Top 10 Real INSIGHTS

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ISSUE 50

TOP 10 | REAL INSIGHTS

2020 Montreal RESL & 2020 Montreal Real Estate Forum Update

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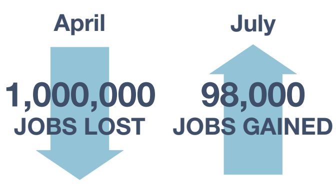
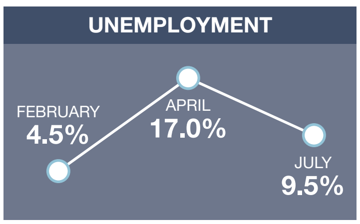
1. MONTREAL ECONOMY HIT HARD BY THE PANDEMIC

Cancellation of major events and festivals and continued closed borders have shattered tourism in the city.

The government of Quebec is projecting a record $14.9 B deficit for the fiscal year, having spent $6.6 billion on recovery efforts and losing revenue due to decreased consumer spending and export demand.

Quebec lost about 1 million jobs in April, pushing the unemployment rate up to 17% from 45-year low of 4.5% in February. The employment increase by 98,000 in July brought the employment rate to 94.4% of its pre-COVID level, and the unemployment rate down to 9.5%, according to Statistics Canada.





While the province has regained many of the lost jobs, GDP is still expected to contract by 6.5% this year.

Finance Minister Eric Girard forecasts that GDP will rebound 6% in 2021. However, the recovery will be uneven, he warned in a June update. The restaurant and tourism sectors, in particular, will prevent the province from attaining its pre-pandemic employment levels in the short term, the report stated.

The Greater Montreal Area has been hard hit by the pandemic, composing half of the 9,000 coronavirus deaths in Canada as of the beginning of August.

The city has had to cancel major cultural events, including the Grand Prix, the Rogers Cup and its world-renowned jazz festival.

Michel Leblanc, President of the Chamber of Commerce of Metropolitan Montreal, said that as of July, less than 5% of office workers have returned to the downtown area. Also, most of the tourism that the city counts on has disappeared.

In 2018, 11 million tourists visited Montreal, generating $4.5 B in economic spinoffs.

“We have seen one million tourists this year,” said Yves Lalumière, President of Tourisme Montréal. “Ninety percent of revenues have disappeared.”

To mitigate the pandemic impact on Montreal businesses, the city has come up with a $22 million plan to relaunch Montreal’s economy. Key points of which include:

- $5.55 M to stimulate commercial arteries and support merchants.
- $4.8 M to help companies do business differently, including the transformation of business models, as well as support for start-ups and the social economy.
- $10.5 M to “reinvent” Montreal’s economic development, such as leveraging strategic assets and creating new programs to support sustainable investment.
- $1.1 M to support and co-ordinate research, data and training initiatives.
- As part of this $22 M plan, the city is investing $400,000 into “developing and animating” its downtown sector.

The goal is to temporarily reorganize public space in the downtown area this summer to attract commerce to the area. Seven large outdoor terraces and public squares will be available to the public starting July 31. More than 150 artists will set up various types of art installations, music, dance and other spontaneous performances at the locations.

The city will also receive $50 M from the federal and provincial governments to support local businesses. The federal government is giving up to $30 M to the PME MTL network through the Regional Relief and Recovery Fund (RRRF). This support is aimed at Montréal businesses ineligible for other federal measures related to COVID-19 that are already in place.

In addition, the Government of Québec is contributing $20 M more to the envelope for the Ville de Montréal under the Aide d’urgence aux petites et moyennes entreprises program to come to the assistance of metropolis SMEs facing financial hardship due to COVID-19.

On a national level, most economists are not expecting a “V-shaped” recovery.

In his first public speech as governor, Macklem said Canada’s economy should resume growth in the third quarter as containment measures are lifted, echoing Girard’s prediction for Quebec. He also cautioned that recovery will be ‘prolonged and bumpy.’

“The economy will get an immediate boost as containment measures are lifted, people are called back to work, and households resume some of their normal activities,” Macklem said. “But it will be important not to assume that these growth rates will continue beyond the reopening phase.”

2. MONTREAL OFFICE VACANCY ROSE TO 10.0% IN THE SECOND QUARTER

Sublet space flooding the market as tenants reassess their space requirements.

According to Altus Group, the national office vacancy rate increased to 9.6% in Q2 this year from 9.5% in the previous quarter. The national sublet available rate increased by 20 basis points to 1.8%.

The office vacancy rate in the Greater Montreal Area remains at 9.3% in Q2 2020, while Downtown Montreal vacancy increased by 10 bps to 6.9%, Altus reports.

While downtown sublease vacancy increased by 43.5% to 228,000 SF, it is still limited and currently amounts to 6.9% of vacant space or 0.5% of the existing inventory, CBRE reports. Attributed to business closures and tenants re-evaluating their real estate needs, sublet space is anticipated to increase in the quarters ahead.

The largest block of vacant sublet space added to the market in Q2 was 23,000 SF at 1100 René-Lévesque, JLL reports.

Net rental rates continued to rise in Q2 despite the increase in vacancy. Downtown Class A office space rose to $22.61 PSF increasing by $0.50 PSF, according to Colliers, while Downtown Class B rental rates rose 18% and sits at $20.5 PSF.

The commercial real estate industry expects a significant amount of office space to come back into the market soon, as has already been seen by the amount of sublet space flooding the market in the last quarter.

According to Mark Fieder, President of Avison Young Canada, this won't because workers will continue to work from home. Instead, it is anticipated that many SMEs will not survive the economic crisis caused by the pandemic and will be forced to walk away from their leases.

However, at the start of the pandemic, 47 million Canadians started working from home, according to Canada. As offices reopen, it is unclear how many employees will return to the office on a full-time basis.

Waterloo enterprise-software maker Open Text Corp. announced in April that it would close half its global offices due to the success of remote work and its need to restructure, the Globe & Mail reports.

Facebook CEO Mark Zuckerberg says that in five to ten years, half of its workforce will have no connection to an office at all. Many other firms are considering flexible arrangements where more employees work from home part-time.

Before the pandemic, the tech sector had been an important demand driver of office space. In Q1, software company Behavox took 50,000 SF at Ivanhoé Cambridge and Manulife Real Estate's Maison Manuvie. And by the end of the year, Google will move into Allied's 425 Viger, taking up five floors.

It remains to be seen whether or not tech demand for office space will continue in a post-pandemic world.

"For tech companies like Twitter, they realize that productivity has not ebbed. There is a reality where they are comfortable keeping people at home," Real Estate Economist Carl Gomez told the Globe.

"I don't think any business will want to go back to the way things were done, so that has an immediate implication for space," said Jim Coleman, Head of Economics, WSP UK.

Colliers projects a potential reduction in tenant office space needs of 8.5% over the next eight years. In a recent survey that the company conducted, 47% of office tenants believe their space needs will decrease – 56% say it will be due to fewer employees, while 44% say it's because of employees working from home.

3. SUBURBS BECOME MORE APPEALING AS EMPLOYEES CHOOSE TO AVOID PUBLIC TRANSIT

The pandemic has companies reassessing their space in the downtown cores.

Mark Fieder, President of Avison Young Canada, said he expects some business owners will want to leave downtown cores so that employees who are concerned about COVID-19 don't have to worry about travelling to work via crowded public transit.

Results from JLL's recent *Workplace Experience Survey* show that public transit is the top concern among employees and their companies during this return to work period.

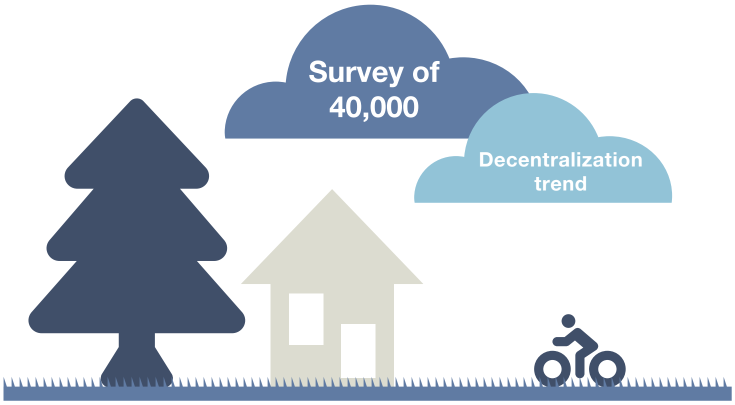
Out of survey respondents who previously took public transportation to work, 34% have stated that they will seek alternate forms of transportation after the pandemic.

In its real estate trends report, PwC has identified a shift away from urbanization even before the start of the pandemic.

The company's national real estate leader, Frank Magliocco, said that although it's more pronounced in the U.S., it's growing in Canada as well.

"It's almost a reverse migration of sorts. I think people have said, 'I don't' necessarily need to be in that hustle and bustle, I'd rather be in an area where I can have some space, have a lifestyle where I can drive to work and create a vibrant community.' "

A recent Cushman & Wakefield survey of 40,000 global occupiers also revealed a trend towards decentralization.



"The effect of three months of working from home has been that there is now a high level of trust between employers and employees, and more trust and collaboration between them," Cushman & Wakefield International Partner Charles Dady said. "So we'll see corporations adopt various mixes of remote working, urban, suburban and drop-in locations."

JLL writes that in order to create places for team meetings that may be more proximate to employees, some companies are evaluating dual-hub or remote-hub strategies, which may help offset employee commutes as well as real estate costs.

"The suburbs make an interesting case because they're about half the cost of downtown office space," said Ray Wong, Vice President of Data Operations at Altus Group. "And it gets you closer to some of your workers. In the suburbs, you get a bigger bang for your buck for residential also, which could appeal to workers who have been isolating in tiny downtown condos."

McGill University Urban Planning Professor David Wachsmuth said cities have historically gone through cycles of densification and what he called "spaceification" — for example, after the Second World War, when the federal government encouraged people to move from city centres to the "healthier" suburbs.

Wachsmuth doesn't predict a flight from cities this time. "I think we are, broadly speaking, in a period where the density of cities has been understood as a positive thing, and I don't think that's going to change," he said in a recent interview.

Jon Love, CEO of Kingsett Capital, underscored the continuing appeal of a downtown environment to tenants, and he listed off Microsoft, Google, Telus and Deloitte in Toronto, who all have moved downtown.

"It's not because downtown is cheaper. It's because those tenants are in the pursuit of an ecosystem that allows for enhanced collaboration, productivity and creativity," Love told CBC.

4. INDUSTRIAL RENTAL RATES STILL RISING

Pent up demand along with a COVID induced e-commerce boom has kept user demand strong – JLL.

The industrial vacancy rate of the Greater Montreal Area remained at 1.8% in Q2 2020, the lowest in 10 years, according to Altus Group.

Leasing activity was driven by demand for warehouse space, and there was a surge in interest for short-term leases from essential service users, including food processing and e-commerce fulfilment from distribution and logistics users, the company observed.

Asking net rental rates continue to rise, CBRE stated in their Q2 report – although at a more tempered rate – growing 1.5% quarter-over-quarter to an all-time high of $7.14 PSF.

The competitive landscape for quality industrial space has been increasingly dominated by e-commerce and fulfillment centers. Significant projects are currently under construction in the Greater Montral Area. The 300,000 SF Sobey's fulfillment center, located at 2400 Trans-Canada Highway, is slated for completion in 2021. The new WIPTEC fulfillment center in Longueuil is expected to be operational in 2021. "This project represents a major investment of over $150 M, covering over 1 M S.F., and creating 800 to 1000 job opportunities," their website reads.

Amazon has continued to grow its presence in Montreal. They have announced that they will be occupying almost 120,000 SF at 3399 Francis Hughes Avenue in Laval, their second distribution center in less than a year. During the lockdown, Amazon hired an additional 150 employees in their Lachine distribution center in order to meet the surge in demand.

"The exponential growth of e-commerce has driven demand for industrial real estate for the last ten years, and the sudden spike in online activity since the crisis has accelerated that demand," says Rich Thompson, International Director of Supply Chain & Logistics Solutions at JLL.

Prior to the COVID-19 crisis, approximately 35% of its industrial leasing activity was related to e-commerce. However, JLL now says as much as 50% of that leasing activity has already been tied to the online retail industry in 2020.

Healthcare of Ontario Pension Plan (HOOPP) Senior Portfolio Director of Real Estate Chris Holtved noted that the smaller bay tenants, mostly private companies without a lot of cash flow, have been more vulnerable. At the April 24th Canadian Real Estate Forums webinar, he said that he anticipates at least some business closures.

"Industrial demand is almost perfectly correlated to GDP over history," said Holtved. "So the demand for industrial space going forward will be directly driven by what happens to GDP, because GDP is just people buying stuff — and that stuff has to be stored somewhere."

The North Shore of Montreal has seen its tenants grow in recent years with active developers in the area, according to Colliers. Complexe 80 Emilien Marcoux in Blainville, a 35,000 SF industrial building, will be brought to market in September, the only new supply expected in the Greater Montreal Area this year. Another development that will be brought to the market this year in the North Shore is a 55,000 SF building located in Bois-des-Filion, the company reports.

At the end of July, Montreal developer RoseFellow announced that it would be investing $160 M to acquire and develop three industrial sites on spec – one in Pointe-Claire, one in Montreal-Est and one in Ottawa.

The Pointe-Claire site will be redeveloped into a 325,000 SF building once the current tenant's lease expires in December 2021. The property, on Reverchon Avenue, will be developed at the cost of $62 M. This amount includes the purchase price of $21.3 M for the 650,436 SF site from previous owner LionsGate Industries Inc.

On the vacant Montreal-Est site, located on the corner of Marien Avenue and Highway 40, RoseFellow intends to build two 120,000 SF buildings with a 32-foot clear height. Construction on the $38 M project will commence in May 2021.

RoseFellow Principal Mike Jager predicts there will be a rebirth of new development in the area, given Government of Quebec and the City of Montreal plans to invest $100 M to decontaminate and enhance industrial areas in the city's east end.

5. MONTREAL DEVELOPMENT REGAINING MOMENTUM

Building boom continues in the GMA despite the temporary shutdown of the construction industry.

Due to social distancing measures, construction was put on hold in the province for part of the second quarter. Projects initially scheduled for delivery in the back-half of 2020 are now expected to see delays.

Paul Cardinal, the Director of the Quebec's association of construction professionals (APCHQ) economic service, said that after a four-week shutdown caused by the pandemic, activities have resumed at a good pace and in the short-term, the vast majority of marketed projects will be completed. However, residential construction is tracking at a 15% decrease from the year before, as revealed by APCHQ.

Notwithstanding the pandemic, Montreal is experiencing its largest office boom in 20 years. More than 3 M S.F. is being developed in response to strong demand driven by the growing Montreal tech scene.

CBRE's Quebec Managing Director Avi Krispine said, "Strong office demand is being driven by an evolving tech sector, which is pushing average downtown Class A net rents to an all-time high."

Half of the new office buildings are build-to-suit, the other half is being built on spec. The pre-lease rate is at 46.4%, creating 1.7 M S.F. of new availability over the next three years, according to Alan MacKenzie, JLL Canada's CEO. Major office projects under construction in the GMA include:

- The 418,000 SF Maison Radio-Canada
- Victoria on the Parc at 700 Saint-Jacques, 341,750 SF
- Royalmount at 8400 Décarie, 795,000 SF
- Banque Nationale at 800 Saint-Jacques, 1,000,000 SF

Mixed-use projects show no signs of slowing down, and several significant developments are transforming the skyline, PwC states, one of which is the Espace Montmorency. The 1.36 M S.F. project is a Group Montoni, Groupe Sélection and the Fonds Immobilier de Solidarité FTQ joint venture. The $450 M mixed-use development will be the largest one in Laval.

Concerns exist about rising construction and labour costs and the potential impacts of the city's proposed 20-20-20 bylaw, the firm cautions.

RoseFellow is set to start construction on its first project, the $90 M Le 111, an 11-storey, 270-unit luxury multi-residential building in the Montreal borough of Saint-Laurent, RENX reports.

Mike Jager, Principal of RoseFellow, says that the company also has plans for an office redevelopment project in the Mile-End area of Montreal.

In July, construction began on Brivia Group's 1 Square Phillips. The $560 M phase one of the project will consist of a 61-storey tower with 498 condos and 298 rental units and is slated to be the tallest condo in Montreal. Condo units will range in size from 400 to 4,000 SF and will sell from $800 to $900 PSF. Rental rates have not yet been set but will be situated on the first 20 floors of the tower.

The project was 75% sold with foreign buyers representing between 10-12% of sales when it broke ground.

In 2019, Brivia Group acquired the Mansfield Athletic Club for approximately $20 M. The company is working with the city to determine what sort of building the site will be redeveloped into. It is looking at rental units, condos, or hotel uses for the former Loew's Theatre.

Devimco Immobilier also acquired a former athletic club. In 2018 it purchased the property of Club Sportif MAA, Montreal's oldest athletics club.

The $150 M project will include a 33-storey, 300-unit condo tower being built on the site of the 138-year-old building that will incorporate a 45,000 SF athletics complex, complete with a 25-metre swimming pool, squash courts and a café.

6. MONTREAL APARTMENT VACANCY RATE REACHES 15 YEAR LOW

1.5% vacancy rate, eviction ban, and economic fallout of pandemic caused panic on July 1.

At the beginning of the year, Montreal's apartment vacancy was the lowest it had been in 15 years. The overall vacancy rate for the Montreal CMA was 1.5%, but vacancy was 0.8% on the North Shore and 1.3% on the South Shore, according to CMHC.

Scarcity was causing rents to rise. The average rent for vacant two-bedroom apartments (thus still for rent on the market) in the metropolitan area was about $1,080, or around 25% more than the average for occupied units.

Evictions were also on the rise, especially among tenants paying below-market rents. Incidents were reported of landlords taking back units for family members, but those units were seen back on the market at much higher rents. In other cases, tenants were told that their units were about to undergo renovations that never happened.

The Montreal Gazette reports that 80% of Quebec's residential leases expired on June 30, and between 80,000 to 100,000 Montrealers will have moved on or around July 1.

In this ultra-low vacancy environment where many tenants are struggling financially from pandemic fallout, the provincial government announced that it was putting $71.5 M towards a housing action plan that would support tenants who were moving on July 1. The plan called for emergency aid for municipalities, rent supplements, loans for rent with no interest, and financial support for households waiting to move into their main residences.

Montreal has asked Quebec for $5 M in emergency funding to cover the cost of hotel rooms and rental of storage facilities for those left without an apartment on July 1. They were given $1.2 M by the province.

In July, the moratorium on evicting tenants during the pandemic that was put in place in March was lifted, and hearings at the Quebec rental board resumed.

As of July 7, landlords were able to begin acting on evictions approved before March 1. While all eviction rulings from after March 1 took effect on July 20.

A May study by Quebec's landlords' association found that 15% of Montreal tenants were at least a week behind on rent that month.

According to the Quebec rental board, as of July 15, more than 6,000 applications for evictions were made provincewide for non-payment of rent.

7. CITY INITIATIVES SEEK TO SUPPORT MONTREAL RETAILERS

"Active Mobility Corridors" implemented along Montreal's major arteries.

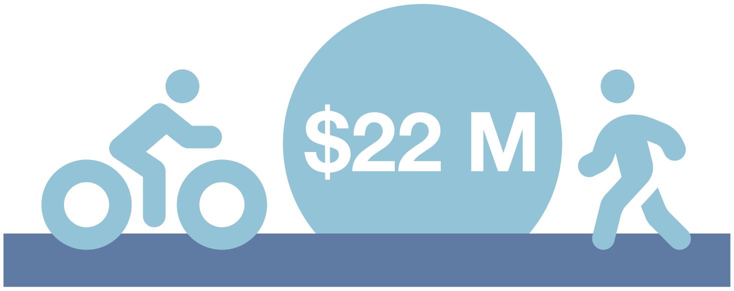
In the early months of the pandemic, retail activity had all but halted in Montreal's downtown.

Foot traffic in Montreal's Rue Sainte-Catherine shopping district dropped 88% from March 21 to May 31, according to a CBRE study.

A report was prepared this month for Mayor Valérie Plante by a committee in charge of developing plans for a post-pandemic downtown recovery. It stated that the downtown Montreal zone is at risk because its vitality rests in large part on the traffic generated by the 310,000 workers, 11 million tourists and 100,000 students who patronize the sector.

Montreal faces "the spectre of serial bankruptcies" by retailers and restaurants that could reduce the city's attractiveness as a tourist destination for years, according to the report.

As part of the city's $22 M plan to revitalize the economy and support local merchants, sidewalks have been widened to create more space for cyclists and pedestrians. The city has created a network of active mobility corridors along major Montreal streets by reducing traffic and parking in order to accommodate expanded sidewalks.



Not all retailers have been on board with these changes, complaining that decreased access and parking is actually hurting their businesses. Some have lamented the lack of consultation and said that there was not much notice prior to the changes being made.

Joe Beef Owner David McMillan told CBC, "You're shutting the street down, and putting in bicycle lanes and there's a D.J. with clowns? … Just let me run my businesses. I'm already down 85 percent, and that's not helping."

However, the city says that the corridors are not permanent, and planners have clocked a 52% increase in bicycle traffic in some areas. Whether this translates into additional local retailer sales is unclear.

Ivanhoé Cambridge is spending about $200 M to renovate the Montreal Eaton Centre property. The company still aims to complete the project by early 2021, with Japanese retailer Uniqlo set to open its first Quebec location in the mall.

As many as 25,000 stores are expected to close in the U.S. in 2020, mostly in shopping malls, according to Coresight Research.

"For Canada, that could theoretically mean 2,500 stores," said Craig Patterson, of Retail-Insider.com.

Since June, the following companies announced store closures:

Montreal-based DavidsTea announced on July 30 that it would only reopen 18 of its stores in Canada, closing 166 Canadian locations and all of its 42 U.S. stores to focus more on its e-commerce business as well as supplying grocery stores and pharmacies.

Microsoft revealed on June 26 that it would be closing nearly all of its 83 physical stores around the world as part of a "strategic change" for its retail business. All seven Microsoft locations in Canada will be closing.

Nutrition retailer GNC has filed for bankruptcy in the U.S. and says it will close at least 29 stores in Canada as part of its restructuring. Since filing for bankruptcy in June, GNC has asked to reject at least 500 leases, along with more than 50 franchise agreements and subleases, according to court records.

Approximately 200 locations of child clothing store The Children's Place will close this year, and 100 more next year in Canada and the U.S., reported June 11 by company executives on an earnings call.

On June 1, Reitmans announced plans to close all stores under its Thyme Maternity and Addition Elle banners.

Montreal-based The Aldo Group said May 7 that it was entering creditor protection. Legal filings reportedly state that an unspecified number of stores are not expected to reopen ever.

New Jersey-based Ascena Retail Group Inc. announced on July 24 that it would close all of its clothing stores in Canada. According to the company's website, there are four Ann Taylor, nine Loft and 37 Justice stores in Canada.

Many retailers are citing pre-COVID rents as untenable in the face of extended closures – despite getting government support and rent deferrals or abatements from landlords.

Landlords have their own mortgages to worry about, which were also underwritten with pre-pandemic assumptions about rent collections, National Real Estate Investor states.

Barry Sternlicht's Starwood Capital Group missed payments on securitized debt linked to five shopping malls. Delinquencies on retail mortgages bundled into bonds climbed to 16% in July, up from 3.8% in January, according to Trepp.

More than half of mall department stores could close for good by the end of 2021, according to an April report from real estate research firm Green Street Advisors. J.C. Penney said last month that it would shutter more than 150 locations, while Neiman Marcus plans to pull out of New York's Hudson Yards development and close three other U.S. locations.

The closures so far are "just the tip of the iceberg," said Garrick Brown, head of Americas retail research for Cushman & Wakefield. "Over the next two years, at least 1.2 billion S.F. – 10% of already-occupied store real estate – will go vacant," he said. "Worst-case scenario, that could double."

8. MONTREAL INVESTMENT DOWN IN Q2

As the economic impact of the pandemic remains uncertain, investors take a more cautious approach amidst lingering risks – Altus Group.

While the Montreal market saw a strong first quarter that was more reflective of the activity carried over from Q4 2019, the effects of pandemic shutdowns resulted in Q2 2020 closing with only 322 transactions and nearly $1.2 billion in total investment volume. The first half of 2020 tallied 723 transactions and $3.3 billion in total investment volume, an increased of 6% in transaction activity, but a decrease of 17% in the total investment volume, compared to the first half of 2019, as a result of the lack of significant transactions in Q2, according to Altus Group.

On the whole, transactions were limited to smaller transactions by private companies, but there were some exceptions.

Groupe Mach acquired 400 Sainte-Croix Avenue in June. The 282,644 SF Class A office building was purchased for $33.7 M

Crestpoint acquired a 281,492 SF office complex in Ville-Marie. The property located on City Councillors and Saint-Alexandre Streets was bought for $70.2 M and was 91% occupied at the time of sale, according to Altus Group.

PIRET purchased a vacant 81,500 SF distribution centre in Anjou for $10.7 million.

Broccolini bought a 119,808 SF distribution centre in Laval for $18 M.

Canderel has acquired 6600 Saint-Urbain in the Mile-Ex neighbourhood. The company plans to spend around $10 M to upgrade the 160,445 SF mixed-use building. Canderel currently has more than 350,000 SF of space in the Mile-Ex area.

"Overall cap rates moved up to 5.15% this quarter with all markets shifting upwards compared to the previous quarter," Altus Group reports in their Q2 2020 Investment Trends Snapshot. "This was the first overall increase since Q1 2016. Edmonton, Montreal and Ottawa showed the most increase from the previous quarter and year-over-year; Edmonton and Vancouver had the highest increase over other markets with Montreal remaining stable."

9. SUSTAINABILITY STAYS ON THE TOP OF THE AGENDA

The pandemic has emphasized the necessity of sustainable buildings and business practices.

"The COVID-19 pandemic is challenging the status quo, accelerating our transition to a low carbon economy," Andrew Baker, Partner at Cushman & Wakefield, London UK office writes. "Where many companies have been intentional about reducing corporate travel by 10% to 20% over the last decade, they have now been forced into a "net-zero" carbon emissions travel policy."

The importance of a building's layout, plant and physical structure to the health and wellbeing of its occupants was already a growing topic before the current crisis. Post pandemic, it will be even more so.

Wellbeing standards, such as Fitwel & WELL, were seeing a significant uptake in markets across EMEA prior to the crisis as occupiers and investors sought to ensure buildings were efficient, healthy and productive places.

The business case for sustainable building construction and operation has never been stronger, as more investors, owners and tenants pursue environmentally-friendly strategies that lead to lower operating costs and stronger property values.

Tenants can reduce their carbon footprint and build a greener brand. Investors are attracted to the risk mitigation of a sustainable building, as the concept of resilient investment – property developed to resist the impacts of climate change – gains traction.

More and more companies are embracing sustainable business practices. Over 78.0% of S&P 500 companies issued a sustainability report in 2018.

Over 78.0% of S&P 500 companies issued a sustainability report in 2018.

MSCI has seen ESG indexes growing bigger than standard benchmarks and during the pandemic.

Casey Clark, Global Head of ESG at Rockefeller Capital Management, stated that during the first quarter downturn in 2020, ESG passive and active strategies outperform noticeably, leading to record inflows. In Q1, 24 of 26 ESG index funds outperformed their conventional index benchmarks across the U.S., non-US, developed markets and emerging markets, according to Morningstar.

Last year around 70% of millennials said they prefer to work in a company with a strong sustainability agenda, according to a Fast Company survey. About three-quarters of them are even willing to take a smaller salary to work for an environmentally-responsible firm.

According to a report by the Retail Industry Leaders Association, an estimated 68 million adult Americans base purchasing decisions on their values — personal, social and environmental — and say they will spend up to 20% more on environmentally sound products.

In March 2018, La Maison Simons opened a first-of-its-kind store in its home city designed to generate as much energy on-site as it consumes annually, and aiming to reduce overall greenhouse gas emissions. The store's parking lot includes 133 spots that have canopies covered in 1,020 bifacial modules with glass on both surfaces to capture direct and reflected sunlight. When combined with 2,308 bifacial modules on the roof, the entire solar electric system will generate over 1,300,000 kWh/year - the equivalent to power about 50 typical Canadian homes.

Advertising company WPP recently stated that it would no longer buy or provide single-use plastics such as bottles, straws, cutlery and cups in any of its 3,000 locations worldwide from 2020.

“Risk mitigation, brand enhancement, talent attraction and retention are tangible and positive by-products of corporates doing the right thing by adopting greater sustainability measures,” Wu Xuchao, Head of Energy and Sustainability Services, JLL South Asia.

In June, Amazon launched a U.S. $2 B venture fund to invest in companies that are developing ways to cut greenhouse gas emissions. It would focus on start-ups that could aid businesses to achieve ‘net zero’ emissions. Hundreds of Amazon employees walked out of its Seattle office last September to join the global climate strike ahead of the U.N. Climate Summit, part of an effort to push Amazon to take more aggressive steps in reducing their carbon footprint, MIT Technology Review reports. After the strike, Amazon committed to achieving ‘net zero’ emissions by 2040.

Earlier in 2020, Microsoft announced it would spend U.S. $1 B on “carbon reduction, capture, and removal technologies,” as part of an effort to offset the software company's emissions across its entire history.

10. EVOLVING ROLE OF PROPERTY MANAGERS

COVID-19 pandemic has put the spotlight on facility management services.

As people return to the office, owners and facility management teams are under closer scrutiny as tenants and occupants want to know what will be done to ensure the property is safe. One of the keys is to clearly communicate the steps that have been taken to keep people safe.

Tom Jackson, COO of Microshare, a tech company that specializes in sensor-based data products, including predictive cleaning, asset tracking, contact tracing, and occupancy monitoring.

IoT technology provides space usage data that can be used to assess allocation for new cleaning demands. Cleaning supervisors and staff are able to respond to clean the spaces that were used and not waste resources where they are not required, Jackson explains.

CNN reports that MIT has designed a robot that is capable of disinfecting the floor of a 4,000 SF warehouse in 30 minutes.

The university's Computer Science and Artificial Intelligence Laboratory worked with Ava Robotics and the Greater Boston Food Bank to develop a robot that uses a custom UV-C light to disinfect surfaces and neutralize aerosolized forms of the coronavirus.

Property managers are increasing ventilation, upgrading air filtration, and running their systems for more extended time frames to improve the air quality of their buildings.

The American Society of Heating Refrigeration and Air Conditioning Engineers (ASHRAE) has recently published their position document on infectious aerosols, in which they state that transmission of SARS-CoV-2 (COVID-19) through the air is sufficiently likely, so airborne exposure to the virus should be controlled.

"The document also states that ventilation and filtration provided by heating, ventilating, and air-conditioning (HVAC) systems can reduce the airborne concentration of SARS-CoV-2 and, therefore the risk of transmission through the air," writes Robert Borovina, Director of Mechanical Engineering at McGregor Allsop.

Many measures can reduce the transmissions of pathogens via HVAC systems, although few can be readily implemented, Borovina continues. They include:

- Dilution of room air by increasing the amount of outdoor air in the overall recirculation
- Increasing the efficiency of the filtration system or use of single space high-efficiency filtration units (portable or fixed)
- Maintaining proper temperature and relative humidity to reduce desiccation of larger droplets into aerosols

Consulting company McKinsey suggests configuring ducted HVAC systems to increase the rate of exchange with fresh air from outside the building to reduce recirculation. Under normal circumstances, 80 to 85% of the air in an office is recirculated.

Instead of shutting down overnight or on weekends, for instance, the HVAC system could run without interruption to increase the replacement of air and minimize airflow speeds, the company suggests. However, making these changes will significantly increase the amount of energy that is used.

According to Gensler technical director Ambrose Aliaga Kelly, we could see a new wave of underfloor ventilation seen in theatres and concert halls. Workers will be very conscious of air being forced down onto them by overhead vents. Underfloor ventilation creates a safer air quality with the added benefit of being more sustainable. The New York Times Building and the San Francisco Federal Building also utilize this type of ventilation.

Canadian Office, Retail and Industrial Tenant Preference Survey

CANADIAN MULTI-RES TENANT RENTAL SURVEY

Interested in purchasing the 2020 data or getting involved with 2021?
Contact Sarah Segal by email sarah.segal@informa.com