CANADIAN REAL ESTATE FORUM

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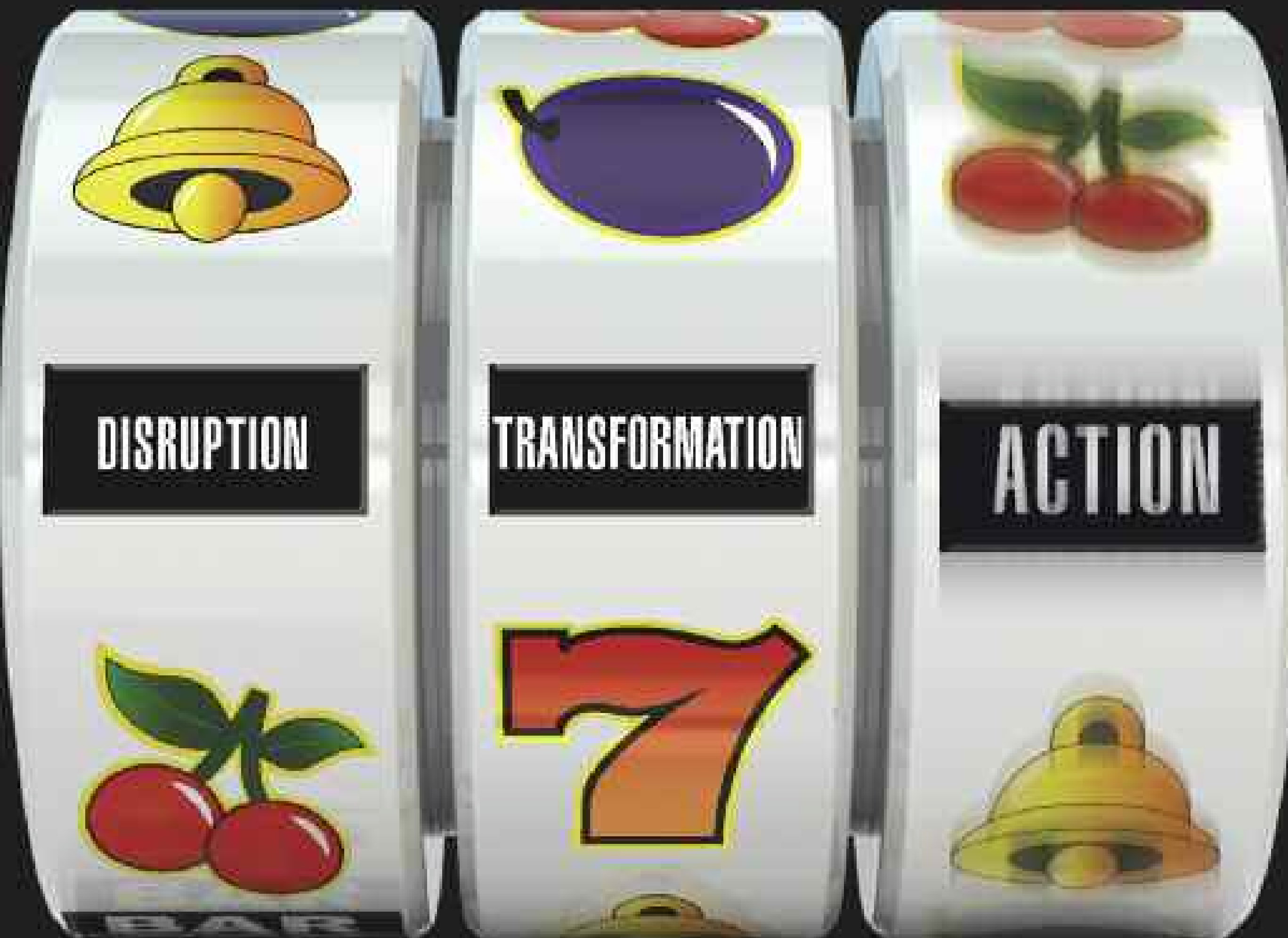

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- Highlights on Germany, the U.S., and Widespread Geopolitical Risk

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DISRUPTION. TRANSFORMATION. ACTION.

George Przybylowski
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Since last April, Canada's economy has been on a decline, notwithstanding a surge in exports and a GDP jump of 12.3% in Q2 of 2018 – the biggest quarterly gain since 2014. While the Q3 is expected to gain another 2.8%, there is some disconnect as business investment is not following suit, tracking a mere 1.5% in Q2, which was the slowest since the end of 2016.

What all this means to the real estate sector is—you've guessed it—uncertainty. An anticipated major correction in Canada's largest residential markets hasn't quite materialized. A rebound in housing starts in Q2 was on the heels of a three-month decline.

But trailblazers don't get distracted by the road signs – they get directions, which is why these forums and conferences are so important.

At this year's Real Estate Forum and Global Property Market Conference, attendees will find a hard-hitting, information-packed programming. Experts will target key issues, trends, challenges, risks, opportunities in acquisition, investment, management, financing, development and the leasing of all property classes.

More importantly, they will also address the growth of technological, political, economic and social disruption. What does it all mean to you as a real estate executive?

To what extent will Canada's real estate market soften, as rising interest rates and more stringent market conditions put some constraints on home sales and pricing in 2019? What is the outlook for the commercial and investment markets? It has never been a more opportune and timely to attend these sessions to gain the insight needed to understand and navigate the emerging market conditions.

Moderators will speak on economic outlooks for 2019, as well the impact the U.S. market will have on Canadian marketplaces. There'll be a roundtable discussion on the North American geo-political environment, from monetary and fiscal policies to the recently revamped NAFTA, now known as USMCA (United States-Mexico-Canada Agreement).

One of the key topics will be the transformative trends in technology, and their impacts on the nation's office, industrial, retail and residential markets.

Many businesses are turning to the Workplace as a Service model, which uses cloud technology and business models to deliver the "office" to remote locations. The trickle down effect has forced many office-space landlords to either adapt to this shift or risk losing their tenants. Multi-residential builders, in turn, also need to step up their blueprint-design game to accommodate this techno trend. Thus, the theme for this year's Forum; Disruption, Transformation and Action.

But not all roads to investment are gravel.

The Global Property Market Conference this year will address the shifting perspective toward secular trends impacting long-term investment, including the co-sharing movement and the evolution of space allocation and utilization. It will highlight key issues shaping investment, as real estate continues its all-time-high climb, and where the next opportunities lie. There will be panel discussion on the developing markets, the road to debt and equity and key considerations when working with partners and co-investors in governance.

Likewise, Real Estate Forum experts will also discuss the multi-family-apartment and industrial marketplaces, which continue to show strong, predictable yields and cash flows, as well as the secondary and mid-markets, which are increasing in popularity and outperforming some major gateway cities.

What lies ahead with respect to the evolving retail sector? How innovative will our development activities be to deal with rising land, construction and financing costs?

I'd like to take this opportunity to thank the many sponsors and attendees of these two important conferences on the event calendar and wish them and our readers the Very Best for the Holiday Season and of course the year ahead! ■

UNDER CONSTRUCTION

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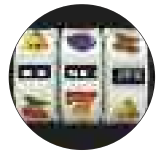

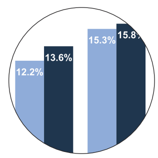

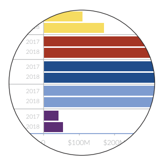

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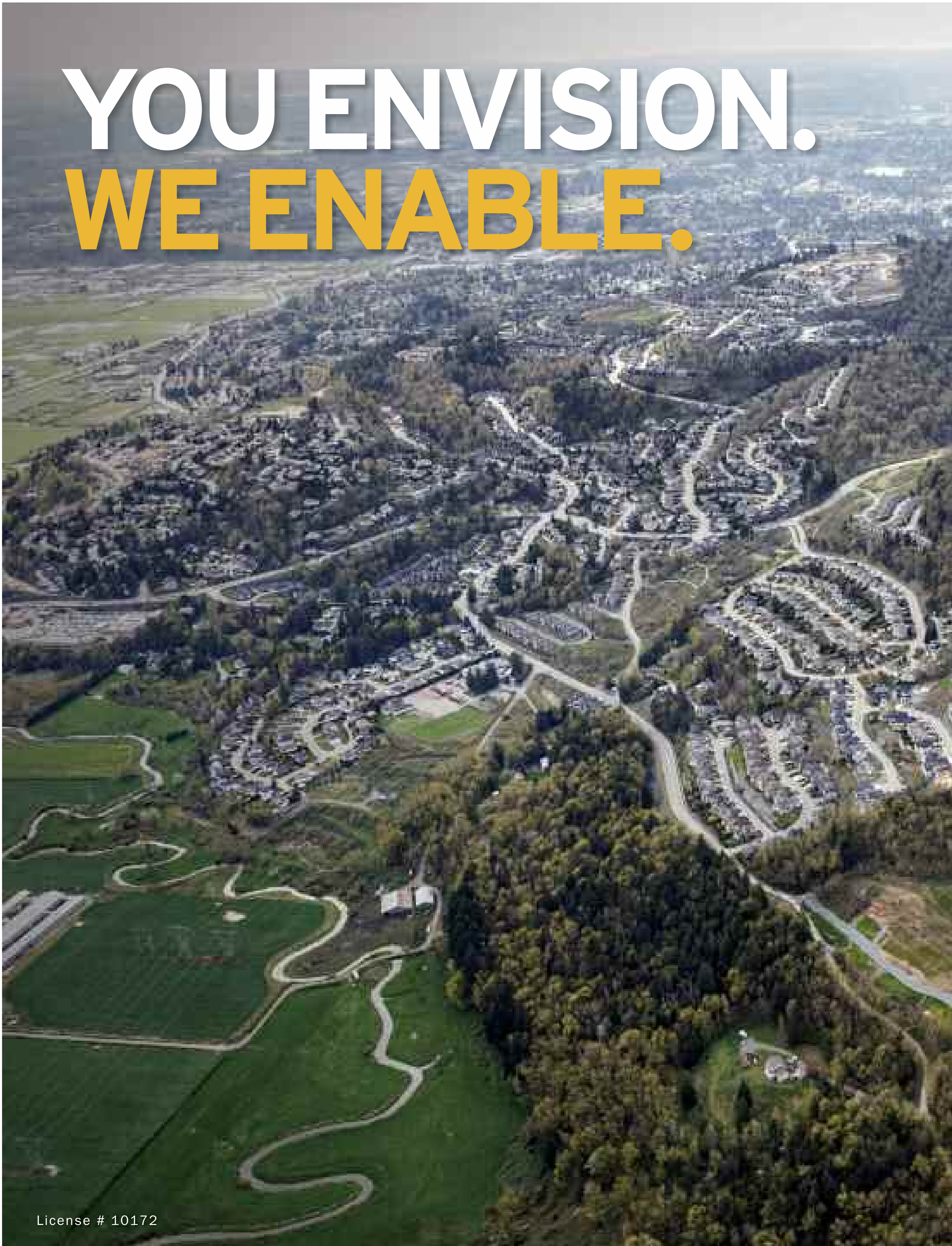
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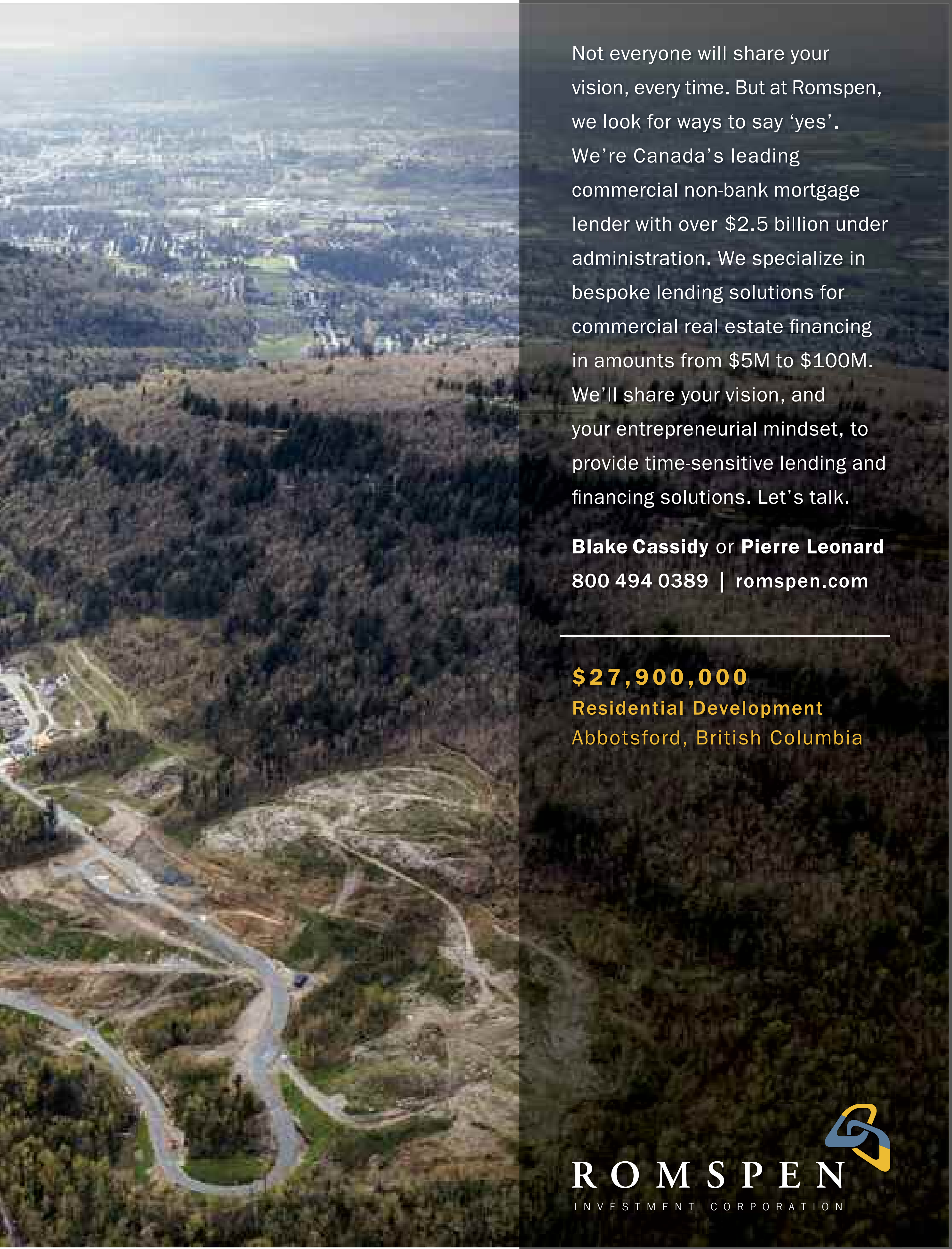
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It's an interesting time for real estate. With many traditional core sectors facing headwinds in various forms, alternative sectors – including senior housing, student housing, data centres, self-storage, and lab office – offer increasingly attractive opportunities. A secular shift in the consumer market is driving shopping activity to online and mobile platforms. The impact to brick and mortar retail, together with rising logistics needs, has had a noticeable impact to retail real estate returns over the past several years.

As we head into 2019 what are the areas of concern? One is rising interest rates, and the impact to valuation metrics. At current pricing of most core sectors, investors are not being compensated for the additional risk of owning real estate as much as in the past. Furthermore, rising base rates are leading to higher borrowing costs for levered investors, squeezing levered returns.

Compressed credit spreads point to elevated risks to any macro disruption. They reflect the level of perceived risk in the economy and are a key component of the level of risk priced into real estate today. The current low level of credit spreads has investors underestimating the possibility of a negative event.

Late-cycle pressures, meanwhile, are building in certain occupier markets. Developers are more confident in their leasing prospects, particularly as tenant demands evolve. This extrapolation of the current pace of growth leads to increased risks that growth normalizes or weakens, which may leave several markets oversupplied.

Real estate has never been more institutionalized. Our transactions now compete with all other asset classes for capital allocations, because they are part of a balanced portfolio. This wasn't really the case twenty or thirty years ago, when real estate investors did nothing but invest in real estate. Raising capital was more a function of banks' credit appetites, not opportunities in bonds and equities or even infrastructure projects.

Many people in our industry see capital coming from Pension Plans as being more disciplined and patient, but make no mistake: we are no less greedy for our pensioners than the most capitalist of private equity funds. It's not because long term return expectations are inherently lower than short-term ones that we are content with a low return on a transaction.

With so many opportunities today, the lines between private equity and real property are getting blurred. An office building is no longer simply a workplace. It's a community of productivity. A mall is not simply a place to shop. It's our new town hall, where families can spend time together and people can relax and socialize. Our apartment buildings are starting to look and feel like hotels. Our warehouses are becoming technological hubs that are part of a national or international supply chain.

What all this means is that we don't make money in real estate the way we used to. It's not about the square footage. The value is in what people are doing in that space. Some call it space as a service. We see space as the *enabler* to a particular commercial activity. What is that worth?

■ *Michelle Morra*

GLOBAL PROPERTY MARKET

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TRANSPARENCY, ALIGNMENT BUILD GLOBAL SYNERGY

Graham Stephens
Managing Director
HFF Securities

Embarking upon joint venture is like boarding Noah's Ark: The key is to enter paired with someone whose interests closely resemble your own, advises Graham Stephens.

"Groups with a long-term yield perspective need to partner with other groups with a long-term yield perspective that are not being incentivized through fees or necessarily through promotes," suggested HFF Securities' Managing Director, "whereas groups which are looking for value-add and opportunistic returns need to partner and venture with groups that have a fee and waterfall structure that is set up accordingly to achieve those objectives."

These days, that means more than simply bringing in new capital and moving on.

"It's about making sure that the senior teams of both groups are also aligned as to what their objectives are," he explained, "then executing the business plan that they sold. We're seeing that theme throughout the country."

Establishing a beachhead is another common theme, where groups come to the United States and partner for three to ten years, then employ the specific market, product type or strategy knowledge and experience that they have gained to bring that expertise in house and create their own operating platform.

"That takes total commitment, because bringing in people, taking on overhead and relying on your own local market experts entails a serious capital and personnel investment," Stephens observed. "The more traditional global domestic joint-venture approach which melds a partner's relationships and local market knowledge with your capital also works."

One of the biggest trends to bolster the proliferation of new joint ventures is disclosure.

"There's an increase in transparency in terms of what's expected: How the venture works. How individual deals, governance, fees and potential promotes and controls are aligned," he underscored. "We're witnessing a lot more transparency going forward than we have hitherto seen among global allocators, who invest in many different funds, vehicles and ventures. That openness is healthy for the market."

Stephens noted that China remains a powerful magnet, despite the prospect of an impending trade war, and other capital constraints.

"American and other global groups are very interested in investing in China, simply because of the growth prospects there," he concluded.

■ *Robert Frank*

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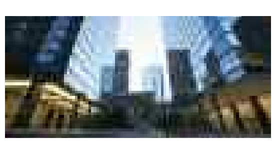

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$850,000,000
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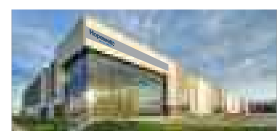

Hopewell Development Industrial Portfolio
$58,400,000
110-Acre Industrial Development Pipeline
Approx. $300,000,000 Upon Completion
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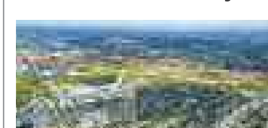
Largest Land Sale in Canadian History[1]



Downsview Airport Lands
$825,000,000
Sale of 365 Acres
Exclusive Advisor to Bombardier

2019
(Let's Talk!)

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VET YOUR PARTNERS

Sonny Kalsi
Founder & Partner
GreenOak Real Estate

Investing in foreign territory can be like operating with blinders on. Sonny Kalsi, Founder and Partner, GreenOak Real Estate has learned, through experience, the importance of building a platform with his own team on the ground—people the firm knows to be honest and trustworthy. Or if working with third-party professionals in a local real estate company in a given country, he thoroughly looks into their background, their reputation, and the market's perception of them.

"Only once we pass all that will we go to the next step of trying to do a transaction together," Kalsi says. How to trust a partner to perform well? GreenOak generally structures an arrangement so that the firm has ultimate say. "The partner has to have the flexibility to operate in the market without having to come back to us for every single decision, but we need to know there are guardrails up," Kalsi says.

At his previous firm he had some bad experiences in China where partners, or even his own employees, were stealing from the firm, and the firm had to take action against them. But bad partnerships aren't always to that extreme. Short of fraud, Kalsi says one of the worst dynamics usually involves partners who are less focused on the performance of the asset and more focused on generating significant fees for themselves. "The best cure for that is saying, 'Guess what, guys! We're selling the asset and are dragging you into the sale.' That's a good hammer that really corrects a lot of behaviour." For a partner who's doing a bad job on property management, leasing, or another important function, a clause in the contract can mitigate the risk by giving the firm an out. "If they're not doing a good job we need to preserve the flexibility to bring someone else in," he says.

> *"If they're not doing a good job we need to preserve the flexibility to bring someone else in."*

He believes, however, that having a good partner is more important than having a good contract. "If you've got a good partner and the contract between you is not great, then you can usually make that work. If you have a partner that's subpar but you have a great contract, okay, you probably have some good legal protection, but it just means if you get into a fight you've got a good document. That's why we've spent so much time on the soft side on the partner side."

■ *Michelle Morra*

HIGHLIGHTS ON GERMANY, THE U.S., AND WIDESPREAD GEOPOLITICAL RISK

Brad Olsen
President
Atlantic Partners, Ltd.

With unprecedented amounts of capital available among investors, Europe is a particularly attractive market today, both for European investors looking to move money into core real estate as an alternative to bonds, and for non-European investors looking for value-add. "Germany is the biggest market and the one I would say has attracted the most foreign investment capital for core but mainly for value added opportunistic plays," says Brad Olsen, President, Atlantic Partners, Ltd.

RIO READY FOR COMEBACK

Dietrich Heidtmann
Managing Director and Head of International Capital Markets
GTIS Partners

A new, business-friendly government has released pent-up demand and positioned Rio de Janeiro for a strong rebound from its recent business slump, reported Dietrich Heidtmann. He acknowledged concerns about currency volatility insisted that rich returns nonetheless await investors who get the Brazilian market right.

"There's clearly a very significant opportunity there," suggested GTIS Partners' Managing Director and Head of International Capital Markets. "Activity in São Paolo has recovered more quickly on the office and hotel operations front, whereas Rio remains down from the recent financial crisis."

With Brazil's public finances strained, the country's new leaders have turned to the private sector for investment. So far, GTIS Partners has seen a flight to quality, but the company expects that looser strictures on energy exploration, for example, will lead oil firms to seek out new space at Rio's port, cranking up demand for quality office space there.

"With new developments virtually nonexistent and existing stock fairly limited, we think that it is a great time to look at investment in Rio office space," he said. "GTIS Partners has just leased 150,000 square feet at the port, which is a very significant step for us."

Brazil is GTIS Partners' only developing market exposure, but through its long experience there it has fostered the deep relationships that it needs to navigate the Brazilian real estate market. Unlike the United States or Europe, many deals in Brazil are off-market and need to be extracted from non-institutional players whose real estate holdings form just one part of a diverse portfolio of operating and real assets.

"Brazil's real estate market is very hard to access," Heidtmann agreed. "We've been in the country since 2005 and have built a 35-member team that we consider essential."

Debt doesn't play a big role in Brazil. Most assets there are unlevered, so you don't see distressed assets come to market.

"There's no such thing there," he said. "You need people on the ground who have the extensive experience and longstanding relationships needed make deals and get things done."

GTIS Partners has also made a foray into renewable energy to lever its real estate expertise in Brazil, he added.

"Wind farms and solar farms are about land acquisition as well as title and construction management," Heidtmann explained. "It's very similar to what we do on the real estate front. What we didn't have was industry-specific renewables knowledge. So we hired it."

■ *Robert Frank*

"I think we will end up paying the price for the things our President has done. Certainly if we get into any large-scale tariff war it will affect us."

He says one of the big issues among German investors remains currency hedging costs and that to a very large extent, the largest of the German institutions have stopped investing in the U.S. or have reduced the flow of capital to the U.S. very dramatically over the last three or four months. "I was talking to one of the investors, and he just got a quote for the cost of hedging the euro against the dollar to come to the U.S. and it was something like 310 basis points. He said, 'I can't buy in the U.S. if I have to pay that kind of hedging cost. A five percent yield becomes a two percent yield.'"

Of all the global markets, Olsen says the U.S. is where he sees growth. He qualifies that, however, by saying the growth will be slower than in recent years for geopolitical reasons, and that 2019 might look "less rosy" than 2018. "We have survived two years of Donald Trump. I think we will end up paying the price for the things our President has done," he says. "Certainly if we get into any large-scale tariff war it will affect us… but the positive real estate news is that for the most part, supply remains in check. The overbuilding that everyone was concerned about has slowed down."

Olsen's biggest concern on a global basis is geopolitical risk, more so than at any point in the last 20 years. "The number one geopolitical risk obviously in Europe is Brexit," he says. "Investors can deal with a lot, but they don't like uncertainty—and certainly we have uncertainty as relates to Brexit."

Whereas historically post GFC investors were concerned about the north-south divide in Europe, Olsen now sees a significant east-west fissure that could jeopardize the European Union. "Politically, in Poland and Hungary for example, there's essentially a sense that yeah we signed on for the EU but we don't believe in the basic values of EU and are going to do our own thing. Pressures that threaten to pull the EU apart can't be good. They're not good politically, and I don't think they can possibly be good economically," he says.

■ *Michelle Morra*

RISK BAROMETER RISING

Jacques Gordon
Global Strategist
Lasalle Investment Management

Pent up pricing pressure from a decade of aggressive monetary stimulus in the United States, Europe and China poses the biggest risk to real estate investors in the coming year, predicted Jacques Gordon.

"We witness higher equity prices and low debt costs around the world and worry when that's going to change," cautioned Lasalle Investment Management's Global Strategist. "While fundamentals remain in good shape, a disruption to capital markets could create a chain reaction that would roil the real economy and eventually affect real estate markets. I hope that it won't happen but the risk is rising."

Though pundits have cried wolf before about a capital market downturn that hasn't yet materialized, complacency would be unwise, he advised. "Real estate will be vulnerable if and when it comes. The point of Æsop's famous fable is that the villagers wearied when the wolf failed to show up and ceased to heed the shepherd's warnings—which proved disastrous for both the boy and the flock."

The brighter news is that other aspects of the business cycle are still going strong. We see developed countries slowing down slightly from their 2016-2018 pace, which could ease the tight labour market and inflation strains.

"2018 will be the high-water mark for global growth for the last five years," he forecast. "Growth will probably ratchet down a notch from 2019-2020, but not significantly drop."

Demand remains healthy, despite a small decline, and continues to absorb growing supply in most major markets. Gordon credited the supply side with more discipline than in previous cycles.

"In many countries, construction backed off when it started to see too much product," he said, suggesting that in the longer term, opportunities still abound over the coming decade for those who have built a broad portfolio beyond the popular major market skyline towers that have become global real estate investment staples.

"Don't limit investment to iconic gateway city properties," Gordon advised. "It's unclear that tenants and fundamentals of marquee towers will reward you in in the long run."

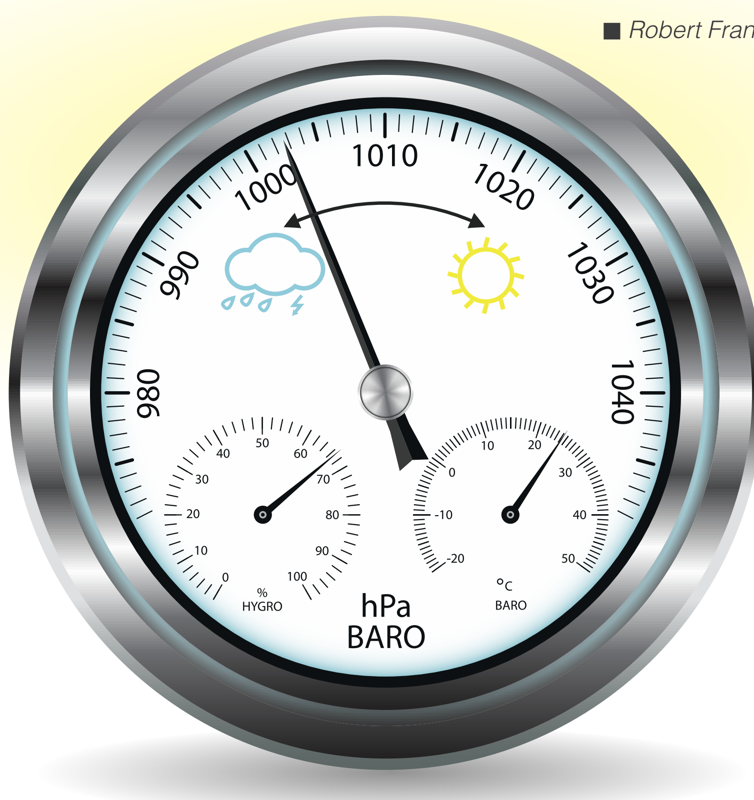
Gordon is bullish China for logistics properties and on India for broader opportunities.

"These emerging markets are not for the faint of heart," he counseled, and suggested aligning with a local partner to navigate the market. "There's not much quality property, so you have to develop, which means that there's a lot of work to do. China and India's momentum nonetheless makes them an attractive emerging nation picks."

The United States and Canada still offer a reasonable mix of real estate risk and return, Gordon concluded—for those willing to accept the currency volatility or cover the cost of hedging. European investors have started to fill the void created when China tapered its investments abroad. Brexit fears may also open up buying opportunities in the UK, but the market has not yet re-priced.

"People who bet on a 7-8% yield in Spain five years ago are very happy," he noted. "It traded down to a 5% yield much faster than many thought it would."

■ *Robert Frank*



OVERPRICING SHIFTS CAPITAL TO SMALLER CENTRES

Robert White
Founder, Real Capital Analytics

"Investors want real estate," affirmed Real Capital Analytics Founder Robert White. "They're hungry for it. The overall market is solid and healthy. The outlook remains positive and investment capital abounds. But increasingly, it's at what price?"

Pricing yields sank so low in New York City early this year, that frustrated investors have started to put their money elsewhere.

"New York City has seen even more negative trends than London, which is going through Brexit," he observed. "A lot of Hong Kong long-term money has flowed into London that we haven't seen here in New York."

Meanwhile, American and Canadian capital continues to favour Europe, though the flows, while still strong, aren't as heavy as at their peak two years ago.

"We're late in the cycle. Worried, investors are placing their capital more cautiously. A lot of equity funds are putting their money in Asia," White reported. "We're seeing India experience an explosion in capital recently. Real estate investment trust legislation is expected out shortly. While it remains an emerging market, it is starting to become less opaque and we see a lot of major players there."

In North America, investors have already priced in prospective interest rate increases, strengthening the stronger U.S. dollar, making it expensive for foreigners to buffer the ensuing currency risk.

"German investors would like more U.S. real estate, but it's prohibitive to hedge," he said.

Tech, health care tops
That has sent capital scurrying to secondary and tertiary markets.

"Investors have begun to move away from slowing core gateway markets and embrace smaller centres where there's job and demographic growth," White explained. "I don't just mean geography. I also mean property types; student housing or medical office. Anything that has technology or health care concentrations will likely be at the top of the heap next year."

"Logistics remains attractive," he continued, "but top logistic properties are expensive—some capitalization rates are lower than trophy office tower! Investors ask; 'Is it worth it?'"

In the U.S., strong job growth makes Texas' star shines brightest.

"Houston is at record volume now and will outperform in 2019," White forecast. "It's going through a growth spurt. Orlando, Tampa and Las Vegas are also poised for a comeback."

In Europe, Amsterdam tops the list. "It's one of the largest cities in Europe and its prices still make it look attractive."

In Asia, Hong Kong will remain on fire," White concluded. "Despite heady pricing, Chinese investors still deem it a fantastic marketplace."

■ *Robert Frank*

IN ANTICIPATION OF BREXIT: GLOBAL INVESTMENT FIRM STRESSES ASSETS OVER GEOGRAPHY

Pertti Vanhanen
Global Co-head of Real Estate
Aberdeen Standard Investments

"Maybe you find quality assets in the 10th best city on the list, and that's more important, because it's the quality of the asset that delivers the outcomes at the end of the day."

In the last two and a half years, Pertti Vanhanen has not been able to hold a single conversation in the global investment world without some reference to Brexit and all its potential repercussions.

"Nobody knows what the outcome will be yet. Still, we employ a conservative, risk-averse approach in our London offices. It is very volatile right now, maybe the world's most volatile real estate market, so why take the risk at this point?" says Vanhanen, Global Co-head of Real Estate at Aberdeen Standard Investments.

For international investors who deal in Euro and U.S. currencies, the British pound is 15 to 20 per cent cheaper than what it was pre-Brexit, which explains why 92 percent of all transactions in London came from abroad last year, says Vanhanen.

That means only eight per cent of all transactions was fueled by domestic funds. "That tells you that domestic investors have overall been very quiet or have been selling," says Vanhanen, who adds that Europeans have been more active in the most recent quarter.

As one of the world's oldest and largest investment companies, Aberdeen Standard Investments (ASI) has experience navigating through many cycles And with offices in 50 countries and investors hailing from more than 80, having a strong research team is key.

"Our real estate team is in 14 locations globally and with company offices in 50 locations, we have access to great resources, which allows us to use our local knowledge when entering a new market." Depending on each individual case and what type of investment deals we are looking for, we will either enter the market with a local development company, another partner or by ourselves."

In Global Winning Cities analysis ASI leads with an initial consideration of eight criteria that includes such factors as economic dynamics, population, quality of infrastructure and an assessment of climate resilience. Whilst London has historically scored particularly well alongside Singapore and New York, ASI suggest the value of the work is in the interpretation at a local level.

"A city like San Francisco does well in our criteria, having a highly educated workforce and good economic growth," but Vanhanen notes "yet we also need to balance these factors against the risk a market has become overly reliant on a single driver, which in this case is the tech-sector So maybe you find quality assets in the 10th best city on the list, and that's more important, because it's the quality of the asset that delivers the outcomes at the end of the day."

■ *Barbara Balfour*

EUROPE: VIBRANT CITIES, BRIGHT MARKETS

Barbara Knoflach
Deputy Chief Executive Officer, Investment Management
BNP Paribas Real Estate

"In Europe, we no longer think in terms of countries so much as in terms of centres that offer a nice environment, a youthful and educated workforce and a technology base."

Europe's solid economy and fundamentals remain resolutely attractive to real estate investment.

"With few exceptions, construction falls far below historic averages," reported Barbara Knoflach. "In general, we are far below as well in terms of leverage quotas."

Europe's core and core+ markets are dominated by Germany, closely followed by France. Thanks to Brexit, though, Europe's once most-expensive market—the United Kingdom—is now its cheapest.

"Its quality products and attractive prices make it a very nice market to invest in," observed BNP Paribas Real Estate's Deputy Chief Executive Officer, Investment Management. "The question is how much farther down it will go and when to re-enter."

Italy has also returned to investors' radar. Solid one percent growth for the first time in fifteen years, has put a cornucopia of mixed-use redevelopment opportunities on the table.

"Italy has a host of prestigious palazzi that once housed banks and other offices," she explained. "We're already seeing some converted into residences with high-street retail on the ground."

While Knoflach strongly favours Milan real estate, she said recommends that opportunities elsewhere should be shaped by an individual's investment philosophy.

"I would balance Rome with other strong North Italian cities in prime locations. In Europe, we no longer think in terms of cities. In Europe, we no longer think in terms of countries so much as in terms of centres that offer a nice environment, a youthful and educated workforce and a technology base—of which Italy has several," she suggested. "Rome remains a good market, though very, very tight, thus the most difficult market. We're quite active there and have a large portfolio, though without a ground presence, Rome always proves a little bit of an adventure."

Spain is also back in the game. Though the market there remains tight, it has similar redevelopment potential, "depending on the location and sector."

Investment rules have also fueled debt markets in Europe.

"A direct investment has a higher capital charge on insurance company balance sheets than for a debt fund," she explained. "So even low-return debt funds can easily be twice as attractive to insurance companies as a normal, direct investment."

"Tight competition with banks means that all-in margins below one for very, very scarce good product is not really rare," Knoflach cautioned. "To make a decent return isn't easy and entails rising up the risk curve quite significantly."

■ *Robert Frank*

RISK TOLERANCE DETERMINES WHERE TO INVEST GLOBALLY

David Hutchings
International Partner,
Head of Investment Strategy,
EMEA Capital Markets
Cushman & Wakefield

In this business, money is a lot more mobile than it used to be. “As exchange rates or interest rates change, the money will move with much more speed than it used to,” says David Hutchings, International Partner, Head of Investment Strategy, EMEA Capital Markets, Cushman & Wakefield. The money moves, he explains, as people fill their portfolio allocations, and as macro factors such as interest rates change. A good example of that is Korean money, which he says was very strong in the U.S. in 2017, very strong in London in 2018, and is expected to be strong in other parts of Europe in 2019.

Even today in what he calls “a riskier world,” Hutchings says Europe is a market that’s always viewed to have good risk averse potential despite the euro zone crisis and now Brexit. “Investors will look through that and invest in the long term. But behind the scenes, I think we’re starting to see a move back towards Asia as well.”

“If you’re ready to take the risk, there are real estate fundamentals that look promising.”

Where to invest within those markets will depend on investors’ risk tolerance. Large global investors heavily focused on gateway cities will likely look at expanding to new sectors and districts within those cities, Hutchings says, while for those who invest in a variety of locations there are other towns, cities and countries in which to expand, where growth is strong, opportunities abound but so does risk—to varying degrees. Risk-taking investors looking for income potential in Asia in the next 18 months might want to “look beyond the very large markets and focus on smaller but more dynamic markets like Vietnam in particular, but possibly also parts of Thailand,” he says. “If you’re ready to take that risk, there are real estate fundamentals that look promising.”

As for which real estate sector looks promising for 2019, “Logistics of course is everybody’s favourite,” Hutchings says. But he believes the most interesting sector will be retail, because of how retailers are transforming physical space. “Not all space is created equally, and not all retail is created equally,” he says. “The opportunity to invest is to get the format of space right and the right retailers and the right non retailers to support that. As pricing is adjusting, that’s going to become a very attractive approach for investors. And as the e-commerce wave continues to develop we’ll definitely start to see the opportunities on the physical retail space come through.”

■ *Michelle Morra*

SHIFTS AND DISRUPTORS

Amy Price
President & CIO
Bentall Kennedy, (U.S.) LP

Two important secular trends are impacting North American real estate today. The first involves consumers’ purchasing decisions and patterns. Amy Price, President & CIO, Bentall Kennedy, (U.S.) LP, is seeing increasing demand for industrial real estate, specifically industrial real estate closely located to major population centres.

“It’s transforming the traditional retail experience into a more experiential retail experience,” Price says. Though e-commerce and other factors have been changing retail for a while now, she says it’s important to consider “the nuance of what are the implications for the type of industrial, the size of the building, the distribution out of that building.” She adds that the logistics supply chain is evolving, and driving not only industrial real estate but, “specific types of properties with specific attributes for specific kinds of market.”

Another trend is the aging yet still active population, which Price says is creating increased demands on healthcare and services. It’s also driving major shifts in the supply chain or the delivery of healthcare to patients—the implication for real estate being the evolution of medical facilities where care is being provided.

“The trend is to bring more care and more services closer to population centres, closer to where the clients or patients are,” Price says. “It’s a relatively cheaper model than using hospitals.” With an aging population comes increased demand for medical office and other healthcare assets, and therefore opportunities for developers to build those assets that are off campus but still affiliated with a strong medical system.

Another big shift is coming from technologies that are targeted at, and appropriate for, the real estate industry. Though many of these technologies are available today, Price believes the industry is only in the “very early stages” of adopting them… part of the difficulty being how to choose among competing platforms and trying to align them with one another. “There are a lot of property management and leasing tools available today to provide more information to the owner or manager of an asset… information about how buildings are being utilized,” she says. “But I think we’re just at the beginning of being able to use data in a more meaningful way.

“We’re starting to do it on a case by case basis, but there’s opportunity for real data, and ultimately artificial intelligence (AI), and much more predictive patterns and behaviours. It’s a little out of reach but very much in sight. You can see where the industry is going, which I think is hugely transformative.”

■ *Michelle Morra*

For Investment Professionals only

Six months to Brexit: take cover or take advantage?

M&G REAL ESTATE

November 2018

Brexit timeline

- Jun' 16 — Brexit Vote
- Mar' 17 — Article 50 Triggered
- Jul' 18 — Gov't White Paper
- Sept' 18 — Conservative Party Conference
- Oct' 18 — EU Summit
- Nov' 18 — Emergency Summit?
- Dec' 18 — Last European Council
- Jan' 19 — UK Commons Approval
- Mar' 19 — Ratification and Exit EU
- Mar' 19 – Dec' 20 — Transitional Period

Paul Crosbie, fund manager at M&G Real Estate explains why there is opportunity for investors in the UK real estate market.

- Ability to quickly deploy capital essential to effectively time entry into different submarkets
- Early signs of greater investor confidence in the UK reappearing
- Political uncertainty heightened, but business-as-usual approach from occupiers
- Office and industrial sectors provide income and growth potential
- Retail sector faces structural headwinds, but selective mispricing opportunities

As negotiations over the UK's exit from the EU enter the more decisive stages, is a wait-and-see investment approach the best option at time when occupier markets continue to beat expectations? Alternatively, should investors take advantage of heightened risk aversion and follow a more direct strategy that could capture this upside performance? It appears that the days of market-driven yield compression are over, at least for now. Maintaining and growing income, while unlocking rental growth through expert asset management, will be the key to driving returns. We believe active investment strategies, with a focus on bottom-up analysis of asset, sector and underlying submarket strengths, will be best-placed to drive outperformance.

Capture mispriced opportunities through quick capital deployment

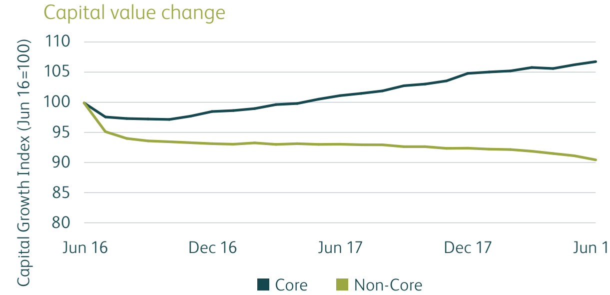
As negotiations regarding the future UK-EU trade deal progress, an opportunistic investment environment has emerged to selectively target real estate over the next 12 months. Recent valuation movements of perceived "non-core" assets support this, at some 10% discount to pre-referendum levels. Office and industrial capital values appear to have stabilized, offering upside potential as occupier markets strengthen. Retail assets have seen further declines, as negative sentiment continues to impact the high street. Investors targeting currently out-of-favour assets with either short-term income, vacancy, or capital expenditure risk, are well-positioned to benefit from this compelling window of opportunity.

The headline risk of a "No Deal" Brexit outcome is still a possibility, and we expect the volume of "noise" surrounding this scenario to increase over the next six months. The EU's agreement to a transitional period extends the UK's access to both the single market and customs union until December 2020 – we hope that this allows for a smoother exit once the future trading relationship with the EU is agreed.

It should be noted that the UK economy entered Brexit discussions from a position of relative strength and many of these macro drivers are still present. Interest rates remain low and are expected to remain so for a while; corporation tax at 19% is one of the lowest in Europe and will move to 17% by 2020; unemployment at 4.1% is the lowest since 1975, and with limited spare capacity in the labor market, wages and household incomes are expected to rise. Moreover, population growth forecasts are some of the strongest in the G7, adding more pressure to land use and supporting supply and demand fundamentals. These factors all point towards attractive longer-term economic growth.

Increased volatility at a time of major political events, such as Brexit, is customary and we expect the current levels of risk aversion to continue in the short term. However, investors with the ability to deploy capital quickly, will be best-placed to take advantage of the expected pricing dislocation throughout this process.

Capital value change

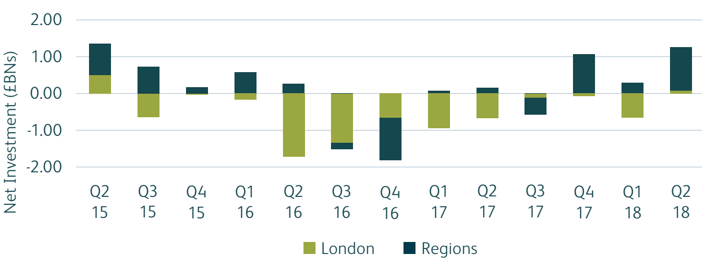


Source: CBRE, June 2018.

Early signs of greater investor confidence in UK market

UK institutions have returned to net positive investment in UK real estate, indicating that confidence is starting to build again. Regional markets deemed more resilient to Brexit uncertainties were the first to experience an uptick in transactional volumes. Central London looks likely to follow suit, as sentiment towards the market shifts and investors look for compelling re-entry points. The UK's transparent, liquid and diverse characteristics continue to appeal to a number of global investors. The relative value of UK real estate remains highly attractive on a global basis, with the spread of 440bps over 10-year gilt yields[1] still well above average. This continues to underpin investor demand and create opportunities at a time of Brexit-driven risk aversion.

Net UK investment volumes



Source: Property Data, Q2 2018

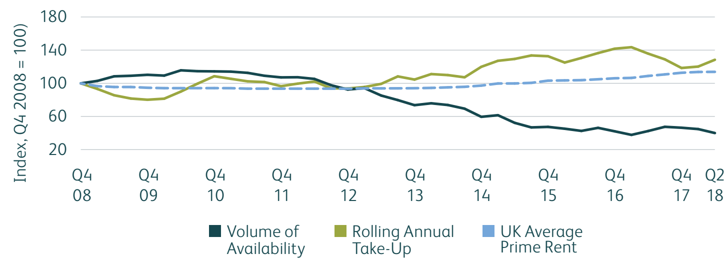
Political uncertainty heightened, but business-as-usual from occupiers

The contrast between heightened political uncertainty and a business-as-usual, resilient occupier market has been a key factor in rising investor confidence. There are wide variances across the office sector, underlining the importance of understanding occupier demand, trends and supply. The South East and "Big 6"[2] office markets have all performed well, with take-up above five-year averages. The availability of "Grade A" best quality space is now less than 2% in most regional cities,[3] which has not occurred in over a decade. This supports strategies focused on creating quality space through refurbishment and repositioning assets. Central London has similarly proved much more versatile. The number of financial jobs expected to relocate outside of Britain or created overseas by March 2019 has fallen to just 5,000, a small fraction of the total employed, according to a Reuters survey. Headline rents in Central London have now stabilized, with emerging fringe submarkets such as Farringdon and Kings Cross offering significant potential to capture upside growth, alongside ongoing regeneration and wider occupier appeal to global technology firms.

Industrials offer strong market rental growth

The industrial market remains occupationally the strongest real estate sector in the UK. Stepped increases in rents have contributed to 11% prime rental growth over the last 18 months,[4] driven by the need for space close to large populations to service online demand. Investors continue to put downward pressure on yields, with healthy total returns of over 20% recorded year-on-year. Given the chronic lack of well-located supply in the multi-let sector, there is a strong investment case to take on development or refurbishment risk here, to capture the continued long-term growth potential of this market.

Industrial market fundamentals



Source: Gerald Eve, Q2 2018

Retail sector facing structural headwinds, but selective mispricing opportunities

Retail remains arguably the most unloved of all sectors, as rising costs and declining in-store sales continue to hinder a highly competitive market. Negative investor sentiment has seen non-core assets fall by 14% to end of June since the referendum. Even core, well-positioned schemes are often disregarded despite strong characteristics. In this distressed environment, investors can take advantage of mispriced assets at significant discounts. However, it is important to be selective in this approach, where assets can be carefully evaluated for the opportunity to drive greater value from these schemes, through repositioning, re-letting or adding to the food and beverage offer. Such active asset management initiatives aim to increase dwell time and consumer spend.

Conclusion

As the UK moves closer to understanding its future economic relationship with the EU, we believe active investors with the ability to deploy capital quickly throughout this period of risk aversion, will be well-placed to capture the greatest potential for future upside performance. Bottom-up investment strategies, with the capability of selecting discounted assets in the best locations, which can be actively managed to drive additional value, are likely to deliver stronger returns on a risk-adjusted basis.

Contact

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[1] Based on MSCI All Property equivalent yields as at August 2018.
[2] "Big 6" comprises Birmingham, Bristol, Edinburgh, Glasgow, Leeds, and Manchester.
[3] JLL UK Office Market Outlook H2 2017.
[4] Gerald Eve, Q2 2018.

MORE INSPIRED HUMANS WITH INSPIRED TECH

Three ways technology can feed the experience-driven workplace of the future

By Marie Puybaraud, PhD
Global Head of Research
JLL Corporate Solutions

Humans have always innovated. From mastering fire and painting in caves using sophisticated equipment and materials to inventing the first engine in 1853 and introducing the first autonomous vehicles today, to producing electricity and inventing the radio wave and the internet, humans are hard-wired to innovate. Today, the rate and scope of innovation is respectively faster and more wide-spread than ever before—thanks to the high-tech revolution that's transforming our society, our world of work and our cities.

In downtown Toronto, for example, the combination of historically low vacancy rates of 2.5 percent for Class A buildings and a deluge of new jobs is prompting many firms to ask: is there enough space for employees in the existing office portfolio? How can we optimize that space and the worker experience at the same time?

Under such conditions, many workplace leaders are increasingly thinking about mobility, striving to empower employees with the technology to work when and where it makes the most sense—whether that's from outside the office or a communal space within the office building itself. But mobility comes with an extra challenge. How can you enhance human interaction wherever people may be located?

The good news is that it's generally becoming easier to do that in leased space. Large corporate-owned campuses have typically been well-provisioned with the features needed to drive collaboration and attract and retain top talent. While leased spaces traditionally fell short, now property owners are investing in building amenities to attract key tech tenants. They offer inclusive environments and combine attractive financial packages with great quality of life and opportunities to embrace new ways of working. In Toronto, for instance, tech firms are driving a disproportionately large cross section of large block lease activity, accounting for 27 percent of leases greater than 20,000 square feet in the second quarter of 2018.

Still, even with favorable landlord conditions, human-centric tech design takes a concerted effort. Let's explore some of the key reasons why it's worth the effort, from innovation to collaboration.

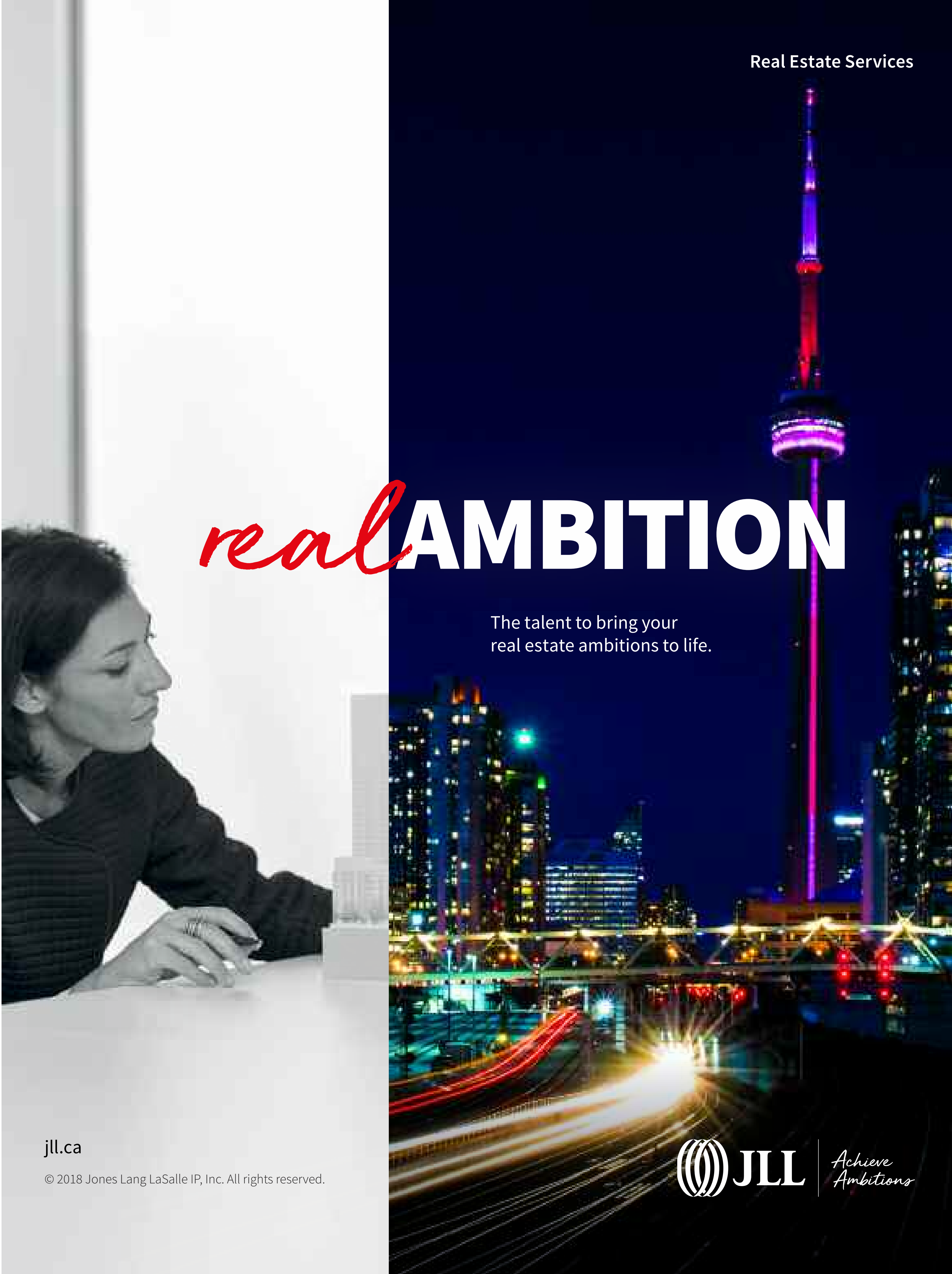
"The pace of change has never been this fast, yet it will never be this slow again," as Justin Trudeau, Prime Minister of Canada, says. To stay ahead, organizations must harness technology to create workplaces that can change and grow with us.

Innovation can happen by accident, but it is most likely that triggers and levers make it possible: a team dynamic, a moment of inspiration triggered by the environment we are in, something we heard from or exchanged with someone, an inspiring social context. Technology is always in the mix – most often to enable the innovation process or enhance it. A workplace is no different: it is a physical environment that enables people to be more productive, more creative and inspired; a workplace has to provide the best possible human experience. It is crucial to design work environments with these ideals mind.

The growing demand for experiential workplaces

The effective workplace of the future—anchored and enabled by technology—will stimulate our senses and inspire us. According to JLL's Future of Work research, the biggest increase in corporate real estate (CRE) investment over the next three years will be in CRE technology. Within those spaces, technology will enable more immersive collaboration with individuals outside the office walls—from colleagues across the ocean, to those working from home.

In an era where we can engage with one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another digitally on any number of devices, it is increasingly important to ensure technology keeps the human experience at the center and fosters collaboration. After all, humans are inherently social, and sharing ideas is often the bedrock of innovation.

While it may sound counter-intuitive, technology can feed our human experiences at work—with significant benefits for employees and the organization alike.

Creating an inviting, human-centric workplace isn't just a feel-good pursuit. It can lead to higher productivity and innovation, and ultimately, higher profits and a competitive edge. Such potential helps explain why, according to JLL's Human Experience research, 33 percent of the workplace leaders we surveyed say there should be a role dedicated to employee well-being. Even outside the ideals of a "Chief Happiness Officer" is the widespread conviction that organizations must reinvest in the workplace to attract and retain talent.

1) Experiential workplaces accelerate innovation

The office of the future will no longer be "the place you show up to be marked present each day." Instead, picture a dynamic hub of innovation, where employees and outside experts alike can come to create and collaborate, supported by technologies like virtual and augmented reality.

To empower diverse personalities and work styles, forward-looking organizations across Canada are leaving behind the one-size-fits-all approach. From high-tech quiet rooms and collaborative workspaces, to connected social areas, a modern selection supports humans with the freedom of choice—and relevant technology, whether it's simply good WiFi, video technology to connect remote workers, or more immersive technologies like virtual reality.

The potential is so profound that, of the 7,300 respondents we heard from in our Human Experience survey, more than 40 percent believe they'd do better work if they could choose between a range of tech-enabled workspaces, depending on the task at hand.

Sometimes, the task at hand calls for above-and-beyond innovation. Considering that 46 percent of employees aspire to work in a start-up environment, according to our Human Experience research, organizations of all sizes can find value by offering accelerator, incubator or innovation space. Outfitted with gadgets like 3D printers and laser cutters, such space could support internal recruitment and retention, as well as facilitate partnering with startups, partners and researchers.

2) More face-to-face interaction can happen virtually across geographies

Today, an average 28 percent of employees work flexibly on a regular basis, including from home, cafés, in transit or in co-working spaces, according to JLL research. Together with the rise of the 'gig' economy, tech-enabled flexible work has been helping knowledge workers get more adept at working together virtually. For example, over the last few years, geographically-dispersed teams could commonly meet 'face to face' on platforms like Skype. And that was only the beginning: long-distance collaboration is the norm now and is here to stay for a long time.

Now virtual reality headsets, together with sensor technologies, are emerging to help far-flung colleagues communicate in new ways, such as reading body language and other non-verbal communication. To boot: several tech giants have 3D headsets and applications in the works that will allow conferencing avatars, much like what you'd see in online gaming.

Or, perhaps you'd like to look around at real faces during a meeting, to see how others in the room are reacting to the discussion. In the not-too-distant future, a virtual reality telepresence system could pair your headset with a robotic head in another, allowing you to look around as if you were really there. Innovators are also experimenting with conducting meetings through augmented reality projections, which allow you to move around a space, virtually.

It's not science fiction—such innovations are being designed now and may eventually become the standard in the future of work.

3) 'Social everything' can enable real-time collaboration

Innovation can happen anytime, anywhere one is inspired—whether it's an impromptu brainstorm session on the stairwell with a colleague you just happen to pass 'at the right time,' or a walk on the treadmill at the gym, when you just have to share a quick thought or pull up a quick stat.

In such instances, social technology makes unplanned collaboration easier and more productive. From wikis, blogs and web conferencing, to Jabber and Yammer, social interactions can take place whenever and wherever, allowing teams to tap into and contribute to massive amounts of data.

For example, in years past, the seed of an idea mentioned by the water cooler wouldn't have been recorded on anything other than a post-it, if at all. But smart mobile devices, linked with the right apps and platforms, make it easy, even second-nature, to collect such ideas. Digital whiteboards in social areas can also help foster casual brainstorming, with the same outcome.

By bringing innovation into data sets and enabling teams to access that and other organizational data at any given time, we can help our teams tackle complex projects wherever they may be, while working together.

Prioritizing humans—with technology—in the future of work

Technology is transforming how and where we work together, from futuristic conference calling, to anytime-anywhere collaboration and access to data. We will, however, depend on the quality of the technology we have around us. A "no fail" is a non-negotiable. The most precious energy of the workplace of the future will be fueled by the internet and will depend on it. But we will also depend on the quality of the interaction between people and the human side of work. By prioritizing the human experience in workplace technology design, we can empower those humans to bring their best to work each day. Is your company prepared for the new wave of technology-enabled collaboration? ■

TORONTO AND VANCOUVER REMAIN CANADA'S TOP INVESTMENT MARKETS AMID SUPPLY CONSTRAINTS

In this issue of The Altus Report, we discuss real estate investment trends in the Toronto and Vancouver market areas.

By Kruti Desai
Manager, National Research Insights, Data Solutions
Altus Analytics, Altus Group

By Raymond Wong
Vice President, Data Operations
Data Solutions
Altus Analytics, Altus Group

CHART 1 Prime Business Rate
Percent • Source: Bank of Canada

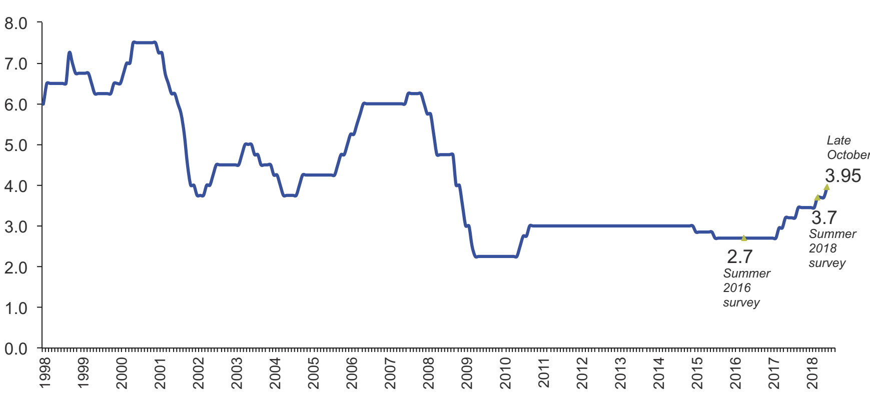
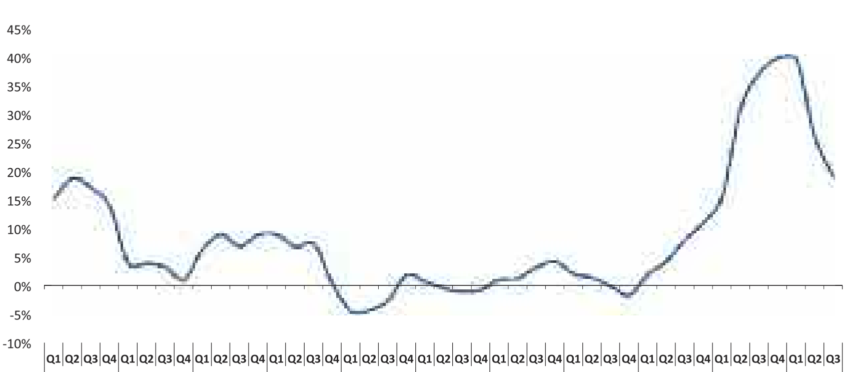


CHART 2: Change in GTA Condominium Apartment Prices*
Greater Toronto Area
Source: Altus Group • *Asking price of available inventory at end of period



A sigh of relief is echoed across Canada as the tentative new trade deal (USMCA) alleviates trade and economic uncertainty particularly for the auto sector. According to the Bank of Canada, the Canadian economy is operating close to its potential and Real GDP is projected to grow by 2.1% before slowing to 1.9% in 2020. As expected, the Bank of Canada raised its benchmark interest rate in October by 25 bps to 1.75, its third increase in 2018 and the highest since December 2008. This increase can not only affect Canadian businesses but may also influence household consumption and housing market leading to higher mortgage rates. High condominium apartment prices in Toronto and Vancouver continue to deter many potential home-buyers. With another rise in interest rates, residents priced out of these markets are seeking more affordable housing in peripheral areas or choosing to rent longer while they continue to save. Investment activity for purpose-built apartments have picked up across both markets.

The search for developable land continues

Releasing protected lands for development remains a topic of interest in Toronto and Vancouver. Demand for affordable housing is rising along with population growth and observers believe the relief could potentially help manage future growth. However, protecting these restricted lands is also viewed as solution to tackle climate change and to preserve arable land. Ontario's Greenbelt Plan and its boundary were established in 2005 to protect over 2 million acres of environmentally sensitive land in the Greater Golden Horseshoe. According to the Greenbelt Foundation, Ontario is currently looking at more than 600 requests to remove land from the Greenbelt Area, as part of a 10-year review process. Similarly, Vancouver's Agricultural Land Reserve (ALR) was created in 1973 to protect extensive land primarily used for farming and managed by the Agricultural Land Commission (ALC). The ALC can authorize adding land to the reserve, converting ALR land for non-farming purposes and allows applications to be submitted to remove land. The NDP government's upcoming review to "revitalize" the ALR could potentially lead to an expansion of the ALR and rezoning of some protected lands.

Micro cities along transit lines are on trend

The concerns of housing affordability and shortage of land within the core areas of the Toronto and Vancouver markets is putting more pressure on the intensification of suburban areas, in particular along transit lines. Proponents believe it creates walkable communities with access to transit, services and businesses. Factors such as population growth and changing demographics are expected to increase demands of the "live, work, play" as a one-stop shop community. These mini cities have already sprouted in several transit-oriented pockets and have been functioning well. Metro Vancouver's Regional Growth strategy already includes plans to develop urban centres along its transit lines. Brighouse Village Area is a prime example. A 109,969 SF site situated in Richmond's City Centre is slated to be rezoned into a mixed-use commercial, office and residential development and conveniently located near a Skytrain station. Westbank and QuadReal will also be transforming West Vancouver's Oakridge Centre into a mixed-use community. The same trend can be seen across the Greater Toronto Area. Toronto's Bayview Village, a short walk from Bayview Subway Station, will add condo towers to its surface parking lots and add an open-air retail promenade. Yorkdale Mall also submitted an Official Plan and zoning by-law amendment application to allow for residential, office, hotel and commercial buildings to the site in the next few years. Mississauga's Square One neighbourhood, a major transit hub, is not far behind in their plans to develop a high-density community with hotels, condos, stores and offices.

CHART 3: Change in Vancouver High-Rise Prices*
Vancouver Market Area
*Based on per sq. ft. price of projects launched during the quarter • Source: Altus Group

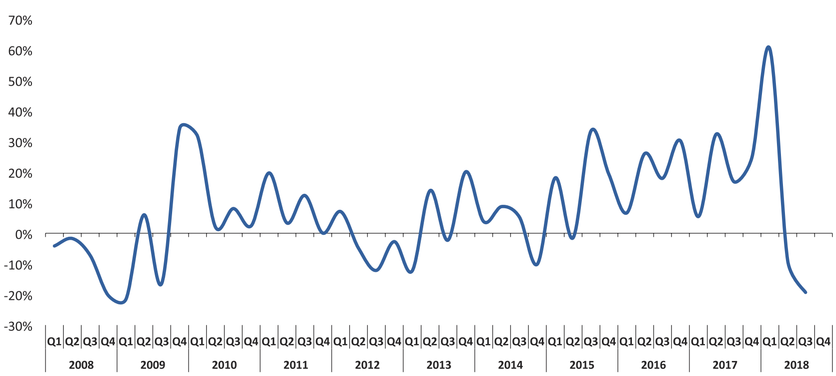


CHART 4: New Available Class A Office Product Remains Tight
Greater Toronto Area - Class A
Source: Altus Group

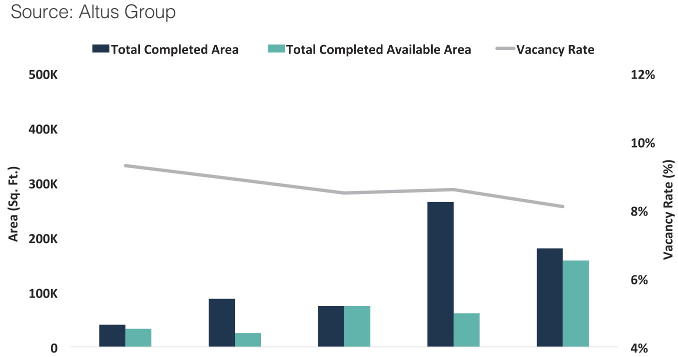
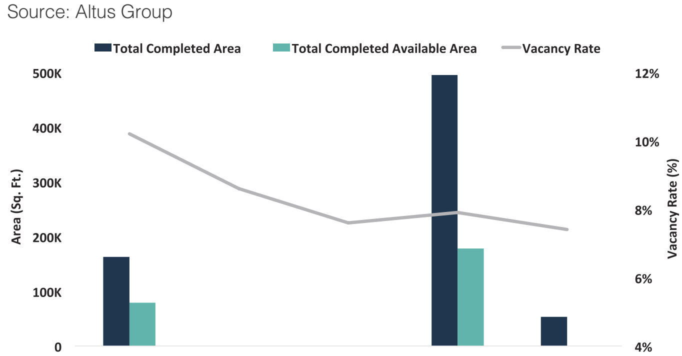


CHART 5:
Vancouver Market Area - Class A
Source: Altus Group



The Smart City paradigm shift towards Artificial Intelligence is changing the built environment

Vancouver is among 20 cities in the running for Infrastructure Canada's Smart Cities Challenge and considered a front runner. This is primarily due to the its smart city transit plans that will leverage multi-modal transportation corridors, autonomous vehicles, and smart technologies to enhance connectivity and reduce their carbon footprint in the region. Toronto did not make the short list, although the city is often regarded as a transforming city that is innovative with an expanding pool of world-class tech-talent. Google's sister company Sidewalk Labs is working with Waterfront Toronto to create Toronto's first digital "smart city" neighbourhood. Samsung also recently launched a state-of-the-art artificial intelligence centre in downtown Toronto's MaRS Discovery District, as part of their strategy to assist with interconnecting the city through technology. Investment in smart building and real estate technology (PropTech) is indeed growing rapidly aiming to change how we effectively design and manage our buildings through digital innovation, machine learning, and automation. The goal is to minimize inefficiencies in real estate and it has already become a major game-changer in several branches of the industry from construction to property management to leasing right down to financing.

Coworking spaces are spreading from Toronto to Vancouver

The nature of the traditional work environment is also changing rapidly as technology advances. Modern workers want flexible, state-of-the art creative workspaces with the rise in startups, freelancers, entrepreneurs and remote workers. In addition to purchasing assets, co-working space provider WeWork also revitalizes their properties to offer more trendy spaces to their clients. Their core business offers shared workspaces to individuals looking for a temporary desk, a "hot" desk, or to companies seeking amenity-rich offices, but without a multi-year lease. WeWork also uses technology to collect and view real-time data on their coworking spaces to efficiently manage their spaces from air-filter changes to the availability of conference rooms. Recently, they have been quite aggressive in their global expansion, including Canada. WeWork opened their first location in Canada in Montreal in 2016. This past summer WeWork opened its fourth and fifth location in downtown Toronto at 100 University Ave and Scotia Plaza at 40 King St. West and is expected to have 20 locations in Toronto by 2020. In August, they also opened their second location in Vancouver at 555 Burrard St and plan to have five locations by 2019. WeWork's first location in Vancouver opened a year earlier at 595 Burrard St.

Canada expands its downtown footprint in the technology sector

Class A Office Vacancy rates continue to remain tight forcing some landlords and tenants to redevelop older outdated assets. Downtown Vancouver is undergoing a major transformation with the redevelopment of the 1.13 million SF Canada Post heritage building. Amazon will be its anchor tenant and it will include a large retail component, food court, restaurants, fitness centre, pharmacy, and a grocery store. Amazon will occupy 416,000 SF of office space in the building by mid-2023 with 3,000 new employees. The tenancies for the remaining 700,000 SF space are unknown. An additional 1,000 employees will be employed at the new office building at 402 Dunsmuir St. Once complete, the total site is expected to accommodate almost 5,000 workers, including the 1,000 workers already employed at Telus Garden. Many anticipate the transformation will attract other major companies to the heart of the downtown core.

In the GTA, high-profile tenant Microsoft Canada recently announced the move of its Mississauga headquarters to downtown Toronto and will occupy 132,000 SF over four floors at the CIBC Square tower. The site is designed as a 2.9 million SF mixed-use development featuring two office towers with a full range of amenities, collaborative spaces, modern building systems and technologies, and a one-acre park spanning across the fourth floor over the rail corridor. The first building is scheduled for completion by Fall 2020 and the second is scheduled for completion in 2023. Toronto-based technology startup accelerator OneEleven, backed by OMERS Ventures currently occupies space in Toronto and Ottawa and is expected to expand to Vancouver by the end of 2018. In Toronto, OneEleven currently hosts over 30 companies and 400 employees at its tech innovation hub (owned by Oxford Properties, a real estate arm of OMERS) encompassing 250,000 SF of renovated space at 325 Front St.

Toronto's Dominion Public Building, a heritage property located at 1 Front St. adjacent to Union Station and the second phase of CIBC Square may be another multi-billion-dollar redevelopment project to watch for. Development applications have been submitted by Larco Investments to add two large rental towers atop the 5-storey building, as well as a boutique hotel, retail,

CHART 6: Class A Office Vacancy Rate

Source: Altus Group

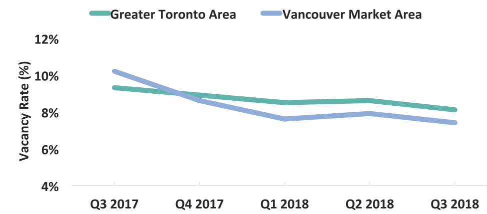


CHART 7: Class B Office Vacancy Rate

Source: Altus Group

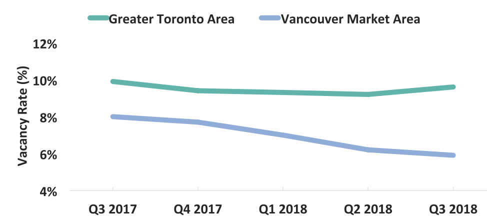


CHART 8: Greater Toronto Area Office Vacancy Rate Class A vs. Class B

Source: Altus Group

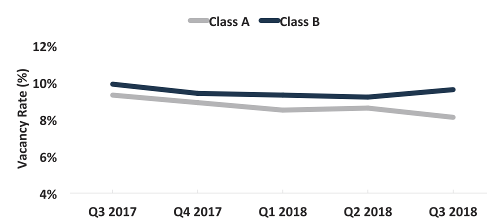


CHART 9: Greater Vancouver Area Office Vacancy Rate Class A vs. Class B

Source: Altus Group

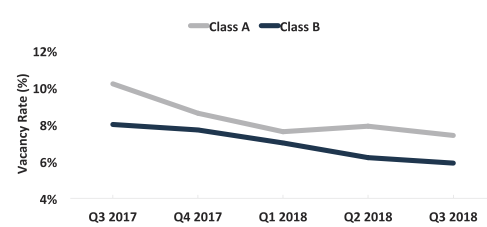


CHART 10: Office Space Completions and Absorption 12 months ending September in each year

Source: Altus Group

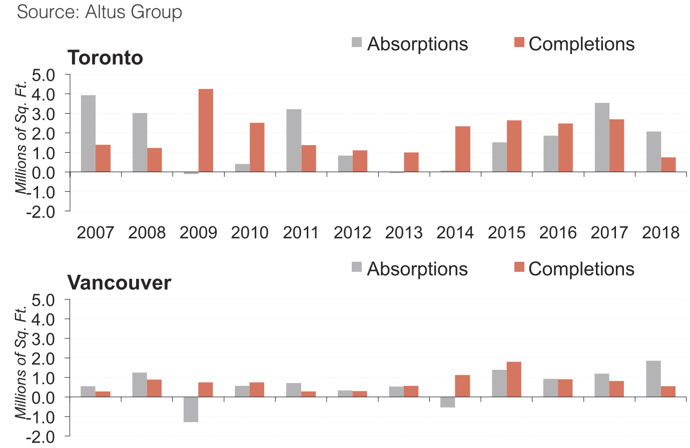


CHART 11: Office Vacancy Rate

* Markets covered by Altus Group • Source: Altus Group

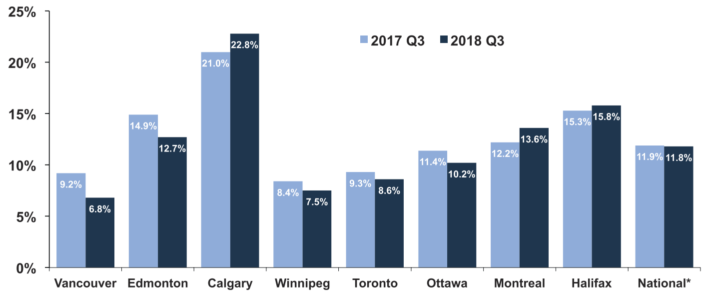


CHART 12: Strong Demand for New Supply

Total Under Construction, Greater Toronto Area vs. Vancouver Market Area

Source: Altus Group

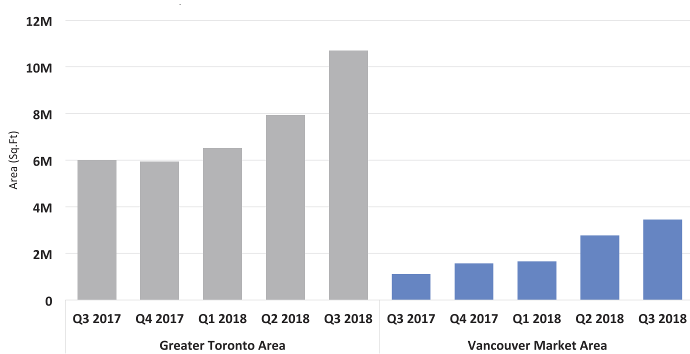


CHART 13: Investment Property Sales Transactions

Vancouver Market Area, Q1 2018 vs. Q2 2018

Source: Altus Group

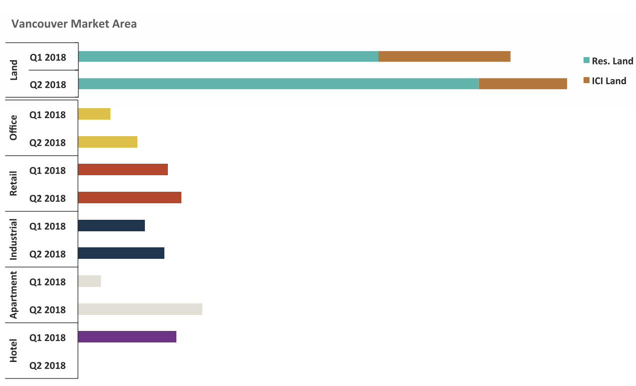
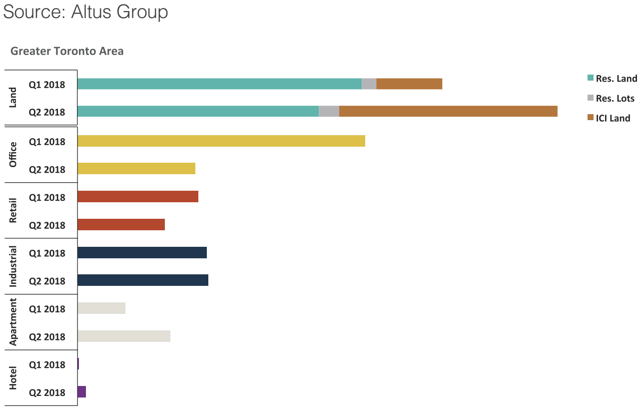


CHART 14: Investment Property Sales Transactions

Greater Toronto Area, Q1 2018 vs. Q2 2018

Source: Altus Group



restaurants, and office space. In Vancouver, several parkades are also being considered for redevelopment as they are ideal for connectivity among buildings via above or underground paths. A 33 storey high-tech office tower is planned for construction on the site of the now-demolished Vancouver Centre Mall parkade and expected to open by 2021. Another 42 storey office building on 400 West Georgia St., former site of a Budget Car & Rental lot is also expected to be completed by 2020. Other redevelopment projects in the works in the eastern part of downtown are the city-owned Larwill Park block, Northeast False Creek, and the new St. Paul's Hospital campus at Station St.

It's only getting tighter from here…

Positive absorption continues to drive office vacancies down for Toronto and Vancouver at 8.6% and 6.8% at the end of Q3 2018, respectively. Almost 160,000 SF of new Class A office product in Toronto became available this quarter while vacancy rates dropped slightly to 8.1% from 8.6% in Q2. The Vancouver market only released about 53,000 SF of office product with no availability. As the fight for quality deepens in the core and new supply is not expected to arrive until late 2021/22, many companies may be pursuing a flight to the suburbs in the meantime to avoid rising rental rates and perhaps situate themselves near mixed-use development communities to be closer to where the top talent may live.

Canadian investors focus on Apartment and Industrial product

Investment sales volume across Canada continued to grow in 2018. According to the respondents to the Altus Group Investment Trends Survey, overall cap rates have decreased moderately. Apartments was among the most active sectors in the second quarter for both markets. The Wynn Group's disposition of their multi-residential assets accounted for almost two-thirds of the apartment transactions in Q3. Wynn Group is one of Toronto's largest multi-family property owners and recently sold their assets to Timbercreek and Starlight for a combined total of $842 million. Starlight Investments also focused on multi-residential real estate in Vancouver's downtown and northern areas purchasing four landmark high-rise apartment buildings for a total of 456 units. Paul Plaza is one of four assets which sold for almost $82 million. The 22 storey high rise tower contains 144 units and is located in the West End District of Vancouver. If population growth continues at its pace and land remains scarce, demand for housing will likely increase along with housing prices. The apartment sector may remain a desirable investment in a tight housing market. However, purpose-built rental properties may come with a hefty price tag as many of these older

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CHART 15: Featured Toronto and Vancouver Market Sales Transactions 2018

Source: Altus Group

Market	Date	Sector	Transaction name	Purchaser(s)	Price ($Millions
Downtown Toronto	2018-03-06	Office	Bay Adelaide Centre	Dadco Investments	$850,000,000
Mississauga	2018-03-20	Res Land	Lakeview Lands	TACC Construction, Greenpark Group, CCI Development Group, Branthaven Homes & Argo Development Corporation	$274,770,000
North York	2018-05-31	Office	Parkway Place	Tigra Vista Inc.	$256,250,000
North York	2018-06-07	ICI Land	Downsview Airport	Public Sector Pension Investment Board	$825,000,000
Downtown Toronto	2018-10-04	Office	Queen's Quay Terminal	Northam Realty Advisors & iA Fianancial Group	$261,000,000
Downtown Vancouver	2018-02-16	Office	555 Robson Street	GWL Realty Advisors	$107,500,000
Burnaby	2018-03-12	Casino/Retail, Hotel, & Office	Grand Villa Casino & Hotel	Mesirow Financial	$253,624,830
Vancouver (West End District)	2018-04-05	Apartment	Paul Plaza	Starlight Investments	$81,850,843
Richmond	2018-04-30	Industrial	1751 & 1771 Savage Road	Nexus REIT	$57,380,000
Downtown Vancouver	2018-08-29	Office and Retail	Government House (Burrard Street)	Crestpoint Real Estate Investments	$227,000,000

CHART 16: Top 5 and Bottom 5 Favoured Real Estate Segments

Source: Altus Group

	Toronto	Vancouver
Top 5 *(in order from most favoured)*	Suburban Multiple Unit Residential	Multi-Tenant Industrial
	Food Anchored Retail Strip	Single Tenant Industrial
	Industrial Land	Tier I Regional Mall
	Multi-Tenant Industrial	Suburban Multiple Unit Residential
	Single Tenant Industrial	Downtown Office Land
Bottom 5 *(in order from least favoured)*	Enclosed Community Mall	Enclosed Community Mall
	Suburban Class "B" Office	Suburban Class "B" Office
	Suburban Class "A" Office	Tier II Regional Mall
	Tier II Regional Mall	Downtown Class "AA" Office
	Power Centre	Industrial Land

CHART 17: Industrial Vacancy Rates Remain Tight in Toronto

*Markets covered by Altus Group • Source: Altus Group, **The Johnson Report

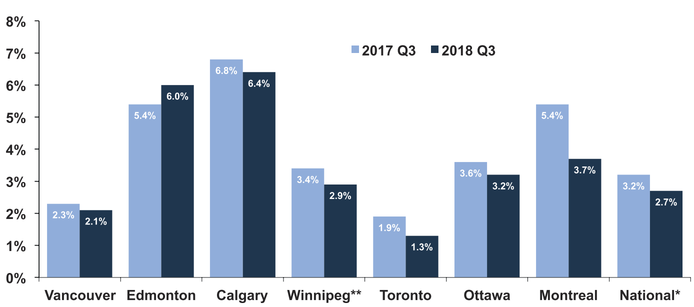
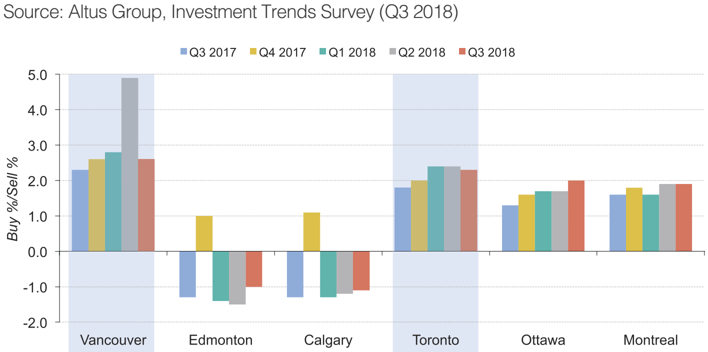


CHART 18: Location Barometer for Real Estate Investment*
Selected Major Markets

Source: Altus Group, Investment Trends Survey (Q3 2018)



* A positive ratio above 1 indicates more interest in buying than selling; a negative ratio below -1 indicates more interest in selling than buying.

assets may need significant upgrades in the next few years.

Given the need for warehouse space driven by e-commerce and logistics, and the anticipated demands of the cannabis sector, the industrial vacancy rate remains extremely tight at 1.3% in the Greater Toronto Area and 2.1% in the Vancouver market area and supply remains limited for the next year or so, and rental rates are gradually increasing. Yet, investor demand in the industrial sector remains very strong for both markets. According to respondents to Altus Group's Investment Trends Survey, Single and Multi-Tenant Industrial product were among the top five real estate segments for investors in Toronto and Vancouver. The largest industrial sale in the Vancouver market area was a 117,490 SF site on 1751 & 1771 Savage Road in Richmond. The property sold for $57.4 million to Ontario-based Nexus REIT. The largest industrial lease deal in Metro Vancouver goes to Amazon who recently announced it will lease over 453,000 SF at the Delta iPort, currently under construction and scheduled for completion by end of 2018. Toronto's investment activity remained steady with a 17% increase in capital flows from the previous quarter. Low vacancy rates and lack of supply have compressed cap rates in the short term making the GTA's industrial sector a desirable long-term investment. The top industrial transaction in 2018 was by KingSett Capital for the American Business Park & 6325 Northam Drive in Mississauga who acquired the asset from Cominar for $90.6 million.

With scarce land, limited availability of space in the core and vacancy rates plummeting, demand for high-quality product in prime locations is expected to rise considerably across the country. As seen in overall real estate trends, access to transportation hubs continue to be an integral factor in many firms' investment strategies. More and more best-in-class employers continue to seek amenity-rich office spaces and industrial production capacities continue to expand, therefore firms are now looking to reposition their assets and ultimately deliver on their supply sooner rather than later before the market hits even lower vacancy rates. Tight housing markets are also generating more interest in downtown rental units as well as mixed-use communities in peripheral areas as an alternative to home ownership in these expensive cities. A growing number of companies may well look to follow the talent to these areas and consider the move as a cost-effective option potentially igniting a migration to the fringes amid a tight market. ■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CHECKING ALL THE BOXES

Dennis Lopez
Chief Executive Officer
QuadReal Property Group

Anne Morash
Senior Vice President,
Multi-Residential
GWL Realty Advisors Inc.

Canada's highly professionalized real estate sector is among the most sophisticated in the world and offers investors great opportunities in its major markets today. Because of how disciplined our public sector and institutional investors are, the markets remain in equilibrium. Even increasing interest rates won't be a major concern for the real estate sector, but they will put more pressure on valuations and slow the economy.

The economic situation in Alberta is looking up, as it seems oil prices have bottomed out and are rising. The Toronto market continues to be strong, driven by finance and technology, while there is a lot of enthusiasm for Montreal and other markets continue to perform on par with the national averages. Despite that the Bank of Canada wants to slow down the economy we still expect to see growth in the targeted sectors of technology, finance, medicine and education.

The growing asset class of multifamily is performing exceptionally well, as people in our industry aim to reposition their existing product or bring new product to market. This sector also offers unmined possibilities in secondary markets. There is certainly room for intensification in multifamily, a great opportunity for savvy land owners to unlock or create excess density on their sites. One challenge we face as a society, however, is the issue of affordability, which is a critical issue in many markets across Canada. While this can be partly addressed through increased inventory, governments need to be a little bit more creative in shortening the municipal entitlement process, reducing taxation for intensification, or freeing up underdeveloped land to enable good developers to build multifamily residences.

We are fortunate to have very strong office markets in Canada, and plenty of opportunity for growth in well-crafted, curated retail. What's driving growth on the industrial side? Everybody's talking about cannabis, which will undoubtedly drive all kinds of new activity in the industrial sector. We expect to see growth in secondary and tertiary markets, and the creation of distribution centres in our gateway cities, as online shopping gets a major boost from cannabis.

A theme and major focus of this forum will be technology. It is no longer referred to as something that will impact real estate in the future—that impact is here now. For Canada to maintain its global market leadership, all players in our industry must embrace the use of technology and the changes it's bringing.

Canadian real estate investors are adaptable and resilient. We weather economic storms and all manner of socioeconomic changes, but what keeps us up at night is the war on talent. Real estate is a long-term game so it's critical that we attract, groom and retain the right kinds of people, bearing in mind that many of the young people in the industry today have not been through the recessions that many of the more seasoned individuals have… all the more reason to focus on educating our talent on the ups and downs of this ever-changing, ultimately rewarding and never dull business.

■ *Michelle Morra*

PropTech: THE HOTTEST BUZZWORD OF 2018 BRINGING NEW BUSINESS MODELS TO MARKET

George Carras
Chief Executive Officer
R-Labs

"The real disruption happens when you marry the technology with a new business model. That's where you're going to see the biggest innovations."

The year 2018 is the year the word "PropTech" finally made its way into the vernacular of the marketplace, says George Carras, Chief Executive Officer at R-Labs.

"PropTech is a hot buzzword right now and people are asking, 'Hey, what is it?'" he says. "While it's been a year of introduction to the concept, it's still very early to define what it actually is. Looking to PropTech as the business model of today would be somewhat limiting, just as if we tried to define the Internet back in 1997.

"Over the long term, PropTech will be defined by the actions of the people involved in it – how we invest, build, operate and use real estate.

"But we do know that in Canada, it will be much more than just digital technology, but also physical technology as it overlaps with construction and built environments."

For now, the movement is driving strategic change and efficiency in all aspects of the real estate market, using technology such as AI and machine learning, data and analytics, robotics, and augmented reality. It has given rise to a plethora of startups offering technologically innovative products or new business models, and essentially promises to connect people, ideas, technology and capital to create new opportunities.

"Disruption is inevitable, but it can be both good and bad," says Carras. "Over time, history has shown that technology has had a major impact on the real estate business model and the retail asset class. We're now seeing real estate owners investing directly into these technologies and adopting new business models.

"People may chase technologies they couldn't usually rely on before, that are now available to solve real problems. But it's important to understand that technologies are not the story here. The real disruption happens when you marry the technology with a new business model. That's where you're going to see the biggest innovations."

While Carras believes it's still too early to apply machine learning to the real estate industry, he says it will have a profound impact when used with the volumes of data generated by IoT-sensored devices.

"Historically, we've always looked to government policy to solve our problems," he says. "What we're seeing now is that technology-enabled venture companies can be an efficient and effective way of providing solutions as well."

■ *Barbara Balfour*

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TIME TO STRESS-TEST YOUR INVESTMENTS

Barry Sternlicht
Founder, Chairman & CEO
Starwood Capital

Now that tax cuts and fiscal stimulus have put the United States economy pedal to the metal, real estate investors need to ask is 'Where are interest rates going?' and 'Why did they go there?', recommended Barry Sternlicht, Founder, Chairman & CEO, Starwood Capital.

"With about 60 percent of the stimulus spent this year and 40 percent next, expect a slowdown in 2020," he cautioned. "There won't be enough workers for all the jobs that employers want to fill, which leads to huge upward wage pressure. Whether that will culminate in a recession depends upon how far the Federal Reserve Board raises interest rates."

With some markets still advancing, the cracks have started to appear elsewhere, particularly in construction, already hit with rising wages, commodity and materials prices. Rent growth remains uneven. Some markets are gaining, others losing steam

"Tax law changes are driving diverging indicators in different states," Sternlicht observed. "We live in a polarized society when in fact the reality ought to be somewhere in the middle. Blue states increasingly hike taxes, whilst red states are faring much better—especially ones like Florida and Texas, which are income-tax free."

Sternlicht favours secondary markets like Orlando, which still have untapped growth potential.

"We've been very successful in Atlanta and we're pretty bullish on Los Angeles," he added. "We're not investing in New York City, though, because of tax issues."

Meanwhile, hotel demand continues to soar in lockstep with employment and economic growth.

"Hotel demand is not an issue through 2019," Sternlicht forecast, "but supply is becoming a concern."

Big franchisors have shrunk their exclusivity radii from five miles to 500 feet, or have introduced fine-tuned new brands targeted at millennials.

"You have to be careful in the event of a downturn," he cautioned. "Don't count on five years of straight revenue growth."

Shared office space has the potential to serve as a major market disruptor, as does self-driving cars, which could upend zoning and parking lots. The biggest wild card, though, remains retail.

"Will the physical and the internet live harmoniously together or does one wreck the other?" Sternlicht asked. "Expect to witness a lot of PropTech transforming a byzantine industry."

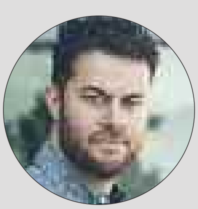
In the meantime, he recommends weighing whether your investments will withstand rising capitalization rates on exit.

"We're modelling our investments and doing more stress testing," Sternlicht concluded.

■ *Robert Frank*

BUCKLE UP!

Thanks to autonomous vehicles, real estate industry will undergo biggest changes of the century



Brad Greiwe
Co-founder and Managing Partner
Fifth Wall Ventures

The ubiquity and mass proliferation of autonomous vehicles will create and destroy more real estate value than anything the world has seen in the past 100 years. That's because the landscape of the real estate we enjoy today is premised on vehicles in their current form and function, says Brad Greiwe, Co-founder and Managing Partner of Fifth Wall Ventures.

"The extent of the transformation of the industry and whether urbanization increases or decreases are some of the biggest questions yet to be answered, which is partially why we invest in the companies we do," says Greiwe.

Of the 28 portfolio companies held by Fifth Wall Ventures, the two most high profile include Opendoor, a liquidity marketplace for single family home transactions, and Line, an urban mobility transportation solution that provides pedal bikes, scooters and electric cars to clients wanting to reduce their dependence on personal automobiles.

That said, Fifth Wall focuses its investments broadly since both the commercial use of space as well as the application of technology to it is also broad, says Greiwe. "The importance of having an opinion and a potential strategy on how PropTech is going to influence the real estate business will only increase, and so will the capital flowing into that space.

"We see a future where there is no discernible difference between real estate and technology. When that moment in time occurs – and it's not a question of 'if', but 'when' – the value proposition of real estate will shift dramatically. Real estate owners and operators who don't have an opinion of how this will affect their assets are ill-prepared for the future."

Another outcome of the technology revolution that those in the real estate will need to consider is the impact on security. "Real estate companies will become data companies whether they want to or not as they experiment with IoT and 5g and sensor data for energy usage," he says. "There is a risk factor as they collect and managing data that can reverberate in terms of security breaches, managing their own and their customers' proprietary information, and opening up the hardware of their assets to potential hacking or data destruction.

"Every company now has to think through these implications and be prepared to handle them."

■ *Barbara Balfour*

SHIFTING REALITIES, FLUCTUATION MINDSETS

Adam Paul
President & CEO
First Capital Realty

The real estate business has become a little more complicated in recent years. That's according to Adam Paul, President & CEO, First Capital Realty, who says there are new challenges, and "fewer tailwinds" helping investors along. He believes that in the next 10 years the things that will result in success will be quite different from what has resulted in success over the last 10 years.

"Tenants over time can become temporary. The real estate is what's permanent. So it's important for us to have the flexibility to make sure we have the right tenants in our space."

"The opportunities are really making the adjustments in your platform and your culture and your balance sheet, perhaps, to keep well positioned relative to your peers," Paul says. "And the downside risks are, I think, a lot bigger if you're not able to perform and execute while the upside opportunity is also greater if you can. It's the difference between being at the top of your peer group and the bottom."

The executive group at First Capital Realty is a mix of real estate professionals and people who have come from the retail industry. Life cycles for a lot of retail concepts are getting shorter, which is why Paul says they see the real value in the real estate, not necessarily the current tenant. "Tenants over time can become temporary," he says. "The real estate is what's permanent. So it's important for us to have the flexibility to make sure we have the right tenants in our space."

He has noticed a shift in how landlords and tenants negotiate. Whereas in the past, a typical negotiation over term involved landlords pushing for more committed term and tenants pushing for less, "in a lot of our properties that has actually flipped," he says, "where we'd rather have a shorter term and have the ability to change rents and expose ourselves to market cycles, but tenants are looking to do the opposite because the growth trajectory in many neighbourhoods that we're invested in are very compelling."

Another shift is that while real estate has always had elements of an operating business, it also had many elements of more of a passive investment. Paul says that has totally changed, especially in retail. "If you don't have a very strong, innovative, creative, active operating platform, you're in big trouble because the asset class is so dynamic today," he says. "And if you're in urban markets, the change in these neighbourhoods over a much shorter period of time is very pronounced, and you need to be plugged into that. In fact, you need to be trying to influence that, whether it's the location or additional transit or bicycle lanes or park locations. It has become much more active versus passive."

■ *Michelle Morra*

LITTLE ROOM FOR RATES TO RISE

Benjamin Tal
Deputy Chief Economist
CIBC World Markets

Canadians can expect to see a slowdown in the economic growth that they enjoyed in 2017 and early 2018, forecast Benjamin Tal.

"Consumer credit is decelerating dramatically," said CIBC World Markets' Deputy Chief Economist. "The housing market we already know about. Business investment, even in energy, is slowing. With no major economic drivers in sight, growth will stabilize at below two percent, which is nothing to write home about."

Slower growth will squeeze central banks' margin for manoeuvre to hike interest rates during the coming year, he predicted.

"The Bank of Canada will take interest rates higher during the next few quarters," Tal acknowledged, "but they will have to stop shy of their intention to take them to neutral territory—which is 3-3.5 percent—because the economy will not allow it."

MIXED-USE MEANS MORE OPPORTUNITY IN MAJOR MARKETS

Jonathan Gitlin
Chief Operating Officer
RioCan REIT

There's plenty of untapped potential lurking in Toronto and Canada's other major cities like Montreal, Ottawa, Calgary, Edmonton, asserted Jonathan Gitlin.

"Particularly in Toronto, Canada's biggest market and one of the most prominent cities in North America and the world," remarked RioCan REIT's Chief Operating Officer. "That momentum hasn't even hit its stride yet. There is tremendous opportunity for firms like ours, with very strong land holdings that are close to mass transit, to build new communities that will accommodate that growth."

RioCan's entire property portfolio is under review to pinpoint where to capitalize on population growth. Today, shopping centres typically cover only 25 percent of the land that they occupy. RioCan is looking case by case to identify where it can add multi-unit residential—and, where warranted, an office component—to its existing retail holdings.

"We're not moving away from retail," Gitlin averred. "We're simply looking at how we can maximize the use of our retail land by adding rental accommodation—in some cases including affordable apartments—with a commercial environment below that adds to the experience of living there. It will lever transit, wherever commerce and downtown remain within easy reach."

"As Canada's largest retail landlord, we know how to create a suitable environment for the residences above," he added. "We're working hard to curate what mix will optimize those two elements and create a valuable contribution to the communities which we serve."

The main risk remains how governments and regulators will respond to these revised development priorities.

"Capricious intervention can be counterproductive," Gitlin cautioned. "Development charge increases, rent controls and mortgageability tests can markedly change the scope of a market."

Interest rates rises also pose a challenge, he acknowledged. In response, RioCan has structured its interest exposure to mitigate potential adverse effect, even in the event of an unexpectedly large hike.

"We ladder our debt so that excessive obligations don't come due in a single year," he explained. "Even a sharp spike in interest rates wouldn't have much effect on our balance sheet."

RioCan continues to collaborate with its tenants to keep their premises competitive as online shopping grows.

"We're creating a better environment for click'n'collect and adding easier pickup points," Gitlin concluded. "While that's part of the new normal, a large proportion of our portfolio is urban, where the population remains keen on bricks-and-mortar stores for certain items."

■ *Robert Frank*

"With no major economic drivers in sight, growth will stabilize at below two percent, which is nothing to write home about."

"We see it moving three more times in 2019 and then they will call it a day," he forecast. "The Fed will also go more slowly because the United States economy clearly will be much more slowly in 2020 than before. The activity which we are witnessing now is about government spending and tax cuts. That's short-term gain for long-term pain. Whether that will trigger a full-blown recession or simply a slowdown I don't know, but a recession there in 2020 could affect Canada."

A sharp fall in United States-China commerce poses a similar risk to recent trade tensions in North America. While the ensuing United States Mexico Canada Agreement warded off the prospect of the punishing tariffs, it left the three countries more barriers and uncertainty than the North American Free Trade Agreement that it superseded.

"It's not as good as it was," Tal conceded, "but clearly better than the alternative, which was to tear up the deal. The ensuring automobile tariff barriers would have been recessionary for Ontario in general."

"The outcome demonstrated that Canada definitely needs to diversify its export engine," he suggested. "We clearly need to be part of the Transpacific agreement to help us to accomplish this by gaining greater access to China."

While the prospect of a full-scale United States-China trade war presents another significant risk, Tal remained optimistic that cooler heads will prevail and chill current tensions.

"China would suffer, but the United States would as well," he observed. "They would both end up better off by finding a way to ease the pain and save face through some degree of accommodation and compromise."

■ *Robert Frank*

GETTING SMART ABOUT SMART BUILDINGS

"There are so many different options in these platforms, everything from looking at procurement, to looking at compliance, operations, deferred maintenance, and capital intensity."

Casey Witkowicz
President & CEO
Rycom Corporation

What kind of innovations are reshaping the design, construction, development and creating smarter buildings? While buildings generate a lot of data, the new technology that extracts that data materially impacts the way buildings operate. Anyone who is reconstructing a building, or building a new one, can now use real time data to better design, whether it's climate, safety and security, building operations, performance, or energy consumptions and emissions.

"When you think about what's happening with climate today, it really supports the narrative," says Casey Witkowicz, President & CEO, Rycom Corporation. "As we all aim to minimize the increase of the earth's average temperature, you could factor that into building new buildings."

Data allows us to actually see, manage and optimize the way the building performs. Today there are innovative platforms that help building owners and managers extract that data and put it into day-to-day use. "There are so many different options in these platforms," Witkowicz says, "everything from looking at procurement, to looking at compliance, operations, deferred maintenance, and capital intensity. With data we're also changing the way occupant engagement is occurring, both in terms of utilization of the space, and how the property behaves and performs for the occupant."

He adds developers will eventually get to the point of using artificial intelligence (AI) to better understand how buildings are repurposed and sold. Data visualization, for example, will allow people to view a space remotely. Asked about the risks of AI, Witkowicz says there are two parts to the issue. One is machine data, where a piece of equipment tells you that the building is sick or misbehaving or in some kind of danger, and personal information. "As we get to smart buildings that are part of an ecosystem of smart cities, you definitely need personal information to better optimize the operations of a building and respond to the occupant's requirements, but the security of that personal information is key. So is ownership," he says.

What about enforcement? New privacy laws effective this past month state that any breach of information must be reported to the Privacy Commissioner of Canada. Witkowicz says that's a step in the right direction but doesn't necessarily resolve and address the amount of information that is collected today. "The industry is looking for some guidance in terms of how to not necessarily secure, but how to administer that information," he says. "Until we have some sort of guidelines, industries and corporations will be taking a very cautious approach in making sure that they'll do everything technically and governance-wise to protect our personal information."

■ *Michelle Morra*

INTERVENTION POSES PARADOXICAL PROBLEM

Brian McCauley
President and Chief Executive Officer
Concert Properties

“We clearly need more affordable housing, so governments instead need to adopt policies that will facilitate development.”

Brian McCauley acknowledges that governments genuinely want to help their constituents. Unfortunately, their increasing propensity for intervention is having the opposite effect.

“A number of well-intentioned policies that are being implemented at federal, provincial and municipal levels have caused friction, frustration and market disruption,” cautioned Concert Properties’ President and Chief Executive Officer.

Federal taxation and stress-testing has softened the residential real estate market, particularly for-sale condominiums. The feds have earmarked $40 billion to tackle housing affordability; but have yet to disperse the money. Federal intervention has also fostered turf wars with provincial authorities.

“British Columbia has earmarked $6.9 billion for affordable housing,” McCauley said. “Canada Mortgage and Housing Corporation and B.C. Housing are trying to figure out how to work together again, causing challenges and constraints in getting housing to market.”

At the municipal level, Ontario has eliminated its rent-control exemption for new, purpose-built housing, removing an important incentive to build rental apartments. The province also reduced Toronto’s 47 wards to 25, which has created some “interesting dynamics in terms of community consultation and project approval.”

Ontario and British Columbia now tax foreign buyers. British Columbia also implemented a speculation tax on empty properties as well as a school tax and has just trimmed rent increases to the cost of living.

“They’ve eliminated the two percent on top of the consumer price index that hitherto permitted prudent landlords to maintain their properties,” he warned. “Those affordability measures have created constraints that will instead hamper that objective. It’s a deterrent to build new and maintain existing housing stock.”

Sales down, prices not
Consequently, the market continues to soften, despite the less than one percent vacancy rate in most major cities.

“Sales are off, prices are not,” McCauley reported. “We still have a problem getting product to the marketplace.”

While that keeps the real estate sector humming, the barriers to ramping up supply makes it ever harder for people to put a roof over their heads.

“We clearly need more affordable housing, so governments instead need to adopt policies that will facilitate development,” he asserted.

Construction clouded
Constraints to the construction sector pose another impediment. It remains unclear whether the newly negotiated United States-Mexico-Canada Agreement will affect the supply of building materials like steel and aluminum. Plus, British Columbia’s construction worker shortage means challenges for projects already in the pipeline, not to mention billions of dollars’ worth of infrastructure projects that the province has proposed.

McCauley sees the greatest opportunities in Toronto next year.

“Its condo market is not grossly out of whack on the demand and supply side,” he concluded. “Land is readily available there. We’re seeing it in office and retail. So, Toronto remains a strong market.”

■ *Robert Frank*

"It would be wise to learn from those already in the technology trenches to find out whether we're still in the early days of property technology—or if it's already later than we think."

PROPERTY TECHNOLOGY: SMART IS AS SMART DOES

Amy Erixon
Principal, Managing Director, Investments Avison Young

Emerging computing and engineering expertise offer real estate owners, operators and occupants an ocean of options that simply didn't exist five years ago. The choices are so diverse and evolve so rapidly that they've turned the term 'smart building' into a confusing catch-all which can mean many different things to different stakeholders. So, it's imperative to know your destination before navigating these waters, advised Amy Erixon, Principal, Managing Director, Investments, Avison Young.

Most firms want either to bolster their bottom line by improving operating performance or automating activities to reduce operating costs, or they want to improve their tenants' experience.

"What is your company trying to achieve through technology?" she suggested asking. "To generate revenue and reduce operating costs? To put sensors on everything and figure out what is going on inside your building to optimize your layout, improve safety and track inventory? To improve your users' experience or optimize health and sustainability?"

Data platforms can shave costs up to 30 percent, claim some early proponents. Though the dollars and cents dimension is tougher to measure on the user side, qualitative improvements might increase tenant retention and open opportunities to cross-sell new services.

"That's ultimately what co-working aims to achieve. It's more flexible for users and might prove more advantageous than traditional leasing structures," Erixon observed.

"Those are merely the biggest categories of property technology bundles," she added. "The universe is big: Fiscal management; energy enhancement; net zero; healthy buildings; flexible configurations; digitally high-performance, cybersecurity and backup power; smart services; artificial intelligence lease administration; risk management; and algorithms that automatically kick out compliance reports for Canada's many securities commissions."

Technology could also transform tenant communication and engagement, replacing the tenant newsletter with an automated chatbot and introducing smartphone applications which let users report a burned out light or register for a lunchtime yoga class. One large American bank has made its top priority to install light and air quality sensors—before smartphones enable tenants to do so independently.

"They're worried that workers will spend more time measuring air quality and sending reports to their managers than doing their day jobs," Erixon reported.

It remains unclear where this property technology will take us, she concluded.

"Will it compromise our competitiveness? It would be wise to learn from those already in the technology trenches," Erixon urged, "to find out whether we're still in the early days of property technology—or if it's already later than we think."

■ *Robert Frank*

“LAST TOUCH” DETERMINES OPTIMAL LOGISTIC LOCALE

Chris Holtved
Senior Portfolio Manager, Real Estate
Healthcare of Ontario Pension Plan

“People don’t need a couch within two hours, so your last touch can still be outside the market. If instead your business distributes groceries to households, well, in that instance you had better be close-in in that market.”

“Industrial tracks economic growth more closely than any other asset class,” observed Chris Holtved, Senior Portfolio Manager, Real Estate, Healthcare of Ontario Pension Plan. “Canada is growing well and industrial enjoys additional tailwinds because of the e-commerce effect.”

Not only does e-commerce demand sophisticated logistics chain to get products to customers, its entire reverse logistics component, which adds to industrial demand, is usually overlooked.

“Product returns are so high that operators have to implement a fairly massive supply chain operation just to deal with the returns,” he said.

While the term “last mile” predominates logistics decisions lately, Holtved prefers to think in terms of “last touch”.

“Who is the last person and where is the last part in the supply chain that touches the shipment before it materializes in the customer’s hands?” he suggested considering. “The proximity of that last touch indicates whether you really need a true infill location or whether you can still manage from a peripheral location.”

“People don’t need a couch within two hours, so your last touch can still be outside the market,” Holtved explained. “If instead your business distributes groceries to households, well, in that instance you had better be close-in in that market.”

Last touch demand could breathe new life into older industrial properties.

“Functionality is the watchword for infill” he suggested. “Efficient shipping is likely more critical than clear height. An older infill warehouse less than 36 foot clear high with fundamentally good access, shipping door ratios and truck marshalling will still be fine.”

Recent marijuana legislation will also add to demand, sopping up some vacant inventory, as it has done in other markets where cannabis was commercialized.

“It has added a big one-time spike in absorption in the U.S. markets where it has been legalized,” Holtved noted. “There is no question that this will fuel demand in the Canadian market in the near term, but the U.S. experience has shown that after the initial surge in demand, these users grow and shrink no differently than the balance of the market.”

HOOPP’s Canadian industrial strategy focuses on the country’s largest markets like Edmonton, Toronto, Calgary and Vancouver.

Calgary’s industrial market will continue to defy doomsayers, spooked by the city’s struggling office market, he insisted.

“Its fundamentals are strong. Calgary’s industrial vacancy rate is barely five percent.”

Neither is he put off by Vancouver price tags.

“Does Vancouver ever make sense pricewise?” Holtved quipped. “Vancouver industrial reaps lower return, no question. But with the land constraints limiting supply, would you call it lower risk? Lower return usually comes with lower risk and Vancouver comes with both.”

■ *Robert Frank*

CREATIVITY TAKES GUMPTION – BUT REAPS REWARDS

Ian Duke
Project Director
Westbank Projects Corp.

"I do think with continued success stories you get a larger population of developers willing to push the envelope."

What is driving urbanization across Canada? Ian Duke, Project Director, Westbank Projects Corp. says that in one sense it's a reaction to 60 years of building further and further out in sparsely populated forms. "The last 20 years or so have seen renewed appreciation of the value of living in amenity-rich environments that are easy to get around, diverse, and close to employment, with the added benefit of taking a long commute out of a precious commodity, which is everyone's time," Duke says. "I also think there has been a reduction in the amount of land available to sprawl into."

Having to do more with less land—a finite commodity—has essentially forced the intensification of previously developed land. It is also driving innovation, which is key to the transit-oriented development that is new to North America but has been common in Europe and Asia for many years. Duke says the "good developers" are working with creative municipalities to come up with very innovative ways to use space. Westbank Projects Corp. is involved in a project called Oakridge Centre in Vancouver, which Duke says is "literally integrating 13 condo towers with office space in several of the podiums, with a nine-acre city park that is actually wrapping up onto the roof of the retail centre. "All these things are possible but require a great deal of hard work, patience and creativity," he says. "And that's not something that every development group is necessarily prepared to put in. But I do think with continued success stories you get a larger population of developers willing to push the envelope."

Asked what kinds of challenges Westbank faces with some of its projects, Duke mentions issues around parking and efficiency. These, too, require a lot of work and having space where the market will see the value in creativity. "At Westbank, to date, we've always seen this kind of complex integration, when done right, as being a value-add even if it isn't necessarily as efficient," he says. "We wind up with product that is more valuable, and more flexible as well."

Duke believes it's important not to create projects that are wholly dependent on one use or on the health of the real estate market. "You're kind of spreading your risk across multiple sectors and, in the building itself, you create this ecosystem which is kind of internally supportive of the different uses," he says.

■ *Michelle Morra*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FOCUS ON INCOME GROWTH IN THE FACE OF INFLATION AND INTEREST RATE PRESSURE

Rob Kumer
Chief Investment Officer
KingSett Capital

As we sense pressure on interest rates, the best-performing investments will focus on income growth – those assets that can capture and take advantage of an inflationary environment. Think apartment buildings with high turnover, multi-tenant, industrial and office and even hotels – where room rents are marked to market every single night, says Rob Kumer, Chief Investment Officer at KingSett Capital.

"One can do well in a rising interest rate environment, but you have to be positioned to take advantage of rising rents with well-located, fundamentally good real estate and a thoughtful leasing and operating strategy to generate income growth," he says.

"For the last 2 decades, long-term, low-growth leases were considered good investments because we saw declining interest rates but going forward, we might see downward pressure on values for that kind of investment as interest rates rise."

KingSett currently holds an active presence in virtually every market across the country, both the gateway cities and those markets that typically attract less attention such as Saskatchewan, where they hold two sizeable retail assets; Yellowknife, where a portfolio of office buildings has shown impressive performance to date; and downtown Winnipeg, where they see a lucrative opportunity to grow rents.

"You can't ignore the gateway cities – there's no way to do business at scale in Canada without paying lots of attention to Toronto, Montreal, Vancouver, and Calgary," says Kumer. "But in these competitive times, we think there's plenty of opportunity for growth and many great places in which to invest capital if you do it thoughtfully and in many cases with strong, local operating partners."

"Generally speaking, we observe that deregulation and tax cuts in the U.S. has led to a very tight labour market there. And then add on lots of government spending throughout North America and global trade wars – one has to think that inflation and higher interest rates follow. So it's against that backdrop that we're looking to take advantage of growth."

And while technology has played an important role in increasing the efficiency and productivity of the industry, Kumer remarks that he has a love-hate relationship with technology.

"Along with technology comes more information, more data and the capacity to run more variables – which, at times can lead to using a whole bunch of imperfect assumptions to come with a perfectly incorrect result. Sometimes the best thing you can do to make the best decisions is take a step back from it all and just use a pencil and a piece of paper."

■ *Barbara Balfour*

LONG-TERM INVESTOR SEES OPPORTUNITIES IN CHALLENGING TIMES

Brian Kingston
Senior Managing Partner &
Chief Executive Officer
Brookfield Property Group

When you're a long-term investor, all market challenges are temporary in nature. But more importantly, they can also be opportunities in disguise, says Brian Kingston, Senior Managing Partner and Chief Executive Officer at Brookfield Property Group.

For instance, while the well-publicised challenges of the retail asset class in the U.S. and Europe have led to dwindling investor interest, they've also created interesting pricing opportunities for those like Brookfield, who have a longer-range perspective and the operating capability to match.

And while the impact of Brexit may lead to volatility later down the road, it will probably also lead to the opportunity to make some acquisitions. "London has been a centre of commerce in Europe for thousands of years and will continue to be," says Kingston. "A central location, favourable tax and regulatory regime and good infrastructure in place continue to make it a very attractive place for companies to locate their headquarters.

"One of the big advantages of our business is that it's global in nature, so we see a lot of opportunities depending on where we are in the world. These days we're also quite active in the broader Asia Pacific region – it's an exciting, high growth area across many asset classes."

Brookfield is one of very few foreign-owned operating platforms in India; while they may enter markets in a variety of ways, their objective is always to build up their own local operating capabilities.

"Our biggest concern is not so much about real estate fundamentals in the markets we operate in today, which are quite good," says Kingston.

"We're more concerned about the impact of geopolitical tension on the confidence of our tenants and consumers. Trade wars are not helpful for overall sentiment and can often lead to overall economic challenges which flow into real estate.

"Moving forwards, we view technological changes as an opportunity to stay ahead of the curve, rather than a disruptive threat to the industry. Having a good understanding of technology and the ability to leverage its impact on our end users will only help us be better owners, operators, and investors in real estate in the future."

■ *Barbara Balfour*

INTENSIFYING (THE RIGHT WAY) WITH MIXED USE

Heather Grey-Wolf
Vice President, Development
Capital Developments

Immigration is driving urbanization in Canada's city centres. Heather Grey-Wolf, Vice President, Development, Capital Developments, says that in Toronto, between having a growth rate of up to 150,000 people per year and land use policies that limit sprawl, the city has to turn inwards and look for spaces within the existing city framework or grid to intensify.

"Whether it's a restaurant use, a café, a grocery store, the mix of those uses play a very important part in terms of positioning the lifestyle that you're trying to create for the project."

As for how to do that, Grey-Wolf says developers have a long way to go when it comes to innovation. "It's hard to put forward something that may be outside the norm," she says, "if you're within a certain approval regime and you're fairly certain that it will only delay you to try to do something different." She adds that since the Ontario Municipal Board was dissolved in April, developers will likely have to be more focused on collaboration with the municipality or the approval authority, right from the outset of a project. "Maybe that's where ideas about innovation can come forward with both parties at the table," she says.

Capital Developments has a number of mixed use projects and operates on the principle that the retail portion should not only help the developer's business plan but be a true amenity for residents. "Whether it's a restaurant use, a café, a grocery store, the mix of those uses are part of the story we're telling to prospective purchasers as we go through the sales and marketing program," Grey-Wolf says. "And they play a very important part in terms of positioning the lifestyle that you're trying to create for the project."

Experience has taught her the importance of considering the ground plane and the activity on the street. A big-box-style store, pharmacy or grocery store that has only one entrance but keeps the rest of its façade blocked off in order to keep merchandise against the walls is not very engaging with the street—in fact it essentially neutralizes all street life on the corner. "You want to reserve your ground floor for curating smaller scale uses that create a lot of activity," Grey-Wolf says. "And then try to convince these larger scale retailers to be on the second floor, if possible. You really have to think hard about smaller scale restaurants or cafés or little shops that people would come in and out of often and help to animate the base of the building along the sidewalk."

■ *Michelle Morra*

“In my career, I have never been so excited about industrial as I am now. I am very much of the mindset that industrial is the new retail.”

INDUSTRIAL IS THE NEW RETAIL

Michael Hungerford
Partner
Hungerford Properties

When you hail from a real estate market as intensely competitive and plagued by land shortage as Vancouver, creativity becomes necessary to survive.

“We’ve worked on some pretty interesting projects to get the returns we’re looking for,” says Michael Hungerford, partner at Hungerford Properties.

“Finding the highest and best uses for property, that others may not have seen - while being transparent about risk return and what the trade-off looks like - is where you’ll see some of our creativity.”

Some of those projects include a storage facility for luxury vehicles in Vancouver, a build-to-suit development offering mixed retail and auto industrial opportunities in Calgary, and a Class A business park in Regina.

The common thread in all these ventures is the consideration of new ways to increase project density and diversify potential uses.

“Land might be valued based on current or past uses, but the way we plan to build involves looking at future possibilities. That is definitely a strong trend for us across all asset classes, from transit-oriented development to mixed-use residential and industrial,” says Hungerford.

“In my career, I have never been so excited about industrial as I am now. I am very much of the mindset that industrial is the new retail – we’re at the forefront of industrial land use and working with cities on how we can address the consumer shift in retail behaviour.”

The definition of what industrial can be is changing, he points out. “Schools, daycares, creative manufacturing, the digital economy – in some jurisdictions, these all fall into industrial zones. So how do we get larger uses close to urban centres? How can small businesses afford it when buildings are worth so much more than they used to? How will they adapt to a different building construct, with freight elevators and loading docks?

“That’s where cities, the private sector, and the business community need to collaborate and think about how to do this well.”

While Hungerford foresees market challenges such as construction and labour costs, rising interest rates and the creation of uncertainty through government intervention, he also sees significant opportunity in the adoption of technology.

“Real estate companies need to start thinking about investing in research and development, and how young people can play a leadership role in helping the industry compete at a higher level.”

■ *Barbara Balfour*

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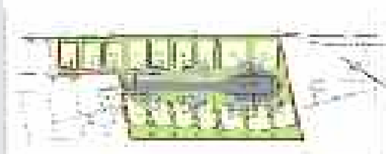
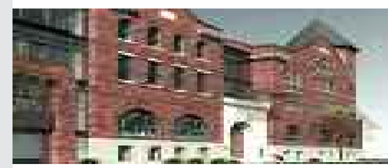


$3,450,000
First Mortgage
16 future residential building lots
BRAMPTON, ON

Inventory Loan

$13,500,000
First Mortgage
38 condominium units
ETOBICOKE, ON

Construction Loan



$37,000,000
First Mortgage
6 storey - 136 unit rental building
PETERBOROUGH, ON

Bridge Loan
$1,750,000
First Mortgage
1,843 sq. ft.
luxury condo
TORONTO, ON

Land Loan
$27,500,000
First Mortgage
150 acre future residential
development site
BARRIE, ON

Bridge Loan
$1,400,000
First Mortgage
2,950 sq. ft.
commercial building
TORONTO, ON

Construction Loan
$4,500,000
First Mortgage
5 townhouse units
and 1 custom home
TORONTO, ON

Construction Loan
$11,700,000
First Mortgage
15 townhouses and
1 single family home
VAUGHAN, ON

Bridge Loan
$3,000,000
Second Mortgage
51 three storey
townhouse units
OSHAWA, ON

Land Loan
$12,000,000
Second Mortgage
68 residential
building lots
STOUFFVILLE, ON

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5,085 sq. ft. luxury
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Michael Turner
President
Oxford Properties Group

"We're going to concentrate on sheds – the industrial space; beds – multi-family rental; and heads – where there is demographic and economic growth, as well as talent-magnet technology and research-led markets."

The three tailwinds that have taken the world forward since 2009 are abating—and may turn into headwinds in 2019 and beyond, Michael Turner anticipates.

"Interest rates are rising. We're moving toward the more mature stage of the business cycle. Plus, capitalization rates followed the interest rate trajectory lower and lower," observed Oxford Properties Group's President.

"Those changes at the macro level are our biggest challenges," he acknowledged. "They apply to all economies and inform the debate over where best to invest."

Turner sees a growing opportunity for Oxford's investment business in the rising interest rate environment.

"It's really attractive to be a lender or an investor in more junior positions of the capital stack in a floating rate structure," he suggested.

Oxford also sees continued meaningful opportunities in development. "Occupiers around the world want new technology, new assets and a better overall experience. Whether it's multi-family, logistics or office space, the theme of 'new' will command a premium rent and will outperform over the long-term," Turner predicted.

The prospect of headwinds means that growth markets are an important consideration in Oxford's portfolio construction strategy.

"We're going to continue to concentrate on sheds—the industrial space; beds—multi-family rental; and heads—where there is demographic and economic growth, as well as talent-magnet technology and research-led markets," he explained.

Turner's sheds strategy follows the sectoral shift along with e commerce. "It tracks global macro growth," he said. "That's where Asia-Pacific, with half the world's GDP and 60 percent of the world's population, is a strong bet."

Asia-Pacific is a new and important part of Oxford's strategy, and the company opened an office in Singapore earlier this year.

"Its growth rate is double of what we see this side of the world," Turner observed. Oxford is currently acquiring a large commercial portfolio in Australia to serve as its Asia-Pacific springboard.

"Australia offers the English language, common law and a high degree of transparency," Turner said. "While it's not growing as fast as the developing world, it will exceed the trend in Europe and in Canada."

"The big gateway markets all share a common problem," he added. "Rental housing; these cities attract capital and talent and there never is enough professionally managed rental housing supply. That's the beds."

While expanding into these new markets, Oxford also remains committed to the markets it has grown the business in over the last decade. "Centres like Boston are great technology-led markets for us. We expect solid office rental in places like Boston, Toronto and Vancouver, as well as certain New York City submarkets."

In London, Oxford has already rebalanced its portfolio, selling off some office assets and investing in a multi-family development business and operating platform.

"London attracts talent and capital and we initially focused our business there purely on office and high-street retail. We've now shifted our capital and are investing more broadly," he said. "We've invested in a United Kingdom residential development platform and also set up an industrial development vehicle there and undertaken some credit investing activity."

"Our sheds, beds and heads development strategy applies to Canada's high-growth centres," Turner said. "The strength of our development business certainly applies to Canada as well, and we have multiple developments underway as well as several master planned, mixed use schemes in planning."

"Oxford's vision is to connect people to exceptional places, and that's exactly what we're doing in all the markets we're active in," he concluded.

■ *Robert Frank*

A Market Leader

In Real Estate Investment & Corporate Banking

Recent Notable Transactions

Choice Properties
$1,950,000,000
Two Senior Unsecured Debenture Offerings
Joint Bookrunner
January / March 2018

Brookfield
$1,700,000,000
Two Medium Term Note Offerings & First Mortgage Financing
Joint Bookrunner & Joint Agent
March / June / October 2018

OMERS / Oxford
$1,550,000,000
Senior Unsecured Debenture Offering & Corporate Revolver
Joint Bookrunner & Co-Lead Arranger
May / July 2018

QuadReal
$1,200,000,000
Corporate Revolver
Co-Lead Arranger & Joint Bookrunner
July 2018

HR REIT
$907,587,500
Two Senior Unsecured Debenture Offerings & Corporate Revolver
Joint Bookrunner & Co-Lead Arranger
January / February / September 2018

KingSett Capital
$400,000,000
Corporate Revolver
Sole Lender
May 2018

minto Apartment REIT
$230,014,950
Initial Public Offering
Co-Lead
June 2018

First Capital
$200,018,500
Common Share Offering
Joint Bookrunner
July 2018

Starlight Investments
Advisory: Undisclosed
Financing: $178,350,000
Acquisition of a Canadian Multi-Family Portfolio & Term Loan
Sole Advisor & Sole Lender
April / September 2018

Chartwell retirement residences
$150,000,000
Senior Unsecured Debenture Offering
Joint Bookrunner
April 2018

Slate Office REIT
$132,258,280
Subscription Receipts & Convertible Unsecured Subordinated Debenture Offering
Co-Lead
January 2018

Northview Apartment REIT
$126,546,000
Trust Unit Offering
Joint Bookrunner
June 2018

Crestpoint Real Estate Investments Ltd.
$118,200,000
Term Loan
Sole Lender
April 2018

True North Commercial REIT
$97,790,319
Two Trust Unit Offerings
Joint Bookrunner
February / July 2018

Crombie REIT
$75,000,000
Senior Unsecured Note Offering
Joint Bookrunner
August 2018

Invesque
US$50,000,000
Convertible Unsecured Subordinated Debenture Offering
Joint Bookrunner
August 2018

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RISING INTEREST RATES: BRACING FOR THE FALLOUT

Louis Forbes
Chief Financial Officer
CT REIT

> *“The problem won’t be a lack of funds. The problem will be finding a way for those funds to be deployed that will match the risk appetite of the people who are in charge of those funds.”*

Real estate investors are calling 2018 a year of uncertainty, and Louis Forbes predicts that the degrees of uncertainty will grow in 2019, with increased volatility and decreased conviction. “It’s going to make it harder to get things done,” says the Chief Financial Officer, CT REIT.

He references Canadian economist and author David Foot, who predicted the accumulation of capital most mature societies are seeing today. “Whether it’s in pension funds or people’s RSPs or 401(k)s in the States, or whatever, that money needs to be put to work,” Forbes says. “The problem won’t be a lack of funds. The problem will be finding a way for those funds to be deployed that will match the risk appetite of the people who are in charge of those funds. Whether it’s a lender or an equity investor they’re still going to have the dough. But now as an owner/operator, or manager of a company, how do I attract those funds to me?”

Rising volatility increases the challenge. Forbes points out that rising interest rates would normally weaken demand for real estate, but that hasn’t happened yet. He wonders whether that means the sector is on the cusp of change, or whether we’re living in a new world. “We don’t know,” he says, “and this uncertainty, or living in anticipation of softening asset values, makes things harder.”

Asked if 2019 is looking good for REITS, Forbes says that rising interest rates will be an adjustment. The REIT sector has had a falling interest rate environment for some time now—a tailwind that has masked some soft spots. “I think in a rising rate environment it will become apparent that some people have gambled too much on floating rate debt or on short term debt. As that debt rolls over they’ll be able to replace it, but the terms will be different,” Forbes says.

“And so I think in 2019 we’re going to begin to see the impact of rising interest rates on a small group of the Canadian REITs. This is not an epidemic, but it’s going to become apparent. I think the investors will focus more on the quality of the balance sheets. That will serve some well, and it will hurt some others.”

■ *Michelle Morra*

RECESSION RISK LOOMS AS RATES RISE

David Rosenberg
Chief Economist & Strategist
Gluskin Sheff + Associates

"From a supply side standpoint, Canada's open-door downturn. Canada's relative abundance of labour compared to the United States will shelter us from some of the blow south of the border."

The decade-long ride on the economic recovery merry-go-round doesn't have to end so soon, stressed David Rosenberg.

"But trade wars, fiscal recklessness, money tightening, growing nationalism, isolationism and mercantilism as well as widespread xenophobia are compounding the emerging lack of global liquidity," warned Gluskin Sheff + Associates' Chief Economist & Strategist. "Liquidity is the oxygen tent of financial markets. We're witnessing more uncertainty than at any other time in the cycle."

Together they risk pushing the United States into recession during the second half of 2019, almost certainly taking Canada with it, he said. "The stock market is becoming very unsettled and that in itself is a leading indicator."

The United States economy is effectively at full employment: The available labour pool shrunk 10 percent to 11 million people during the past year. Meanwhile, as trade wars push up prices, sharp immigration strictures have dried up supply of skilled workers to fill the gap.

"Legal as well as illegal immigration," Rosenberg reported, "to the point where H1B visa applications are down 40 percent during the past year."

Driving up costs will drive up inflation and lead to labour tensions, stoking inflation and putting pressure on central banks to raise interest rates.

"The Bank of Canada is playing with fire by raising rates at a time of unprecedented leverage in the domestic household sector," Rosenberg suggested. "In the mid-1960s, 1980s and 1990s, central banks navigated their economies into a soft landing. But in those periods, we were early—not late—in the cycle. In baseball parlance, we're in the top of the ninth with one out."

Canada faces better news on the labour front, though. Employment demand will sop up most of a record 400,000 newcomers whose subsequent spending will serve as a stimulus.

"From a supply side standpoint, Canada's open-door policy will help to limit damage from a prospective downturn," Rosenberg reassured. "Canada's relative abundance of labour compared to the United States will shelter us from some of the blow south of the border."

Now is not the time to be complacent, he urged, surprised that so many people seem sanguine about the clouds on the economic horizon.

"It's human nature. They haven't seen a recession for ten years," Rosenberg concluded. "After the 2009 lows, I never expected that I would be talking about complacency a decade later. But I am."

■ *Robert Frank*

Appointment Notice

To book your appointment notice, contact Frank Scalisi, Director of Sales at 416-512-3815, fscalisi@mmart.com

Quebec Commercial Real Estate Lending Veteran Michael C. Williams Joins First National

First National, Canada's largest commercial mortgage lender, is pleased to announce the appointment of Michael C. Williams as Vice President, Commercial Mortgages, Quebec Region. Michael is a proven commercial real estate financing executive who brings unique skills, relationships and experiences to this important new role within First National's leadership team.

An MBA graduate of McGill University, Michael joins with a clear growth mandate and a 16-year track record as a high-performance team leader in commercial financing at two of Canada's leading banks.

This key appointment signals First National's deep commitment to Quebec as a conventional, construction, bridge and CMHC-approved lender. You can reach Michael at michael.williams@firstnational.ca or by calling 514.499.7920.

FIRST NATIONAL
FINANCIAL LP

MONTREAL PIONEER OF COMMON SPACES TO CONTINUE REVITALIZING FORGOTTEN NEIGHBOURHOODS

Laurence Vincent
Co-president
Groupe Prével

"We are worried whether Montrealers will still be able to be owners in their own city."

In the late 1990s, Groupe Prével included a rooftop swimming pool on one of their projects in old Montreal and were blown away by residents' enthusiasm.

But the positive reception was never actually about the swimming pool. "People loved having a place where they could interact with their neighbours. That's when we understood we could do more with common space, not just in the summer but also year-round," says Laurence Vincent, who this year succeeded her father Jacques Vincent as co-president of Groupe Prével.

"We want to create spaces where people linger, hang out and interact together, and really feel like they are a part of something."

For the last 40 years Groupe Prével has created living environments that stimulate and transform the neighborhoods in which they are built. To date they have built more than 11,000 homes, including thousands of condos in Griffintown and old Montreal.

For Vincent, there are three projects that stand out the most for her – "mostly because I grew along with them," she says. One of them is the 2006 Loft Imperial project in Saint-Henri, which involved converting the Imperial Tobacco buildings into more than 750 units including condos and lofts boasting 14-foot ceilings and oversized windows.

Another notable project was the Lowney, the first of its kind in Griffintown. "It was completely deserted when we arrived. Today it's comprised of 15 buildings, more than 1,700 units, and lots of common areas," she says.

The third project is 21e Aronidssement, located between Griffintown and old Montreal, inspired by old European neighbourhoods, with fine food emporiums, specialty shops, cafés, bistros, and restaurants built around a central square.

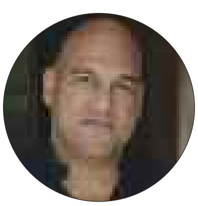
For now, the company's plans are to stay in Montreal and continue with hands-on projects. "We love what we do, and we don't want growth for growth's sake. We also don't want to get too far from the operational side of the business and the creativity," says Vincent.

"We want to continue with projects that will have an impact on the city, and to get involved in revitalizing neighborhoods that are not as up and coming as Griffintown is now. You never know what kind of reception you will have but we really feel we can both change the city and keep housing affordable.

"Right now Montreal is in a really good position, but we are worried whether Montrealers will still be able to be owners in their own city."

■ *Barbara Balfour*

TECH ENTREPRENEUR PREDICTS A FUTURE FREE OF CARS, OFFICES – AND OIL



Salim Ismail
Strategist, author and technology entrepreneur

In the next 10 years, no one will be buying cars, most people will be working from home, and the oil and gas economy will completely disappear.

Those are just a few of the bold predictions being made by Salim Ismail, a renowned strategist, best-selling author and renowned technology entrepreneur who built and sold his company to Google.

Ismail has identified three major types of changes that will fundamentally transform the commercial real estate business as we know it today. The first is the continued development of IoT sensors and automation that will create "smarter," more efficient buildings at a more aggressive pace.

"For instance, we can predict a rush to the exit at 4 p.m. every day, and then change building elevator paths to maximize throughput at rush hour rather than have everybody waiting around," says Ismail.

The bigger issue, however, is that within five years, people may not be coming into office buildings at all. This is the consequence of the second major change Ismail predicts, due to the rise of autonomous cars and new types of transportation systems that will increase traffic capacity by between 10 and 15 times.

"There is a dramatic need for us to adapt and be flexible to dance with the changes that are coming."

"If it's 10 times easier to get in and out of downtown, what happens to real estate values? This will radically change how we get around," says Ismail. "Within eight years transportation will be simply a service you access. Those three floors of parking lots in office buildings will be converted into usable space once people don't need to park the same way.

"The younger generation isn't even bothering to get driver's licenses anymore. If we factor in the cost of ownership, it's about $1 per kilometer compared to $0.15 for an autonomous car to take you around."

As geographic constraints are lifted, Ismail predicts a third change that will lead to new real estate business models. "We're going to see major changes in how we organize ourselves," he says, pointing to the rise of virtual reality and teleconferencing technologies. More people will work remotely, while small clusters of satellite offices will spring up in suburban locations.

From 2005-2015, 94 percent of new job creation in the U.S. was from the new gig economy and contract work, he says – and this trend is here to stay, he says.

"There is a dramatic need for us to adapt and be flexible to dance with the changes that are coming," says Ismail, who predicts a major collapse of the oil and gas industry. "As solar energy takes over, the economic backlash is going to be profound as 40 percent of Canadian exports are oil.

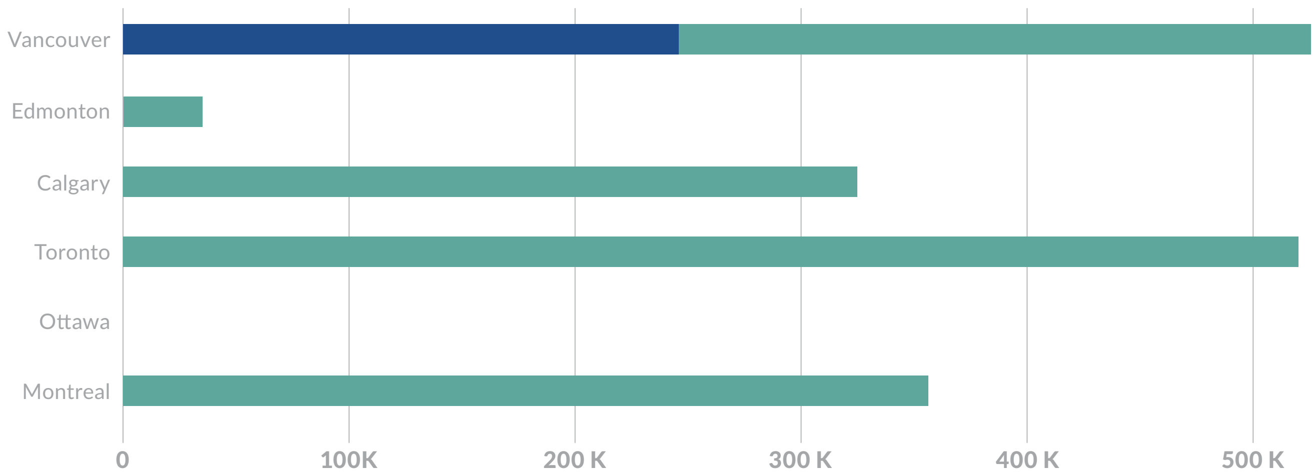
"Large organizations tend to be organized in top down structures, but we need to be way more agile going forwards."

■ *Barbara Balfour*

These results are released by Altus Group, powered by our proprietary Data Solutions platform. Our independent and comprehensive data, analysis and insights on the commercial real estate investment and residential development markets are collected and complied using nationally consistent research processes established in 1995.

Much Needed New Office Supply In Toronto and Vancouver

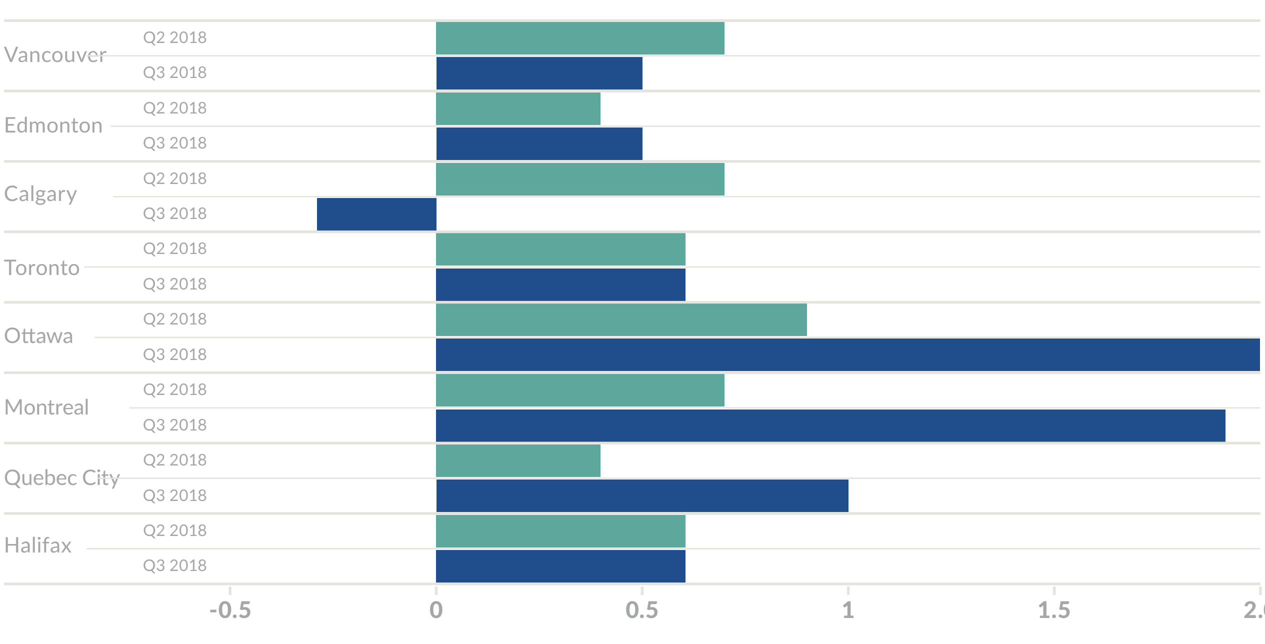
New Office Space Completed, YTD Q1 2018 – Q3 2018 (sq. ft.)



Source: Altus Group

Calgary's New Office Supply Contributes to High Vacancy Rates; Overall Outlook on Office Market Conditions Remains Positive

Vacancy Barometer for Downtown Class "AA" Office (next 3 months)

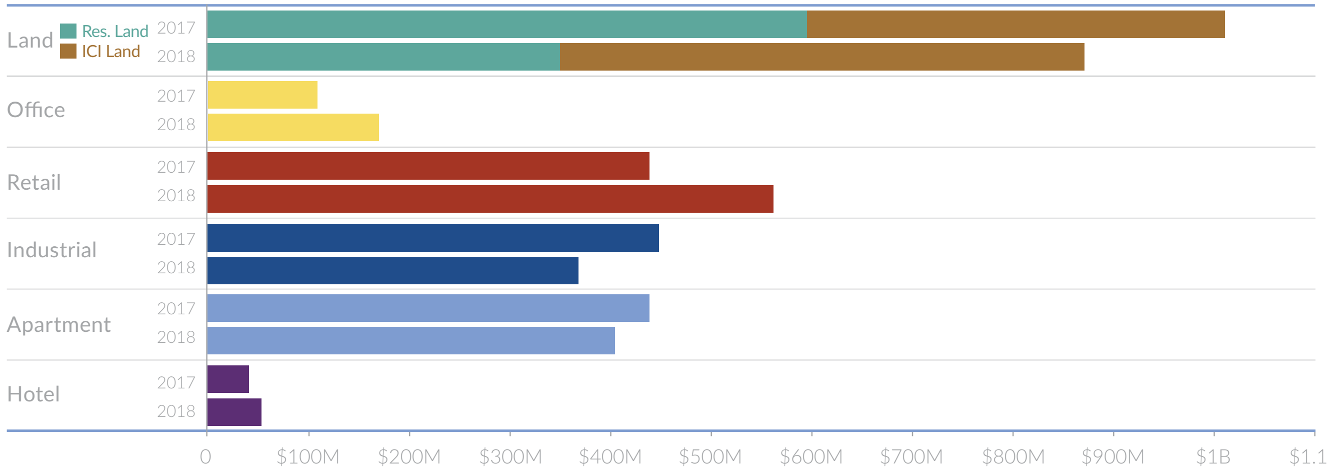


Source: Altus Group, Investment Trends Survey (Q3 2018)

PROPERTY TRANSACTIONS BY ASSET CLASS

Outer GTA Regions Retain Their Appeal as Investment Hovers Near Previous Year's Levels

Greater Golden Horseshoe, First Half 2017 vs. First Half 2018

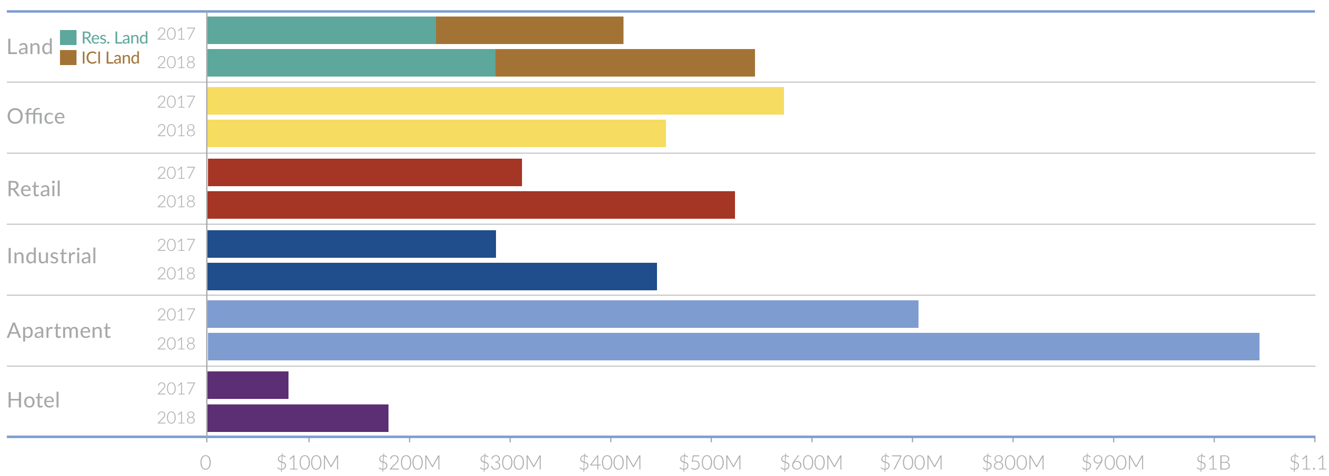


Source: Altus Group

Total Investment | First Half 2017: *$2.5B*; First Half 2018: *$2.5B*

Investors Shift Interests Towards a Neutral, Yet Strengthening, Market in Montreal

Greater Montreal Area, First Half 2017 vs. First Half 2018

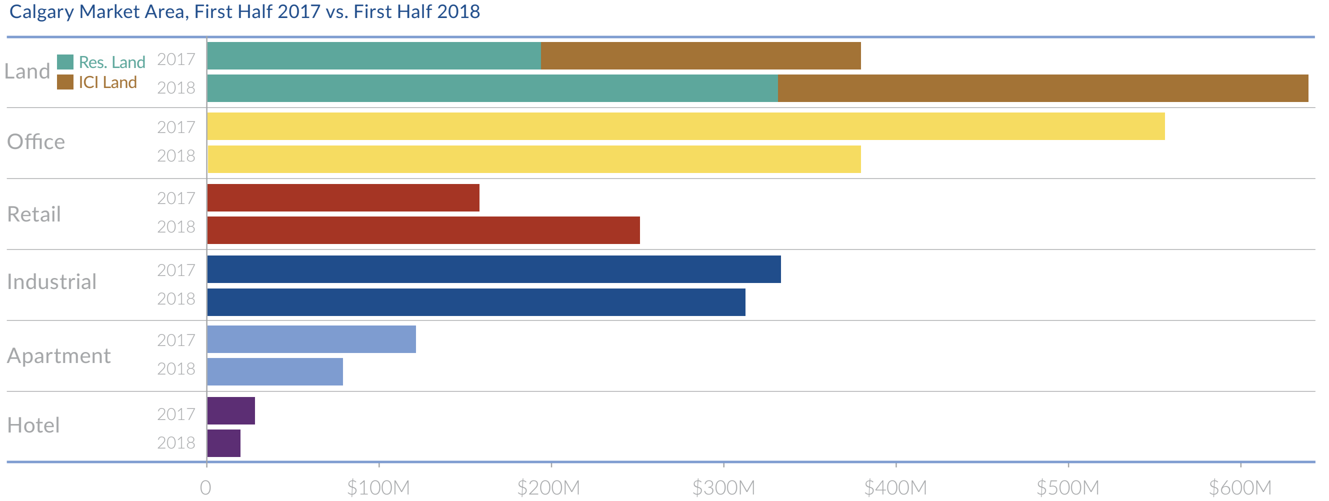


Source: Altus Group

Total Investment | First Half 2017: *$2.4B*; First Half 2018: *$3.2B*

Calgary Remains Attractive Especially for Private Investors and Opportunity Funds

Calgary Market Area, First Half 2017 vs. First Half 2018



Source: Altus Group

Total Investment | First Half 2017: *$1.6B*; First Half 2018: *$1.7B*

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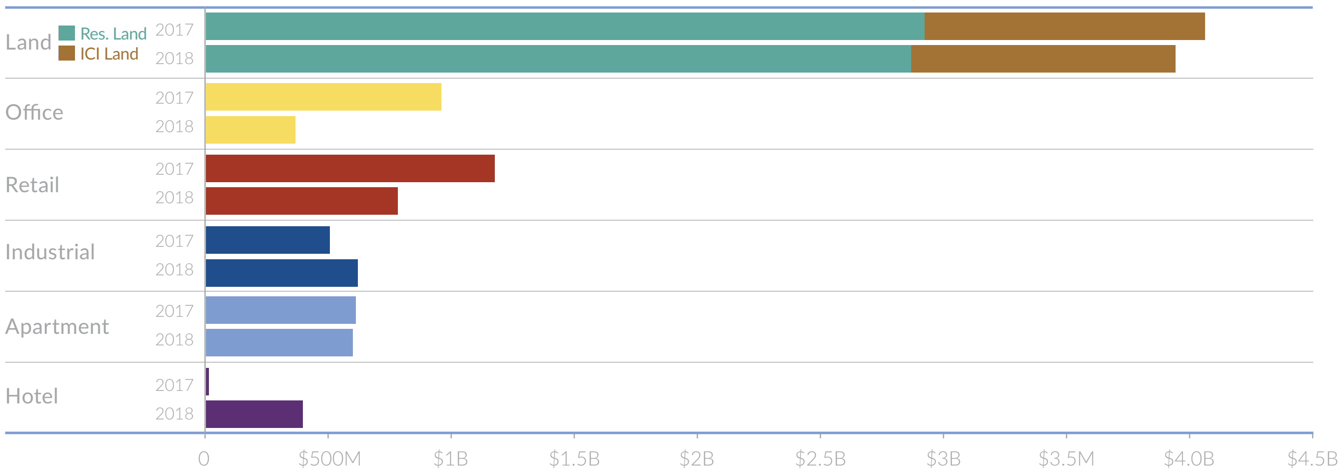
Appetite for Investments Remains High in Vancouver Amid Product Shortage

Vancouver Market Area, First Half 2017 vs. First Half 2018

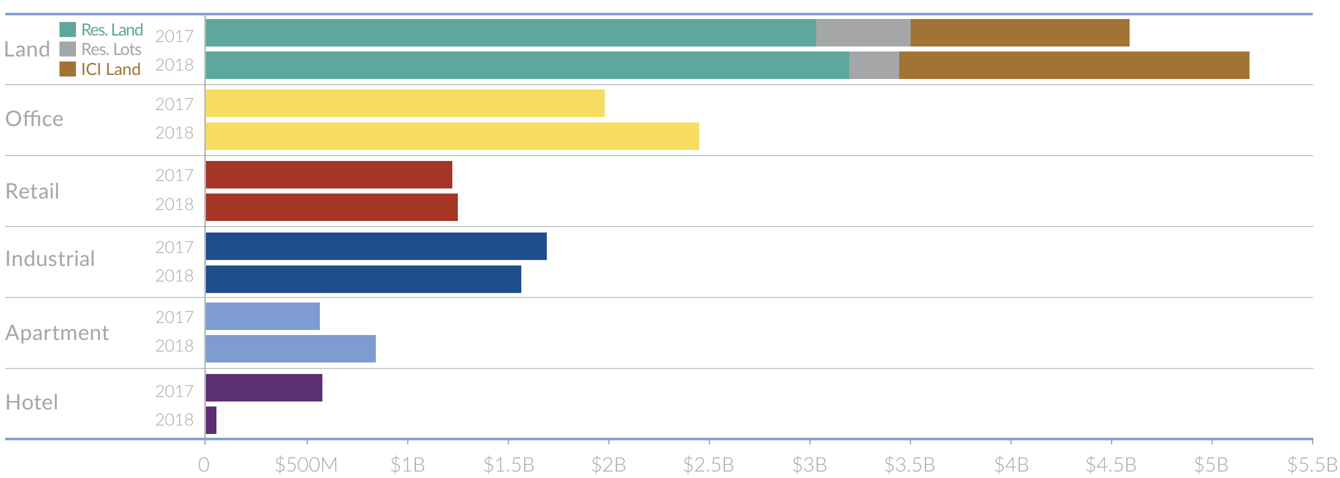


Source: Altus Group

Total Investment | First Half 2017: *$7.3B*; First Half 2018: *$6.7B*

More Buyers than Opportunities in the Greater Toronto Area

Greater Toronto Area, First Half 2017 vs. First Half 2018

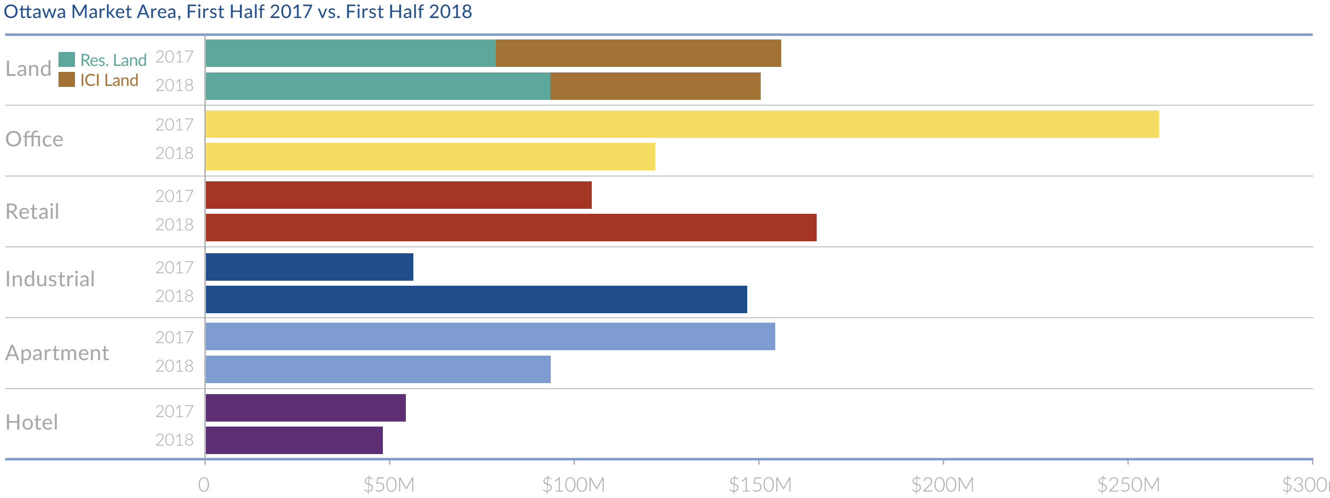


Source: Altus Group

Total Investment | First Half 2017: *$10.6B*; First Half 2018: *$11.4B*

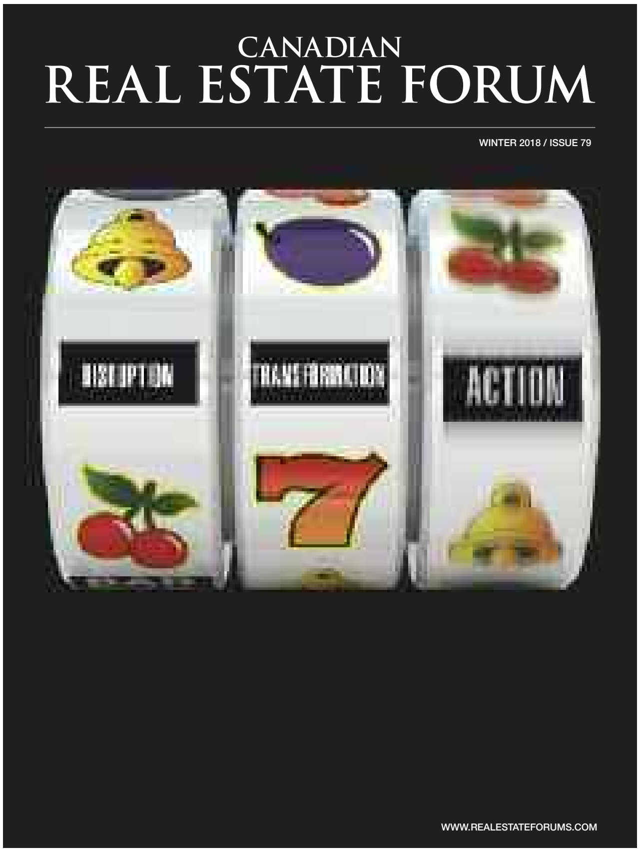
Investors Attracted by Higher Yields in Ottawa

Ottawa Market Area, First Half 2017 vs. First Half 2018



Source: Altus Group

Total Investment | First Half 2017: *$784M*; First Half 2018: *$726M*



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CHALLENGING CHEQUEBOOK-ZONING: WHY SECTION 37 OF ONTARIO'S PLANNING ACT IS IN CONSIDERABLE NEED OF ABATEMENT AND REFORM

Brooks Barnett
Manager, Government Relations & Policy
REALPAC

REALPAC has been engaged in a comprehensive Ontario initiative to review many of the major government-imposed charges and regulations affecting the commercial real estate and development industry.

One such regulation speaks to Ontario's unfortunately problematic and unpredictable development process. All developers should know its name. All developers should know it's number. Its Section 37 of the Ontario Planning Act, and it's become a shakedown.

For years, municipalities in Ontario have been allowed to barter extra density or height on a development site in return for agreed upon community benefits. These benefits, extracted by required upfront payments from developers, have been permitted through Section 37 of Ontario's Planning Act. These required payments add a significant cost push to development projects (including housing), incentivize under-zoning, and are exacted with little to no transparency, predictability, fairness, or timely spending of the funds extracted for the purpose claimed. It has defacto changed The Planning Act into a taxing statute, and stands in addition to (and in contrast to) the meticulous procedures in the Development Charges Act.

The ad hoc nature of the Section 37 process has caused significant problems for developers in recent years, as there is evidence the policy is being abused by municipalities and some councillors. The sometimes-extreme nature of Section 37 charge amounts, and the timing of negotiations right before council consideration of a proposal, may have prevented developers from proceeding with certain projects, including housing initiatives.

The fundamental problem with Section 37 is governance. Considerable power to negotiate Section 37 agreements has been left in the hands of unsupervised municipal councillors, and as a result, the ad hoc nature of this process generates uncertain outcomes for developers and may be barrier to development of much needed housing, offices and mixed-use facilities. The development timeline is a multi-year endeavor, built on the premise that costs and financial assumptions need to be predictable and understood early in the project development timeline. As Section 37 is frequently one of the last components of the application, unforeseen and extreme contribution requirements can derail projects. It is for this reason that developers often feel 'shaken down' for the contributions.

REALPAC contends that Section 37 has become a 'wild west' policy, prone to abuse, and working at cross-purposes with municipal and provincial government objectives to improve the competitiveness of local economies, bring housing online faster, and improve the speed and cost predictability of development projects. It's an unfair business practice that sends a 'closed for business' message. REALPAC is engaging the Ontario government on possible reform measures to improve the policy. It's time to apply a formula to these exactions to ensure predictability, accountability and transparency in the development timeline. ■

MISALIGNED INCENTIVES: WHY AFFORDABLE HOUSING NEEDS PROVINCIAL OVERSIGHT

Michael Brooks
Chief Executive Officer
REALPAC

It’s no surprise to anyone in commercial real estate that Toronto and Vancouver have a housing affordability problem.

Many of our commercial colleagues might have been amused by the comments from politicians running for office in both cities about how they might solve the issue.

In Vancouver and surrounding municipalities, newly elected representatives have promised to make housing more affordable at least in part by asking even more from developers. With high land costs, slow approval processes, and rampant NIMBY-ism, most purpose built rental pro formas just won’t work, and there is typical local resistance to medium density infill housing. Despite the Vancouver Mayor-elect’s comments about developers having to do more, capital will politely decline and move to where it can earn an economic return. According to the Globe and Mail, councillors elected in other surrounding municipalities are actually anti-development. Add to that the provincial government’s plans to roll back as-of-right rent increases to the current CPI rate, and most real estate people can predict how this story will play out. Assuming net positive in-migration and household growth in the lower mainland, rents and housing costs will continue to ratchet up, and new housing supply will fall short of demand.

Commercial real estate professionals were probably even more amused by the rhetoric around satisfying the need for more affordable housing in the City of Toronto. Mayoral candidates and local councillors were falling all over themselves to talk about affordable housing as if it were a new issue. Lost on them was the obvious fact that the approval structure and planning governance is the problem, not the solution. Approval timelines, particularly in the City of Toronto, have become slower and slower. The City of Toronto Zoning Bylaw has not been updated to the intensification targets they say are required. Local councillors can now be completely captured by their ward NIMBYs, without any oversight by the Ontario Municipal Board. During the past four years, this same council seemed indifferent to the rapid rise of housing costs in the city.

Quality of life starts with housing and affordability, not with rail deck parks, and one stop subways. One is a must have, one a nice to have. Further taxing development (itself a prime focus of City councillors) will show up in the end price of a housing unit and the monthly rent of a rental unit. Toronto's affordability problem lies clearly at the feet of the City of Toronto planners, the politicians, and the mayor over the last one or two terms. There's no point building utopia if no one can afford to live there.

What will the response of politicians be this coming term? Sadly it's very likely to be more direct and indirect taxes on land in both Vancouver and Toronto, no effort to improve

processing times, and continued pandering to local NIMBYs. Taxes will stay or go up given the pace of spending and infrastructure needs. Elected politicians won't fight NIMBYs, and won't raise voter's residential taxes. Planners won't have time to step back and re-think approval processes, nor will they be asked to.

Vancouver politicians staunchly defend Community Amenity Contributions — their equivalent to Ontario's Section 37 of the Planning Act extractions, while Toronto's Land Transfer Tax is the highest in Canada. Inclusionary zoning in both jurisdictions is in effect a tax on development, forcing the private sector to provide affordable housing units. This adds to the cost of units in the development that are not part of that subsidy, resulting in more cost push.

In Ontario, growing Section 37 extractions have created a 'wild west' of chequebook zoning. It's actually a de facto zoning veto by a local councillor, who can kill a project just by making an outrageous Section 37 payment demand to a developer. It creates low integrity planning as politicians may see this as a cash grab from prominent developers who can well afford to write the cheque. Some of these developers are public companies providing dividend income to support middle-class Canadians. Some are pension funds providing pension income to support retired Canadians. Some are private companies representing the livelihood of families. None of them are charities. All of these costs will be passed through to the end buyer or the end renter, if in fact the development proceeds.

If senior levels of government are serious about solving the housing problem in B.C. and Ontario, priority one is better oversight of the decision-making of local councils, reducing the tax burdens, focusing on structural reform, expediting approvals, sanctioning mandatory upzoning to reach intensification targets, and countering the rampant local NIMBY-ism, for the betterment of the provincial economy. Until that happens, unfortunately, we're likely to see more of the same. ■

RESILIENCE: WHAT'S BEEN DONE AND WHERE WE'RE HEADING

Kris Kolenc
Coordinator, Research & Sustainability
REALPAC

Resilience: the ability of a company and its assets to survive and thrive in the face of shocks and stressors, is a newer focus for our industry, but is here to stay. In October, the United Nations Intergovernmental Panel on Climate Change (IPCC) reported that we only have 12 years left to meaningfully limit the effects of climate change. This alarming report, combined with another year of extreme weather events, including flooding in Ontario and New Brunswick, wildfires in British Columbia, and a heat wave in Québec, emphasize the rapid need for adaptation to limit the damages and devastating effects of climate change.

Fortunately, the industry's knowledge and resilience toolkit is expanding. In October, REALPAC released its first Resilience Backgrounder. This document reviews the climate change risks property owners and managers face on an asset and entity level and the resilience measures they can implement against them. REALPAC will continue to conduct resilience research and update this document over time. This year, the Global Real Estate Sustainability Benchmark (GRESB) also introduced a Resilience Module to their annual real estate and infrastructure assessments to evaluate the resilience of participating companies and funds. The initial results of the module were released in September and a more thorough report will be released by the end of this year. REALPAC and other industry stakeholders are currently advising GRESB on this comprehensive report and the 2019 version of the module. In addition, the US Green Building Council's RELi standard, a resilience rating system first created in 2012, released its version 2.0 earlier in November.

In 2019, the Intact Centre on Climate Adaptation at the University of Waterloo, with sponsorship from REALPAC, will be releasing a new guideline for retrofitting existing commercial real estate properties in Canada to become more flood-resilient. In addition, more governments in Canada, especially those on the municipal level, are recognizing the importance of resilience. Calgary, Montréal, Toronto, and Vancouver for example, are all part of the 100 Resilient Cities global network and each have their own Chief Resilience Officer. Hopefully governments will be providing more leadership, guidance, and resources for resilience in the near future.

Although the industry's resilience knowledge and toolkit are expanding, the real challenge now is implementation. Individual property owners and managers must take the necessary steps to make their companies and portfolios more resilient. An organization's first steps could include conducting a risk assessment and prioritizing which of its properties are in most need of adaptation. Consultants are beginning to offer more services for improving resilience and industry progress is being made, but we need to enhance our pace of adapting to the ever increasing effects of climate change. ■

RENT CONTROL: AN EQUAL AND OPPOSITE REACTION

Michael Brooks
Chief Executive Officer
REALPAC

In the fall of 2018, after months of engaged advocacy with several provinces on matters relating to their respective rent control regimes, REALPAC published our detailed rent control policy backgrounder assessing the effectiveness and impact of rent controls. We concluded, and have argued to governments, that rent control measures reduce the feasibility of new purpose-built construction, increase the cost of rents for new tenants, increase development risk, and erode the property rights of landowners. A cap on rents was thought to keep pricing fair for tenants. But in practice, and as our evidence demonstrates, the opposite happens. Property owners and rental housing developers become bound by artificial price ceilings that all of a sudden make the business uneconomic. Some of the unintended consequences include:

Dis-incenting New Supply

Rent controls dis-incent construction of new units, which form the future pool of units for lower and middle-income populations. Removal of those units earlier in the housing cycle creates future market and supply shortages for those populations. Rental housing is a complex business model in which development of new product depends on careful cost and financial assumptions. If any of these revenue and expense assumptions change negatively, projects are re-evaluated or shelved. Rent controls add an unnecessary complication to a rental housing pro-forma model and adds risk to that model. What if owner cost inflation exceeds the rent increase cap? This is exactly what is happening in British Columbia and Ontario.

Increased Costs to New Tenants

It is new and future tenants who must bear the brunt of increased operating costs, market demand, and supply availability, as vacant units reset to a higher market price. In a perfect market, not subject to rent controls, the increased costs of operating a building and of increased interest in the units would be shared by all residents of a building, and new supply and capital would be encouraged by the prospect of an economic return.

Rent Decontrol

Some rent control regimes also eliminate rent de-control — the returning of a unit's asking rent to market rate upon vacancy. Eliminating rent de-control means placing controls on the unit and not the tenant's lease. Tying rent controls to the unit would lead to a decline in building maintenance and upgrades, negatively impacting a tenant's quality of life. Elimination of rent de-control creates a class of wealthy, free-riding tenants living in price-controlled units, hoarding those units away from more needy tenants — New York is a prime example of this.

Misallocation Issues

The results of our study indicate rent controls do a poor job of targeting those who are theoretically supposed to receive the most benefit from these policies, (low

In the realm of economic practice, consensus is a rarity, but there is almost unanimous industry-wide agreement that rent controls are an inappropriate solution for addressing affordability and housing supply issues in housing markets.

income families) and may in fact be advantaging higher income households as much, or more. Rent control policies cause tenants to stay in one unit for much longer periods and can therefore contribute to the misallocation of unit typologies. Fear, or the lived reality, of adjusting back to market rates causes tenants to remain in units that are too small, too big, or in improper locations for their work or lifestyle. At a macro scale, the lack of mobility creates supply issues that push out those at the bottom of the property market (whom the legislation claims to help) by reducing unit availability and driving up prices in uncontrolled sectors.

In the realm of economic practice, consensus is a rarity, but there is almost unanimous industry-wide agreement that rent controls are an inappropriate solution for addressing affordability and housing supply issues in housing markets. To that end, a study conducted in 1992 by the American Institute for Economic Research (the "AIER") found that 93% of economists surveyed were in agreement that "A ceiling on rents reduces the quantity and quality of housing available."

Political Short-Termism

The introduction of restrictive policies is an easy win for politicians seeking the current renter vote, but it only serves to introduce uncertainty into the market for both developers and those looking to enter the rental market or move. Rent control policy is seen as a means by which to 'fix' affordability issues, especially during acute housing crises, as it can be introduced almost immediately to ease financial evictions and tenant unrest. The ease of implementation belies the long-term impacts on the housing markets within which they were introduced. Politically, it's an easy sell, especially when a crisis makes for an easy voter win.

A proper response to affordability should, rather, focus on the two themes of housing accessibility and housing mobility: The ability of residents to access housing supply and their ability to adjust their housing accommodations to appropriately meet their needs. Rent controls also have a similar propensity for influencing market direction, as they impact both housing accessibility and housing mobility within the supply chain. These are real problems. Introducing rent controls only exacerbate our housing challenges.

A chief economist of one of Canada's major banks recently indicated that in one Canadian jurisdiction, rent controls triggered rent control inflation — exactly the opposite of what that government sought to achieve. This is the true cost of rent control regimes. ■

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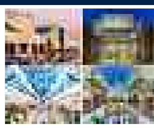
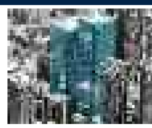
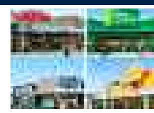


$890,300,000
50% Sales
$240,550,000
Term Financing (CF Fairview Mall)
CF Richmond Centre & CF Fairview Mall
Richmond, BC & Toronto, ON



$850,000,000
50% Sale
Bay Adelaide Centre East & West
Toronto, ON

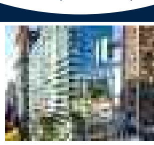


$142,600,000
Sale of London, Ontario Portfolio
$1,000,000,000
RioCan REIT - RBC Revolver
$300,000,000
RioCan REIT - Sr. Unsec. Debentures
Sole Advisor, Co-Lead, Joint Bookrunner

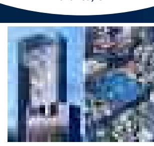
CREIT
$6,000,000,000
Acquisition of CREIT by Choice Properties
Sole Advisor to CREIT

Blackstone
$3,800,000,000
Privatization of PIRET
$695,000,000
Loan Syndication
$58,170,668
RBC Unsecured LC Facility
Advisor to Blackstone, Sole Lender

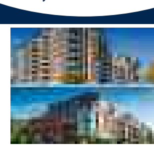
Choice Properties REIT
$1,950,000,000
Senior Unsecured Debentures
Joint Bookrunner



Price Undisclosed
Sale of TELUS' 50% Interest
TELUS Garden
Vancouver, BC



$268,500,000
Sale
27-37 Yorkville & 26-30 Cumberland
Toronto, ON

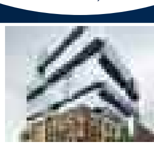


$197,850,000
Sale
Prevel Senior Housing Portfolio
Québec

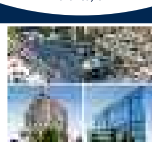
QuadReal
$1,200,000,000
RBC Revolving Credit Facility
Co-Lead, Joint Bookrunner, Admin Agent

Brookfield
$800,000,000
Senior Unsecured Debentures
$250,000,000
Preferred Shares
Joint Bookrunner

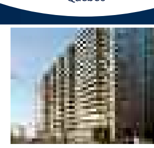
CHARTWELL retirement residences
$417,900,000
Acquisition of 5 Retirement Communities
$269,526,400
Trust Units
$150,000,000
Senior Unsecured Debentures
Sole Advisor to Chartwell, Joint Bookrunner, Co-Manager



$180,000,000
Term Financing
351 King Street East
Toronto, ON



$162,300,000
Sale
Lansing Square
Toronto, ON

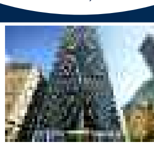


$110,450,000
Sale
Le Shaughn
Montréal, QC

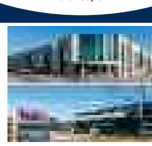
Ivanhoé Cambridge
$500,000,000
Senior Unsecured Debentures
$300,000,000
RBC Revolving Credit Facility
Joint Bookrunner, Co-Lead

ALLIED
$454,289,675
Trust Units
Joint Bookrunner

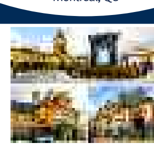
ARTIS REIT
$200,000,000
Senior Unsecured Debentures
$125,000,000
Preferred Units
Joint Bookrunner



$103,879,725
Sale of Partial Interest
Place Telus
Montréal, QC



$70,000,000
Sale
Markham Industrial Portfolio
Markham, ON



$52,650,000
Sale
The Market at Quarry Park
Calgary, AB

Morguard
$200,000,000
Senior Unsecured Debentures
$85,500,000
Convertible Debentures
Sole Bookrunner, Joint Bookrunner

Killam APARTMENT REIT
$134,567,763
Trust Units
$70,000,000
RBC Revolving Credit Facility
Sole Bookrunner, Sole Lender

CAPREIT
$172,604,075
Trust Units
Sole Bookrunner

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