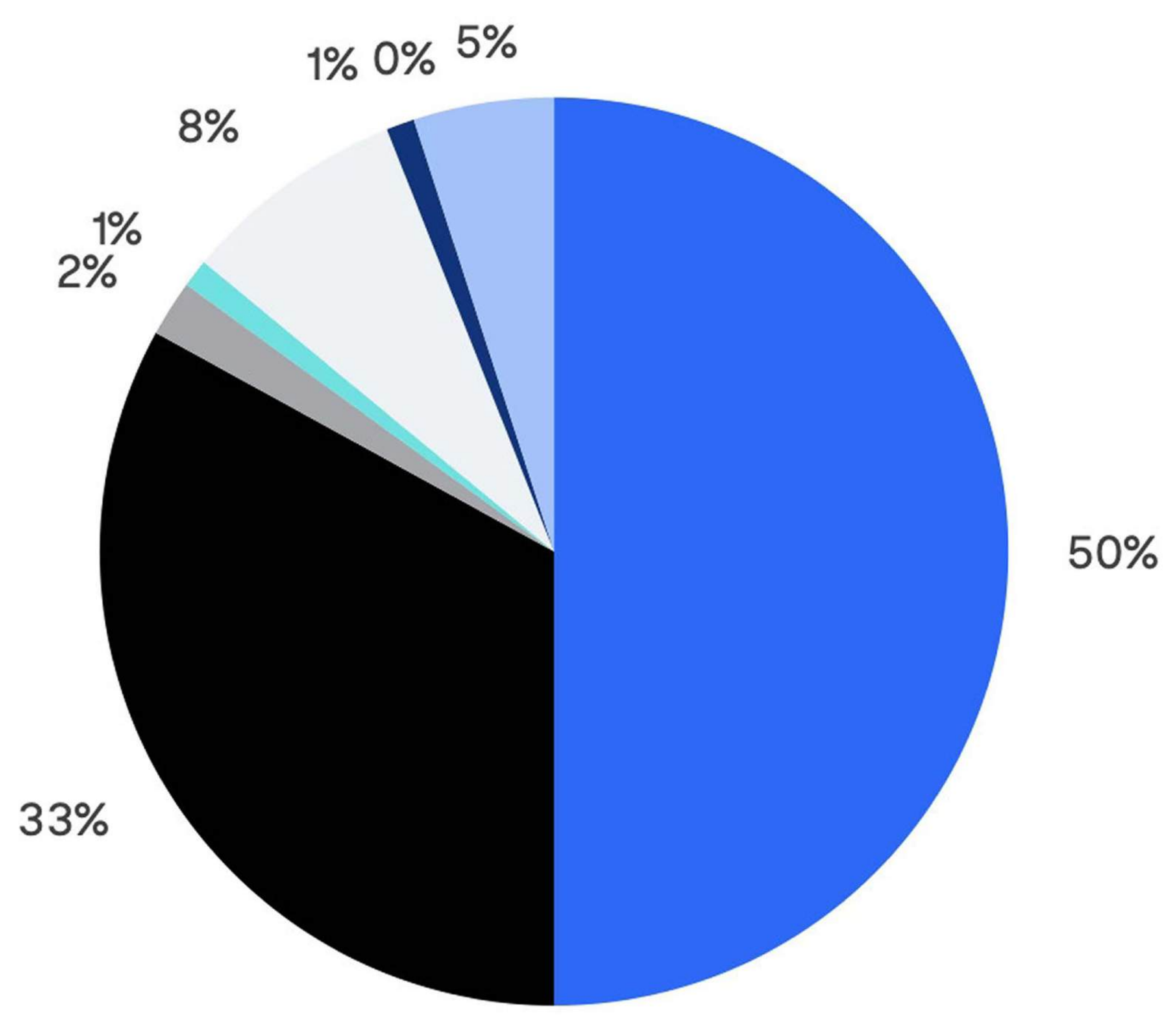
Thank you for reading the February edition of **Accrued Interest**. In January, the CMLS Mortgage Fund delivered a monthly return of 0.46%, or 5.55% annualized. Our weighted average coupon is 7.86% and our weighted average loan-to-value ratio is 63%.

Our portfolio is composed as follows:



ON BC AB QC SK NS MB PE Various



Single family Multifamily Mixed use Other Industrial Seniors Housing Retail Office

More detailed and up-to-date portfolio information can be found in our monthly Fund Facts, available on our website here.

Ten years ago, there was quite a bit of talk surrounding the aging population in Canada and the impacts that would come from baby boomers entering retirement. At that time, for the first time in its history, Canada had a higher number of seniors (65+) compared to children 14 and under[1]. Since then, the number of seniors has grown by 37% and the number of children 14 and under has grown by 7%[2]. With the vast majority of baby boomers now having entered retirement years, the so called "silver tsunami" is upon us. Entering 2026, we will see the first wave of baby boomers (born 1946 – 1964) turn 80 years old. There are several impacts from the resulting shift in demographics: large transfers in wealth, skill gaps in labour, increased health spending, and – highly relevant for the real estate sector – housing a growing population of seniors with certain preferences and care requirements.

[1] Statistics Canada
[2] Statistics Canada

Seniors housing, broadly encompasses housing options that are designed specifically for older adults (typically with minimum ages of 55 – 65). Services offered range from independent living properties, which feel similar to traditional multi-family residential properties, to long-term care properties housing folks with much greater healthcare needs.

The core focus of our fund is housing, and this is predominantly seen through our large allocation to single-family residential mortgages (50%) and multi-family residential mortgages (33%). While we intend to maintain our primary allocations to those two segments, we like the supportive market conditions for seniors housing and will be opportunistically allocating to this asset class going forward. As of January 31st, we have a small (5%) but growing allocation to independent living seniors housing in Canada. Independent living is our preferred segment of this market given more limited operational risk and similarities to traditional multi-family properties. Generally, as nursing and other support required increases, margins decrease. As margins decrease, net operating income becomes more volatile, increasing the risk profile of more care-intensive properties.

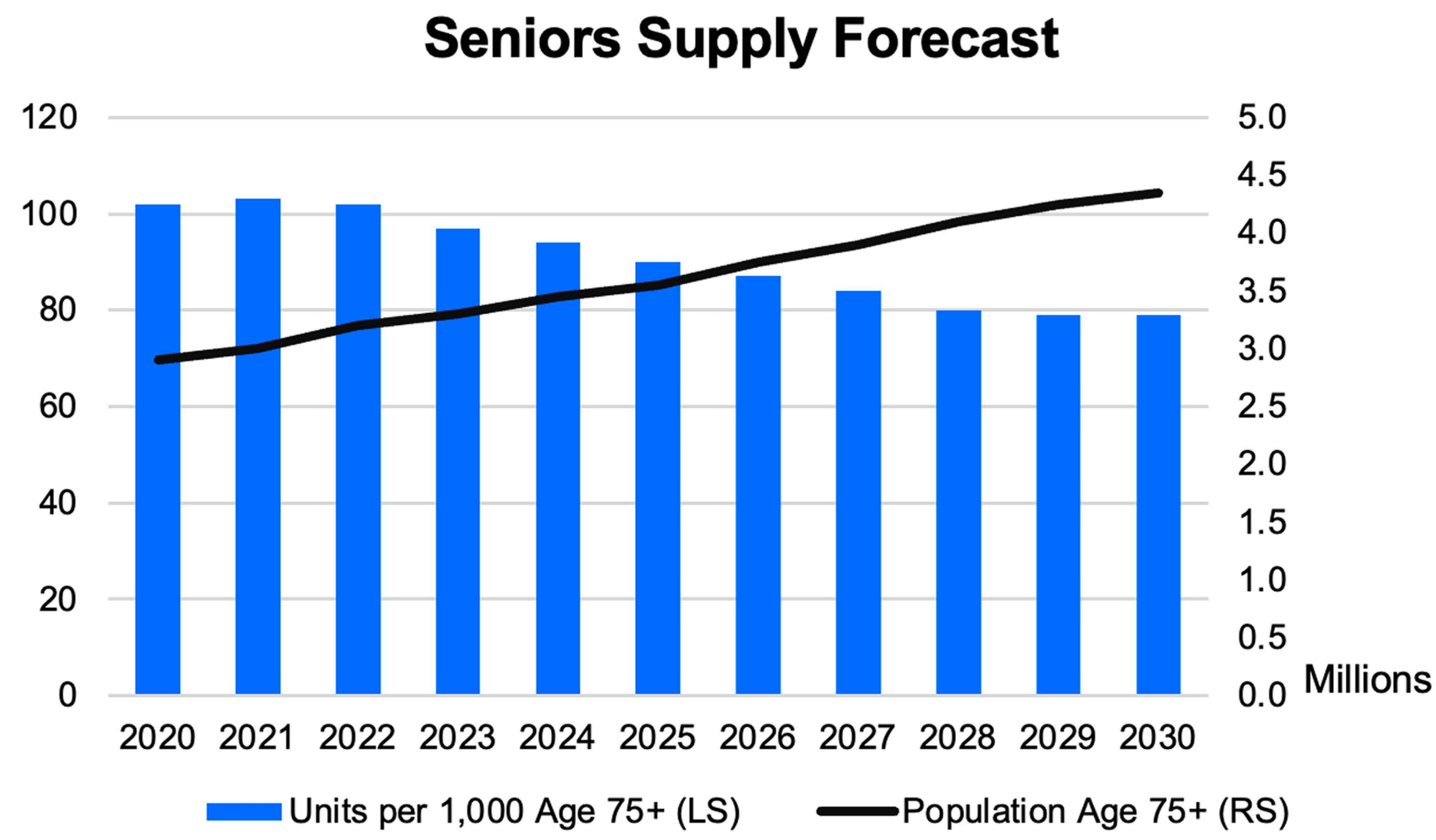
Over the past 10 years, we've seen three distinct trends in seniors housing. The first of these periods (2016-2019) saw an expansion of seniors housing in Canada, as developers looked to proactively increase supply in preparation for the baby boomer contingent. Construction starts as a percentage of inventory ranged from ~3% to 5.5% throughout this period[3]. This was abruptly put on pause with the onset of the pandemic. During this period, both performance and construction starts decreased sharply due to the combination of the negative health impacts and increased costs. Following the pandemic, resident demand rebounded, but interest rates increased materially, which restricted construction starts. Occupancy and rental rates have pushed up as a result, and demographics point to continued increases in demand as the baby boomer segment only begins to enter their 80s this year.

The investment thesis supporting seniors housing is simple, supply and demand. The growing demand for these assets can easily be seen through Canada's aging population. The segment of the population aged 80+ is expected to more than double[4] over the next 19 years (at which point all baby boomers will have entered this age bracket). This represents a CAGR of 4% and is contrasted by a lack of development of seniors housing. It has now been three consecutive years that construction starts of seniors housing has been below 1% of outstanding inventory[5], which not only falls well short of the growing demand, but is barely enough to replace aging properties in the market. It is easy to forget that 6 years have already passed since the onset of the pandemic, which means there have been 6 years of insufficient supply coming to market. With interest rates having come down over the past couple of years, construction could pick back up, but that remains to be seen. There will need to be significant development in the coming years if we hope to have sufficient supply to meet this upcoming demand.

This certainly presents a dynamic similar to the traditional multi-family rental market, and it is reasonable to carry greater conviction regarding the supportive demographic drivers; aging is a harsh human reality whereas immigration, a greater factor for traditional multi-family, is policy-dependent.

[3] Cushman & Wakefield ULC
[4] Statistics Canada
[5] Cushman & Wakefield ULC

The below graph[6] shows that demand for seniors residences has been outpacing supply, and this trend isn't expected to stop in the near future. With new developments taking years to come to market, even if we see a ramp up of construction, it will not alleviate pressures immediately.



It should come as no surprise that we are not the only ones responding to supportive dynamics in seniors housing. If you look at the recent performance of any of the major Canadian seniors housing REITs, it is apparent that others are expecting continued strong performance as well. As most readers know, our fund focuses on debt, not equity. By structuring debt that is supported by in place cashflows, we gain access to an asset class that we believe will have strong growth in the future, while not relying on this growth to obtain strong returns. The flexible mandate of the fund allows us to take advantage of opportunities such as these, and CMLS Financial's large presence and expertise across asset classes provides us with the ability to do so. For reference, CMLS originated $1.5 billion of seniors residence mortgages in 2025.

[6] Cushman & Wakefield ULC