# TOP 10 REAL INSIGHTS

2020 Vancouver Real Estate Forum

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ISSUE 40

# TOP 10 | REAL INSIGHTS

2020 Vancouver Real Estate Forum

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## INSIGHTS FROM INDUSTRY LEADERS DURING THE CONTENT FORMATION OF REALCAPITAL CONFERENCE

### 1. B.C. IS EXPECTED TO LEAD THE PROVINCES IN GDP GROWTH IN 2020.

A surge in non-residential construction will help propel provincial expansion.

### 2. INVESTMENT LEVELS SOFTEN FROM RECORD HIGH LEVELS

Confidence remains unshaken as investment activity reverts to historic norms.

### 3. INDUSTRIAL VACANCY AT ROCK BOTTOM LEVELS

Vacancy rates in the Vancouver Market Area won't budge despite 3.2 M sq. ft. under construction as supply cannot keep up with demand.

### 4. TECH GROWTH APPEARS UNSTOPPABLE

Vancouver continues to attract major tech firms as its tech talent rating makes a big jump in CBRE's rankings.

### 5. VANCOUVER OFFICE VACANCY LOWEST IN NORTH AMERICA

Rental rates surged by 20% in 2019.

### 6. GOVERNMENT POLICIES AFFECTING GROWTH

The status quo will stunt supply and lead to further affordability problems, developers assert.

### 7. NO SHORTAGE OF NEW DEVELOPMENT IN VANCOUVER

Millions of square feet are either planned or under construction in the GVA.

### 8. DEMAND FOR RETAIL SPACE SWELLS

Despite a fundamental shift away from traditional retail uses, Vancouver has one of the lowest vacancy rates of Canada's major cities.

### 9. PROPTECH INTEGRATION GAINS TRACTION

New trends are emerging in PropTech for 2020.

### 10. HOME SALES ACTIVITY SLUMPED IN 2019 WHILE PRICES DECLINED

Activity picked up towards the end of the year buoyed by population growth and lower mortgage rates and is expected to carry on through 2020.

**For further details on these top trends please visit the Real Estate Forums Portal at realestateforums.com**

## 1. B.C. IS EXPECTED TO LEAD THE PROVINCES IN GDP GROWTH IN 2020.

**A surge in non-residential construction will help propel provincial expansion.**

Real GDP is projected to expand by 2.6% in 2019 and 3.0% in 2020. Although this represents a slowdown from the 3.3% average annual growth rate between 2014 and 2017, the province will remain among the provincial growth leaders in the next two years, the Conference Board of Canada states.

The conference board's projections are higher than the November estimates from the province. Finance Minister Carole James anticipates that the economy will grow by 2.3% this year.

The Business Council of B.C. (BCBC) writes that "Last year the B.C. economy downshifted to its slowest expansion since the 2009 recession. Fortunately, 2020 is looking a little brighter thanks to an upswing in non-residential construction."

B.C.'s economy is poised to benefit from a shift towards investment-driven growth in non-residential structures, according to BCBC. In recent years, such investment has added very little to economic growth in the province. But that is changing.

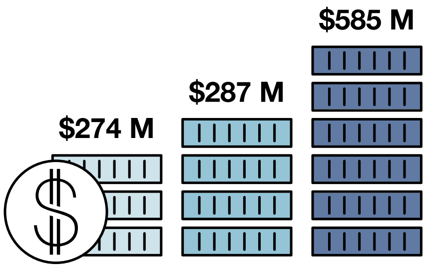
Non-residential construction such as the pipeline, LNG Canada, the Pattullo Bridge replacement and a new Vancouver subway are all set to drive growth as well as a big increase in interprovincial migration to B.C. starting in 2020, Central 1 Credit Union stated in its latest economic forecast.

The labour market in British Columbia's construction and maintenance will require at least 14,600 additional workers by peak market activity in 2021, according to a 2019 labour market forecast by BuildForce Canada.

The stacking of major projects, including the LNG Canada facility, ongoing work at BC Hydro's Site C project, the TransCanada Coastal GasLink pipeline, Phase 4 of the Highway 1 improvements will combine to increase employment demand in the non-residential sector by 12,900 workers by 2021.

In January, the B.C. government picked construction companies Acciona and Aecon to build the replacement for the Pattullo Bridge between Surrey and New Westminster. Estimated at a cost of $1.377 B, the new bridge and connecting roads are scheduled to be completed in 2023.

> The province is expected to post surpluses of $274 M, $287 M and $585 M over the next three fiscal budgets.




British Columbia is the only province in the nation to receive an "AAA" rating by all three international credit rating agencies.

Canada's economy added 35,000 new jobs in December, nudging the national unemployment rate down to 5.6%.

During the same time frame, B.C.'s unemployment rose by 0.4% to 4.8%, but remained the lowest among the provinces.

Greater Victoria's economy had the lowest unemployment rate in Canada in December 2019. Statistics Canada shows the unemployment rate in Victoria Census Metropolitan Area dropped to 3.4% in December 2019.

Looking at the three other CMAs in British Columbia, Kelowna ranked behind Victoria with a rate of 3.8%, followed by Vancouver CMA with 4.8% and Abbotsford-Mission with 4.9%.

## 2. INVESTMENT LEVELS SOFTEN FROM RECORD HIGH LEVELS

**Confidence remains unshaken as investment activity reverts to historic norms.**

Overall investments in industrial, office, multifamily and retail assets in the region declined compared to the previous two years, according to early reports from Colliers International, although the totals won't be known for several more weeks. Investment levels have been more in line with historic levels for the region but were down significantly from the record-breaking pace of 2017 and 2018.

"I think it was an absolute correction and it was a response to a number of things like record pricing, lack of investor confidence, (lengthy) entitlement periods and new regulations. It was a number of things that piled up," said Maury Dubuque, senior managing director with Colliers International in Vancouver.

Bob Levine of Avison Young said that buyer demand remains steady, but there are fewer sellers.

These are some of the largest investment transactions of 2019:

The largest office deal of 2019 was the acquisition of the Bentall Centre office complex by US buyers Hudson Pacific Properties with Blackstone Partners for $1.07 B. China's Anbang Insurance Group had owned the four-building, 1.45M sq. ft. complex since 2016.

QuadReal sold the 348,799 sq. ft. former MacMillan Bloedel office tower at 1075 West Georgia Street in Vancouver at the end of March for $274 M to a consortium of private investors – Crestpoint, KingSett Capital and Reliance.

Airport Executive Park in Richmond sold to Fiera Real Estate for $208 M. Sun Life sold the 707,000 sq. ft. low-rise suburban office park sold in January for $208 M.

Metrotown Place I & III in Burnaby sold in March to Slate Asset Management. The two-building office complex, totalling 250,800 sq. ft., sold in March for $95 M.

Montecito Towers on Halifax Street in Burnaby sold to Starlight Investments. The 252 unit multi-residential complex sold for $90 M in Q3.

Hydro Quebec sold Fama Business Park in Surrey for $66,150,000. The complex comprised of eight multi-tenant industrial buildings totalling 315,000 sq. ft. sold to CanFirst Capital Management in September.

Even with total commercial and industrial sales in the region down 45% through the first three quarters of last year and dollar volume off 43%, to $6.92 B, compared with a year earlier, confidence remains unshaken. “Higher employment levels in the services and manufacturing sectors are anticipated to bring an increased number of professionals to [Metro Vancouver] in 2020, ultimately supporting commercial real estate development,” said Keith Reading, director of research at Morguard.

Low interest rates and abundant capital has fueled interest across real estate asset classes in Vancouver. Of particular note, suburban office and secondary market retail have seen renewed investor interest as yields in these asset classes have become increasingly attractive, CBRE reports.

## 3. INDUSTRIAL VACANCY AT ROCK BOTTOM LEVELS

**Vacancy rates in the Vancouver Market Area won’t budge despite 3.2 M sq. ft. under construction as supply cannot keep up with demand.**

At the close of 2019, the overall industrial vacancy in the Vancouver Market Area dropped to 1.4%, according to Altus Group numbers. The lack of available space pushed up average asking rent for industrial space to $14.35, up 8.63% over fourth-quarter 2018 rents.

With vacancy remaining critically low, tenants seeking space in 2020 are likely to see higher rates and fiercer competition for quality products.

Vancouver’s robust industrial pipeline is unlikely to significantly impact vacancy with the majority of space being build-to-suit or pre-leased.

At the end of 2019, there was 3.2M sq. ft. of product under construction with 3.1 M sq. ft. likely to be completed this year, according to Altus Group. However, most of the space is preleased including a 530,000 sq. ft. distribution centre for Sobey’s.

Vancouver’s industrial demand is being driven by last-mile logistics as online retailers. Companies such as Amazon, Walmart and IKEA build and buy-up warehouse space, accounting for at least 2.5 M sq. ft. in 2019, according to Avison Young. Added to this is a burgeoning film and TV industry.

In September 2019, Martini Film Studios proposed a new 600,000 sq. ft. facility on 25 acres in Langley, which would make it the largest film and television production studio in Canada when completed. Whites Studios also leased 106,380 sq. ft. in early 2019 and is now named Whites Studios Copperwood in Riverside, South Richmond.

Vancouver’s industrial vacancy is one of the lowest in North America and has had some of the world’s largest industrial lease rates increases in recent years, with NERs tripling in the inner-city industrial districts over the last five years.

“The intensification of e-commerce and logistics services will continue to spur demand for industrial space even further. Consumer expectations for same-day or next-day goods are likely to keep growing, and the lack of well-positioned industrial space is placing a significant strain on various retailers and e-commerce giants that depend on a network of distribution centres,” according to Altus Group.

Gil Kelley, Vancouver’s general manager of planning, urban design, and sustainability, noted that the city’s industrial spaces and jobs are at great risk. Over 10,000 warehousing and manufacturing jobs have been lost already. High industrial lease costs due to low industrial supply and the redevelopment of industrial spaces into residential uses have been the major causes of this loss. Over the past 30 years, over 1,400 acres of industrial land has been rezoned to other uses.

If this continues, Vancouver city councillor Sarah Kirby-Yung warns up to half of Vancouver’s industrial businesses may need to consider relocating out of the city. Vancouver could shed businesses that provide 30,000 jobs, $3.6 B in annual revenues, and $1.2 B in annual wages.

“Since many businesses are on 3, 5, or 10-year leases, Vancouver is only beginning to feel the impact of the drastic rise in industrial land values over the past 5 years,” she warns.

## 4. TECH GROWTH APPEARS UNSTOPPABLE

**Vancouver continues to attract major tech firms as its tech talent rating makes a big jump in CBRE’s rankings.**

There are over 100,000 technology professionals across B.C., with approximately 75,000 working in Metro Vancouver. In addition, there are more than 10,000 tech companies across B.C., the Information and Communications Technology Council reports.

The industry generates more than $23 B in revenue and $15 B in GDP, according to the Economic Commission, with growth of 6% per year.

Already in January, three tech firms have announced plans to expand in Vancouver.

Shopify is set to lease 70,000 sq. ft. in Bentall Centre. The company says it will be hiring 1,000 workers in the city for its new research and development centre. The office is set to open in late 2020.

Silicon Valley’s Tipalti Inc. revealed plans to hire 50 workers in Vancouver by the end of the year for a new office scheduled to open in February.

Grammarly Inc. revealed plans last September to open an office in downtown Vancouver.

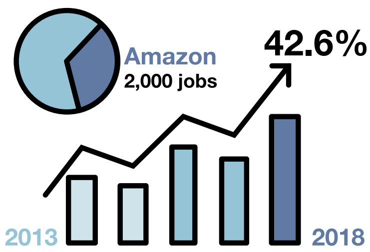
As well, Mastercard Inc. announced that it was investing $510 M to launch a new cybersecurity centre in the city and hire approximately 300 workers.

In CBRE's most recent North American Tech Talent ranking, Vancouver rose 13 spots to come in at No. 12. This was the greatest year-over-year improvement of any North American market. Vancouver has benefited from tech-centric post-secondary schools such as the BC Institute of Technology and the University of British Columbia. Over 11,000 tech graduates were from 2012 to 2017.

The report found that tech "submarkets" outperformed overall office markets within cities that are most popular amongst tech talent. One of the top-performing submarkets included Vancouver's Broadway Corridor, which has a vacancy rate of just 2%.

"Along the Broadway Corridor, neighbourhoods such as Mount Pleasant and False Creek Flats have evolved from industrial service submarkets to hubs for tech, animation, and creative industry firms," the report also noted.

> The number of tech jobs has grown by 42.6% in Vancouver between 2013 and 2018. So far, Amazon has accounted for 2,000 of those jobs but it appears that number will go well beyond the 5,000 jobs the company has said it intends to locate in Vancouver.




In 2019, Amazon decided not to proceed with plans to locate half of its HQ2 in New York City and along with it, an expected 25,000 jobs.

Shortly after Amazon cancelled its plans for New York City, a spokesperson for Amazon told CNBC the company will now divide most of its planned new jobs for New York City amongst its existing hubs in North America, naming Vancouver as one of those locations.

Now it is understood that Amazon will lease all 1.13 M sq. ft. of office space in The Post, including the podium and both towers. This in effect, triples the original plan to lease just 416,000 sq. ft. of the building currently under construction.

Occupying the remaining office space within The Post as an expansion in Vancouver could theoretically elevate Amazon's presence in downtown to as many as 12,000 employees, making Amazon the single largest corporate employer in downtown Vancouver.

## 5. VANCOUVER OFFICE VACANCY LOWEST IN NORTH AMERICA

**Rental rates surged by 20% in 2019.**

Demand for downtown Vancouver office space remained strong in 2019, compressing the vacancy rate of 2.6%, Altus reports. Vancouver, along with Toronto, now have the lowest vacancy rates in all of North America.

The majority of leasing activity in 2019 was seen in Class A and AAA properties. Gross rental rates increased by 13.7% annually to $51.39 per sq. ft. for downtown office space.

There is 5.9 M sq. ft. of new office space under construction in the Vancouver Market Area, although the bulk of the delivery won't occur before 2021. Most of the construction— about 4 M sq. ft.— is located in the downtown core and of the 4 M sq. ft., 2.8 M sq. ft. (72%) is pre-leased, according to Altus Group.

CBRE states that Vancouver's office sector is becoming increasingly crunched for space, as technology giants expand their footprint in the Pacific Coast city, lured by a strong labor pool, friendly immigration policies, and proximity to U.S. West Coast company headquarters.

Salesforce is a prime example having opened a new office at Grant Thornton Place office tower at 333 Seymour Street, this past summer.

In Q4, Shopify took 74,700 sq. ft. of the 105,000 sq. ft. that Deloitte released at 1055 Dunsmuir.

400 West Georgia – the 367,000 sq. ft., 24-story office building that is being developed by Westbank Corp. and Allied Properties REIT – is scheduled to be completed this spring. Deloitte Canada's Vancouver headquarters will occupy 117,000 sq. ft. on the top 10 floors, while Spaces will rent about 120,000 sq. ft.

Metro Vancouver's co-working office space market has been leading major Canadian cities in growth, according to a new report by CBRE. As of Q2 2019, there is 1.732 M sq. ft. of co-working space in the region, accounting for 3.3% of total office space inventory.

WeWork is one of Metro Vancouver's largest office tenants, with a total footprint of 607,810 sq. ft. across nine locations and is the region's second-largest office tenant after Amazon , according to Altus Group.

Despite its failed IPO and its subsequent bailout by Japan's Softbank at the end of 2019, WeWork remains committed to the Canadian market.

"There are no expansion, renovation or closing plans for any current locations in Canada," Corporate communications manager Adrian Zamora said. The company will also continue to evaluate potential new Canadian markets.

"Flexible real estate solutions are reshaping Vancouver real estate," said Jason Kiselbach, senior vice-president and managing director of CBRE Vancouver, in a statement.

"In an office market with extremely low vacancy, co-working spaces are exacerbating low inventory, and we don't see demand decreasing in the future. The co-working phenomenon is not going anywhere and our projections are for significant future growth."

## 6. GOVERNMENT POLICIES AFFECTING GROWTH

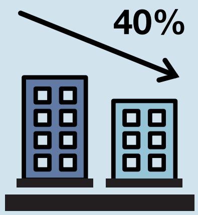
**The status quo will stunt supply and lead to further affordability problems, developers assert.**

At an Urban Development Institute January forecast event, a key point made by a panel of real estate developers was that the current status quo— characterized by demand-side policies, lack of collaboration between governments and the development industry, and continued demonization of housing and commercial development— would result in stunted growth and further supply and affordability problems, the Vancouver Courier writes.

Brian Porter, CEO of Scotiabank similarly said in January “Rather than look at the demand side of the equation, let’s look at the supply side. Everybody wants to talk about the demand side without understanding the constraints in the supply side.”

The federal, municipal and provincial levels of government need to be more coordinated in their approach, Porter said in an interview with the Financial Post.

A report by Central 1 states that home sales dropped 40% between 2018 and midway through 2019 as stricter policies deter potential buyers while sellers wait for prices to come back.




“We’ve had the foreign buyer tax expanded geographically and made even stricter, we have the speculation tax, we’ve also had the mansion tax,” Tom Davidoff, an assistant professor at the University of British Columbia’s Sauder School of Business, said. This is in addition to the B-20 Stress Test and stepped up school taxes.

Other industry experts say that the combination of all of these taxes is impacting home sales and ultimately housing supply. Lower presale numbers affect construction financing. Financing will fall through if a project doesn’t get enough presales and the development becomes jeopardized.

“Unless [developers are] in a position to self-finance a project, where they don’t need the banks, they’re giving a long, hard thought to how they proceed,” Coquitlam City Councillor Dennis Marsden told Global News.

Government policies are blamed for wiping out nearly $89.2 B in equity between April 2018 and April 2019. As a result, the province has had to reduce its revenue projections from property taxes by $500 M.

The additional school tax is having a significant impact on land awaiting development. The tax, announced in 2018, applies to residential properties including most residential land valued at more than $3 M. It adds an extra 0.2% on the residential portion assessed between $3 M and $4 M, and 0.4% on the residential portion assessed over $4 M.

The additional school tax is being applied on development land during the pre-construction phase, including demolition, remediation, and while waiting for municipal zoning and permits and those delays are mostly out of developers’ control.

On a positive note, changes to the mortgage stress test may be forthcoming.

Ben Gully, assistant superintendent, regulation sector at the Office of the Superintendent of Financial Institutions (OSFI), spoke to the C.D. Howe Institute on January 24, saying the use of the Bank of Canada’s benchmark rate is under review.

Around the same time, Prime Minister Justin Trudeau mandated Finance Minister Bill Morneau to review and consider possible changes to the stress test.

The real estate industry has criticized the stress test because the measure “continues to sideline potential home buyers where supply is ample,” the president of the Canadian Real Estate Association said in a January press release.

Of the Vancouver housing market, PWC remains optimistic. In their 2020 Emerging Trends report it writes:

Looking at the housing market, the long-term trends remain favourable. Recent softness is largely a reflection of a correction from an overheated environment and policies that have caused investors, whether foreign or domestic buyers, to exit the market.

With a strong economy and population growth, Vancouver remains a desirable place to live that will eventually draw buyers back into the market. The question isn’t if, but when, they’ll come back.

## 7. NO SHORTAGE OF NEW DEVELOPMENT IN VANCOUVER

**Millions of square feet are either planned or under construction in the GVA.**

With more than 1 million people expected to move to Metro Vancouver by 2041, there is a pressing need for not only dwelling units, but the commercial and employment space to support that population growth.

Despite high land costs and government policies that are often an impediment to development 5.9 M sq. ft. of office space is under construction, 3.2 M sq. ft. of industrial space and in 2019 there was a record number of housing starts, Altus Group reports.

UK property investor Grosvenor has stepped up development efforts in GVA. It has just acquired the final piece for its Burnaby land assembly in Brentwood, where it plans to create a mixed-use development that could have over 2,000 residential units, including condominiums and rental housing, with approximately 500,000 sq. ft. of commercial space,

Grosvenor Americas paid $167 M for a 4.77-acre site at 4612 Lougheed Highway and 2040, 2140 and 2150 Alpha Ave.

Grosvenor Americas teamed up with Citimark Group and Transca Development to begin construction of the 36-storey Polaris condo in Burnaby’s Metrotown area last year.

It is also building the 39-storey The Pacific condo in downtown Vancouver and Ambleside Phase 2 in West Vancouver.

Cadillac Fairview has just submitted revised plans for The Crystal at Waterfront Square at 555 West Cordova in Gastown. The new plans call for a 26-storey office building of about 500,000 sq. ft. The building will be constructed targeting WELL and LEED Platinum certifications

Squamish Nation is developing an 11.7-acre site that it owns at the foot of Burrard Bridge near Vanier Park. The project will feature about 6,000 units of mostly rentals in 11 towers. Squamish Nation has partnered with developer Westbank and construction for Phase one could start in 2021.

Henson Development is proposing a 60-storey residential tower in the city's west end. Nelson Street Tower, which is being built to passive house standards, will feature a total of 485 units, including 113 social housing units, 49 market rentals and 323 market condo units.

Construction on Onni Group's three-tower Gilmore Place in Burnaby has begun. The first phase of the development will be home to three towers, the largest measuring 64 storeys – taller than any other housing tower west of Ontario.

The remaining two towers are 43 and 51 storeys, totalling 1,550 units across all three buildings. A podium on the sixth floor will connect the three towers which will contain 500,000 sq. ft. of retail space and 1 M sq. ft. of office space.

Future phases of the Gilmore Place project will see a total of ten towers surrounding Gilmore SkyTrain station.

Canadian Metropolitan Properties' plans to redevelop the North East False Creek Plaza of Nations site at 750 Pacific Boulevard have just gone before an open house, as well as the Urban Design Panel, at the time of writing. The project includes terraced buildings up to 30 storeys, commercial space on lower floors and market and non-market residential uses on upper floors.

The development also features a civic centre that includes a community centre, an ice rink, which will serve as a practice facility for the Vancouver Canucks as well as for public use, a music venue and a 69-space childcare facility.

1,605,000 sq. ft. of housing is planned for the 10.28 acres site, of which 321,000 sq. ft. will be non-market housing.

## 8. DEMAND FOR RETAIL SPACE SWELLS

**Despite a fundamental shift away from traditional retail uses, Vancouver has one of the lowest vacancy rates of Canada's major cities.**

Vancouver reached the lowest vacancy rate in four years, even among major markets, at 1.3% in the second quarter of 2019. Most major malls are fully occupied, and Robson and Alberni Streets are among the most highly sought-after streets in North America.

Average retail rents have increased by almost 20% since 2015, states JLL.

A study from Altus reports that Vancouver's shopping centre inventory per capita is 25% lower than the provincial average and 12% lower than the national average.

Despite a steady increase in e-commerce sales, retail space is in demand.

In fact, 90% of worldwide retail sales are still done in physical stores, according to a Bloomberg Intelligence report. However, 43% of consumers are likely to spend more money shopping at a store that offers a meaningful experience, according to a 2019 Storefront retail trends report.

And as consumer spending shifts, entertainment is now the primary driver to brick and mortar locations (61%), followed by dining (53%), according to the new ICSC Mix of Uses Survey.

**61%** **53%**

JLL found people who dine at malls generate about 12% more in sales while Cadillac Fairview's upgraded food courts have yielded a 20% increase in sales per square foot.

Oxford Properties Group is piloting various office-sharing initiatives at its sites while expanding its indoor amusement parks, food halls, lounges and restaurants.

Susan McGibbon, co-founder of retail consultancy Three Sixty Collective, predicted malls and other mixed-use developments will keep adding more co-working spaces.

Altus reports that investors continue to focus on transforming older retail properties into mixed-use communities, catering to changing demographics and customer demands by combining features of retail, entertainment, office and residential uses into a single location. Many of these properties are in well-located areas near major road networks and transit nodes, making them ideal properties for successful intensification.

An example of this transformation trend is QuadReal and Westbank's redevelopment of the 30-acre Oakridge Centre. When complete, the centre will include 2,548 homes, including 1,968 market housing units, 290 social housing units, and 290 rental housing units. In addition to one million sq. ft. of flexible retail space, there will be a 100,000 sq. ft. community centre, a library, daycare and senior facilities.

The Oakridge Centre will also include 'The Kitchen', which will be a "world-class" food hall spanning nearly 100,000 sq. ft. over two levels.

Industry experts predict that by 2025, food and beverage retailers are expected to dominate 20% of total space in American and Canadian retail properties.

Food and beverage will be a significant part of The Post development by QuadReal.

25,000 sq. ft. is being designed by New York City-based food hall experts AvroKO.

The development will house two large restaurants occupying a combined 20,000 sq. ft. and will face West Georgia Street.

QuadReal has partnered with Loblaws to open a 50,000 sq. ft. flagship grocery store. The 'Loblaw CityMarket', will include grab-and-go items as well as, a cafe, a brewpub and cooking classes.

## 9. PROPTECH INTEGRATION GAINS TRACTION

**New trends are emerging in PropTech for 2020**

Global investment in the PropTech sector has hit staggering levels totalling US $14 B in the first half of 2019, according to CREtech – a 309% increase from the first half of the year before.

As PropTech integration gains traction within real estate sector, there are a few trends that have emerged.

**SAAS**

As Space-as-a-Service models have evolved, the industry is witnessing significant growth in platforms to manage space and to liaise with tenants.

Chicago-based Livly has created a property management platform that acts as an operating system for buildings, allowing tenants to manage services and communicate directly with management staff and landlords.

Amazon invested an undisclosed sum into PropTech startup SmartRent, which packages and sells smart home services to multifamily landlords, Commercial Observer reports. The investment will allow SmartRent to integrate Amazon products into its platform.

HqO, a Boston-based tenant experience (TeX) platform for commercial real estate has just raised US $34.25 M in Series B financing led by Insight Partners. It's currently working with 31 landlords including Blackstone's EQ Office, managing 70 M sq. ft. of office space.

HqO's software gives office landlords a way to unify all of an office building's tenant-facing technology and amenities into a single SaaS platform. The platform also features content and events, and provides landlords with data aimed at helping them increase tenant retention.

**Big Data**

As more and more landlords and developers gather information about their buildings, the amount of data generated has exploded.

What will evolve in 2020 is how this data is used.

There have been vast improvements in computers' ability to process data, making artificial intelligence far more widely available and thereby enabling smaller companies to generate insights from all of the data now available.

There are three main ways that AI-driven real estate technology is helping drive property valuation and improve portfolio performance, according to Patrick Davidson, COO of G5 a company that focuses on real estate marketing optimization.

AI aggregates data that can be used to breakdown energy consumption, market performance, rent and occupancy rates, and usage space.

AI streamlines the efficiency and cost effectiveness of real estate marketing efforts with highly targeted online ads pushed out to applicable users at optimal times.

AI is also useful in monitoring rental trends per geographic location, with the ability to adjust rates automatically when leases expire.

**ConTech**

Another trend that is on the forefront is construction technology.

According to McKinsey & Co., 98% of large construction projects overrun or are delayed, on average by 20 months, and the average cost increase totals 80% of the original value. These are some PropTech companies that could provide help to reduce risk and improve efficiencies within the construction phase:

Versatile Natures installs sensors on crane hooks to monitor movements, loads and downtime with the aim to use artificial intelligence to make suggestions about how to improve productivity.

NPlan attempts to predict the outcomes of construction projects to improve risk by using machine learning to digest millions of scheduled tasks and find patterns.

Disperse's scanners take 360-degree photos of progress, detect site changes each week and feedback information on progress to give early warning signs if nothing has changed.

In PWC's Emerging Trends report, construction technology was ranked as the top real estate disruptor for 2020.

"Construction is a US $10 trillion annual spend – 7% of the world's workforce is in construction," says Ryan Freedman, chairman and CEO of investment company Corigin. "ConTech is in its infancy compared to PropTech, but is a giant monster now breaking out to be its own category."

## 10. HOME SALES ACTIVITY SLUMPED IN 2019 WHILE PRICES DECLINED

**Activity picked up towards the end of the year buoyed by population growth and lower mortgage rates and is expected to carry on through 2020.**

The Real Estate Board of Greater Vancouver (REBGV) reports that sales of detached, attached and apartment homes reached 25,351 in 2019, a 3% increase from the 24,619 sales recorded in 2018, and a 29.6% decrease over the 35,993 residential sales in 2017.

Last year's sales total was 20.3% below the region's 10-year sales average.

"Homebuyer confidence was a factor throughout the year. In the first quarter, many prospective buyers were in a holding pattern, waiting to see how prices would react to the mortgage stress test, new taxes, and other policy changes," Ashley Smith, REBGV president said. "Confidence started to return in the summer, and we saw above average sales in the final quarter of 2019."

Brendon Ogmundson, British Columbia Real Estate Association (BCREA) Chief Economist, states that “Momentum carried through from the end of 2019 to 2020 will put the housing market on more solid footing, aided by low interest rates and an improving economy.”

New listings activity did not increase significantly during the downturn in home sales, and total inventory did not accumulate to the same extent as in prior slowdowns. Market conditions around the province are tightening and home prices will likely face upward pressure as demand continues to firm. In 2020, BCREA expects the MLS® average price will rise 4.8% to $734,000.

According to REBGV, the total number of homes currently listed for sale on the MLS® system in Metro Vancouver in December 2019 was 8,603, a 16.3% decrease compared to December 2018 (10,275) and a 20.1% decrease compared to November 2019 (10,770).

Central 1 Credit Union stated that “BC’s housing market is recovering much quicker than anticipated due to improved affordability and increased housing demand, driven by lower mortgage rates, first-time buyer incentives and population growth boosted by international migration.”

Last year saw a record-high number of residential construction starts in Metro Vancouver, according to a Canada Mortgage and Housing Corp. (CMHC) January 2020 report.

The GVA recorded 28,141 housing unit starts in 2019. This number surpassed the previous record of 27,914 in 2016.

The five most active municipalities that were identified by the CMHC for new housing starts were:

| | condo-apartments | detached homes | semi-detached | townhouses | TOTAL |
|---|---|---|---|---|---|
| Vancouver | 5,504 | 1,090 | 190 | 39 | 6,823 |
| Burnady | 4,195 | 146 | 48 | 22 | 4,411 |
| Surrey | 2,400 | 975 | 40 | 897 | 4,312 |
| Richmond | 1,639 | 184 | 40 | 225 | 2,088 |
| Langley (District) | 1,350 | 258 | 36 | 375 | 2,019 |

Of those total housing starts in 2019, 6,727 were rental units, said CMHC.

According to Bryan Yu of Central 1, 2019’s record starts were supported by strong presale activity from the preceding few years. Because of the recent market slowdown, this level of construction will likely not continue into this year.

While the trend in housing starts is elevated, a pullback of about 20% is forecast for 2020. Nevertheless, recent interest rate cuts, rental demand and the federal First-Time Home Buyer Incentive program will support activity.