Top 10 Real INSIGHTS

2020 Land & Development Conference

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ISSUE 46

TOP 10 | REAL INSIGHTS | 2020 Land & Development Conference | ISSUE 46

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1. THIS IS A FROZEN ECONOMY, SOMETHING THAT HAS NOT BEEN SEEN BEFORE – BENJAMIN TAL

Three million jobs were lost in March and April while 8.21 M separate applicants have applied for the Canadian Emergency Response Benefit as of May 18th.

The Canadian economy lost almost two million jobs in April, causing the unemployment rate to rise to 13.0%, Statistics Canada reports. In all, more than one-third of the labour force didn't work or had reduced hours in April. Since March, the economy has lost a total of three million jobs.

The U.S. unemployment rate hit 14.7% in April, as 20.5 million jobs vanished in the worst monthly loss on record.

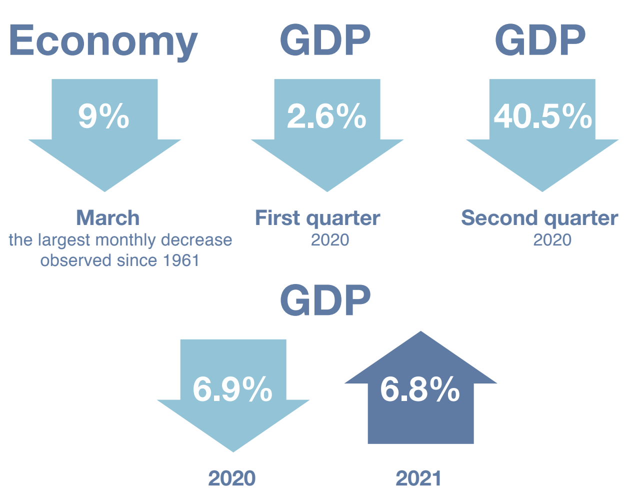
An updated report on federal finances by the Parliamentary Budget Office estimates that the 2021 deficit is expected to reach $250 B or roughly 12.7% of Canadian GDP. It could likely go higher if emergency measures remain in place longer than planned.

In its April Monetary Policy Report, the Bank of Canada emphasized that its actions to date have been oriented towards supporting the smooth functioning of financial and credit markets.

The Bank of Canada is buying up to $10 B of corporate bonds and $50 B of provincial bonds as part of its newly launched quantitative easing program – alongside hundreds of billions of dollars in government spending to support business and households.

On May 8, the Federal government extended the 75% emergency wage subsidy program beyond June in order to encourage employers to re-hire staff and 'help kick-start' the economy. Originally it was a 12- week program retroactive to March 15.

A preliminary estimate by Statistics Canada suggests that the economy contracted by 9% in March - the largest monthly decrease observed since 1961, and declined by 2.6% in real GDP for the first quarter of 2020. The economic forecast by CIBC in April shows that the economy could contract as much as 40.5% in the second quarter, and Canada's GDP could contract 6.9% this year, before rebounding 6.8% in 2021.



Energy demand worldwide could drop by 6% in 2020, the International Energy Agency said in an annual review released in April. "We see a staggering decline across all the fuels: oil, gas, coal, electricity, except for renewables," Fatih Birol, IEA Executive Director, told the Financial Times.

During a May 5 webinar hosted by Canadian Real Estate Forums, Benjamin Tal, Deputy Chief Economist at CIBC, stated the economy has essentially been 'frozen' and that recovery, when it occurs, will not be "v-shaped" and it will be long. The first step will be a 'zig-zag' economy that will introduce volatility to valuations, expectations and GDP growth and therefore, consumer confidence. After we reach the endpoint, he said, which is a vaccine or effective treatment, we will graduate into a recessionary recovery. He predicted that the government would continue with monthly support cheques, which will generate the infrastructure for more permanent universal assistance.

"Overall, due to the lasting damage of the disruption, we think GDP will remain below its late-2019 level until early 2022. We do not see GDP returning to its pre-2020 trend path within the next few years," said Stephen Brown, Senior Canada Economist at Capital Economics.

2. SHOPPING BEHAVIOURS DRASTICALLY ALTERED

E-commerce surges along with necessity-based retailers.

As Canadians drastically alter their shopping behaviours to minimize contact with others in response to COVID-19, they're turning to online retailers to buy what they need, KPMG reports.

However, even prior to COVID-19, the Conference Board of Canada reports that online sales were experiencing double-digit growth while sales at brick-and-mortar stores were at a standstill.

Simeon Siegel, Managing Director at BMO Capital Markets, said in an interview, "It would seem that the coronavirus is accelerating the structural changes we've been seeing across retail and society for the last decade — toward online interaction, toward e-commerce and away from brick and mortar, toward direct-to-consumer away from department store."

Indeed, almost 3 in 10 people are shopping for things online that they normally would have bought in-store, according to a survey of more than 30,000 Canadians by Chicago-based market research firm Numerator.

Consumer spending on Amazon is up 35% from the same period last year, according to estimates from the retail analysis firm, Facteus. Amazon has announced mid-April that it would hire an additional 75,000 workers on top of the 100,000 new positions it created in March to help fulfill orders.

Grocery store sales have surged at the expense of restaurants. A rising number of restaurants are responding by developing websites that allow them to sell grocery items. "Grocerants" are becoming far more common.

Restaurants Canada reported in April that two-thirds of the 1.2 million workers in the sector had lost their jobs. The organization representing the $93 B industry said that as of April 2, almost 10% of restaurants had already closed permanently, and another 18% would permanently close within a month if current conditions continue.

In the U.S., more than 250,000 stores closed during the shelter at home order, according to GlobalData Retail. Some analysts predict 15,000 retail stores will close permanently this year, which would mark a 60% increase from last year's record closures.

The most resilient companies include blue-chip retailers like Walmart, Costco and Home Depot, all of whose stock prices are at or near record highs. Meanwhile, most small retailers—like hair salons, cafés, flower shops, and gyms—have less than one month's cash on hand. One survey of several thousand small businesses, including hotels, theatres, and bars, found that only 30% of them expect to survive a lockdown that lasts four months.

Big companies have several advantages over smaller independents in a crisis. They have more cash reserves, better access to capital, and a general counsel's office to furlough employees in an orderly fashion. Most importantly, their relationships with government and banks put them at the front of the line for bailouts, Derek Thompson wrote in The Atlantic on April 27.

During an April 21 Canadian Real Estate Forums retail webinar, Jay Freedman, Executive VP at Oberfeld Snowcap, stated that in Asia, where stores have begun to reopen, foot traffic and sales are at 40% to 45% of pre-pandemic levels so far. If that happens in Canada, it will make covering rent and other expenses difficult for retailers.

Large retail landlords are getting many rent deferrals and rebates requests. However, landlords whose assets are predominantly tenanted by necessity-based retailers are fairing better than mall owners and those tenanted by discretionary retailers such as fashion, electronics or entertainment.

A new DBRS Morningside report on the impact of the pandemic on Canadian and U.S. REITs and CRE echoes this mixed message, according to Bisnow.

Necessity-based retail (grocery stores/drugstore-anchored retail) is viewed as relatively insensitive to the negative impact of the coronavirus. "We anticipate that real estate companies with a large proportion of exposure to necessity-based retailers will fare relatively well," the report says. Discretionary retailers "will likely be more sensitive to outbreaks of the coronavirus given the non-essential nature of the retailers' products."

The report appears to be confirmed by some of Canada's largest landlords' business updates. Oxford collected only about 20% of its retail rents in April. RioCan says it collected 66% of expected rents (as of April 20) from its business tenants and approved two-month rent deferrals for an additional 17%, which is equivalent to about $15 M in monthly revenues. SmartCentres reported 70% of expected rents collected, after deferrals granted to some tenants.

3. OFFICE DESIGN WILL TREND TOWARDS DE-DENSIFICATION

The virus will cast a long shadow on the way work gets done in the future.

Once people are allowed to return to work, office space will require a redesign to comply with health authority recommendations and for people to feel safe working there.

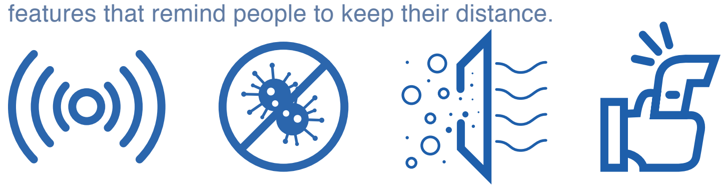
That could mean a reversal of the open office trend.

In the U.S., Cushman & Wakefield states that the square footage per employee has decreased from 211.4 sq. ft. in 2009 to 193.8 sq . ft. at the end of 2017—a decline of 17.6 sq. ft. or 8.3%.

"I do think this is going to reshape the workplace," Janet Pogue-McLaurin, Principal and Workplace Leader at the design and architecture firm Gensler said. "Social distance thinking may be part of our DNA moving forward."

"Every configuration of every floor plan should be assessed to look at distancing and safety," Kate North, Vice President of Workplace Strategy at Colliers International, said.

According to a number of office designers, companies will be installing more sensors to reduce touchpoints, such as on light and power switches and door handles, antimicrobial materials, more and better air filtration, personnel temperature monitoring at entry points, desks that are spaced farther apart, plus subtle design features that remind people to keep their distance.



Cushman & Wakefield is testing a new design concept called "Six Feet Office" in their Amsterdam Headquarters.

The core premise is to ensure that six feet stays between people at all times. This behaviour is encouraged through properly spaced desks, and by visual signals, such as a circle embedded in the carpeting around each desk to ensure people don't get too close. Using arrows on the floor, people are also encouraged to walk clockwise, and only clockwise, in lanes around the office.

Buildings will also need improved airflow, said Joseph G. Allen, a Professor of Environmental Health at Harvard University and author of the book "Healthy Buildings."

"You bring in more outdoor air and you dilute anything that's indoor air," he said. "And, of course, if you partner that with enhanced filtration, you can actually capture virus particles and other particles."

There are two opposing trends that will affect whether or not the coronavirus leads to a sizable decrease in demand for office space, according to a Recode article.

First, fewer employees coming into the office, either due to layoffs or to an increase in working from home, could mean less need for office space.

On working from home, Kate Lister, President of the consulting firm Global Workplace Analytics states that, "(o)nce they've done it, they're going to want to continue." She predicts that 30% of people will work from home multiple days per week within a couple of years.

Second, safety protocols that require people to be spaced at least six feet apart could cause more demand for office space so that the people who work there aren't as packed in as they used to be.

Speaking in the CBRE's Canadian market outlook webinar on April 14, OMERS incoming CEO, Blake Hutchison stated that he is bullish on office, though he sees change coming to the sector.

"Rough math, there is probably 20% less demand for office space on a go-forward basis, but there's probably a 10% net demand for more additional elbow room because we over-served the market by jamming too many people in on a per-square-foot basis," he observed.

4. PANDEMIC CHALLENGING SPAAS BUSINESS MODELS

While the virus spurs demand for co-warehousing, co-working and co-living, demand declines and co-retailing not an option as non-essential retail remains closed.

Co-Working

Co-Working companies have seen a rapid decrease in demand as clients have dialled back or terminated their coworking memberships due to shelter-in-place orders during the pandemic.

Convene, the shared office-space provider that is backed by Brookfield Asset Management and RXR Realty, has laid off 20% of its workforce, or about 150 employees, in response to the slowdown in business brought about by the coronavirus pandemic.

Knotel laid off or furloughed 195 employees worldwide, Commercial Observer reported, while WeWork continues to cut jobs after it laid off 2,400 workers last November.

It is widely held that in a post virus environment, people will be less likely to share space the way they had been prior to the onset of COVID-19.

Bryan Murphy, CEO of flexible office space provider Breather thinks that once work recommences, it will again favour flex office space. "People might not want to share space as much after this like you do with traditional co-working spaces so we will likely see an uptick in demand for private offices," Murphy said.

Flex space occupiers like Knotel, Industrious, Convene, and even WeWork have been growing their private office suite offerings for some time, so they have a hedge against the decrease in demand for traditional co-working spaces, Logan Nagel writes in Propmodo.

Adam Henick, Co-Founder of Current Real Estate Advisors, states that, in order to survive, office-sharing companies will need to adjust the business model and continue their pivot toward attracting larger, more established businesses. If economic uncertainty affects hiring and growth plans, established companies might use shared office space to lower real estate costs.

Ryan Simonetti, CEO of Convene and Jamie Hodari, CEO of Industrious, who appeared on a virtual panel discussion that was hosted by Savills on April 23, said they believed people would still gravitate toward flexible space after the worst was over.

"In times of uncertainty, flexibility and agility are more important than ever," Simonetti said, stating that many companies won't have the capacity to deal with the operational side of sanitizing their spaces, and won't want to sign on to long-term leases in an uncertain economy.

Co-Living

The co-living concept has been gaining traction in Europe and the U.S. and is gaining a foothold in Canada. Dream Unlimited Corp. is developing a 24-storey tower in Ottawa and approximately 25% of the units will be communal. Common Living Inc. will manage the building.

New York-based Common announced a US$300 M expansion last year to Philadelphia, Pittsburgh, Atlanta and San Diego. The company is currently negotiating a pipeline of more than 500 bedrooms with developers in Toronto.

Co-living company Node is developing a 38-unit apartment in Kitchener-Waterloo with 50 beds. Brooklyn, New York was Node's first co-living location, which opened in 2017. Projects have followed in Dublin, Los Angeles, London, and Manchester.

The CEOs of Common and Quarters said that they are experiencing short-term challenges from existing tenants seeking to break leases to slowing demand for their new spaces.

CEO Brad Hargreaves said that Common has seen a drop in the pace of new people signing leases. The co-living provider is offering virtual tours, and the number of people filling out applications has remained steady, but he said the conversion rate from applications to signed leases has dropped from 80% to 50%.

Co-living companies have had to close some of their amenity space and ramp up cleaning protocols. WeWork's co-living arm, WeLive, has daily virtual activities and events so that their members can stay connected.

According to Shahin Yazdi, Principal and Managing Director at George Smith Partners, the pandemic has not discouraged the availability of debt for co-living projects. "Lenders that we are talking to are still looking at co-living," he says. "Many of these deals also pencil as apartments, but the profits are better for co-living. As long as the deal can pencil for multiple options, they are going to be willing to do a construction loan."

"People are coming to co-living primarily because it's an affordable way to find a high-quality place to live in the city," Hargreaves said. "I don't think that's going to change on the other side of this. That is still going to be something people want."

Co-Warehousing

In the last couple of years, co-warehousing has gained in popularity. Colliers writes that economics and the political climate, which has caused fluctuations in trade and tariffs, made it difficult for some companies to make long-term distribution decisions. In addition, the rapid growth of e-commerce has increased the demand for final-mile distribution centers.

CBRE identified FLEXE, Cubework, Stord, W2G, and Flowspace as the five biggest providers of on-demand warehousing services. Demand is typically for less than 30,000 sq. ft. and the length of the lease is either pay as you go or short term (2-3 years), according to Matt Walaszek, CBRE Associate Director, Industrial & Logistics Research.

There is an indication that more retailers are seeking short-term on-demand warehousing options. "This was already happening, but the recent disruption to the economy has accelerated the trend," he said.

With the spread of the virus, online grocers have seen a surge in demand as consumers shelter in place. CBRE reports that there has been a corresponding increase in short-term requirements for freezer or cooler space—anywhere from three months to one year.

Flexe Inc. is seeing a rush of demand from retailers and direct-to-consumer brands swamped by online orders for products like cleaning supplies, said CEO Karl Siebrecht.

Merchants that have shut down brick-and-mortar operations are also looking for overflow storage, Siebrecht said, as consumer demand for other goods dries up. "There's a lot of inventory that made its way across the ocean and needs a place to go…a steady flow of shoes and apparel and purses and ottomans."

5. INDUSTRIAL VACANCY HOVERS AT ALL-TIME LOWS

Increased demand for warehousing space to accommodate surges in e-commerce as stay-in-place orders continue.

According to Altus Group, the national industrial vacancy rate in Q1 2020 was 2.0%, remaining the same as the previous quarter and dropping slightly from 2.1% in the same quarter last year. Toronto, Vancouver and Montreal are among the tightest industrial markets with Q1 2020 vacancy rates of 0.8%, 1.6% and 1.8%, respectively.

Q1 2020 saw 2.9 M sq. ft. of new industrial supply added to the market, with 2.2 M sq. ft. or 76% already leased, Altus Group reports.

Logistics companies dominated leasing activity and accounted for 35.7% of all large block leasing volume in the fourth quarter.

"Across all the logistics markets it's pedal to the metal to respond to the momentous increase in online demand in delivering product to an at-home workforce," Craig Meyer, President of Industrial Brokerage for JLL Americas said. "By the end of the year there will be significant demand for leasing in the large e-commerce category of industrial buildings."

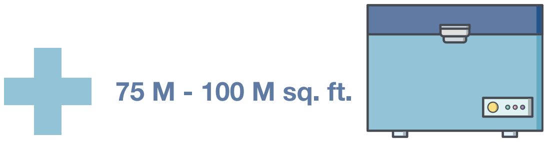
According to Meyer, three trends will emerge as the pandemic ends and business begins to normalize:

- Repatriation of critical industries. Pharmaceutical production and technology will be the primary focus as their importance to national security becomes clear.
- Companies will seek to diversify sourcing. There is a potential increase in nearshoring, which may mean increased production of parts and critical components in markets such as Canada and Mexico.
- Inventory strategies will be adjusted to keep more safety stock, which may mean requirements for larger warehouses. "With our just-in-time economy, these shocks show we need more inventory on hand to meet demand," Meyer said.

As the pandemic took hold, consumers started buying more frozen food, CBRE reports, citing IRI and RBC Capital Markets data.

In a post-COVID-19 environment, consumers will likely continue to order more perishables online, the report notes. That in turn will drive a need for more cold-storage space, and more space closer to consumers, as local grocery stores strive to fulfill the increased volume of orders.

CBRE estimates that over the next five years, an additional 75 M to 100 M sq. ft. of industrial freezer and cooler space will be needed to meet demand generated by online grocery sales.



industrial freezer and cooler space

Walmart Inc. generated nearly US $900 M in online grocery sales in March, up 21% compared with February and nearly double the level of March 2019, according to data provider 1010data, which tracks credit and debit card sales.

Prologis Inc. expects the overall market for warehouse properties to weaken due to supply chain disruption, but the e-commerce growth in grocery and other categories should boost demand in the long run.

"In the near term, we are likely to hear of excess space due to the lack of goods available to restock inventories," Chris Caton, Prologis' Senior Vice President of Global Strategy and Analytics said. "The surge to follow is likely to present capacity challenges within the warehouse, as pent-up orders coincide with normal back-to-school stocking operations."

6. CONSTRUCTION COSTS RISE AND PRODUCTIVITY FALLS

There is no doubt now that COVID-19 will have a great impact on construction costs. Add in physical distancing and productivity will plummet according to Altus Group.

Construction costs for both residential and non-residential buildings rose in the first quarter of 2020—and may be significantly impacted by COVID-19 in the second quarter, Statistics Canada reports. The report covered the period ending March 20 when the effects of the virus were just beginning to be seen in Canada.

Geza R. Banfai, Jamieson D. Virgin, and Patrick A. Thompson, lawyers specializing in construction at McMillan LLP stated in a recent publication:

“There is no question that all participants in the construction industry have experienced, and will continue to experience, impacts on their operations because of COVID-19. These impacts include, among others, schedule delays, workforce disruptions, equipment and supply chain disruptions, reduced productivity due to on site health and safety measures (e.g., social distancing, staggering of work, enhanced sanitary measures, etc.), permit delays or restrictions on new permits, and financing restrictions or cash flow shortages.”

As construction starts to resume in different parts of the country, Montreal developer Conceptions Rachel-Julien has put in place safety measures that include closing off multiple entrances to the sites, leaving only one central access point where workers are questioned daily about their health status and told to wash their hands, The Globe & Mail reports. Employees are also asked to stay onsite throughout the workday and refrain as much as possible from proximity to other workers.

A mid-April survey by Home Innovation Research Labs in the US found that 42% of building product manufacturers polled stated their business was affected “very much” by COVID-19, with about half of respondents saying they have had to restrict or shut down operations. Seventy percent reported disruptions to their supply chain.

Lead times for some manufacturers as of the last week of April were 9 to 12 weeks, compared with two weeks before the COVID-19 pandemic.

Various lumber mills such as Interfor, West Fraser Timber, and Weyerhaeuser announced in March that they would cut production for a couple of weeks and reassess the market. Of the builders that were surveyed, none reported any problems with the availability of framing or board lumber, and all expressed that they don’t foresee a shortage of wood products for now should the economy and construction rebound.

Lumber producers scaled back their production amid faltering demand and tumbling wood prices as the pandemic delays home renovations and housing starts, The Globe & Mail reports.

Benchmark two-by-fours made from western spruce, pine and fir sold at the beginning of April for US $310 for 1,000 board feet, down 24% since mid-March, according to industry newsletter Madison’s Lumber Reporter.

“We’re seeing some significant delays in completions, especially in the high-rise segment of the market,” said Benjamin Tal in the May 5 Canadian Real Estate Forums webinar. Problems include getting materials from other countries and increased physical distancing on construction sites, which reduces productivity by 40 to 50 percent.

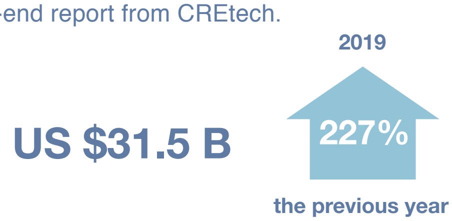
A total of 30,000 condominium completions were projected in the Greater Toronto Area in 2020, but the final tally won’t come close to that, Benjamin Tal said.

The number of new starts will be down significantly in 2020 according to statistics recently published by CIBC Capital Markets. They forecast housing starts across Canada to plummet to 70,000 this year from 200,000 in 2019.

7. WATERSHED MOMENT FOR PROPTECH

Adoption of Proptech solutions has surged during this time of social distancing.

The PropTech industry was already experiencing a flood of venture capital investment before this year began. In 2019, global VC investment in real estate tech companies reached a record-high US $31.5 B, a 227% increase from the previous year, according to a year-end report from CREtech.



But investment into the sector hasn’t necessarily translated to industry-wide adoption of PropTech solutions.

The social distancing policies are forcing real estate companies to adopt new technologies, industry leaders say, and is accelerating the adoption of PropTech solutions, according to Bisnow. Among the greatest beneficiaries are virtual reality companies that offer 3D building tours.

VirtualAPT, a four-year-old startup that uses robots to create virtual walkthrough tours of residential and commercial properties, has seen demand rise by more than 500% over the last month, Founder and CEO Bryan Colin said.

Truss, an online leasing platform that offers virtual tours of buildings, has received more than 500 requests for virtual tours in the first two weeks of April, a tenfold increase from the prior month, Co-Founder Bobby Goodman said.

PropTech companies are rolling out products for the post-COVID workplace. There has been an increased demand for touch-free solutions.

Many PropTech companies are recalibrating their products and services for clients looking for more physical control over offices, factories and warehouses. These companies range from venture-backed access control providers such as Proxy, Openpath and Nexkey to large building automation and security companies like Honeywell, Siemens and Kastle Systems.

Denis Mars is the CEO of Proxy, a digital identity startup working on smartphone-enabled building access and smart rings. After announcing a US $42 M series B funding round last month, the company acquired Motiv with the goal of enhancing the functions of its smart ring – you wear it on your finger - to not only open doors, summon elevators, enable or disable access to different parts of the office but monitor biometric data like body temperature.

Aaron Block, Co-Founder of the real estate tech venture capital firm MetaProp, says that he expects to see more short-term emphasis on software to manage building occupancy, schedule time in shared spaces, assist with COVID-19 contact tracing and control HVAC systems that cycle fresh air through offices.

"You started to see in the last crisis a lot of fintech successes," said Aaron Block, referring to the 2008 financial crash. "I think you're going to see a lot of property tech successes coming out of this. It's really a catalyst for innovation."

However, fintech companies are continuing prospering in this time of social distancing and lower interest rates.

Viral Shah, Co-Founder and Head of Financial Products at online mortgage platform better.com said that they've seen about a 200% increase, month-over-month, in customer demand. Shah said, "we helped fund about $1 B in loans in March, and that's more than we did in all of 2017 and most of 2018."

8. RENTERS MAY GET RELIEF FROM NEAR ZERO APARTMENT VACANCY LEVELS

Lower immigration numbers and job losses coupled with record condo and apartment completions will likely nudge vacancy rates higher.

During an April 7 webinar hosted by Canadian Real Estate Forums, Benjamin Tal, Deputy Chief Economist at CIBC, stated that approximately 75% of apartment tenants paid their rent in full in April. Citing estimates calculated from surveys among landlord companies, he said that another 10% paid half their rent and 15% did not pay their rent at all.

These numbers were better than anticipated but concerns remain for the following months. At the end of April, Premier Doug Ford had initiated talks with the Prime Minister about working together on some form of residential rent relief.

Without some sort of change to policies, the number of people who do not pay their rent will be higher in May. Tal suggested that provinces should take example from the BC government which is providing renters with up to $500 per month for six months. The subsidy is being paid directly to the landlord.

Tal said that 450,000 immigrants won't be coming to Canada over the next six months to a year because of COVID-19 movement restrictions.

This will hurt economic activity and reduce demand in the rental housing market. The Deputy Chief Economist anticipated purpose-built rental construction dropping over the next six months, but rebounding strongly in one to two years.

At the beginning of April, Ontario banned Airbnb and short-term vacation rentals. Under the Emergency Management and Civil Protection Act, Airbnb rentals will only be allowed for those in need of housing.

According to research company AirDNA, active Airbnb and Vrbo listings in Canada dropped slightly from 161,000 in February to 148,000 in early April.

Tim Syrianos, who is the past President of the Toronto Real Estate Board, told The Globe & Mail that he anticipated that Airbnb and Vrbo hosts will convert their properties to longer-term rental or be forced to put them on the market.

In fact, the advocacy group Fairbnb Canada estimates that the COVID-19 crisis could put up to 7,500 homes back on the long-term market as owners seek to minimize losses.

A report by Urbanation showed a decrease in the number of lease transactions of condos since the virus has taken a foothold in the province.

"As rental demand declines as job losses mount, incomes are reduced, and immigration shrinks, the slowing in the GTA rental market that appeared in the last half of March will progress for at least the next few quarters given the current economic outlook," said Shaun Hildebrand, President of Urbanation.

The market analysis firm reported that the number of purpose-built rentals currently in construction in the GTA is the highest level since the 1970s. By the end of 2019, 12,367 units were under construction.

9. DEMAND FOR AFFORDABLE HOUSING LIKELY TO SKYROCKET POST PANDEMIC

COVID-19 is highlighting the urgent need for affordable housing. Cities across Canada are moving quickly to create affordable housing options.

At the end of 2019, there were about 1.7 M Canadian households who are living in 'core housing need,' meaning they live in a home that is too small or too costly. This number is likely to skyrocket as the pandemic takes its toll on the economy.

Joe Cressy, City Councillor for Spadina-Fort York, writes, "COVID-19 has exposed the negative health effects of poverty for our entire society. We need to invest in affordable and supportive housing while also exploring new ideas such as modular housing and changes to zoning to increase density. Public investment in housing works as an economic stimulus, not only by creating jobs in construction and development but also by providing people with a place to live and better health outcomes".

So far, the City of Toronto has been moving people who are now homeless out of shelters and respite centres, where crowded and unsanitary conditions make it difficult to prevent the spread of the coronavirus, Alex Bozikovic reports in The Globe & Mail. As of April 6, the City had leased 1,200 hotel rooms for this purpose, according to Councillor Joe Cressy.

Toronto Mayor John Tory announced the municipality has a plan to implement a modular supportive housing initiative to create 110 modular homes in two three-story developments on city-owned sites – representing Phase I of the Toronto's modular housing pilot.

The new modular homes are expected to be ready for occupancy by September 2020 and will provide stable, affordable housing and support services to individuals experiencing homelessness.

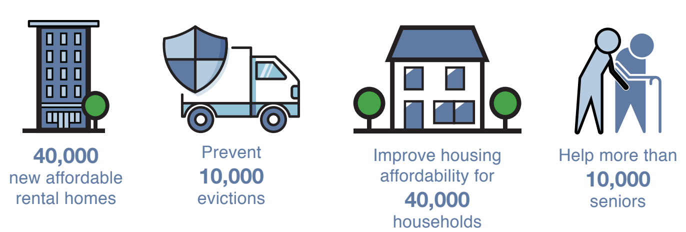
Phase Two of the pilot, representing an additional 140 modular supportive homes, is to be completed by April 2021.

"The pandemic has heightened the need for supportive housing and I have asked City staff to move this project at an urgent pace," Tory said.

According to the City, the full capital costs for Phase I of the pilot is estimated at $20.9 M. CMHC's Affordable Housing Innovation Fund has committed about $8.3 M to this project.

Last December, Toronto's city council approves a 10-year housing strategy: Toronto HousingTO 2020-2030. The $23.4 B plan includes:

- 40,000 new affordable rental homes, including 18,000 new supportive homes for vulnerable residents;
- Prevent 10,000 evictions for low-income households;
- Improve housing affordability for 40,000 households;
- Help more than 10,000 seniors remain in their homes or move to long-term care facilities.



"It affirms housing as a right where everyone deserves to have a safe, affordable and secure home and recognizes homelessness as a critical and emergency issue that all governments must address," Deputy Mayor Ana Bailão stated.

Last November, Habitat for Humanity GTA has announced the launch of a $17 M land trust, which will enable the creation of 180 new affordable housing units. The trust is the result of a collaboration between Capital Developments, Metropia, the City of Toronto, Habitat for Humanity GTA, St. Clare's Multifaith homes, and community group Build a Better Bloor Dufferin.

Via the CMHC, the federal government is investing $357 M into a three-building, 836 unit condo project, west of the Distillery District. 36% of the project will be affordable housing, according to a Waterfront Toronto draft plan.

The developers of the site are Dream Unlimited Corp., Dream Hard Asset Alternatives Trust, Kilmer Van Nostrand Co. Limited, and Tricon Capital Group Inc.

Advocates working to promote affordable housing in Ottawa are teaming up with the city's emergency shelters for the #Hotels2Homes campaign. The campaign calls on the federal government to provide funding to help the city purchase hotels to create safe spaces during the pandemic, and provide a permanent solution for affordable housing in Ottawa.

The City of London is moving away from short-term solutions to provide housing for the more than 2,400 people accessing emergency shelters each year. The city and its partners are asking the community to help identify and provide rental housing options for London's most vulnerable citizens.

"We were dealing with the housing crisis pre-pandemic, we are trying to manage it as best we can during the pandemic, and I expect we will be in a housing crisis post-pandemic," Craig Cooper, Manager Homeless Prevention said.

Cooper said they are preparing for when the pandemic ends and evictions for people who cannot pay their rent are processed.

The City of Vancouver was presented with a report by city staff that advocates a three-stage approach that would seek to stimulate the city's economy while meeting urgent housing needs. Part of the immediate response action would include:

- Prioritize high-impact affordable housing projects currently in the pipeline, including 'shovel ready' affordable and market rental projects expected to initiate construction in the coming months.
- Proactively engage private and community housing sector partners to support the market and non-market developments while working with government partners to increase affordability in these projects.
- Prioritize high impact policy work to allow more non-profit and co-op housing, as well and market and below-market rental. This includes implementation of the new C2 "rental bonus" district schedules, which will expedite delivery of rental housing in these areas, exploring City-initiated rezoning in the Oakridge Municipal Town Centre, and implementing a faster process to provide new social housing on existing non-profit sites.

In its most recent budget, the Alberta government is cutting $53 M over three years to affordable housing funding maintenance. Shortly after the cut was announced, Calgary Housing Company said it's expecting to close 100 units this year because of insufficient funding, and more closures are expected in 2021.

Calgary currently needs 15,000 more units of affordable housing just to reach the national average.

To address this shortfall, the city is selling land it owns in Saddle Ridge, Highland Park, Banff Trail, Capitol Hill and Seton to affordable housing non-profits, which will build and manage the new housing. Mayor Naheed Nenshi said the sales are expected to create as many as 200 new affordable housing units.

10. SUPER DEVELOPMENTS IN THE PIPELINES ACROSS CANADA

Transit a key component of each of these mega-developments that will deliver millions of square feet to the market over the next decade.

599 Tremblay, Ottawa

Public Works Canada (PWGSC) is seeking a public-private partnership to develop a portion of its 26.4-acre parcel of land located at 599 Tremblay Road in East Ottawa into a 1.6 M sq. ft. office complex. The project will be situated in close proximity to the new St. Laurent LRT stop which opened last fall.

Under the terms of the project, the feds will lease the space from the developer for 25 years, after which full ownership of the complex will revert to the federal government, the Ottawa Business Journal reports.

The federal government plans to relocate two departments to the new eight-acre campus.

The rest of the property will be sold to the Canada Lands Company that is working on a long-term master plan for residential and commercial development of the site.

"The vision for the parcel is to become a transit-oriented mixed-use community with office, commercial, retail and residential areas and to actively support a strong modal split that favours transit and other non-fossil fueled means of transport to and from the campus," PWGSC states.

The government hopes to choose a development partner for its portion of the property by next summer, with the aim of starting construction in 2022 and having the first buildings ready for occupancy by 2025 or early 2026.

East Harbour, Toronto

Located on a 38-acre site directly east of Toronto's downtown core at the bottom of the Don Valley Parkway, Cadillac Fairview's East Harbour is one of the largest commercial projects currently planned in Canada. Once complete, this $8 B, 12 M sq. ft. development will include a mix of office, retail, and institutional uses will have the capacity to accommodate approximately 70,000 workers.

East Harbour will be anchored by a transit hub. Transit infrastructure will connect to the Lakeshore and Markham/Stouffville GO Train lines, which travel past the site as well as to the future Ontario Line subway, SmartTrack services and TTC light rail transit.

CF says it will create space for an affordable employment incubator for the City of Toronto and provide an estimated 30,000 sq. ft. of space for non-profit community use.

East Harbour also integrates close to nine acres of green space with a network of streets, plazas, sidewalks and open spaces. It will be designed to create a walkable, bikeable network of paths, bridges and connectivity to public transit.

LEED and WELL certifications will be targeted throughout East Harbour, which is to be built out during the next 10 to 15 years.

Originally planned by First Gulf, the project was sold to Cadillac Fairview in September 2019 for $690 M.

Golden Mile, Scarborough

There is a number of major redevelopment proposals for the Scarborough neighbourhood, which will be serviced by five new LRT stations.

SmartCentres is planning to transform 1900 Eglinton Avenue East, a 28.4-acre site, into a 23 building development, which would include the construction of 5,529 residential units, over 200,000 sq ft. of retail, and 74,000 sq. ft. of office space across 11 blocks.

Madison Group's 1920 Eglinton and KingSett Capital's redevelopment plans for Eglinton Square retains the existing mall while densifying the lands surrounding it. Divided into five blocks, the proposal provides a range of building typologies, with five mixed-use towers proposed, two mid-rise buildings, and a collection of townhouses totalling 1,814 residential units.

Across the road, Choice Properties has plans to transform the 19-acre site at 1880 Eglinton Avenue East, which sits on the north side of the street between Victoria Park Avenue and Pharmacy Avenue.

The 11-building, multiphase project begins with a redevelopment of the supermarket. Choice Properties will add 2,500 residential units – stacked townhouses, mid-rise apartments and towers – as well as 260,000 sq. ft. of additional retail, green space, private and public community amenities and links to the two LRT stations.

Square One, Mississauga

In January, Oxford Properties along with Alberta pension fund AIMCO unveiled their plan for The Square One District. The multi-decade project will transform the space around the Square One shopping mall into a major component of Downtown Mississauga.

Eclipsing the East Harbour development is size, the Square One District will see 18 M sq. ft. of space built on 130 acres of currently under-utilized land. The project will include office buildings, 18,000 residential units, and thousands of square feet of new retail and entertainment spaces, all anchored by the existing Square One complex.

The space would feature street-level retail, walkable parks, public art, and a transit hub that would connect to the future Hurontario LRT and local bus service. Construction on the LRT itself is set to begin this year.

Oxford has already received approval for phase one of the project, which includes two residential towers anchoring the northwest corner of the Square One District. The towers will be 36 and 48-storeys, rising from a shared podium with 8,400 sq. ft. of commercial space. They will contain a collective 977 units - 575 condominiums located in the 48-storey tower and 402 purpose-built rentals located in the 36-storey building. The original plan was for sales as early as Spring 2020, and to begin construction in Summer 2020 with occupancy for the first phase is set for 2024.

Senakw Development, BC

Senakw Development is an 11.7-acre Squamish Nation-owned site at the foot of Burrard Bridge near Vanier Park in Vancouver. 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. The Senakw development will be on federal reserve land, which means that the nation does not need permission from the city to go ahead. It also is not restricted by density or height limits. The tallest tower planned is 56 storeys.

The Globe & Mail reports that it would be one of the largest private First Nations investment projects in the country, expected by the Squamish to be in the billions of dollars, and turn the First Nation into a major developer in Vancouver's lucrative housing market.

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