

Canadian Real Estate Forums

FALL 2022
ISSUE 90

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INNOVATE TO SURVIVE: UNCERTAINTY IS HIGHLIGHTING THE NEED FOR MARKET INTELLIGENCE



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

Last year around this time industry watchers were throwing out terms such as “balance” and “stabilized”; however, we were only starting to appreciate that inflation might be more than transitional. Since then, we have seen persistently high global inflation fueled by supply chain woes, geopolitical issues, and a continued bounce back in demand. This has prompted the Bank of Canada to raise its overnight rate five consecutive times since March of 2022, from 0.25% to 3.25% on September 7th. This is impacting lending rates, consumer and business confidence, and everything in between.

The Ottawa and Calgary marketplaces are thousands of kilometres apart geographically and potentially in terms of the level of uncertainty in their respective overall outlooks.

The office sector across Canada is still experiencing uncertainty due to the continued efforts by tenants to determine how they see their return to office evolving in the coming years. CBRE noted that in Ottawa “conversations around the federal government’s plan to return to office continued on a department-by-department basis as different strategies are being examined.” In Calgary “despite increased revenues in the energy sector, a lack of capital spending is preventing growth to companies’ footprints as hybrid work strategies are changing the way office users look at their utilization of space.” Furthermore, the “consolidation in the energy sector and re-evaluation of office space usage” all has resulted in continued rising vacancy.

Despite all of this, positive leasing activity continues to occur in higher quality Class A buildings, particularly in the suburbs as well as those buildings that have invested capital into amenities. As with many markets across Canada, both Ottawa and Calgary were hoping to see growth from the tech sector; however, with recent layoff announcements and hiring freezes from many companies in the sector these expectations have been tempered.

The industrial sector across Canada continues to outperform as it rides a wave of demand from the e-commerce and fulfillment sectors, and both Ottawa and Calgary are no exception to this. Both markets are experiencing diminishing availability rates and rising rents; however, Calgary’s economy is clearly charging ahead at full speed and developers are scrambling to keep up.

Ottawa’s industrial vacancy rate increased slightly to 1.1% in the second quarter of 2022 according to Colliers, compared to

Calgary’s which fell to 2.5%. Rent growth and construction activity further highlight the difference in the growth trajectory in these markets. Ottawa’s industrial rents increased by over 6.5% year-over-year to \$13.67 per sq. ft. at mid-year 2022, with 585,000 sq. ft. under construction, whereas Calgary experienced rent growth of 26% to \$10.15 per sq. ft. with 6.0 million sq. ft. of new supply delivered in the first half of 2022 and another 4.4 million sq. ft. currently under construction.

Rising residential prices throughout the pandemic, and now rising interest rates in 2022, means the multi-residential sector continues to perform well across the country with rising rents and falling vacancy rates. Although overall this sector is expected to continue performing well, as Calgary, and Alberta, aggressively work to attract workers from other provinces to power their economy, the multi-residential and retail sectors in Calgary could potentially outperform.

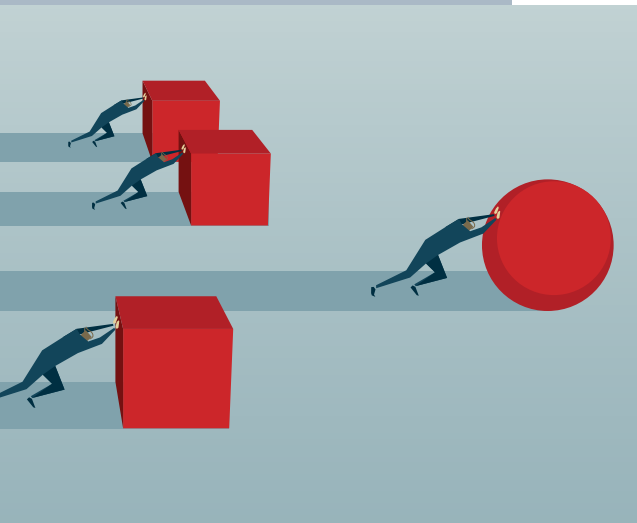
Behind these evolving market conditions is the continued issue of rising interest rates, high inflation, rising construction and material costs, and the availability of labour to work on construction projects. Developers and lenders are taking a long and hard look at all projects to ensure cost overruns and delays do not impact the viability of a project. As a result, the key to a successful project team is experience, relationships, equity, as well as liquidity and cash reserves. As for borrowers, many are looking at shorter terms, with a view that interest rates might fall in the coming 2 to 3 years.

With all this uncertainty and potential in the markets, the Real Estate Forums offers insightful analysis from some of the brightest minds in real estate. We look forward to seeing you and facilitating discussions between all major stakeholders to highlight how these two markets are actually performing and what opportunities lie ahead in the future.

On behalf of our team, thank you for attending our events to date in 2022. We hope you find the Ottawa Real Estate Forum and Calgary Real Estate Forum insightful and valuable, and that they provide an opportunity to shake hands with friends and colleagues you may not have seen over the last few years. We wish you insightful and successful Forums, as well as more certainty and optimism as we look ahead to 2023.

All the best,

Roelof van Dijk



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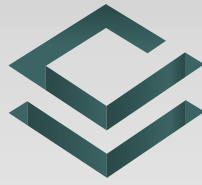
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THE ALTUS REPORT

In this issue of the Altus Report, we discuss real estate investment trends across Canada, and specifically in the Ottawa and Calgary markets.

MULTI-FAMILY ASSETS EXPERIENCE TIGHTER DEMAND WHILE RETAIL ASSETS SEE REVITALIZATION IN THE FIRST HALF OF 2022



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The Canadian commercial real estate industry has had a strong start to the 2022 year.

Nationally, investment volume in the first half of 2022 totalled slightly more than \$50.5 billion dollars, a 48% rise from the previous year with all major markets recording increased transaction volumes (Figure 1). Calgary reported a total investment volume of about \$3.7 billion, more than double what it was in the first half of 2021. Meanwhile, Ottawa noted an investment volume of \$2.6 billion, a 69% increase from first two quarters of 2021.

The industrial asset class outperformed all other asset classes nationally, with almost \$11.8 billion recorded in investment volume, composing 23% of total investment volume, and 21% of all transactions conducted.

The land sectors (ICI and residential) have also continued to garner investor interest across the country, with almost \$19 billion in dollars invested, accounting for 38% of total investment volume.

The multi-family asset class was also an investor-preferred asset class accounting for 15% of total volume, and an investment volume of approximately \$7.5 billion.

The office sector also rebounded in the first half of 2022 boasting an investment volume of almost \$7.2 billion nationally, an increase of more than 3 times from the first half of 2021.

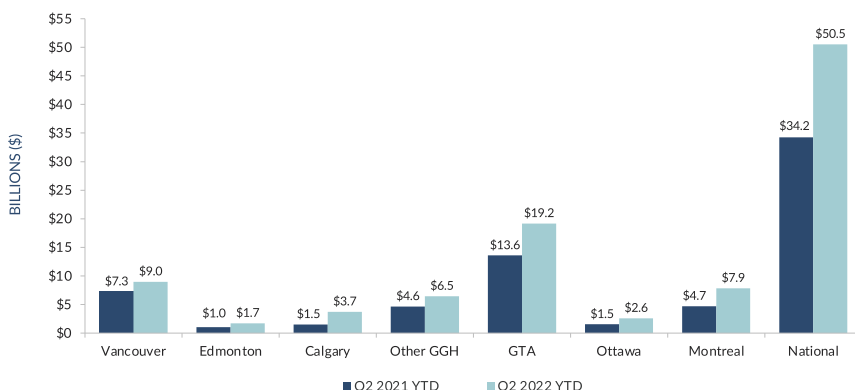
Overall, while the demand for industrial and multi-family assets is expected to persist for the remainder of the year owing to their flexible and essential nature, there is a note of uncertainty in the office asset class, as employers continue to figure out what to do with their space. While some employers are mandating their employees back to work in the fall, others are reducing their office footprints. The remainder of the year will be vital to the trajectory of the office asset as it continues to face ever evolving challenges.

According to our Investment Trends Survey for the second quarter of 2022, industrial assets nationally continued to be extremely favoured by investors, making up three of the top five preferred products. (Figure 2) The rising shift towards e-commerce, combined with the pandemic, and persisting supply chain issues have kept the demand for industrial assets elevated.

Multi-family assets also are one of the top five most preferred assets. The Toronto, Vancouver and Ottawa markets surfaced as the most preferred investor markets. However, these markets were not immune to the volatile macroeconomic environment, namely, the rising cost of borrowing. All markets with the exception of the Calgary market (which stayed the same) reported a downturn in their momentum ratios (percentage of buyers over the percentage of sellers).

Overall capitalization rates have increased across all four major asset classes, with the exception of the industrial asset class when compared with the last quarter. This is a response to the rapidly rising interest rates and investor concerns regarding the impact these changes may have.

Figure 1: Year-Over-Year Transaction Volume (Q2 2020 VS. Q2 2021)]





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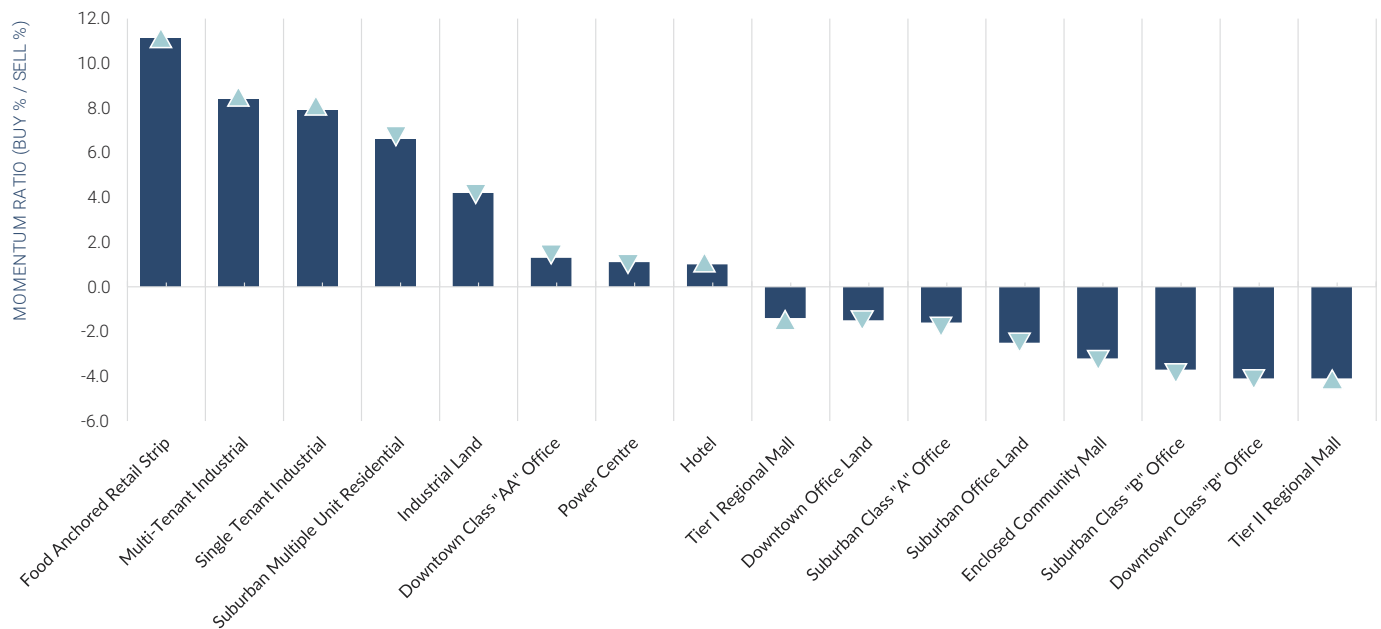
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Figure 2: Property Barometer – All Available Products
Q2 2022



Source: Altus Group's Investment Trends Survey

Due to the rising of interest rates, the labour market has decreased slightly, but has remained tight. According to Statistics Canada, the unemployment rate sat at 4.9% as of July 2022, hitting a historic low. Employment rose in the manufacturing sector, while it fell in the services producing sector, with losses spread across several industries such as wholesale and retail trade, health care and social assistance, as well as educational services.

Meanwhile, retail sales increased in June, led by higher sales in gasoline stations as well as motor vehicles and parts dealers. Higher sales increases were also noted in clothing and clothing accessories stores, as well as jewelry and luggage/leather goods stores. Retail e-commerce sales were down 5.3% year-over-year in June, accounting for 5.4% of total retail trade. The share of e-commerce sales out of total retail sales fell 1% compared with June 2021. This illustrates that as retail sales are going up, e-commerce sales are going down with more people heading back into stores to do their shopping.

Retail assets are rebounding as people head back into stores to do their shopping.
Calgary retail

The rise in energy prices from the onset of the pandemic has contributed to a revitalization of retail sales in the Calgary market. Calgary sits as the fourth spot in terms of retail investment across the country when looking at year-to-date numbers. Retail investment volume for the first half of 2022 sat at almost \$354,000, a 32% increase from 2021. This can be attributed to the loosening of restrictions, but also a bounce back in the Calgary economy supported by rising oil and gas prices.

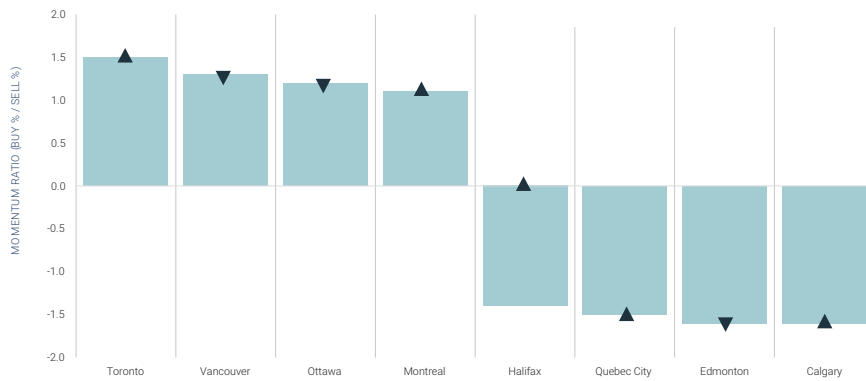
Moreover, in person events like the Calgary Stampede have also driven higher tourism to the city, resulting in more retail spending. As the unaffordability crisis in other cities such as Toronto and Vancouver continue to get worse, cities with lower costs of living and housing, such as Calgary, are becoming more attractive to people and stand out as significant markets for strong population growth. This implies that there will be more purchasing power given income increases, and consumer confidence in spending, as well as the demand and use of retail assets. While looking at the location barometer for retail products, it can be seen that the Calgary market has a negative momentum ratio, and while negative, it has remained unchanged from the previous quarter. This is a positive indicator for the retail asset class in Calgary, that despite the interest rate hikes

and volatility in the macroeconomic environment, retail assets are not less preferred, and are weathering the storm. Retail assets are also being transacted in the Calgary market, with 27 transactions conducted in the second quarter of 2022, and 43 conducted year-to-date. Looking ahead, as the Calgary economy continues to recover, retail assets are expected to remain in demand, but with interest rates rising, the exact outcome of changes catalyzed by these hikes won't become apparent until the second half of the year.

Ottawa retail

The Ottawa retail market is also faring quite well as the year progresses, and it was the third most investor favoured market for retail investment with slightly more than \$209,000 invested in the first half of 2022. (Figure 3). This is because the Ottawa market is bolstered by a strong working population, especially those employed by the various levels of government in the city. As people transition from working from home to the office, this shift bodes well for the local retail. Not only will people be more encouraged to go shopping as the restrictions have loosened, but also have the need to frequent local retail stores, whether that be for a bite to eat, or a new work outfit.

Figure 3: Location Barometer
RETAIL Q2 2022



Source: Altus Group's Investment Trends Survey

Multi-family assets continue to remain an investor favorite, with demand expected to remain tight

Calgary multi-family

Similar to retail assets, multi-family assets in Calgary are doing well due to the improving economic conditions supported by rising energy prices. Investment volume for multi-family assets in Calgary sat at just over \$214 million for the first two quarters of 2022, a 39% increase from the same time period in 2021.

Demand for multi-family assets in the Calgary market is expected to remain tight. Calgary boasts an attractive job market, with ample employment opportunities. This combined with lower costs of living, and more affordable housing makes it very attractive for migration. According to Statistics Canada, Alberta has registered the highest net gain in the country for interprovincial migration as of the end of the first quarter of 2022. It has not seen such high interprovincial migration levels since 2015. This implies that as one of the major cities in Alberta, Calgary will also be benefitting from this growth.

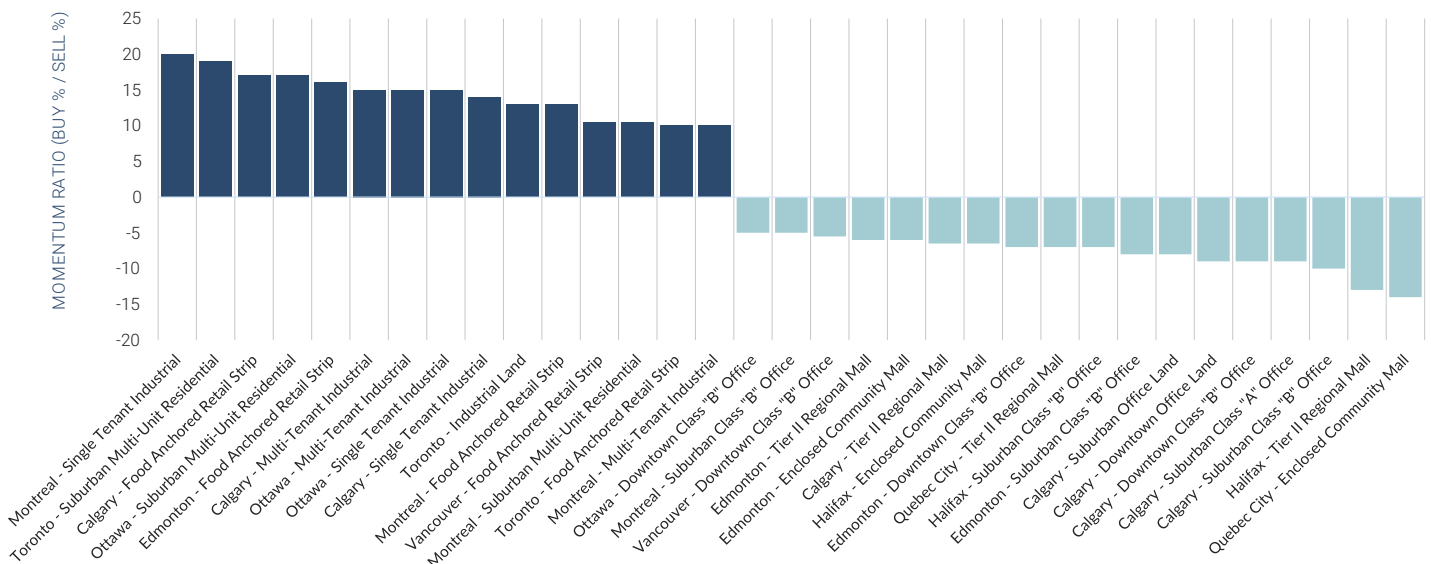
As the population increases, so will the demand for rental housing. This bodes well for multi-family assets, with further growth in the demand for multi-family assets expected to persist for the remainder of the year.

Ottawa multi-family

Multi-family assets in the Ottawa market are also faring quite well, and land as the fourth most preferred product/market asset as seen in Figure 4. Investment volume for the first half of 2022 was recorded at nearly \$522 million, a 73% increase as compared to the first half of 2021, accounting for 20% of the total investment volume. The apartment asset class was also the second most invested asset class in the Ottawa market, following the industrial asset class. According to Figure 5, the Ottawa market was the third most preferred market by investors for multi-family investment overall.

There is stable employment in the city, especially through the various levels of government and government services, as well as a growing population as catalyzed by higher immigration levels. This combined with growing accessibility as the city continues to improve its transportation with the expansion of the O-Train Light Rail Train (LRT) system, will mean that the demand for multi-family properties will remain elevated for the remainder of year - especially as more professionals are mandated to go back to work, especially by the federal government.

Figure 4: Product/Market Barometer – All Available Products
Q2 2022 – TOP 15 PREFERRED/15 LEAST PREFERRED



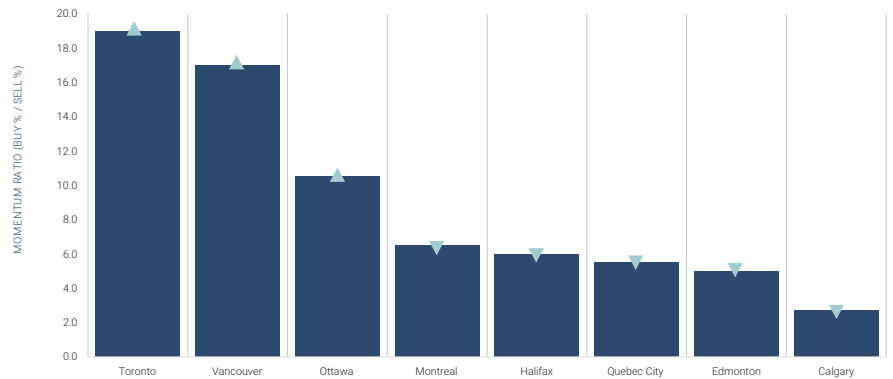
Source: Altus Group's Investment Trends Survey

Ottawa and Calgary transactions

The following are some of the notable multi-family and retail transactions conducted in the first half of 2022. They reflect the elevated demand for multi-family assets and highlight the revitalization of retail assets in the Ottawa and Calgary markets.

- Located in Calgary, the Marlborough Mall was purchased by a Primaris REIT for \$69.6 million from Healthcare of Ontario Pension Plan (HOOPS) in April 2022. The building includes approximately 601,000 square feet of retail space, with a price per square foot of \$166. The mall has been a staple in the city as it opened its doors in 1975.
- Costco Wholesale Canada purchased 1900 – 1960 Cyrville Road in Ottawa from LaSalle Investment Management in March this year. The building boasts a price per square foot of \$258, with a total of 164,441 square feet. Its total purchase price amounts to \$42.5 million. The buildings are currently occupied by Costco and The Brick, who have a lease term of approximately 15 years remaining.

Figure 5: Location Barometer – Suburban Multiple Unit Residential Q2 2022



Source: Altus Group's Investment Trends Survey

Figure 6: Featured Multi-Family Transactions – Calgary, Ottawa Q1 2022 – Q2 2022

Market	Submarket	Date	Address	Purchaser(s)	Price	Tenancy type	Building size
CMA	Calgary, AB	02/06/2022	3805 Marlborough Drive NE	Avenue Living	\$63,500,000	Multi Tenant	384 units
CMA	Calgary, AB	02/06/2022	1825 Woodview Drive SW 2120 Southland Drive SW	Avenue Living	\$74,500,000	Multi Tenant	373 units
OMA	Ville de Gatineau, ON	04/28/2022	400-460 Atmosphere Street	Centurion Apartment REIT	\$114,439,641	Multi Tenant	345 units
OMA	Gloucester, ON	05/30/2022	350 Montgomery Street	Chenier Group	\$32,350,000	Multi Tenant	105 units

Source: Altus Group's Investment Trends Survey

The retail asset class is just getting back on its feet, and experiencing a slow but steady recovery, especially as consumers slowly gravitate back towards in-person shopping. The progression of the activity in the asset class will be better determined as the effects of the rising cost of borrowing and ever-evolving macroeconomic factors become more apparent in the second half of the year.

Meanwhile, the demand for multi-family assets remains tight, especially as the housing unaffordability crisis deepens, immigration levels remain elevated, and more

people turn to renting. This is expected to persist for the remainder of the year.

The 2022 year began with a note of optimism and excitement for the industry, but this was rapidly met with a rising cost of borrowing and a volatile macroeconomic environment. That said, the commercial real estate industry has fared quite well in the face of these challenges, topping the first half of 2021's investment volume. Being no stranger to setbacks and volatility, it will be interesting to monitor the commercial real estate industry's response to our rapidly changing environment throughout the remainder of the year. ■

INTEREST INCREASES OVERESTIMATED, RENT RISES UNDERESTIMATED, MARKET READING REITS WRONG



Benjamin Tal
Managing Director
& Deputy Chief Economist
CIBC Capital Markets

Caught between soaring inflation and interest rates, scarce labour and a spike in municipal construction constraints, developers are putting their projects on ice.

"According to my sources, about a third of projects in Toronto have been delayed or cancelled," reported Benjamin Tal.

While many welcome softening property prices, thinking that they will relieve pressure to raise interest rates, counterproductive monetary and municipal policies could provoke a housing affordability crisis within two years.

"Just when we need to increase rental supply, cities are raising development charges," said CIBC Capital Markets' Managing Director and Deputy Chief Economist. "We should be doing the opposite."

"We know that rental supply is the key to affordability," Tal explained. "Two years from now, when the fog clears, the supply will not be there."

"The market is not reading REITs correctly today," he said. "They are attractive because the acceleration in rent inflation is not priced in fully, while interest rates are priced in too much."

Guess what will happen to prices? This is madness—and cities are making it worse."

Time ripe to reevaluate residential REITs

"The market is not reading REITs correctly today," he said. "They are attractive because the acceleration in rent inflation is not priced in fully, while interest rates are priced in too much."

Rapid rent inflation could make most residential real estate investment trusts more valuable. Record immigration—Canada welcomed a half-million newcomers in the first half of 2022 alone—has more than doubled rental demand. Factors from outside Canada will also sustain Inflationary pressure here.

"The Ukraine war is a factor, as are supply chains. While we're seeing some supply chain constraints starting to ease, COVID is still around. We are in the midst of a cold war with China, whose economy was closed by its zero-tolerance pandemic policy. That affects the commodity market and global growth."

Though some production has shifted from China to places like Vietnam, Singapore and India, a significant portion will be deglobalized.

"Globalization is not dead, but about 25% of what we now buy from China will be produced at home," Tal estimated. "Just-in-time inventories have given way to just-in-case. All these forces are inflationary."

Interest rates to stay higher, longer

Although Tal disagreed with Harvard economist Larry Summers' forecast that rates could rise to six percent, he agreed that will interest levels will remain higher for quite some time.

"To rein inflation back in to 2%, the neutral interest rate will have to remain much higher than the 1.75% level during the past decade or so. The new neutral is now 3-3.5%," he predicted. "That has some implications for capitalization rates, to which the real estate industry will have to adjust."

That means the party is now over for firms whose margins looked good during the cheap money era.

"To fight off inflation, we need to spend and invest to boost productivity," Tal asserted. "Corporations are sitting on a mountain of cash. When the fog clears a year or so hence, you will see corporations start to use this dead money to enhance production, because that will be the only way to grow."

■ Robert Frank

Ottawa Real Estate Forum

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

A CHALLENGING ECONOMIC OUTLOOK: WHERE ARE INFLATION, INTEREST RATES AND OTHER FUNDAMENTALS HEADING AS 2023 APPROACHES?

BoC aims for inflation to drop to 2% and housing markets cool across the country.

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RETURN TO THE OFFICE: WHAT IS THE RANGE OF STRATEGIES THAT THE FEDERAL GOVERNMENT AND COMPANIES HAVE IMPLEMENTED?

Government offices are trying a few different flexible techniques, while tech tries to attract its employees back into offices.

3

THE IMPACT OF THE PANDEMIC ON DOWNTOWN OTTAWA AND GATINEAU: WHAT INITIATIVES CAN BRING VIBRANCY BACK TO THE HEART OF THESE CITIES?

After lockdowns and the disruption of the "Freedom Convoy" occupation, Ottawa's tourism markets look towards a much-needed comeback.

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NEW SUPPLY NEEDED TO EASE STRONG GROWTH IN INDUSTRIAL REAL ESTATE DEMAND: IS THERE ANY DEVELOPMENT ON THE HORIZON TO THE RESCUE?

Despite 362,727 sf of industrial construction underway in the Ottawa market, its inventory will only increase by 1.6 percent when this supply is added in late 2022 or the following year.

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The retail sector in Ottawa has been a mixed bag so far for the first half of 2022.

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Despite rising interest rates, there have been some significant transactions in the first nine months of 2022, with investors from other parts of the country eager to enter or expand their share of the Ottawa market.

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The residential market has experienced a profound slowdown, while rental prices soar.

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Demand remains high despite rising interest rates. Short supply continues to fuel high rental costs and low vacancy rates.

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CASE STUDIES OF DEVELOPMENT PROJECTS IN THE OTTAWA MARKET — HOW MUCH SUSTAINABILITY HAVE DEVELOPERS BEEN ABLE TO APPLY?

The sustainability poster child for the National Capital Region is the Zibi waterfront community, described as "a borderless neighbourhood, connecting the cities of Gatineau and Ottawa."

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



OTTAWA: FORECASTING IS A SKILL



Jeff Westeinde
*Zibi, President
THEIA Partners
Partner & Executive Chairman*

After years in the real estate game, we've become experts at seeing the big, long-term picture and making smart plans. Participants at every Real Estate Forum always have one big question for the experts: "What will happen in the market, in my city, 12 to 18 months from now?" To answer that question, we inevitably make a little joke about our "crystal ball" and make an educated prediction about the future. Forecasting is a skill. We don't always do it with perfect accuracy but giving it our best shot makes real estate deals happen. Even the world of finance revolves around predictions.

This time around, the crystal ball is glitching. New realities of office work, increasing demand for buildings that comply with Environmental, Social and Governance (ESG) factors, and rising costs are among the forces driving change. Project developers in the Ottawa market, whether they are in construction, leasing up, or still in the planning stages, face a lot of uncertainty. As always, one person's challenge is another person's opportunity, depending on whose forecasting hits the mark.

One thing we do know for certain is that Ottawa has a major affordability problem. Affordability, at the end of the day, comes down to supply and demand. Developers, faced with a tremendous amount of demand, are having a difficult time

getting supply on the market, in large part because of the approval process. Unfortunately, it typically takes longer to get an approval than to build a building. That needs to change.

Under the current system, real estate bylaws dictate that everybody needs to do something very, very similar or better, yet the same – yet every project has unique aspects. The people who are paid to enforce those bylaws do a very good job at doing their mandated jobs but, when they encounter the unique aspects of a project, the approval process slows to a crawl. We need political leadership to change that.

In the absence of an actual crystal ball, real estate professionals may not have absolute certainty, but we can continue to do what we excel at: making informed decisions with the data we have. This Real Estate Forum is our chance to glimpse the future by listening to everybody else's points of view and the trends they're seeing.

None of us knows everything. That is why being able to network with our peers is essential. The entire global food chain of the development world promises to deliver much more insight into where the market is headed and how to make sound choices. Having that kind of a brain trust in one place provides a lot of value.

■ Michelle Morra



Miguel Tremblay
Partner
Fotenn Planning + Design

PREDICTABLE PLANNING PROCESSES PIVOTAL TO PROVIDING AFFORDABLE HOUSING

Developers need a well-defined, reliable pathway to approval, to deliver the affordable housing that Ottawa and Gatineau residents need. Unfortunately, the planning process has deteriorated on both sides of the river, during the past two years.

"Delays, obligations, costs and timelines are the worst that I've witnessed in my 25 years of doing this," declared Miguel Tremblay, Partner, Fotenn Planning + Design. "All we're seeing right now is delays and additional study requirements, costs, parkland requirements, and high-performance environmental development standards."

"These are all worthy objectives," he acknowledged, "but we need to find ways to implement them without hindering the delivery of affordable residential units. Projects are routinely delayed for studies, some for valid reason; others frivolous. For 2023 to be better, the development community and the

city need to find ways to collaborate toward achieving that common purpose."

"Developers need predictability. They need to know what their timeline will be. They need to factor in their costs."

Both Ottawa and Gatineau urban planning departments have struggled with staff shortages and face significant challenges getting new staff on board. Both cities have lost their planning department heads during the pandemic.

"It's not uncommon to go through three different planners during the course of a single application and to have to start all over again with an engineering reviewer," Tremblay recounted. "There are no bodies at the cities. Both cities. I've been waiting three months to get a call back from the City of Gatineau just to find out the status of my file. That's unreasonable. That's unworkable."

"What developers instead need is predictability," he suggested. "They need to

know what their timeline will be. They need to factor in their costs."

Without a clear, consistent timeline for approvals, developers can't line up the trade contractors that they need.

"How do you line up your infrastructure guys on site?" Tremblay asked. "Timelines are becoming unmanageable for our clients. They have no clue. There is no transparency as to when we will get our approvals."

Construction costs have caused many Ottawa developers to slow down – or scale down – the pace of their projects.

"Smaller projects will see a little bit of a slowdown because of rising labour and construction prices," he predicted. "A lot of builders have shifted to four-storey construction because you can go to wood to contain costs."

"The larger projects moving forward were shovel-ready two years ago, but people are taking a wait-and-see approach to newer projects."

■ Robert Frank



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HYBRID OTTAWA: WILL THEY COME?



Shawn Hamilton
President, Business Development
National Capital Region
Canderel Group

Downtown Ottawa has gradually come back to life since the peak of the pandemic. As in other parts of Canada, Ottawa's private sector is easing back to the office.

"It's not a groundswell but a definite exploration," says Shawn Hamilton, Vice President, Business Development - National Capital Region, Canderel Group.

The public sector is a different story. "With the federal government there has been no movement on

return to work," Hamilton says. "The community is still waiting for some form of announcement on if, and how, they're going to come back to the office."

"Let's make a collaborative, wonderful office and all this will go away."

The federal government decentralized decision-making this past summer and gave each department authority to devise its own return-to-work strategy. "But right now, the federal government is entirely remote for all intents and purposes," Hamilton says.

So far, office tenants are leaning toward hybrid work. Hamilton sees a trend toward a three-days-a-week model favouring Tuesdays, Wednesdays and Thursdays, with remote work on Mondays and Fridays. What's uncertain is the exact driver for the trend. "Is this hybrid model being done to investigate a best practice to increase efficiency and corporate output? Or is it a compromise being made to appeal to the workforce who seems to be wanting more flexibility?"

Much has been said about COVID-19's work-from-home years having stirred a pushback against poor work culture. Employers, pressured to augment their game, must ensure that people feel valued, are fairly paid, have opportunities for growth and expression, all in an engaging and comfortable work environment. Hamilton doesn't see this as a problem.

"Let's make a collaborative, wonderful office and all this will go away." He predicts that in a year, savvy businesses will adopt a more progressive view of their people.

As economists talk of a potential recession, the dynamic could change. "If people need to be let go due to cost containment measures, that may upset the balance," Hamilton says.

Employees are feeling good about their collective bargaining position after a decades-long wave of prosperity. It's an employee's market, but that might shift. Even so, Hamilton reminds employers, "If you're hoping your employees go back to work out of fear of being let go, that still doesn't create an engaged workforce."

■ Michelle Morra





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INFLATION OPENS DIVIDE OVER RETAIL RENT EXPECTATIONS



Fraser Paddison
Vice President, Retail Leasing
Marcus & Millichap

Potential price volatility has hobbled downtown retail development, as property owners and prospective tenants mull the impact of inflation.

While retailers and franchisees who don't need to inject a lot of capital to get up can expect a five-year lease with some options, those who plan large infrastructure investment expect a 20-year guaranteed term and rent land lease.

"Landlords are pushing back hard, because no one knows what rents will look like in 10-15 years," said Fraser J. Paddison, Vice President, Retail Leasing, Marcus & Millichap. "They don't want to lock in rents that far ahead. They will agree to the term, as long as they can come back later to renegotiate rent."

While there's broad consensus that extensive infrastructure investments like Ottawa's growing commuter train network will foster a return to the city core, the jury is out as to what shape that renewal will take.

"There will be a rebound, whether as a hybrid of office and apartments, or residential and more office," he affirmed. "The federal and municipal governments want people to return downtown. It's just a question of when that will happen."

Despite a 30 basis-point decline in overall vacancy since last year to 1.9 percent – with the downtown core dropping to 2.4 percent from last year's spike to 3.5 percent – the ongoing uncertainty has tempered investment sentiment in Ottawa.

"The retailers whom we're working with are now looking years out, not months," Paddison reported. "They're telling us: 'Yes, we're coming and we're looking forward to it, but in a couple of years. We're not considering proceeding next month.'"

"The retailers whom we're working with are now looking years out, not months," he reported. "They're telling us: 'Yes, we're coming and we're looking forward to it, but in a couple of years. We're not considering proceeding next month.'"

Shifting shopping habits wrong-footed many retailers who had expected suburban sites to fare better amid the pandemic, seeing many new-to-market retailers, especially drive-throughs, shutter their downtown outlets face unexpected challenges. Those who swiftly shifted their strategy did extremely well, though.

"Many quick-serve restaurateurs who wouldn't normally take a site without a drive-through, thrived by snapping up space to capitalize on new, third-party delivery services like Uber Eats that had rapidly entered the market," he observed. "Their new market-entry strategy instead considers how many kilometres radius a site can serve as well as how many people a third-party delivery service would reach, and how quickly."

■ Robert Frank



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AFFORDABLE HOUSING CRISIS: GOVERNMENT SOLUTION OVERDUE



Kelly Rhodenizer
Vice President, Commercial &
Multi-Family Development
Regional Group



“To get people off the street and into homes, cities have to grapple with policies that detract from affordability and address all these extra costs. Not just the city. I’m a firm believer that all levels of government need to engage actively without delay to implement incentives that will encourage building affordable entry-level housing.”

Huge demand remains for purpose-built multi-residential housing in Ottawa.

“It has not slowed down at all,” observed Kelly Rhodenizer, Vice President, Commercial & Multi-Family Development, Regional Group. “We’re still positive and bullish. I have two active buildings where we’re leasing 235 units.”

However, soaring construction costs, interest rates and labour shortages have hamstrung the development community’s ability to deliver the additional accommodation that everyone agrees is desperately needed.

“We’re really struggling,” she conceded. “It’s a tough time to be a developer. I have weathered many storms. We’ll ride the wave here.”

Rethink, replan, remain shovel-ready

Rhodenizer’s response is to innovate, to circumvent those challenges.

“We just started a construction project in June, building 180 purpose-built rentals,” she said. “We’re building with steel frame and surface parking, rather than with traditional concrete or substituting wood. Compared with a similar project in 2019, our costs are \$150 more per square foot today.”

On the proforma side, the condo market has softened and rents have not risen as rapidly as construction costs.

Daunted at the prospect of lossmaking projects, developers have started to scale back their construction plans, and to delay implementation – exacerbating Ottawa’s housing shortage.

“My team has started to pull back,” Rhodenizer reported. “We’re remaining shovel-ready and if market conditions stabilize and the labour shortage gets sorted, we hope to pull some triggers, if conditions improve next spring.”

Policy paradox harms homeless, neediest

Municipal planning policies have compounded the pain, piling on new performance standards, parkland requirements and community benefit charges.

“To get people off the street and into homes, cities have to grapple with policies that detract from affordability and address all these extra costs,” she urged. “Not just the city. I’m a firm believer that all levels of government need to engage actively without delay to implement incentives that will encourage building affordable entry-level housing.”

Ottawa currently lacks a program to promote converting older office buildings to residential.

“It’s a perfect way to address the housing crisis,” encouraged Rhodenizer, who trained as an urban planner.

“Yes, there are structural issues,” she acknowledged. “Are there enough balconies? Enough glazing? Yet, despite the challenges, with provincial and federal support, it could help solve the lack of affordable housing.”

Canada Mortgage and Housing Corporation could also broaden its existing incentives to comprise conversions of existing buildings.

“If they could assist on that front, it would be very helpful,” Rhodenizer concluded.

■ Robert Frank

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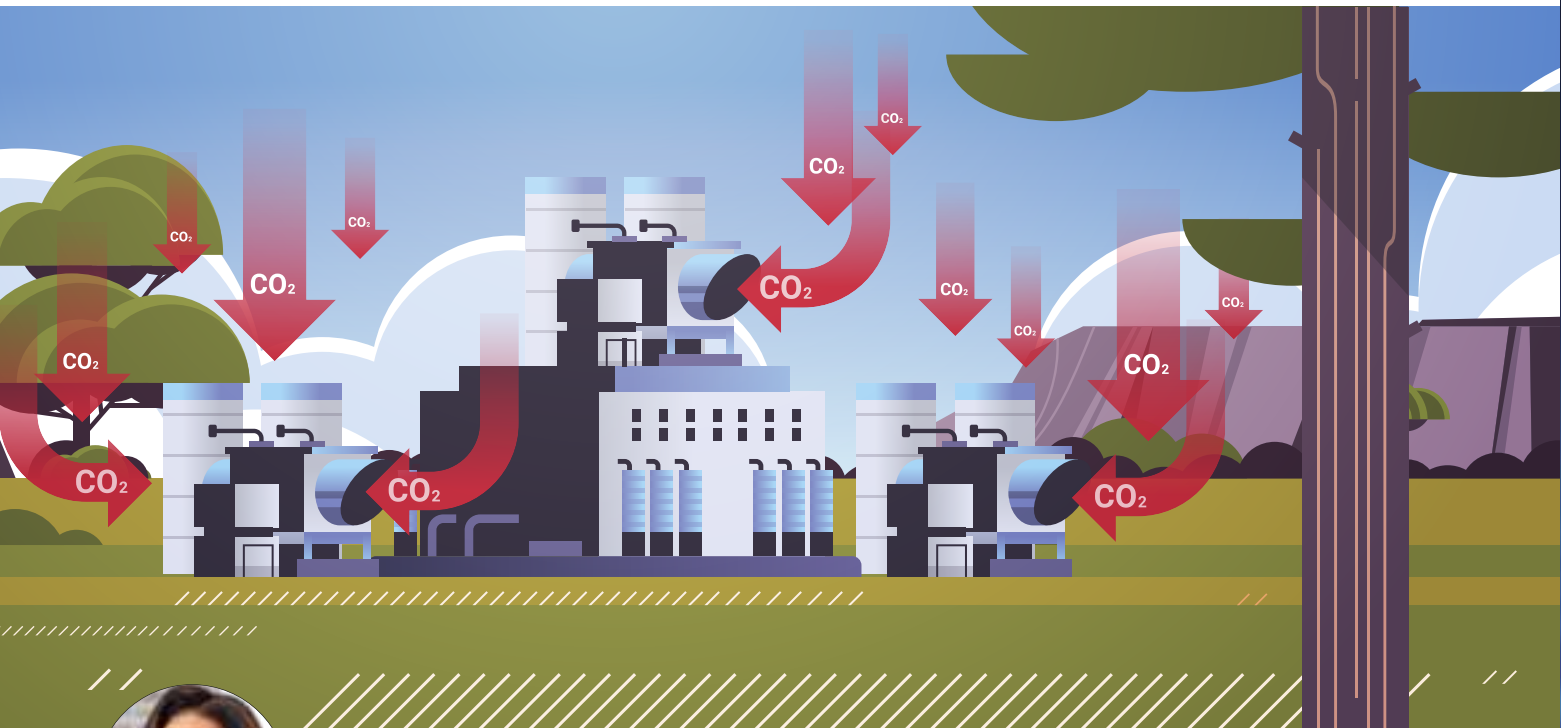
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SOCIAL RESPONSIBILITY & DECARBONIZATION ARE KEY FACTORS GOING FORWARD



Emily Hanna
Managing Partner, Investments
Crown Realty Partners

With the strong presence of the government, there is a real opportunity for collaboration between owners and the PPSC to achieve our government's ultimate objectives regarding decarbonization in the real estate vertical.

Prior to Crown's first Ottawa acquisition in 2019, we identified the Greater Ottawa Area as a potential growth market for our firm. We saw it as a great market into which to expand our investment and management platform which had been primarily focused on the GTA prior to that. The Ottawa market has typically benefitted from stability due to the presence of the federal government, but it has also evolved into one of North America's top innovation hubs, attracting firms that employ the best and brightest talent. The opportunity we saw was to offer what Crown has become known for in the GTA: offering business occupants high quality space on a competitive

basis, without sacrificing on the professional management, amenities, and services their teams deserve. Concurrently, we could maximize risk adjusted returns to our investors and stakeholders. Since our first acquisition, Crown now owns and/or manages almost 2.5 million sq. ft. of space on behalf of our investors and clients.

What do you foresee with respect to the growth of this market?

We are excited at the prospects for our investors and for the businesses in the Ottawa market especially when it comes to offering "socially responsible" space. With the strong presence of the government, there is a real opportunity for collaboration between owners and the PPSC to achieve our government's ultimate objectives regarding decarbonization in the real estate vertical. This past year Crown has focused our efforts on understanding the physical and financial

feasibility of upgrades that can meaningfully impact the carbon footprint and efficiency of our buildings. The investment in these essential upgrades will only happen if we have true alignment between business leaders, lenders, building occupants, investors and managers. In this respect, the PPSC, the largest tenant in the market, has both a responsibility and a tremendous opportunity to show true leadership when it comes to encouraging these investments.

How does 2023 appear at this time?

The coming year will be essential as business leaders work through what the hybrid office environment means in the context of their respective businesses, address the economic uncertainty, and continue to work to attract top talent. More than ever before, we need to focus on offering "more than square footage."

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1

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

HOW WILL INFLATION AND RISING INTEREST RATES IMPACT THE CALGARY REAL ESTATE MARKET?

Growth has been strong in Calgary, but inflation and high costs of debt could stunt the market in 2023.

2

HOW HAS THE ECONOMY IN ALBERTA OVERALL AND CALGARY SPECIFICALLY PERFORMED THROUGH THE PANDEMIC?

Optimistic outlooks for the agriculture and energy sectors signal recovery for the economy. Downtown Calgary is also beginning to reawaken.

3

THE STRENGTH OF CALGARY'S DIVERSE ECONOMY NEEDS TO BE HIGHLIGHTED: WHAT ARE THE KEY ECONOMIC DRIVERS?

According to Economic Development Calgary, there are nine major key economic drivers in the city, which in turn propel much of the Alberta economy.

7

LABOUR SHORTAGES, CONSTRUCTION COSTS AND MUNICIPAL APPROVAL PROCESS PROVE CHALLENGING

Interest rates, continuing supply chain issues, and increased costs for both materials and labour meant the price of a new single-family home has increased 18 percent since Q4 2021.

6

HOW DOES A PROVINCE WITH ENERGY RESOURCES EVOLVE WITH GREEN INITIATIVES?

As demand for oil changes, companies and governments may have to pivot to remain successful.

5

THE NEED TO UNDERSTAND ESG INVESTING IS BECOMING INCREASINGLY IMPORTANT

Companies focus on mitigating climate risks and carbon emissions.

4

OFFICE TO RESIDENTIAL CONVERSIONS ARE RAMPING UP: HOW WILL THIS AFFECT DOWNTOWN OFFICE VACANCY?

Several multi-residential conversion projects are underway as Phase 2 of the Downtown Calgary Development Incentive Program expands the program to cover conversions to other kinds of spaces.

8

THE IMPORTANCE OF THE CITY OF CALGARY'S INITIATIVES TO PROMOTE INVESTMENT IN THE CITY

The Opportunity Calgary Investment Fund and the Downtown Calgary Development Incentive Program are creating jobs, encouraging innovation, and revitalizing the city.

9

RETAIL IS NOT DEAD – BRICKS AND MORTAR DID NOT COLLAPSE

Calgary's retail market foot traffic is recovering faster than any other major city in Canada.

10

CALGARY'S RETAIL MARKET FOOT TRAFFIC IS RECOVERING FASTER THAN ANY OTHER MAJOR CITY IN CANADA.

The city's vacancy rate and location make it "an attractive alternative" to major markets like Toronto and Vancouver.

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



CALGARY: FUNDAMENTALS POINTING IN THE RIGHT DIRECTION



Carla Fedele
*Vice President
Retail Asset Management
Western Canada Choice Properties*



Paul Skeans
*Executive Vice President
Commercial West
Triovest*

After a tough period in the Calgary real estate market, many fundamentals are now pointing in the right direction.

Statistics from the Conference Board of Canada indicate that Calgary will lead the country in employment growth over the next five years.

Our population continues to grow, driving multifamily rental demand, retail spending, and industrial activity. Asking rents in Calgary retail and industrial have increased and will continue to rise as further vacancy declines in 2022. A decrease in new product to the market will likely contribute further to the upwards pressure on rents.

Many developers and landlords are grappling with higher hard and soft construction costs while facing occupancy delays through due to supply chain issues (specifically construction material delays) and labour shortages. .

In industrial, Calgary continues to have strong fundamentals as an inland port. And given the strong demand, Calgary is seeing a record amount of development activity. The outlook for retail is positive, especially given that Calgarians, per capita, spend more than other Canadians. What has been evident post pandemic, is that consumers will come back to bricks and mortar. To stay relevant, retailers and operators must embrace enhanced shopping experiences to meet all consumer preferences.

Not all retail categories have recovered in the same way from the pandemic. There remains an impediment for growth for some, such as boutique fitness and a few big box retailers.

There is an opportunity to revitalize and de-risk big box retail spaces as several mid box players look for new space.

Office is more complex. Certainly a large block of vacancies needs to be filled and the city must decide what to do with its surplus of functionally obsolescent product. Employers of the future want best-in-class product and an emphasis on amenities, events, and higher quality work spaces for employees.

The good news is that Calgary is leading the country with the highest percentage of workers returning to the office. The technology space is a quieter ecosystem that's seeing continued organic growth, attracting venture capital and partnering with universities. The sector has resiliency and longevity and is doing a great job of diversifying our economy.

Not much job creation is happening in the energy sector, following a difficult run of six or seven years. However, the major players are getting their financial house in order, paying down debt, and looking after their shareholders through increased dividends and share buybacks. The forward thinkers are in transition, gearing their partnerships, investments and acquisitions to renewable energy.

The agenda for this Forum will highlight dynamics that are at play within the city, but not necessarily apparent from outside the market. We want participants to gain a better sense of these driving forces. The old boom-bust paradigm has changed. The economy is much more diversified. In this spirit of optimism, our aim is for participants to meet valuable contacts and gain insights that will help with business decisions, increase their bottom line, and enhance their personal career growth.

■ *Michelle Morra*

THE LONGEST OVERNIGHT SUCCESS STORY



Thom Mahler
Manager, Urban Strategy
City of Calgary

"If you look at the venture capital dollars that Calgary has attracted in the first half of this year, it's almost a half a billion dollars already."

At least three times a week, Thom Mahler, Manager, Urban Strategy, The City of Calgary, gets a phone call from an investor asking about the Calgary market. "Investment firms across North America are saying, 'We keep hearing about this, we want to get into that. Where do we need to go? Who should we meet or talk to?'" he says.

Calgary energy capital of Canada, but its image as an oil and gas city is changing. As sustainable energy initiatives progress with support from the federal government, various other industries continue to take hold in the city.

"The FinTech space that's growing here is unbelievable," Mahler says, citing as examples Calgary-born Neo Financial, "the fastest unicorn in Canadian history" and global

tech firm Mphasis, which opened its Calgary office in June.

Efforts by commercial real estate experts and urban planners to bring more residents, visitors and businesses into Calgary are paying off. "Seven years ago, there's no way companies would have been able to thrive and survive and build and grow and scale here," Mahler says. "But now we've got the infrastructure, the knowledge, the talent. Technology, life sciences, film and television, agricultural technologies are booming here."

Calgary could become a hub for advanced urban agriculture methods that help address food insecurity and lessen reliance on increasingly volatile outdoor elements. Mahler says close to 20 vertical farming companies are looking to set up shop here.

Companies have various reasons for wanting to start their operations in Calgary or expand into the city, not the least of which are the

corporate tax rates. "We're the lowest tax jurisdiction of all North America from a corporate perspective," Mahler says.

Calgary is diverse, with 120 languages spoken. It also has seven post-secondary institutions, and more recreational trails than any other place in North America. In June of this year, The Economist Intelligence Unit ranked Calgary as the third most livable city in the world. Investors are taking notice.

"If you look at the venture capital dollars that we've attracted in the first half of this year, it's almost a half a billion dollars already," Mahler says. "Capital follows talent. As you see talent start to come here and grow and build here, the investment dollars start to follow."

"People are understanding this is a long-term game. I always say we're the longest overnight success story that's happening right now."

■ Michelle Morra



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“SHOW ME” FULL-SCALE DEMONSTRATION SITES HELP REORIENT RESIDENTIAL CLIENTS TOWARD ALTERNATIVE OPTIONS



Tara Steell
General Manager, Calgary Land
Dream Unlimited

Tell them, and they will reject it. Build it, and they will understand. Give Calgarians a chance to tour denser development alternatives that have already proved their worth in Vancouver and Toronto, and they will buy in, suggested Tara Steell.

“Our Alpine Park communities are a great example,” said Dream Unlimited’s General Manager, Calgary Land.

Dream has innovated green-court lots where residents can walk from

their front lawn directly into a publicly accessible park, privately owned by the

“We needed to demonstrate to Calgarians why a different approach would work so well, by letting them walk through it themselves so that they can really understand what they’re buying into, rather than just offer them a virtual experience.”

homeowners’ association. The Alpine Park project uses space more efficiently, prioritizing people over automobiles. Homes have porches in front and cars out of sight, along back lanes.

That’s a radical shift from postwar car-centric housing norms familiar to Calgarians as well as newcomers to the city.

Educating homeseekers

The challenge is to educate buyers who are unaware of the other, viable options that are at their disposal.

“We encourage them to come to our community so that they can see that there are in fact different forms and ways of life,” she explained.

To interest them in considering the new concept, Dream built an entire street in Alpine

Park which comprises different housing types that front onto the park.

“We needed to demonstrate to them why a different approach would work so well. By letting them walk through it and experience it themselves, they much better understand the advantages of buying into the approach. It’s much more convincing than a virtual experience,” Steell continued. “That’s why the showhome models are the most popular –

because people don’t get a chance to see much else. You can really understand what you’re buying into.”

Steadfastness in sustaining this vision in the face of rising construction and land costs is a critical success factor, she added.

“You have to stick to your principles,” Steell asserted, and urged developers to reflect on their fundamentals. “Why am I undertaking this project? Why is it important? Once you have the answers, you develop a checklist against that.”

Adopting a collaborative approach is another success factor when confronting a difficult market.

“Partnering with a municipality, another builder, contractors, designers or engineers can add value so your pro-forma will balance,” she observed.

■ Robert Frank

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VOLATILITY SPARKS VALUATION RETHINK



Matt Rachiele
Senior Vice President
Investment Sales
Colliers

longer interest-only structures offered – upward of ten years in total with lighter covenants associated with them.”

While debt capital has remained readily available at attractive rates for top quality product, a very different scenario has played out for lesser assets. He urged vendors to remain open-minded toward transaction

“In some cases, large logistics firms have started to sublease space that they had built out. That has relieved a tremendous amount of pressure on raw-to-finished goods.”

structure and timeline, and encouraged buyers to consider thinking outside the box.

“We’re seeing more complicated situations where interest rates have gone into high single-digit to easily double-digit for those opportunities,” Rachiele reported. “Unlevered returns on equity have expanded and debt cost and availability constrained at closing and renewal. Factor in attrition on equity returns against that risk and it’s almost a double-whammy.”

Industrial presses pause button

Booming bond prices have spurred logistics giants to reevaluate their massive expansion plans, cooling the hitherto white-hot industrial market here.

“In some cases, they have started to sublease space that they had built out,” he noted. “That has relieved a tremendous amount of pressure on raw-to-finished goods.”

Declining demand has placed downward pressure on construction cost inflation and, in some instances, has even led to price declines. That spells relief for developers, who have adopted creative construction material and structuring strategies.

“You might garner \$80-\$100 savings using fabricated steel instead of concrete in

multi-family development,” Rachiele observed. “Wood would fall in-between, but there are limits to what you can do with just wood frame.”

Changing market dynamics have rekindled pension and life insurance fund interest in Calgary industrial assets.

“We’re seeing less of that in office, though certainly in grocery and retail and high-quality income-producing multi-family products and development,” he indicated. “We’re seeing greater depth in the office market, though still finite.”

Though the city’s \$75 per sq.ft. subsidy for downtown office-to-residential conversions has driven keen interest, developers need sharp pencils to profit.

“It has to be available at very low cost because you’ll spend \$175-\$250 per sq.ft. to convert,” Rachiele noted. “Add your acquisition, soft cost carry and redevelopment and it’s quite a large ticket.”

■ Robert Frank





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OFFICE SPACE TODAY IS MORE 'WHY' THAN 'HOW MUCH'



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Workplace Advisory
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Office vacancy remains high. Organizations continue to surrender choice and control when it comes to employees. "The pandemic has really given a voice to employees to say, you know, it wasn't that great before," says Robyn Baxter, Senior Vice President & Co-Managing Director of Workplace Advisory, Colliers.

Office workers who may have hoped for a different kind of workplace long before COVID are demanding it now. It's not about choosing between Zoom and the boardroom. It's about being treated like a grownup.

"Prior to the pandemic, employers wondered, 'How can I trust my people to get their job done at home? Will they be doing laundry?'" Baxter says. "I think the pandemic proved those things to be a non-issue. People got productive and it was great. Organizations did very well. People may have done laundry, but they also did a lot of work to the point of burnout."

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“The situation has made every organization really step back and think hard about their workplace. Why do we have a workplace at all?”

The situation isn't perfect. It's hard to foster a workplace culture in the absence of in-person bonding, brainstorming, camaraderie and collaboration. Still, while organizations find ways to regain that human element, it's unlikely to require 40 hours a week.

Organizations that want people back in the office might first consider why. According to Baxter, if it's really to foster collaboration, brainstorming, and community, “having rows and rows and rows of desks and offices” doesn't support those goals.

“The situation has made every organization really step back and think hard about their workplace,” Baxter says. “Why do we have a workplace at all? What is its intention? What is its purpose? What value does it bring us?”

Will the need for fewer desks negatively impact on office real estate? Not necessarily. Baxter says that rather than calculating how much space is needed for desks and using any leftover space for meeting rooms, that could be flipped around.

“What are all the collaboration type spaces that are really, really well outfitted, have super technology, have the whiteboards, and markers that work, from the minutiae to the big picture? And then how many desks can we fit? Because if I come to the office to collaborate, if I have bad meeting rooms, with no tools, no technology, no whiteboards, I'm just going to say, ‘You know what? I can do this better on Teams.’”

■ Michelle Morra

DIVERSIFICATION, LIFESTYLE AND LOW TAXES PUT B-WORD BACK ON CALGARY HORIZON



Scott Hutcheson
Executive Chairman
Aspen Properties



“You can feel it in the bounce of business and in the talk in the street. I am not going to say that it’s a boom, but it’s a very different feeling than we have had for the past eight years.”

Calgary’s buoyant business spirit is back, thanks to tens of billions of dollars of new investment which has poured into the province during the past year.

“Alberta is about to experience another growth spurt,” predicted Scott Hutcheson,

The city’s optimistic atmosphere is once again palpable.

“You can feel it in the bounce of business and in the talk in the street,” observed Aspen Properties’ Executive Chair. “I am not going to say that it’s a boom, but it’s a very different feeling than we have had for the past eight years.”

Compelling numbers

Calgary has successfully capitalized upon its natural strength to lure corporations here:

- RBC is bringing 250 jobs;
- Ernst & Young has announced a new innovation group;
- Technology giants Mphasis and Infosys have set up shop;
- Dow Chemical has expanded and wants to build a \$10 billion plant;
- Amazon Web Services is investing about \$5 billion in the province to establish a second logistic locus;
- De Havilland is moving 1,500 jobs from Ontario to Alberta.

The secret, Hutcheson, said, is to put Alberta’s attractive metrics in front of organizations looking for an optimal location to expand.

“The drivers are quality of life and a low-tax régime. You can buy a house here at half the price of properties in Vancouver and Toronto. Companies like the corporate tax rates as well as the personal tax rates that make Calgary more attractive to talent.”

Hutcheson double-hats as chair of the province’s economic development arm, Invest Alberta Corporation.

“We’re out there every day, together with Calgary Economic Development, Edmonton Global and the other, regional economic development entities,” he said. “We know that Invest Alberta has had its hands involved in \$20 billion in new investment during the past year.”

Urban Farming in skyscrapers

Aspen has added another innovation to the economic diversification drive: Urban farming within one of its office towers.

The cutting-edge project is the brainchild of an A4 Systems subsidiary, which uses data aggregation to optimize indoor food production.

“It’s all data driven. All their illumination is powered over ethernet, turning lights on and off in different spectra. Data push, data pull and algorithms that refine the process as much as possible.”

The produce will be sold in local grocery stores and distributed elsewhere.

“The first phase has just opened, covering 13,000 sq.ft. It will reach 70,000 sq.ft. by mid-2023.”

■ Robert Frank



Altus Group

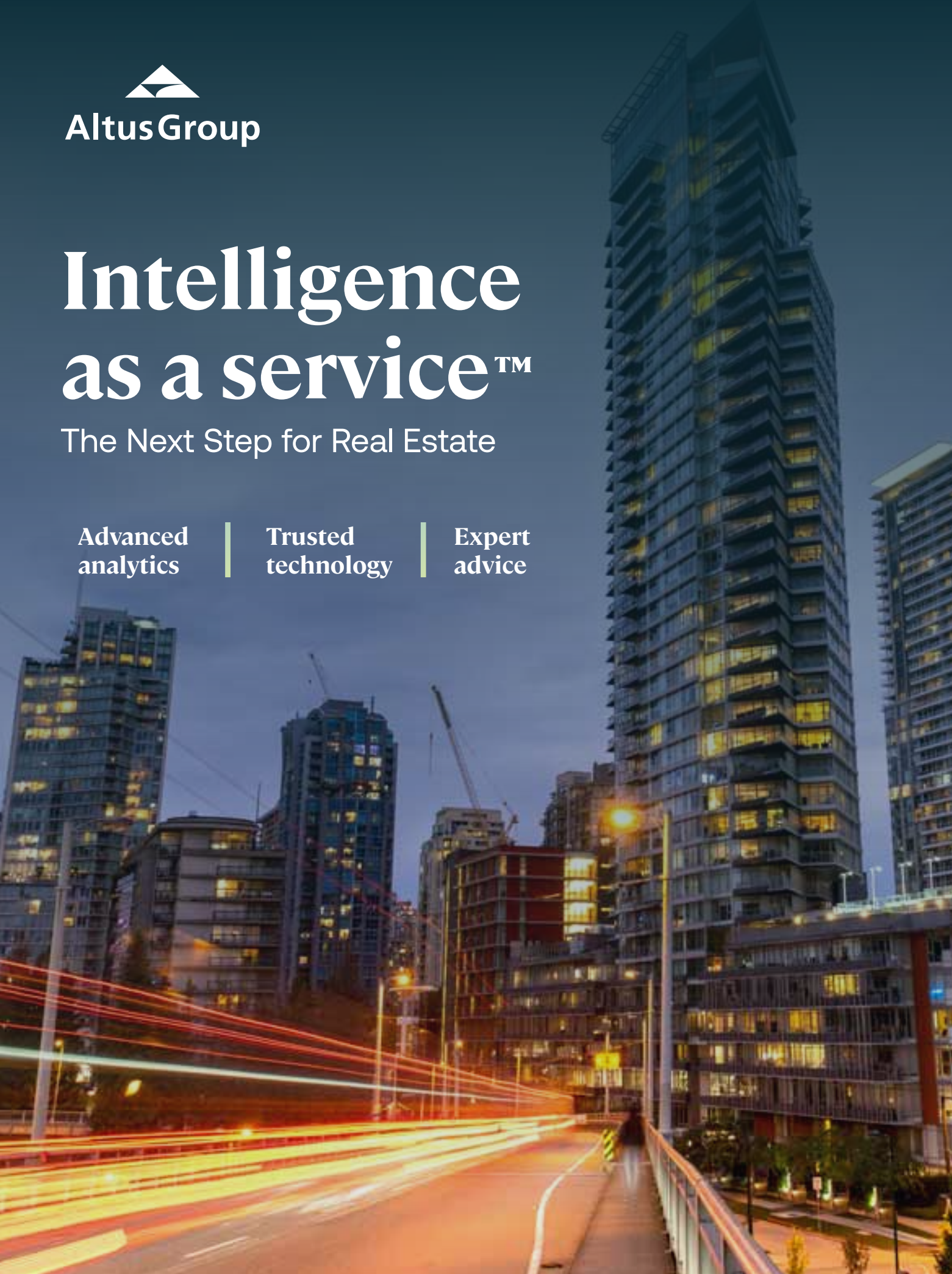
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Maxim Olshevsky
Managing Director
Peoplefirst Developments



“Our whole methodology revolves around ‘What does the community need?’ and ‘Let’s see if we can include that in our project,’ he declared.

Turning a sixty-year-old office into housing is an exercise in discovery.

“You don’t really know what you’re getting into until you expose the existing conditions,” explained Maxim Olshevsky, Managing Director, Peoplefirst Developments.

To mitigate potential surprise project costs, Peoplefirst revamps its blueprints and plans with its architect once demolition is complete.

“You instead first peel away certain layers to discover the underlying conditions, and then base your plan upon what you discover,” he observed.

Beams placement and flooring assembly can prove pivotal.

“Whether it has a Q deck, which would be fairly straightforward for coring or structural concrete – or post tension cables which entails more planning to ensure that you can core in all the right locations,” Olshevsky noted.

Keeping your proforma remains viable can prove challenging.

“Your revenue per square foot has to justify your investment,” he said. “You need to use design assist technologies with your trades to ensure that your end product fulfills your desired outcome.”

He credits Calgary for streamlining its approval process, often delivering permits within 30 days.

“Reducing red tape really helps the preconstruction phase,” Olshevsky acknowledged. “A project that’s empty for eight months, accrues soft costs that undermine the bottom line. The city’s support has enabled redevelopment projects to proceed.”

Repurposing costs ultimately depend upon the end use of the property. Doing inverted balconies differs dramatically from retaining the existing envelope or returning to bare concrete.

Taller and greener

“It’s not unreasonable to maintain a budget of \$300 per square foot,” he said, adding that mechanical setup prices prove prohibitive for smaller structures.

“Ten storeys and up are ideal candidates, especially in corner locations, so future residents won’t be looking out at neighbouring offices,” Olshevsky said.

Peoplefirst selects its sites based on how they will serve a public purpose.

“Our whole methodology revolves around ‘What does the community need?’ and ‘Let’s see if we can include that in our project,’ he declared.

The firm also applies environment-friendly principles to its projects, maximizing reuse of existing structures and recycling whatever waste remains. It sorts building components, separating wire, drywall, wood and glass for repurposing. The approach has earned plaudits from investors and colleagues.

“We don’t take the easy road and dump everything,” Olshevsky underscored. “It costs a bit more, but if we’re delivering affordable and inclusive housing, why not protect the environment at the same time?”

■ Robert Frank



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

Toronto and Vancouver remain the top two preferred markets by investors. Calgary was the only market that did not record a drop in momentum this quarter.

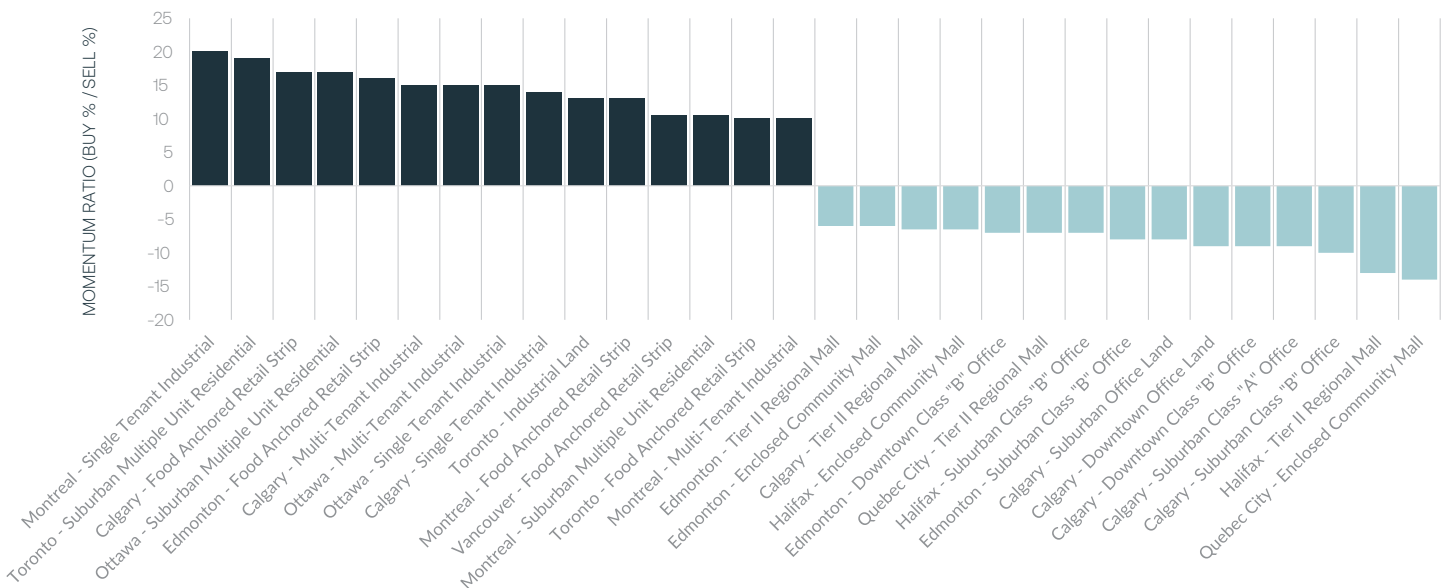
Location Barometer | All Available Products (Q2 2022)



Source: Altus Group Investment Trends Survey

Industrial, multi-family and food-anchored retail assets have remained amongst the top preferred products for investors driven by their essential nature and redevelopment potential.

Product/Market Barometer - Top 15 Preferred/15 Least Preferred | All Available Products (Q2 2022)

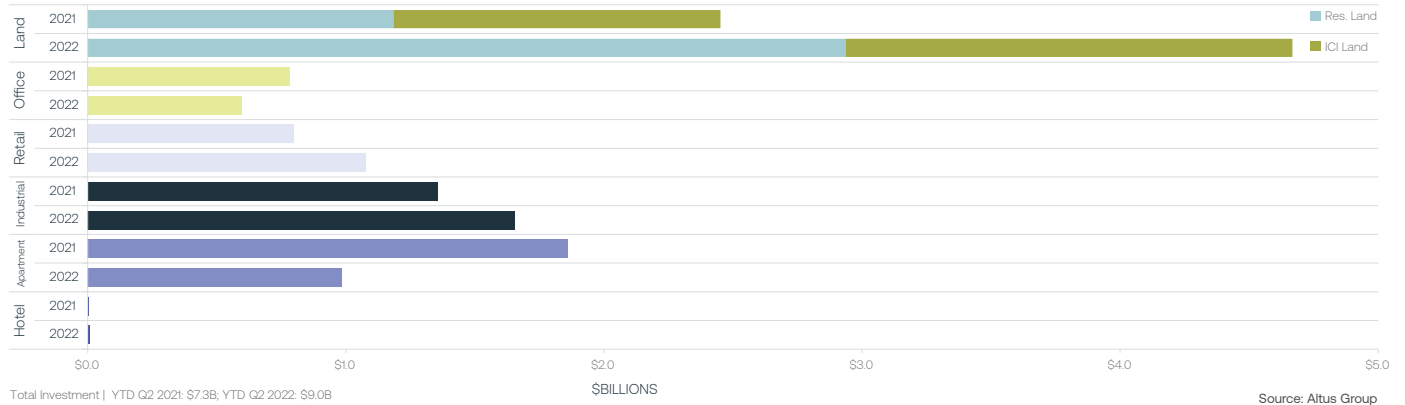


Source: Altus Group Investment Trends Survey

Vancouver Market Area

Investment activity in the first half of 2022 saw an increase across most asset classes led by the land sector. Notably, investment volumes decreased by approximately fifty percent for the apartment sector when compared with the first half of 2021.

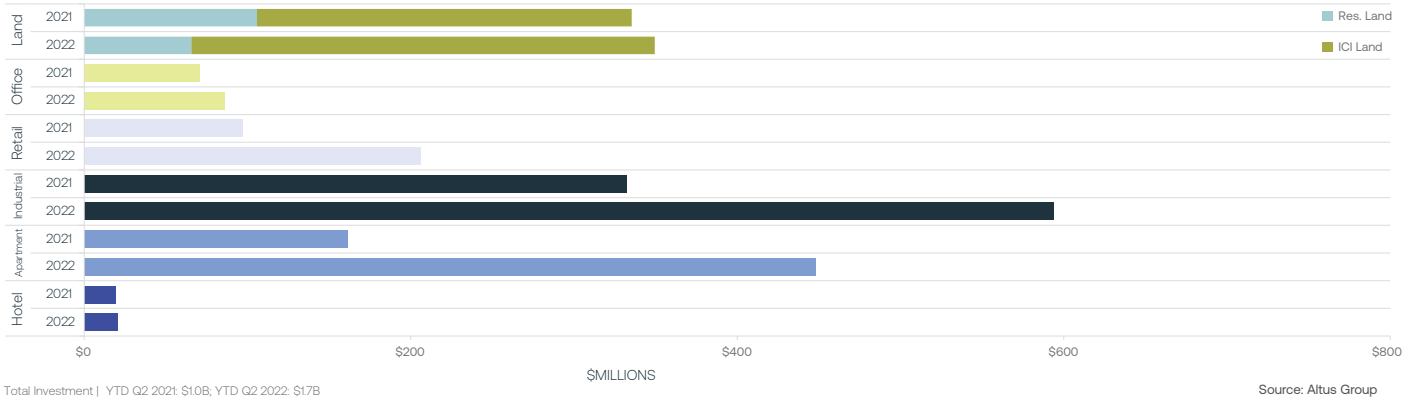
Property Transactions by Asset class | YTD Q2 2021 vs. YTD Q2 2022



Edmonton Market Area

The industrial, apartment and retail sectors all saw a strong increase in investment volumes in the first half of 2022, as well as continued elevated demand for land assets, much like the other markets.

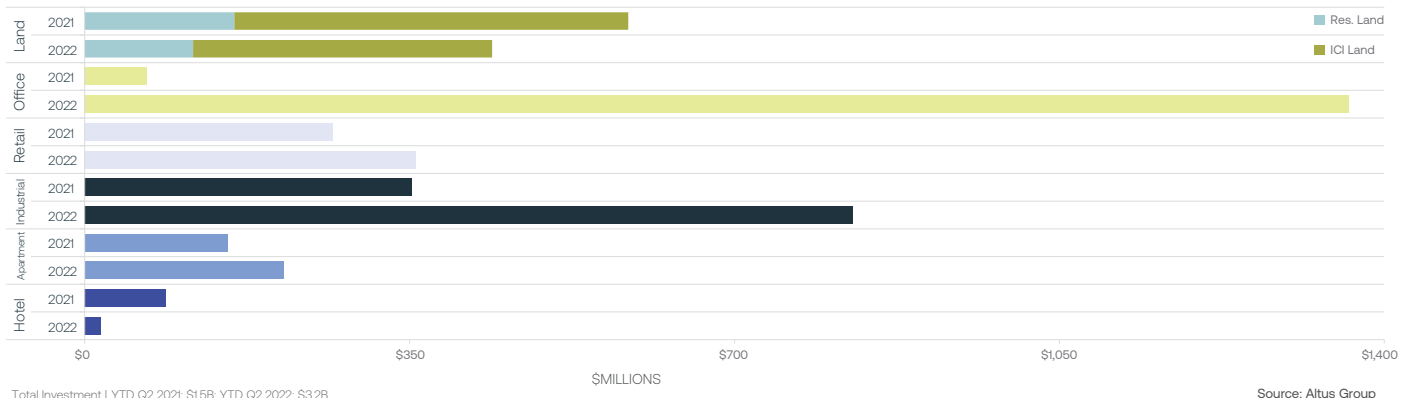
Property Transactions by Asset class | YTD Q2 2021 vs. YTD Q2 2022



Calgary Market Area

The office sector recorded an enormous increase in investment compared to the same time period last year, accompanied by growth in the industrial, apartment and retail sectors.

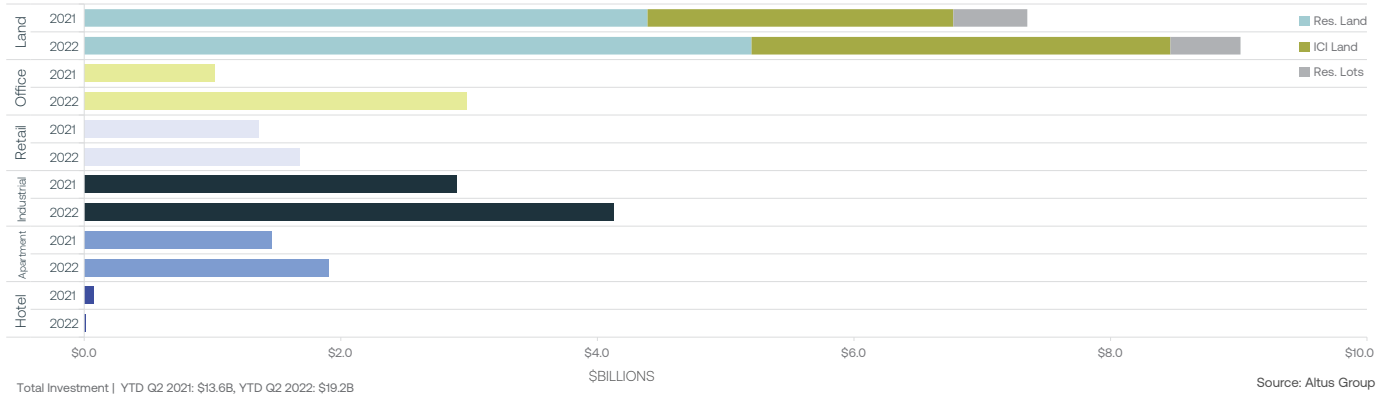
Property Transactions by Asset class | YTD Q2 2021 vs. YTD Q2 2022



Greater Toronto Area

Investment activity increased across nearly every asset class, with a resurgence in the office sector. The industrial, apartment and land sectors also continued to show strong growth in investment volumes.

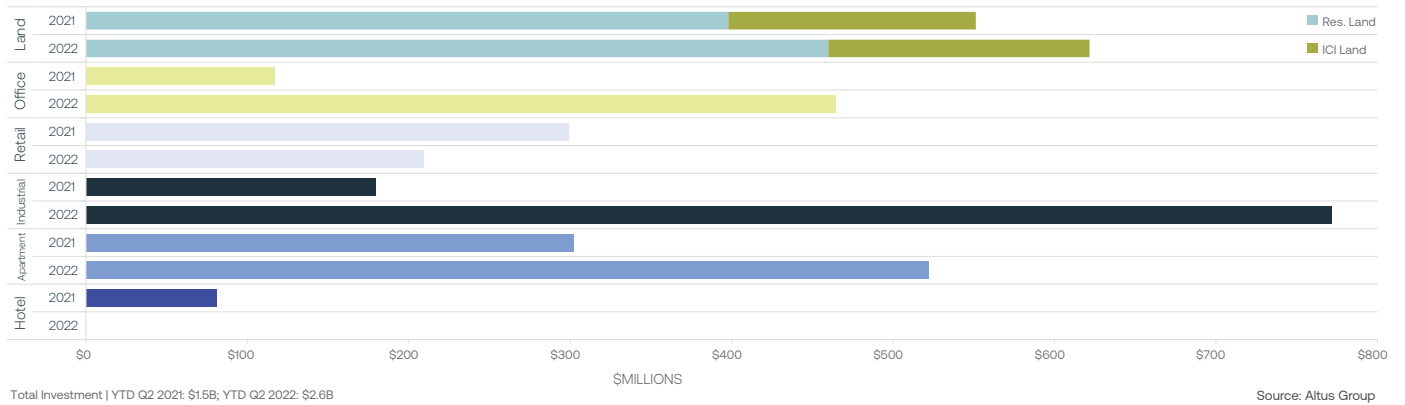
Property Transactions by Asset class | YTD Q2 2021 vs. YTD Q2 2022



Ottawa Market Area

The office, industrial and multi-family sectors saw large increases in investment volume. Unlike many of the other markets, Ottawa's retail sector sustained a drop in investment.

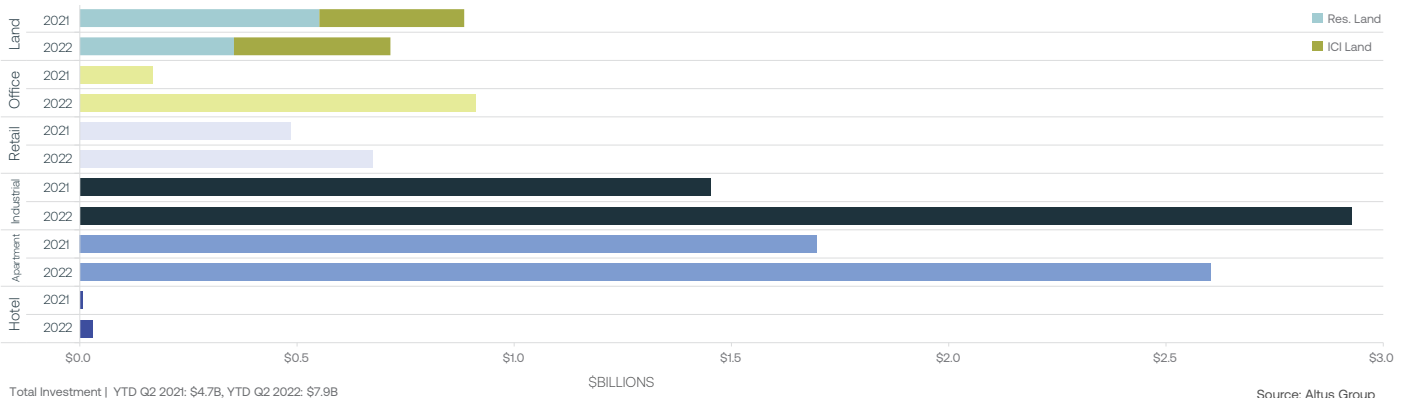
Property Transactions by Asset class | YTD Q2 2021 vs. Q2 YTD 2022



Montreal Market Area

Montreal saw a strong increase in investment across all sectors except for the land sectors, with the office, industrial and multi-family sectors recording large increases. Investment in hotels saw a comeback catalyzed by loosening restrictions and an upswing in tourism activity.

Property Transactions by Asset class | YTD Q2 2021 vs. YTD Q2 2022



COSMOPOLITAN TALENT POOL CEMENTS CALGARY'S TECH CACHET



Brad Parry
President & CEO
Calgary Economic
Development



"We're the third most-diverse city in the country – 120 languages are spoken here. There are seven postsecondary educational institutions in our city."

Diversification efforts have drawn large-scale investment in Calgary's nascent technology sector during the past decade, reducing the city's reliance on the oil and gas extraction.

"Calgary will always be the energy capital of Canada," acknowledged Brad Parry, President and CEO, Calgary Economic Development, "but its face will change as the energy transformation goes on."

The city has already carved out a reputation for financial technology excellence, including Neo

Financial, the fastest growing unicorn firm in Canadian history. Giants like Amazon Web Services have also set up shop here and India's InfoSys has picked Calgary as the location to establish its quantum computing centre of excellence.

"Seven years ago, there was no way that companies could thrive at that sort of scale here, but we now have the infrastructure and talent to attract firms that want to grow in scale accordingly," he observed.

continued on page 52

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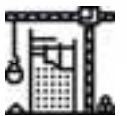




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“There’s a flywheel effect,” he added. “The more people look to invest in Calgary, the more people want to invest here: Technology, life sciences, film, television and agricultural technology are booming here. Plus, the more people invest here, the more it attracts highly qualified talent to move here and add to an already ample pool.”

Parry praised the city’s cosmopolitan qualities for its role in attracting technology companies.

“We’re the third most-diverse city in the country – 120 languages are spoken here,” Perry noted, underscoring Calgarians’ high level of academic achievement. “There are seven postsecondary educational institutions in our city.”

Supporting Calgary’s strong talent pool is its unimpeachable reputation for quality of life: The Economist Intelligence Unit has ranked the city the third most-livable metropolis in the world.

“When you factor in the lifestyle, you have a winning hand,” he observed. “We have more walking and cycling paths than anywhere in North America.”

Add-in low local corporate tax rates and you turn that winning hand into an unbeatable mix.

“A lot of companies like AWS, IBM and RBC are

seeing the advantage of setting up outposts in Calgary,” Parry underscored. “RBC is doing it with its technology innovation center: 300 people in Calgary working on the bank’s technology. Rogers has likewise committed to position its technology development centre here in Calgary. Suncor has repatriated its downstream operation into Calgary.”

Virtuous circle

“There’s a flywheel effect,” he added. “The more people look to invest in Calgary, the more people want to invest here: Technology, life sciences, film, television and agricultural technology are booming here. Plus, the more people invest here, the more it attracts highly qualified talent to move here and add to an already ample pool.”

“All these things add up to a really great story,” he concluded. “It’s a good spot to be in.”

■ Robert Frank

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