WINTER 2022
ISSUE 91

# Canadian Real Estate Forums

## NAVIGATING ICEBERGS OF UNPREDICTABILITY TO MOVE FORWARD



REALESTATEFORUMS.COM

# MOVING FORWARD WHILE NAVIGATING BETWEEN UNPREDICTABLE ICEBERGS

Roelof van Dijk
Executive Director
Real Estate
Global Finance | Informa Connect

What a year this has been for us all! It has been exceptional seeing everyone across the country come back together in person. 2022 was the year that many expected everything to get back to "normal", but once again we found ourselves recreating the way we live, view others, and of course do business. The normal we are getting back to is not the same normal we left in 2019, and everything is more expensive!

Although we have seen a reversal, even if only partial, of many pandemic-fueled trends, but the world does not stand still, and new dynamics are at play. Many of us continue to look within ourselves and reconsider our values, our culture, the way we do business – taking stock and coming to conclusions of what's "really" important. However, persistently high inflation has driven up costs for not only the commercial real estate sector, but for everyone, prompting the Bank of Canada to rapidly increase its Overnight Lending Rate throughout the year. And although labour shortages remain rampant in certain sectors, other sectors have started to see a slowdown and even layoffs.

The impact on commercial real estate has been broad based. Development activity has never been for the faint of heart, but even the unblinking veterans of the industry are in uncharted or seldomly navigated waters, traversing between unpredictable icebergs! Investors and lenders running the math on every deal multiple times as they do their due diligence and trying to determine where the market is. Furthermore, regardless of commercial real estate type, landlords and tenants continue to dance as everyone tries to figure out what types of spaces are going to be needed going forward.

On that note – the 31st "Toronto" Real Estate Forum is upon us, marking a full year of the return to in-person events. From investment and leasing to development and financing, real estate gurus will provide the lay of the land and offer up guiding principles and best practices for the way ahead. Furthermore, keynote speaker Joe Jackman will shine light on the reinventionist mindset and how to thrive in an era of disruption.

Breaking down barriers and creating accessibility has long been a fundamental cornerstone of our events, and this year the Real Estate Forum is no exception as we introduce the inaugural "Empowering Women in Commercial Real Estate Luncheon", and continue our "Outstanding Young Leaders Award" for 2022.

This year we have welcomed almost 14,000 attendees through the doors of our forums and conferences, and I would like to take this opportunity to extend my sincere thanks to all of you, as well as our sponsors, industry members, chairs, and speakers. We define our success by your success at our events, and we will strive to keep the conversation moving forward, facilitating even more connections, and to continue disseminating relevant market intelligence.

Our Real Estate Forums' Team has grown this year, as many of you have noticed, and I would like to take this opportunity to thank the entire team for all the hard work and long hours that they have put in this year in making all the Real Estate Forums and Conferences across the country a success.

Last but not least, I would like to thank George Przybylowski for launching the first Real Estate Forum in Toronto with industry executives back in 1992. He has been a mentor to the entire Real Estate Forums' Team and myself, and although he is turning off his computer on March 1st, 2023, we know he will still be available for a chat with all of his industry friends.

We hope you find the Real Estate Forum on November 30th and December 1st both insightful and valuable. We are back at the Metro Toronto Convention Centre where you will have the opportunity to shake hands with almost 3,000 of your nearest and dearest commercial real estate friends and colleagues that you may not have seen over the last few years. On behalf of our Team, thank you for attending our events in 2022, and we look forward to seeing you and discussing the issues impacting your market as we look ahead to 2023.

Best wishes to you and your families for a happy, healthy holiday season and a safe and successful 2023.

Roelof van Dijk

License # 10172



ABOUT THE CANADIAN REAL ESTATE FORUM MAGAZINE
The Canadian Real Estate Forum Magazine is published three times annually. Editions coincide with key Canadian Real Estate Forums and associated markets:

Spring: Montréal • Vancouver • Edmonton
Fall: Ottawa • Calgary
Winter: Canada-wide • Global

E-magazines are available at – realestateforums.com
Select Tab: "Market Insights"



# CONTENTS

## EDITORIAL



## ALTUS GROUP REPORT



## ECONOMIST'S COLUMN



## REALINSIGHTS



## COMMERICAL MARKET STATISTICS

## GLOBAL



## TORONTO


At Chicago Title Insurance Company Canada we believe that apart from building a solid and profitable business, we are also responsible to be stewards of the communities where we operate. Over the years, we have fostered localized connections through various philanthropic initiatives that strengthen the fabric of Canada from coast to coast.

Following are few initiatives that we are incredibly proud of:

- Fully funded the construction of a library that will empower 200 girls in Cambodia.
- Funded an apartment to help homeless families in the Women and Families Centre in Vancouver's Downtown Eastside.
- Partnering with Labre House in Montreal to provide shelter to 36 people experiencing chronic homelessness.
- Pledged to adopt a Youth homeless shelter in Toronto for the holiday season this year.
- Supported over 40 local charities across Canada in the last three years.

## CONTACT US TODAY TO LEARN MORE

**Patrick Flatley**

*Vice President*
*Commercial Title Insurance*

*Phone: 347- 859 -5887*
*Email: pflatley@ctt.com*

**Robert Mariani**

*National Vice President*
*Title Insurance Sales, Canada*

*Phone: 514-592-4485*
*Email: rmariani@ctt.com*

**Nicole Wintjes**

*Vice President*
*Commercial Title Insurance*

*Phone: 416-697-2826*
*Email: nwintjes@ctt.com*

**Carlo Parrotta**

*Vice President*
*Commercial Title Insurance, Western Canada*

*Phone: 604-353-1607*
*Email: cparrotta@ctt.com*

**www.chicagotitle.ca/wp-content/uploads/Financial-Strength-and-Corporate-Social-Responsibility-Report.pdf**

# THE ALTUS REPORT

*In this issue of the Altus Report, we discuss real estate investment trends in the major urban market areas and focuses on the Greater Toronto Area.*

## MAJOR MARKETS SHOW RECOVERY WEATHERING THE EVER-EVOLVING CHANGE IN THE CANADIAN MACROECONOMIC ENVIRONMENT

Raymond Wong
*Vice President*
*Data Solutions*
*Altus Group*

Mahek Shah
*Senior Research Analyst*
*National Research Insights*
*Altus Group*

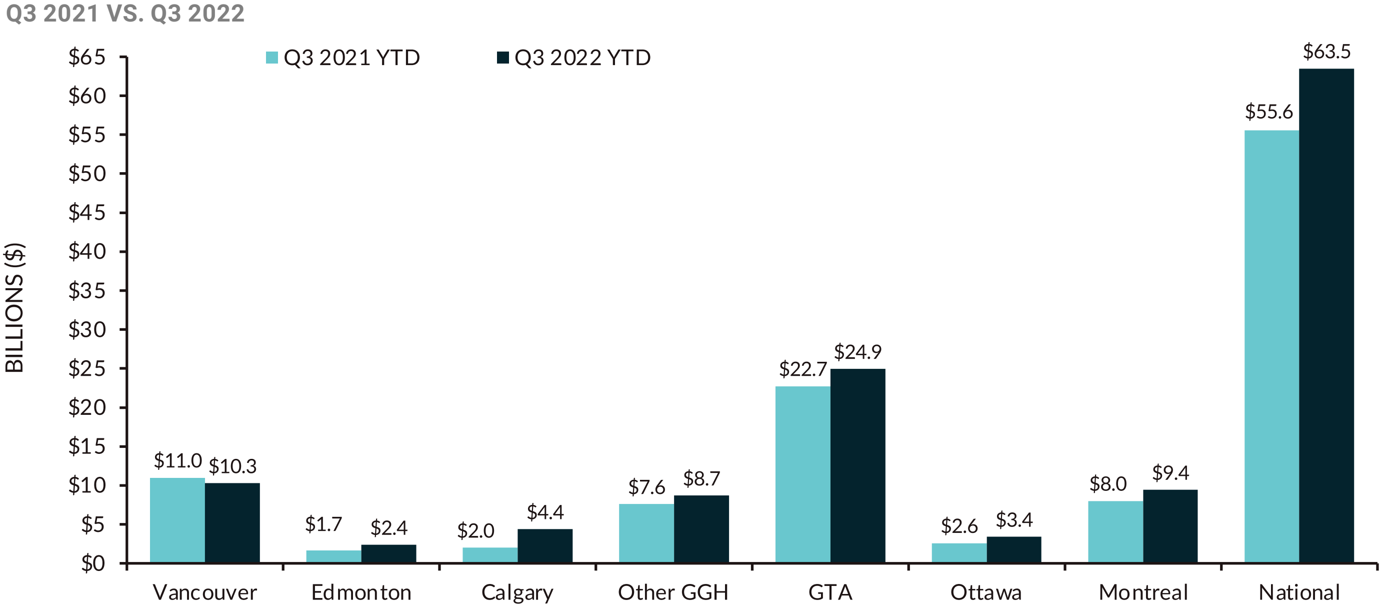
The commercial real estate industry has faced many challenges within the 2022 year. It has been riddled with high inflation and a high cost of construction, and also been privy to interest rate hikes and a likely pending recession. Despite facing these challenges, the Canadian commercial real estate industry has displayed resiliency. Canadian investment volume sat at $63.5 billion as of the third quarter of 2022, nearly a 14% growth year-over-year. Investment volume rose across all asset classes nationally, with the exception of the hotel and multi-family asset classes.

As of October 2022, employment rose by 108,000, recouping the losses from May to September, with the unemployment rate sitting steady at 5.2% when compared to September, but still above its record low of 4.9% noted earlier this year, according to Statistics Canada. This depicts that despite inflation being high, employment is up, and the labour market remains tight. Gross Domestic Product (GDP) has edged up slightly in July and August, with gains being propelled by the service-producing industries, and a slight decline in the goods producing industries. The declines noted in goods producing industries were led by manufacturing, oil and gas extraction, as well as the construction sectors. While GDP inches up slowly, the Canadian economy continues to suffer from high inflation levels and is further riddled with rising costs. The cost of borrowing has been steadily rising throughout the year, in addition to the rising cost of construction, which may be causing developers to delay potential projects, and is reflected in the decline in activity in the construction residential sector

**Most major asset classes show resiliency and growth year-over-year**

Over the past two years, the Canadian commercial real estate space has faced one challenge after another and has continued to show growth. This trend has continued into 2022. When looking into the major asset classes, there has been growth in investment activity across most sectors with the exception of the hotel and multi-family asset classes. The land sectors (ICI land and residential land) have shown the strongest sales proceeds when looking at the first three quarters of 2022. Growing 27% year-over-year, they sit at a combined investment volume of $23.9 billion. This rising demand for land can be attributed to

**Figure 1: Total Investment Activity**
**Q3 2021 VS. Q3 2022**




Source: Altus Group

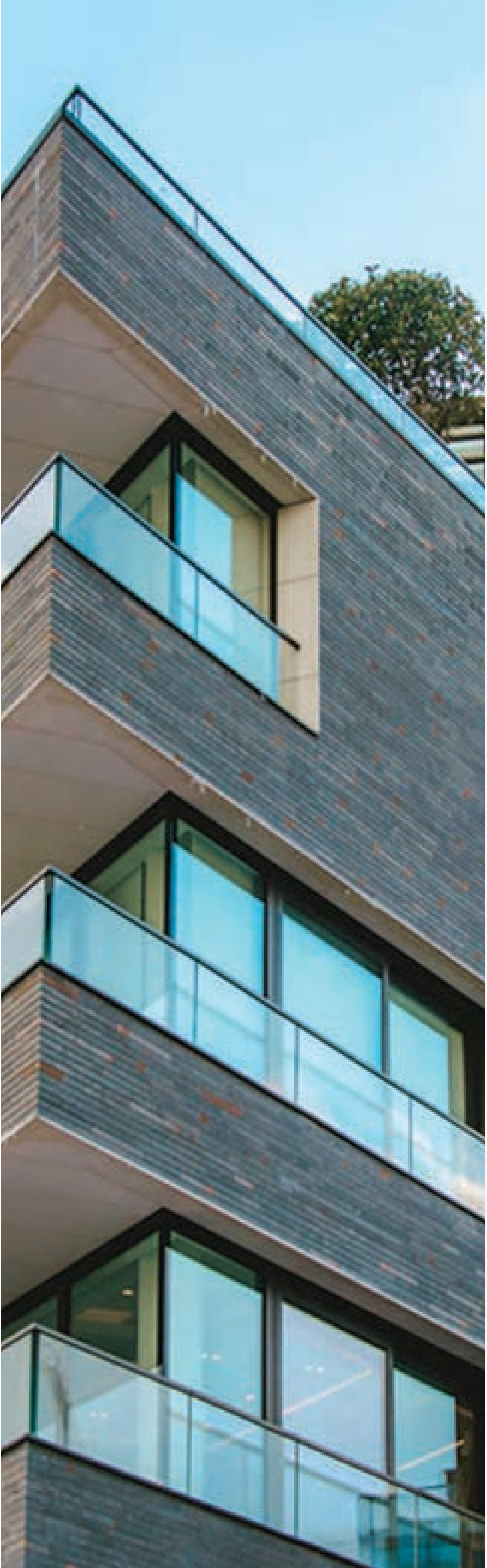
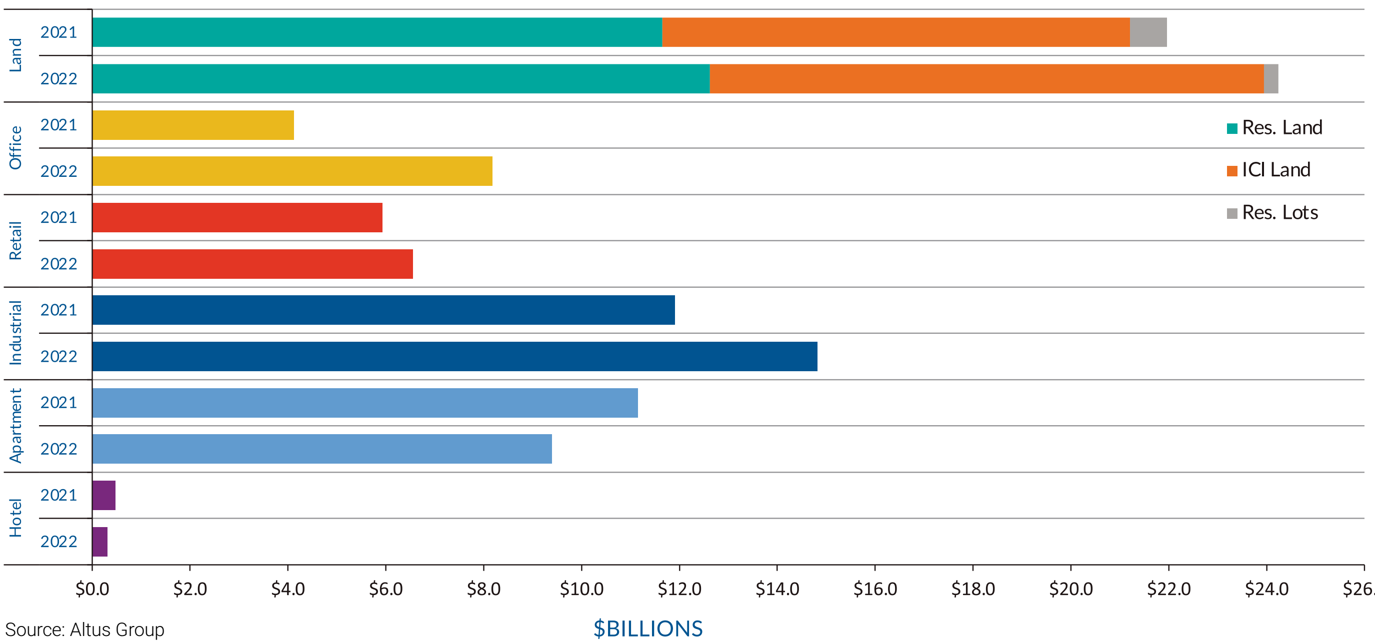




**Figure 2: Property Transactions by Asset Class**

**NATIONAL, YTD Q3 2021 VS. YTD Q3 2022** Source: Altus Group




Source: Altus Group

investors purchasing land to build future product in order to meet demand, especially industrial, food-anchored retail, and multi-family assets, as these were the among the top five most preferred assets among investors according to Altus Group's Q3 2022 Investment Trends Survey.

The industrial sector also continues to grow, with $14.8 billion worth of industrial product being traded as of the third quarter of 2022, a 24% rise as compared to the first three quarters of 2021. The industrial market remains hot, as pent-up demand persists, and supply continues to lag. While the demand for the product remains hot, the industrial asset class is feeling the impact of the rising cost of financing and higher construction costs. Investors are facing potentially negative leverage when seeking deals in the asset class, and thus some deals are becoming increasingly hard to justify for some. The retail asset class has also noted a 11% increase in investment volume, recording $6.6 billion in sales proceeds. (Figure 2).

Interestingly, the multi-family asset class has suffered a decline in investment volume, registering $9.4 billion in the first three quarters of 2022, a 16% decline from the same time period last year. Being such a coveted asset, this decline is not due to a drop-off in the desirability of the asset class, instead, it is because investors are holding on to their multi-family product. With interest rates rising, and housing unaffordability remaining high, these assets are being held on to by investors. Another factor making multi-family assets a secure investment are immigration levels. As of 2021, 23% of the Canadian population now consists of immigrants, with this number projected to grow to 34% by 2041 according to Statistics Canada. As the population of the country continues to grow, so will the demand for housing, with this being a positive indicator for the rental market, and in turn, for the multi-family asset class.

Despite not having the highest sales proceeds, year-over-year growth in investment volume was led by the office asset class nationally. Sitting at $8.2 billion in sales as of the third quarter of 2022, the office sector has almost doubled in investment as compared with the same time period last year. This growth can not only be attributed to a return in investor confidence for the asset class, but also a few notable transactions conducted over the year. Some examples include The Bow and Western Canadian Place in Calgary, both of which were registered in the first quarter of 2022, accounting for most of the Calgary office dollar volume in the first half of the year amounting to nearly $1.7 billion. The office market is also seeing a shift in purchaser profiles, going from major institutional purchasers to private players in the market.

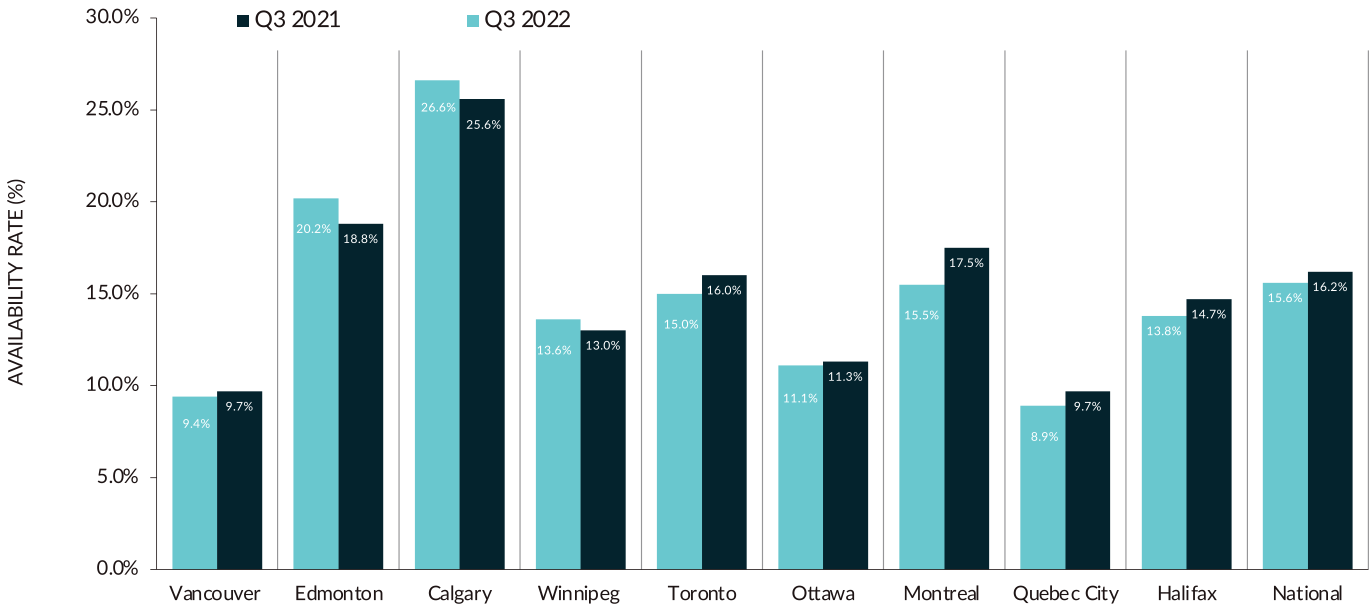
Most major asset classes within commercial real estate report continued growth year-over-year, even amidst the volatility faced, and are likely to surpass last year's investment volume level if this trajectory is maintained. As we head into the final quarter of the year, it will be interesting to see how the asset classes fare, especially among talks of a recession, and the impact of the rising interest rates becoming more evident.

**Availability rates see a slight uptick as office tenants continue to adapt to ever-evolving employee needs**

The office asset class has bounced back when looking at national investment volumes, and this trend is reflected when looking at the Greater Toronto Area (GTA). For the first three quarters of 2022, the GTA recorded $3.5 billion in investment volume, doubling from the same time period last year. This spike in investment volume occurs as people begin to head back into their offices. According to Statistics Canada, hybrid work has continued its upward trajectory as 8.6% of people work a hybrid arrangement, and the percentage of people working exclusively from home has dropped to 16.3% as of August 2022. With people slowly transitioning back into the office, leasing


TURN YOUR COMPANY
INTO A COMMUNITY
jll.ca
JLL
SEE A BRIGHTER WAY

**Figure 3: Office Availability Rate**
**Q3 2021 VS. Q3 2022**

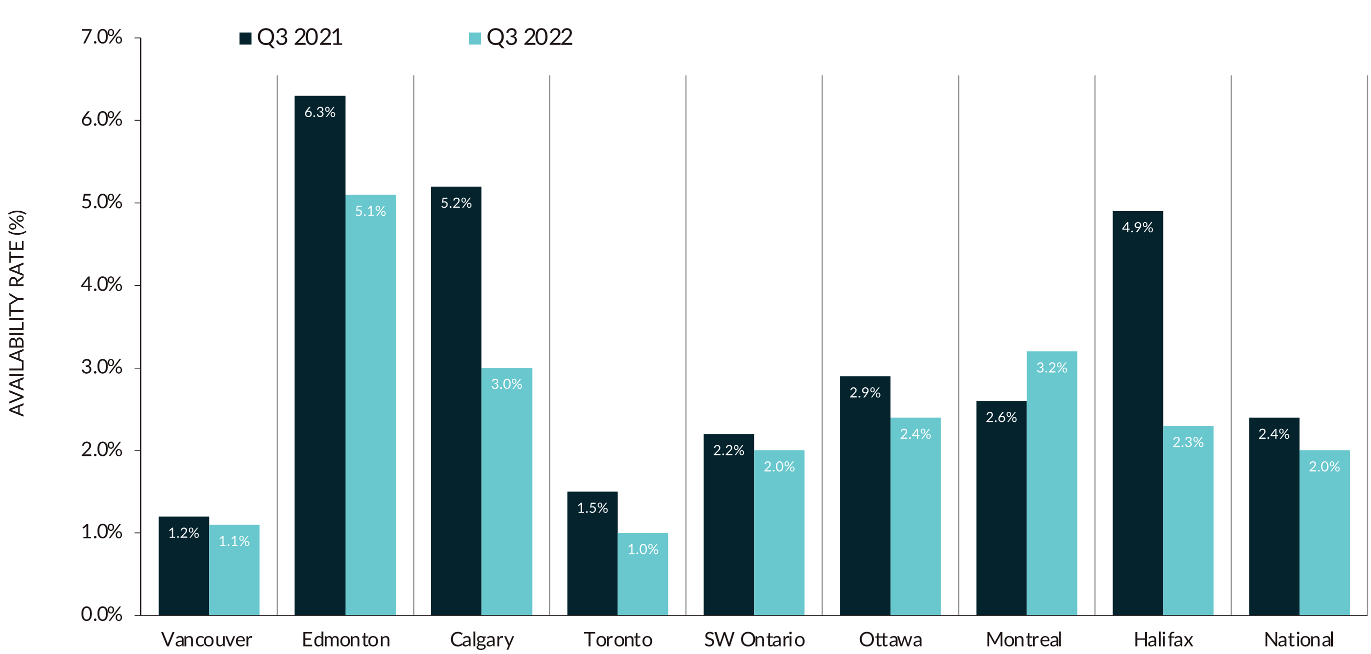



Source: Altus Group

activity is also elevated compared to the previous year, however, there is a clear preference for Class A assets in the GTA. This can be seen in the Class A availability rates which sit at 13.4% in Downtown Toronto, as opposed to the overall availability rate of 14.7%, which also includes Class B and C assets. Despite this, leasing demand is slowing across the country, as employers continue to determine their office needs, with some choosing to reduce their office footprints, while others keep their office spaces. This is reflected in the higher availability rates across our major markets as illustrated in Figure 3. The rise in investment volume can also be attributed to some notable office transactions done throughout the course of the year, of which the office transactions conducted in the GTA are noted later in Table. This increase in activity is also a result of evaluations done on portfolio strategy to rebalance portfolios, leading to a reallocation of assets.

In order to incentivize employees, employers are upgrading their office spaces. The office asset is no longer just one used for individual work and productivity maximization, rather it is a space for companies to establish their culture and promote socialization among employees. The office asset is accommodating additional amenities which draw employees back to the office and creating spaces which promote collaboration and ideation. Furthermore, flexibility in offices is now preferred, which will allow employers to modify their offices as employees' needs change. As

**Figure 4: Industrial Availability**
**Q3 2021 VS. Q3 2022**




Source: Altus Group

**Table 1: Featured Office and Industrial Transactions –Toronto**
**Q1 2022 – Q3 2022**

| Market | Submarket | Date | Address | Purchaser(s) | Price | Tenancy type | Building size |
|---|---|---|---|---|---|---|---|
| GTA | Old Toronto, ON | 02/01/2022 | 200 Bay Street (North and South Towers) | Pontegadea Group (Pontegadea Canada Inc.) | $1,163,000,000 | Multi Tenant | 1,471,730 SF |
| GTA | Old Toronto, ON | 04/26/2022 | 121 King Street West | AIMCo Crestpoint Real Estate Investment Ltd. | $379,250,000 | Multi Tenant | 540,000 SF |
| GTA | Mississauga, ON | 04/06/2022 | 90 Matheson Blvd West 110 Matheson Blvd West 100 Milverton Drive 55 Standish Court | Crown Realty Partners | $208,600,000 | Multi Tenant | 899,675 SF |
| GTA | Mississauga, ON | 04/28/2022 | 2000-2210 Drew Road 2135-2525 Meadowpine Blvd 2446 Cawthra Road 5655-5780 Timberlea Blvd 5630-5650 Tomken Road 7299 David Hunting Drive | LaSalle Investment Management | $294,300,000 | Multi Tenant | 809,316 SF |
| GTA | Brampton, ON | 05/09/2022 | 100 West Drive | Crestpoint Real Estate Investment Ltd. | $244,000,000 | Single Tenant | 883,863 SF |
| GTA | York, ON | 02/28/2022 | 250 Bowie Avenue 670 Caledonia Road 680 Caledonia Road | Hullmark Ltd. BentallGreenOak Inc. | $100,000,000 | Multi Tenant | 265,000 SF |

Source: Altus Group

these trends continue to develop, and the "wait and see" attitude around office product persists, it will be fascinating to see how the traditional office model continues to evolve.

**Industrial demand remains elevated as availability rates drop**

The industrial asset class has continued to experience elevated demand, further exacerbated by the pandemic and global supply chain disruptions. As a result, availability rates for industrial product nationally, and in the GTA have continued to drop. As of the third quarter of 2022, the GTA industrial availability rate sat at 1.0%, down from the 1.5% recorded in Q3 2021 (Figure 4). While availability rates drop, it is of note that the investment volume for industrial assets has stayed mostly steady year-over-year. In the first three quarters of 2022, the industrial asset class recorded $5.5 billion in sales proceeds, a meagre 1% rise as compared with the same time in the previous year. This can be attributed to many factors, one of which is the rise in interest rates. As the cost of financing continues to get higher, it is becoming increasingly harder for investors not only justify the price of industrial assets, but also to arrange for financing. Moreover, the cost of construction is also high, further adding to constraints faced by investors. The small rise in investment volume can also be attributed to the lack of supply in the market. New industrial product is rapidly snatched up by investors as soon as it hits the market, and with the product being so swiftly absorbed, supply is unable to keep up, leading to a potential slowdown in investment volume. Rents are also getting higher for industrial product, and the demand for industrial land has gotten stronger over the past year. This shows that while the cost of building the asset may be high, it is favored by investors as it is likely to provide good return and offers flexibility. Demand for warehousing and distribution space remains high, especially as there is a shift from the "just in time delivery" method to the "just in case" strategy, whereby retailers are needing the space to store merchandise in case of a spike in demand for products. Lastly, there is a note of hesitation regarding industrial product in investor sentiment. This is because while retail sales were up in August, they posted a decline in July, according to Statistics Canada. This further shows that there is an impact to the economy and consumer purchasing power as a result of high inflation and rising interest rates. This may impact the demand for industrial assets as a dip in consumer spending may ultimately mean less use of industrial assets.

Despite facing these challenges and economic headwinds, industrial demand is expected to remain elevated, with the constraining space being a large factor. Particularly in the GTA, there is a certain amount of space which can be dedicated to industrial product, and this poses a challenge for developers. Developers may be incentivized to innovate to create space and provide industrial product owners the ability to further expand. However, until more space can be created, and innovation becomes more prominent, demand for industrial product, especially within the GTA, will remain tight.

The most notable office and industrial transactions are highlighted in the table above. These transactions reflect the rising prices of industrial product, and office assets trading hands, indicating a return in investor confidence to the asset class.

With the 2022 year coming to a close, the Canadian commercial real estate industry has fared well, on track to surpass last year's investment levels. Industrial demand continues to persist, with any new product on the market quickly being absorbed. These trends are reflected not just in the GTA but also across Canada. As we progress into the end of year, we will be watching to see how the Canadian commercial real estate industry adapts and continues to evolve. ■

As an owner, operator, developer and investor of best-in-class real estate we aim to create a sense of place for the long term, ensuring our properties are woven into the cultural fabric of cities around the world.

With both global horizons and local roots, we have our sights set on a sustainable future. As this journey continues, our purpose has never been clearer: **we're transforming communities for a vibrant tomorrow.**

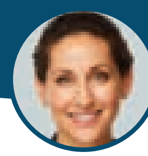
# Canadian Women in CRE

## Inaugural Annual Luncheon at the Real Estate Forum

November 30, 2022 • Metro Toronto Convention Centre

Moderator

**Jaime McKenna**
Managing Director &
Head of Real Estate
Fengate



**Ruth Fischer**
Managing Director
Québec
CBRE

**Karen Sweet**
Managing Director
Canadian RE Practice Lead Accenture and President
Toronto CREW

Sponsored by

CBRE | LAND SERVICES GROUP

FENGATE

ARTEMIS REAL ESTATE PARTNERS


HUMBER

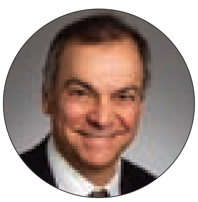
GORDON S. LANG SCHOOL of BUSINESS AND ECONOMICS

LAURIER Inspiring Lives.

Schulich School of Business York University

Toronto Metropolitan University

# INTEREST UP, PRICES DOWN: "IT'S GOING TO BE A LONG WINTER"



Benjamin Tal
*Managing Director*
*& Deputy Chief Economist*
*CIBC Capital Markets*

*"It is reasonable to assume that we are relatively close to a point—possibly as soon as the end of the year or January—at which Bank of Canada will be seen as slowing or altogether halting its interest rate hikes. We might start to witness a reduction in long-term rates relatively soon, or at least see them stabilize at current levels."*

The good news is that the looming recession looks likely to turn out to be mild—or we might avoid a recession in 2023, with growth instead stalling at 0%.

"The reason is the cumulative effect of higher interest rates on the housing market, on consumption and on investment," observed Benjamin Tal, Managing Director and Deputy Chief Economist at CIBC. "This is by design. The Bank of Canada is talking about the economy slowing down, especially during the first half of 2023, to tame inflation."

Previous increases have already slowed the rate-sensitive real estate sector, and more rises remain in the offing.

"That will continue for a few months into the second quarter of 2023, before interest rates peak and inflation starts to subside," he predicted. "Then the market will stabilize, albeit at a lower level than at the moment."

"Spring will be ok for real estate," Tal continued. "Not great, but ok. It's going to be a long winter."

**Long-term rates on the radar**

Five- and ten-year bond rates will provide an indicator of market expectations of the direction that the Bank of Canada will take in terms of tackling inflation and whether we should expect interest rate rises to continue.

"The bond market is the long end of the tail," he explained. "It is reasonable to assume that we are relatively close to a point—possibly as soon as the end of the year or January—at which Bank of Canada will be seen as slowing or altogether halting its interest rate hikes. We might start to witness a reduction in long-term rates relatively soon, or at least see them stabilize at current levels."

**Risks remain**

There's still a danger that inflation might prove more persistent than predicted.

"That could lead to a situation in which the Bank of Canada would have to overshoot and take interest rates much higher than is currently expected, that it was a five percent environment," he suggested. "In that case, we might face a more severe recession—not a mild recession—that will include the labour market. If that happens, the housing market will soften more significantly."

**Silver lining**

A slowing economy will free up labour and help to relieve some of the strictures that have hitherto impeded development.

"Companies will not be hiring," Tal anticipates. "They might not be firing much, but they won't be hiring, which will reduce the number of job vacancies. Particularly in real estate, it will be much more difficult, because the housing market will slow down. Some projects have already been put on hold, something that will free up some labour."

Ultimately, the federal government needs to use the levers at its disposal to increase the size of Canada's workforce.

"We need to really think hard about immigration policy, short-term workers and long-term residents, to inject more labour interest into the system, because that is something that is really preventing supply from rising, in the long term," he concluded.

■ *Robert Frank*

# Global Property Market

Sincerest Thanks To Sponsors For Their Ongoing Commitment

Diamond

Bouwinvest Real Estate Investors

Colliers

Platinum

DEALPATH

GTIS PARTNERS

Ivanhoé Cambridge

Manulife Investment Management

M&G Investments

REDEVCO

Gold

FURTHER CAPITAL

GROSVENOR

IRON POINT PARTNERS

Jamestown

nuveen REAL ESTATE

QuadReal™

ROCKWOOD

ESG

WYSE METER

On-Demand Powered By

Canderel

Hydration

TREZ CAPITAL

Journal

FCT

Lanyard

JLL

Pen

HEITMAN

Luncheon

AXA Investment Managers

Keynote Speakers

OXFORD

Closing Roundtable

YARDI

Registration

SHARPVUE CAPITAL

Morning Refreshments

SHELTER ROCK CAPITAL GROUP

Media

RENX.ca Real Estate News EXchange

SustainableBIZ CANADA

Chairs' Reception

BentallGreenOak

FIRST NATIONAL FINANCIAL LP

## INSIGHTS FROM INDUSTRY LEADERS DURING THE CONTENT FORMATION OF GLOBAL PROPERTY MARKET

### 1 GLOBAL PROPERTY MARKETS ACTIVITY IS FACING THE HEADWINDS OF RISING INTEREST RATES, GEOPOLITICAL ISSUES AND FOREIGN EXCHANGE MOVEMENTS

To what extent will economic and geopolitical fundamentals affect investment decision-making?

### 2 USA: RISKS, OPPORTUNITIES, CHALLENGES AND DIFFERENCES FROM COAST TO COAST

Looking across the United States, not all markets are created equal – from investment volume, risk profile and growth.

### 3 INVESTMENT ACTIVITY IN ASIA-PACIFIC

Asia-Pacific markets represent a major investment and development opportunity.

### 4 GROWTH IS SLOWING IN THE EUROZONE

How is the political landscape in the UK and key European countries impacting investment decisions? How has the Ukraine-Russia conflict affected capital flows?

### 5 EMERGING AND DEVELOPING MARKETS: UPDATE ON LATIN AMERICA AND OTHER ALTERNATIVES

As the world, if not its economies, rebounds from the COVID-19 pandemic, emerging markets in Latin America are providing opportunities for real estate investment. While these opportunities vary from country, some general trends are perceptible.

### 6 AN INCREASE IN INVESTOR ACTIVITY IN THE ALTERNATIVE PROPERTY MARKET PLACE

As traditional asset classes become fully valued and yields shrink across the country, investors are looking to alternative asset classes for superior returns.

### 7 RISK AND RETURN: CORE VS. VALUE ADD VS. OPPORTUNISTIC

Class A office and high end retail look good, and hospitality begins to rebound.

### 8 ANALYSIS OF 100 CITIES: WORLD'S LEADING INNOVATION GEOGRAPHIES

As the global economy recovers from the pandemic, innovation-oriented industries and talent will be key to the next cycle of urban renewal and in creating new growth drivers.

### 9 GLOBAL TALENT SHORTAGE AFFECTS THE REAL ESTATE INDUSTRY

One of the many side effects of the pandemic was the acceleration of the digitalization trend, when working from home became both a necessity and the norm during lockdowns.

### 10 ESG, DIVERSITY, CLIMATE CHANGE AND THE SHIFT TOWARDS A NET ZERO ECONOMY

The demand and importance from governments, investors, tenants and other stakeholders for asset owners, public entities and corporations to address environmental, social and governance (ESG) issues grows stronger every year.

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: roelof.vandijk@informa.com

# ADAPT ASSETS OR PERISH ON THE PATH TO NET-ZERO

Gijs Plantinga
*Director, North American Investments*
*Bouwinvest*

As regulators and ESG investors squeeze real estate assets on one side, pressure on the market side from shifting energy efficiency expectations have started to catch owners in tightening vise.

Europe's current energy crisis has abruptly awakened property buyers there. In Netherlands, for example, homes and offices have labels that disclose their energy efficiency.

"Energy uncertainty alerted buyers to how energy performance will affect them," reported Bouwinvest's Director, North American Investments, Gijs Plantinga. "Homes with the lowest energy rating are virtually unsellable."

"At some point, the government will prohibit the lowest-rated offices from being sold," he continued. "You won't be able to sell stranded assets, even if you find a buyer."

Canada and the United States are not immune.

"Some cities are starting to impose such strictures, in terms of taxes on emissions," Plantinga observed. "That is less the case in Europe, where regulators might block the sale of the most inefficient buildings."

North America remains ahead of Europe in terms of diversity and inclusion, though.

"That's where Europe can certainly learn from the United States," he acknowledged. "In Europe, there's more emphasis on environment, driven in part by clients' and investors' convictions and in part by regulation."

**Extraterritorial influence**

As European financiers and investors increasingly impose international standards and demand proof of performance in terms of energy savings, building certifications and greenhouse gases, that pressure is already felt in North America and in Asia.

"At first we pushed to have everyone adhere to international benchmarks," Plantinga explained. "We have started to ask some managers to deliver results—not just participation but measurable performance in attaining net-zero. That is the early stages."

**Oil faces ostracism**

German investors have already, eschewed acquisitions in Alberta's fossil-fueled economy. Bouwinvest currently concentrates on its own properties and does not discriminate by what its tenants do—though it might, one day.

"Some groups won't touch certain buildings which need too much capital to achieve net-zero," he added. "That poses a serious risk for the exit pricing of some properties in five-to-ten years. Add in market forces, and the situation in Europe will certainly be serious. Canada and the United States might prove different—but it's hard to predict."

"Our client is a large Netherlands pension fund," he concluded. "If you want to do business with them, you had better ensure that you've implemented either a brown-to-green strategy or a build-to-green strategy."

■ *Robert Frank*


# BRACED FOR THE WORST? MAKE A LEDGER.

Jacques Gordon
*Global Strategist*
*LaSalle Investment Management*

The central banks of Canada, US and England see data that the general population doesn't see. "They're saying things aren't pretty, particularly in terms of inflation," says Jacques Gordon, Global Strategist at LaSalle Investment Management. "What they're clearly doing is trying to cool things off."

Gordon expects the "big bite of the cool off" to happen from January through June, 2023, in terms of even higher interest rates. He compares the situation to medicine. "It's kind of the shock treatment that is needed to get rid of the inflation disease," he says. "We real estate investors will have to endure that."

A big economic slowdown – or a contraction, as Gordon sees it – is coming. How long will it last, and will it be a hard or soft contraction?

"My sense is that in Canada,the US and much of western Europe, it's going to be tilting more towards sharp rather than soft," Gordon says. "But it will not last very long. And that's the good news." Continuing with the medical analogy, he explains that the "tough medicine," might almost feel worse than the disease.

"The thing that real estate folks need to remember is that the headlines about job losses will get uglier," Gordon says." Headlines about higher interest rates and the expensive nature of buying houses won't go away."

With the economic worst yet to come, Gordon reminds people that cycles come and go, and real estate has generally weathered these cycles as well as, or better than, any other asset class. The thing to do now is look at both the macro short term and macro long term together.

Simply worrying about risk is no way to invest. It's better to be aware of risk while also thinking about return and growth. Gordon explains to his clients how to take a balanced approach: make a ledger, not of assets of liabilities, but of risks and opportunities. The two sides should balance each other out, "to make sure the risks aren't going to hit your portfolio the same way everywhere all at once," he says.

Using climate change as an example, one would write down which parts of a country's real estate market are most at risk, and which property types are most at risk. "You want to be aware of these things, not to avoid owning them, but to make sure that you've got proper insurance, that you've got a real mitigation strategy, and that all of your portfolio isn't exposed to the same say coastal flooding, hurricane or drought risk," Gordon says.

Again, he stresses not losing sight of return and growth: "You don't want to just ask about return or think about risk. You want risk and return to go together, and you want to get paid for taking the risk."

■ *Michelle Morra*

# BUYER-SELLER GULF WIDENS, DAMPENING DEALMAKING

Jim Costello
*Head of Real Estate Economics*
*MSCI*

*"It's very much like a stock-picker's market. It's not about getting into property broadly. Rather, it will be much more about finding deals that just make sense on the income side. Identifying properties with the right tenant with more predictable cash flow or finding the right tenant in the right sector. That is driven more by demographic type drivers as opposed to gross domestic product economic type of drivers."*

While real estate investment returns have bounced back this year, now that the worst part of the pandemic appears likely to be behind us, the volume of real estate industry dealmaking has started to show signs of collapse.

"As that rebound effect cools, the broader economic challenges of soaring inflation, rising interest rates, uncertain energy supply and the war in Europe have taken much of the wind out of worldwide deal activity," reported Jim Costello, Head of Real Estate Economics, MSCI, and Chief Economist, Real Assets, MSCI.

**Investment impasse**
Consequently, the velocity of capital flows has trended significantly downward.

"It's not a total collapse," he clarified. "It's not a global financial crisis level of activity at the moment, but it's pulling back, for sure."

"Investors have become wary of making a deal work with both the interest rate environment and the cost of debt going up," Costello observed. At the same time, "current owners are unwilling to sell at a capitalization rate that reflects conditions in the new financing environment."

**Demography in the driver's seat**
Uncertainty has impeded identifying prospective opportunities that make sense in terms of finding buildings that provide reliable, income-producing revenue without undue risk associated with them.

The federal government's recently announced plan to up Canada's immigrant intake to 500,000 per year could buoy the real estate industry, though.

"It's very much like a stock-picker's market," he explained. "It's not about getting into property broadly. Rather, it will be much more about finding deals that just make sense on the income side. Identifying properties with the right tenant with more predictable cash flow, or finding the right tenant in the right sector. That is driven more by demographic type drivers as opposed to gross domestic product economic type of drivers."

**Canada a safe haven**
In times of global economic uncertainty, there will often be an investor flight to quality. In terms of immovables, that entails identifying which jurisdictions are the most politically stable—a front on which Canada fares well.

"Even though some cross-border buyers are going to have a harder time buying in North America these days in both the United States and Canada, it is still going to look—perhaps not on an exchange rate driven basis—but there is an element of stability, because no one is threatening to invade any countries up here," Costello concluded.

■ *Robert Frank*

# AUSTRALIA ADVANTAGEOUS AS ASIA-PACIFIC LAUNCHPAD

Marc-André Flageole
*Head of Investment Team*
*& Portfolio Manager*
*Presima*

Australia's proximity and ready access to China and Southeast Asia has made its solid, high-quality real properties Canadian pension fund investment darlings.

"It has solid rule-of-law, similar property laws to Canada and straightforward property title," noted Presima's Head of Investment Team and Portfolio Manager Marc-André Flageole.

Investors can also rely upon ample Australian operational acumen to manage their acquisitions there.

"They employ some very solid operators of assets who are very, very knowledgeable," he observed.

Canadians also don't face the same language barriers in Australia as elsewhere in the Asia-Pacific region.

"Australia operates in English and is very similar to Canada," Flageole said. "It's a gateway from which to tap into Asia-Pacific growth without the challenges without the language barriers in Japan and China."

**Singapore in same boat**
Recent interest increases have hampered the Australian market, as they have in most Asia-Pacific nations like Singapore, for example. As firms refinance at much higher rates, the hits to the bottom line have market watchers expect declining valuations.

"We have seen some increase in capitalization rates, though not dramatic," he reported. "Some has started to trickle in the retail and office sectors."

"Most listed real estate in Singapore is very plain vanilla REITs that redistribute most earnings to shareholders and lack the development activity to counter inflation," Flageole continued.

**Hong Kong hamstrung**
China sits in somewhat the same tight-money bucket, as does Hong Kong, whose economy has also been hindered by China's zero-COVID policy. Retail and hospitality there is hampered by mainland pandemic controls.

*"Australia operates in English and is very similar to Canada," Flageole said. "It's a gateway from which to tap into Asia-Pacific growth without the challenges without the language barriers in Japan and China."*

"Even the office side is not seeing as much activity there, because of the tight mainland border," he said. "China has also lost its lustre by becoming less open to business. That compounds Hong Kong's plight by leading some multinational to consider relocating manufacturing to credible alternatives like Singapore, Vietnam, Thailand and the Philippines."

**Japan bucks trend**
Japan stands out as an exception. It is one of the few countries in the world where inflation remains relatively low which—unlike elsewhere—has allowed the Bank of Japan to leave its monetary and interest policy unchanged.

"It means that this market is outperforming this year," Flageole said. "Even though it's down, it has declined much less than other countries, on a local currency basis, which is why firms like Lasalle and Clarity are a bit more bullish on that market. The cost of debt and accretion from acquisition there still works there."

"It isn't easy to access private assets in Asia. You're better off buying a REIT than acquiring assets there on your own," he suggested. "They're more volatile, but they are trading at a 30% and give you immediate access. "

■ *Robert Frank*

# Real Estate Forum

Sincerest Thanks To Sponsors For Their Ongoing Commitment

## Platinum

CUSHMAN & WAKEFIELD · FCT · KPMG · Ivanhoé Cambridge · Otéra CDPQ

## VIP Lounge By:

Altus Group

## Gold

Colliers · Deloitte. · FENGATE · FIERA REAL ESTATE · GOWLING WLG

## Digital Display Podium

CMLS Capital

## Dynamic Multi-Display

DENTONS · FansonCapital · pwc

## Registration

TREZ CAPITAL

## Lanyard

AVISON YOUNG

## Young Leaders

CHICAGO TITLE CANADA

## Women in CRE Luncheon

CBRE | LAND SERVICES GROUP · FENGATE

## Women in CRE Luncheon Association Supporters

CREW CALGARY · CREW M · CREW VANCOUVER · EDMONTON CREW · TORONTO CREW · REALPAC · Urban Land Institute Toronto

## Women in CRE Luncheon Reception

ARTEMIS REAL ESTATE PARTNERS

## Luncheon

Brookfield Properties · iA Real Estate · kevric · RE/MAX COMMERCIAL · CHICAGO TITLE CANADA

## Luncheon Refreshments

COLONNADE BRIDGEPORT · ROMSPEN · WIFIPLEX

## Breakfast

almadev The New Bod – New Name, Same Soul · ATRIUM MORTGAGE INVESTMENT CORPORATION · LAURENTIAN BANK · NEWMARK

## Morning Refreshments

Vancity Community Investment Bank · Zonda. Urban

## Coffee & Tea On Arrival

Appraisal Institute of Canada Ontario · CIBC · GENTAI Capital Corporation · rjc Engineers

## Hydration

DEALPATH

## Mobile Charging Station

Grant Thornton

## Networking Reception

BRIVIA GROUP · Equitable Bank · FORGESTONE CAPITAL

## Daily Attendee Poll

Crowe Crowe Soberman | Canada · HUB · Marcus & Millichap · PROLOGIS

## Concurrent Plenary Session

CBRE · PINCHIN

## Concurrent Session

AGF | Private Capital · ALLIED · CanFirst CAPITAL MANAGEMENT · FONDS immobilier de solidarité FTQ

## Speaker Video Series

Daoust Vukovich LLP · ML EMPORIO PROPERTIES LTD. · RYCOM Smart Tech. Smarter. · Turner & Townsend

## Podcast

MNP · NATIONAL BANK

## Supporting Associations

Real Estate Institute of Canada

# Real Estate Forum

Sincerest Thanks To Sponsors For Their Ongoing Commitment

Chairs' Reception: BentallGreenOak, First National Financial LP

National Industry: REALPAC

PropTech: JLL

ESG: Wyse Meter

On-Demand Powered By: Canderel

Gold: KingSett Capital, MCAP, Montoni, Scotiabank, Triovest

Market Intelligence Lounge: CoStar

Opening Video: Altus Group

Opening Speaker: hazelview Investments

Keynote Interview: Oxford, Slate, EY

High Profile Keynote Speaker: Morguard, One Properties, Pure Industrial, QuadReal

Keynote Speaker: Cadillac Fairview, Crombie, Desjardins Business, TD, Yardi

Morning Keynote: Manulife Investment Management, PGL Environmental Consultants

Presenter Biographies: ATTA Elevators

Sustainable Signage: Greystar

Opening Remarks: BTB, WeirFoulds LLP

Closing Remarks: Crestpoint

Closing Roundtable: CMLS Capital

Journal: Cadillac Fairview, Canada ICI, Davies, SmartCentres Real Estate Investment Trust

Pen: Ironclad Developments Inc.

Smart Wallet: First Capital

USB Drive: Choice Properties, Gardiner Roberts

Post Notes: National Bank, Proreit

Tote Bag: Broccolini, Stewart Title

Mobile Screen Cleaner: Stormont Partners

Mints: Clifton Blake Asset Management

Hand Sanitizer: Starlight Investments

Shoe Shine: Apollo

Concurrent Session: GWL Realty Advisors, Metergy Solutions, Peakhill Capital, Peoples Group, Richter, Vector Financial

Post Forum Survey: Dorr Capital

Signature: Altrio, Altus Group, Centurion Asset Management Inc., ChargeBar, Spear

Media: RENX.ca Real Estate News EXchange, SustainableBiz Canada

# TOP 10 | REAL INSIGHTS | Real Estate Forum 2022 | ISSUE 87

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

## 1

### HOW HAS THE CANADIAN ECONOMY PERFORMED OVER THE PAST YEAR AND WHAT LIES AHEAD FOR 2023?

The economy is gearing down" and that consumers and businesses need to buckle up for a slightly bumpy ride to endure the "loss of momentum" of a mild recession.

## 2

### WHAT IS THE FUTURE OF THE WORKPLACE ENVIRONMENT? WHAT STRATEGIES ARE COMPANIES IMPLEMENTING: RETURN TO THE OFFICE VS. REMOTE WORKING VS. A HYBRID MODEL?

Employees seem eager to continue working from home while employers try to navigate hybrid models.

## 3

### HOW HAS THE DOWNTURN IN NEW AND RESALE HOUSING PRICES IMPACTED THE MULTI-RESIDENTIAL MARKET AND INCREASING RENTS?

The average rent figure has increased nearly $100 since 2019's pre-pandemic peak overall across the country, while home prices decline.

## 4

### WHILE RETAIL WAS BRUISED DURING COVID, THERE IS CONSIDERABLE EVIDENCE NOW THAT CONSUMERS ARE RETURNING TO SPENDING MORE IN BRICK & MORTAR AS ONLINE PURCHASING DECLINES

Every Canadian province saw increases in retail sales, many as a result of higher gasoline prices.

## 5

### THE INDUSTRIAL DILEMMA CONTINUES: HOW DO YOU GROW WHEN THERE IS INSUFFICIENT AVAILABLE SPACE?

Continued high costs of both land construction and zoning limitations for centrally located facilities will increase competition for existing space.

## 6

### HOW ARE REAL ESTATE COMPANIES INTEGRATING TECHNOLOGY AND INNOVATION INTO DEVELOPMENT, ASSET MANAGEMENT AND BUILDING OPERATIONS TO IMPROVE THEIR BOTTOM LINE?

While many companies may be planning to cut tech spending throughout the next year, those who invest could see the greatest gains.

## 7

### WHERE IS THE INVESTMENT MARKET HEADING GIVEN THE CHANGE IN THE COST OF CAPITAL? WHAT IS THE DIRECTION OF BOND YIELDS?

Despite price drops in many commodities, consumer demand is waning and spending is decreasing significantly.

## 8

### ESG AT A CROSSROADS: A SPIKE IN GREATER CORPORATE PRIORITY, DE&I, IMPACT INVESTING AND SUSTAINABLE FINANCE

ESG performance tracking has improved and its acceptance has grown, due in no small part to the influence of millennial investors.

## 9

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

Green lending and a regulatory push towards zero emissions are the two biggest drivers of sustainability within the commercial real estate sector.

## 10

### THOUGHT LEADERSHIP IN THE C-SUITE: WHAT STRATEGIES ARE CEOS UNDERTAKING FOR 2023?

Leadership strives to put pandemic learnings into action.

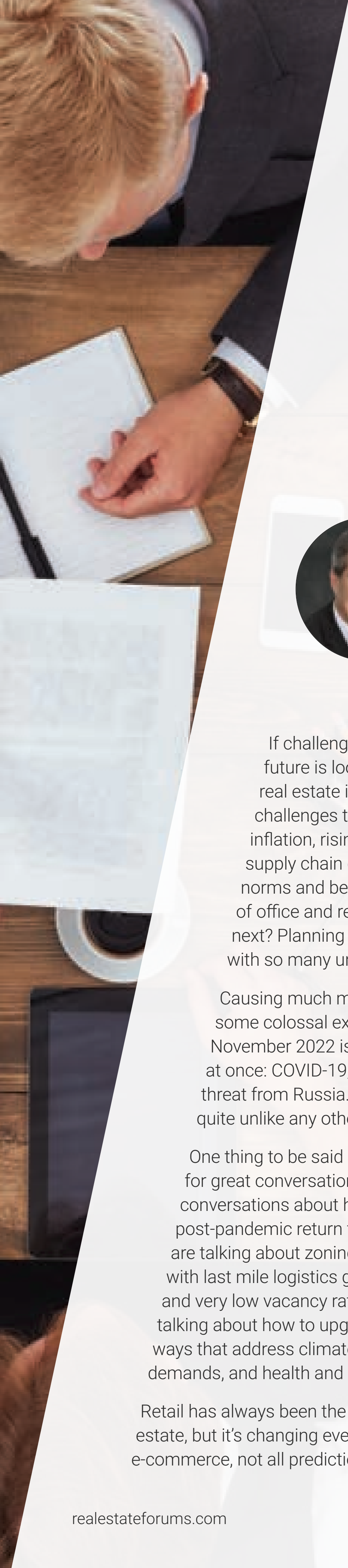
For further details on these top trends please visit the Real Estate Forums portal at realestateforums.com

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: roelof.vandijk@informa.com



# UNCERTAIN TIMES MAKES FOR GREAT CONVERSATIONS

Don Clow
*President & CEO*
*Crombie REIT*

Amy Erixon
*Principal & President*
*Global Investment Management*
*Avison Young*

If challenges lead to innovation, the near future is looking especially innovative. The real estate industry has no shortage of challenges today with a volatile economy, inflation, rising interest rates, labour and supply chain disruptions, changes in social norms and behaviours, and the changing needs of office and retail tenants. What will happen next? Planning and decision-making are difficult with so many unknowns.

Causing much more uncertainty, of course, are some colossal extraneous issues. Our world in November 2022 is facing three existential risks all at once: COVID-19, climate change, and a nuclear threat from Russia. We're in a volatile, uncertain time quite unlike any other in history.

One thing to be said about uncertainty is that it makes for great conversations. These days, we hear conversations about how to spark a greater post-pandemic return to the office. Senior executives are talking about zoning challenges, and how to deal with last mile logistics given the chronic land shortage and very low vacancy rates. Real estate owners are talking about how to upgrade their buildings in innovative ways that address climate risks, rising regulatory demands, and health and safety protocols.

Retail has always been the fastest changing type of real estate, but it's changing even faster. With the evolution of e-commerce, not all predictions have come true. In-person shopping hasn't died. Particularly in the grocery space, bricks and mortar have proven themselves to be a low-margin, high volume business that's an exceptionally important part of the supply chain for consumers. Meanwhile, other retailers continue to find innovative ways to reinvent themselves and meet the evolving needs of shoppers.

People don't easily adapt to fast changes. The real estate industry can help both retailers and consumers to adapt. How? That's one of many conversations to be had at the Toronto Real Estate Forum.

This event promises what we like to call a "firehose of knowledge" or, in other words, a high volume of knowledge delivered in one place, in a short period of time. It's an exceptional place to learn, but the learning doesn't just happen through information. It happens through human interaction.

As you network at this event, seek out the senior speakers in particular. The last time that the federal government significantly raised interest rates to combat inflation was in the early 1980s. A high percentage of industry executives in Canada have never experienced a rising interest rate environment. If you meet someone at this forum who has, they will surely have insights to share.

With the scope and urgency of the many challenges before us, innovation should ideally be in its advanced implementation stages. Great conversations are a necessary first step.

■ *Michelle Morra*

# LONG-TERM STRATEGY REQUIRED TO RIDE OUT RECESSION

Amy Price
*President*
*BentallGreenOak*

Faced with an uncertain and likely volatile real estate industry in 2023, executives who have remained true to real estate fundamentals will be best positioned to navigate whatever rough waters lie ahead.

"In terms of new investments, it's very much about making sure that you are well-aligned with thematic and long-term investing," suggested Amy Price, President, BentallGreenOak. "You have to have a lot of long-term conviction about fundamentals to invest in a market with the volatility that we will have."

Though many portfolios will face some serious stress points during the coming year, there is still some good news shining through the storm clouds facing capital flow management, capital structure and valuation.

"As much as there is a lot of market volatility that will certainly affect capital flows and real estate valuation, the underlying fundamentals have remained far more stable than we would typically see in this kind of environment. Owners will continue to focus on property operations," she observed.

While supply chain disruptions will continue to pose a challenge, demographic developments will help to dispel some of the gloom.

"There is a lot of immigration to Canada, which is very much positive," Price noted.

Technology will also play a part in real estate fortunes, going forward as computing and sustainability play a dynamic part in real estate appeal, with future values increasingly tied to the sustainability and resilience of a property.

"We will see more differential in values and capitalization rates based upon carbon efficiency and the output of the building, particularly in office and multi-family, because there is a greater range of potential outcomes," she predicted. "I don't know what that differential is, but if you have two similar office buildings side-by-side in the same market and one has lower carbon output than the other, tenant demand will start to shift—and capital markets, liquidity and value for those assets will start to shift accordingly."

*"If you have two similar office buildings side-by-side in the same market and one has lower carbon output than the other, tenant demand will start to shift—and capital markets, liquidity and value for those assets will start to shift accordingly."*

Going forward, investment in carbon emission reduction will play a more decisive role in real estate bottom lines.

"It's not just about the social aspect," Price asserted. "It is also about a fiduciary obligation to investors to own assets and to invest in assets that ultimately generate returns for the investors, as well."

"This is very much a component of our investment thinking, prioritization and selection and will continue to be," she concluded.

■ *Robert Frank*

*"Everybody got away from business fundamentals and got into this FOMO attitude of, 'If I wait longer, my property is going to be worth more or I'm going to get cheaper debt,' which is not real fundamentals. As a result, you were making business decisions based on roulette, and not on real estate."*

# IT'S TIME TO PLAY BY THE RULES AGAIN

Emeka Mayes
*Partner, Head of Capital Markets Brokerage*
*Colliers*

When markets go haywire, remember your Real Estate 101. Emeka Mayes, Partner, Head of Capital Markets Brokerage, Colliers, says it's hard to predict when "this wild, wild west of ridiculous prices" will be over and stresses the importance of getting back to real estate basics.

As 2022 nears its end, debt costs have doubled while cap rates have only increased by 15 to 25 percent. That discrepancy is creating a disconnect between buyers and sellers. In Europe and the U.S., and more recently in Canada, people have money but aren't buying assets. Purchases came to a screeching halt this summer with sliding prices.

"The biggest challenge is going to be educating sellers on the market, and also educating buyers that on certain assets, because there may be below market rents or below market debt, there are some special occasions where it could merit a lower cap rate," Mayes says.

Real estate investors are coming up a 10 to 15 year run when, Mayes argues, real estate fundamentals went by the wayside. She attributes this to FOMO (fear of missing out).

"When I started in this business, the rules were simple," she says. "You eliminated risk as fast as possible and you did transactions as fast as possible. You created your business plan, and you executed on your business plan immediately because it made sense."

"And then everybody got away from business fundamentals and got into this FOMO attitude of, 'If I wait longer, my property is going to be worth more or I'm going to get cheaper debt,' which is not real fundamentals. As a result, you were making business decisions based on roulette, and not on real estate."

Corrections are nothing new. Real estate investors survived the dot.com boom, the dot.com crash, the 2008 crash. Those who really understand their business and how they make money "will weather this storm just fine," Mayes says, "but those who were overly aggressive and focused more on short term debt and got greedy, over levered, didn't play the long game, are going to find this particular environment problematic."

■ *Michelle Morra*

# REAL ESTATE TO REMAIN SOLID INFLATION HEDGE

Jon Love
*Chief Executive Officer*
*KingSett Capital*

With a growing population driving demand up, supply squeezed, and incipient inflation, real estate remains attractive to investors seeking to place their capital in hard assets.

"Inflation typically builds value in high-quality commercial real estate because replacement costs will ultimately drive rents up," forecasts Jon Love, Chief Executive Officer, KingSett Capital. "Look back over any period of time and you will see that real estate has served as a great store and builder of capital through inflationary periods. That is the background in which we operate."

Real estate chief executives will likely continue to pursue pretty much the same priorities as prior to inflationary period.

"They want to innovate and improve their product offering, their customer relationships and improve their service model to continue to build relationships with their tenant customers and their other stakeholders," Love explained.

While their borrowing might face much closer scrutiny, going forward, real estate executives who have nurtured strong relationships with their lenders will continue to thrive, he predicted.

"The market is functioning quite well," Love underscored. "Sure, interest rates are up, but so are growth expectations."

The positive sentiment is driven by three factors, he suggested.

"First, the growing population requires more of everything: Places to live, work, shop and recreate."

"Number two, is that you have relative supply constraints imposed by land use policy, so you will continue to see demand exceeding supply."

"Third, though we will see relatively elevated inflation and relatively elevated interest rates, those interest rates will be moderated by excess debt levels—primarily in governments—so moves by central bankers will tend to be amplified."

Those factors will help to preclude a repeat of interest rate cycles like those we have witnessed during the past four decades.

"It's actually a pretty good set of factors," Love reassured.

He foresees that demand for physical occupancy will buoy the market for office space.

> *"Look back over any period of time and you will see that real estate has served as a great store and builder of capital through inflationary periods."*

"The gravitational pull of in-person interaction will continue to accelerate," Love asserted. "Business leaders want their people to be together at least some of the time."

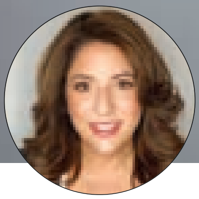
The greatest need for bringing staff back to a common space to develop and inspire new hires.

"Younger workers haven't developed their tool kits and their relationships," he noted. "Great coaching comes at the edge of a meeting, at the edge of an interaction—which doesn't lend itself to scheduling in a Zoom call."

■ *Robert Frank*

# THREE QUESTIONS FOR INVESTORS IN 2023: UNCOVERING OPTIMISM AMID UNCERTAINTY

*The Canadian market is well capitalized, and significant distress is unlikely. Prudent debt and active asset management will be critical to preserving cash flow.*



Christina Iacoucci
*Managing Partner & Canadian Chief Investment Officer*
*BentallGreenOak*

**When will inflation and interest rates peak?**
Uncertainty about inflation and interest rates is at an all-time high. Many indicators point to easing or outright disinflation in some areas of the economy, but food and energy remain big question marks as geopolitical conflict continues to exert upward pressures on prices. Markets are looking for more signs of decelerating inflation, which could signal a peak in interest rates. But for now, more central bank rate hikes are on the way. In this environment, both debt and equity capital are likely to remain constrained, but pent-up demand should build. The Canadian market is well capitalized, and significant distress is unlikely. However, greater liquidity may emerge as sellers come to terms with lower valuations or face pressure to raise cash.

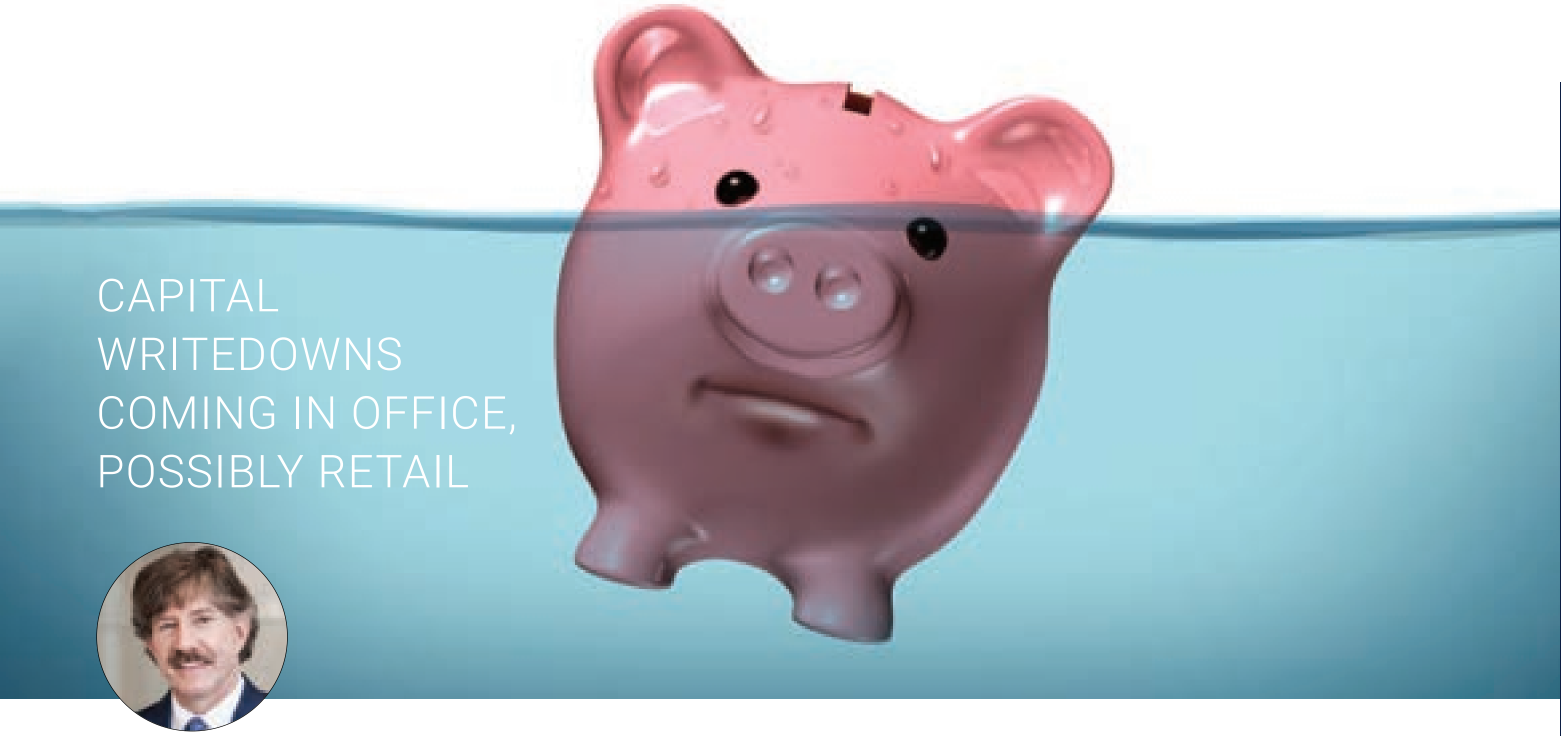
**What's the impact of a recession on commercial real estate?**
Economists are calling for a mild recession (from a historical context) in Canada in 2023. However, risks of a harder landing increase the longer inflation remains high and central banks continue to tighten monetary policy to suppress aggregate demand. Slower economic growth means less demand for real estate. Fortunately, real estate operating fundamentals are well positioned for a downturn. To date, price discovery has been largely driven by the capital markets, but cash flows will be more heavily scrutinized looking forward. In this environment, prudent debt and asset management will be critical to preserving cash flow. Managing lease expiry profiles and occupancy, evaluating tenant credit, and monitoring arrears will all require greater focus in 2023.

**Where are the opportunities in 2023?**
Investors would be wise to continue to focus on property sectors that benefit from secular tailwinds and that are supported by favourable supply/demand dynamics. "Commodity" office and "discretionary" retail remain challenged by dramatic shifts in workplace and consumer preferences and have more elastic demand profiles. Meanwhile, "essentials" retail, particularly "value-oriented" should continue to perform well through an economic downturn. Industrial is more consumer-driven than in past cycles and will undoubtedly face a pullback in demand relative to the historic pace of recent years. But availability remains at record lows in most Canadian markets and the outlook for rent growth remains robust as new supply remains constrained. Mult-family may prove to be the top performer in this environment, despite the risk of higher unemployment. Periods of economic uncertainty have historically kept many would-be homeowners in the rental market for longer. Rising costs and delays on new construction also tend to constrain supply, which increases rents on existing properties.

With challenge comes opportunity, and 2023 is no different. Prudent capital deployment and active asset management will be key to alpha generation in navigate a more restrictive monetary and fiscal backdrop.

■ *Christina Iacoucci*

*"Though increased immigration is a good thing, federal government policy has not linked it to homes for 500,000 new people a year nor planned the massive social-housing spend that we need, nor has the press asked the questions: 'Where will these people live? Doesn't that increase inflation?'"*



# CAPITAL WRITEDOWNS COMING IN OFFICE, POSSIBLY RETAIL

Michael Brooks
*Chief Executive Officer*
*REALPAC*

With the spectre of debt finance renewal haunting real estate, many public markets have already discounted erstwhile asset values.

"Either they are oversold and a bargain, or net asset value isn't correct and public markets are predicting that they're going to drop," surmised REALPAC Chief Executive Officer Michael Brooks. "While we do not know which way that will go, we are all watching it very carefully."

The prospect that recession could put pressure on top-line revenue is particularly pervasive in office assets, where the return to work remains a wild card.

**Time versus output**
The coming year will help to determine whether work is measured by office time or productivity.

"Some people are asking: 'Do I really need all this space when my employees are coming in only two days per week?'" he said. "Some intend to force people back to work and say 'If you don't come back, you're fired.' Others say 'I've got good people whom I don't want to lose, so I have to be more flexible.'"

Though retail real estate assets have rebounded, owners fret that a recession could reduce consumer spending putting pressure on their top line.

"Most retailers—except grocery and pharmacy—might start to suffer," Brooks suggested. "That's another shoe waiting to drop.

**Gimme shelter**
Multi-family residential properties promise to buck the trend, with demand predicted to soar skyward, thanks to Canada's recent commitment to up its influx of immigrants to 2,500,000 during the next five years.

"They will all need to live somewhere. Though this is a good thing, federal government policy has not linked immigration to homes for 500,000 new people a year nor planned the massive social-housing spend that we need," he noted, "nor has the press asked the questions: 'Where will these people live? Doesn't that increase inflation?'"

Instead, the feds have moved in the opposite direction, threatening to review the tax treatment of real estate investment trusts.

**Carbon pressure threatens smaller owners**
Governments at all levels will also continue to turn the screws to disclose real estate carbon footprints and reduce emissions.

"It's a difficult challenge for smaller owners to meet, who don't have the staffing depth to research and plan solutions," Brooks observed.

Though the industry has made strides in diversity, equity and inclusion, he added, "much more work remains to be done to diversify senior management teams and signal that we are a welcoming industry."

■ *Robert Frank*

Gentai Capital Corporation

# BORROW FROM GENTAI | BUILD YOUR VISION

# GENTAI
## Capital Corporaton

### *Flexible Lending Solutions*

Get Flexible 1st and 2nd mortgage financing for your project whether commercial or residential in Alberta, BC or Ontario.

Gentai Lending is an innovative debt solution provider for quality real estate development and investors across Canada. We pride ourselves on creative structuring, hassle-free underwriting, quick approval process, and dependable excecution.

## Mortgages for Purchasing or Refinancing

**Commercial Mortgages**

***Western Canada***

**Jessie Wen** 604-242-2834
jessie.wen@gentaicapital.com

***Eastern Canada***

**James Kim** 647-972-9872
james.kim@gentaicapital.com

**Residential Mortgages**

**Rachel Rogerson** 587-434-0729
rachel.rogerson@gentaicapital.com

Unit 805, North Tower,
International Trade Center,
8400 West Road, Richmond BC
V6X 0S7

**INTEGRITY | EXCELLENCE | PASSION**

gentaicapital.com

# WORLD MARKETS SUSTAIN SEISMIC SHIFT

Michael Turner
*President & CEO*
*Oxford Properties Group*

*"We face new geopolitical risks that were mostly absent outside of, perhaps, the 1962 Cuban missile crisis," he noted. "All of them have to do with real estate and all of them will have an impact on monetary policy, on how economies grow—or don't grow—and on how inflation plays out. These are big structural shifts that have, in general, gone from net tailwinds to net headwinds."*

Long-term real estate prospects will be reshaped by long-term, tectonic forces, as a 40-year bull market in bonds and a dozen years quantitative easing and loose monetary policy come to a close.

"We're in the last half of the retirement of the baby boomers," observed Oxford Properties Group President and CEO Michael Turner. "They will be fully retired within five years. That's the largest generation in history and the largest and most knowledgeable members of our workforce."

At the same time, the post-Cold War world of nation-states is also decoupling.

"We face new geopolitical risks that were mostly absent outside of, perhaps, the 1962 Cuban missile crisis," he noted. "All of them have to do with real estate and all of them will have an impact on monetary policy, on how economies grow—or don't grow—and on how inflation plays out. These are big structural shifts that have, in general, gone from net tailwinds to net headwinds."

Like geological forces, those shifts can last a very long time.

"This isn't going to be just a first-quarter 2023 thing," Turner affirmed.

**First reaction, denial**

Investors initially reacted the same way that they would to the loss of a loved one after the first fault lines started to shake in late 2021.

"Oxford has a young investment cohort with whom I had hundreds of conversations in which I had to share with them about asset classes being rerated and risk premiums rising," Turner recalled.

"We all went through all the 12 stages of grief—starting with denial," he recounted, describing their initial dialogue. "'No, there's lots of dry powder.' 'Everyone loves real estate.' 'Blah blah blah.' Now, they know that they're not that special."

For greying real estate executives, it's more like Back to the Future.

"History doesn't repeat itself, but it sure rhymes!" Turner quipped.

"Find those periods in your lifetime where it rhymed before and use that as a dress rehearsal and a playbook for a different set of conditions, going forward," he suggested. "The strategic priority to navigate what lies ahead is to find a reference period for you to look at that differs from the past decade or two."

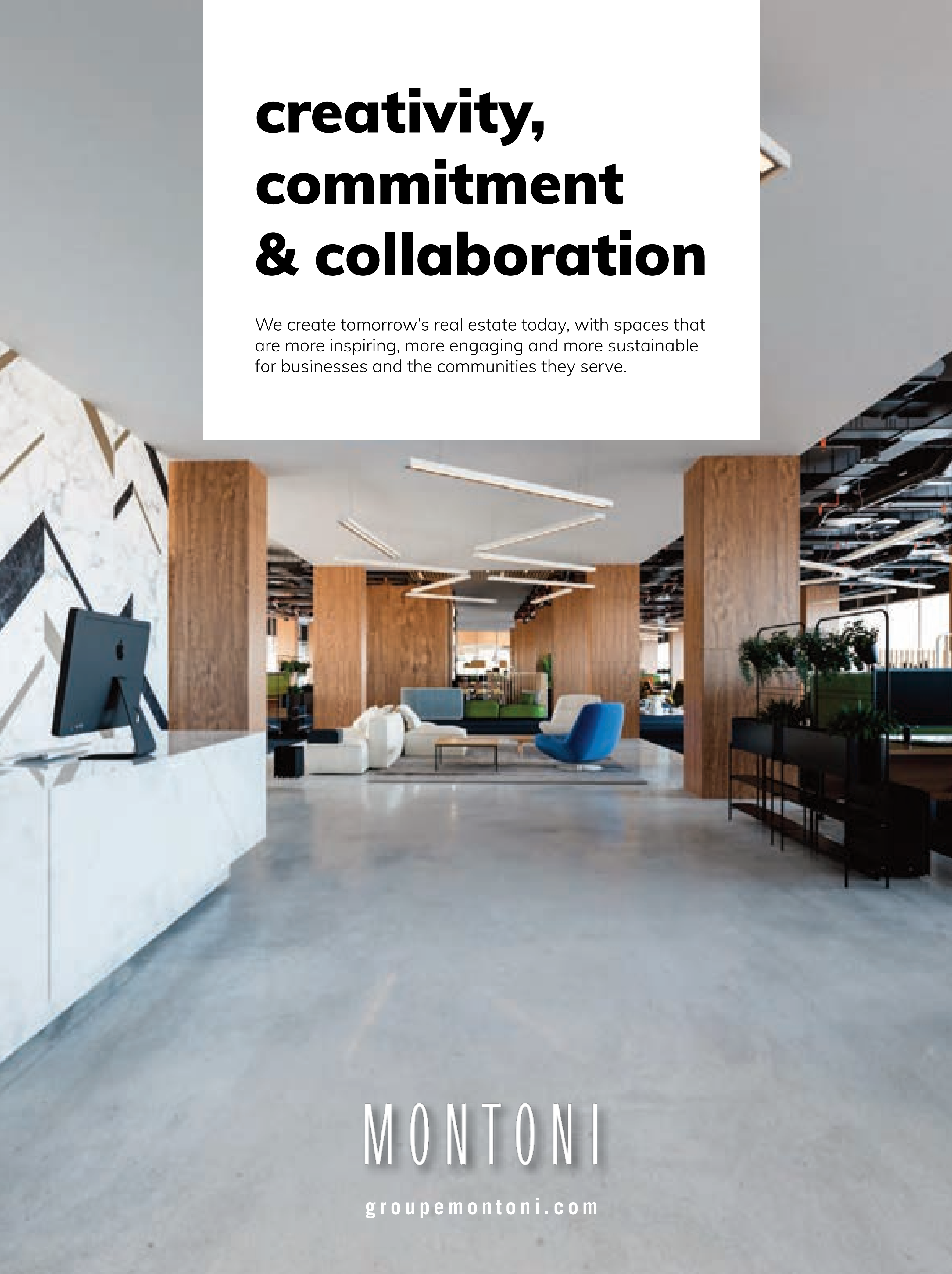
**Asia-Pacific logistic prospects promising**

Global trade, which peaked prior to the financial crisis, has been declining as a percentage of gross domestic product for the past 12 years. Intraregional trade, though—Asia trading with Asia—is rising.

Asia-Pacific countries have learnt their lessons and are well-positioned because they haven't borrowed in US dollars.

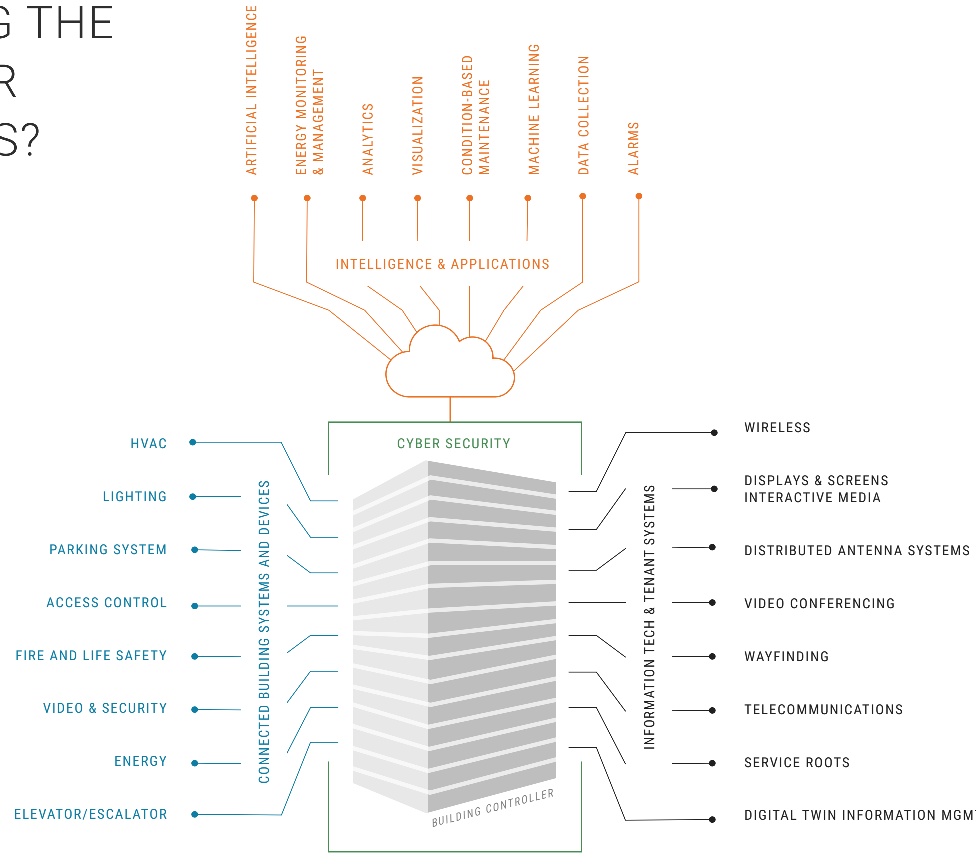
"They have current account surpluses and they're buying our assets," he said. "They're getting wealthy. They follow Oxford around and they're our bankers. These are all drivers for logistic properties, over time."

■ *Robert Frank*


creativity, commitment & collaboration
We create tomorrow's real estate today, with spaces that are more inspiring, more engaging and more sustainable for businesses and the communities they serve.
MONTONI
groupemontoni.com

# ARE YOU GETTING THE MOST FROM YOUR SMART BUILDINGS?

Dr. Rick Huijbregts
*Global Lead, Smart Cities*
*Stantec*




Buildings are increasingly digitized. Systems, sensors, heating, cooling and lighting increasingly depend on digital technologies such as artificial intelligence, machine learning, and Internet of Things. The benefits can outweigh the cost and complexity of these technologies, but only if we use them to the fullest.

Dr. Rick Huijbregts, Global Lead, Smart Cities, Stantec, believes in giving landlords the tools to save money, save on energy costs, and access the right data to make better decisions.

"We can extract data from all kinds of different sensing devices," Dr. Huijbregts says. "We can actually sense through our mobile devices. Our iPhones and smartphones and our tablets can be inputs to the data we need. We can use video surveillance cameras, or even video conferencing systems. There are light fixtures with LED lighting, which are now connected to the network and IP enabled and digital, with built-in sensing capability."

Aside from helping us to save on operating costs and energy costs, smart technology helps to make the indoor environment more comfortable. It can also track occupancy in a given building space and help to identify trends, in the name of increasing tenant satisfaction.

*"For employees to be productive, healthy, happy and engaged with what they do, the building has a huge role to play to create those conditions and this engagement."*

The pandemic has enormously accelerated what we probably knew was coming or needed to happen.  Employees are not all the same. We don't all work the same, and we don't all collaborate the same.

"I think the workplace is about creating experiences and conditions for workers to flourish, innovative, and collaborate," Dr. Huijbregts says. "For employees to be productive, healthy, happy and engaged with what they do, the building has a huge role to play to create those conditions and this engagement."

Technology, he explains, is not the problem. We must embrace a people-centric and purpose-driven approach, rather than starting with a technology that may end up being merely a solution in search of a problem. Employers must apply technology in an intelligent way that makes the workplace more responsive to the needs of workers.

As the old saying goes, you cannot fix what you cannot measure. To control, monitor, optimize, and improve the performance of any asset, we need to know how it operates and how it works. That's where data comes in.

Data already exists in our buildings via smart devices, connected systems, HVAC and lighting. We need to ensure that the right digital infrastructure is in place to make good use of that data, securely, and ethically. Much of what's in these data centric systems may already be sitting in the cloud of a vendor or supplier. Gaining insights into how to optimize these systems is a matter of extracting and manipulating that data with the right analytics and machine learning, according to Dr. Huijbregts.

"If we do that well, we can reduce energy consumption," he says. "We can reduce our carbon footprint. We can reduce operating costs. We can create new experiences. We can provide insights that help us to modify and optimize the space to the needs of the user.

"These are the benefits can be extracted from technology, but only if we can extract and use the data that sits in what previously were proprietary and siloed systems, but are now increasingly an open architecture data network that is part of our buildings DNA."

■ *Michelle Morra*

# KEEPING ALL STAKEHOLDER INTERESTS IN MIND

Samir Manji
*President & CEO*
*Artis REIT*

As the Bank of Canada continues to raise interest rates, real estate CEOs face uncertainty and pressure. Nobody quite knows whether the multiple rate hikes of recent months will suffice to combat inflation, or whether continued rate hikes will be necessary.

"It's going to be smaller rate hikes for a shorter period, multiple smaller rate hikes for an extended period of time," says Samir Manji, President & CEO, Artis REIT. "The potential effects, including a recession, will affect certain real estate classes more than others."

Some are weighing whether or not to put off looming debt maturities and for how long. "Whether it's conventional debt or rated bonds that companies have in the market that need to roll over," Manji says, "do you do a two year, a three year, or a five year? Without a crystal ball, we have to do the best we can to navigate that."

The best strategy, he adds, will vary by business and sector and on the vision that the CEO, board and management team have established on behalf of the owners. "In some cases," Manji says, "you have REITs and real estate operating companies that are in what would be described as a pure play environment. They are in one asset class. In other instances, like our situation at Artis REIT, we are diversified. We transcend multiple asset classes, including retail, industrial, and office.

"How does one look at the near-term factors that have created what otherwise might have appeared to have been a pretty straight road and brought in some unexpected twists and turns?"

All businesses know the perennial challenge of having to manage short-term market realities while also thinking about the long term. CEOs must keep in mind what's best for all stakeholders—owners in particular—in both the short and long term.

"It's the owners who have entrusted the board and management with their capital," Manji says. "As a result, the board and management, as fiduciaries and stewards of that capital, have a duty and responsibility to manage it in a manner that is in the ultimate best interests of the investor or owners."

*"How does one look at the near-term factors that have created what otherwise might have appeared to have been a pretty straight road and brought in some unexpected twists and turns?"*

At this time, most REITs and real estate operating companies are undervalued. "In some instances, the delta is a 10 percent discount," Manji says. "In other instances, the delta is a 40 to 50 percent discount."

That's the most significant discount he has seen in his almost 30 years in business. "The opportunities that presents, both for investors but also for companies or REITs, hasn't been as compelling as we're seeing today," he says.

■ *Michelle Morra*

# ON-DEMAND ACCESS TO YOUR PROFESSIONAL DEVELOPMENT

CCIM Institute knows that everyone in the industry has busy schedules filled with late hours, especially if you're in the middle of a deal.

The institute's self-paced courses provide the same quality education and practical application, while allowing you the flexibility to learn on your own schedule. Plus, some courses offer continuing education credits for your licensing requirements.

## DESIGNATION CURRICULUM SELF-PACED COURSES

- CI 101: Financial Analysis for CIRE
- CI 102: Market Analysis for CIRE
- CI 103: User Decision Analysis for CIRE
- CI 104: Investment Analysis for CIRE

## WARD CENTER FOR REAL ESTATE STUDIES SELF-PACED COURSES

### DEVELOPMENT SPECIALTY TRACK

- RE Development: Acquisitions
- RE Development: Approvals and Permits
- RE Development: Dispositions
- RE Development: Environmental Factors
- RE Development: Financing
- RE Development: Market Studies and Marketing Strategies
- RE Development: Physical Improvements
- RE Development: Transportation and Accessibility

### CORE CURRICULUM REFRESHER COURSES (AVAILABLE ONLY TO CCIM DESIGNEES)

- CI Concepts Revisited: Methods and Models
- CI 102 Revisited: Market Analysis Models
- CI 103 Revisited: User Decision Models
- CI 104 Revisited: Investment Decision Models

### ALL OTHER SELF-PACED COURSES

- Build Your Own DCF Model in Excel
- Capital Markets: Making the Case for Investment Real Estate
- Essential HP10BII Financial Calculator Skills
- Ethics
- Financial Modeling for Real Estate Development
- Foundations for Success in Commercial Real Estate
- Last-Mile Logistics: The Final and Most Expensive Link in the Supply Chain
- Preparing to Negotiate
- Real Estate Financial Analysis Using Excel
- Splitting Profits in Commercial Real Estate
- Surviving Volatile Markets: Mitigating Lease Risk
- Troubled Assets and Opportunities in the Age of COVID-19
- Using Excel as Your Financial Calculator

CCIM Institute
Commercial Real Estate's Global Standard for Professional Achievement

For more information or to register today, visit **www.ccim.com/education** or call **+1 (800) 621-7027, opt. 2**

# INTEGRATED, INTERDEPENDENT TEAMS CHART CAREFUL COURSE THROUGH TURBULENT TIMES

Tsering Yangki
*Head of Real Estate Finance & Development*
*Dream Unlimited*

With proforma gymnastics approaching Olympian proportions, real estate developers have faced challenges on multiple fronts that has forced them to revise their plans.

"When you look at cost, your soft costs are primarily attributable to government, planning consultants and the like," explained Tsering Yangki, Head of Real Estate Finance & Development, Dream Unlimited, "but your interest rate costs and development fees—which have already increased by 46%—play a more critical part."

"Then, your hard costs for materials and labour have faced incremental costs, so definitely proformas have undergone a lot of gymnastics," she said. "That's where it has been quite challenging for smaller developers who might not have sufficient capital strength."

Interest cost, based on bankers' acceptances, has already jumped by up to 300 basis points over what would previously have been projected.

"Interest is a soft cost, if not locked-in, early on," "Plus, the Premier recently announced a development charge freeze, the details of which we do not yet know, but they have already increased."

*"All of our teams work together so that everyone recognizes how interdependent we are and understands how each unit's actions affects the other units like sales, construction, planning and end-upon-completion. We ensure that everyone is integrated. That definitely slows developments, but even big projects can then proceed without impediment."*

**Higher hurdle for projects to proceed**

"Future proformas will have to achieve higher returns before a project can proceed, because they have become much riskier," Yangki underscored. "People have to adopt this approach to decision-making because they must ensure that their projects remain economic."

Dream Unlimited has succeeded in constructing its affordable housing developments thanks to having locked in its interest rates at the outset.

"We work with our trade partners to implement commitments prior to proceeding to construction," she said. "Those projects that are currently under construction have not been materially affected. We intend to give a great deal of thought before launching any new projects, though."

**Thoughtful and deliberate**

Yangki attributed her firm's ability to build affordable rental housing to Dream Unlimited's collaborative approach.

"We undertake thoughtful and deliberate risk management assessments that help us to navigate the macro environments which we cannot control," she said. "The assessments that we make inform our subsequent decisions."

To execute those decisions, Dream Unlimited decided to adopt a disciplined approach that integrates the company's disparate divisions.

"All of our teams work together so that everyone recognizes how interdependent we are and understands how each unit's actions affects the other units like sales, construction, planning and end upon completion," Yangki concluded. "We ensure that everyone is integrated. That definitely slows developments, but even big projects can then proceed without impediment."

■ *Robert Frank*

# THE UNTETHERED WORKPLACE MAKES REAL ESTATE A STRATEGIC ASSET

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

*"We're moving from the me-space to the we-space. From a real estate perspective, that's an opportunity, because real estate is no longer just an overhead cost—it's a strategic asset that brings people together for strategy and to help shape culture. That gives it greater importance than in the past."*

It's what you do, not where you do it: CIBC has rethought and revamped its workspace in the wake of pandemic learnings.

"We needed to adapt our physical space to reflect why our team members are coming in to work," recalled Veni Iozzo, Executive Vice President, Enterprise Real Estate & Workplace Transformation. "Polling shows that 88-90% of employees working remotely did so without any loss of productivity. Some became more productive."

The added work-life balance and flexibility also proved a positive contribution to workplace well-being and has become an important factor in attracting top-notch talent.

"In some cases, it could be a dealbreaker for job seekers," she noted. "Several surveys showed that people will consider looking for a new job if their employer wanted them back in the office full-time. We needed to look at how we use space to maintain productivity while enabling our team and our strategy."

CIBC team members who were working remotely have been back in the office on a hybrid basis since earlier this year, rejoining their colleagues who had been working on-site all along to meet the needs of the bank's clients. "Our hybrid model allows many of our team members to benefit from the flexibility and productivity that can be achieved from working remotely, while blending that with the benefits of in-person work with colleagues to further build culture and collaboration", said Iozzo.

**Connect, collaborate, commend**

At CIBC, employees return to the office intentionally, and plan their activities around what's best accomplished there.

"It's less about independent, head-down work that you can do at home," Iozzo explained. "Onsite days should be engagement days, when there's a focus on activities that benefit from being together at the office—be it recognition, collaboration or building connection—things that are easier to do onsite than onscreen."

That approach requires the workplace to be optimized for interaction.

"Coming in to sit at a desk and do the same activities that you do via Zoom or Teams all day isn't the best use of space," she asserted. "We're moving from the me-space to the we-space. From a real estate perspective, that's an opportunity, because real estate is no longer just an overhead cost—it's a strategic asset that brings people together for strategy and to help shape culture. That gives it greater precedence than in the past."

"We have well-being rooms so people can bring their whole self to work," Iozzo said. "We have our Legacy Room, which allows for a continuous discussion on reconciliation with Indigenous peoples."

Based on learnings throughout the pandemic, the bank evolved the design of CIBC Square by thinking more intentionally about how we integrate remote participants in to the space more inclusively.

The shift makes frontline leaders pivotal to utilizing the workspace as a strategic asset and keeping their team members engaged.

"That puts pressure on leaders to plan ahead, to ensure that office time fosters activities that are better suited to in-person interaction. Leaders are encouraged to shift to coaching behaviors that put greater emphasis on managing outcomes rather than ensuring that someone's in the office," she concluded.

■ *Robert Frank*


AltusGroup
Intelligence as a service™
The Next Step for Real Estate
Advanced analytics
Trusted technology
Expert advice

# ESG LEADERSHIP ENHANCES VALUE

Darryl Neate
*Vice President, ESG*
*REALPAC*

Real estate firms have made great strides in bringing the industry into the 21st century. More women continue to enter the executive suite, assets are being repositioned for the low carbon economy of the future, and there is broad understanding of the need for more affordable housing.

REALPAC's 2022 recent compensation survey of 59 member companies revealed ongoing progress around Diversity, Equity & Inclusion (DEI).

"In 2021, 40% of executive-management level promotions were awarded to women," reported REALPAC's Vice-President, ESG (Environment, Social and Governance), Darryl Neate. "That compares to 25% in 2020. For the first time since we began to collect this data, the average percentage of women at the executive level exceeded 20%."



"Is this enough?" he asked. "No. Is it going in the right direction? Yes. Most participants were also taking steps to recruit or hire more individuals from underrepresented groups."

Neate underscored that strong ESG and GRESB (Global Real Estate Sustainability Benchmarks) performance helps create value by reducing risk, future proofing assets, attracting top partners, customers and employees – and ultimately fostering growth.

Choice, Ivanhoé Cambridge, Minto, Colliers, Interent REIT, BGIS and Ellis Don are among 2,200 companies that have committed to the Science-Based Targets Initiative (SBTI).

In addition, all Canada's major banks and large financial firms like the pension fund *Caisse de dépôt et placement du Québec* and insurers Sun Life and Manulife are among 74 institutional investors who have joined the Net-Zero Asset Owners Alliance, which has committed to net-zero by 2050.

*"There's a significant opportunity to engage real estate capital providers & operating companies with net-zero commitments. If you can deliver net-zero solutions – for new and existing assets – it's a tremendous advantage for your company."*

"There's a significant opportunity to engage real estate capital providers and operating companies with net-zero commitments." Neate noted, "If you can deliver net-zero solutions – for new and existing assets – it's a tremendous advantage for your company."

Besides trimming operating costs, and improving the competitiveness of your assets, ESG leadership can also help reduce the cost of capital through new green finance mechanisms.

"There is considerable demand from investors and banks for green bonds and sustainability linked loans, which can help companies secure more favourable financing rates" he suggested.

On the social side, more work remains to be done to deliver affordable housing. Soaring costs have already slowed construction significantly and potential new regulations and taxes can only compound the growing shortage. Tenant groups, though, blame profit-driven owners.

REALPAC has convened renters and developers to try to bridge the gap.

"It's a complex problem that need real solutions from everyone working together at the table," Neate concluded. "That's what we're doing at REALPAC. We're working with governments and tenant groups to try to address the issue of affordability. We need to engage and change in a way that still makes sense for our business."

■ *Robert Frank*

Results are compiled by Altus Group. To learn more about CRE data and analytics solutions for the Canadian market, visit altusgroup.com.

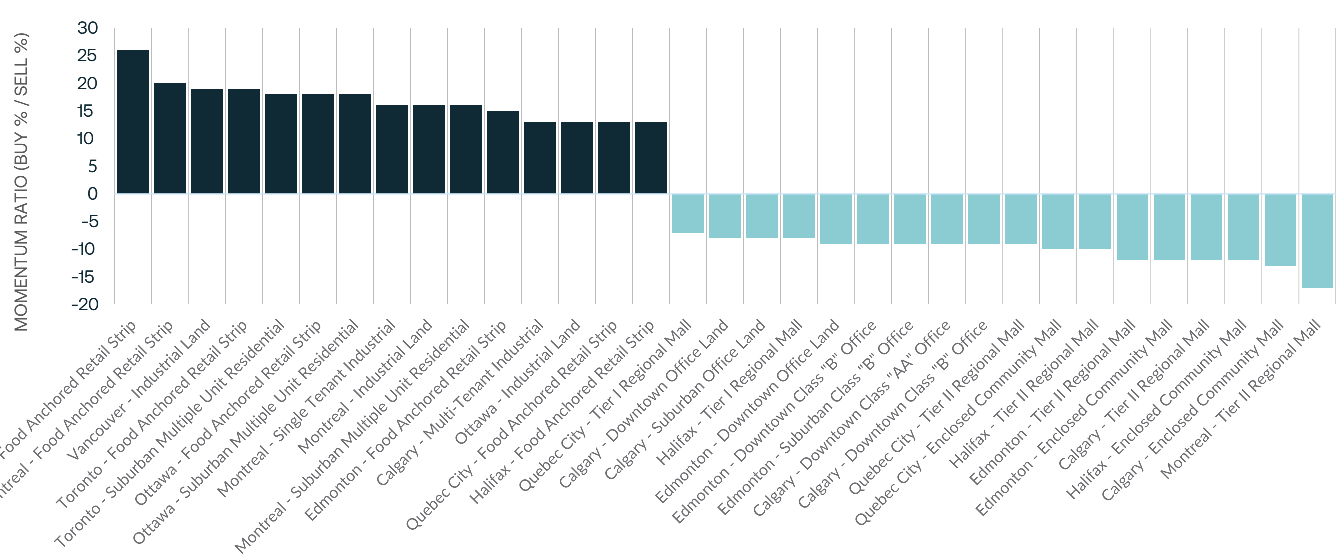
**Vancouver and Toronto remain the top two preferred markets by investors. Vancouver and Quebec City were the only markets that recorded an uptick in momentum this quarter showing that investment rationale is starting to feel the impact of our changing volatile macroeconomic environment.**

Location Barometer | All Available Products (Q3 2022)


Source: Altus Group Investment Trends Survey

**Food-anchored retail, industrial and multi-family assets in Montreal, Ottawa, Vancouver and Toronto were among the top 10 preferred products, with these products remaining investor favourites as they offer coveted flexibility and redevelopment potential.**

Product/Market Barometer | All Available Products (Q3 2022) | Top 15 Preferred/15 Least Preferred

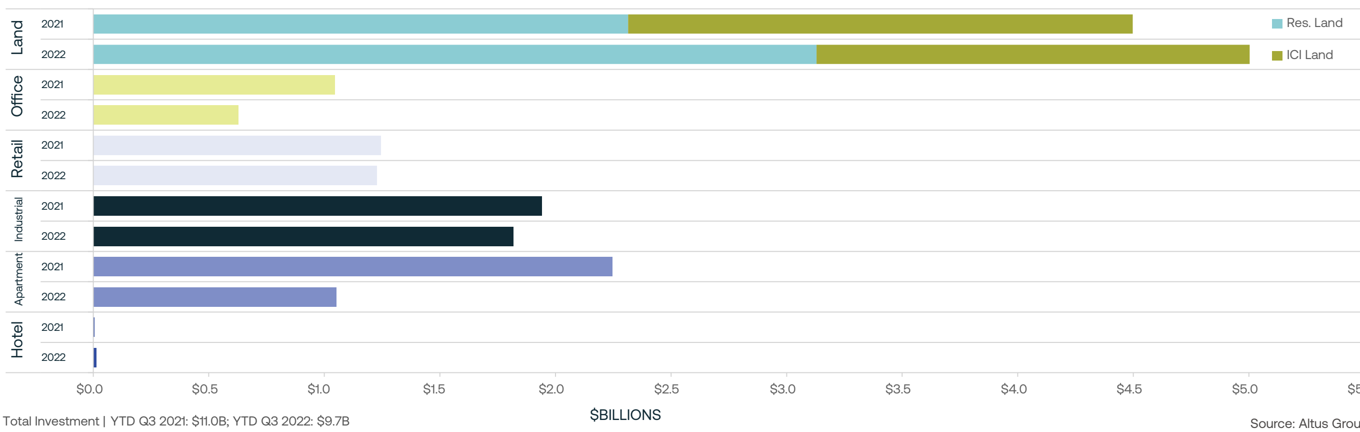



Source: Altus Group Investment Trends Survey

## Vancouver Market Area

**Investment activity in Vancouver in the first three quarters of 2022 saw a decrease across most asset classes, most notably, in the apartment and office sectors. Land remains the most preferred asset class among investors and continues to show strong growth in investment volume.**

Property Transactions by Asset class | YTD Q3 2021 vs. YTD Q3 2022



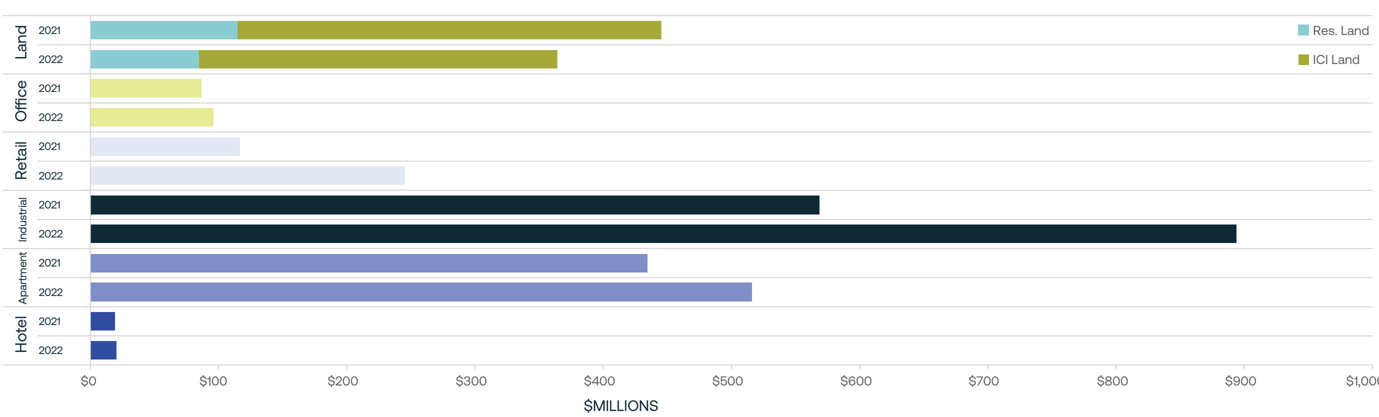

Total Investment | YTD Q3 2021: $11.0B; YTD Q3 2022: $9.7B

Source: Altus Group

## Edmonton Market Area

**As the Edmonton market grows, the industrial, apartment and retail sectors all saw a strong increase in investment volumes in the first three quarters of 2022. The land sectors were the only asset classes to experience a decrease.**

Property Transactions by Asset class | YTD Q3 2021 vs. YTD Q3 2022



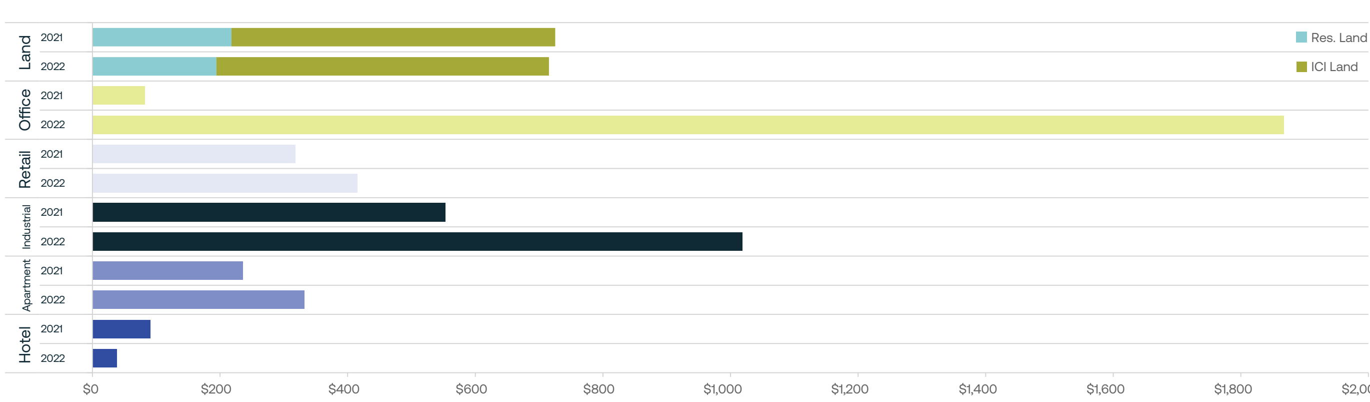

Total Investment | YTD Q3 2021: $1.7B; YTD Q3 2022: $2.1B

Source: Altus Group

## Calgary Market Area

**The Calgary office sector continues to see great increases in investment compared to the same time period last year and is on track for a record high. The industrial, apartment and retail sectors also experienced notable growth.**

Property Transactions by Asset class | YTD Q3 2021 vs. YTD Q3 2022



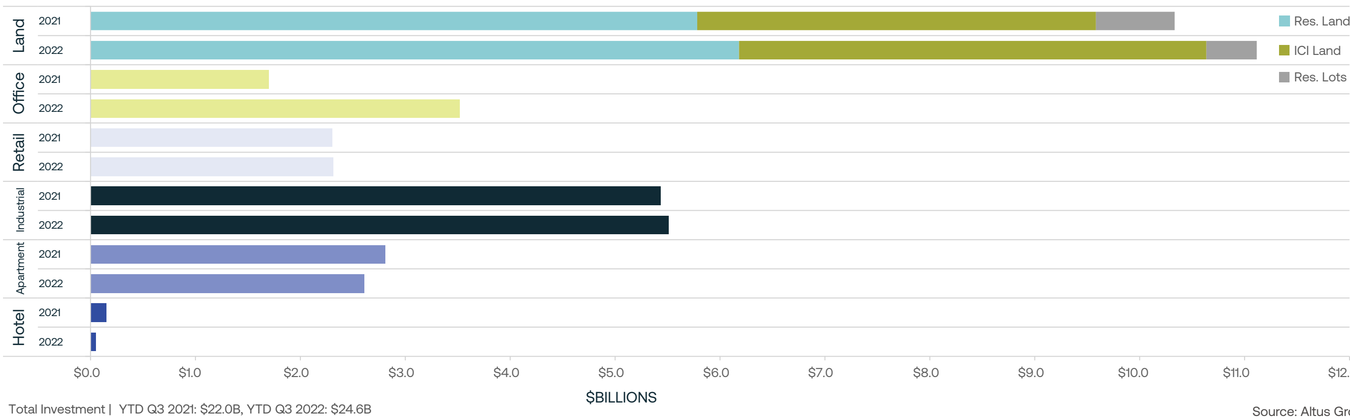

Total Investment | YTD Q3 2021: $2.0B; YTD Q3 2022: $4.4B

Source: Altus Group

## Greater Toronto Area

**Investment activity in the industrial, apartment and retail sectors were comparable to that of the same time period last year. The office and land sectors continue to show strong growth in investment volumes.**

Property Transactions by Asset class | YTD Q3 2021 vs. YTD Q3 2022



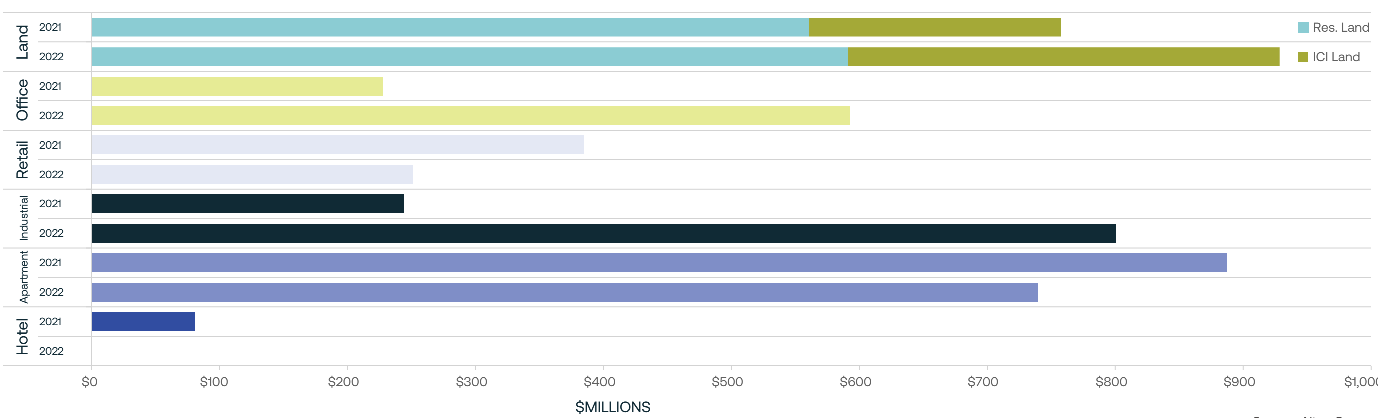

Total Investment | YTD Q3 2021: $22.0B, YTD Q3 2022: $24.6B

Source: Altus Group

## Ottawa Market Area

**The office, industrial and land sectors saw large increases in investment volume as the Ottawa market continues to grow. The retail and apartment sectors both sustained a drop in investment volume.**

Property Transactions by Asset class | YTD Q3 2021 vs. YTD Q3 2022



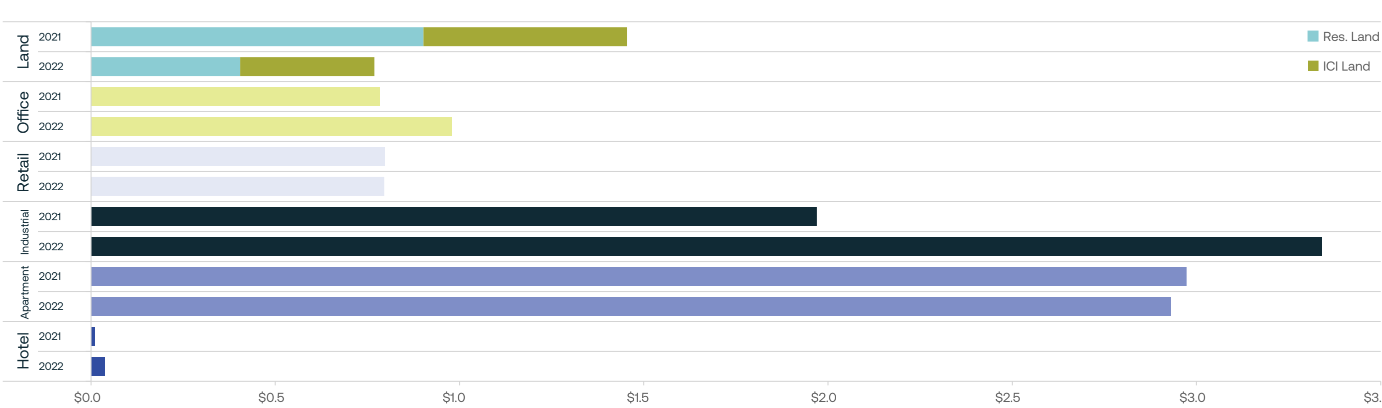

Total Investment | YTD Q3 2021: $2.6B: YTD Q3 2022: $3.3B

Source: Altus Group

## Montreal Market Area

**The Montreal industrial and office sectors recorded notable increases in investment volumes, while the land sectors saw falling investment volumes recording about half of the volume recorded in the first three quarters of 2021.**

Property Transactions by Asset class | YTD Q3 2021 vs. YTD Q3 2022




Total Investment | YTD Q3 2021: $8.0B, YTD Q3 2022: $8.9B

Source: Altus Group

# HOW TO REVITALIZE A DOWNTOWN

*Reweighting the downtown asset mix is a much discussed avenue to improving vitality. Sweeping up appropriate redundant office space and converting it to residential helps towards housing need and puts people at the heart of the city.*

Rosemary Feenan
*Executive Vice President*
*Global Research*
*QuadReal Property Group*

While the pandemic has undoubtedly jolted views on office assets as a preeminent value creator in our city centers, it is also spurring a reality check on what shape our downtowns need to be to attract and serve future generations who will see many more angles to vibrancy than perhaps we have paid attention to in the past. What an opportunity!

Of course every downtown has its character and some, due to age profiles, job types, spatial layout and the enlightened approach of the city itself, are faring better than others, but evolution is unstoppable, and we are entering its next phase with a doubling down on the significant tilts needed to sustain vibrancy. Tilts to secure progress in housing, resilience, safety, accessibility, and inclusivity which melded together will create a strong foundation for city success and for the vitality that comes with it.

Reweighting the downtown asset mix is a much discussed avenue to improving vitality. Sweeping up appropriate redundant office space and converting it to residential helps

*continued on page 68*

# Largo

Commercial Real Estate Finance *Made Simple.*

## PROVIDING COMMERCIAL REAL ESTATE FINANCING SOLUTIONS
## Throughout Canada & The United States

SINCE 1989

## #1 SOURCE FOR CROSS-BORDER COMMERCIAL REAL ESTATE FINANCE

**DEBT AND/OR EQUITY**

$130,000,000 I Office
Montreal, QC

$10,000,000 I Flex
Erlanger, KY

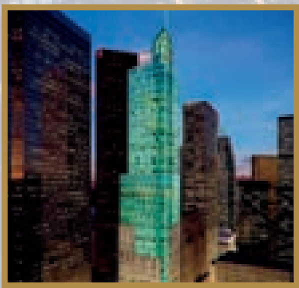
$169,000,000 I Retail
Portfolio, US

$30,800,000 I Office
Ottawa, ON

$7,500,000 I Industrial
Memphis, TN

$10,000,000 I Multifamily
Montreal, QC

$74,000,000 I Office
Toronto, ON



$90,000,000 I Hotel
Toronto, ON


**LARGO CAPITAL LIMITED I 150 YORK STREET, STE 706, TORONTO, ON I LARGOCAPITAL.COM**

**Kevin Ross - Managing Director | 416.362.2122| kross@largocapital.com**

Toronto License No. 10454 | Montreal License No. H1612

ALBANY I BUFFALO I MANHATTAN I MONTREAL I ORLANDO I PHILADELPHIA I ROCHESTER I SARASOTA I TAMPA I TORONTO


## Include the Canadian Real Estate Forum Magazine in Your Marketing Strategy Now and Reinforce Your Organization's Message to this Key Audience!

Your Unique Opportunity to Reach Over 16,000 Influential Real Estate Professionals in Canada's Commercial Real Estate Sector

Readers include Decision Makers from:

- Public and private real estate organizations
- REITs
- Federal and provincial governments
- Pension Funds and pension fund advisors
- Brokers, law firms and other intermediaries
- Banks, trust companies, life insurance and other financial institutions
- Corporate real estate executives aligned to many major Canadian organizations

## Three Annual Editions Focusing on the Following Key Markets:

**Spring:**

Vancouver • Edmonton • Montréal

**Fall:**

Ottawa • Calgary

**Winter:**

Canada-wide • Global

**Interested? Connect with Frank Scalisi**

**T: 416-512-3815**
**E: frank.scalisi@informa.com**

**BONUS! Receive Ongoing Exposure through the Online Digital E-magazine on the Real Estate Forum Website**

**realestateforums.com**

informa connect

 continued from page 62

*From the rise of micro mobility, to the enduring good of increasing green space in downtowns, to the creative use of rooftops be it for solar, bees or urban farming, the profiles of our downtowns were already undergoing change and offering a dynamism that better fits a changing urban world.*

towards housing need and puts people at the heart of the city. Not a new idea, not easy to enact, but one that has ebbed and flowed in major cities over the decades.

In London, in the 5 years prior to the pandemic, Savills estimate that 14.4 million square feet of office space was converted to residential. The City of Paris Municipality, through a programme of adaptive reuse of land and obsolete buildings, is currently aiming to extend its 25% affordable housing provision to 40% by 2035.

Mindful of preserving the very real value of commercial clusters, and of the very real physical challenges of residential conversions, the potential of adding essential housing supply to city centres is a key theme for cities like New York, Los Angeles and Chicago which are actively proposing plans to relax building rules and create tax breaks to incentivize property owners to take on conversions.

People create vibrancy and downtown living will re-enliven the downtown vibe.

From the rise of micro mobility, to the enduring good of increasing green space in downtowns, to the creative use of rooftops be it for solar, bees or urban farming, the profiles of our downtowns were already undergoing change and offering a dynamism that better fits a changing urban world. Downtowns are finding new ways to leverage the benefits of density, of mixed use, of technology and of sustainability at every turn. Future-ready architecture, comprehensive connectivity, green spaces in combination with culture and child friendliness will all help rebuild vitality at the core, not forgetting that modern cities rarely have a single core, be it around an activity centre or the 15 minute city concept, the 'vibrancy contour' needs also to be maintained across cities and across and within neighbourhood hubs.

With change and evolution in cities come multiple associated trade-offs linked, for example to changing land uses, the contrasting views of nimby's and yimby's or the less tangible issues of data privacy. And so it will be, with new trade offs that will occur as we test out more solutions to keeping our downtowns vibrant.

While there is reasonable agreement on actions that will help to revitalise downtowns, the challenge as ever, is aligning the needs and desires of all the stakeholders. To facilitate such alignment, a variety of cities are acting on revising zoning and permitting, building and tax codes, conversion rules and rent regulations, while also strengthening partnerships approaches. The creativity, flexibility, and speed with which built environment solutions to the stresses of Covid were originally put in place show what's possible when need meets innovation and common purpose.

■ *Rosemary Feenan*

# THANK YOU TO OUR ADVERTISERS AND SPONSORS

Reach a Targeted National Audience. For more information on how you can advertise in Real Estate Forum Magazine, contact: Frank Scalisi at frank.scalisi@informa.com or 416-512-3815 • realestateforums.com