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WINTER 2021 / ISSUE 88

30th Anniversary
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George Przybylowski
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Transformation comes in many forms. Most recently during the pandemic, but stop to consider the many trends and challenges that the real estate sector has faced over the past three decades.

Rearview mirrors can only tell you where you've been —not where you're going. So, it's no wonder that to celebrate the 30th anniversary of our Canadian real estate team also comes on the heels of a change in drivers behind the wheel.

Over the past three decades, it's been a great pleasure for me to work alongside so many insightful, innovative and industry thought leaders. I have personally witnessed how the market has overcome many challenges to meet the transition of multifaceted demand as well as wide and sweeping changes within the industry itself.

The Real Estate Forums all started over a luncheon meeting with industry executives in 1992 who strongly recommended that I consider launching such a conference in Toronto. The inaugural event was a one-day event with 311 attendees and had a ticket price of \$185.

Since then, I have had the unique opportunity to work in eleven cities between Vancouver and Halifax. Across Canada I met hundreds and hundreds of amazing people who didn't know me, but gave me a considerable amount of their time, support and local knowledge as we moved forward and launched new events in their markets and across most provinces.

Their contributions for the good of the industry have continued to be remarkable and solidified our success. I applaud and sincerely thank each and every one of them – they know who they are – as without whom it would have been impossible to reach this moment.

The tens of thousands of attendees who have participated in our 20 real estate conferences. The 1200 industry leaders whose contributions have helped shape programs that keep the market informed and attendees keen to be part of. Their willingness to share their experience, knowledge and strategies continues to be inspirational.

Also, where would we be without our sponsors whose support has been key to our success. For their commitment over the years, we are deeply grateful and take this opportunity to thank them for their incredible trust and support. There were a great many who didn't waiver even during the pandemic as we pivoted the in-person to virtual; they sponsored when at times they had no idea what the event would look like – and if realestateforums.com

the truth be known at the start, nor did we! They like us, understood that the industry was desperate for information and the opportunity to connect and for pandemic sponsors we especially thank you for taking that “leap of faith” with us. Many had the grace to say to us “we're here to support you”.

Since its conception, my team has focused on the evolution of the industry as its focus has grown to multi-functional real estate, the growth of logistics and infrastructure, and its considerable impact and contribution to city building across the country, resulting in vibrant downtown cores. The heart of our communities is a place today where people live, work, play and learn. A dramatic transformation in our major cities over the past thirty years.

Our goal has been to provide market intelligence and clarity, address the needs of investors and developers among others, and maintain networking streams through innovative, educational connections garnered from the annual forums and conferences and many associated initiatives.

We have watched many of our clients achieve commercial and personal success while experiencing and overcoming unexpected challenges – of which there have been many! From political and economic to technological, legal and cultural, the real estate environment has evolved exponentially over the past 30 years and during that time the growth of forums to address these evolutions have provided insight and value when the market needed them. The conferences have given generations of executives the knowledge, strategies, ideas, understanding and opportunities to forge ahead, holding onto their CRE toolbox in case of emergencies.

Over the past two years, those challenges transformed dramatically during the global pandemic. Rather than moving to the sidelines and stepping back, our team pivoted offering virtual conferences, forums and webinars along with a wide range of research and information to address the market intelligence and networking needs of the industry.

Talk about reading the road signs and detouring!

Without so many thousands of contributors, the forums would never have been successful and sustainable throughout the years. And for the industry many business relationships would likely never have been created without them.

So, as many executives prepare to participate on December 1 and 2 in our flagship Real Estate Forum held in Toronto, we will be raising a glass to salute those who enabled us to achieve so much over the past 30 years in addressing the needs of the Canadian real estate industry.

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THE ALTUS REPORT

In this issue of the Altus Report, we discuss real estate investment trends across major Canadian market areas.

INVESTORS REMAIN OPTIMISTIC AND OPPORTUNISTIC IN THE CANADIAN MARKET AMID PANDEMIC-INDUCED UNCERTAINTY AND GLOBAL DISRUPTIONS



By Raymond Wong
Vice President
Data Solutions
Altus Group

The ongoing impact of the Delta variant has caused wide-spread market volatility and a mismatch in supply and demand. Continued pandemic-related disruptions are wreaking global supply chain chaos from port and warehouse closures and congestion, to import reductions, halts in transportation and production, and more significantly supply, labour shortages in the manufacturing and construction sectors. These scarcities have exposed many vulnerabilities which have led to supply chain bottlenecks, higher energy prices, and an increase in demand for goods.

projected a strong pace for global GDP which is expected to grow by 6½% in 2021, less than projected in July. The Bank also expects the Canadian economy to grow by 5% this year before it shifts to 4¼% in 2022.

Canadian economic growth will remain robust as the economic recovery improves with vaccination rates rising and consumer consumption is expected to strengthen, government monetary support continues, a rebound in exports as the US economy gradually recovers, and as business investors look to place their best bets seizing opportunities for growth, particularly in commercial real estate, private equity, and infrastructure.

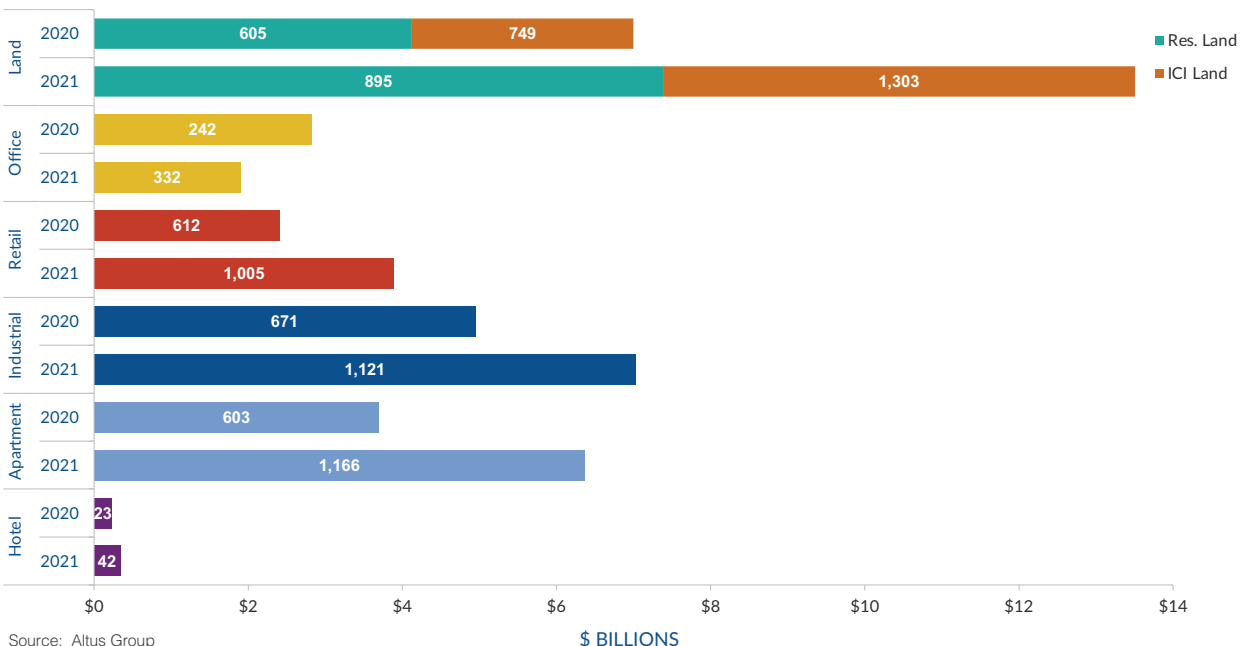


By Kruti Desai
National Research Insights
Manager
Data Solutions
Altus Group

The disturbances have also resulted in the rise in the costs of labour, transport, food, and housing pushing up Canada's inflation rate to an 18 year high at 4.4% in September. The CPI inflation rate is expected to remain high well into 2022 before it moderates back to around the 2% target. The Bank of Canada maintained the target for the overnight rate at ¼ percent at its latest rate announcement on October 27 but announced that it is ending quantitative easing. The next rate announcement date is December 8, 2021. The Bank of Canada

Given the uncertainty of last year and the ongoing challenges for asset classes such as office and retail due to pandemic restrictions, many markets across Canada have remained resilient and managed to push ahead in the first half of 2021, primarily due to low interest rates, pent up demand, and lack of inventory. For the first half of 2021, total investment volume recorded \$33 billion, a 57% increase from the same period last year when the pandemic disrupted the global economy (**Figure 1**).

Figure 1: National Property Transactions by Asset Class
First Half of 2020 vs. First Half of 2021



Source: Altus Group

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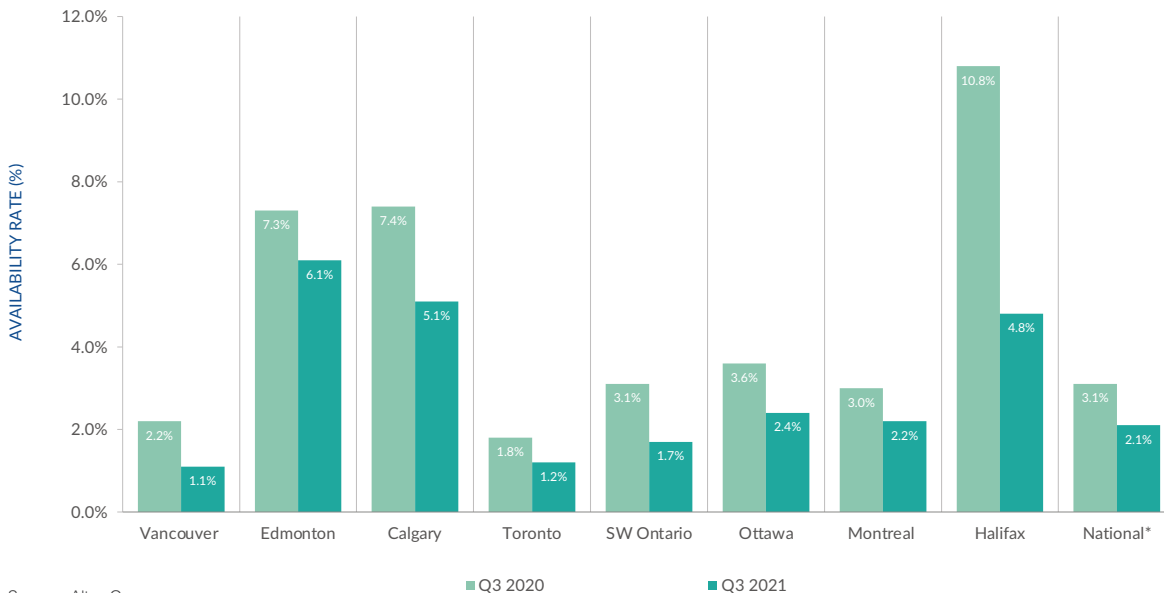
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Figure 2: Industrial Availability
(Q3 2020 vs. Q3 2021)



Source: Altus Group
* Major markets covered by Altus Group

The most active markets in the first half of 2021 were Toronto, Vancouver, and Montreal, respectively, which represented 74% of total market share. The most dominant sectors across the country were, to no surprise, Industrial, Apartment, and Land (ICI and Res. Land), accounting for about 81% of total volume. These asset classes have proven to be resilient during the pandemic and retained investor interest as they were able to withstand market uncertainties and challenging market conditions.

The most active markets in the first half of 2021 were Toronto, Vancouver, and Montreal, respectively, which represented 74% of total market share. The most dominant sectors across the country were, to no surprise, Industrial, Apartment, and Land (ICI and Res. Land), accounting for about 81% of total volume. These asset classes have proven to be resilient during the pandemic and retained investor interest as they were able to withstand market uncertainties and challenging market conditions. According to Altus Group's Investment Trends Survey for Q3 2021, the top 3 markets preferred by investors were Toronto, Vancouver, and Montreal, respectively. The top preferred product-markets were Montreal – Industrial Land, Ottawa – Single Tenant Industrial, Vancouver – Industrial Land, Ottawa – Suburban Multi-Unit Residential, and Toronto – Food-Anchored Retail Strip. Meanwhile, retail, as one of the more struggling assets, posted as some of the least preferred products, specifically for Ottawa, Calgary, and Halifax - Tier II Regional Mall, Halifax – Enclosed Community Mall, and Quebec City and Halifax's Tier I Regional Mall.

Manufacturing sales increased by 0.5% to \$60.3M in August, after a decline in July. Total sales were up by 14.9% from a year

ago. During the first and second wave, the manufacturing sector in Central and Atlantic Canada suffered due to restrictions, which led to output reductions and residual impacts caused by the downturn in the energy and resource sectors in Western Canada. Higher prices and increased volume and demand from the US led to a 7.3% increase in petroleum product sales in August this year, the third consecutive increase and highest level since May 2019. Wood products and motor vehicles and parts declined the most in August due to lower softwood lumber prices and ongoing supply shortages of semiconductor chips due to supply chain woes. However, the demand for industrial space still holds strong with vacancies getting even tighter in major markets across Canada. The national industrial availability rate in Q3 2021 dropped to 2.1% from 2.3% in the previous quarter and 3.1% in Q3 2020 (**Figure 2**).

There were 24 completions in Q3 2021 for a total of 5.3 million square feet and almost fully leased at 97% (**Figure 3**). Vancouver had seven completions totalling 601,051 square feet. Edmonton had no completions. Calgary had one completion in the third quarter, the Apex Building B in Eastlake in southeast Calgary, a high-quality building with a clear ceiling height of 26', which includes turn-key construction options



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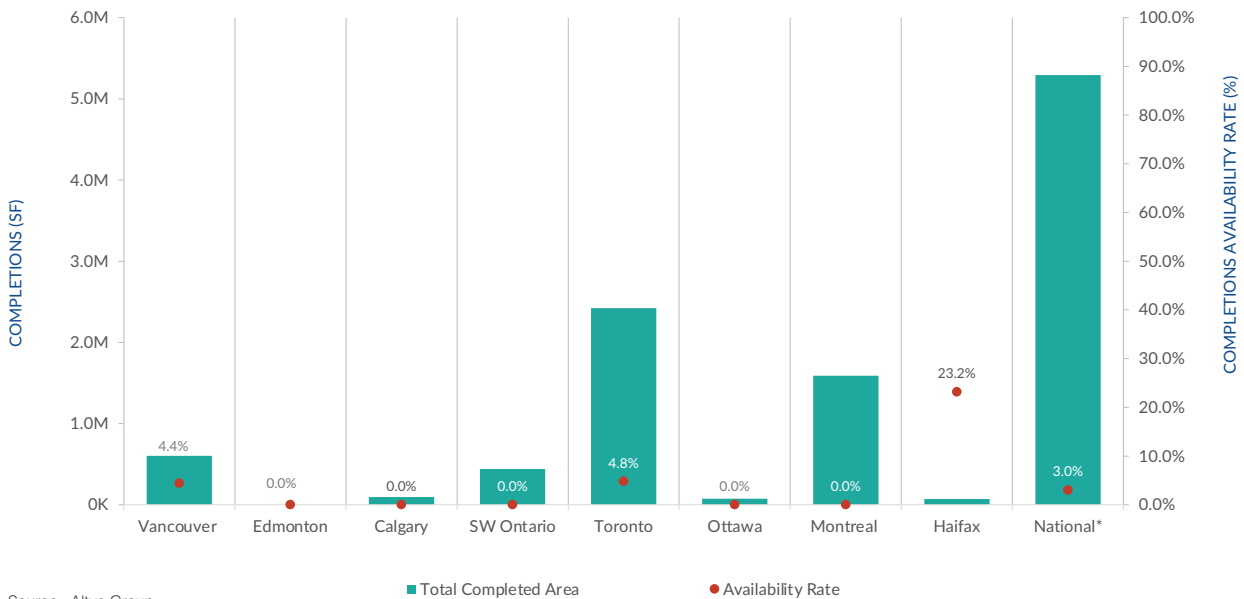
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Figure 3: Industrial Completions & Availability (Q3 2021)



Source: Altus Group
 * Major markets covered by Altus Group

extending across two buildings and multiple loading configurations. Toronto had nine completions totalling 2.4 million. One of the most notable completions in the GTA was the built-to-suit Amazon Fulfillment Centre in Ajax, a one million square foot Class-A distribution centre with 40-foot clear height, multiple shipping doors and 195 trailer parking stalls. Ottawa had two building completions for a total of 75,940 square feet, and Montreal had two buildings totalling 1.6 million square feet. Another notable completion was the one-storey IKEA distribution centre in the Beauharnois region of Greater Montreal at 1.2 million square feet. The distribution centre will be divided into a three-compartment warehouse

There were 152 industrial projects under construction nationally in Q3 2021 totalling just over 34 million square feet, of which 55% was already preleased (Figure 4). A little over half of these buildings under construction are expected to be delivered in 2022. Toronto had the highest number of

buildings under construction in Q3 2021 at 66 buildings totalling 13.9 million with a 50.4% availability rate. In addition to limited industrial land, the lack of supply for warehouse buildings is putting strain on developers to hasten buildings completions as sectors from manufacturing, distribution, film productions to food processing, all vie for the same space and as older stock need more structural and technical upgrades. A significant portion of the demand continues to be driven by e-commerce, distribution and logistics which require more improved technical capacity. Ottawa is rapidly gaining steam as one of the most sought out regions for these companies due to its strategic location between Toronto and Montreal and as Ottawa becomes a growing market. Amazon is expected to announce its completion of its 2.7 million square foot fulfillment centre in CitiGate Corporate Business Park in Barrhaven. Amazon also leased additional space on Legacy Road in Ottawa and is expected to take occupancy before the end of the year. Ford Canada recently announced that it will build a new 540,000 distribution centre in Casselman, Ontario by Q1 2023 creating almost 150 jobs in Ontario and Quebec. Two additional 400,000 and 200,000 square foot buildings will also be built at the site for future industrial use.

The industrial sector for single and multi-tenant properties along with industrial land were the most sought-after products throughout the pandemic as market conditions remain tight. The industrial availability rate continues to plunge even further in Q3 2021 and demand for high quality industrial space is higher than ever across the country as e-commerce, logistics, and distribution take the lead. However, demand from other sectors such as a refrigerated warehouse, manufacturing, automobiles, film production and PPE supplies is also creating an even tighter market pushing the need for newer product to ease the shortage. Even with some new supply coming to market in the new year, industrial availability in some markets will be limited to size and product type with continued upward pressure in rents and sale prices, and as much of the older stock will require significant improvements to accommodate new technical requirements from all sectors. The multifamily sector also continued to remain a stable asset class, but under tight market conditions, with development in this asset class picking up significantly in 2021, particularly in the GTA. Stronger rents – and expectations of additional increases – is key to renewed investor interest in this asset class. High density residential land sales continue to be

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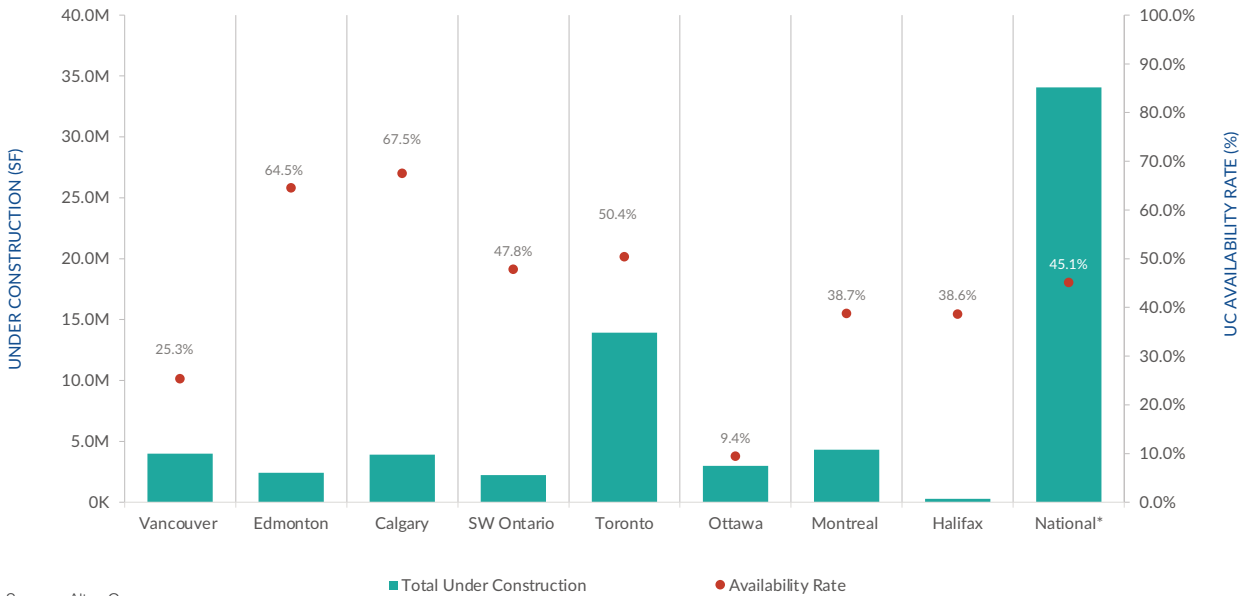
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Figure 4: Industrial Under Construction & Availability (Q3 2021)



Source: Altus Group
 * Major markets covered by Altus Group

Health, economic activity, and employment levels have begun to adjust to pandemic changes as vaccination rates increase and lockdown restrictions begin to incrementally ease. According to the Canadian Survey of Consumer Expectations for the third quarter, there is expected renewed confidence in the labour market and an increase in consumer spending with some caution as the Delta variant lingers, and uncertainties of soaring inflation rates remain.

buoyant, confirming confidence in the long-term prospects for the multi-family sector.

Health, economic activity, and employment levels have begun to adjust to pandemic changes as vaccination rates increase and lockdown restrictions begin to incrementally ease. According to the Canadian Survey of Consumer Expectations for the third quarter, there is expected renewed confidence in the labour market and an increase in consumer spending with some caution as the Delta variant lingers, and uncertainties of soaring inflation rates remain. The ability for remote work led to added jobs, particularly in the professional, scientific, technical, and financial services sectors and largely in Ontario and BC. According to Statistics Canada, the labour market added 157,000 jobs in September and were widespread pushing employment up to Feb 2020 levels for the first time since the onset of the pandemic, and the largest gain since June 2021. The unemployment rate dropped from 7.1% in August to 6.9% in September. As offices reopen and workers slowly return to office, the demand for Class A office has increased as investors take notice of the changing dynamics in the workplace. Office leases continue to remain stable in certain markets with less renegotiations and as tenants focus more closely on improvements

to amenities offered, upgrades to HVAC systems, and safety protocols such as increasing the frequency of sanitizing common areas and more access to parking in order to meet the 'new' expectations of employees in a post-pandemic era. Although, some companies have kept their original space, others are still reevaluating their workplace office footprint or are considering consolidating space as they adopt remote work strategies, particularly in the tech and public sectors. Moreover, in Alberta, the resurgence of pandemic cases has also put a damper on the return to office. Labour shortages due to demographics, seeking the right skills, and hindrances to job growth are also continuing to impact certain sectors such as retail, hospitality and food, transportation and construction that could not shift to the work-from-home model. Continued labour constraints are expected with many workers, particularly those in the hospitality industry upgrading their skillsets or have transitioned to other sectors that offer more flexibility. Potential employment growth has likely been constrained by many available positions going unfilled due to either lack of suitable talent to fill the positions or lack of desire to return to low-paying positions. According to Statistics Canada, the construction industry had a record number of job vacancies in the

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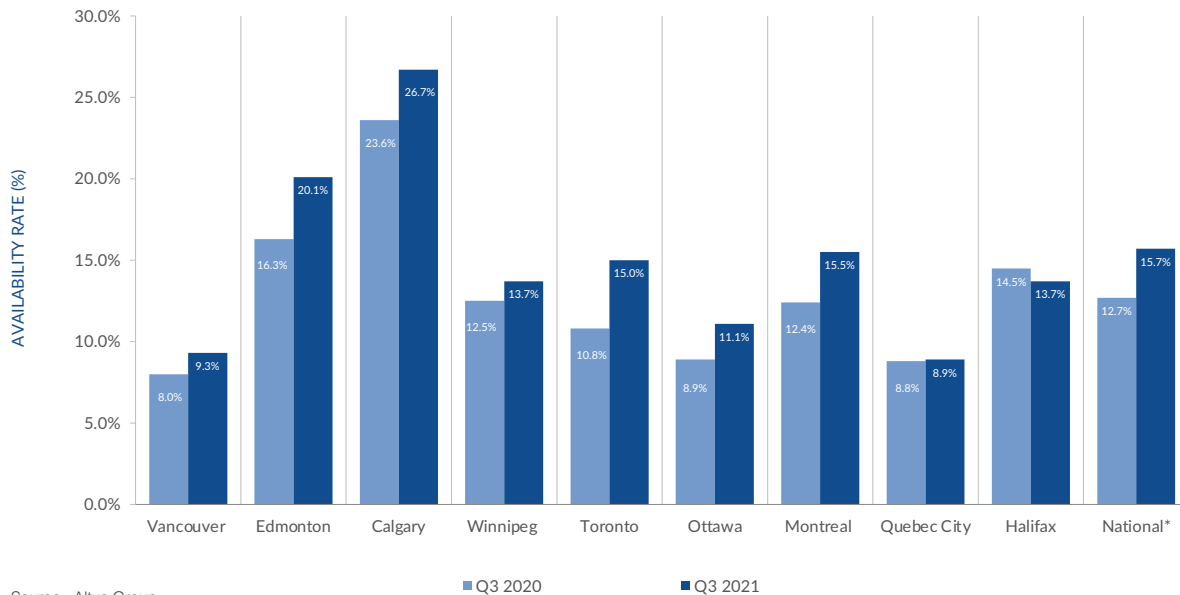
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A nighttime photograph of a city skyline, featuring several illuminated skyscrapers and the CN Tower on the right side. The image is partially obscured by a dark blue diagonal shape on the left and a white diagonal shape on the right.

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**Figure 5: Office Availability Rate
(Q3 2020 vs. Q3 2021)**



Source: Altus Group
* Major markets covered by Altus Group

second quarter of 2021, which was the highest since 2015 potentially impacting the numbers of completions in some markets. The national office vacancy rate for all classes pushed up slightly to 15.7% in Q3 2021, the highest on record since 1994. This was up from 15.4% in the previous quarter and from 12.7% in Q3 2020 (Figure 5).

Nationally, in the third quarter of 2021, there were 11 new office building completions in Q3, totalling just over 900,000 square feet with an availability rate of 41.3% and most completions in Vancouver and Toronto (Figure 6). Total completions were up compared to the previous quarter, with eight buildings totalling about 600,000 square feet in Q2 2021 at an availability rate of 32.6%, but completions were down from the same quarter last year at 15 totalling about 2.2 million square feet at an availability rate of 15.1%. Vancouver had the most office completions with seven buildings totalling 621,954 square feet. Toronto had three completions totalling 224,714 square feet. Edmonton, Calgary,

Ottawa, and Montreal had no office completions. The largest office completion was Phase B building of the strategically located King George Hub development in downtown Surrey at 9850 King George Blvd, adjacent to the Expo Line's King George Stations at a connection hub of three rapid transit lines. The Phase B building completion totalled 163,200 square feet with almost 30,000 square feet of available space. Westland Insurance is the flagship tenant and will take up the top seven floors. Phase B also included a Save-On-Foods store, two residential towers, a 15-storey office tower and ground pedestrian retail.

92 office projects were under construction across the country in the third quarter totalling just over 19.5 million square feet, of which almost 60% was already leased (Figure 7). Vancouver and Toronto also had the most supply under construction in the third quarter compared to all other major markets across Canada. Vancouver had 34 buildings under construction totalling about six million square feet at an availability rate of 47.7%. Edmonton had no buildings under construction. The Westwinds Business Campus III was the only building under construction in Calgary at 72,123 square feet with 100% availability. Toronto had 35 buildings totalling 9.6 million square feet with 35.3% availability, Ottawa had two buildings under construction totalling 332,288 with

4.2% availability, and Montreal had 12 buildings totalling 2.7 million square feet with an availability rate of 46.2%.

With health restrictions easing and as vaccination rates rise, we are seeing organizations gradually shift to a flexible workplace and have either retained their space to focus on improvements and upgrades or signed new leases to meet the requirements of employee health and safety expectations. Yet, there are still many companies that have pushed their return-to-office dates into the new year as companies navigate through pandemic-related developments from the Delta variant and arrange for flexible workplace schedules and operations. The longer these challenges ensue, the longer the trajectory of office availability rates will remain uncertain. Tenant and landlords will also continue to work together on negotiations on several fronts from rents to maintenance costs, while employers continue to seek solutions to reopen offices safely and effectively while mitigating risks, managing employee retention and skills shortages.

The office and retail sectors had some of the most challenges although investors have taken a medium to long term view when scoping out product in these asset classes. Retail, more so food-anchored

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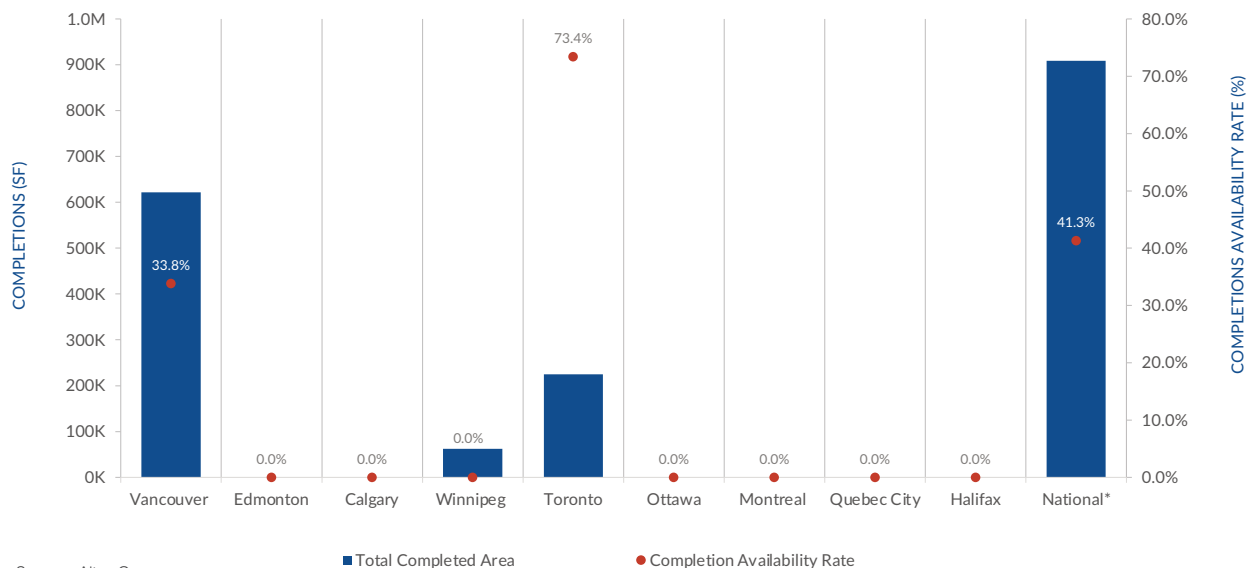
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Figure 6: Office Completions & Availability (Q3 2021)



Source: Altus Group
 * Major markets covered by Altus Group

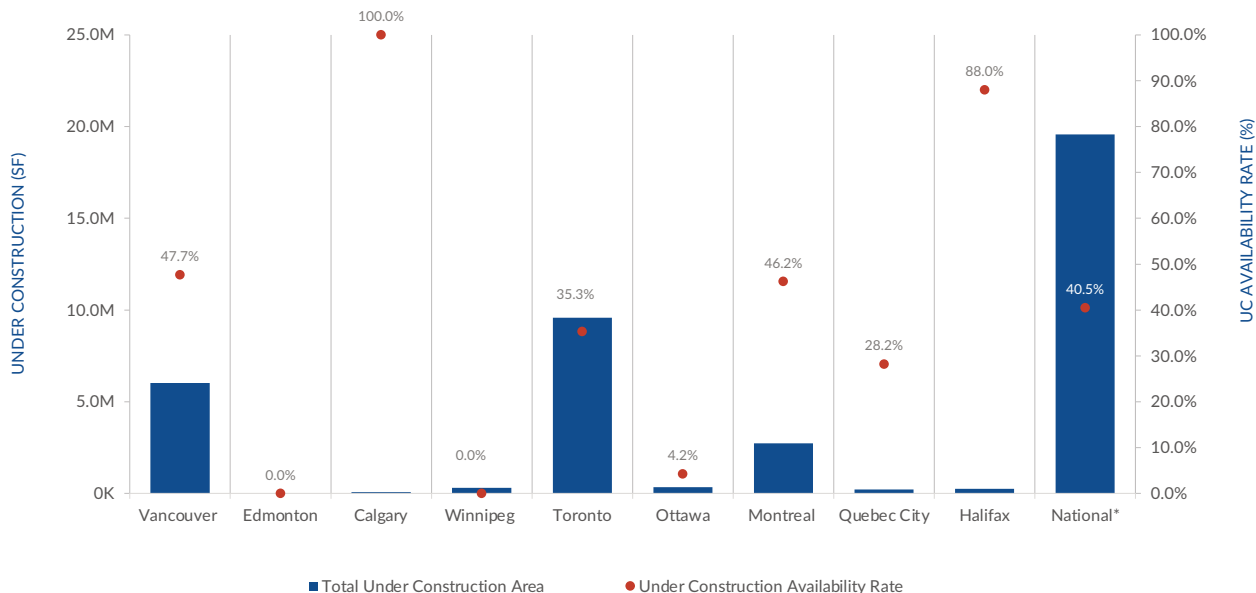
retail product, continues to be in demand, but mostly for product with strategic locations and redevelopment potential. Similarly, the office sector had some movement, but mostly for product with future redevelopment potential. There will be ongoing uncertainty in the office sector as

employees and companies work through a flexible workplace model and a contemplation of a reduction in the total office footprint.

Although the economy has recovered incrementally since the onset of COVID-19 and employment levels in the FIRE sector have seen an increase in the second quarter, commercial real estate will remain

at an inflection point as we monitor the impacts of the Delta variant and as employee continue to work [and shop] from home. As for the industrial sector, supply chain disruption are expected to continue to plague numerous sectors. With the holiday shopping season approaching, consumers will face challenges finding product, forcing business owners to look into sourcing more made-in-Canada and readily available products to stock their shelves. ■

Figure 7: Office Under Construction & Availability (Q3 2021)



Source: Altus Group
 * Major markets covered by Altus Group



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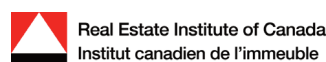


Mobile Charging Station

Signature

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TIME TO TRANSFORM



Sonny Kalsi
*Chief Executive Officer
BentallGreenOak*



Allison Wolfe
*Chief Financial Officer &
Global Head of Portfolio
Management
Oxford Properties Group*

Real estate has traditionally been a slower moving asset class, but the many forces of change that we are experiencing around the world are impacting the pace at which our industry is being called upon to act. Our industry is evolving and experiencing disruption in many forms. For real estate professionals this is one of the most challenging times in recent history, yet it's also ripe for opportunity.

We have clearly seen an increase in the amount of investment capital flowing into real estate, so finding the right opportunities with the right value propositions is a new and welcomed challenge. Technology and innovation, which our industry has often struggled to keep pace with, is quickly becoming imperative in our approach to the buildings we invest in and the new tools that empower the people who manage those building and bring them to life.

Pockets of oversupply and challenging market conditions are slowing the broader economic recovery in a post-COVID world. However, the flood of liquidity and financial support from governments and policymakers has benefited the markets. Amid the cyclical and structural forces at play, on balance we are optimistic and see more opportunities than threats. In the current environment of heightened uncertainty about political and geopolitical influences, this Forum is a great opportunity to learn from various informed perspectives.

Real estate is well positioned relative to other asset classes because it has yield. Even in an inflationary environment,

those of us who are in the right markets and have demographics on our side will fare well. In the event that the inflation we're seeing is structural rather than transitory, there may be pain in the short term, but it will likely help us over the long term. History has shown that it's more expensive to build new real estate in an inflationary environment; this could arguably increase the intrinsic value of existing buildings

What will come of the recent 2021 United Nations Climate Change Conference? Statistics indicate that the built environment may be contributing as much as 40% of carbon emissions in the world. We have before us a golden opportunity to become a big part of the solution. In fact, we have no choice, given what our investors, tenants, employees and governments are expecting of us. Those who don't get on board with addressing climate change will be left behind and this extends to all aspects of Environmental, Social & Governance (ESG). We have a collective responsibility to drive change within our firms and to also look beyond our own domain to help the broader industry foster inclusivity, diversity and equity.

Daunting as the challenges may be, these are exciting times for our sector and a generational opportunity to position our industry as an important and responsible source of value creation with the investor community, an attractive destination for top, diverse talent, and a force for environmental and social reform for the tenants and communities that we serve. Let us explore these opportunities together and utilize the Toronto Real Estate Forum to forge new ties, collaborate, and learn from one another. Have an enlightening and energizing Forum.

■ *Michelle Morra*

RESIDENTIAL REACHING RESISTANCE LEVEL, INDUSTRIAL TO REMAIN ON FIRE



Benjamin Tal
Deputy Chief Economist
CIBC World Markets

Everyone will feel the same post-pandemic lift, as the economy rebounds from the coronavirus crisis in 2022, predicts Benjamin Tal, Deputy Chief Economist, CIBC World Markets.

“We are clearly witnessing residential price resistance,” Tal reported. “The residential market will stabilize next year. I don’t see a correction. Only if interest rates rise much faster than expected will we see reduced activity and potentially even lower residential prices.”

Rental markets remain strong and vacancy and rent will reach pre-pandemic levels the second quarter of 2022. The office market can expect some softening, mostly for Class B office buildings.

“Class A office centers will not slow in 2022,” Tal forecast. “In 2023 companies will adjust and decide on their disposition.”

There’s no sign of slowdown for soaring industrial prices.

“Industrial will remain on fire,” he predicted. “It’s expensive, but it’s expensive for a reason.”

Retail will remain on a tightrope in 2022, with quality space recovering from the rebound,

buoyed by pent-up demand and a desire for offline shopping.

“The spoils will go to facilities that provide a positive experience,” Tal suggested. “Centres that don’t measure up will feel more vacancy. The rest will do fine.”

Too high, too fast?

Interest rates remain a wild card.

“The gap between home prices and rent inflation widened during the recession,” he noted, “and rents will have to catch up, so expect to see some increase in rents.”

“Higher interest rates will have more impact on households, on consumers,” he explained. “The question is, how much will higher rent and higher interest payments reduce demand and have broader repercussions.”

Productivity provides best inflation protection

Despite bond price somersaults, Tal believes that the inverted yield curve is a sign that the market is getting to aggressive.

“At the end of the day, no one knows where inflation will be—including the Bank of Canada and the Federal Reserve Board. We have to think in terms of buying insurance,” he acknowledged, “because inflation is a lagging indicator. The only concern that I have is not to start too early. You don’t want to be too aggressive.”

The best inflation hedge will stem from improved productivity if corporations invest the cash mountains that they’re sitting on.

“Accelerated business investment would offset any inflation potential, real or imagined,” Tal declared. “If corporations aren’t prepared to invest now, I don’t know when they will.”

Increased immigration in 2022 (400,000) and 2023 (~420,000) ought to further improve real estate prospects.

“Demographics will continue to support demand for real estate, though supply will remain an issue,” he forecast. “We’re really going back to 2019.”



“Accelerated business investment would offset any inflation potential, real or imagined. Increased immigration will continue to support demand for real estate, though supply will remain an issue. We’re really going back to 2019.”

Currency risk

Higher Canadian interest rate expectations have hitherto strengthened the dollar against its American counterpart.

“The market expects six Bank of Canada hikes from March-December 2022, and another hike in 2023, while the Federal Reserve board is only expected to move twice,” Tal observed. “That simply doesn’t make sense, and they’re likely to meet somewhere in between.”

“If revised,” he concluded, “you will see the Canadian dollar lose one or two cents.”

■ Robert Frank

Canadian Real Estate Forums / WINTER 2021

CELEBRATING OUR CLIENTS' SUCCESS

In Real Estate Investment and Corporate Banking

2021 notable transactions

<p>Starlight U.S. Multi-Family (No. 1) Core Plus Fund</p> <p>US\$600,000,000</p> <p>Portfolio Sale</p> <p>Exclusive Financial Advisor</p> <p>Pending</p>	<p>Starlight Investments & AIMCo</p> <p>Undisclosed</p> <p>Acquisition of a Class A Office Building</p> <p>Exclusive Financial Advisor</p> <p>September 2021</p>	<p>AIMCo & MetCap Living</p> <p>\$230,000,000</p> <p>Sale of Multi-Family Portfolio</p> <p>Exclusive Financial Advisor</p> <p>September 2021</p>	<p>Hazelview Investments & AIMCo</p> <p>\$240,000,000</p> <p>Acquisition Loan</p> <p>Joint Bookrunner, Co-Lead Arranger and Administrative Agent</p> <p>September 2021</p>	<p>Chartwell Retirement Residences</p> <p>\$201,400,000</p> <p>Trust Unit Offering</p> <p>Co-Lead</p> <p>August 2021</p>
<p>Axia U.S. Grocery Net Lease Fund I LP</p> <p>\$50,000,000</p> <p>Fund Unit Offering</p> <p>Sole Bookrunner</p> <p>August 2021</p>	<p>Crombie REIT</p> <p>\$150,000,000</p> <p>Senior Note Offering</p> <p>Joint Bookrunner</p> <p>August 2021</p>	<p>Crestpoint Real Estate Investments Ltd.</p> <p>\$265,000,000</p> <p>Two Term Loans</p> <p>Sole Lender</p> <p>April 2021 / August 2021</p>	<p>Allied Properties REIT</p> <p>\$1,100,000,000</p> <p>Two Senior "Green" Debenture Offerings</p> <p>Joint Bookrunner</p> <p>February 2021 / August 2021</p>	<p>Clear Sky Capital - Self Storage Funds</p> <p>\$32,900,000</p> <p>Three Fund Unit Offerings</p> <p>Sole Bookrunner</p> <p>April 2021 / May 2021 / July 2021</p>
<p>StorageVault Canada Inc.</p> <p>\$57,500,000</p> <p>Hybrid Unsecured Debenture Offering</p> <p>Joint Bookrunner</p> <p>July 2021</p>	<p>KingSett Capital, Minto Properties & HOOPP</p> <p>\$95,000,000</p> <p>Term Loan</p> <p>Sole Lender</p> <p>July 2021</p>	<p>Sienna Senior Living Inc.</p> <p>\$125,000,000</p> <p>Senior Debenture Offering</p> <p>Joint Bookrunner</p> <p>June 2021</p>	<p>Padlock Partners UK Fund II</p> <p>\$33,800,000</p> <p>Fund Unit Offering</p> <p>Sole Bookrunner</p> <p>June 2021</p>	<p>Firm Capital Property Trust</p> <p>\$28,800,000</p> <p>Trust Unit Offering</p> <p>Joint Bookrunner</p> <p>June 2021</p>
<p>Starlight Investments & PSPIB</p> <p>\$220,000,000</p> <p>Acquisition Financing and Capex Facility</p> <p>Sole Lender</p> <p>June 2021</p>	<p>SmartCentres REIT</p> <p>\$500,000,000</p> <p>Revolver</p> <p>Co-Lead Arranger and Joint Bookrunner</p> <p>June 2021</p>	<p>Hines</p> <p>\$470,000,000</p> <p>Green Term Loan</p> <p>Sole Lender, Green Structuring Agent and Sole Hedge Provider</p> <p>April 2021</p>	<p>Starlight U.S. Multi-Family (No. 2) Core Plus Fund</p> <p>\$107,000,000</p> <p>Fund Unit Offering</p> <p>Sole Bookrunner</p> <p>March 2021</p>	<p>BCI QuadReal Realty</p> <p>\$800,000,000</p> <p>Senior Note & Senior "Green" Note Offerings</p> <p>Joint Bookrunner</p> <p>February 2021 / March 2021</p> <p>\$500,000,000</p> <p>Revolver</p> <p>Co-Lead Arranger and Joint Bookrunner</p> <p>February 2021</p>
<p>BSR REIT</p> <p>US\$69,000,000</p> <p>Trust Unit Offering</p> <p>Joint Bookrunner</p> <p>February 2021</p>	<p>H&R REIT</p> <p>\$300,000,000</p> <p>Senior Debenture Offering</p> <p>Joint Bookrunner</p> <p>February 2021</p>	<p>Hines & Ivanhoé Cambridge</p> <p>\$760,000,000</p> <p>Green Construction Loan</p> <p>Co-Lead Arranger, Joint Bookrunner, Green Structuring Agent, Administrative Agent and Hedge Provider</p> <p>February 2021</p>	<p>Panattoni & CalSTRS</p> <p>\$375,000,000</p> <p>Revolver</p> <p>Co-Lead Arranger and Joint Bookrunner</p> <p>February 2021</p>	<p>American Hotel Income Properties REIT LP</p> <p>US\$50,000,000</p> <p>Strategic Investment of Preferred Equity</p> <p>Co-Financial Advisor</p> <p>January 2021</p>

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IMMIGRATION AND AUTONOMOUS VEHICLES WILL CONTRIBUTE TO FUTURE HOUSING DEMAND



Jon Love
Founder and CEO
KingSett Capital

“Increasingly, investors are saying that they need to expand their hard asset exposure in a world of inflation—and a core part of that is income-producing real estate.”

Toronto’s core office markets are thriving, thanks to the same sense of safety that has seen tens of thousands of vaccinated Canadians seated together at Blue Jay, Raptors and Maple Leaf sporting venues.

“We have learned how to coexist with the coronavirus,” acknowledged KingSett Capital Management Founder and Chief Executive Officer Jon Love. “We don’t have a single office tenant who is looking to reduce their space within our five million square foot portfolio, and we have good leasing traction with prospective tenants.”

Love credited Canada’s successful vaccination program for relieving the pressure to avoid public places.

“COVID-19 cases continue to decline and vaccinated people who contract it typically experience sharply different consequences from the unvaccinated,” he observed. “Forward-looking business leaders are preparing plans for a full return to the office—like we are, a partial return—like many are, and all are planning for the time when they will be fully back to the office.”

The prospective reversal of four decades of globalization will also drive growth, as critical industries that struggled during the pandemic begin to repatriate their production.

“We will see a strong 2022 and 2023,” Love anticipates. “Accelerated immigration and increased employment—particularly in technology and onshoring—are the key drivers to look for.”

Inflation-proof rent streams sought

Rising interest rate concerns will overtake pandemic problems, though, and will pose a more pressing challenge for real estate professionals to grapple with next year.

“Inflation will push COVID-19 off the front pages next year,” Love predicted. “How we manage inflation will create both opportunity and risk for every asset class, everywhere.”

“Real estate replacement cost is elevated today and will continue to inflate,” he forecasts. “That puts a moat around existing assets, because new product competition will require much higher rental rates in every asset class. Income growth projections for most asset classes will tend to elevate, putting downward pressure on capitalization rates. Increasingly, investors are saying that they need to expand their hard asset exposure in a world of inflation—and a core part of that is income-producing real estate.”

Though soaring government spending has compounded a decade of loose monetary policy, Love expects its increased borrowing to attenuate interest rate hikes.

“The elevated level of debt amplifies the impact of any interest rate increases, so the interest rate response will be more muted than we have seen in previous cycles,” he reassured.

Canada’s competitiveness would benefit from a refreshed industrial policy, Love added, that would reduce some of the highest manufacturing costs among OECD nations.

“A new industrial strategy would provide a welcome boost to Canada’s economy, if the federal and provincial governments could muster the political will needed to make that happen,” he concluded.

■ Robert Frank



2021

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FAIRNESS AND FAMILIARITY FARE FAR BETTER, IN THE LONG RUN



Paul Finkbeiner
Executive Vice President &
Global Head of Real Estate
Great-West LIFEKO

In a real estate world roiled by strategic shifts, it's tempting to adapt your tactics to take advantage of the times. That might be short-sighted, cautioned Paul Finkbeiner, Executive Vice President & Global Head of Real Estate, Great-West LIFEKO.

"I've seen a lot of real estate ups and downs during the course of my career, and I've learned to deal with change," Finkbeiner recalled. "It's essential never to lose sight of the importance of being thoughtful and kind as a landlord, as a person, through the pandemic and throughout your career."

Giving tenants concessions during hard times makes good business sense, he advised.

"There will be times when I have an advantage over a tenant and a time when the tenant will have an advantage over me. It has never served me well to use that leverage," Finkbeiner recounted. "Being fair, thoughtful and kind might seem counterintuitive for landlords, but it has helped me throughout my career to look at the other side and take a fair position, rather than an advantageous one."

Finkbeiner urged the next generation of real estate executives to acquaint themselves intimately with the nuts and bolts of their properties.

"Leasing drives our business, so understanding what tenants want in their space and how they make money makes you a better landlord," he observed. "There is a difference between an operator who understands their building from the ground up—elevators, floor plates and uses—and an allocator, who merely assigns capital to markets and assets."

"When the building goes bad, and operator knows what to do with it," Finkbeiner explained. "An allocator, who doesn't, just sells it, relying on someone else to solve the problem."

"Leasing drives our business, so understanding what tenants want in their space and how they make money makes you a better landlord."

He identified four future trends for real estate sector: Environmental, social and governance index (ESGI) initiatives; proptech; pandemic aftermath; and real estate's growing attractiveness as an inflation hedge for investors.

"I haven't seen this much change all at once in my entire career," Finkbeiner emphasized. "People always felt safe in our buildings. Now, they're wondering—so it's decisive to collect data on what is happening within our buildings."

That technology gives newer buildings an advantage, but well-designed, renovated older buildings can also fare well.

"It's more about air quality and health and wellness, rather than age," he reassured.

The future looks promising as real estate's role as an inflation hedge again coming to the fore.

"If you are concerned about inflation, buy buildings with short-term leases," Finkbeiner concluded. "It's like a stepped bond: You can step the rent with office and industrial, and apartment rents are revised annually."

■ Robert Frank





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PANDEMIC ELEVATED REAL ESTATE TO STRATEGIC STATUS



Veni Iozzo
Executive Vice President
Enterprise Real Estate
& Workplace Transformation
CIBC



Rarely do workplace paradigms shift as rapidly as at the outset of the pandemic last year, when, overnight, real estate became about what you do, rather than where you go.

"After the March 11, 2020, pandemic declaration many of our facilities immediately went to zero people on site," recalled Veni Iozzo, Executive Vice President, Enterprise Real Estate & Workplace Transformation, CIBC. "Overnight, about 25,000 of our 44,000 employees worldwide had to work from home."

Since financial service delivery remained essential, CIBC consolidated some of its banking centres and transformed the ones which remained open with plexiglass and distancing, to conform with health and safety protocols.

"Serving clients remained our core objective, while reinforcing the well-being of our team members," she said.

Extending the corporate umbilicus

It would have proved difficult to adjust so swiftly, had CIBC not already invested heavily in untethering its staff from their workstations.

"Our definition of the workplace expanded to where you need to be to get the work done," Iozzo declared. "CIBC already had a clear vision for the future of the workplace. We had already deployed a number of laptops and the process of digitizing documents was well underway. In Toronto alone, we had dispensed with 50 million pieces of paper."

The remaining challenge was to ramp up CIBC's tech systems to accommodate the surge in staff working offsite.

Purpose determines degree of presence

The bank plans to apply the lessons that it learned during the pandemic to its new CIBC Square headquarters, pending completion.

"It will be a place where you go with purpose and intent," Iozzo underscored. "To facilitate this, we intend to incorporate a campus-in-an-office-tower kind of feel to these purpose-built premises, which will be the hub of our bank."

CIBC's next step will be to extend a more explicit blend of on-site and remote work to its corporate offices worldwide.

"Hybrid sounds simple, but it's not," she emphasized.

"Onsite time is intentional. It's purpose-driven and takes into consideration the tasks you perform and their level of complexity," Iozzo explained. "Some people will still need to come onsite every day. At the opposite extreme is fully remote, where others never have to visit a physical site to do their work. The remaining staff will be hybrid of both, they'll come into the office not by default, but for a specific reason, for example to collaborate with partners."

"Real estate is no longer just an overhead cost," she concluded. "It is now a strategic asset that enables us to bring people together. Real estate industry leaders have to learn how to capitalize upon the opportunities inherent in an untethered workplace."

■ Robert Frank



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WE MAKE IT
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RETHINKING BASIC BUILDING ASSUMPTIONS PAVES PATH TO NET-ZERO



Michelle Xuereb
Director of Innovation
BDP Quadrangle

It's better for builders to master new, environment-friendly technologies now, rather than wait until there's no choice.

Last month's COP26 climate summit zeroed in on buildings, which produce 39 percent of greenhouse gas emissions. To reduce them, countries there committed to beef up lending strictures, already prevalent in Europe, and impose stricter rules for construction and energy consumption.

The government-finance tag-team aims to tip the market toward sustainability, by making doing otherwise uneconomic.

"New York City has had higher energy standards for a long time," highlighted architect Michelle Xuereb, Director of Innovation, BDP Quadrangle. "That has pushed the market toward greater efficiency. Its stricter energy code has given buildings there a punched window look: all-glass buildings have given way to solid walls. It has also capped carbon use, and taxes any excess emission."

"Forward-thinking developers are using incentives to fund their net-zero ambitions. It's riskier to resist than to reconsider assumptions about how to build."



Review assumptions

Despite developers' recoil at the higher costs, the changes need not necessarily prove accretive.

Meeting Toronto Green Standard objectives, can earn a development charge refund.

"Forward-thinking developers are using that to fund their net-zero ambitions," Xuereb cautioned. "It's riskier to resist than to reconsider assumptions about how to build."

Expensive, time-consuming underground parking lot construction might disappear, if cities eliminate minimum parking requirements, with fewer people driving downtown.

"You have to weigh your assumption that you can't sell a unit without parking against the cost of the carbon in the concrete that you're putting in the ground," she explained.

Eliminating energy-squandering balconies is another option.

"If you live on the 40th floor, you are not going to use your balcony," Xuereb observed.

Cleaner concrete and substitutes for steel

"The technology is already there," she underscored. "We just have to make it economic to use."

Structural engineers are weighing how to reduce concrete use, which contributes eight percent of global emissions. There's also an up-and-coming market for mass timber—extremely strong varieties of laminated lumber—which sometimes can substitute for energy-intensive steel. Toronto recently saw a five-storey mass timber office tower completed.

"Wood is the only renewable structural material," Xuereb noted. "It also sequesters carbon, which definitely gives it a role."

Risks require incremental approach

Since breaking new ground in building technology is expensive and risky, it's important to start implementing it incrementally.

"We're going to have to get better at it," she acknowledged. "On every single project, we have to try something new, so that by the time it gets mandated, you know how to do it."

■ Robert Frank

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The chance to make your mark at a new waterfront community in the heart of a capital city comes along rarely. The National Capital Commission's Building LeBreton project is poised for just such a legacy-building opportunity.

Implementation of the NCC's impressive vision for a sustainable live-work-play transit-oriented community has already begun, with the first land sale underway and initial public realm construction wrapping up soon. Developers will be invited to compete for the chance to develop mixed-use parcels in this landmark project over the coming years, building on decades of rich history and cultural context.

But the next phase of this city building project is set to be the most exciting yet.

Once-in-a generation opportunity

On Dec. 1 the NCC will launch a Request for Expressions of Interest to seek proponents and ideas for the two major attraction sites. Proposals for innovative and ambitious destination anchors will be accepted until Feb. 28, 2022.

Building LeBreton

The 29-hectare LeBreton Flats area features two sites targeted for destination attractions. The first is just over 2.5 hectares (6 acres) of prime downtown land located a 5-minute walk from two light-rail transit (LRT) stations that link directly to the east, west and south ends of Ottawa. Nearby, another site of half a hectare (1 acre) hugs an inlet of the Ottawa River and offers an incredible location for a smaller cultural or recreational venue.

These sites will become the anchors for the surrounding development, which is planned as one of the most sustainable and inclusive communities in Canada. Iconic public spaces, including a hilltop park with incredible views of the Ottawa River and Gatineau Hills, will emerge just steps away from the major attraction sites, along with a community that will become home to approximately 7,500 residents and almost 4,000 workers.

The details are outlined in a forward-looking Master Concept Plan the NCC created for

"We are looking for visionaries and trailblazers who share our passion and excitement for the possibilities of this incredible place," says Katie Paris, Director of the Building LeBreton project for the NCC.

The NCC is hoping to draw ideas for attractions that are both ground-breaking and breathtaking. Anchored by two new light-rail transit stations, LeBreton Flats is a prime location for destination experiences, with opportunities for anything from a major event centre, concert venue, gallery or aquarium to a food hall or Ferris wheel – the sky is (almost literally) the limit.

"LeBreton Flats now has an exciting vision in place, and it's poised to come alive again," says Paris. "Now is the time for people with bold ideas to join us in breathing excitement and innovation into this spectacular site."

LeBreton Flats in 2021 following extensive public engagement. The NCC launched immediately into implementation, with a proponent for the first development site of the Building LeBreton project expected to be chosen at the beginning of 2022. That site is located between the Pimisi O-Train LRT station and the most exciting architectural project in recent Ottawa history – a new central library called *Ādisōke*.

To express your interest in the attraction sites and for more information on the Building LeBreton project, visit ncc-ccn.gc.ca/LeBreton.



BUILDING LeBreton

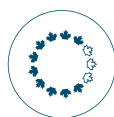
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The National Capital Commission is looking for attractions that will amplify excitement and energy for one of Canada's premier city-building initiatives.

We want your innovative and ambitious ideas to develop two sites at Ottawa's LeBreton Flats. It's a truly remarkable opportunity to bring a cornerstone attraction to life – anchored on principles of sustainability, inclusivity and community.

Express your interest by February 28, 2022

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RISING RATES REFLECT REBOUNDED ECONOMY



Michael Cooper
Founder
Dream Group of Companies



An improving economy and growing business confidence mean that coming interest rate rises are good news, according to Michael Cooper.

“The lowest interest rates in history helped to fend off real threats to the economy,” observed Dream Group of Companies’ founder. “Today, people feel much better about their prospects and that the economy is returning to normal.”

“The reason that I am nonplussed about rising interest rates is because the economy is improving,” he smiled.

“Businesses are thriving. New businesses, created since the outset of the pandemic, are doing great. Existing businesses that have adapted are also doing great. There are a lot of jobs out there, looking for people to fill them.”

Neither do reports of rising inflation faze Cooper.

Hopefully, we will be in a position to exercise some pricing power so that as costs go up, revenue will rise as well,” he said.

Government policy pivotal

Record federal government stimulus spending also worked well, and the Canadian dollar has remained buoyant, undented by a ballooning deficit.

“The \$400 billion that the Government of Canada spent, it created,” Cooper observed. “It was mostly funded by the Bank of Canada printing money. Though it’s a miracle, it’s not very pertinent for us, as we move forward.”

What is relevant are pending decisions about how the government will function in future.

“The big issue is what happens next with government policies,” he suggested.

To ESG, and beyond

Meantime, Dream Group remains focused on its objective to earn respectable returns on projects that produce a positive impact on society. Dream Group has developed a framework to measure those contributions, and it audits and reports upon the outcome.

While it’s no surprise that Dream Group scores quite well in its environmental, social and governance (ESG) rankings, the firm endeavors to exceed those expectations.

“We are a signatory to the Operating Principles for Impact Management, and are

“We are a signatory to the Operating Principles for Impact Management, and are really focused on what helpful contributions we can make,” Cooper noted. “ESG entails evaluating a company and identifying negative risks. We go beyond that, to see how much more we can achieve in terms of positive opportunities.”

really focused on what helpful contributions we can make,” Cooper noted. “ESG entails evaluating a company and identifying negative risks. We go beyond that, to see how much more we can achieve in terms of positive opportunities.”

“Minimizing risk is a great starting point,” he concluded, “but ultimately what we want to achieve is to engage every company in creating positive outcomes, not just reducing negative risks.”

■ Robert Frank

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Sam Winberg
President
Retail CND

“You cannot—or would not—build a high rise today without having retail on the ground floor.”

IN-PERSON RETAIL SHOPPING EXPECTED TO MAKE A COMEBACK WITHIN 12 MONTHS

Despite the changes in consumer habits during the pandemic, Sam Winberg anticipates a steady return to a more standard retail shopping experience within the next 12 months.

“It really boils down to the customer getting more comfortable with venturing out, entering physical stores and interacting with other people in the same spaces,” says the president of Retail CND, a retail tenant-focused brokerage and consultancy company based in Toronto. “But I’m optimistic that we’re well on our way to that.

“Hopefully the supply chain issues that have plagued retailers will start to lessen and as things get better for them, they will also get better for landlords.”

Without consumers, Winberg points out, there would be no landlords or retail businesses since they drive both ecosystems. What’s driving them currently is a relatively newfound sensitivity to the importance of shopping local and staying loyal to independent retailers, he says.

At the same time, consumers have now realized they can shop for products without needing to physically touch or see them — and this is a realization that isn’t going away. “I know very few people that grocery shopped online prior to the pandemic. Now I don’t know anybody who doesn’t at least do

a click and collect or some other sort of digital food store shopping,” says Winberg.

“So now food store retailers are working very hard to increase the in-store experience, to get people off their computers and back inside. They’d much rather have a \$1 sale in store than a \$1 sale online, because that’s what they built their business on, without all the inherent cost structures that exist with online.

“Retailers want to find that omni-channel where both online and in store can work together, but it’s a very competitive landscape.”

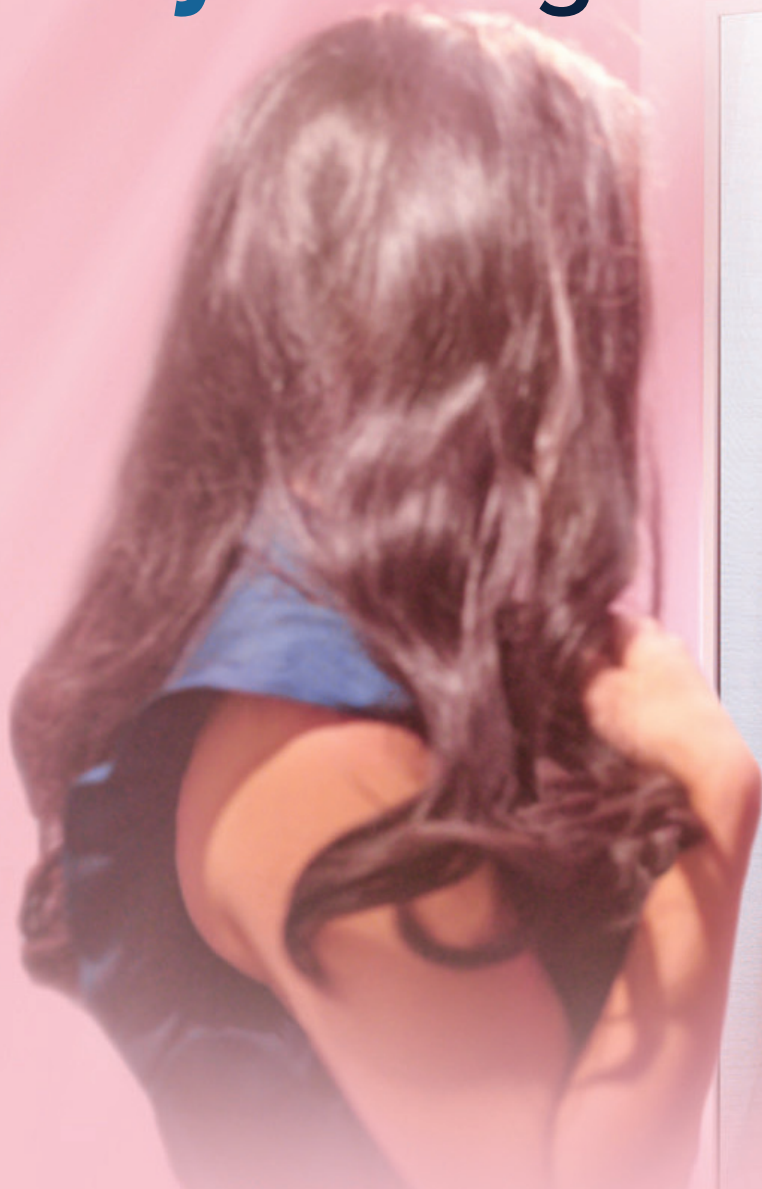
It’s also just another example of how the retail market has evolved for the consumer. As urban markets have grown, intensified and become more vertical, retail has found its way into the equation. “You cannot—or would not—build a high rise today without having retail on the ground floor,” Winberg says.

“Fewer people have cars now or even want to travel to shop. As the demographic shift changes, retailers will have smaller footprints, but more stores closer to where people live. So the food store you shop at, or the coffee shop you frequent may not be your favorite, but it’s probably closest to where you work or live.”

■ *Barbara Balfour*

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INVESTMENT NEEDED TO POSITION PROPERTIES FOR 2022 REBOUND



“What we’re talking about is no longer theoretical. It is real. Technology is an extremely important core strategy for developers, owners and operators to embrace. If you don’t, you will be left behind very, very quickly.”



Thano Lambrinos
Senior Vice President
Digital Buildings, Experiences
and Innovation
QuadReal Property Group

The pandemic pressed the technology accelerator to the floor, and its implementation in real estate will continue to accelerate exponentially, after restrictions ease, predicts Thano Lambrinos, Senior Vice President, Digital Buildings, Experiences and Innovation, QuadReal Property Group.

Prior to the pandemic, QuadReal had already invested extensively in property technology that gave it a clear view of how its space was being used.

Value added

“We could adjust lighting, heating, ventilation and air conditioning in real time to match occupancy, which made us much more energy-efficient,” Lambrinos explained. “It also gave us a clear picture of where people were from a security standpoint.”

Once lockdowns struck, that occupancy management mettle proved paramount, and QuadReal levered its technology investment

to track pandemic priorities: indoor environmental quality and health and wellness.

Now, the company is poised to push its technology investments well beyond pandemic priorities to deliver value to its assets—and their users—during the next 18 months.

Umbilicus Rex

“Connectivity is the lifeblood of everything we do,” he underscored. “It proved critical for people to work remotely and, from an operational perspective, let us dial-in to buildings to connect with infrastructure.”

Taking technology to the next level to achieve those efficiencies will entail integrating every device that makes your building tick into a single view that you—and your tenants—can observe remotely, often operating without the need for human intervention.

“Once upon a time, we told tenants: ‘Here’s your box, this is what we control inside of it. Everything else is up to you,’” Lambrinos recalled. “Now, they are asking us: ‘Can make their lives a little easier by extending your technologies into our space?’ So, we changed our tune, and offer digital office workplace services and multi-family residential smart home services.”

Investment insights

Over the horizon, there’s an opportunity to integrate building data with enterprise systems to drive design and management decisions.

“If we see increased traffic, maybe that tenant needs expansion options; if we see it fall, we could offer the tenant sublease options,” he suggested.

“Integration with our financial and enterprise resource planning systems will drive more holistic insights into the way that we run real estate,” Lambrinos added.

Artificial intelligence and analytics could eventually evaluate investment and regional market trends and drive portfolio and asset management decisions.

“What we’re talking about is no longer theoretical. It is real,” he underscored. “Technology is an extremely important core strategy for developers, owners and operators to embrace. If you don’t, you will be left behind very, very quickly.”

■ Robert Frank

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CLIMATE CHANGE RISKS NOT REFLECTED IN REAL ESTATE ASSET VALUES



Mary Ludgin
Senior Managing Director and
Head of Global Research
Heitman

The complex relationship between climate change and real estate values is a challenge that property investors are only now starting to address.

For starters, more analysis is required on whether assets they already own – or are thinking of investing in – are priced to adequately reflect the inherent risks of their geographic location, says Mary Ludgin, the Senior Managing Director and Head of Global Research at Heitman.

“Broadly we’re not accounting for nearly enough risk,” says Ludgin,

whose research team found the bulk of properties owned by institutional investors in the U.S. are in coastal locations. “These were among the lowest yielding, highest value properties. We came to realize that these values didn’t factor in the potential for tax increases, which would be necessary to support these areas through climate adaptation,” she says.

“Rising sea levels, greater amounts of rainfall, the resulting risk of floods and hotter summers that could cause population migration patterns to shift – none of these disruptions appeared to be priced in.

“At this point insurance will either have to be repriced to reflect the risks that weren’t priced in before, or insurance won’t be available at all. And then what will the value of your property be, if you can’t even achieve insurance on it?”

Ludgin believes larger population centers such as New York City, which has more than 800 kilometres of coastline, will be adequately defended against climate risks. “It’s the secondary locations and less

populated areas we need to be worried about.”

To price an asset properly, she says, the first step is to assess the array of risks, and then examine the opportunities.

“What do we know at the property level? Has it or neighboring properties flooded before, and are mitigation measures in place?

Who’s to say how well we can predict what might happen in five years in this era of

rapid change, but it’s a starting point,” says Ludgin.

“It can allow the investor to say, ‘Is this a risk I wish to take on? Or is my portfolio already over allocated to places with hurricane or typhoon risks, or that are going to get hotter?’

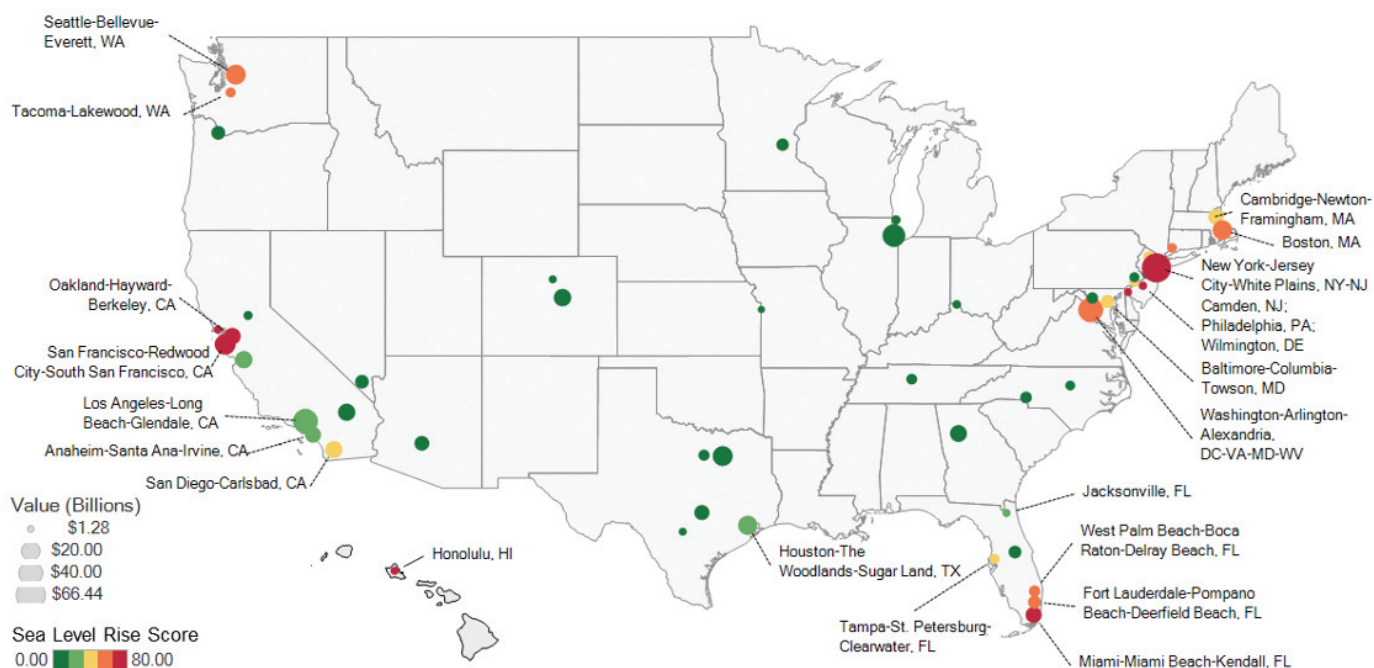
“Canada is pretty well-positioned if global warming continues as expected. The farther north you go, the more temperate the climate is going to be. There are also lots of places with access to fresh water.

“Going forward, these are going to be major issues in the future.”

■ Barbara Balfour

“Broadly we’re not accounting for nearly enough risk.”

Rising Sea Levels Pose Risk to Institutional Real Estate Investors TOP 50 NPI METRO AREAS AND DEGREE OF SEA-LEVEL RISE RISK



Source: Heitman and ULI, with analytical support from Four Twenty Seven

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Second Mortgage

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Bridge Loan

\$32,500,000

First Mortgage

8-storey, 99-unit condominium building

TORONTO, ON

DIP Financing

\$25,000,000

Interim Financing

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LAURENTIAN UNIVERSITY, ON

Bridge Loan

\$6,500,000

First Mortgage

0.35 acre approved development site for an 11-storey mixed-use building

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\$6,350,000

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Firm Capital Equity: \$1,600,000

26 detached residential lots

KLEINBURG, ON

Lot Deposit Loan

\$16,828,450

Mezzanine Equity Facility

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GTA, ON

Land Loan

\$15,600,000

First Mortgage

3.84 acre site draft plan approved for 69 conventional townhouse units and 7 live/work units

MARKHAM, ON

Acquisition Financing

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First Mortgage

Loan facility for a 126 unit residential apartment building

SAULT STE MARIE, ON

Construction Loan

\$24,275,000

Facility "A": \$22,275,000
Facility "B": \$2,000,000

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NIAGARA FALLS, ON

Land & Servicing Loan

\$7,450,000

First Mortgage

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Construction Loan

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First Mortgage

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Helle Bank Jørgensen
CEO & Founder
Competent Boards

Thinking about building a new property? You need to know where there is risk of flooding, fire and earthquakes. You also need to assess the need for and cost of heating and cooling, as the weather keeps warming.

"We're already seeing that in Vancouver," noted Competent Boards CEO and founder Helle Bank Jørgensen.

If buildings that will be depreciated over 20 years are likely to be flooded in 10, their owners need to rethink their valuations.

The ABCs of ESG

Bank Jørgensen is a lawyer, as well as an accountant who spent 19 years at PricewaterhouseCoopers, where she led its Sustainability and Climate Change practices in Europe and the United States.

Growing demand for informed governance solutions has driven demand for the ESG and climate competent board training program that Bank Jørgensen launched in 2019, with support of the CEO of Unilever and the Chairs of Siemens, Maersk and others.

Despite initial skepticism, today those seminars are often sold out.

Her new book, *Stewards of the Future—A Guide for Competent Boards*, will be in bookstores at the beginning of January—but can already be found as a Kindle version on Amazon.

In it, she stresses the imperative to take environment, social and governance (ESG) issues right to the top, so that they become baked-in at the board level.

"A lot of great companies have environment and social projects, without having the governance in place," she observed. "Often, those initiatives don't get the staff or support that they need to accomplish their objectives."

Achieving those objectives affects bottom-line outcomes.

Wishful-thinking trap

"Few leaders like to hear that their properties are vulnerable to climate-driven changes, but in reality, some will risk missing revenue opportunities; others will end up with stranded assets."

"Bank Jørgensen noted. "We're also starting to see companies selling off these future stranded assets."

Real estate firms will never achieve 2050 requirements without making immediate, short-term decisions on how to reach those goals and allocating the means to accomplish them.

"Otherwise, it's just greenwashing," she declared. "If it's not embedded in corporate governance, you're not grappling with the core real estate risks and opportunities."

Regulatory requirements and reputational risk

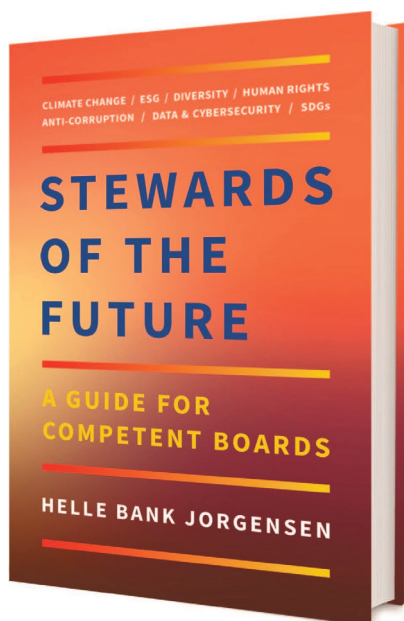
Bank Jørgensen also cited examples of rising stakeholder ESG adherence expectations from banks, insurers, legislators and regulators—not to mention shareholders and staff—which compound those physical risks.

"Young talent is voting with its feet," she said. "Insurability has tightened, and some lenders now require ESG impact assessments."

Regulatory changes to the price of carbon and building materials will also pose a challenge.

"Remember asbestos?" she concluded. "Which building material will be blacklisted next? Will you need a green roof? Will flushing toilets with drinking water be prohibited? What is the real risk to real estate investment today?"

■ Robert Frank



"Few leaders like to hear that their properties are vulnerable to climate-driven changes, but in reality, some will risk missing revenue opportunities; others will end up with stranded assets."

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THE FUTURE OF LOGISTICS INCLUDE DRONE DELIVERY & MULTI-STORY BUILDINGS



Michael De Jong Douglas
Senior Managing Director
Head of the Future
Solutions Group
ESR

With the growth of e-commerce and logistics around the world, space is at a premium. Industrial real estate is changing, both in how developers build property and how companies lease and use it. Whereas in the past a company that needed 8,000 square metres for a specific project would lease 8,000 square metres, today's industrial tenants are more likely to pre-commit to extra space in tight leasing

markets, says Dr. Michael de Jong-Douglas, Senior Managing Director and Head of the Future Solutions Group at ESR (Asia's leading logistics real estate platform). "Their business model is becoming more proactive than reactive," he says.

Where to find efficiencies in a facility where operations are traditionally largely driven by labour? De Jong-Douglas says that to address both the cost of labour and the difficulty in finding it, the aim is to use less labour and add value to existing positions by creating higher-level functions and automating the more mundane tasks. "In e-commerce operations, there are a lot more physical activities in the building," he says. "It's not just about storage of goods, but also often assembly and processing work, repairs, managing returns and back-office functions in the facility.

"The goods need to come in more efficiently and leave more efficiently, and when they're inside the facility, they need to be processed more efficiently. It's all about getting goods to the consumer quicker."

Amid the current growth landscape, it's increasingly challenging to develop industrial space. In large urban areas—in Asia that could mean more than 20 million

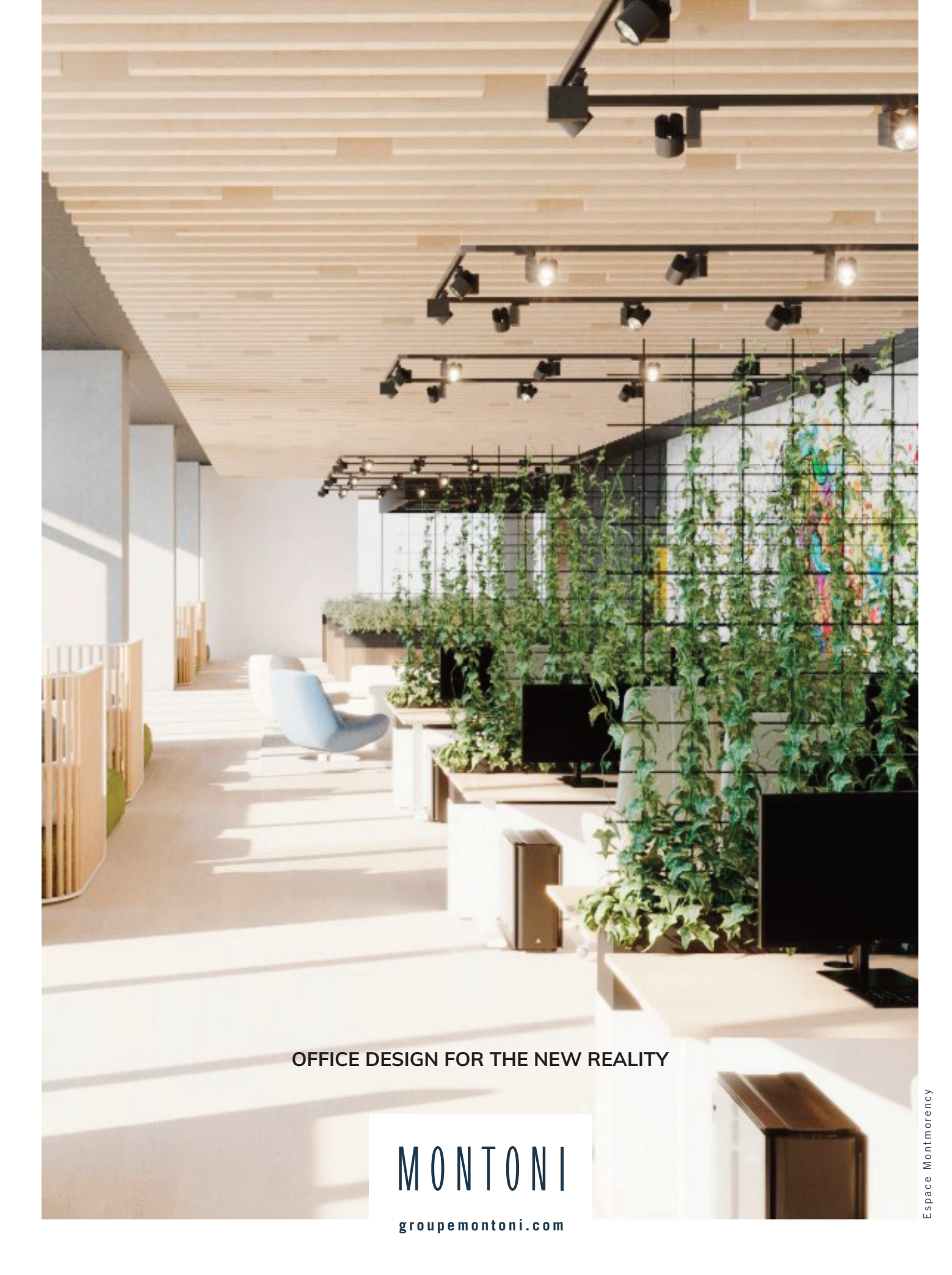
residents—efficient delivery isn't possible with just one facility. For this reason, occupiers need to have multiple facilities, ranging from larger facilities to an increasing number of "micro fulfillment centres" closer to end consumers..

While multi-storey industrial buildings are now commonplace in Asia, De Jong-Douglas says, North America is slow to adopt the trend. "In Japan, we're developing nine-storey buildings with ramp access to all floors and to parking on the roof. In Hong Kong, you'd have higher structures than that. People in North America say, 'Wow, that's amazing. How do the trucks get up?' But think about parking garages. You have to design the ramps with a different radius for trucks, but the concept is the same."

Multi-storey can mean building not just up, but down. The European market is seeing underground parking garages converted into logistics centres. Again, while the concept might seem radical in some markets, De Jong-Douglas points out that if a parking garage can be underground, so can an industrial facility.

Granted, he adds, operations are often different in a multi-storey facility. "Sometimes customers will operate on multiple floors, but we can install elevators or conveyor systems to connect the different levels."

■ Michelle Morra



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“Our competitive advantage in the race to net-zero is not about what we do. It’s that we know how to do it. We’re not just talking about it. We’re going to do it.”

The pandemic provided a proof-of-concept which validated Voland’s consistent, transparent and pro-active values.

“While people still shake their heads about the shift in the office market, our portfolio is full,” Voland contrasted. “People feel safe entering our buildings. They feel they belong, that they’re valued and that they make a decisive difference, now that they can choose of where to go.”

Soft revolution

Voland credited the pandemic for giving people sufficient pause to reflect and put their values in perspective.

“Impact investment is not just about how we play the stock market,” she explained. “It’s about how we spend our every minute and every dollar—whether as consumer or business owner.”

“It’s a tenant’s market. It’s a talent market,” Voland observed. “Our credibility and our

consistent adherence to the principles that they want has made us strong.”

“Businesses always deployed the new technologies that emerged in the wake of each world war and the pandemic, a century ago,” she recalled. “It’s a soft revolution.”

How, not what

Today’s technology means that people can earn and buy from anywhere. Geography means nothing.

“Companies can be part of that movement—or they can render themselves obsolete,” Voland cautioned. “Our competitive advantage in the race to net-zero is not about what we do. It’s that we know how to do it. We’re not just talking about it. We’re going to do it.”

■ Robert Frank



“There’s an opportunity to get ahead of ESG pressures from investors, tenants and government. The survey also called for better equity, diversity and inclusion, as well as strong talent and teams. That will require upskilling. Growing the technical talent base dovetails with another need: to improve real estate sector inclusiveness.”

REALPAC PROSPECTIVE SURVEY RESULTS SPELL OUT STEPS TO STAY COMPETITIVE THROUGH 2030



Michael Brooks
Chief Executive Officer
REALPAC

Environmental, social and governance (ESG) and technology skills as well as data analysis acumen will prove pivotal a decade from now, predicted REALPAC (Real Property Association of Canada) CEO Michael Brooks, based on REALPAC’s 2021 *Prospective Survey*.

This is one of the many findings from an unprecedented survey by REALPAC which sounded out leaders of Canada’s largest real estate firms, who employ over 16,000 staff and oversee over \$200 billion worth of assets.

At the Toronto Real Estate Forum, December 1, Brooks disclosed details of the highly structured study, which REALPAC conducted in September and October.

What will be the top three qualities of a successful real estate firm in 2030? Most respondents agreed that ESG was a key priority, and that it would provide an opportunity for some companies to thrive.

“There’s an opportunity to get ahead of ESG pressures from investors, tenants and government,” Brooks suggested. “The survey also called for better equity, diversity and inclusion, as well as strong talent and teams. That will require upskilling. Growing the technical talent base dovetails with another need: to improve real estate sector inclusiveness.”

Government policies will pose a challenge, though.

“Taxation is the main concern,” he said. “No government is looking to reduce taxes. The real estate industry can expect more taxation from all levels of government.”

Other coming constraints include affordable housing demands as well as sustainability and carbon emission disclosure

requirements. The private sector will also feel government pressure to shoulder a bigger share of affordable housing costs—a key issue in the recent federal election.

Publicly listed real estate firms can also expect to face increased regulatory pressure from the Ontario Securities Commission and the Office of the Superintendent of Financial Institutions to disclose climate risk explicitly.

“Respondents expect more government intrusion over sustainability,” Brooks cautioned. “It will likely extend reporting requirements to include the physical hazard risks to your portfolio from, for example, floods, wildfires, extreme heat and extreme cold. It will also require disclosure of your progress in—and ability to reduce—carbon emissions.”

Among the survey’s other findings, most respondents reported that they expect much greater employment flexibility in future, and that the hybrid workplace will be here to stay.

“In contrast, some people want all their staff to return to the office, five-days-a-week,” he added.

“Never has the awareness of change and the ability to learn and adapt loomed larger,” Brooks concluded. “Every real estate company boardroom needs to chart a new path forward.”

■ Robert Frank

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1

INSIGHTS FROM INDUSTRY LEADERS DURING THE CONTENT FORMATION OF THE REAL ESTATE FORUM

WHAT IS THE OUTLOOK FOR CANADIAN ECONOMY FOR 2022?

Canada's Economic Outlook for the Fourth Quarter of 2021: Growth Has Been Delayed, But Not Derailed.

2

OUR CITIES IN A POST-COVID WORLD: WILL THEY BE DIFFERENT? IN WHAT WAY?

Changes in urban living will determine the future normal and what cities must plan for in order to prosper.

3

UNDERSTANDING THE ESG IMPERATIVE AND HOW IT IS BEING INTEGRATED

ESG Programs are a key tool for real estate investors to combat greenhouse gas emissions by commercial and residential properties.

7

ELEVATING DEVELOPMENT TO THE ANOTHER LEVEL: SUSTAINABILITY, INNOVATION, NET ZERO AND LEADING-EDGE DESIGN

The Green Building Principles set forth by WEF & JLL, provides guidelines towards a more sustainable real estate future and net zero emissions.

6

HAS INVESTMENT ACTIVITY RETURNED TO PREVIOUS HIGH LEVELS? WHY IS IMPACT AND SUSTAINABLE INVESTING GROWING?

The easing of COVID-19 propelled buyers and sellers off the sidelines in Canada in Q2, resulting in record investments; upwards trends in ESG lead to spike in impact investment.

5

HOW HAS THE APARTMENT MARKET PERFORMED THROUGH THE PANDEMIC? ARE BILLIONS IN ASSETS LIKELY FOR SALE?

While unemployment and economic uncertainty leads to downturn in sales, PwC suggests condominium as one of three best bets in real estate investment.

4

THE IMPACT OF THE PANDEMIC ON THE OFFICE MARKET: WHAT IS THE FUTURE OF WORKPLACE ENVIRONMENTS?

Real estate analysts estimate that flex leases will grow from their current share of 2% of the overall market to as much as 10% by the end of this decade.

8

RETAIL HAS BEEN BRUISED DURING COVID-19: WHAT LIES AHEAD FOR LANDLORDS & TENANTS?

To rebalance retail space, key trends include repurposing shopping spaces, a rise in omni-channel retail.

9

THE INDUSTRIAL DILEMMA: HOW DO YOU GROW WHEN THERE IS NO AVAILABLE SPACE

Innovative repurposing of dark stores and using satellite facilities further away from prime locations may be stop-gap measures to account for low availability of space.

10

HOW ARE REAL ESTATE COMPANIES INTEGRATING TECHNOLOGY AND OTHER INNOVATION TO IMPROVE THEIR BOTTOM LINE?

After years of talking about how Canada's real estate market was on the verge of embracing PropTech, the COVID-19 pandemic has propelled digitalization.

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

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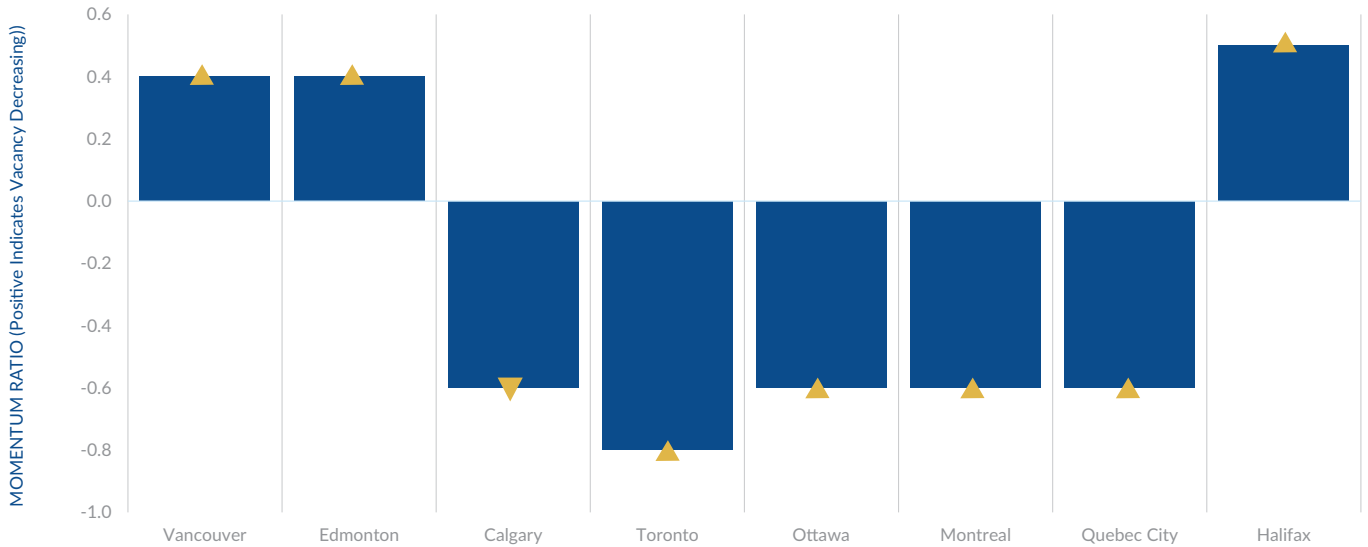
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High quality office assets show resilience in core markets as lockdown restrictions ease, offices reopen and tenants focus on upgrades and improvements

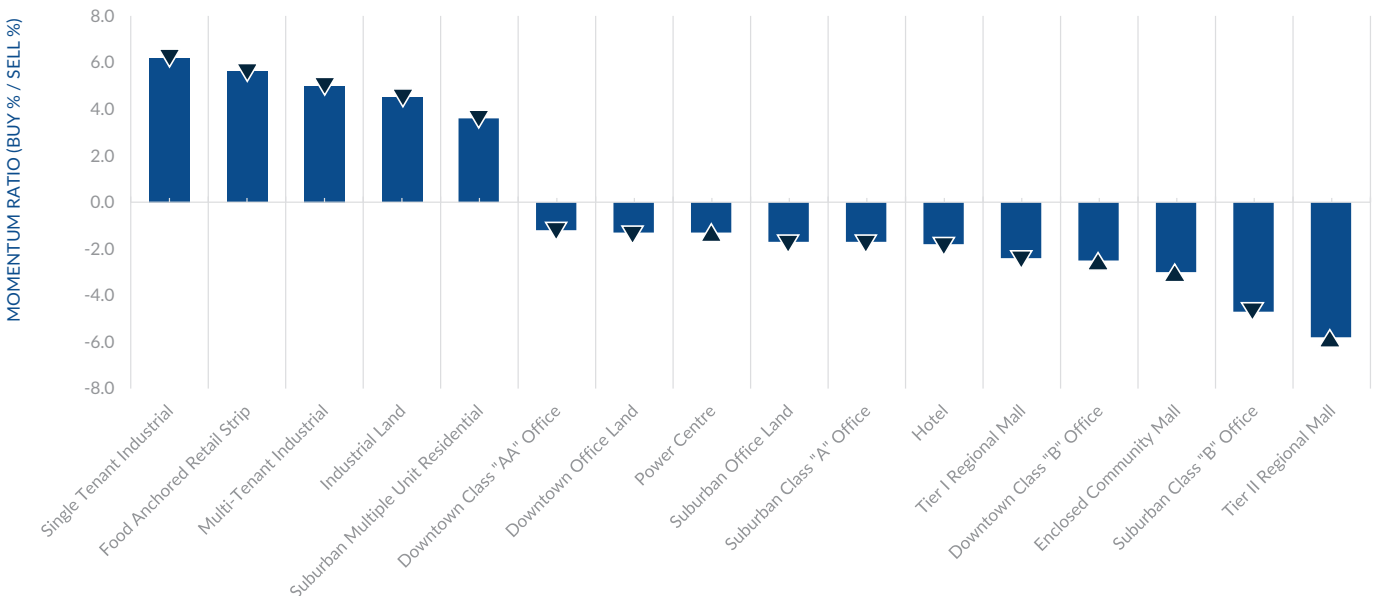
Downtown Class "AA" Office Vacancy Barometer - (Q3 2021) Next Three Months



Source: Altus Group's Investment Trends Survey

Industrial and food-anchored retail assets continue to garner investor interest throughout the pandemic

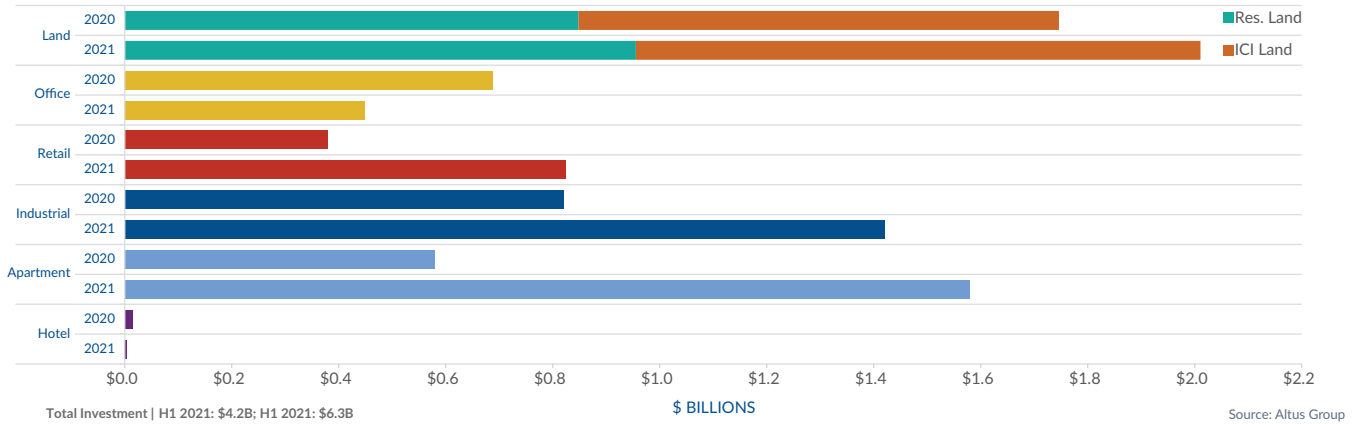
Property Type Barometer – All Available Products (Q3 2021)



Source: Altus Group's Investment Trends Survey

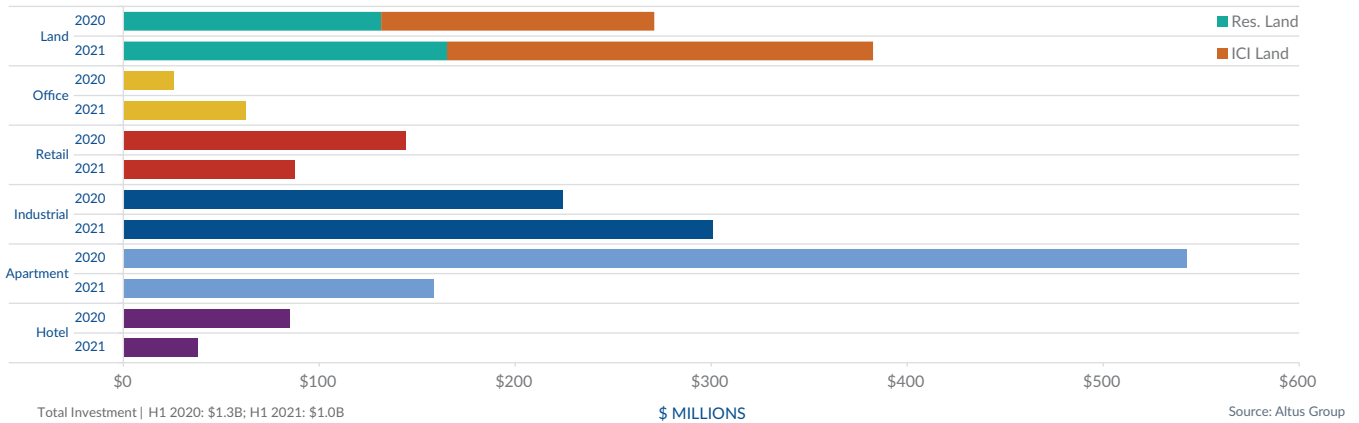
Continued strong gains in investment activity for industrial, retail, and apartment, but slumping confidence for office and hotel sectors lingers

Property Transactions by Asset class | Greater Vancouver Area, Q1-Q2 2020 vs. Q1-Q2 2021



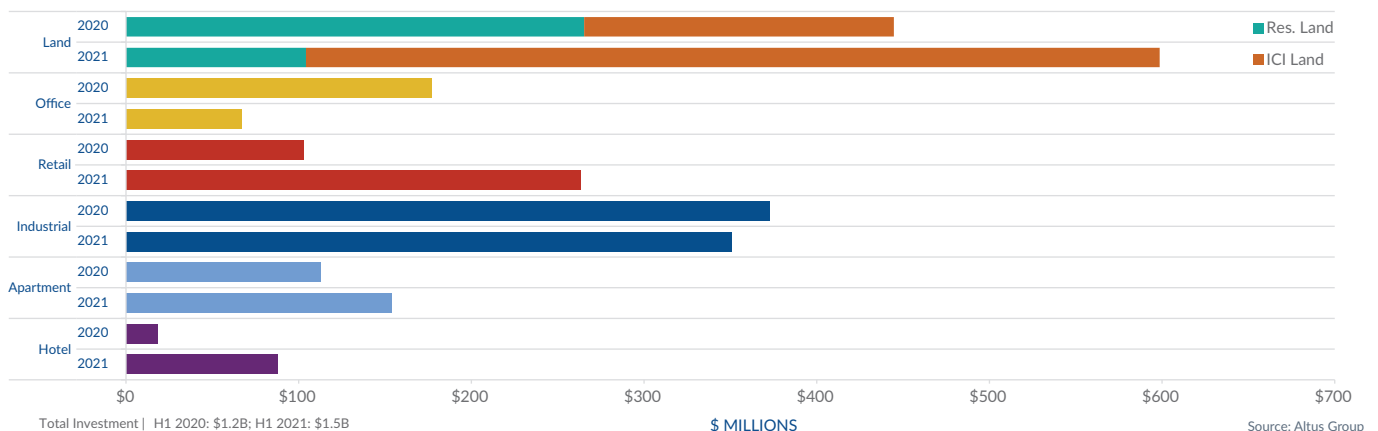
Land, office, and industrial sectors in Edmonton saw strengthening activity while apartment, retail and hotel sectors slow down

Property Transactions by Asset class | Greater Edmonton Area, Q1-Q2 2020 vs. Q1-Q2 2021



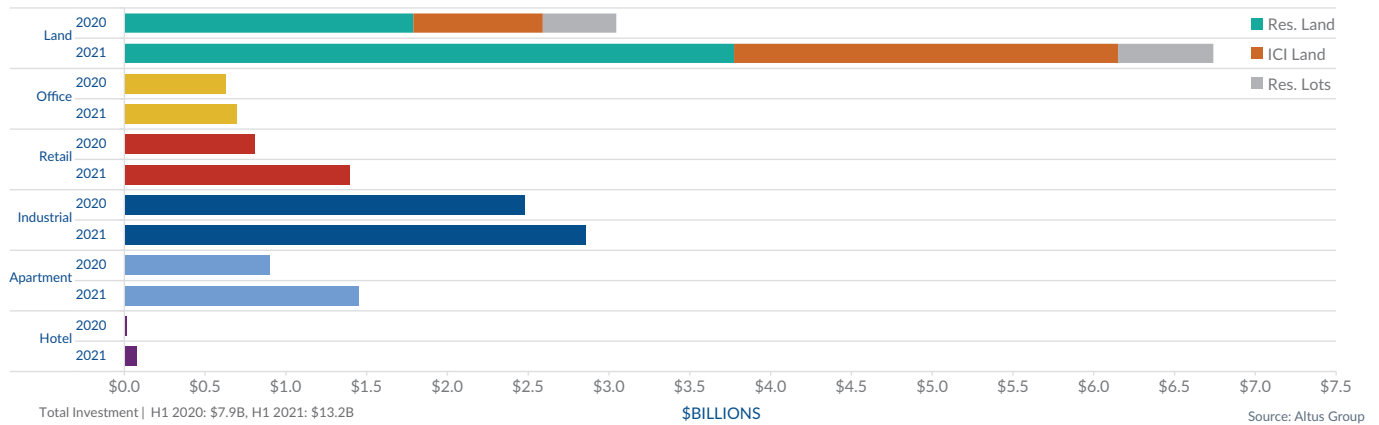
Amid ongoing economic challenges, Calgary investment activity slowed across the office and industrial sector, with strong increases for other sectors

Property Transactions by Asset class | Greater Calgary Area, Q1-Q2 2020 vs. Q1-Q2 2021



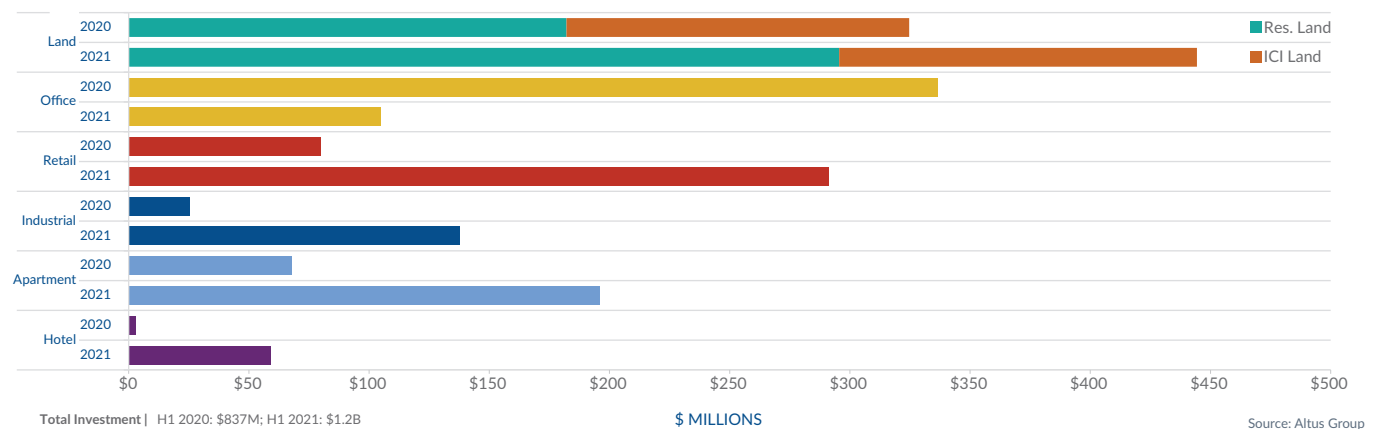
Investment momentum picks up in the GTA with all sectors showing increases in transaction activity, with the most modest increase seen in the Office sector

Property Transactions by Asset class | Greater Toronto Area, Q1-Q2 2020 vs. Q1-Q2 2021



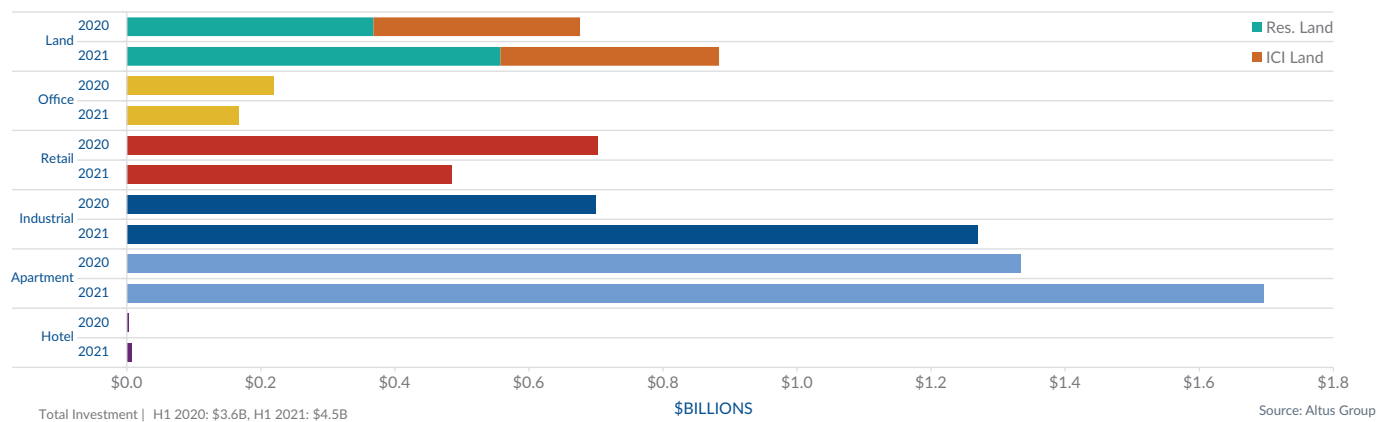
Market activity within the Ottawa office sector slows down, while all other sectors experience gains

Property Transactions by Asset class | Greater Ottawa Area, Q1-Q2 2020 vs. Q1-Q2 2021



Industrial and apartment sectors continue to push forward, while office and retail soften

Property Transactions by Asset class | Greater Montreal Area, Q1-Q2 2020 vs. Q1-Q2 2021





CANADIAN LIVE STREAM MARKET COULD EXCEED \$8 BILLION BY NEXT YEAR, SAY RETAIL EXPERTS

A tool that entices shoppers to discover and buy new products in real time without needing to set foot in a store is fast entering the mainstream. Livestream video technology could quite possibly be the key to saving struggling retailers and shopping malls in their fight to stay relevant, says Deborah Weinswig, Chief Executive Officer at Coresight Research.

“In terms of what lies ahead, one of the biggest opportunities we see right now is around live streaming,” says Weinswig. “We see much of that happening in a mall environment where various services around human capital can be offered. Anything from concierge services to live selling can really



Deborah Weinswig
Chief Executive Officer
Coresight Research

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“Live streaming in particular is showing massive potential for return on investment.”

change the dynamic between the landlord and the tenant, simply by offering an opportunity to do something together.

“But live streaming in particular is showing massive potential for return on investment.”

The live streaming market in Canada is currently worth over \$4 billion, and Weinswig anticipates this figure will double by next year as retailers are increasingly using the technology to leverage existing e-commerce operations and bring their dot.com to life.

“With live-streaming, the consumer can have a two-sided conversation with the host. And because shoppers can ask questions and see various sizes and colours in real time, they’re more likely to keep what they buy. As a result, merchandise returns are 50 per cent lower,” she says.

“Partnering with a live selling company is also an incredibly impactful way to put a fairly localized mall on the map.”

Weinswig suggests dedicated hosts could profile various items for customers who tune

in and later have the option of picking up their purchases curbside at their convenience.

But some shopping malls have capitalized on consumers’ wanderlust during the pandemic by bringing experiences directly to them even if they don’t live nearby.

“The opportunity to shop malls that were thousands of miles away helped make consumers feel as if they were on vacation in their city of choice, even though they couldn’t go there in person. In some cases, malls have partnered with restaurants to assemble meal kits with non-perishable items, so people can still enjoy their favorite dishes from the food court or the restaurant at that mall,” says Weinswig.

“Being able to go online and shop with smaller artisans in Canada from your apartment in Manhattan is a different way for people to engage and build relationships, while also turning the local into the international.”

■ *Barbara Balfour*

DIAMONDS AT OUR FEET



Jonathan Gray
President & COO
Blackstone Inc.

How does the post-pandemic Canadian real estate market look to a leading global investor? Jonathan Gray, President and Chief Operating Officer of Blackstone Inc., based in New York NY, spoke to us about his perspectives from across the border.

He sees the office market in Canada as better than in the U.S. because Canada's vacancy rates are still in the single digits. On the retail front, he says that malls are changing to focus more on entertainment than on shopping.

"It's more showroom. People will still congregate, but as we've seen, it will require more capital, and the rental growth won't be as good," Gray says.

As for the housing market, Canada has population growth on its side. "What we love about Canada is the immigration policy has been so good," Gray says. "If you think about it, you're likely to grow your population as we get out of COVID at double or triple the U.S. rates."

Amid increasing and substantial inflationary pressures, Gray says the key is for investors to position their portfolios towards greater growth and stay away from fixed income, bond-like assets. Overall, his message to Canadian real estate investors is positive.

"You're in a country that is pretty well run, that has very good population growth, a lot of good urbanization where it's hard to build. And the cap rates, which used to be much lower than the U.S., are now pretty comparable. I really do think the diamonds are at your feet. I think it'll be a good next few years in Canadian real estate."

Asked what makes a great real estate investor, Gray says: "Somebody who has a long term perspective and looks forward." Having experienced a few economic downturns, he also values another important characteristic: "Being somebody who keeps their wits about them when the world's going a little crazy." He describes his mentor, John Schreiber, retired Partner and Co-Founder of Blackstone, as "just a very thoughtful, analytical person who really taught me the business from the ground up and never got overly excited in any direction."

"You're in a country that is pretty well run, that has very good population growth, a lot of good urbanization where it's hard to build. And the cap rates, which used to be much lower than the U.S., are now pretty comparable."

At a time when health, wellness, equity, diversity and caring for our planet are foremost on people's minds, integrity is also key. Gray, a great philanthropist through the Gray Foundation which he runs with his wife, Mindy, says "As much as I love the investing business, when you think about your tombstone at the end of all this, it's probably not going to say, 'generated high IRS for investors.' How can you take what you've been given and have a positive impact?"

■ Michelle Morra

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June 2
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June 7
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Canadian Apartment Investment

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North Building

Montréal Real Estate Strategy & Leasing

September 20
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CALGARY REAL ESTATE FORUM

October 20
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Global Property Market

November 29
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PROMISING OUTLOOK FOR THE FUTURE OF OFFICE SPACE



Michael Emory
President, CEO, Founder
Allied Properties REIT

Nobody knows what the demand for office space will be after the real estate market has truly recovered from COVID-19. Michael Emory, President, Chief Executive Officer, and Founder of Allied Properties REIT, says the REIT's only difficulty during the pandemic has been investor sentiment.

"There is concern about, and a lack of visibility in relation to, the future demand for office space," Emory says. "Initially, people

"Everything we've seen over the last 18 months almost reinforces the conclusion that people are going to use office space as much as or more than previously."

speculated that the working-from-home experiment that we collectively went through would change how people work fundamentally forever. I think that speculation has not held up well as the real world started to assert itself again."

He says Allied's job is to continue to evaluate real, measurable human behaviour, report on it, and then allow rational conclusions and projections. Meanwhile his own outlook is positive. Allied has seen tremendous leasing activity over the last 18 months.

"Everything we've seen almost reinforces the conclusion that people are going to use office space as much as or more than previously," Emory says. "Every indication is that the vast majority of the people we serve or the organizations we serve, to be more precise, plan to have the office as the principal place where work is executed well into the future... but again, there's not enough data or human behavior yet to support that."

The key to success will be to offer distinctive urban office space, such as those new office towers in Toronto and Vancouver that have better building technology and are more

sustainable, more conducive to wellness. Even older towers needing upgrades will do well, Emory says, if owned by strong owner-operators who will upgrade them to contemporary standards and keep them competitive. He believes that "obsolete commoditized undifferentiated" product in Calgary might have difficulty recovering because that market doesn't have enough demand to warrant upgrades.

"Calgary just doesn't have the benefit of the demand velocity that we see in Toronto, Vancouver or Montreal," he says. "It's really the demand velocity that makes it economically worthwhile to upgrade buildings that need to be upgraded. If you don't have that demand, it's just not a good investment."

Emory points out that Toronto in the first half of the early 1990s had obsolete space that was converted to condominiums or hotels or, in some cases, demolished. The market has since thrived. "What happens is it basically gets eliminated from the supply," he says, "and that is part of the way the market recovers."

■ Michelle Morra

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