Top 10 Real

INSIGHTS

2020 Ottawa Real Estate Forum

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TOP 10 | REAL INSIGHTS | 2020 Ottawa Real Estate Forum | ISSUE 51

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1. RESILIENCE IN OTTAWA'S ECONOMY

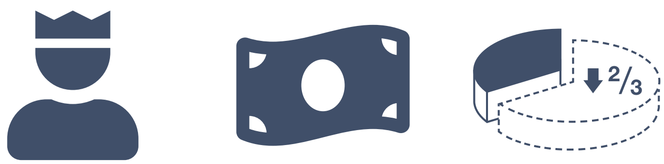
The Federal Government, the tech sector, and significant infrastructure projects buffet the city against the worst of economic fallout.

July's unemployment rate for the Ottawa-Gatineau region dropped from the month before to 9.1%, almost two percent lower than the national rate of 10.9%. In August, unemployment increased slightly to 9.2%, as reported by Statistics Canada.

While the city's economy is expected to contract by 2.4% in 2020, "it's about half the decline that we're seeing at the national level," said Pedro Antunes, Chief Economist with the Conference Board of Canada. "So, this city will do a little bit better than many other places."

"Ottawa emerges as an outlier in the current pandemic landscape partly because as the seat of Canada's federal government, it's insulated to some extent from the massive pandemic-related joblessness impacting the country," says Jennifer Hunt, VP of Research for REIN.

The tourism sector employs 43,000 people and brings in about $2.2 B in spending by visitors each year, according to a recent analysis by Ottawa Tourism. With the cancellation of the city's 2020 festivals, the agency estimates spending could drop this year by two-thirds, or $1.4 B.



TOURISM SECTOR EMPLOYS **43,000** | VISITORS SPEND **$2.2B** | 2020 SPENDING COULD DROP **$1.4B**

The billions of dollars in infrastructure projects that are either in the planning stages or underway in the city are helping to prop up its economy.

One of the largest projects underway is the $232.3 M Combined Sewage Storage Tunnel. Added to this is the revitalization of Eglin and Rideau Streets and Montreal Road and the widening of Strandherd Drive.

The Trillium line airport expansion is expected to be complete by 2022.

The anticipated cost of stage two of the light-rail system is about $4.66 B and will include 44 km of track and 24 stations. It will extend further into the suburbs of Orléans and Riverside South than first envisioned. The city plans to finish the east extension of the light-rail system all the way to Trim station by 2024 and extend to Moodie Station by 2025.

The rehabilitation project at Parliament Hill will likely exceed $3 B once finally completed. The Centre Block renovation, which includes the House of Commons and Senate chambers, the Library of Parliament, offices for MPs and party leaders, and the Peace Tower, will continue over the next ten years.

Development is expected to start shortly on Ottawa's new Central Library. The $192.9 M, 216,000 SF facility next to Pimisi Station will include a cafe, genealogy centre, community services and house Library and Archives Canada materials as well as workspaces. Barring any further delays, the city hopes to complete the library by 2024.

In CBRE's 2020 North American Tech Talent ranking, Ottawa jumped five spots to number 14 and was identified as having one of the fastest-growing tech sectors. Ottawa has the highest tech talent concentration of any North American city in the top 50. The tech industry comprises 11.3% of total employment in Ottawa.

The Canadian Venture Capital Report, which is compiled by CPE Analytics, reported that Ottawa tech firms raised $19 M in the first quarter of 2020. Major deals included BluWave-ai's $3.9 M seed round and $3 M for tech start-up GBatteries. Although deal volume was down from the year before, deals announced in April surpassed Q1 totals, Ottawa Business Journal reports.

In July, the Federal Government invested $11.2 M in three Ottawa tech companies – Solace, You.i TV and Lytica, Betakit reported. The funding, which comes through FedDev Ontario's Business Scale-Up and Productivity program, is intended to help these companies scale and grow. It is expected that this latest funding will contribute to the creation of approximately 140 jobs across Ottawa.

The city is home to 1,750 knowledge-based industries that span six key industries: Aerospace, Defence and Security, Clean Technologies, Communications Technologies, Digital Media, Life Sciences, and Software.

It is also home to the L5 test facilities, which offers integrated testing grounds for the safe implementation of connected and autonomous vehicles (CAVs). On site, vehicle-to-everything (V2X) testing, validation and demonstration of technologies are enabled on both public and private test tracks in Ottawa's four-season climate. Founding partners include Accenture, Blackerry QNX, Ericsson and Microsoft.

2. OFFICE VACANCY UP 100 BPS AS DEAL VOLUME TAKES A DIVE

Office space along the new Confederation Line LRT attracts interest from government tenants.

In the second quarter of 2020, Colliers reported that vacancy in Ottawa increased a full percentage point from the previous quarter, up to 7.3% in Q2 from 6.3% in Q1.

The pace of office leasing decelerated in Q2, and Colliers reported 66% fewer deals than in Q1.

Major leasing transactions that did occur included a 23,000 SF 10-year lease renewal by Dentons in the Sunlife Financial Centre. As well, The Federation of Canadian Municipalities took over 35,000 SF at 66 Slater Street. Spaces took six floors of this building in 2019 for coworking space.

Sublease space has more than doubled in the last 3 to 4 months. Colliers calculates that over 150,000 SF of additional sublet space came onto the market during this time, increasing the amount to 320,000 SF.

The launch of the Confederation Line LRT in the fall of 2019 has been a significant driver of leasing activity, according to JLL. In Ottawa East, the Federal Government began occupying new expansion space along the LRT.

Experts say that historically low unemployment, a low vacancy rate and diversification of the tenant mix in recent years will provide some buffer to the uncertainty caused by COVID-19.

GCworkplace, the new vision and design for future Government of Canada office spaces, is rolling out across the nation. 25 Eddy Street in Gatineau was the pilot project for this initiative. This new office space features 100% height-adjustable work stations, focus pods, and open collaborative areas. There are no assigned spaces, and there is a range of space options depending on the day's activity.

Sonia Powell, the Director General of workplace solutions in Public Services and Procurement Canada's real property services branch, says this pilot project marks a major departure from previous government offices. Instead of adapting to the space they're given, Powell says this new space adapts to them.

GCworkplace has grown over the past few years, and there are a number of completed projects across the country, including the Canada Border Services Agency in Halifax.

In March, when Canadians were ordered to "shelter in place," 4.7 M employees began to work from home. As buildings reopen, many are wondering what percentage of those workers will return to the office.

An Angus Reid Institute survey found that 20% of Canadians said that they'd keep working primarily from home post-COVID. Another 44% said they expect to divide their time between the office and home.

The Conference Board of Canada recently announced that they will transition away from the office and put their Ottawa headquarter space on the market. As part of a pilot project, 375 Rogers employees will be working from home, and the company will not be renewing the lease on its Ottawa call centre. This could impact 7,000 Rogers call centre employees across Canada, Maclean's reports.

Shopify is also making remote working permanent but plans to maintain its office space in major cities. Many other firms are considering flexible arrangements where more employees work from home part-time.

"One hundred percent of our clients now have a different need for office space than they did before the pandemic," Darren Fleming, CEO of Real Strategy, told Maclean's. And based on conversations with dozens of companies, in the immediate future, "we think that will result in total demand for office space dropping anywhere from 10 to 25 percent, which is really significant."

Colliers projects a potential reduction in tenant office space needs of 8.5% over the next eight years. In a recent report, Colliers stated that 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. COVID-19 ENDS BUSINESS AS USUAL

As offices reopen, new protocols, new tech and new office designs are being implemented to prevent infection.

As people return to work, companies will be installing more sensors to reduce touchpoints such as on light, power switches and door handles, installing antimicrobial materials, improving air filtration systems, monitoring personnel temperature at entry points, spacing desks farther apart, and incorporating design features that remind people to keep their distance.

In addition to their Six-Foot Office concept, Cushman and Wakefield suggests implementing a clean desk policy, the conversion of small rooms to single-occupant use only, and providing sanitizers, disinfectants and wipes to allow DIY cleaning.

Cushman & Wakefield's 6 Feet Office concept

Global design and architecture firm Gensler has developed a physical distancing tool called ReRun. Using algorithms, ReRun can quickly generate many scenarios and identify the most optimized plan for a variety of physical distancing conditions, regardless of the size of the organization.

As workplaces begin to phase in more employees, ReRun can continue to generate scenarios that increase in density to help inform organizational return planning strategies, Gensler says.

In order to increase office capacity while maintaining physical distancing, Gensler also suggests activating conference rooms, focus rooms, learning labs, and break out spaces as dedicated seating areas.

The focus on sanitation and physical distancing could force a rethink of the growing trend toward communal open offices, says Les Miller, CEO of Crown Realty Partners. "The novelty of working at picnic tables and having no assigned seating is gone. I think there will be a reversion to assigned seating and maybe even a redevelopment of closed-in offices and acrylic dividers between desks. I firmly believe that people will want to know a work area is theirs, and no one else has touched it."

Gensler adds: "With clearly assigned desks, physical distancing can be maintained for those on the same shift while making the office accessible to a larger number of employees over time. It also allows for facilities to plan their cleaning schedule."

PwC plans to launch a contact-tracing tool for its clients that the company will also use internally. Employees would install an app on their phone that would notify anyone who had come into contact with a colleague who has tested positive for COVID-19.

Elevators have been operating on a reduced capacity to allow for social distancing. Even with reduced office occupancy, people are reporting long waits at elevator banks. With new elevator technology, wait times are being cut down and better managed.

Destination dispatch systems are being designed to optimize elevator efficiency and reduce elevator trips. The system determines which passengers need to go to which floors and assigns cars based on that need. "In comparison to conventional elevators, destination dispatch increases efficiency and speed by over thirty percent," Susan Brown writes in Propmodo.

Elevator company Schindler Group has created a suite of clean and touchless services as well as "passenger space solutions." The Schindler ElevateMe smartphone app allows passengers to call the elevator and select the destination. Schindler CleanCall no-contact sensors take away the need for elevator push buttons. Schindler CleanCover provides an antibacterial protective film to cover elevator surfaces; and the Schindler UV CleanCar system that cleans the cabin surfaces without using harmful chemicals.

However, all of these new infection prevention strategies may not be enough to coax workers back to the office. According to a survey conducted by PwC, only 47% said that improved safety measures would make them feel comfortable returning to the office. Some say they won't be ready to go back until there's a vaccine — and one that has been proven to be safe and effective.

4. OTTAWA EMERGING INTO A DISTRIBUTION HUB

The region's stock of available industrial land is growing scarce.

Industrial vacancy increased to 2.4% in Q2 2020 as 140,066 SF of new industrial products came to market. This was the second consecutive quarterly increase in vacancy, Altus Group reports.

Average asking net rental rates have decreased for the first time since Q3 2018 and settled at $10.41 PSF. "Rather than reflecting diminished demand, this is the result of remaining availability in lower quality product," CBRE reports.

Ottawa saw two completions in Q2 2020 - 747 Silver Seven Road with 42,066 SF of new supply to the market and 379 Corduroy Road with 98,000 SF. Both were fully leased upon completion, according to Altus Group.

With Amazon's 1 M SF distribution centre - YOW1 - completed and another on its way, Ottawa is becoming recognized as a distribution hub. CBRE has calculated that there are 200 million people living within a 400 KM radium of Ottawa, and companies are gravitating towards it.

Also, as e-commerce continues to expand at a galloping pace, multiple large scale industrial developments are being planned to try to accommodate the growing demand for distribution space.

Broccolini has commenced construction on Amazon's second fulfillment centre in the Ottawa area in as many years. The centre, located in the Citigate Business Park in Barrhaven will be 2.7 M SF over five floors.

Broccolini has also proposed to build a 700,000 SF warehouse in North Gower, located in the south end of the city, and local developer Avenue31 plans to construct 1 M SF of office and industrial buildings near the corner of Hunt Club Road and Highway 417.

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 just outside of Ottawa.

In Casselman, which is about 55 kilometres east of Ottawa, RoseFellow and JV partner Bertone intend to invest $60 M to build either a 560,000 SF distribution centre or three 130,000 SF buildings for multiple tenants. Construction is scheduled to start in the spring or summer of 2021. Bertone owns the vacant 21-acre site off Highway 417.

"As e-commerce gains traction and an increase in storage and distribution facilities are needed, the industrial asset class is expected to see growth in a tight market, requiring the construction of new facilities," CBRE stated in a recent report. "Evidence of this demand is seen with numerous large-scale development applications as well as new development land being brought on board."

In the city's most recent survey of remaining vacant industrial lands in 2018, Ottawa had 4,000 net acres of vacant business park and industrial land available for development – the lowest level since the 1980s when municipal officials started reporting these figures, Ottawa Business Journal reports.

The 4,000 acres is down by 12.6% from 2015 when inventory was last conducted. The report did not factor in the Amazon distribution centres.

5. MILLIONS OF SQUARE FEET OF TOD IN THE WORKS

The new LRT is a catalyst for major new mixed-use development projects in the GOA.

The pandemic has not derailed development opportunities along the city's new LRT line, nor the persistent demand for housing in Ottawa, RENX reports.

Ottawa developer Denis Archambault, along with his partners Pierre and Francois Moffet, are planning a 1.3 M SF mixed-use development near the Cyrville LRT station.

Ottawa city council has approved the plan to build three high-rise buildings and a hotel on a 3.8-acre vacant parcel of land located south of Ogilvie Road, and east of Cyrville Road.

The mixed-use project includes three of 25, 27 and 36 storeys, featuring a total of about 850 rental apartment units, as well as an eight-storey hotel with 175 suites.

Colonnade BridgePort has teamed up with Fiera Real Estate to develop a five-acre parcel of land just east of the Via Rail terminal and the Tremblay LRT station. The intent is to redevelop the industrial site into a "mixed-use, high-density community hub," for which the property is already zoned. Colonnade Director of Development Stephen Martin, says that the site can accommodate more than 2 M SF of commercial and residential space.

At the end of August, the planning committee approved a 900 rental unit development near the Blair and Westboro LRT stations. The current developer of the property, Main and Main, received zoning approval for three residential towers of 23, 29 and 35 storeys at 400 Albert Street.

RioCan REIT and Killam Apartment REIT are into phase two of their Frontier community, also nearby the Blair LRT station. The second building, which is under construction just west of the first tower, will be slightly smaller at 20 storeys and 208 units. At full build-out, the property is projected to comprise five towers, and all of its 840 units will be rentals.

The Federal Government is looking to partner with a developer to design, build, and manage a transit-oriented, 1.6 M SF office and mixed-use development at the corner of Tremblay Road and St. Laurent Boulevard. The site could eventually become a large-scale office node in the city, housing up to 4,000 employees.

Developer Richcraft is looking to build a trio of residential towers near the Baseline LRT station that would add nearly 600 units.

InterRent REIT is planning a 9-storey mixed-use project in Westboro. The proposed project would include 184 residential units, parking for 130 vehicles, commercial space on the ground floor and roof-top indoor and outdoor amenity areas.

Gatineau's Groupe Heafey has $400 M in development in the pipeline for the Ottawa area. In the east end, the company has proposed an 11 and 12 storey rental development in Britannia Village. In 2021, it will begin construction of 300 rental units on St. Laurent Boulevard.

By 2046, Ottawa projects that its population will grow by 400,000. To accommodate this growth, the city is focusing on intensification, in which transit-oriented development is a key element.

6. DEBT AND LIQUIDITY LEVELS REMAIN STRONG

Institutional investors are bullish on Ottawa.

As a result of the continued uncertainty from the global pandemic, investment activity in the Ottawa market area has slowed, leading to a decrease in real estate transactions as investors were calculated and cautious in their approach, Altus Group reports. The first half of 2020 saw a total of 132 transactions amounting to $820 million, a 27% drop from the $1.1 billion seen in the first half of 2019.

Making up just over 51% of total investments this quarter was the office sector, which registered $204 million in investment volume. Still, this marks only a 2% decrease in office sector investments from the $344 million recorded in the first half of 2019 to $336 million recorded in the first half of 2020, according to Altus Group.

Fund managers have been the most active buying cohort, accounting for 70% of all liquidity.

In March, Crestpoint acquired 50% interest in 234 Laurier Avenue West from TD Greystone and Slate Asset Management for $92 M. The 452,000 SF, 26-storey office building was fully tenanted.

BentallGreenOak bought 395 Terminal Avenue, a 240,000 SF government office building for $97.5 M. The building was fully occupied by the Canadian Revenue Agency.

Crown Realty Partners acquired a 23-building office and industrial portfolio from CanFirst Capital Management. The buildings, all located in the Greater Ottawa Area, were purchased for $56.4 M and contained a gross leasable area of 415,561 SF.

Fiera Real Estate purchased a multi-tenant industrial complex on Colonnade Road in Nepean from private investors. The five buildings compose a total of 143,000 SF and were acquired for $22 M.

Minto sold a low-rise apartment complex containing 78 units for $12 M to a private investor.

CBRE reports that cap rates remained relatively flat from in the second quarter.

A number of significant deals are expected to close in Q3 2020, bolstering overall investment volumes for the year.

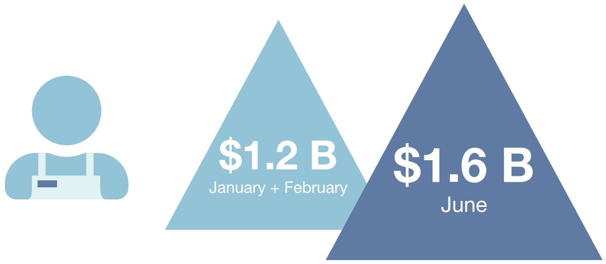
7. RETAIL SPENDING SURPASSES PRE-PANDEMIC LEVELS

Some stores that are thriving and expanding amidst rampant closures and bankruptcies.

In mid-August, Statistics Canada released retail sales figures for June. Nation-wide, retail spending had surpassed pre-pandemic levels as sales grew 23.7% from May to reach $53 B in June.

In Ottawa, retail sales in June tallied $1.6 B, exceeding June 2019 levels. Pre-pandemic retail sales were about $1.2 B in January and February.

RETAIL SALES



The Conference Board's analysis concludes that the Canada Emergency Response Benefit (CERB) has been an income boost to many households and is likely a big reason why retail sales have recovered ahead of other parts of the economy. Government programs have maintained much of the spending power in the economy.

Overall retail vacancy has increased by 70 bps to 5.2% between the end of 2019 and Q2 2020, Cushman & Wakefield reports.

While the retail sector has been hammered by the bankruptcies and closures of many stores this year – DavidsTea, Pier 1, Reitmans, The Children's Place, to name a few – some brands are in the midst of expansion.

Drake's OVO brand, as well as Canada Goose, are set to open locations at CF Rideau Centre this year.

L.L. Bean will open four new stores in Ontario in 2020, including one in The Ottawa Train Yards.

Kettleman's Bagel Co., which currently operates three stores in Ottawa, announced plans to open a new location in Kanata in early 2021. It also has plans to move into the Montreal and Toronto markets in the near future.

Another Ottawa-based company, terra20, which specialized in eco-friendly cleaning products, opened its third store this summer, located at the Ottawa Train Yards.

Empire Company Ltd. is on track to have 43 Farm Boy stores in Ontario by the end of 2021. It plans to rebrand the Sobeys on Greenbank Road in Nepean, closing the store this year and reopening it under the Farm Boy banner in 2021.

Densification is on the rise in Ottawa with retail landlords maximizing their footprints and carving out new development sites from underutilized parking lots and underperforming retail locations.

In addition to the aforementioned Silver City Gloucester project, in which it is constructing the Frontier Community, RioCan has embarked on a series of densification projects in Ottawa.

About 40% of Lincoln Fields, an underperforming enclosed mall on Carling Avenue, has been demolished to make way for multiple residential towers. The Metro grocery store will move to another part of the property, making room for a mixed-use development.

Adjacent to its Westgate Shopping Centre, RioCan has started construction on Rhythm, a mixed-use development with a 24-storey, 216-unit rental apartment building and 20,000 SF of retail. Completion is anticipated for late 2022 or early 2023.

RioCan has continued its partnership with Killam Apartment REIT on the redevelopment of Elmvale Acres Shopping Centre. The property's transition into a mixed-use development is already underway. Construction on the first phase of the development has begun with Luma, a 168-unit rental building sitting on a 1.45-acre portion of the site.

"There's been an acknowledgement that in order to ensure the vitality of a property and improve the sales and traffic, you've also got to make sure that you can enhance the value of the retail experience by adding density and other uses around the mall," said Salvatore Iacono of Cadillac Fairview.

8. OTTAWA APARTMENT VACANCY RATES LOWER THAN NATIONAL AVERAGE

Ottawa has seen three consecutive years of sub 2% vacancy rates despite substantial increases to rental stock.

The national vacancy rate for rental apartment units declined in 2019 for a third consecutive year to 2.2%, its lowest level since 2002.

At 1.8%, Ottawa's vacancy remains lower than the national average. Vacancy rose slightly from the year before, even with an increase to the rental stock of about 1,233 units, according to CMHC.

Prior to the pandemic, apartment buildings were near full occupancy in markets from coast to coast, and rent growth was accelerating quickly.

The average rent for a rental apartment in Canada rose to $1,530 in 2019, up 5.7% from the year before, while the average rent in Ottawa grew 8.4% to $1,281, according to CMHC.

According to the site Rentals.ca, the average rent in Ottawa for a one-bedroom was $1,694 in August, up 2.7% from the month before.

Developers launched nearly 2,300 new apartment units in 2019 through to the end of November, as reported by CMHC. At the beginning of 2020, more than 2,200 rental units were under construction in Ottawa.

Trinity Development Group alone has 2,300 units either under construction or in the planning stages, including the 1,300 units planned for 900 Albert Street.

Demand for rental apartment units in Ottawa has been underpinned by strong employment numbers, the booming tech industry and lifestyle preferences by both the millennial and baby boomer cohorts. However, since the onset of the pandemic, a couple of these demand drivers have collapsed.

Unemployment skyrocketed to 13.7% and at least 1.5 million Canadians have moved back in with their parents, according to a national survey by Finder.com conducted in July. Immigration has essentially halted overall.

Still, the pandemic has exacerbated the housing shortage in Ottawa as with other Canadian cities.

The City of Ottawa aims to create up to 8,500 new affordable-housing units and subsidies by 2030 and has committed $30 M over two years to provide new affordable units.

Over the coming decade, the city also aims to create 300 to 570 new units per year, at a cost of $60 M per year. The total cost of the city's 10-year housing strategy to more than $1 B.

To encourage the building of affordable housing, Ottawa is promoting the development of low rise apartment buildings. These buildings, between 8 and 12 units, are what the city is calling 'the missing middle.' The city is making changes to the R4 zoning designation to ease the restrictions on this type of housing and to permit increased density.

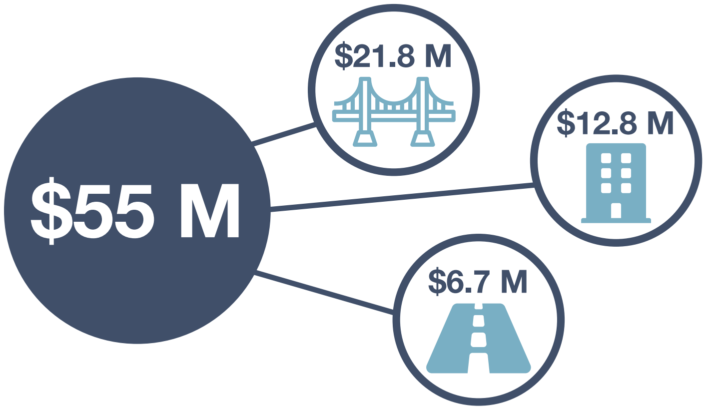
9. NCC HALTS PROGRESS ON LEBRETON FLATS DUE TO PANDEMIC

The RFP process is expected to proceed in the next 12 months.

The National Capital Commission (NCC) guides the use, physical development and management of federal lands in the National Capital Region. The NCC has Master Plans for the Greenbelt, Capital Core Area Sector, Capital Urban Lands and a Sustainable Development Strategy and has embarked on other initiatives along the Ottawa River north and south shores.

The NCC manages 1,664 properties in its real estate portfolio in Canada's Capital Region. This includes 560 properties leased in Ottawa - Gatineau for residential, agricultural, institutional, recreational and commercial purposes.

In 2018, the Federal Government gave $55 M to the NCC to repair and maintain major infrastructure assets. The NCC has earmarked $21.8 M for the restoration of bridges, $12.8 M for the restoration of buildings, and $6.7 M for the restoration of roads and parkways.



At the beginning of the year, the NCC approved the preliminary master plan concept of the 72-acre LeBreton Flats. The draft plan called for the site to be developed in stages, which would allow developers to submit proposals targeting specific areas.

The plan guides the development of the site over the next 25 to 35 years. It proposes 4.5 M SF of residential space, 1.25 M SF of office space and 226,000 SF of retail space.

This spring, the NCC was scheduled to launch the development process for the property at 665 Albert St. which is adjacent to the future home of the Library and Archives Canada and the main branch of the Ottawa Public Library. In April, the process was put on hold due to the pandemic, and remains in a holding pattern. At the end of June, NCC Director of Major Real Estate Development Katie Paris said the process is still on pause, citing "many uncertainties" in the local marketplace.

The final master concept plan for LeBreton Flats is expected this fall, and once approved by the various stakeholders, the NCC will roll out RFPs over the next 12 months, the Ottawa Business Journal reported.

Ottawa developer Avenue31 has submitted a proposal to the National Capital Commission to turn NCC-owned property at 4120 and 4055 Russell Road into a business and industrial park. The company is looking to get a 99-year lease from the Crown Corporation so that it can develop the property. The site is located just west of the Hunt Club-Hwy. 417 interchange in the Hawthorne-Stevenage Industrial Park.

The proposed development would contain six buildings - the largest being a 700,000 SF warehouse located north of Russell Road on the northwest corner of the property. Five additional buildings ranging from 88,000 SF to about 110,000 SF would be situated south of Russell Road.

The developer says that the property is “one of the only sites of its size in all of the National Capital Region capable of responding to a large logistics and warehouse user,” and the site’s location, which is near major transportation routes, make it a prime distribution hub.

Although the plans are still in preliminary stages, Avenue31 hopes to receive the approvals by the end of 2020 and start construction early in 2021, with the first buildings ready for occupancy by the end of next year.

10. POWER OF PROPTECH

CRE harnessing the power of technology to streamline operations and create efficiencies.

As venture capital continues to move into PropTech, asset managers are employing technology to streamline operations and create better efficiencies, which will impact ROIs and property values.

Brookfield Asset Management, through its venture arm Brookfield Technology Partners, has recently invested in companies such as leasing software provider VTS, automated door hardware provider Latch, and contractor software provider Building Connect.

Underwriting platforms like redIQ synthesize historical data into any valuation template and saves hours of manual entry. This enables analysts to better use their time on high-value activities like pro forma modelling and investigations into operating performance drivers.

Multiple start-ups like Real Factors and Predictre are using alternative data sources to help with valuation processes. (Alternative data refers to data used by investors to evaluate an investment that is not within their traditional data sources).

Demand Logic is a UK-based company that uses data intelligence to improve the resident experience by analyzing and optimizing the performance of building systems such as HVAC, utility meters, air quality, humidity, and CO2 sensors.

The software purports that it can help save 10% to 30% of energy costs, improve the efficiency of maintenance processes while reducing downtime, and eliminate up to 100% of residents' comfort complaints.

Zenplace features an AI-powered service that works using chatbots and through devices like Amazon Alexa and Google Home. It enables tenants to pay rent more easily, extend their lease, and report issues with the property on a 24/7 basis.

In Canada, the tech sector has seen numerous start-ups enter the property management space, including Yuhu, which offers software for building managers, Breather, an on-demand office space provider, Lane, a mobile-focused tool for tenants, and MapYourProperty, which provides analytics for land development.

British Columbia-based real estate start-up LetHub has developed the River chatbot. The chatbot can book tours, pre-screen tenants and navigate questions that would typically fall upon a property manager during the early stages of the rental process.

Technology is not only revolutionizing asset management but also the construction side of real estate.

There has been a wave of automation that is transforming the construction industry, which has generally lagged behind other industries in technological innovations. It comes at a time where there is a growing shortage of skilled construction labour.

3D-printing and industrial robots recently built a 3D printed bridge in The Netherlands. Demolition robots, machines that can lay bricks, remote-controlled and autonomous vehicles are additional examples of construction robots.

Built Robotics is a San Francisco startup that develops technology to allow bulldozers, excavators and other construction vehicles to operate independently.

Construction Robotics has developed a bricklaying robot known as SAM (Semi-Automated Mason). The US $400,000 machine can lay about 3,000 bricks in an eight-hour shift – several times more than a mason working by hand.

> “…We will enter a period where those that are not embracing tech [as both a] powerful tool to improve every aspect of their business [and] to enhance their relationships with the people they serve like tenants, communities, and local stakeholders, will be left behind.”
>
> **Michael Beckerman, CEO of CREtech**

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