Top 10 Real INSIGHTS

Canadian Apartment Investment Conference 2021

Powered by

Altus Group

ISSUE 62

TOP 10 | REAL INSIGHTS | Canadian Apartment Investment Conference 2021 | ISSUE 62

INSIGHTS FROM INDUSTRY LEADERS DURING THE CONTENT FORMATION OF THE CANADIAN APARTMENT INVESTMENT CONFERENCE

1 GDP PREDICTIONS REVISED UPWARDS

Vaccine rollout expedites economic expansion.

2 INVESTOR APPETITE FOR APARTMENT ASSETS INSATIABLE

Investors attracted to this asset class as market fundamentals improve and the borders reopen.

3 RENTAL DEMAND PICKS UP

Pent up need from traditional demand drivers is released as borders (and businesses) reopen.

4 DEMAND FOR HOUSING PUSHES PRICES TO EPIC LEVELS

Surge in housing prices not just confined to Canada's major cities.

5 AFFORDABLE HOUSING MORE IMPORTANT THAN EVER

Middle and low- income workers are being squeezed out of the city costing billions in lost opportunities.

6 COVID-19 HAS IMPACTED HOME DESIGN

Homes are being reconfigured in order to accommodate a greater variety of tasks that are being performed within them.

7 PURPOSE BUILT RENTAL PIPELINE EXPANDS

In cities across Canada supply is trying to keep up with the country's growing population.

8 EVIDENCE THAT TENANT PREFERENCES ARE SHIFTING

The 6th Annual Tenant Preference Survey reveals key insights into the changing needs of tenants.

9 CONSTRUCTION PRICES PERSISTENTLY HIGH DESPITE NORMALIZING SUPPLY CHAINS

Demand for labour and material on both sides of the border will sustain high costs.

10 TECHNOLOGY UPGRADES MADE CRUCIAL BY PANDEMIC

Landlords' as well as tenants' reliance on technology has grown over the past 18 months.

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

Brought to you by informa connect
CANADIAN REAL ESTATE FORUMS

Powered by Altus Group

To access the Real Estate Forum portal, please visit: www.realestateforums.com

We welcome feedback. Please email: sarah.segal@informa.com

1. GDP PREDICTIONS REVISED UPWARDS

Vaccine rollout expedites economic expansion.

Despite a slow start, vaccine rollout gained speed in the second quarter of the year. As of August 2021, over 23 million Canadians were fully vaccinated against COVID-19, receiving the requisite two doses. This represents 60.6% of the population. Canada's vaccine uptake is one of the highest in the world.

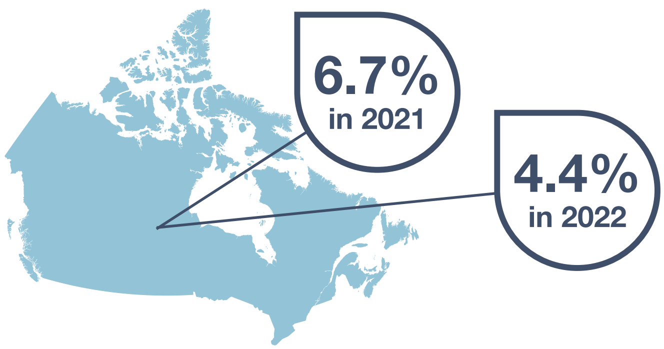
A growing rate of vaccination is resulting in the lifting of restrictions in many areas of the country. Households, in the meantime, are starting to spend the savings that they amassed in the last 18 months.

More Canadians are working too. In July, the country added 94,000 jobs, Statistics Canada reported. Job gains have resulted in a drop in the unemployment rate to 7.5% compared with 7.8% in June. Most of the jobs were added in Ontario and in the services sector. There were 35,000 jobs added in the accommodation and the food industry – an effect of loosening restrictions.

Canada is still 246,400 jobs below the pre-pandemic employment levels of February 2020. Douglas Porter, Chief Economist at BMO Capital Markets, predicts one more strong employment bump before the country "settles into a long slog" as job gains tied to reopening slow and the global economy starts to deal with the fall out of the Delta variant of the pandemic.

However, the Conference Board of Canada increased its spring forecasts for the economy. According to the Board, GDP growth will increase by 6.7% in 2021 and by 4.4% in 2022.

Canadian GPD Growth Forecast



"The reopening of the economy and the strong progress on vaccinations have given us reason to be more optimistic about the direction of the economy," Bank of Canada (BoC) Governor Tiff Macklem stated in a press conference on July 14. He also predicts a bumpy economic recovery with some scarring.

As a result, the central bank has held interest rates at 0.25%, where it's been since the early days of the pandemic. The BoC has said that it will not raise rates until the economy can handle an increase and doesn't expect to raise rates until H2 2022.

The bank forecasts that inflation will run about 3% into 2023, which is higher than its 2% target. Macklem says he will be monitoring inflation closely. "Sure, there is some uncertainty about this. We will be watching these effects; we will be watching the evolution of inflation very carefully."

In the meantime, the BoC has reduced its weekly purchases of federal bonds to $2 billion from $3 billion.

2. INVESTOR APPETITE FOR APARTMENT ASSETS INSATIABLE

Investors attracted to this asset class as market fundamentals improve and the borders reopen.

In the first half of 2021, total national multi family investment hit $6.2 B. This was an increase by close to 69%% compared to the same period last year, Altus Group reports.

Suburban assets in particular, are attracting investors. Altus Group's Q2 2021 Investment Trends Survey revealed that Suburban Multi-Unit Residential assets continued on an upswing, especially in Vancouver, Ottawa and Montreal. "Despite rising construction costs slowing new supply, persisting record-low interest rates are likely to continue driving demand."

Suburban Multi-Unit Residential cap rates remained stable at 4.34%. Calgary and Halifax were the only two markets to record rising rates, while Vancouver and Quebec City recorded a drop. All other markets saw no change in cap rates in Q2.

CBRE reports that national average cap rates for the low-rise Class A and B categories compressed in Q2 2021, falling by 3 bps and 2 bps, respectively.

At the beginning of Q2 2021, Avenue Living acquired three portfolios in Edmonton comprising more than 1,500 rental units for $275 M. These transactions doubled their holdings in the Edmonton market. The company acquired 331 units from QuadReal; the Maclab portfolio consisting of 874 units in seven different complexes; and the Huntington portfolio, which included 361 townhomes.

Greyspring Apartments acquired 10 low rise wood and brick buildings containing 412 units in the Saint Leonard neighbourhood of Montreal. The Domaine Choisy community was bought for just over $59 M.

Starlight acquired a portfolio of four properties containing 377 units in the Kitchener-Waterloo area for a total of $66,300,000 in Q2. In addition to the KW portfolio, Altus Group reports, the company acquired 465 units in the Greater Vancouver Area including the 100-unit Villa Maris complex in West Vancouver, for a recorded price of $101,300,000.

At the end of Q2, CAPREIT acquired seven apartment buildings in London, Ontario and six buildings in Victoria for a total of $214.5 M. The properties contain a total of 883 units – 548 units in London and 335 in Victoria.

CAPREIT has been active in Ontario's southwestern market during the pandemic. In 2020 it closed on the purchase of a property in Sarnia of 194 units. The REIT also acquired a six - storey building on 492 Springbank Drive in London containing 107 units. The two properties were bought for $50 M representing a price per unit of $166,113.

Homestead sold a portfolio of five Hamilton and London properties to InterRent REIT in a transaction valued at $170.7 M in mid - 2020.

"The multifamily asset class continued to perform exceptionally well over Q2 2021, and the sector continues to be a primary target for investors. Investment activity across markets has continued to mount and the country is on pace to set a record for national acquisition volumes once again in 2021," CBRE states. It forecasts that liquidity and pricing for rental properties will remain high over the remainder of 2021.

3. RENTAL DEMAND PICKS UP

Pent up need from traditional demand drivers is released as borders (and businesses) reopen.

Rental housing demand waned as the pandemic raged. CMHC reported that Canada's overall vacancy rate increased from 2.0% in 2019 to 3.2% in 2020. Despite this increase, most markets remained very tight.

"The economic impact of the pandemic has significantly reduced rental demand. Lower international migration, fewer student renters and weaker employment conditions led to weaker inflows of new renters. While vacancy rates increased in many centres, we continue to see a need for more rental supply to ensure access to affordable housing," stated Bob Dugan, CMHC's Chief Economist.

As the pandemic becomes more controlled, the reopening of borders has reignited demand for rental homes.

Data released by Immigration, Refugees and Citizenship Canada (IRCC) in May revealed that Canada received over 70,000 new immigrants in the first quarter of this year. This Q1 2021 figure is well above the 30,000-40,000 newcomers Canada had been landing on a quarterly basis since the start of the pandemic. The country is now on track to welcome 401,000 new immigrants in 2021, which is on par with government's new immigration plan.

New Immigrants 2020 – 2021

30,000–40,000	PER QUARTER IN 2020
70,000	Q1 2021
401,000	ANTICIPATED TOTAL FOR 2021

In October 2020, the Federal Liberals announced the 2021-2023 Immigration Levels Plan. The plan sets an immigration target of about 1% of the population for the next three years bringing the annual level of immigration to about 400,000 per year. This is the most ambitious immigration plan in Canadian history.

According to a survey conducted by Finder, about 1.5 million Canadians moved back in with their parents due to COVID-19, and 860,917 parents have said their kids have moved back home.

As Canadian Universities and Colleges return to in-person learning, many post secondary students are moving back to school and signing leases.

In Q2 2021 Toronto vacancy rates improved for newer purpose-built rental buildings. Urbanation reports that vacancy rates for projects that have been completed in the Greater Toronto Area since 2005 decreased from 6.5% in the first quarter of this year to 5.2% at the end of Q2. These rates, while improving, are still considerably higher than the 2.1% rate that was posted in Q2 2020.

The condo market is a major source of Toronto's rental supply. In the last four quarters, there were there were 50,000 condo lease transactions in the region. Leasing is particularly strong in the downtown core.

Shaun Hildebrand, President at Urbanation reports that GTA's vacancy rates and rents will go back to pre-pandemic levels by early 2023. "Units are starting to lease in multiple-offer situations again. Rents are rising very quickly. There's been a very dramatic reduction in available supply," Hildebrand told the Globe and Mail.

Rental housing demand is on the rise in cities across Canada. The average rent for all Canadian properties listed on Rentals.ca in July 2021 was $1,752 per month. This number is down 1.1% year-over-year (annually) but has increased by 1.8% from June. The average rental rate increased for the third consecutive month; however, it is still $200 cheaper than the market peak in September of 2019, the company reports.

Average rental rates increased the most in Vancouver. Between June and July 2021, rates increased by 6.3% to $2,185 for a one bedroom. The city is once again the most expensive place to rent a home in Canada.

During the pandemic, landlords had been offering incentive to lure potential tenants. In some markets this is still a prevalent enticement. Boardwalk REIT however, has pulled back its use of incentives especially in the Saskatchewan and Alberta markets because of higher demand.

Although CMHC reports that a record breaking 60,000 new units were added to the rental stock in 2020, supply has not kept pace with population growth in Canada. With over one million new immigrants expected over the next few years, supply will continue to tighten.

"Without meaningful housing policy to accelerate the development of rental, I think that we're going to find ourselves in this supply-constrained environment," said Mark Kenney, CEO of Canadian Apartment Properties REIT.

4. DEMAND FOR HOUSING PUSHES PRICES TO EPIC LEVELS

Surge in housing prices not just confined to Canada's major cities.

Housing prices have risen dramatically over the last year. In March 2021 the average price of a home had increased 31.6% year over year, according to the Canadian Real Estate Association (CREA). Prices have risen across the country in secondary and tertiary markets as well as in Canada's major markets.

Prices pulled back in the second quarter. Statistics released by CREA on July 15 show that prices were still up 16% year over year at the end of June. The number of home sales declined in April, May and June and is down 25% from its peak in March but this more a function of fewer listings.

Nathanael Lauster, Sociology Professor at University of British Columbia has referred to the situation as a "perfect storm." One that was brought on by the combination of ultra low interest rates and the pandemic which saw an increase in savings among potential homebuyers. Supply constraints are also contributing to this storm. The number of newly listed properties dropped by 8.8% from June to July.

"While the moderation of sales activity continues to capture most of the headlines these days, it's record-low inventories that should be our focus," said Cliff Stevenson, Chair of CREA. "We still have extremely unbalanced housing markets all over the country…"

In its annual, nationwide "Price per Square Foot" study, CENTURY 21 Canada compared the price per square foot of properties sold between January 1 and June 30 this year, compared to the same period last year.

Brian Rushton, Executive Vice President of CENTURY 21 Canada, says that there isn't one region that hasn't seen price growth across the country. There has been a price per square foot increase of 25% in Halifax for a detached home. In Owen Sound and Grey Bruce, prices are up more than 80%.

Prices in the outskirts of Greater Vancouver saw with largest increase, with Chilliwack prices up over 40% to $406 per square foot, Delta up 38% to $570 per square foot and White Rock/South Surrey up 44% to $625 per square foot. Kelowna also saw solid increases with prices up anywhere between 20% and 30%, depending on the home type.

June was an active month for the GTA new homes market as well. The total number of new home sales in the first six months of the year hit 24,060 – 25% above the 10-year average, according to Altus Group.

The total of new home sales in June, with 3,860 units sold, was 4% above the 10-year average.

"The demand for new homes remains impressive, in particular given the challenges homebuyers have faced in the past year," said Edward Jegg, Analytics Team Leader, Data Solutions, Altus Group. "New product brought to the market has not kept pace with sales, and as a result, relatively low inventories of product available to purchase continue to exert pressure on prices."

In June, the benchmark price for new condominium apartments was $1,058,366, up 5.9% over the last 12 months. The benchmark price for new single-family homes was $1,405,597 up 23.1% over the last 12 months, Altus Group reports.

5. AFFORDABLE HOUSING MORE IMPORTANT THAN EVER

Middle and low- income workers are being squeezed out of the city costing billions in lost opportunities.

As prices continue to skyrocket, home affordability issues are being pushed into the spotlight again.

A new study that was commissioned by the Toronto Region Board of Trade and WoodGreen Community Services reveals that expensive housing is squeezing out the middle class and lower income workers. Factoring in lost productivity and commuting, and the pressures employers are under to offer higher wages to attract and maintain their workforce, unaffordable housing is costing between $6 B and $8 B per year.

Unaffordable housing in Canada's major markets puts pressure on regions outside of the cities. During the pandemic, this was seen in the GTA, Vancouver and Victoria, writes Heather Scoffield in the Toronto Star.

With an election on the horizon, Canada's major parties are scrambling to put together an affordable housing action plan that will resonate with voters.

The current Liberal government has dedicated more than $70 B into affordable housing initiatives. It has imposed a 1% vacant home tax on foreign owned homes and has implemented a stress test to reign in risky borrowing.

The NDP is proposing higher capital gains taxes to deter real estate speculation. The party wants to build 500,000 new homes and prioritize rental housing development.

The Conservatives propose to disallow foreign buyer who are either not already living here or not planning to moving to Canada. The party also plans build one million new homes in the next three years to increase supply. They want to repurpose 15% of federally own properties for residential uses, explore office to residential conversions and defer capital gains taxes if developers reinvest into rental properties.

Addressing affordable housing does not just fall under the jurisdiction of the federal government however. Federal policies must work in conjunction with provinces and municipalities to create a comprehensive strategy that would see and increase in the supply of housing across the country.

In 2018, Ontario's Liberal government rolled out legislations permitting municipal governments to set inclusionary zoning requirements.

The City of Toronto is in the process of developing an inclusionary zoning policy that would require new residential developments to include affordable housing units, creating mixed-income housing.

Toronto's proposed Inclusionary Zoning policy would require developers to ensure that 3% to 10% of the total residential gross floor area of a development in certain locations be designated as affordable housing for a defined period of time.

Inclusionary zoning is not unlike measures already imposed in Montreal (LaPlante's 20-20-20 rule) and Vancouver's below market housing policies which are all targeted to increase the stock of affordable housing within Canada's largest markets.

The private sector is also throwing their hats in. n August, the Bank of Montreal pledged to commit $12 B to finance the development or refurbishment of affordable housing in regions across Canada. This financing will help enable the purchase, development, renovation and maintenance of affordable housing, social housing, community housing, shelters and housing for vulnerable populations.

"Governments alone cannot solve Canada's housing challenges. The private sector also has a role to play in building strong, vibrant communities for all," Romy Bowers, President & CEO, CMHC, said in support of this initiative.

6. COVID-19 HAS IMPACTED HOME DESIGN

Homes are being reconfigured in order to accommodate a greater variety of tasks that are being performed within them.

Having spent so much of the last year and a half at home, renters and homeowners alike are rethinking the qualities they are looking for in their home – features that would have made their quality of life better during the pandemic. The features they are requesting would also infuse a sense of calm, security and wellness within their homes.

“The pandemic has left a permanent change in the way we are designing homes,” says Brian Gluckstein, principal designer at Gluckstein Design Planning Inc.

Younger homebuyers’ priorities significantly have shifted with 68% indicating that safety and security are more important to them now than before, and 60% indicating that having outdoor space is more valuable than indoor square footage, according to Bank of America’s 2021 Homebuyer Insights Report.

These are sentiments that have also been revealed in the Sixth Annual Tenant Preference Survey results. Over 80% of respondents answered that they want access to outdoor space – most stated that they prefer their own private balcony. Currently only 53% of tenants have access to private outdoor space.

Social distancing measures and business closures have pushed people outside but as public outdoor spaces are often crowded people are prioritizing their personal outdoor space. Porches and balconies are being incorporated into more designs. In existing homes, people are looking at ways to maximize outdoor living with dining and living areas, fireplaces and water features.

Along this same theme, biophilic design is seeing a rise in popularity as people who have been made to stay inside seek a connection with nature. The demand for houseplants for instance, has increased by almost 400% since the pandemic started.

“Biophilic designers are incorporating stone, greenery, wood and natural fabrics to crate natural landscapes indoors,” Gayle MacDonald writes in the Globe & Mail.

Brighter spaces are in demand as people spend more time at home and Gluckstein has noticed a trend towards the use of lighter finishes and colours.

According to designer Dawn Chapnick, the hybrid home will be the new normal. Homes will need to be able to accommodate more people doing a variety of activities – like work, learning, exercise and living.

For this reason, the open-floor plan has fallen out of favour and there has been a move towards more versatile spaces that can be reconfigured as the need arises. While many people are looking to purpose built offices, those with space limitations are carving out workspaces using modular furniture.

In order to improve health and wellness elements in their homes, people are incorporating materials and items that are antimicrobial and easy to clean. Materials like copper, brass and bronze which have antimicrobial properties are in demand. Nanosceptic skins are increasingly being used in high touch common areas in both residential and commercial buildings.

Smart home technologies such as hands-free faucets, smart thermostats, automated lights and voice-controlled smart devices are ways in which people can reduce touch points and germ spread and there has been a rise in demand for these products.

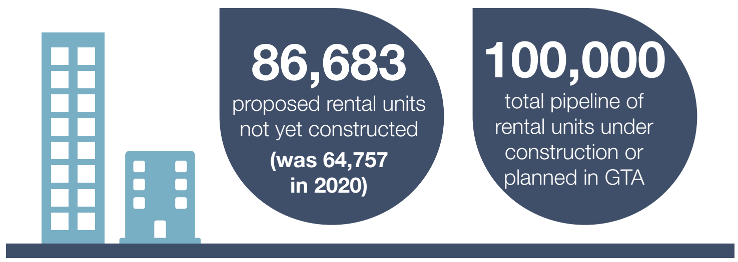
A survey conducted by The Harris Poll for Kohler in June 2020 found that 67% of parents with children under the age of 18 said that touchless kitchen faucets are a “must-have” for making their home healthier.

7. PURPOSE BUILT RENTAL PIPELINE EXPANDS

In cities across Canada supply is trying to keep up with the country’s growing population.

At the end of the first quarter of 2021, Urbanation reported that the number of purpose-built rentals under construction across the GTA totaled 13,563 units. Compared to five years ago, this level is more than twice as high. In Q1 2016 just 5,833 units were under construction.

“The total number of proposed purpose-built rental units that haven’t started construction reached a recent high of 86,683 units — 34% higher than a year ago (64,757 units) and bringing the total pipeline of rental units under construction and planned in the GTA to over 100,000 units,” the company revealed.



In Toronto, new rental projects are coalescing around the east side of the city.

In partnership with Context, RioCan REIT is embarking on the development of a 3.5-acre site at Queen Street East and Coxwell Avenue. The project, called QA Condos, will include a new building to replace the Toronto Community Housing Corporation’s existing 120 apartment units on the site. It will also include 367 new condominium units (of which most have been pre-sold), 183 market rental units, 50 affordable rental units, and 32 affordable rental units that will be sold to the city upon completion. A retail component of approximately 16,000 square feet will be located in a podium that will anchor the project.

This project forms part of the current pipeline of 1,609 condo and townhouse units under construction or in pre-sale by RioCan and its partners as of Q2 2021.

Tricon Residential acquired a 2.14-acre site also on Queen Street East just east of Sherbourne Street. On the site, which was acquired from ONE Properties for $129 M, Tricon plans to build to build two purpose built rental buildings of 24 and 33 storeys with a total of 805 units. The development will include an 80,000 square foot office component as well as a park. Construction is anticipated to begin in late 2022.

Tricon has thousands of rental units under construction in Toronto. On the approximate 12 acres that the company owns in the West Don Lands, it is developing upwards of 2,500 units, 30% of which will be classified as affordable. The first buildings are expected to be finished in 2023.

In other parts of the country, residential development continues at a similarly fast pace.

Starlight Developments has submitted plans to the City of Burnaby for a massive rental development. The proposal includes the retention of four concrete rental towers with 528 units and the addition of three high rise concrete towers and 1,200 new rental homes at a total of 1,728 suites when the development is completed.

Citing a lack of downtown purpose-built rental in Calgary, BOSA developments opted to switch their Arris Tower from luxury condos to rental homes. This was the first concrete high-rise in the city to convert entirely from condos to rentals. The 190-unit building was 25% preleased before marketing had started.

The project is a joint venture with RioCan REIT consisting of two towers, 24 and 42 storeys, on top of the commercial podium which will house a Real Canadian Superstore. The buildings comprise just over 500 rental suites in total. BOSA expects the construction of the second tower to take about two years. Occupancy has already begun for the first tower.

A two-tower development is in the pre-development phase in downtown Edmonton at 102nd Avenue and 106th Street. On the 37,340 square foot site, Edgar Development is planning to build 730 luxury rental units within two buildings of 36 and 40 storeys. The buildings will sit above a four-storey podium.

Construction began this summer on the first phase of Devimco Immobillier's major transit-oriented development in downtown Longueuil by the Université-de-Sherbrooke métro station in Greater Montreal. Ground has broken on the two Sir Charles condominiums; construction will follow on two 22 storey rental buildings. When completed, the entire project will contain of 1,612 housing units – upgraded from the original plan of 1,200 units.

EMBLEM is a new comer to the development industry. Launched in 2018, the company has about 4,500 multifamily residential units representing $2.8 B in value. All units in their development pipeline are located in Ontario and while their focus is on condominiums, they have also embarked on purpose built rental projects.

Their Robinson Village in Ottawa will consist of four rental buildings consisting of a total of 300 units. The property is near the University of Ottawa and the Lees light rail transit station. The first three buildings will be completed in 2022, according to Kash Pashootan, Founder of EMBLEM.

In Halifax, Universal Realty Group is redeveloping a Class B high-rise office building at 5670 Spring Garden Road. The building is being converted to a purpose-built apartment called The Muse to help meet soaring demand for rental units in the city.

8. EVIDENCE THAT TENANT PREFERENCES ARE SHIFTING

The 6th Annual Tenant Preference Survey reveals key insights into the changing needs of tenants.

At the time of writing, the 2021 Tenant Preference Survey had just ended. Over an 11-week period between May 31 and August 16, over 36,000 responses were collected from rental tenants across Canada.

Responses came from tenants residing in all of the major housing categories: condos, purpose built rental buildings, townhomes, houses; in older buildings and in newly constructed properties. This year, many of the responses came via survey links sent through property management software, such as the one offered by Yardi. In previous years, landlords sent out links via email, a less streamlined method.

This multi-residential survey is one of the most comprehensive in the industry, giving stakeholders a powerful market research tool that will help them to strategically position their properties. Responses are broken down by city, tenant age and income range, rental type, number of dependents. There are many ways to drill down into the thousands of data points that have been collected over the last six years.

Here are some of the trends that are being closely watched:

In this year when a premium was placed on space, respondents revealed that they would prefer a unit in a new complex with enhanced amenities and features rather than in a unit that was larger in an older building.

Outdoor space became even more important to renters. So did a place to store their deliveries. As online purchasing became entrenched, the need for automated lockers, such as the one provided by SNAILE, did too.

Kitchen upgrades were categorized above renovations to any other aspect of the units, reflecting the increased amount of time tenants spent dining this year. Tenants have also indicated how much they will be willing to pay for upgraded appliances, cabinetry and backsplashes. The dashboard and accompanying trend report will specify the actual dollar value tenants attach to these upgrades and to many more building features and amenities.

Last year's survey was conducted a few months into the pandemic and the top three building features as ranked by tenants were: private balconies, abundant natural light and soundproof walls. Soundproof walls rose in ranking from eighth place to third.

The numbers are still being crunched but more will be revealed at the Canadian Apartment Investment Conference where Amy Erixon, President of the Global Investment Management Group Avison Young-Investments (Canada) Inc., will present the results of the Sixth Annual Tenant Preference Survey.

9. CONSTRUCTION PRICES PERSISTENTLY HIGH DESPITE NORMALIZING SUPPLY CHAINS

Demand for labour and material on both sides of the border will sustain high costs.

Rising construction costs have impacted multi-residential development. The pandemic has caused labour shortages and material shortages as well as lost productivity.

According to research from Altus Group, housing developers in the Greater Toronto Area will experience the worst increase in prices with overall costs associated with construction projected to rise by 5% by the end of 2021. Other Canadian markets will see slightly lower cost increases ranging from 1% to 4%.

Over the last few years, multi-family residential projects in the Greater Toronto Area have witnessed a higher rate of construction cost escalation than any other city in Canada. Ongoing housing shortages, and immigration numbers that are likely to recover as soon as pandemic restrictions are lifted. David Schoonjans, Senior Director, Cost & Project Management at Altus Group says that this cost trend will continue for the next several years.

"Even if new condo sales were to drastically decline—which seems unlikely—it would still take years to complete the glut of projects already under construction and those soon to break ground and thus free up capacity," he says. "And even once pandemic-related cost escalation has subsided, the GTA will still be dealing with robust demand and strained resources for the next several years."

Turner & Townsend (T&T) Canada released its annual International Construction Market Survey this summer. In it, it lists the average construction costs per square meter based on market data from both the residential and ICI sectors.

The costliest cities in Canada to build are Toronto at $2,167 per square metre, followed by Vancouver at $2,117 and Ottawa at $2,076 – values are in US dollars.

COST TO BUILD (PER SQUARE METRE)	$2,167 Toronto	$2,117 Vancouver	$2,076 Ottawa

The average cost of labour across a cross-section of job roles in Toronto is $52.9 per hour and $53.1 per hour in Vancouver – double what it is in US markets such as New York and San Francisco.

"What the survey has demonstrated is that there is a continuing shortage of skilled labour to execute the projects," said Darren Cash, who is the Director and Head of Cost Management at the company.

A lot of has been said about the price of lumber which peaked in May 2021 at $1,600 per 1,000 board feet.

Paul Jannke, Principal at Forest Economic Advisors said that prior to the pandemic, the five-year average price of lumber was about $380. Looking forward, he says industry experts expect "the new average for lumber prices" to be between $500 and $550 per 1,000 board feet. Prices are not expected to go down any further.

One of the key drivers of escalating construction costs is US President Joe Biden's infrastructure plan to commit 1% of GDP into projects including transport, utilities, broadband networks and renewable energy over eight years.

"President Biden's infrastructure agenda in the US is driving both material and supply shortages," Cash noted. "It's a very aggressive infrastructure spend. It's something that because of the sheer volume of it and the scale across all the states it's going to soak up a lot of the labour and the material. Our countries are interlinked and what happens in the US typically impacts the Canadian market."

10. TECHNOLOGY UPGRADES MADE CRUCIAL BY PANDEMIC

Landlords' as well as tenants' reliance on technology has grown over the past 18 months.

One of the pandemic's impacts on the real estate industry, has been the adoption of new technology. This has been witnessed across sectors, and in particular, within multi-family asset class. This has affected how landlords use technology to manage their properties, but the pandemic has also affected how tenants use technology within their homes.

Although many of these changes were coming, the pandemic caused an acceleration of the adoption of these changes.

"It accelerated some trends already underway, but I was surprised how quickly it accelerated trends like self-touring," John Helm Founder of Real Estate Tech Ventures said.

SmartRent, for example, provides home automation solutions, parking management as well as self-touring software. In 2020 200,000 self-guided tours were completed using their software. The company was founded in 2017 and has received $100 M in funding.

Before permitting a prospective tenant to tour a property, many companies are employing CheckpointID, a software that provides touchless ID verification for multifamily properties. According to Helm, as COVID-19 spread, sales of this software grew.

Toronto-based start-up Rhenti is a cloud-based leasing platform designed to connect property owners with renters. The company's platform provides free credit reports, validates listings, generates more renter visibility. Rhenti also provides services like virtual tours, professional photography and viewing management. The platform offers access to market data that can help landlords establish a unit price, and active notifications that allow for on-the-fly price adjustments to reflect the frequently changing behaviours of renters.

To improve tenant experience during the pandemic and to help mitigate the spread of COVID-19, many residential communities adopted or are planning to adopt touchless technologies that reduce person-to-person contact with surfaces, according to David Wolf, President and CEO of Wolf Development Strategies.

Pre-pandemic, parcel storage has challenged many property managers. During the pandemic, this challenge has been exacerbated as many tenants turned to online shopping. Companies such as Snaile and LocKourier have seen increased demand for their products this past year.

"We are seeing an increase in condominium inquiries looking for a low-contact solution for parcels, instead of having to rely on face-to-face interactions or their concierge," said Snaile CEO Patrick Armstrong. Snaile operates lockers in almost 600 locations in 23 Canadian. The company also provides both refrigerated and freezer smart lockers.

As people conduct work, school, social activities within their spaces, the need for strong and reliable internet access has been crucial.

"Apartment design must accommodate this increasingly tech-dependent way of life by, for example, ensuring that there are no "dead zones" in a renter's living space and offering different connectivity options for them to choose the provider that best fits their requirements," said Andrew Freitas, Head of Canada, WiredScore.

In a recent survey conducted by the company, 80% of renters said they agreed that having a home with high-quality internet access is essential and that they expect their Wi-Fi connectivity to work like any other utility. On the other side of the coin, 55% of all business executives say they have had issues with employees struggling with reliable internet at home.

As a result of these challenges, WiredScore has launched WiredScore North America Home to ensure a "best-in-class renter experience" by helping residential landlords in North America navigate in-building technology.