

Accrued Interest

CMLS mortgage fund

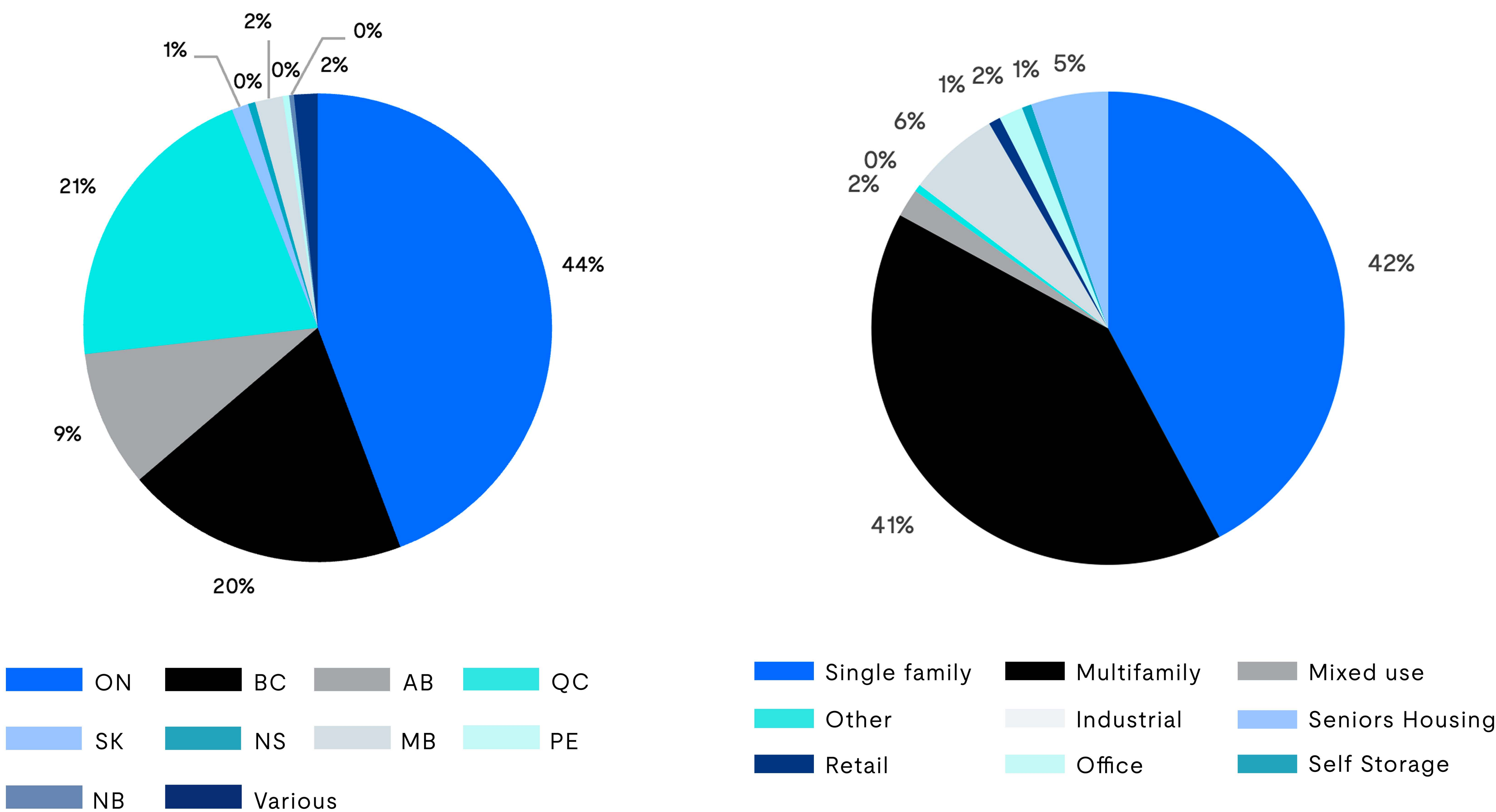


September 2026

cmls asset
management

Thank you for reading the September edition of [Accrued Interest](#). The CMLS Mortgage Fund has delivered a TTM return of 5.83%. Our weighted average coupon is 7.73% and our weighted average loan-to-value ratio is 64%.

Our portfolio is composed as follows:

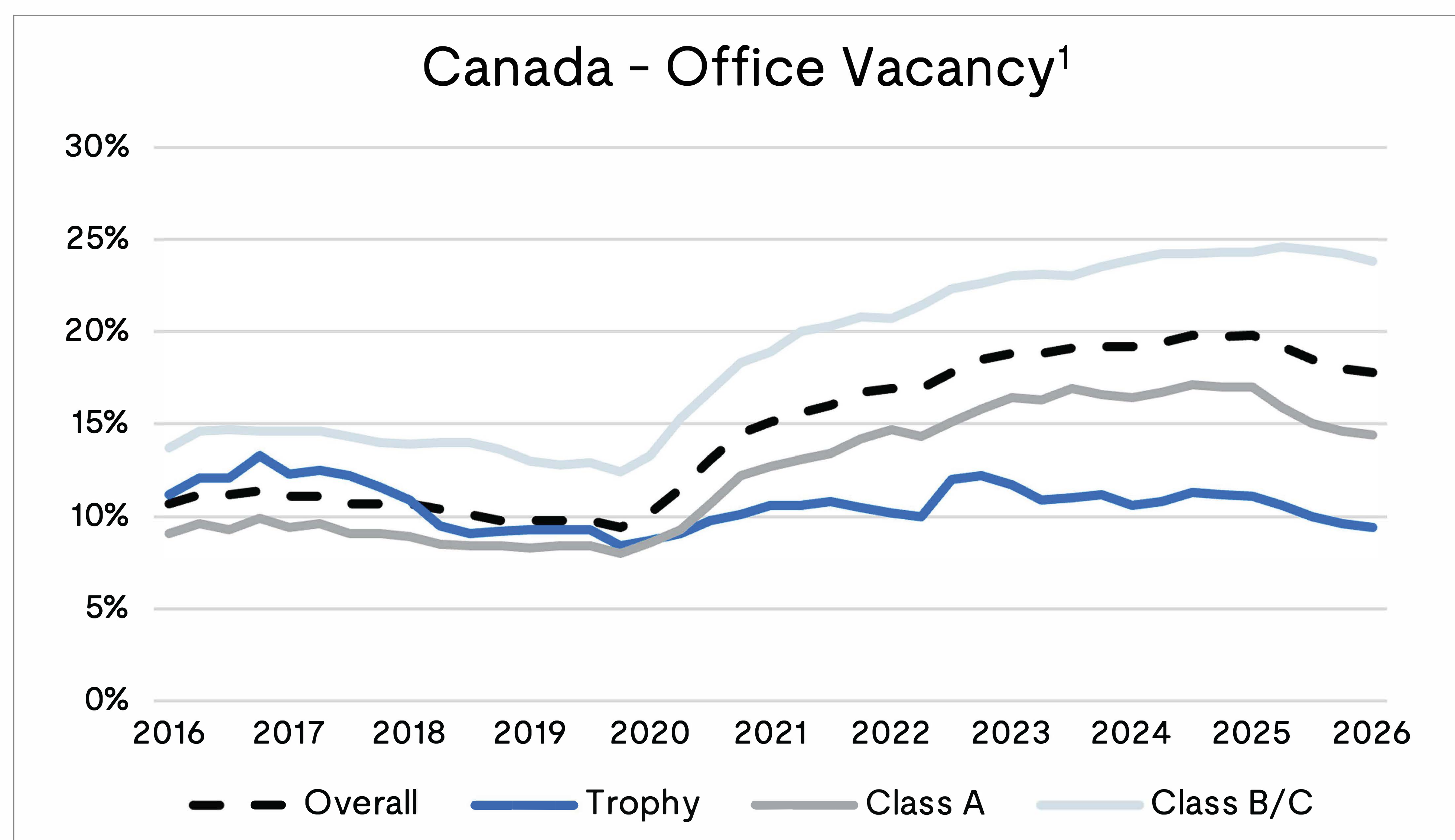


More detailed and up-to-date portfolio information can be found in our monthly Fund Facts, available on our website [here](#).

The uneven return to office

The COVID-19 pandemic impacted people’s lives around the world, resulting in quarantines and mass lockdowns. Social distancing aimed at reducing its spread along with government policies led to a lack of office attendance, which decreased overall demand for office space and drove up vacancy rates on office properties. While the government policies that restricted in-person contact are long behind us, return-to-office policies and the recovery of the office segment haven’t been linear. In this month’s newsletter, we explore where the office sector is today and where we expect it to be in the years ahead.

To lay the groundwork, let's look at how office vacancy rates have trended in Canada over the past ten years.



We can see in the above graph that overall office vacancy in Canada is materially higher than where it was prior to the pandemic and that it is slowly coming down. It is also apparent that there is a significant delta between how higher and lower quality office properties have been impacted. Trophy assets only saw a marginal increase to vacancy, which has now come back down to normal levels, whereas class B and C properties had the largest increase in vacancy and have stayed near their peak. For reference, trophy assets had vacancy increase by 5% and have come back down by 4%, class A properties had an increase of 9% and have since come down by 3%, and class B/C assets had an increase of 12% and have only come down by 1%. There is clearly a flight to quality in the return-to-office push.

Some might be surprised that construction activity was slow to respond to the weak office market. Due to office buildings taking years to construct, there continued to be a significant amount of supply entering the market years after the pandemic. For instance, 2024 Q2 had the highest amount of new supply delivered since the pandemic started even though construction starts dropped significantly from 2019 levels². While vacancies remain elevated, it is worth noting that they've come down from their peaks during a period of considerable new supply being delivered. With the existing pipeline of office construction now having run its course, we're left with very little new supply for the foreseeable future. There is only 1.2 million square feet of active office construction in Canada, which is a two-decade low³. The onset of the pandemic also saw an increase in office conversions, removing existing supply from the market. This limited new supply is occurring at the same time that return-to-office mandates are becoming less flexible. Once people got a taste of working from home, it was hard to get them to go back to the office. Employees are starting to lose ground in their battle to work from home, with stricter return-to-office policies becoming more common. The Government of Canada, the single largest employer in the country, mandated that all employees are required to be in office for a minimum of 4 days a week (with executives required to be in office for 5 days a week)⁴ starting in July 2026. RBC also increased its mandatory in office days to 4 days in 2025. This is a trend that we're seeing at many high-profile employers in the country. With a stagnant supply of office buildings and an increasing need for office space, we're expecting office vacancies to continue their gradual downward trend.

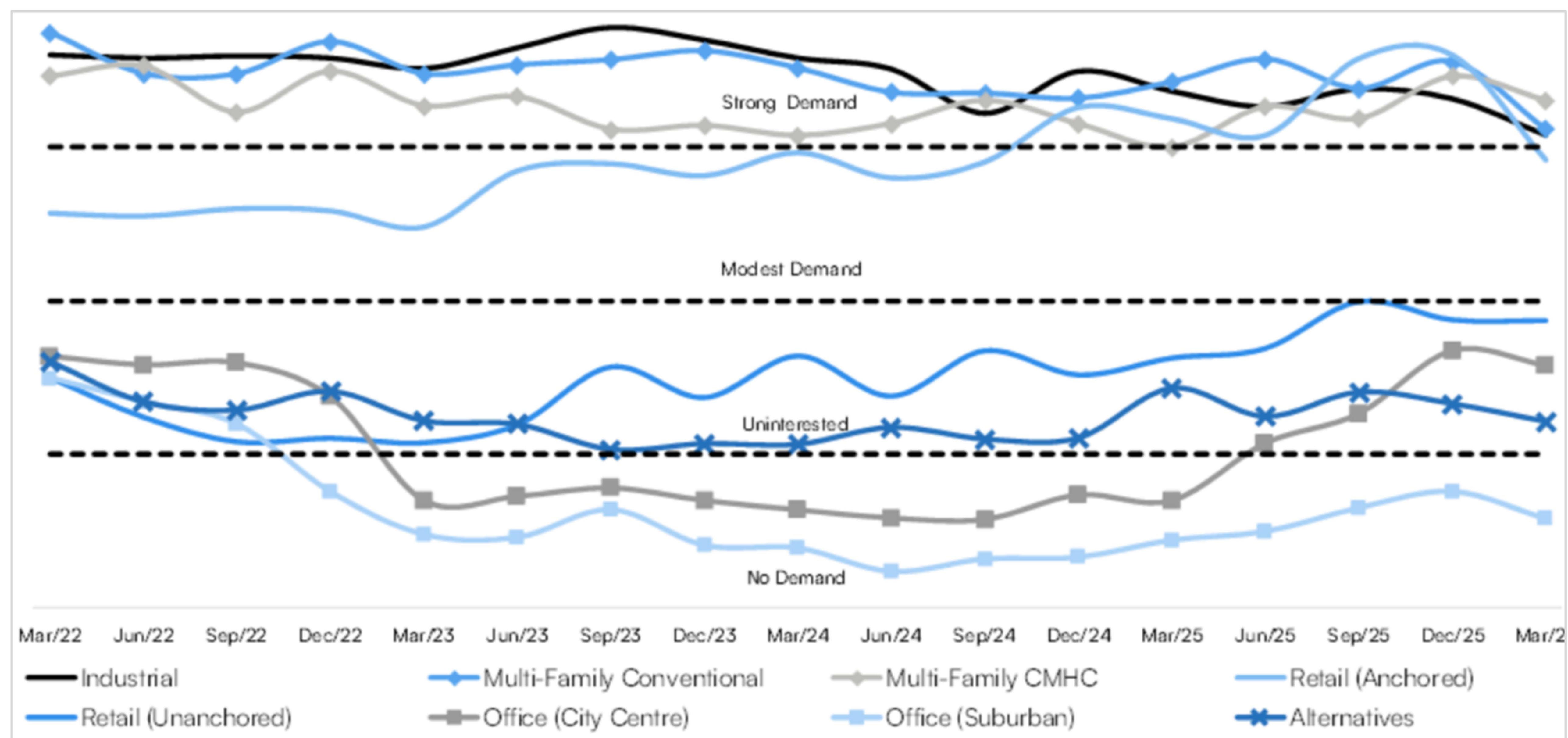
¹ CBRE – Canada Office Figures Q2 2026

² CBRE – Canada Office Figures Q2 2026

³ CBRE – Canada Office Figures Q2 2026

⁴ Government of Canada – Direction on prescribed presence in the workplace

Lenders had completely pulled back from office properties, but they've started to cautiously return. Below, we have the results from nesto cloud's most recent lender sentiment survey. This shows that while office is clearly not a favored asset class, there has been a sharp increase in appetite to lend against office properties (specifically downtown properties)⁵. Here we can again see that there is a bifurcation in the office market.



With the CMLS Mortgage Fund's core strategy being mortgages secured by residential properties (single-family residential, multi-family residential, and seniors housing), lending against office properties is not a focus of ours. That being said, it is good to see that market dynamics are starting to support the performance of this asset class and that liquidity through lender appetite is re-entering this segment of the market.

⁵ nesto cloud – Q1 2026 Lender Sentiment Survey