CANADIAN
REAL ESTATE FORUM

FALL 2018 / ISSUE 78

OFFICE SPACE MARKET IN OTTAWA CONTINUES TO OFFER PROMISING RETURNS

Tech Snowballs in Silicon Valley North

Federal Facilities: Collaboration in, Carbon Out

Start-Ups Breathe New Life into Ottawa

OFFICE TENANTS HAVING A FIELD DAY IN CALGARY

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TO DIVERSIFY OR NOT TO DIVERSIFY … HOW DO WE BALANCE?

George Przybylowski
Vice President
Real Estate
Informa Exhibitions

The prosperity gap between Ottawa and Calgary remains, with the national's capital having a rosy outlook for the year ahead, while the headquarters of the oil-patch continues to manage with the uncertainty of pipelines, hydrocarbon developments, an Olympic bid, and job growth.

The 2018 edition of the Ottawa Business Growth Survey painted a glowing picture full of economic promise for the city, noting future hiring plans and high levels of confidence from community business leaders.

At this year's Ottawa Real Estate Forum, experts will speak on the facilitation of this growth in Canada's Capital real estate market and demonstrate how it's performing from a leasing, investment and development perspective.

Panel discussions and sessions include the office market in the National Capital Region and the federal government's real estate strategies; the increasing range of development activity; how the retail, industrial, apartment and condominium markets are performing; and what the smaller landlords and entrepreneurs are doing to grow and maintain the value of their assets.

Sessions will also highlight the impact of the U.S.-Canada tariff war on commodity prices, as well as the economy in general; other economic drivers, such as its 1,700-company technology hub; how high-profile tenants are being courted to set up shop; and how the city is diversifying its economy to avoid sector pitfalls.

Despite having the lowest unemployment rate since August 2015, as well as a rising GDP, Calgary continues to be hit with soft home sales continuing, rising listings and stagnant to falling prices.

The Calgary Real Estate Board stated this past July that the Western city has an over supply of all types of new and resale homes. Major impacts are the dampening effects of the federal "stress test" on first-time homebuyers; slow job recovery in traditional sectors; and a growing number of homeowners listing their properties — all of which have exacerbated the situation.

Pursuing stronger economic diversification is one of many answers here. Calgary is stepping into Ottawa's footsteps realizing growth is sporadic and slow in this market — conditions that this great city has experienced with the cyclicality of the oil path.

At this year's Calgary Real Estate Forum, attendees will hear experts discuss their strategies for moving away from the seemingly snail's-pace recovery and into a sustainable and stronger economy. Two corporate leaders who have recently moved their businesses into the city will discuss the reasons for doing so.

The focus will also include adapting to the high vacancy rates in the office market, the transformation of the downtown, repositioning properties and transforming vacant space to attract current and future tenants, and the very good news story on the strength of the industrial market.

We look forward to welcoming you to two Forums looking at developing strategies for growth in what might appear to some as a balancing act between the current conditions and experiences of these markets. ■

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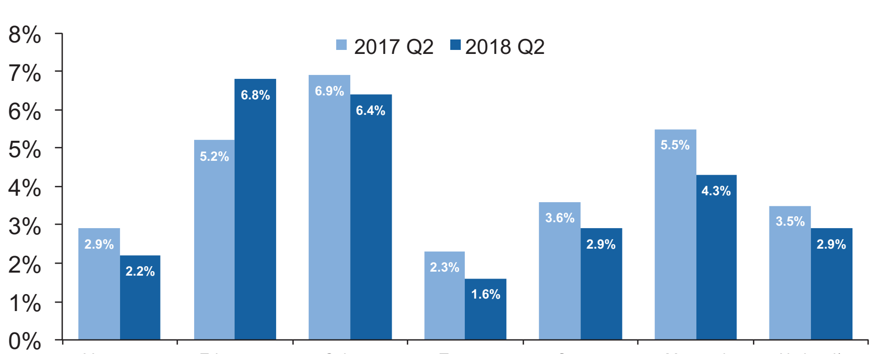
OTTAWA'S ROBUST ECONOMY ENCOURAGES INDUSTRIAL INVESTMENT ACTIVITY, WHILE CALGARY OFFICE VACANCY RATES CONTINUE TO FACE DOUBLE DIGITS.

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

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

Chart 1: Industrial Vacancy Rates



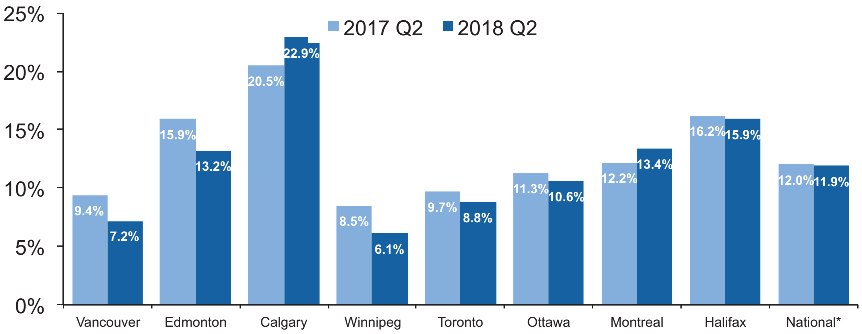
Source: Altus Group
* Markets covered by Altus Group

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

Ottawa and Calgary's industrial markets have picked up with the continued expansion of e-commerce and as larger corporations enter the market. Industrial vacancy rates in Calgary and Ottawa have declined with availability showing signs of compression. There is a shortage of industrial space, more specifically properties with high ceiling spaces. Online retailers need nearly triple the square footage for logistics and distribution compared to traditional industrial warehouse users. Enter Amazon, who hired Broccolini as the developer of Ottawa's largest industrial building, at 1.1M SF in the far east-end of the city. Broccolini purchased the land for Amazon's future home closing at just over $10.5M in Q2 2018. Another large-scale construction taking front seat in Ottawa's industrial market is the UPS truck transport facility in Kanata at slightly over 40,500 SF, and these are just two examples of the uptick in construction activity in Ottawa.

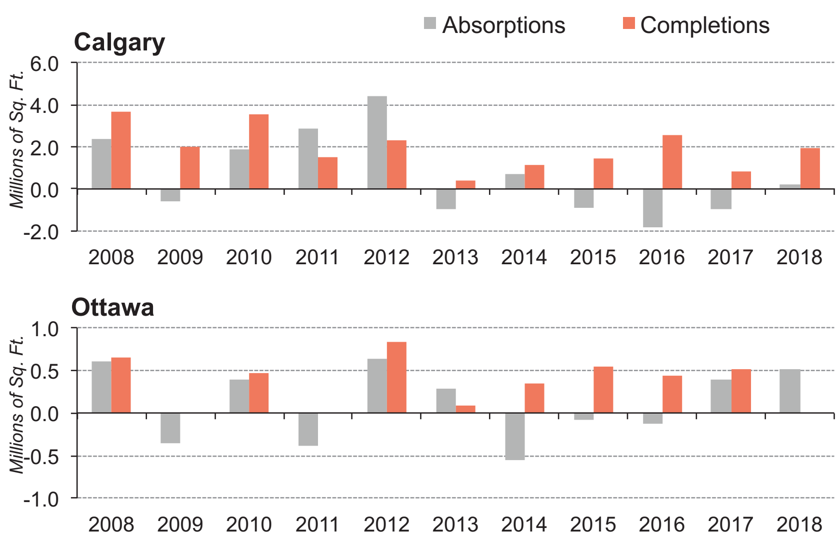
Calgary's industrial market continues to perform well with the development of new distribution centres on the horizon. Amazon is also expected to open a newly-built 600,000 SF fulfilment centre just north of Calgary at the Nose Creek Business Park in Balzac, Alberta that will process orders for Western Canada. The large-scale project is being developed by QuadReal Property Group. As e-commerce continues to grow, the construction of new distribution centres will likely produce significant economic growth. The Balzac and Ottawa Amazon facilities each are expected to create almost 1,000 ongoing jobs, in addition to the one-time construction jobs created, further driving the regions' economies. Nose Creek Business Park already houses Walmart's distribution centre and will be the future home to Enterra Feed Corp, who leased

Chart 2: Office Vacancy Rates



Source: Altus Group
* Markets covered by Altus Group

Chart 3: Office Space Completions and Absorption
12 months ending June in each year



Source: Altus Group

184,800 SF. Whirlpool Canada is also building a 422,000 SF industrial space in Logistics Park in Conrich and developer Hopewell is expected to begin construction on a new 524,490 SF multi-tenant space in Balzac's Crosspointe Industrial Park. A few key noteworthy transactions in the Calgary industrial market were also registered during the first half of 2018. Anthem Properties expanded their portfolio in Calgary by acquiring three income-producing industrial properties $21.35M and is under contract to purchase a fourth. The properties were purchased from Canfirst Capital Management and are 100% leased to a diverse tenant roster, representing 176,000 SF of GLA in Greenview Industrial Park and Foothills. Additionally, Fiera Properties purchased a 462K square foot industrial portfolio in Calgary and Edmonton from Morguard for $61.4M. The Slate portfolio also continues to grow with the $1.14B transaction of Cominar's non-core market property portfolio, part of which includes significant industrial space in Western Canada.

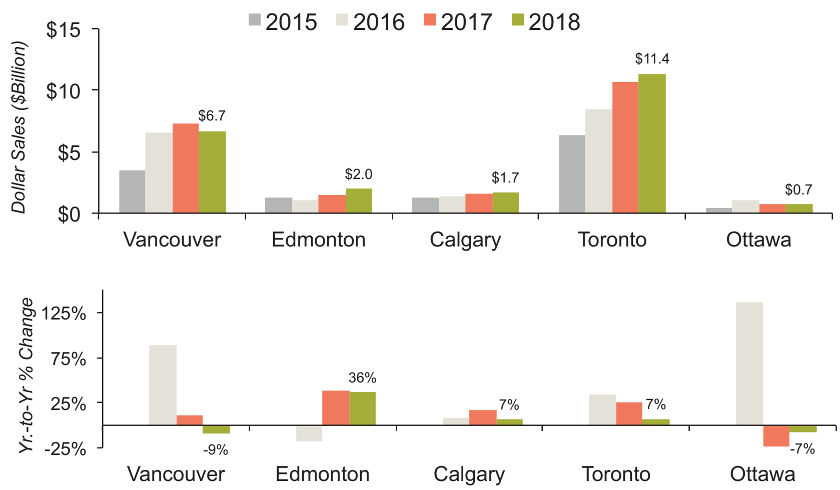
Redevelopment for older office buildings gets underway as pressures rise for value-driven and higher quality space

Ottawa's office sector is showing signs of improvement bringing vacancy rates down in Q2 to 10.6% and lower than the national average of 11.9%. A new wave of tenants and building owners are beginning to redevelop older, outdated office supply. 151 Slater St is a prime example of an older building being renovated to accommodate NavCanada as its main tenant. Tenants are looking for good quality space, and most tenants prefer newer amenities, upgraded systems, and co-working spaces, just to name a few. Another Class B CBD building undergoing a major renovation is 66 Slater St, which had its lobby renovated with new finishes, upgrades to the washrooms, elevators, and mechanical systems. The building's largest tenant, the Department of National Defense, will vacate the building as part of the department's move to the Carling Campus in Ottawa's west end. Following on the direction of Shopify to move to the downtown core in 150 Elgin and 234 Laurier, 200 Laurier Ave, secured SurveyMonkey as the lead tenant in their recently renovated building following the departure of the federal government. Klipfolio and Telesat are among other tech firms that have also absorbed significant office space in the downtown core following several years of federal government actions which pushed up vacancy rates. However, as the feds resume growth and increase their employment base, anticipate competition with the tech sector for space in the core.

Calgary's office market tries to stay afloat amid high vacancy rates as Calgary's suburban markets outperform the downtown core pushing landlords to repurpose older office space to level the playing field. Improvements to Class A spaces and increased leasing activity, particularly subleases in the downtown office market, have kept absorption rates in the black in the first half of 2018. Available inventory for downtown Class A product remains tight. This sparks a similar trend to Ottawa compelling landlords to consider renovating older buildings in the core to meet tenant demands. The growth of the coworking sector, flexible workspaces and niche amenities continue to shape the office market. Downtown tenants may also find an opportunity to capitalize on these market conditions by migrating from Class B or C offices into higher quality office spaces outside the downtown core. Although vacancy rates in Calgary's suburban markets remain high, particularly in the southern and Beltline regions at 21.4% and 22.3% respectively, the flight to quality space is keeping vacancy rates below downtown levels. The northern region has already witnessed this migration away from downtown lowering vacancy rates to 13.7% in Q2 compared to the downtown vacancy rate at 24.8%

Chart 4: Investment Property Sales Transactions

Selected Major Markets, First Half of Year



Source: Altus Group

Chart 5: Investment Property Sales Transactions

Selected Major Markets, First Half of Year

Market	Date	Sector	Transaction name	Purchaser(s)	Price ($Millions
Calgary	5/1/2018	Office	First Tower	Hines	$107,000,000
Calgary	4/17/2018 (agreed upon in late 2017)	Office	Scotia Centre	Slate Asset Management	$95,121,000 *(part of a larger national portfolio valued at $1.14B)*
Calgary	8/17/2018	Retail	Market at Quarry Park	LaSalle Canada	$52,650,000
Calgary	3/2/2018	Residential Land (High Density)	Trinity Hills	Metropia	$43,272,955
Chestermere	6/7/2018	Residential Land (Long Term)	SE corner of Chestermere Blvd. and Rainbow Rd.	Qualico Group of Companies	$42,175,500
Kanata	3/1/2018	Office	3000 & 3001 Solandt Road, 450 March Road and 1001 Farrar Road	Fiera Properties	$74,173,000
Gloucester	1/9/2018	Industrial	1100 and 1101 Polytek Street	Morguard Investments Limited	$42,500,000
Ottawa	3/27/2018	Apartment	236 Richmond Road	InterRent REIT	$36,250,000
Cumberland	7/6/2018	ICI Land (Industrial)	5371 Boundary Road	Broccolini	$10,549,000
Gloucester	06/11/2018	Residential Land (Low Density)	3730 and 3828 Innes Road	Richcraft Group of Companies	$18,325,000

Source: Altus Group

Interest in new development projects picks up as feds and tech sector vie for prime office space

Competition for larger commercial space in Ottawa is expected to heat up. The federal government recently expressed interest in downtown office space suggesting future growth in the central business district. Meanwhile, the tech industry's appetite for prime office space remains strong as it continues to be Canada's fastest growing sector. The federal government accounts for almost 50% of occupied space in the Ottawa region of which almost 40% is leased from the private sector. The Department of National Defense recently announced the possibility of building another 800,000 SF Operations HQ in the vicinity of its Carling Campus.

The City of Ottawa has recently approved the mixed-use development of Trinity Centre at 900 Albert St, which will include three towers, one of which, at 65 storeys will be the tallest in the city. Almost right next door, the city approved a 5-tower mixed-use development in the eastern portion of LeBreton Flats which will include almost 230,000 SF of commercial space. The first phase of the multi-phase Zibi development is progressing with the first residential occupants expected to be begin taking up residence in late 2018. This 37-acre project in Ottawa and Gatineau will consist of condominiums, townhomes, commercial and retail space, recreational facilities and waterfront plazas. The development will transform the lands into a sustainable, eco-friendly, mixed-use community and provide a unique opportunity for people to "live-work-play".

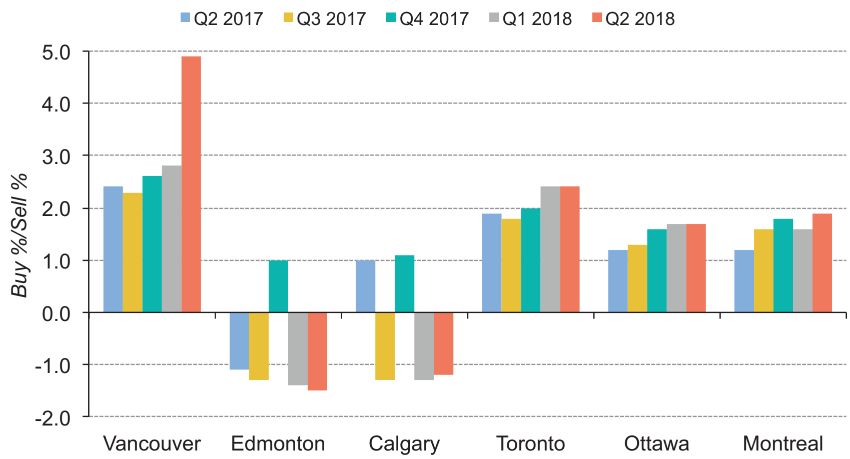
Construction of new office buildings in Calgary continues to move slower for both downtown and suburban markets with the completion of only two new builds, the Hexagon Calgary Campus at 160,000 SF and the 28,000 SF Mount Royal West, both fully leased upon completion. Royal Vista Plaza, a mixed office and retail property in the north-west region, is expected to be completed this Fall.

Landlords strategize to offer value-added space by repositioning acquisitions in select markets

Calgary's economy continues to show signs of recovery following the energy downturn. Overall investment sales were slightly up in Calgary with a few high-profile deals in selective areas showing that opportunities still exist for attractive investments. The First Tower Class B office building in downtown Calgary was the largest transaction in Q2, a joint venture by Hines and Oaktree Capital for $107M. The property's previous owners recently upgraded its main level. Its new owners plan to continue with improvements by adding amenity-rich spaces and bringing it up to a Class A standard. The purchase of the Scotia Centre by Slate Asset Management for $95.1M further boosted overall transactions in Q2. Slate continues to strengthen their position in target markets with the $1.4B acquisition of Cominar's non-core market portfolio. The portfolio is composed of 95 properties located in the Greater Toronto Area, the Atlantic provinces, and Western Canada, which included office space just under 1M SF in Calgary. Cominar's strategy is to decrease their debt ratio and focus on its core markets portfolio in the Quebec and Ottawa regions.

Chart 6: Office Space Completions and Absorption

12 months ending June in each year



* A positive ratio above 1 indicates more interest in buying than selling;
a negative ratio below -1 indicates more interest in selling than buying
Source: Altus Group

Chart 7: Top 5 and Bottom 5 Favoured Real Estate Segments

Q2 2018

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

Source: Altus Group

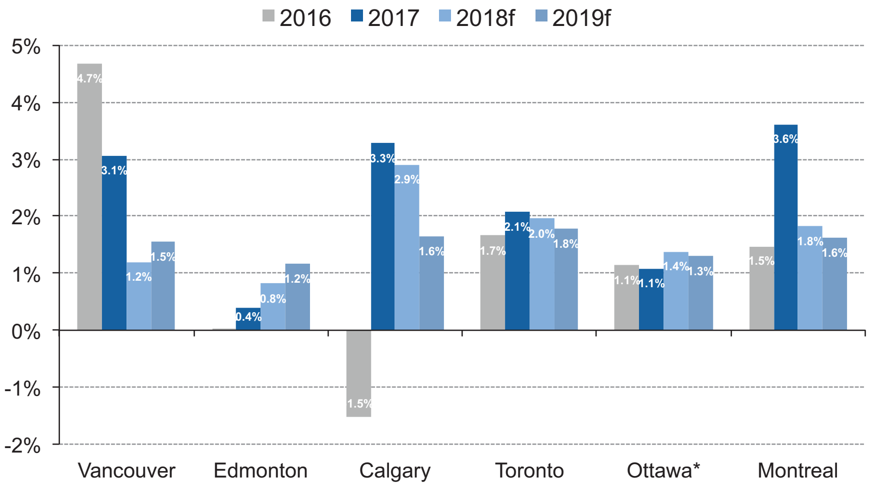
In the multifamily sector, Vancouver-based firm Anthem Properties Group Ltd. bought the former CBC building in Hillhurst, Calgary for $12M and plans to repurpose the property as a multi-family residential development. Hollyburn Properties acquired Central Towers, a high-rise residential rental building located in the Beltline's emerging Connaught district, just outside the downtown core, for $11.8 M. LaSalle Canada continues to raise capital and expand their portfolio purchasing Calgary's Market at Quarry Park for $52.6M. LaSalle also acquired a $135M (33.3%) interest in Minto Place, a three-building complex bordered by Laurier Ave, Kent, Slater, and Lyon Streets in Ottawa's CBD. The complex is one of Ottawa's largest Class A office properties with both leasable office and retail space, and following the transaction is now owned equally by Minto, Investors group and LaSalle. Fiera Properties remains active in their acquisitions with the purchase of four almost entirely leased office buildings for $74.1M in Ottawa's western community of Kanata.

Alberta and Ontario gear up for Canada's next big industry – the legalization of cannabis

The upcoming October legalization of recreational cannabis has already started to stimulate the economy. Demand for retail and industrial space among cannabis suppliers (growers, warehouses, and distributors) has firms actively scouting for prime locations, ramping up production capacity, and securing leases ahead of schedule. Landlords in some areas in Alberta are boosting premium rents to almost double the rent for cannabis stores. Indoor cultivation incurs higher costs for electrical, plumbing, drainage, HVAC, and security upgrades and will play a larger role in rate increases. Ontario and Alberta's retail model both consist of private retailers, however Ontario will take on a more government-provisioned approach and control distribution and online sales, though Calgary has restricted the proximity between cannabis stores to 300 metres. According to Statistics Canada, nearly 5 million Canadians spent about $5.7 billion on non-medical marijuana sales last year. Canadian Imperial Bank of Commerce (CIBC) estimates retail sales revenue for adult-use cannabis will grow rapidly and approach $6.5 billion by 2020. Health Canada has already issued 113 licenses for cultivation operations across the country but face a backlog of 500+ applicants and counting. Depending on government policy, tax implications, pricing, and product accessibility and availability, legalization has the potential to foster economic growth by creating new opportunities for commercial real estate, boost employment, and eventually disrupt the black market by shifting revenue streams. However, based on "true" demand, many suspect an impending shortage upon legalization due to inadequate production capacity. Although several new developments are currently underway, the facilities will not be fully operational until the end of 2018 or 2019. In the interim, the black market will likely carry the load. The potential shortfall may be one of the greater challenges of this burgeoning industry. In Q2, Sundial Growers partnered with the University of Calgary for cannabis-related research and Sundial is expected to grow from 100 to over 500 employees by 2020. CannabisCo has proposed to convert 100,000 SF of the former 373,000 SF Nestlé plant in

Chart 8: Employment Growth

Selected Major Markets, Year-over-Year % change

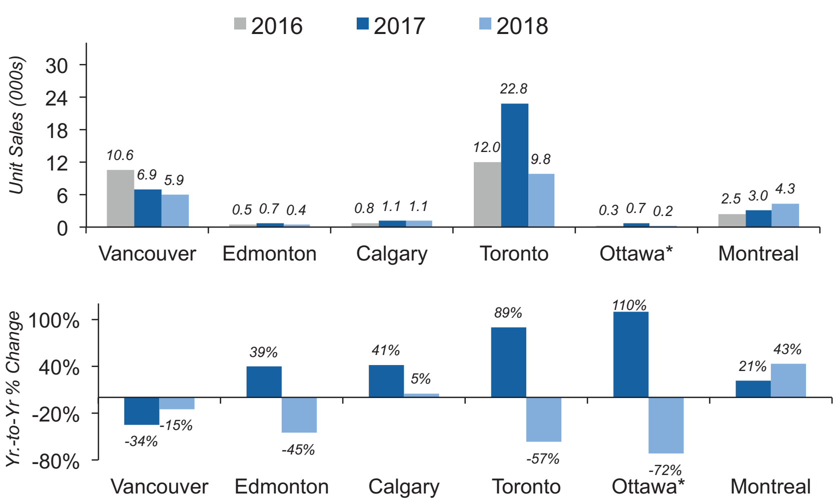


* Includes Gatineau

Source: Statistics Canada (2016 and 2017) and Altus Group (2018 and 2019)

Chart 9: New Condominium Apartment Sales

Selected Major Markets, First Half of Year

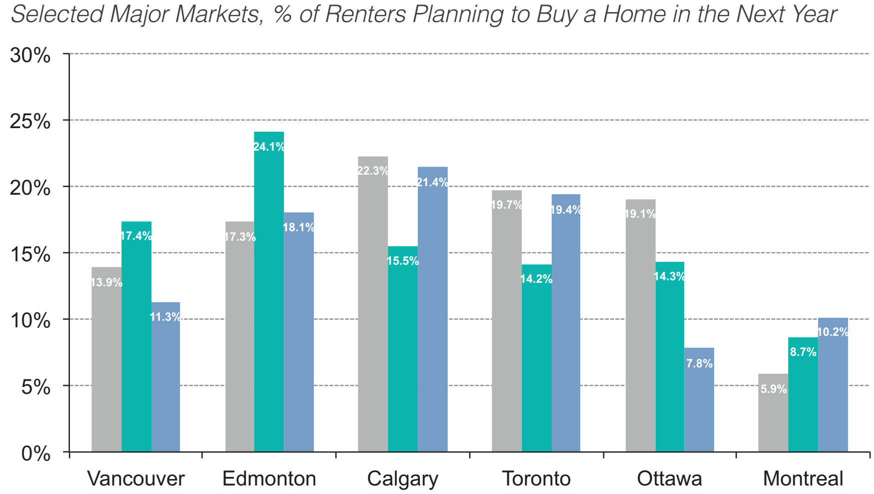


* Ottawa is housing starts (CMHC)

Source: Altus Group

Chart 10: First-Time Homebuying Intentions

Selected Major Markets, % of Renters Planning to Buy a Home in the Next Year



Source: Altus Group

Chesterville, just south of Ottawa, into a cannabis production plant. The operation is expected to create 200 jobs and plans to build an additional 300,000 SF. Another significant proposal in Ottawa is by Artiva to convert 549,000 SF of greenhouse space into cannabis cultivation and production, creating almost 80 jobs with the potential to add another 646,000 SF.

Moderate economic growth facilitates slow recovery of housing market

While the initial shock of Canada's mortgage stress test has dampened, higher mortgage rates are expected to slow down existing and new home sales. Construction labour shortages and cost pressures on high-rise construction amid the risk of trade protectionism may further curb demand leading to a more stabilized rate of housing starts. Canada imports steel from over 100 companies, more specifically steel rebar, which is used to reinforce concrete in condominiums. Trade tariffs may soon drive up rebar prices and increase production costs significantly impacting the price of condos, further exacerbating the affordability crisis.

Population growth, increase in immigration, and low unemployment levels have kept housing demand steady and rental vacancy rates low in 2018. In the next two years, the national employment level is expected to remain positive in key markets with the expansion of the tech sector, legalization of marijuana, and the revival of public administration hiring boosting income levels and homebuyer intentions.

Energy-producing provinces continue to recover from the oil-driven recession which will lead to moderate economic growth. As new projects go up in Ottawa and Calgary, homebuyers priced out of Vancouver and Toronto markets may consider these regions as an alternative option. New condo sales in Calgary were slightly up since last year and first-time homebuyers regain confidence suggests a potential rebound in Calgary's housing market. First-time homebuyer intentions in Ottawa were down compared to last year. However, as new infrastructure, development and commercial renovation projects reshape the Ottawa region strengthening employment levels, increased demand for housing may not be too far behind. ■

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THESE ARE EXCITING TIMES FOR OTTAWA

Anne Morton
Director General, Strategic Portfolio Initiatives, Department of National Defence

As the third woman to chair this event, and only the second public servant to do so, I'm seeing exciting progress both at this forum and in our city. All real estate sectors in the Ottawa-Gatineau area today, whether government or the private sector, seem to have a general theme of positivity about them.

What's notable is that high tech is growing city-wide, as opposed to the last go-around where its growth was contained to the west end. In fact, the technology sector is now probably the largest real estate user group in the private sector, second only to government in the downtown core. Over the next 18 months it will be interesting to see who's the first to kick off new real estate development. Two nodes could potentially lead this charge—Kanata or LeBreton Flats—both of which are catering primarily to the high-tech community.

Members of the private sector have commented that the federal government is showing signs of growth. I find this interesting because, historically, one or the other has been out in front. Either growth in government demand for office space had levelled and the private sector was growing, like the high-tech industry back in the 90s, or the private sector was down and the public service was expanding. But now it seems that neither sector is out of sync with the other. The federal government's demand for office space in the National Capital Region is consistent with levels seen over the last few years, and the private sector is growing. This will create an interesting dynamic for the landlord community, particularly in the downtown core.

The city as a whole is a key enabler to support this hybrid business atmosphere. Ottawa has some large-scale developments in the works, including Amazon's new distribution centre and a 65-storey tower. In addition, phase 2 of the LRT is planned to start in 2019. What's fabulous is that the LRT line will extend to the new National Defence headquarters at Nortel's former Carling Campus at 60 Moodie Drive. We're going to have approximately 8,000 public sector employees out there who can use the LRT and contribute to the government's environmental goals.

This is an exciting time for Ottawa. Besides enjoying a positive climate in both government and industry, we certainly don't have the housing costs that our compatriots have in Toronto in Vancouver. We always talk about how Ottawa is a wonderful place to live, but it's also a wonderful place to do business now. People in the know recognize that—especially those in the high-tech sector, and the young entrepreneurs. This is the place to be.

■ *Michelle Morra*

TECH INDUSTRY MOVING INCREASINGLY INTO OTTAWA'S DOWNTOWN CORE

Dan Gray
Vice President of Leasing
QuadReal Property Group

When the federal government is humming along, so too is the market in Ottawa. That's the unique advantage to being located in the nation's capital – the presence of the federal government brings stability, says Dan Gray, Vice President of Leasing at QuadReal Property Group.

"Now that the Liberals have been in power and spending for a few years, the decisions they made to spend a while back are now making it to the market," says Gray.

"We're seeing Expressions of Interest circulated and RFP's awarded, culminating in new suburban and central business district (CBD) deals, which help the East end sub-market in particular."

As the real estate market in Kanata gets tighter, it also has a ripple effect into other areas of Ottawa, creating an urban tech centre that has been particularly visible in the past year.

"We were the benefactors of that – we put a company called Klipfolio into a modern, funky space in the World Exchange building. We converted the former Famous Players Cinema into a very unique new space with 21-foot ceilings," says Gray.

"Then you've got Shopify at about 500,000 square feet down in the CBD, you've got OpenText in the ByWard Market area and SurveyMonkey about to open a space. Some of the government agencies have a tech element to them too. It has been reported that tech space now surpasses the amount of professional (legal and accounting) space in the core"

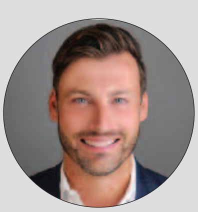
With less availability of large pockets of space in Class A buildings, the downtown core is tightening, perhaps soon becoming more of a landlord's market. Gray believes Class B product performance will continue to improve but Class C will continue to spiral; he cites current vacancy rates of class A at less than five percent in the CBD, about 10 percent for Class B and 22 percent in Class C.

"The challenge that remains is what to do with buildings in the B and C markets – do you demolish and start again, or do you use the skeleton and retrofit them? Do you do it speculatively and hope to land a government deal or redesign for the private sector?" he says.

"It's something for developers to think about. Right now, the biggest opportunity is around transit, and you are seeing landlords and developers increasingly position themselves around that. After all, intensifying developments around LRT stations is exactly what city officials want."

■ *Barbara Balfour*

OTTAWA'S BOOMING INDUSTRIAL MARKET HELD BACK BY LACK OF SPACE



James Beach
Director, Real Estate and Business Development
Broccolini

Despite Ottawa's flourishing industrial market, developers continue to grapple with archaic buildings and a shortage of land.

At only 20 to 28 feet high, Ottawa's existing spaces are expected to soon become obsolete for bigger users now looking for 45-foot ceilings.

While the city's industrial footprint is relatively small, James Beach expects the new Amazon distribution centre will give the market more confidence to build smaller scale developments on spec.

"The Amazon building will represent five per cent of the entire industrial market in Ottawa, so that puts things into perspective in terms of the overall industrial square footage in the city," says Beach, director of real estate and business development at Broccolini.

"The second largest industrial building is 200,000 square feet and it's old and obsolete. In other markets like Montreal and Toronto, a million square-foot building is run-of-the-mill.

"We have a couple of these buildings we built on spec. The market in Toronto is so hot right now, you need to have the building standing and ready to be set up; otherwise, you can't meet the RFP responses. In Ottawa this doesn't exist, but we're contemplating doing exactly that."

The Amazon facility is located on a 100-acre site in the city's east end on Boundary Rd. – only one of the two options that were available to them, says Beach.

"The facility will be a catalyst for some industrial development spin-off; it will probably become a smaller industrial load, but you won't see any other million-square-foot-boxes because of the lack of space."

Beach points out the massive amount of infrastructure that their project brings to the area at their cost – from natural gas, hydro, and municipal water, to high speed telecommunications, roadway modifications, and road widening – and with limited opportunity for cost-sharing with future developers.

He credits the City of Ottawa for their collaboration in helping the new facility come to fruition. "We met them in January this year and showed them our schedule, which is driven off of delivery dates. We showed them the road map of approvals to get the project delivered and they agreed to accelerate the review process. They've been very collaborative with our entire group," says Beach.

■ *Barbara Balfour*

TOP 10 | REAL INSIGHTS | 2018 Ottawa Real Estate Forum | ISSUE 15

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

1 OTTAWA ECONOMY DIVERSIFYING AND GROWING

Strong employment and GDP numbers point to an expanding economy.

2 OTTAWA BENEFITTING FROM SUBSTANTIAL CAPITAL PROJECTS

Bolstering the City's GDP numbers are capital projects that will continue over the next two decades.

3 TECH SECTOR EXPLODING

Ottawa home to 1,800 Tech firms; the industry employs more than 76,000 people.

4 INDUSTRIAL SPACE SCARCE

Rents keep rising as vacancy rates dips below the national average.

5 RESIDENTIAL VACANCY NEAR ROCK BOTTOM

Employment and Immigration growth are contributing to record low vacancy rates – CMHC.

6 OTTAWA A HOTBED OF DEVELOPMENT ACTIVITY

Low vacancy rates and increasing prices propelling development in the nation's capital.

7 DOWNTOWN OFFICE VACANCY THE LOWEST IN 5 YEARS

Positive absorption is being driven by expanding Tech and Government sectors.

8 CO-WORKING SPACES EXPANDING IN OTTAWA

This global trend has the capacity to represent 20% of the overall office market in Canada within the next 10 years, Cresa reports.

9 MARIJUANA DEMAND FOR CRE INTENSIFIES

PC policy shift is generating new interest among pot retailers.

10 RETAIL SECTOR SHOWS SIGNS OF LIFE

Retailers are finding ways to thrive despite the challenges of e-commerce, minimum wage increases and store closures.

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

TECH SNOWBALLS IN SILICON VALLEY NORTH

Blair Patacairk
Vice President
Global Expansion
Invest Ottawa

Blair Patacairk foresees the National Capital Region's reputation as Silicon Valley North snowballing, as the city basks in the halo of one success after another.

"Things are really rocking in here," smiled Invest Ottawa's Vice President, Global Expansion.

It has levered its Nortel telecommunication legacy well and forayed into fast-growing markets like artificial intelligence, the internet of things, autonomous vehicles and agriculture as well as smart cities and superclusters.

"Almost ten percent of the population— which is projected to jump by a third to 1.8 million by 2036—is in technology. The next biggest employer is the federal government."

The secret ingredient? Talent.

"The first thing that foreign investors ask is 'What is the talent like? How does industry team with post-secondary institutions? Can you supply the talent I need to fill my positions? How?'"

The like-minded like the like-minded

Success has made Ottawa and Gatineau a magnet for the best brains in Canada and abroad. But industry-academia collaboration also continues to help the build what is already the biggest concentration of technology talent in North America in Canada's capital. The region's four universities and four colleges have invested astutely in imparting tech acumen to indigenous talent.

"For example, Carleton University set up a really good program to train talent specifically for Shopify staff," Patacairk said. Ontario's Ministry of Training, Colleges and Universities also supports apprenticeship studies for the semi-skilled workers industry needs.

Retention paramount

Not content to rest on his laurels, he continuously canvasses the firms that have already set up to ensure that they continue to thrive here, to keep abreast of industry shifts.

"I have a business retention team that meets industry leadership each quarter to learn where they are heading," Patacairk explained. "How can we help with international trade? What companies do they want to meet internationally?"

"Sharing the thought leadership of the IT industry informs where I should go in the world and how we should be expanding," he continued.

The four main sectors that Invest Ottawa looks at are telecommunications, health technology including life sciences, software and defence security. He also touts the capital's softer but absolutely indispensable appeal: The quality of life features that helps it to attract and retain investors and talent from around the world.

"Keeping them motivated to remain in Ottawa as a place to learn, work and play is paramount," Patacairk emphasized. "Tech people work hard and want to play hard. We're very mindful of that."

Dialing for dollars

After talent, the next most important attraction for international investors is incentives.

"They want to know is what money is on the table. That could be tax incentives. It could be investors."

Invest Ottawa works closely with federal and provincial governments to tap such opportunities.

"Some of those programs deliver very good return on investment to the province," Patacairk emphasized."

Other virtues that help to attract foreign investment include the capital's ample green space and riverfront setting as well as its ongoing mass-transit overhaul.

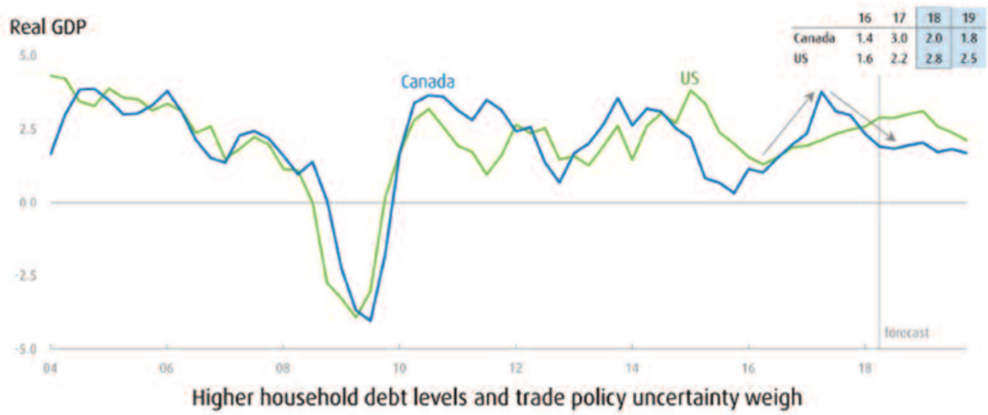
"The rural area beyond the green belt is rather large," he concluded. "We're heavily committed to transit infrastructure investment, with light rail connecting all post-secondary institutions and eventually connecting south Kanata. In Ottawa, you can get from point A to point B in less than an hour."

■ *Robert Frank*

CANADA CONFRONTS COMPETITIVENESS, TRADE THREATS

Michael Gregory
Deputy Chief Economist &
Head of U.S. Economics
BMO Capital Markets

Canadian Economy to lag Fiscal-stimulus-stoked US Growth
y/y % change



Source: BMO Economics

"The Ottawa market is showing signs of considerable growth, while Vancouver and Toronto are finally lagging."

A cooling Canadian economy will continue to grow slowly next year, forecast BMO Capital Markets' Deputy Chief Economist and Head of U.S. Economics Michael Gregory.

"Higher interest rates and government efforts to cool off housing and household debt will continue to weigh on the economy," he predicted.

Mature cycle

"We're currently growing at 1.9 percent and are looking at 1.5-2 percent going forward," he anticipated. "We're already at full capacity, essentially at full employment and inflation is exactly where the Bank of Canada wants it to be. We're settling in to where we should be at this point in the economic cycle."

Gregory warned that recent tariffs as well as pending threats to trade south of the border could cloud the economic horizon.

Huge trade risk

"The number one risk for the Canadian economy right now is trade uncertainty," he cautioned. "The Bank of Canada estimates that these duties, tariffs and the uncertainty lop about two-thirds of a percentage point off our growth to 2020. If NAFTA negotiations don't bear fruit, it will be devastating for the Canadian economy. That's a huge risk."

"If we manage to pull a NAFTA rabbit out of the hat, though, we'll get a bit of a rebound," Gregory countered. "Alleviating that uncertainty could unleash investment and hiring that had been put on hold and trigger a bit of a boom. That pent-up investment and spending might allow us to exceed the two-percent growth for a while."

Longstanding economic nostrums also need a rethink in the wake of United States tax cuts, he added.

Canada's competitive advantage has also been dissipated by cuts to American corporate taxes.

"They've also added other tax incentives," Gregory observed, "like full in-year capital depreciation. Wow! That's a big tax deduction for investment!"

Double whammy

That puts pressure on the Canadian government to implement incentives to deter Canadian and foreign companies from favouring the United States over Canada for expansion. Canadian firms were already investing less capital per employee than their American counterparts, before NAFTA became an issue.

"Exports always used to pull us out of a commodity funk," Gregory explained. "In 2015, it didn't happen. The peso fell further than the Canadian dollar, so Mexico got the competitive advantage. Record U.S. oil production hurt us more than low oil prices. Canada lost its competitive edge but couldn't ride the coattails of a stronger U.S. economy."

"That's the number-one thing that the federal government will be looking at in the next budget round," he concluded. "How do we compete with what's happening in the U.S.?"

■ *Robert Frank*

FEDERAL FACILITIES: COLLABORATION IN, CARBON OUT

Kevin Radford
Assistant Deputy Minister
Real Property Services,
Public Services &
Procurement Canada

Canada's federal civil service is at the forefront—and in some cases leading the way—in leveraging workplace productivity technology.

"Work is what you do, not where you go," remarked Kevin Radford, Assistant Deputy Minister, Real Property Services, Public Services and Procurement Canada.

The federal government is looking at a number of options to serve their clients' workplace needs, including the idea of turn-key leases; and wants owners to fit-up and pre-furnish their facilities.

"The public service wants flexibility, inclusivity and agility in the workplace," Radford reported. "We're shoring up our designs and service catalogue to show prospective lessors what these new interactive, collaborative and autonomous workspaces will look like," he said, "so our clients can just show up and start working."

"We're also developing shared workspaces in and around the National Capital Area (NCA), complete with Government of Canada Wi-Fi, to address the fact that not everyone lives in the downtown core," he said.

Sit down, plug in, share strengths

A new pilot project aims to free civil servants from seventies-style cubicles and enable them to sit down and start working in any of these modern federal workspaces.

"The idea is to enable people from different departments to work in the same place. That opens the door to collaboration," he explained. "When the Prime Minister asks multiple government departments to work together to develop a new inter-departmental program, that's kind of hard to do when they're all in separate spaces. They don't have the information technology or the tools they need to collaborate effectively. So, we intend to transform the built environment, to make that possible, moving forward."

The pilot projects have already implemented some innovative Canadian technology and Radford remains eager to harness new tools as he continues to push those frontiers forward.

Leases go green

While the federal government's NCA footprint remains stable at approximately three million square metres, the proportion it leases has jumped five percentage points over the last three years, to 44 percent.

That means it will increasingly look to property owners to help foster a low-carbon economy, with federal government operations leading by example.

"We need to work with the leasing community to ensure that we make the right investments at the right time to help reduce our carbon footprint. For example, we've done all kinds of work on Smart Building technology and we'll have it in a hundred buildings by the end of this fiscal year", Radford said.

Accent on labs and accessibility

In other fields, the Federal Science and Technology Infrastructure Initiative has also put a once-in-a-generation overhaul of federal science laboratories on the horizon. This new approach will look to bring together federal scientists and science facilities across government to advance interdisciplinary research and collaboration.

"We're also working with the community and with advocacy groups to set new standards for accessibility," Radford said. He added that another social initiative will weigh whether federal properties slated for disposal can be repurposed as affordable housing.

■ *Robert Frank*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MIXED-USE PROJECTS EXPECTED TO PICK UP STEAM IN OTTAWA

Sam Barbieri
Senior Vice President
Asset Management
LaSalle Investment Management

In a market known for its transparency, getting deals done in Ottawa has never been an issue, says Sam Barbieri, Senior Vice President of Asset Management at LaSalle Investment Management. "It's just been a matter of finding deals we want to do given our strategy."

Most recently LaSalle acquired a third of the Minto Place premium complex in a private deal that hovered around the several hundred million-dollar mark. "That was a major deal for us, and has now gone into an open-end fund," says Barbieri.

"When we look at Ottawa, we typically look at core products, but we have had value-added product in that market as well. We're bringing out our industrial holdings there in late September as a core offering.

"In that case, we were dealing with rollover. We had a number of mid-sized tenants, so we extended their terms and leased their vacancies, taking it from 87 percent leased to 92 percent, so I think there will be a lot of interest in it."

Ottawa has always ranked highly among LaSalle's core markets across Canada. It is primarily favoured for its stability, provided by a strong federal government presence. However, heavy dependence on the government sector has also backfired in the past, says Barbieri.

"When they announced their decision a few years ago to downsize by 10 percent across the city, that posed some very real challenges for landlords like us. We had some product downtown that became vacant as a result of them executing that initiative," he says.

"Ottawa is always on our list, but we're fortunate to have an open-end fund focusing on core product as well as a series of value added funds – this give us a number of different pockets we can put things in."

Further development is also on their radar, he says. "We're looking very closely at that over the next 12 months and how we can best benefit from it. Mixed-use is very much in vogue these days – whether an office complex with a retail component, or multi-family units.

Barbieri says there is a possibility they will sell a small portion of a mixed-use property in the ByWard Market next year – depending on the timing of the launch of the city's light rail transit system.

"That whole area is going to look a lot better 12 months from now," he says.

■ *Barbara Balfour*

SUBURBAN DEVELOPMENTS IN OTTAWA ECLIPSING URBAN GROWTH

Joshua Kardish
Vice President
eQ Homes

The primary source of real estate growth in Ottawa will lie, for the foreseeable future, in its suburban developments, says Joshua Kardish, Vice President, eQ Homes.

Coming in at a hot second? Urban growth, especially sites around the LRT.

"Affordable housing in suburbia remains the strongest core opportunity for our company," says Kardish, who is overseeing the Greystone Village project, a 26-acre mixed-use, master-planned infill community near Main Street in Old Ottawa East.

"What will change is how dynamic the marketplace will be for infill housing on the periphery of mature neighbourhoods. We sold a record number of houses in 2017 in Ottawa, but that probably represents the upper limit of the current capacity given the supply of labour and qualified trades in the city."

When complete, the Greystone community will consist of 950 homes offering a full spectrum of housing types and a mix of land uses. Providing diversity was essential to its success, says Kardish.

"It's really hard to develop a community of this size in Ottawa and only have one tenure size. This is not Toronto or even Montreal, where you could build a community with just 1,000 condos. We needed different house sizes for different sizes of families, so freehold housing was by necessity a part of the redevelopment of the site."

Designing and building an entirely new range of housing was a challenge; so too was getting the right product mix for purpose-built rental. Site cleanup was also more complex than they initially thought, as the original boundary of the river bed was not determined, says Kardish.

"There's no magic consultant who will tell you how to build an apartment building for the marketplace – you have to learn it yourself, by default and over time.

"What any company asks itself when it goes through an analysis is whether it has the right product mix and the right internal capacity to manage the project successfully. We knew we could get through this in an efficient way and provide an appropriate return to our investors."

While a portion of the community is located within 500 metres of the LRT station, Kardish doesn't believe this played a role in the original wave of buyers' decision to purchase.

"As we start to release more elements of the project that will be built on more dense platforms like mid-rise housing, and the LRT is functional, then we will see a bit of a difference."

■ *Barbara Balfour*

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MAD RADISH FOUNDER URGES RETAILERS PAY MORE ATTENTION TO CHANGING SHOPPING HABITS

David Segal
Founder
Mad Radish

With the plethora of options available to shoppers today, retailers who want to survive must by necessity offer an exemplary experience.

In the past, bricks-and-mortar retail stores were the distribution point where people had to go to buy goods. "Now it's where you have to want to be to buy goods," says David Segal, founder of both Mad Radish and DAVID'sTEA.

"It has to be a discovery centre for new things and experiences, rather than just a spot to pick up what you need. Because of Amazon and online ordering, we're now seeing this fundamental change transforming the marketplace.

"People's shopping habits are changing and we need to adapt to them. Stores have too many locations and so we're starting to see them downsize, while their e-commerce operations are growing."

As the role of retail businesses continues to evolve, a possible alternative to large network operations could be pop-up shops that allow people to discover new brands, he says. Segal has worked in retail his entire life; in 2008, while living in Montreal, he founded Canada's largest specialty tea boutique with his cousin.

The uber-successful DAVID'sTEA grew to a publicly traded, $200-million retail business with 200 North American locations. After selling his shares in the company three years ago, Segal started working on a new project; bringing salad to the masses.

He describes the Ottawa-based Mad Radish as a fast casual chain that delivers healthy food to busy people.

"Diet is the biggest health issue of our time and Canadians deserve better than the fast food options they get today," he says. "When you go across the country, you might see 10 burger joints for every salad place.

"But we think that eating healthy shouldn't feel like taking your medicine; we want to give Canadians back the joie de vivre of eating good food too, whether it's amazing chef-driven salads, warm bowls, stews, or soups."

An Ottawa native, Segal believes the city is a natural fit for his business. "Ottawa is a great market – a mix of all kinds of people and similar in size to Winnipeg, Edmonton, and Calgary so we thought it would be a good test market for us," he says.

"Right now we're focused on Ottawa, Toronto and Montreal – with those 3 markets we can keep ourselves busy for the next few years. We'll pick our heads up once it's time to go elsewhere, but for now there's a big need for what we're doing in this country."

The lack of urban density in the city is, however, a challenge, Segal acknowledges. "It's very spread out – the downtown core is all government, so by 4 o'clock everybody's gone. As a restaurateur or retailer, it's challenging to get people where they work, live, and play."

■ *Barbara Balfour*

OFFICE SPACE MARKET IN OTTAWA CONTINUES TO OFFER PROMISING RETURNS

Ron Inger
Chief Investment Officer
Forgestone Capital

The most significant opportunity for investors in the Ottawa office market is also its biggest challenge. As the nation's capital is primarily a government town, about 50 percent of available real estate is earmarked for its various agencies, while another 25 percent is used for supporting government functions. As such, government policy has material impact, says Ron Inger, Chief Investment Officer at Forgestone Capital, a Toronto-based real estate growth fund.

"It's also not a very large market and as such, very hard to get to scale. To complete an investment deal in this market, you need the right capital," he says.

Inger believes office space is the property class most likely to offer the best returns in 2019. In fact, Forgestone was most recently part of a consortium that purchased the class-A office complex Constitution Square from Oxford Properties - among the biggest local real estate transactions in recent history.

"We'll continue to monitor the market next year for promising opportunities," he says. "The Ottawa market is showing signs of considerable growth, while Vancouver and Toronto are lagging. As there are lots of offerings and buyers are running out, cap rates here will likely be flat and property dependent.

"Condos don't make sense for us, and the industrial sector is non-existent, but we may branch into purpose-built rental and retail. We buy because of improving and changing demographics and the evolution of the city's downtown."

But for Ottawa to reach its ultimate potential, further growth and diversification are needed as well as a business base that is independent from government, he says.

■ *Barbara Balfour*

START-UPS BREATHE NEW LIFE INTO OTTAWA

Jessica Whiting
Sales Representative
Colliers International

Ottawa's downtown core is becoming progressively trendier and more energized thanks to fast-growing, forward-thinking companies. Jessica Whiting, Sales Representative at Colliers International, calls herself a "quintessential millennial" who lives, works and plays all within a two kilometre radius.

"Co-working spaces allow the rapidly growing start-ups and entrepreneurs to work in core spaces while giving little long-term commitment in capital."

"Ottawa is a great breeding ground for start-ups and tech groups given the stable market and the numerous post secondary schools that we have," Whiting says. "In the last year alone, if you look at Shopify's expansion, SurveyMonkey, Klipfolio, and Telesat, it all amounts to about 450,000 square feet of positive absorption in our downtown core."

Ottawa's tech sector has become the second-largest office occupier in the downtown core after the federal government. Tech companies are now surpassing professional services, like accountants and lawyers. Speaking of forward-thinking companies, co-working giants like Regus, as well as smaller niche spaces like Impact Hub Ottawa who focus on not-for-profits, are thriving in the downtown core.

"They allow the rapidly growing start-ups and entrepreneurs to work in core spaces while giving little long-term commitment in capital," Whiting says. "Their capital can be deployed into marketing, research and development instead of setup costs." She adds that even large companies are using co-working spaces, whether it's to test the new market or to restructure. "We're seeing that they're starting to disrupt traditional options in a good way."

In a predominantly commuter town where government buildings have historically been in close proximity to public transit stops, Whiting believes the LRT will continue to strengthen Ottawa's growing, active urban culture. "Developers, especially when talking about the transformation of the west side of the downtown, have been proactive with rezoning for higher density around the LRT stations," she says. "And I think they're definitely going to reap the benefits come 2019 when it's up and running." She adds that with LRT not only aiding accessibility but also exposure, businesses are caring less about parking options and more about signage opportunities and branding exposure near that transit line.

With a healthy economy where both the public and private sectors are growing, Whiting believes that Ottawa has the fundamentals for new development, which will draw office tenants. "New developments will give tenants fresh new choices," she says. "The core now has single digit vacancy and so does Kanata, where the predominant number of tech tenants reside. So I think with short supply of large vacant pockets, especially in class A buildings, these tech groups, and creative groups like marketing and advertising firms, are all going to want to see new, fun developments."

■ *Michelle Morra*

M&G REAL ESTATE

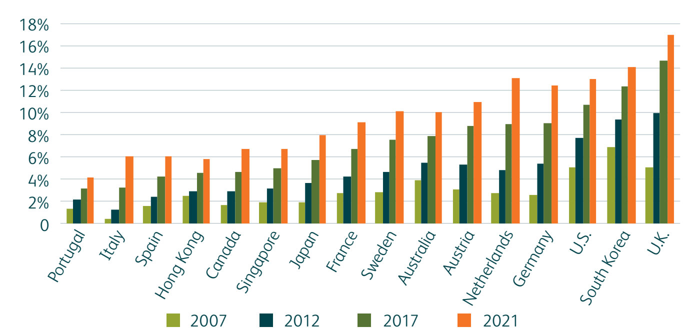
Around the world in retail

October 2018

Richard Gwilliam explores common cyclical and structural drivers fuelling the evolution of the retail story across the key investment regions in Asia, Europe and the U.K. He also considers how the varying levels of online retail penetration are influencing this change.

In the five developed Asia Pacific (APAC) markets of Japan, Hong Kong, South Korea, Singapore and Australia, we remain positive on retail despite headwinds from e-commerce growth, as several supportive fundamentals, particularly in the APAC region, underpin the sector.

Online retail value as a % of total retail value



Source: GlobalData 2017

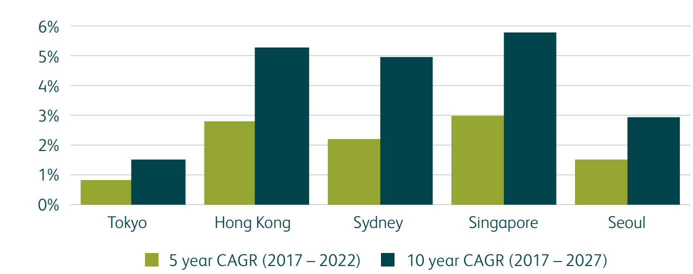
Growing incomes and sustained population growth

Population growth provides the retail sector with a sustained domestic consumer base that requires goods and services. In the key gateway cities of Tokyo, Hong Kong, Singapore and Sydney, steady population growth looks set to continue. Three quarters of a billion people are expected to be added to Asia's population by 2050.[1] Such population growth is driving strong and rapid urbanization in key cities, increasing the depth of local markets and demand for real estate. Almost two thirds of Asia's population is expected to be urban by 2050.[2] As population growth continues, so too does the growth of domestic consumers' disposable income, but tourism also has a huge influence upon retail. With significant volumes of outbound tourists, Chinese consumers are important to the APAC retail sector.

Figure 1: Population of key APAC cities

Source: Oxford Economics, Jan 2018

Figure 2: Real income CAGR



Source: Oxford Economics, Jan 2018

Experience, convenience and transparency

APAC's positive macro fundamentals are driving retailers' sentiment towards space expansion, highlighted by continued interest in the developed APAC markets from international retailers. However, the growth of e-commerce means that consumers now have more shopping options and greater price transparency and no longer expect retail to merely fulfil their consumption needs. The process and experience of shopping, instead, play a more integral role in attracting and maintaining footfall.

[1] United Nations, World Urbanization Prospects, the 2017 Revision
[2] United Nations

Favorable macro fundamentals in Europe

In Europe, too, economic growth continues to create a positive backdrop for retail. Continuing urbanization means that by 2050, 80% of Europeans are expected to live in urban areas, underpinning retail provision.[3] Another positive macro driver is Europe's position as the largest inbound tourism market globally. We favor prime retail in dense, well-connected cities, such as Paris, Copenhagen and Milan, that attract affluent international consumers or retail in dominant regional centres, which are much more resilient to potential store closures given the captive local catchment and convenience attraction.

Physical stores vs. e-commerce

In terms of global e-commerce growth, Europe overall continues to lag relative to the U.K. and U.S. This could spell bad news for retailers and landlords that fail to adapt to changing consumer preferences or those lacking a strong catchment.

The physical store will remain an important consumer touchpoint. Footfall is likely to be maintained through both experience and convenience-led retail, with the boundary between online and offline increasingly blurred through omni-channel sales. With Europeans now spending a greater proportion of their income on 'experiences', retailers and landlords have been adapting, with the proportion of lifestyle, food and beverage (F&B) and entertainment tenants across schemes increasing across Europe.

International retailers focus on strategic prime-pitch locations

Across Europe, the rate of retailers' physical expansion has slowed, with consolidation of portfolios into fewer, but larger, flagship stores in key cities. Meanwhile, international retailers have been concentrating their physical presence in strategic prime-pitch locations.

Retail is a fast-evolving and flexible sector that will need to adapt to remain resilient and meet changing consumer demands, particularly in the U.K. which faces not only the challenge of losing market share to online and rising cost pressures against consumers that are reaching 'peak stuff', but also large store portfolios.

As a result, fewer retailers are opening new stores and choosing instead to "right-size" to reduce costs. They are also sharing store space through more concessions, enabling them to drive income and reduce their net operating costs.

Resilient performance from U.K. core retail

In the U.K., well-positioned retail assets continue to attract occupiers, generating stronger performance for core property. E-commerce continues to grow in this mature market and physical retail will be transformed, challenging older and larger space in weaker towns. We remain positive on more dominant locations that are still seeing population and employment growth and have 'destination' potential.

Staying flexible is key

Maintaining flexibility is key as the requirements for stores change. Large tertiary and secondary assets may be repurposed to mixed-use to create opportunities to maximize income from assets. In addition, the adoption of omni-channel retailing is a growing trend, alongside technological integration, targeted marketing and place-making strategies, which are used to attract, engage and retain consumers and tenants.

For shopping malls, in Asia, for example, our preferred investment scenario is a management strategy where we can work with established operators with market knowledge and the resources to maximize asset performance. Super-regional shopping malls and high street retail in prime areas, attracting both locals and tourists, are among our favored investment assets, alongside large, suburban shopping malls in growing catchment areas, close to residential development and served by strong transport links.

In an era of structural change within the sector, investment strategy and active asset management will be equally important to remain resilient to potential headwinds. Providing consumers with a seamless shopping experience, by integrating both online and offline channels, will be a key driver of success. Active asset management initiatives, which facilitate meeting both occupier and consumer requirements, will be crucial to driving footfall and ultimately capturing strong and stable property returns in this sector. And with some key differences between the regions – and between individual locations – a proactive approach to asset management remains the most critical driver of success.

[3] United Nations, 2015

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Altus Group · CMLS Financial · Graywood · iA Financial Group · Lawson Lundell · Yardi

Young Leaders Program

Chicago Title

Concurrent Sessions

bdc · Brookfield Properties · Canopy Lands · CareVest · Choice Properties · CoStar · KV Capital · Laurentian Bank · lemay+Toker · Manulife · One Properties · Peoples Trust

Corporate

Altus Group · Cameron Stephens · CREW Calgary · Grosvenor · N Construction · Oxford

Media

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BOMA Calgary · CREW Calgary · NAIOP · Real Estate Development Institute · Real Estate Institute of Canada · SIOR

DIVERSIFY MAY SOUND LIKE A START-UP BUT IN REALITY, IT'S THE KEY TO CALGARY'S GROWTH

Todd Cook
President & CEO
Northview Apartment REIT

Calgary has survived a few tough years with the downturn in the economy. The Calgary real estate market has been hit fairly hard, particularly with the amount of new supply in the multifamily and office rental space. That said, some real estate investors are cautiously optimistic that we're near the bottom, started to bounce back and are ready to recover.

Our main challenges and opportunities might be one and the same: diversifying our economy so that it won't rely so much on oil and gas. Expert panelists at this forum's sessions have a lot to say about where and how that diversification is occurring. While diversification brings risk, it can also be essential to making Calgary less vulnerable to the bust and boom cycle. The industrial sector, for example, is performing well and we are finding alternate uses for some of the buildings vacated or downsized by companies during the downturn over the last few years.

Calgary needs job creation and population expansion. As diversification creates jobs, the benefits will trickle down to the multi-residential sector and ultimately help the housing market rebound. In terms of apartment rental prices, incentives are now starting to fall off. Ultimately rents are bound to go up, though likely at a slow and steady rate.

On the residential side, the opportunities for multifamily continue in suburbs, which continue to grow quickly. Part of a well-balanced community includes single family homes, multi-family condos, as well as rentals. Owners and renters want more amenities today, so developers are looking at gyms and a wide range of entertainment, whether it's golf simulators or recreation rooms, to keep up with these changing demands. The other interesting multi-family development question to do about the Amazon effect? The traditional mailbox no longer works for the volume of materials being delivered on a daily basis. In apartment buildings with 50 to 100 units or more, where will online shoppers receive their parcels? Even deliveries of fresh ingredients for homecooked meals are becoming commonplace. It's up to developers to adapt and innovate.

At our Forum we aim to offer a better understanding of the current economy and the impact it will have on real estate in the coming months and years. We also encourage participants to bask in the glow of optimism. Yes, Calgary may have received the brunt of the downturn, that those tough times have sparked resilience and innovation. What goes down must come up. There are still promising real estate, development and investment opportunities to be found in Calgary.

■ *Michelle Morra*

RETAIL AWAKENS

Darryl Schmidt
Vice President, National Leasing
The Cadillac Fairview Corporation Limited

After a very rough patch, retail is showing signs of life. Bankruptcies, which have been a too-regular occurrence across North America, have tapered off this year. Calgary's local economy is also looking hopeful according to Darryl Schmidt, Vice President, National Leasing, The Cadillac Fairview Corporation Limited. He says the company's portfolio is seeing modest increases in traffic—one to two percent on a rolling 12-month basis—but even better sales productivity. "Sales are increasing in that two to four percent range, which we hadn't seen in probably the last three years," he says. "It's not a dramatic rebound but it's going in the right direction."

Louis Vuitton opens at CF Chinook shopping centre and opens this month. That's having a positive spinoff effect in the market right now, with other luxury retailers taking a look at the market. "We opened Saks early this year in February, and they've been performing quite well," Schmidt says. "And though it's a little early to say for sure, Japanese retailers like MUJI and Uniqlo are looking in the Calgary marketplace—the next logical destination for them now that they've penetrated the GTA and Vancouver."

Retailers are reinventing themselves in different ways, with an understanding that pure-play online or pure-play bricks-and-mortar don't work anymore. "They need to play in both spaces, and also play in outlet," Schmidt says.

Another shakeup is happening with the legalization of cannabis. Though Schmidt says the city has been somewhat prescriptive with zoning laws saying stores can't be within 300 metres of each other, "as time goes on that's going to get relaxed to a

"Cannabis retail has kind of been an added bonus, in a beat-up market, that a lot of developers have embraced."

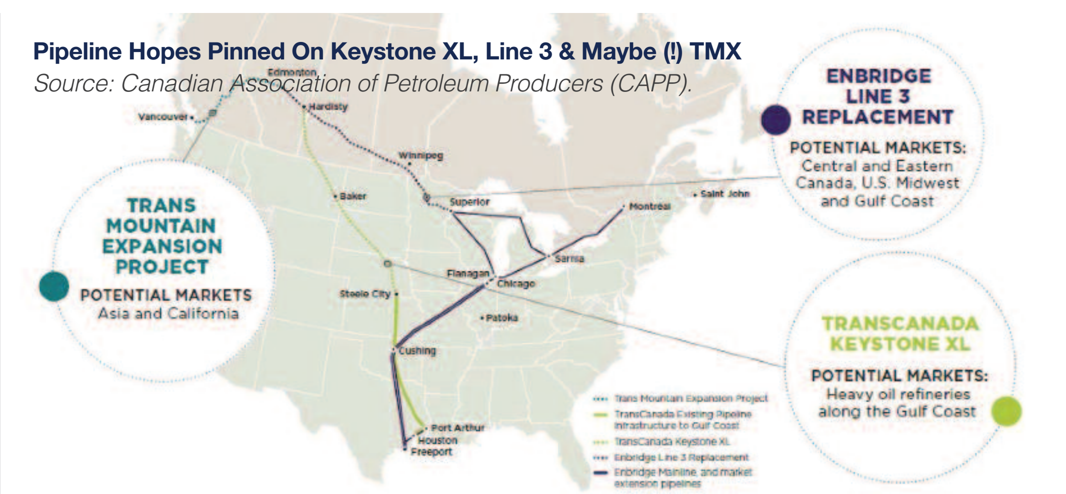
certain extent and market forces will dictate where the cannabis stores are going to locate and how many in a given market. It has kind of been an added bonus, in a beat-up market, that a lot of developers have embraced."

To real estate investors who might be wary of the Calgary market, Schmidt's pitch is that the worst is over, from a pricing standpoint. "Rent structures have reset to a certain degree, and it's certainly much more affordable than it was in 2012 or 2013. The fundamentals and demographics are here. Calgary is still one of the highest average household income cities in North America. It has a young population that's in its prime consuming years. Those are all positive attributes for any retailer. Is it as frothy as it was in 2012, 2013? No, but that's probably a good thing from a labour and a construction standpoint. There's lots of positive, long-term upside to coming into the Calgary marketplace."

■ *Robert Frank*

PROSPECTIVE PIPELINES TO RELIEVE STRATEGIC BOTTLENECK

Derek Holt
Vice President & Head of Capital Markets Economics
Scotiabank



Pipeline Hopes Pinned On Keystone XL, Line 3 & Maybe (!) TMX
Source: Canadian Association of Petroleum Producers (CAPP).

Derek Holt has good news for Albertans and British Columbians: Their provinces will lead the pack in terms of economic growth during the next two years.

"Some of that is driven by a quick burst capital spending in the energy patch since last year. It offset the weakness since energy prices fell sharply in 2014-2015," explained Scotiabank's Vice President and Head of Capital Markets Economics. "The household sector and growing consumption drive our forecast."

Alberta is no longer losing more residents to other provinces than the number of newcomers it welcomes, he added, which has helped to stabilize Calgary's housing market.

"We're still looking at oversupply," he noted. "A lot of new housing construction remains unabsorbed compared to the sharp

OFFICE TENANTS HAVING A FIELD DAY

Darcy Payne
Vice President, Leasing
Triovest Realty Advisors

It continues to be a tenant's market in downtown Calgary. With close to 90 percent of tenants either directly or indirectly related to the oil and gas sector, the current slump continues to create layoffs.

"If you look at historical absorption numbers Calgary has up to a 10-year supply of office product available, which is quite high, however absorption can spike when the economy is doing well and job growth exists this can lead to massive swings and decreases in vacancy" says Darcy Payne, Vice President, Leasing, Triovest Realty Advisors. "We're not seeing many new entrants to the market, what we are seeing is a flight to quality and tenants moving around with some expansion and contraction depending on the tenancy including consolidations." Preliminary statistics for the quarter (rounded up) don't paint a rosy picture: 19% for the AA market, 24% for A, 41% for B and 35% for C.

Payne says, "The A market had approximately 300,000 square feet of negative absorption, as well B Class had 400,000 square feet of negative absorption, while AA class of buildings has had positive absorption this past quarter. This tells us that tenants are continuing to upscale or move from B and C product to A or AA" Recent real estate activity has followed three trends: aggressive blend and extends (tenants with 2 or 3 years left on their term renewing early), flight to quality (moving from B and C product to A and AA), and suburban and beltline tenants doing deals downtown (a recent deal completed downtown which will consolidate a suburban user in just over 100,000 square feet).

"Tenants are moving to AA buildings because the rental rate spread from AA to A or B is no longer a wide margin," Payne explains. "Historically AA might have been $40 to $50 whereas now they're in the mid teens to low 20s. And the AA new product might approach into the 30s, this allows tenants to lock into a better space, which offers more amenities with a well located superior building on a long-term deal at a very favourable cost basis."

Over the past 12 to 18 months deals have become increasingly aggressive, with tenants asking for rights in their lease deals in order to maintain their flexibility and options within the building. These rights might include rights of first refusal, rights of first offer, expansion and contraction options, and more. "Tenants have been asking for up to three years free rent (net or gross free) on deals including other items such as free parking for their staff for the entire term of the deal" While the final deal may not be as aggressive many landlord's need to decide how aggressive they want or need to be depending on their risk tolerance as well as the state of their expiry and vacancy profiles for each of their buildings.

Meanwhile, to accommodate the new wave of funky, tech-savvy tenants, landlords are retooling their buildings to include everything from conference centres, golf simulators, gyms, studio spaces and tenant lounges some of which are beer tap lounges.

The market is active with quite a few deals getting completed, however the next couple of years will be interesting as the number of expiring tenants of any significant size is a small pool to draw from has decreased. Payne describes a phenomenon he has seen in his own portfolio: Forward looking deals with two to three years left on a term. "These are blend and extend deals, where tenants will either renew early or be incentivized to leave their building. The new landlord might give them two years of free rent, and then they'll leave their existing building, while continuing to pay their rent on the old space, then try and sublet it after moving into a newer or more functional building." This is a big part of why the expiring tenant pool has decreased. We need significant job growth which will help drive the absorption of office space in downtown Calgary.

■ *Michelle Morra*

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inventory shortages which we witnessed a few years ago. Hence the housing market will remain reasonably pressured in Calgary and Edmonton."

Holt tempered expectations, noting that the westernmost provinces will only outpace Canada's expected two percent economic growth by about a half percentage point.

"We're not out of the woods yet," he said.

Still, Alberta is better positioned than other provinces to withstand potential trade shocks, if ongoing North American Free Trade Agreement (NAFTA) talks go awry. Alberta's strengths include a significant service industry and its strong non-energy resource sector.

"Not being diversified into manufactured goods like Ontario could prove a bit of a silver lining," Holt said. "It makes Alberta less vulnerable to NAFTA risks."

Longer-term prospects could prove even brighter.

Though the Trans Mountain pipeline suffered significant setbacks this year, other oil logistics projects auger well for Alberta's fortunes.

"On pipelines, two out of three is not bad," Holt quipped. "While everyone else enjoys higher oil prices, in Western Canada they remain quite depressed and continue to suffer a large discount to Western Texas Intermediate."

While Syncrude's setbacks play a short-term role, the country continues to suffer from its strategic reliance on a single distribution hub in Cushing, Oklahoma, which can't handle enough Canadian crude. The ensuing glut drives down prices in Canada.

"Historically, Canada has tended to orient all pipeline flow southward, limiting exposure to the United States' western seaboard, Asia and other international markets," he said. "Keystone XL and Enbridge Line 3 could relieve the bottleneck once they are fully operational in 2020-2021. Canadian prices could eventually rise to reach global norms if they uncork the Cushing bottleneck, relieve ongoing supply pressure and open new international markets for Alberta oil."

"It will be nice if it gets traction, but it is outside our forecast horizon," he concluded. "If Trans Mountain goes ahead, it will no doubt be icing on the cake. There are implications for upstream development as well."

■ *Robert Frank*

POLICY, REGULATORY REFORM HOLD KEY TO ECONOMIC POTENTIAL

Jon Love
Chief Executive Officer
KingSett Capital

Calgary has bounced back from the depths of the energy price crunch, acknowledged KingSett Capital Chief Executive Officer Jon Love.

"We've seen recovery in energy prices to what most people would view as an economic level," he said. "Calgary is growing, both in terms of population as well as overall job growth. The residential real estate market is performing adequately, industrial real estate is picking up and the retail market remains fairly solid, so it is not by any stretch a bleak case."

Love welcomed the good news with the suggestion that a reassessment of environment and energy regulation as well as government policy could revive Alberta's slumbering economic giant: its world-class resource sector.

Love called for governments at all levels, federal, provincial and municipal, to reconsider resource policies and regulations which can delay drilling for years, dampening the investment climate. Trimming the red tape would renew Alberta's advantage over currently less-restrictive jurisdictions in the U.S. and overseas.

"There would be a significant economic upside, were Canada to expand our pipeline network to both east and west coasts, to foster the purchase of Alberta oil, whose environment and safety standards exceed jurisdictions where we currently import oil, like Venezuela, the Middle East and Nigeria."

"Calgary's economy would undoubtedly benefit from national government policy that is more supportive of its major employer," Love said. "Improved investment would significantly ease the excess supply of downtown office space that has contributed to the current problem."

"The real estate market has stabilized and is improving. We're not overly anxious by any stretch," he reassured. "Should we witness government policy that actively encourages employment, though, you will witness a very healthy rebound."

A concerted effort to ease the flow of oil to tidewater would also have a salutary effect on the economy, he added.

One bright light is Calgary's nascent technology industry, which has started to help diversify the city's economy.

"All of the economic development efforts to attract technology firms to Calgary have been constructive," Love acknowledged. "Technology is very important. It has created hundreds of jobs here."

"Calgary is one of the most livable cities on the planet. With its highly educated and entrepreneurial-spirited workforce, it has the potential to join the ranks of Canada's main tech clusters in Toronto, Vancouver and Montreal," he concluded.

■ *Robert Frank*

INFRASTRUCTURE INVESTMENT, LIVABILITY, NEW PIPELINES SET STAGE FOR REBOUND

Brad Krizan
Chair of the Board
Downtown Calgary

When the energy downturn hit, Calgary implemented a three-pronged strategy to slash red tape and facilitate investment in its urban core.

"We've moved to reduce the regulatory burden and have made a lot of regulatory information available online," said Downtown Calgary Chair of the Board Brad Krizan.

Another initiative at the forefront of renewal efforts is a $100 million innovation fund aimed at luring investment back downtown. In an effort to diversify away from dependence on energy, the city has attracted technology firms, with further forays into financial services in prospect, possibly witnessing a major upgrade at BMO.

"We're doing our best to help to diversify the economy and not be quite so oil and gas dependent," he said. "We have also moved to become much better stewards of our corporate capital."

With oil hovering back at the $60 a barrel level, the situation has stabilized, though the downtown vacancy rate remains elevated. Setbacks to prospective pipelines that would reduce Western Canada's dependence on depressed prices are the main impediment.

"It's not just about the per barrel price," Krizan observed. "It's about getting your product to market. Our ability to do so remains constrained."

Though roadblocks to completion of the Trans Mountain pipeline remain a setback for the energy sector, access to markets ought to improve the economy once the Enbridge Line 3 and Keystone XL ramp up.

Calgary also holds two other aces: Massive infrastructure investment and an attractive lifestyle.

A new $5 billion green line commuter train line will soon serve the city's north and southeast. If Calgary successfully snags another Olympic bid, a stimulus of similar magnitude is also in the offing.

Finally, the city stands to reap the benefits of its recent recognition as the fourth most-livable city in the world.

"That attracts capital," Krizan smiled. "It has led investors to thinking anew about Calgary real estate."

■ *Robert Frank*

CALGARY RENTAL MARKET REBALANCES

James Ha
Vice President
Finance & Investor Relations
Boardwalk REIT

"It's a scenario where one plus one can really equal three"

Residential rental real estate owners see some relief in sight, as demand picks up in the Calgary housing market.

"We're seeing occupancy levels begin to rise," reported James Ha, Vice President, Finance & Investor Relations, Boardwalk REIT. "Incentives have begun to decrease and we're seeing the market return closer to a state of balance."

Boardwalk's decision to invest in improving its properties during the downturn have begun to prove prescient, he said.

"We're seeing increases in market rental rates because of the capital that we invested in repositioning some of our assets," Ha said.

Discriminating renters have proved willing to pay a premium for location and lifestyle, he explained.

Residents want more amenities at the upper end of the market," Ha declared. "We offer first-class gyms, wi-fi bars, large well-appointed common areas and media rooms.

Party rooms are particularly popular, he added. "We have included indoor and outdoor areas that residents can book for their own gatherings."

"If you live in a 700 sq.ft. apartment and want to hold an event for 12 people, you are probably not going to host it in your suite," Ha continued. "In some of our communities, we provide our residents with a premium space with a full gourmet kitchen, dining table and seating area, equipped with media and televisions and a barbecue area with patio furniture. We have found that this is an amenity that has been in high-demand for the communities that we've repositioned."

Owners have begun to recapture some of the inflation and improvement costs that they have hitherto absorbed for the past four years, he added. Capitalization rates remain strong and prices per door are still stable.

"We have seen an increase in operating expenses, despite the downturn out there," Ha said.

Despite the occasional opportunity, a dearth of existing product for sale has led to a lot of new development.

"Oversupply remains the biggest risk," he cautioned. "The good news is that total starts, including single-family and condos, have decreased, though purpose-built rental has risen."

In the multi-family market, Ha sees ample opportunity in joint-venture partnerships to create mixed-used facilities.

"It's a scenario where one plus one can really equal three," he smiled. "Today's retail tenant typically requires less space and demand that landlords drive traffic. In the meantime, residential tenants want great, amenity-rich space, close to retail. Put the two together, and everyone wins!"

■ *Robert Frank*

INDUSTRIAL LEADS THE PACK, AS DISTRIBUTION DRIVES DEMAND

Jordan Carlson
Director, Investment
Anthem Properties Group

Calgary's industrial real estate market held its own during the downturn since 2014. Now, it is rebounding, with logistics leading the way.

"Distribution is driving the market, as is Calgary's overall rebound," observed Jordan Carlson, Director, Investment, Anthem Properties Group. "Industrial real estate is seeing more momentum than any other asset class. That has instilled confidence in developers, which is why we're seeing a lot of product coming on line and more in the pipeline."

Skyrocketing costs on the coast have led distributors to look inland, reinforcing Calgary's edge in logistics investment.

"There is no vacancy in Vancouver and Toronto is too expensive, with double-digit rate increases. We're seeing prices of $2.5 million per acre for industrial land," he reported. With no new land to build on, West Coast developers are obliged to build up, instead of out. "Some Vancouver sites are seeing up to four-storey industrial developments."

In contrast, Calgary is a clean city where lots of land remains available.

"Costs here are reasonable and there's great infrastructure to support it," Carlson affirmed. "That's why firms are building here, like Amazon with its huge, 600,000 square foot warehouse, as well as others like Home Depot and Smuckers."

Although modern distributors eschew the 15-20 foot clear heights typical of city's older industrial properties, Carlson suggested that their downtown location and flexibility affords ample opportunity for repurposing them to other, imaginative vocations.

"We have a lot of older, outdated products that are poised to evolve, as the city regains its dynamism," he said. "It's virtually 100 percent full and trades at ridiculously low capitalization rates. It might work well for a small automotive parts distribution our auto body firm. Some types of recreational repurposing or even breweries are possible, as well."

The greatest challenges that Calgary will face remain the sustainability of its rebound and retaining investor confidence.

"Right now, it's pretty good, and the city is thriving," Carlson acknowledged. "Diversification and the energy sector rebound are strong drivers. The near-term challenge is to see whether they will be sustained."

Another hurdle remains getting all levels of government to remove restrictions to development and associated red tape.

"Land policy could definitely be a challenge to growth," he concluded.

■ *Robert Frank*

"Costs here are reasonable and there's great infrastructure to support industrial development."

In terms of investment, The City will be looking at roughly a $7 billion capital budget over the next four years across the board, including transportation, maintenance, real estate, facility upgrades, and other areas.

SPEND IT AND THEY WILL COME

Brad Stevens
Deputy City Manager
The City of Calgary

Calgary real estate is no stranger to the trickle-down effects of an oil-based economy. For the office asset class in particular, downtown is currently in the throes of a record high vacancy rate. The City of Calgary is addressing the issue in three key ways. First of all, it has put together a $100 million fund that's being administered by Calgary Economic Development with the aim of luring investment back into the downtown and, ultimately, increasing the assessment rate. "Because the assessment values are so low in the downtown, that pressure gets pushed down to the surrounding communities," says Brad Stevens, Deputy City Manager, The City of Calgary.

The City has also become, in Stevens' words, "a better steward of our corporate capital" and has been making a concerted effort to increase its rate of spend to be able to support the economy. Lastly, The City is doing its best to help diversify the economy so that it's not quite so oil and gas dependent.

In terms of investment, The City will be looking at roughly a $7 billion capital budget over the next four years across the board, including transportation, maintenance, real estate, facility upgrades, and other areas. The Green Line LRT could cost almost $ 5 billion and, if Calgary were to win the Olympic bid, that could mean another $ 5 billion.

Stevens is cautiously optimistic that once investors see that government and local industry are making big investments, it just might spark their interest, though he adds that these measures might not be enough to effectively address high office vacancies. "There's still work being done," he says.

From the perspective of international investors he believes the general overall feeling towards Calgary remains positive. That, rumour has it, might have something to do with Calgary pursuing the Olympics, expanding its convention centres and, in particular, being named the fourth most livable city in the world by the 2018 Global Livability Index.

"We've done a lot of work to reduce some of the regulatory burden," Stevens says. "We've put a lot of our regulatory information online. Some of those things are beginning to help as well." So is the fact that Calgary remains a beautiful, well-maintained city and a spectacular downtown, which Stevens is quick to point out. To anyone who's unsure about this market he says, "You've actually got to come and see and experience it yourself… and I would mention the many types of investment. Council has just approved growth of development of new residential communities, and there's investment being made into established communities. I think the overall approach is a very positive one."

■ *Michelle Morra*

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

1 CALGARY'S ECONOMY GAINING GROUND

Employment gains and strong economic growth numbers show signs that the city is entering into recovery.

2 NEW TRENDS PRESENT NEW OPPORTUNITIES IN HIGH VACANCY OFFICES

The budding pot industry and coworking phenomena are emerging trends with an appetite for space.

3 HOUSING – STILL A BUYERS MARKET

The Calgary housing market presents an affordable alternative to people priced out of the Vancouver and Toronto markets.

4 RETAIL BUOYED BY INCREASE IN CONSUMER SPENDING AND NEW RETAIL DEVELOPMENT

Despite an increase in minimum wage to $15 in October and the downsizing of bricks and mortar stores, Calgary retail sector showing signs of growth.

5 TECH IS SHAKING UP THE INDUSTRY

From paying rent to property management, technology is changing the way business is getting done.

6 CAPITAL FLOWS THAWING

Although numbers a low, there has still been a gradual increase in overall investment. Key deals are showing signs that there are opportunities in Calgary if you know where to look.

7 TECH LABOUR POOL IS TALENTED BUT SPARSE

Investment into building a tech oriented labour pool is critical to attracting new companies.

8 OVER 2 MM SF OF INDUSTRIAL SPACE SLATED FOR 2018 COMPLETION

At the end of Q2, the industrial vacancy rate decreased for the sixth straight quarter to 6.2%.

9 STRONG GROWTH IN SECONDARY MARKETS

Calgary's secondary markets are doing well with new industrial and retail developments and healthy home sales.

10 SIGNIFICANT DEVELOPMENT PLAYS INVIGORATE THE CITY

From the completion of the Ring Road to the redevelopment of the Stampede lands, Calgary is on the precipice of major change to its urban areas.

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

CALGARY LOOKS AT SEVEN INDUSTRIES TO SHAPE ITS FUTURE

Court Ellingson
Vice President
Research & Strategy
Calgary Economic Development

Calgary Economic Development's Vice President, Research & Strategy, Court Ellingson, is building a foundation for sustained economic growth.

"Rather than look at sectors, we look at the fundamentals for future development," Ellingson explained. "We're looking at how innovation and disruption will affect our industrial sectors: They're our biggest fear, but they're also our biggest long-term growth opportunity."

Ellingson identified seven industrial sectors which offer the greatest potential for growth. Three core industries—energy, transportation & logistics and agribusiness—initially offer the greatest opportunities.

"We have the financial, legal and global trade connection support that those firms need to thrive," he observed. "We're looking at how they will embrace the digital disruption of their industry."

Other sectors poised for expansion include financial services, life sciences, health and creative industries, as well as tourism.

"From a real estate perspective, transportation & logistics firms will initially absorb the most space," Ellingson forecast. "Over time, more space will be absorbed by technology firms that are attached to all seven industrial sectors that we have identified."

Talent pivotal
While all cities struggle to supply sufficient talent to satisfy the tech boom, Calgary's highly education population is well-positioned to lever its considerable existing brainpower.

"The financial, legal and engineering professionals who lost their jobs in the latest downturn are a significant asset," Ellingson said. "We explore how to turn a chemical engineer into a computer scientist. We're also working with the secondary school system to develop ways to prepare today's youth for jobs that don't even exist yet."

Technology firms still comprise a small portion of the Calgary economy, but their arithmetic growth augurs well for their future contribution.

"There is a strong focus, going forward, on the industrial internet-of-things," Ellingson reported. "Many of these companies plan to double their workforce in the near term."

Red-carpet treatment
Calgary's municipal infrastructure and amenities also play a part in attracting talent.

"They come here for the opportunity," Ellingson observed. "Not just a single job opening: They want to move to a place ripe with opportunities to build a career."

Companies cite Calgary's community spirit as a differentiating factor in their decision to locate here.

■ *Robert Frank*

IN THE RIGHT HANDS, SLUMP EQUALS OPPORTUNITY

Syl Apps
Managing Director
Hines

Hines is a vertically integrated real estate investment, development and management firm that has been active in Calgary for almost 10 years now and is “a strong believer in the city of Calgary,” according to Syl Apps, Managing, Director. Apps sees the current challenges of Calgary’s real estate market as an opportunity to grow the company’s portfolio in this city.

The company recent acquired Calgary’s First Tower office building in partnership with Oaktree Capital Management and plans to reposition the property through a significant capital upgrade. While the acquisition brings “a good deal of vacancy, either current or future, and significant execution risk,” Apps sees “an opportunity to take a building that’s structurally well built and leverage Hines’ global expertise to redevelop key components of it, to ultimately deliver what we think will be a differentiated and compelling value proposition for our tenants.”

When deciding on a redevelopment strategy, Apps says Hines focuses on the needs of current and future tenants. It’s about helping tenants do their jobs, attract and retain quality talent, use their space as efficiently as possible, collaborate, learn and be creative.

Throughout its history Hines has developed, redeveloped or acquired over 431 million sq. ft. of space and today manages over 224 million sq. ft. of space worldwide. The company has the ability to look at what tenants around the world want, how they are using the space, and how that’s evolving. “We hope to take that global perspective and leverage those learnings in the redevelopment of First Tower,” Apps says.

“That includes a significantly upgraded amenity offering, integrating outdoor space (both common and private) for tenants. It’s wellness—whether health and fitness, end-of-trip facilities or tenant-focused bike parking. And it’s shared and common facilities that allow our tenants to be more efficient with their space usage, including common collaboration areas where tenants can hold an impromptu meeting and best-in-class conference and meeting facilities… things that allow tenants to use the space they’re paying for much more efficiently and hence reduce their overall occupancy costs per employee.”

How to control redevelopment costs, especially those unexpected costs that inevitably happen with a sizeable project like First Tower? Hines has the advantage of having been in business for over 60 years. “We feel very comfortable in terms of our ability to manage risk internally with our Calgary team, our Canadian team and our global platform,” Apps says. “And then pairing that with rigorous due diligence and analysis to ensure that we have understood to the best extent possible the potential risks or exposure we may be taking.”

■ *Michelle Morra*

CALGARY IDEAL FOR OPPORTUNISTIC INVESTMENTS

Brian Bastable
Chief Operating Officer
Slate Asset Management L.P.

The favoured asset classes among real estate investors in Calgary today tend to be industrial and multifamily, but Slate Asset Management L.P. has been buying office product since 2006 and still gravitates toward that asset class. “Our opportunity is to get good quality, well-located product typically in the downtown area, although we do buy suburban as well,” says Brian Bastable, the company’s Chief Operating Officer.

Asked what are the key challenges today, Bastable mentions supply, for one. “Supply is really strained by vendors being uncertain whether to hold or sell,” he says. Another challenge is financing, since the Calgary economy troubles some lenders, depending on occupancy levels. “The challenge is just making the math work from the perspective of the lenders who are willing to provide versus what you’re able to buy at,” Bastable says. “Obviously, it has huge implications on your returns and what you’re trying to achieve in the market from an investment standpoint.”

Despite a very large concentration of C-class assets on the market in Calgary today, Bastable says Slate is currently focused on the many opportunities in the B class market. Tenant-wise he expects there will always be a flight to quality, moving from B to A, or from C to B, but says not too many move into existing Cs without the right capex.

In Calgary, location is everything. If a property is located just a block too far West, East, North or South it can have “a huge implication over whether or not tenants are going to come to your building,” Bastable says, adding that Slate puts a lot of thought into its purchases based largely on location and tenant makeup. Since 2017 the company has acquired about 2.4 million of sq. ft. of office product—two million of which is downtown.

“We’re heavily invested in the city,” Bastable says, “because we believe in Calgary and believe in the direction the economy is going to go.” He adds Calgary is different and that investors just need to understand the rollercoaster effects of the economy here compared to other Canadian cities. “There are constant periods of ups and downs. This one might have lasted a little longer than other ups and downs in Calgary, which could scare off some investors, but we just have faith that Calgary will always be around and always be a big player in the Canadian marketplace. In terms of opportunistic investing it’s probably one of the best places in Canada.”

■ *Michelle Morra*

INNOVATORS NEED FLEXIBLE SPACE

Peter Garrett
Chief Executive Officer
University of Calgary

One reason for the high vacancy rate in downtown Calgary is that many of the oil and gas companies that have vacated office towers were companies with a thousand, or multiple thousands, of employees. It takes a lot of tech and start-up companies to fill up that space, especially given that most start off with just two to 10 employees and, even with explosive growth, might only grow to a few hundred.

The real estate needs of innovators are somewhat different from those of more traditional companies. While certain jobs are unlikely to ever disappear—those requiring a fixed location, lots of filing cabinets and so forth—Calgary is seeing an increasing need for innovation space and, in a word, flexibility.

“The shift to the digital economy is enabling a lot of flexibility as people work more and more from laptops,” says Peter Garrett, Chief Executive Officer, Innovate Calgary, University of Calgary. “Even the desktop computer is somewhat a thing of the past now in a lot of cases.” And far beyond the laptop is another technology that’s radically changing business. “Blockchain has fundamentally changed the requirement to have a trusted intermediary between a buyer and a seller, and so any aspect of business that is transaction oriented is subject to disruption and automation,” Garrett says.

He adds that office real estate will have to accommodate not only the needs of tech companies but also life sciences, another fast-growing sector. The space demands for that type of sector are more wet lab based, requiring a fundamentally different building structure than a traditional office building does. “Again it’s about flexibility,” Garrett says. As some companies accommodate the mobile worker, others will have workers focused around labs. This, Garrett points out, begs the question: If someone is a mobile worker with a laptop and works in a lab, does that person even need an office desk? Or does the laptop in the lab adequately cover that person’s needs? It’s a new world, but one that landlords can adapt to if they’re flexible and open to change.

“If you look back in history a little bit, innovation was not a strong economic focus of most organizations in the city until the price of oil tanked,” Garrett says. “Our economy was running on all cylinders, we were kind of fat and happy, and then when the price of oil tanked we had a bit of a wakeup call.”

■ *Michelle Morra*

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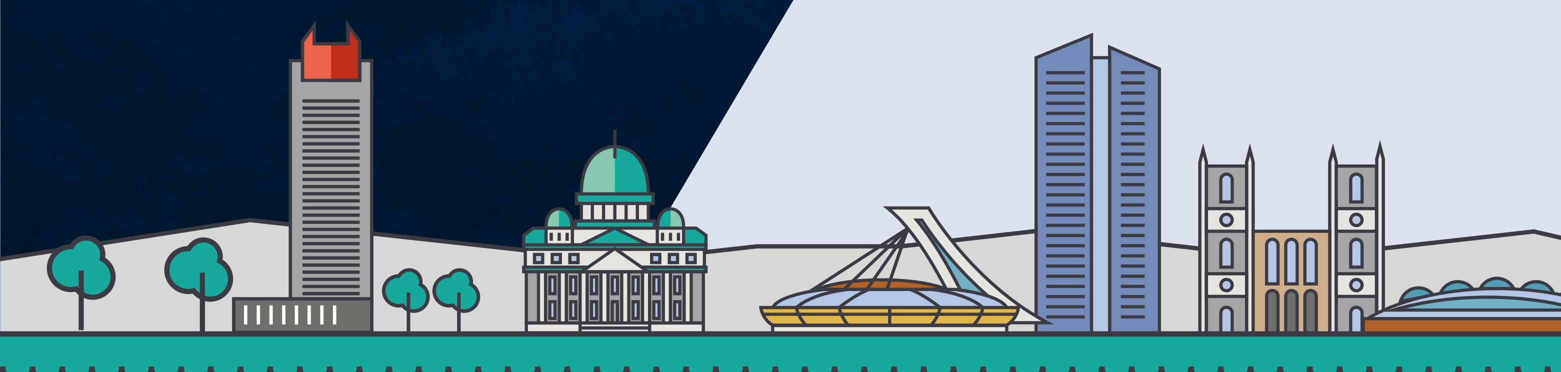

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INCLUSION HELPS TAP TOP TALENT POOL

Delofante Atkins
Senior Manager
Learning & Inclusion
Matrix360

The better the talent, the better the prospect for the bottom line. So how best to attract the up-and-coming generation?

With many Generation X already sitting in the leadership saddle, will the same recruitment and retention strategies that put them there work as well for their successors: Generation Y and millennials?

"Most millennials are already in the workforce," observed Delofante Atkins, Senior Manager, Learning & Inclusion, Matrix360. "Millennials will comprise 80 percent of the workforce by 2025."

"We focus more on Generations Y and F, who will be the core leaders in ten years," she said. "Their needs are not necessarily the same as their predecessors. Needs and wants evolve. What was cool or interesting ten years ago is not necessarily so now."

A common thread runs through all generations: The desire to learn, to develop and grow, for loyalty, to engage as well as to be heard and valued.

"Those are the needs that we all have and that we all want in our workplaces," she explained. "What changes is how we fulfil those desires."

What is different about the social media generation is that it is acutely aware that society is heterogenous. That makes them aversive to corporate monoculture.

"If there is predominantly one gender in leadership, or one or two races or sexual orientations in leadership and the organization reflects the values of those particular groups in a workplace that comprises many identities, those others don't necessarily feel a sense of inclusion. That makes it harder to attract and retain individual who don't feel like there's a place for them in the workplace. The newer, younger generations recognize that."

> *"We focus more on Generations Y and F, because they're the ones who will the core leaders in ten years."*

To redress those needs, Atkins recommends starting by sounding out your own workforce.

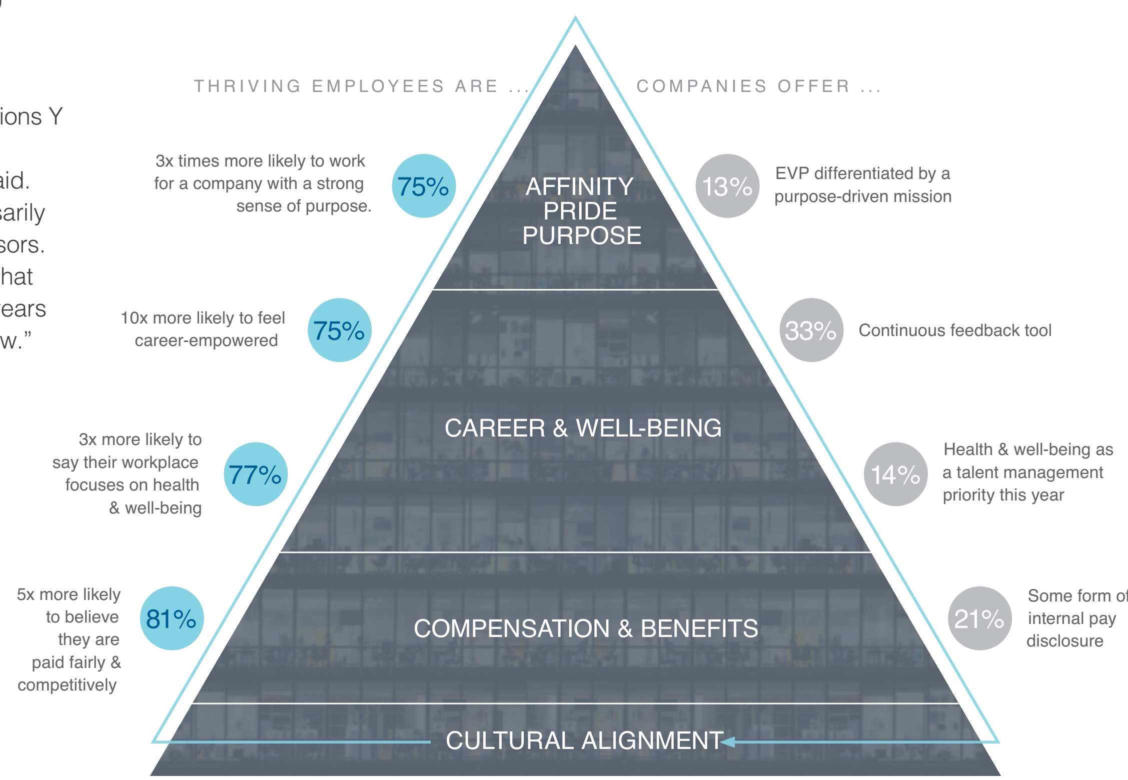
"The talent in front of you can tell you what interests them," she said. "Paying attention and honing in on that gives you the best shot at attracting the next generation, based on their values and what they're looking for."

"Whether by means of a focus group or even through conversations with them, ensure that you garner responses from a wide range of individuals," Atkins urged. "Remember, they have a variety of identities and experiences that mirror the diverse cultural demographics of the community that you operate in."

"It all starts at the top," she concluded. "You can say anything that you want as a leader, but your deeds are a stronger influence than your words."

■ *Robert Frank*

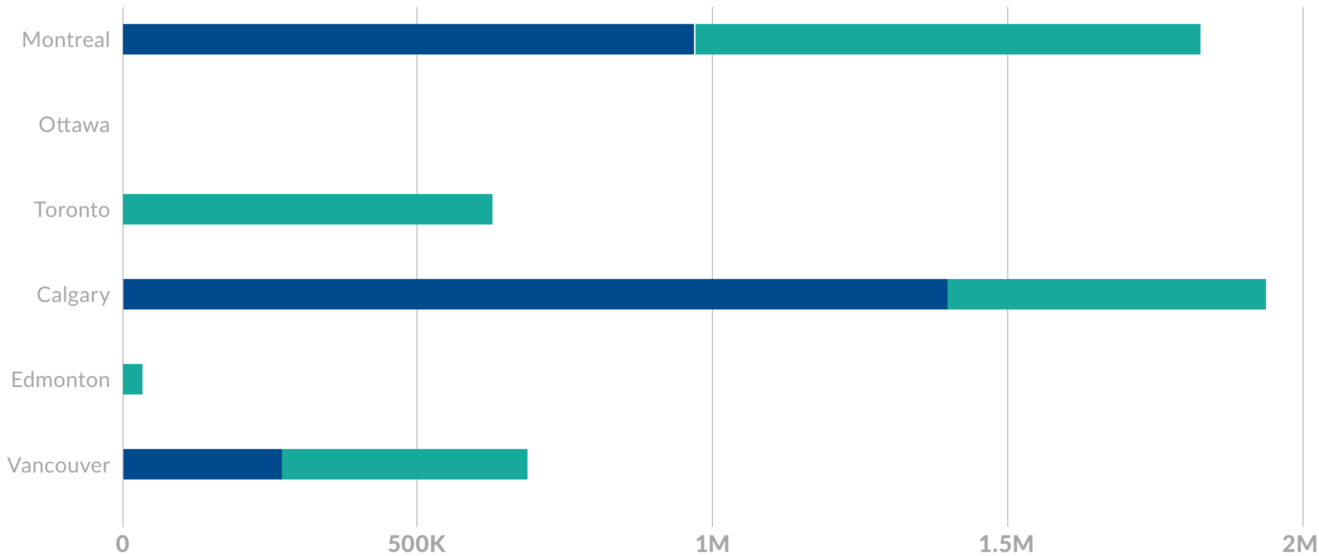
WHAT EMPLOYEES CRAVE FEW COMPANIES OFFER



LATEST COMMERCIAL MARKET STATISTICS ACROSS CANADA

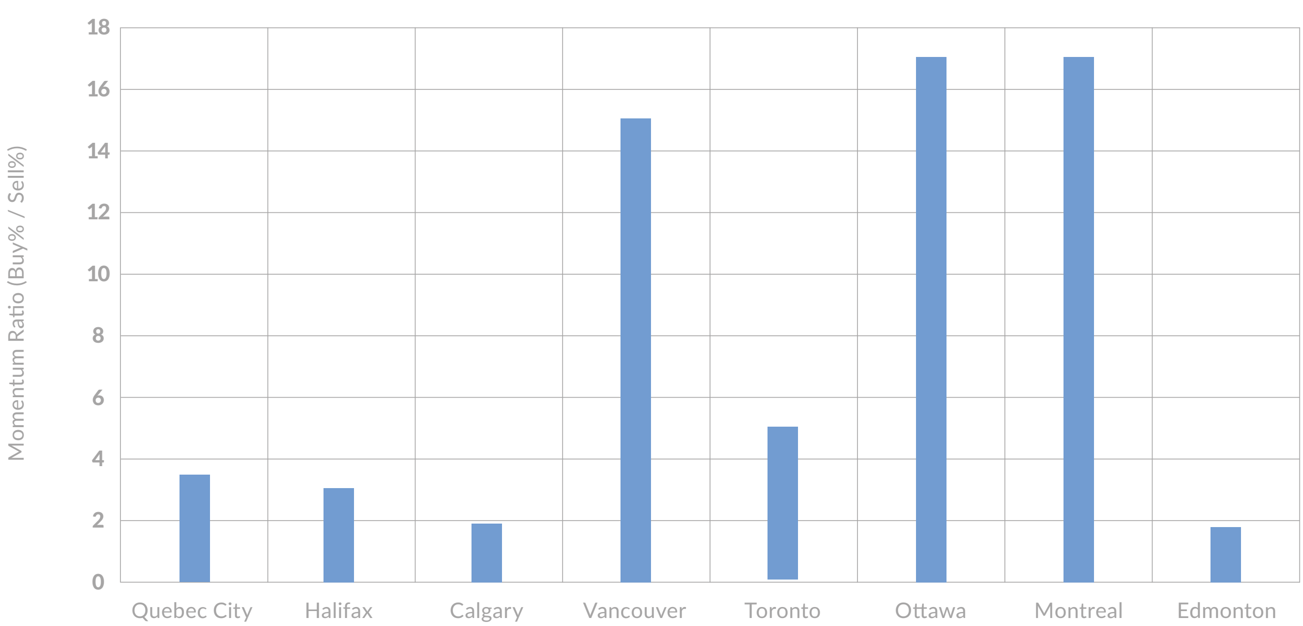
These results are released by Altus Group, powered by our proprietary Data Solutions platform. Our independent and comprehensive data, analysis and insights on the commercial real estate investment and residential development markets are collected and complied using nationally consistent research processes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

Much Needed New Office Supply In Toronto and Vancouver 4 quarters ending Q2 2018 (sq. ft.)



Source: Altus Group

Investment Barometer for Multi-Unit Residential Remains Strong Across Canada Q2 2018

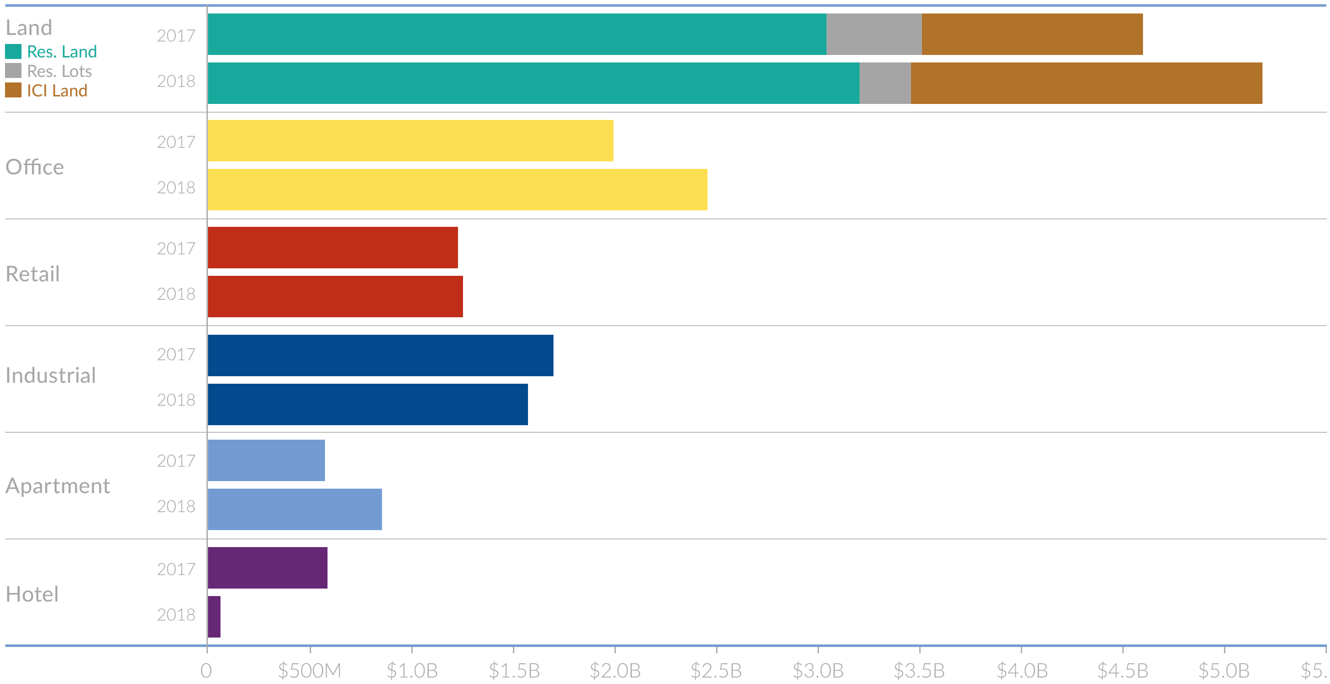


Source: Altus Group

PROPERTY TRANSACTIONS BY ASSET CLASS

More Buyers than Opportunities in the Greater Toronto Area

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

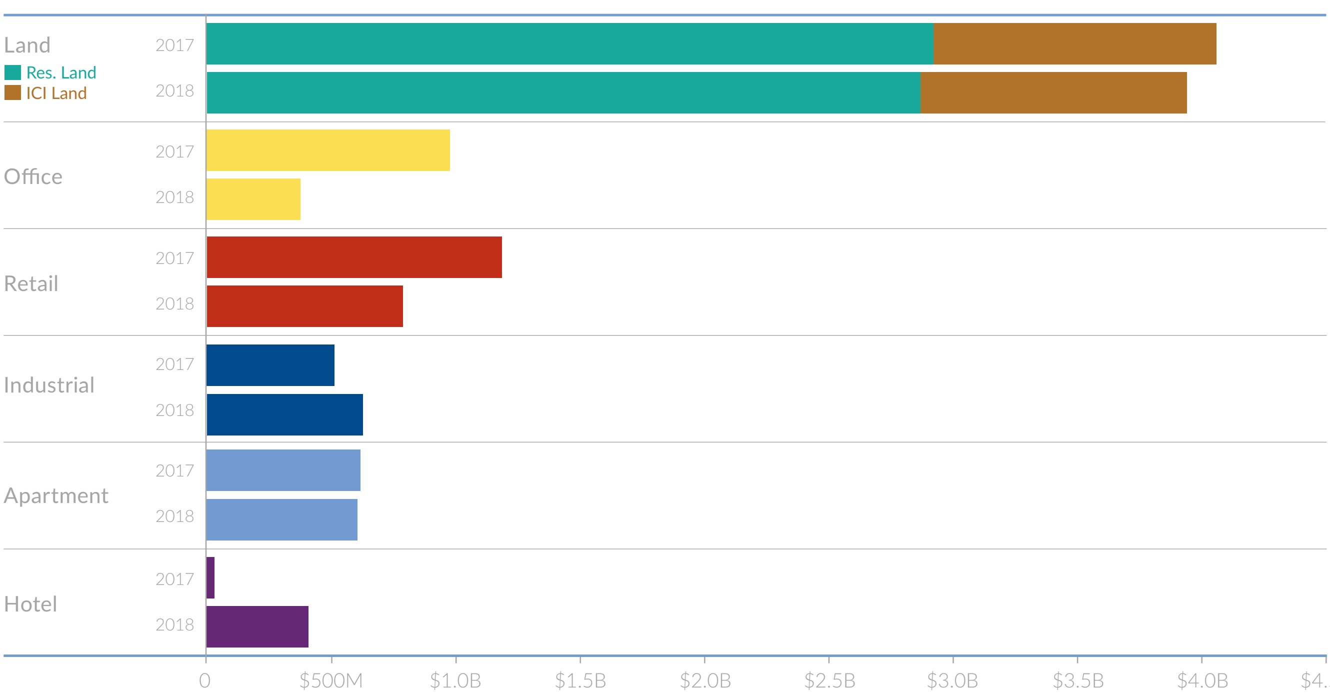


Source: Altus Group

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

Appetite for Investments Remains High Amid Product Shortage

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

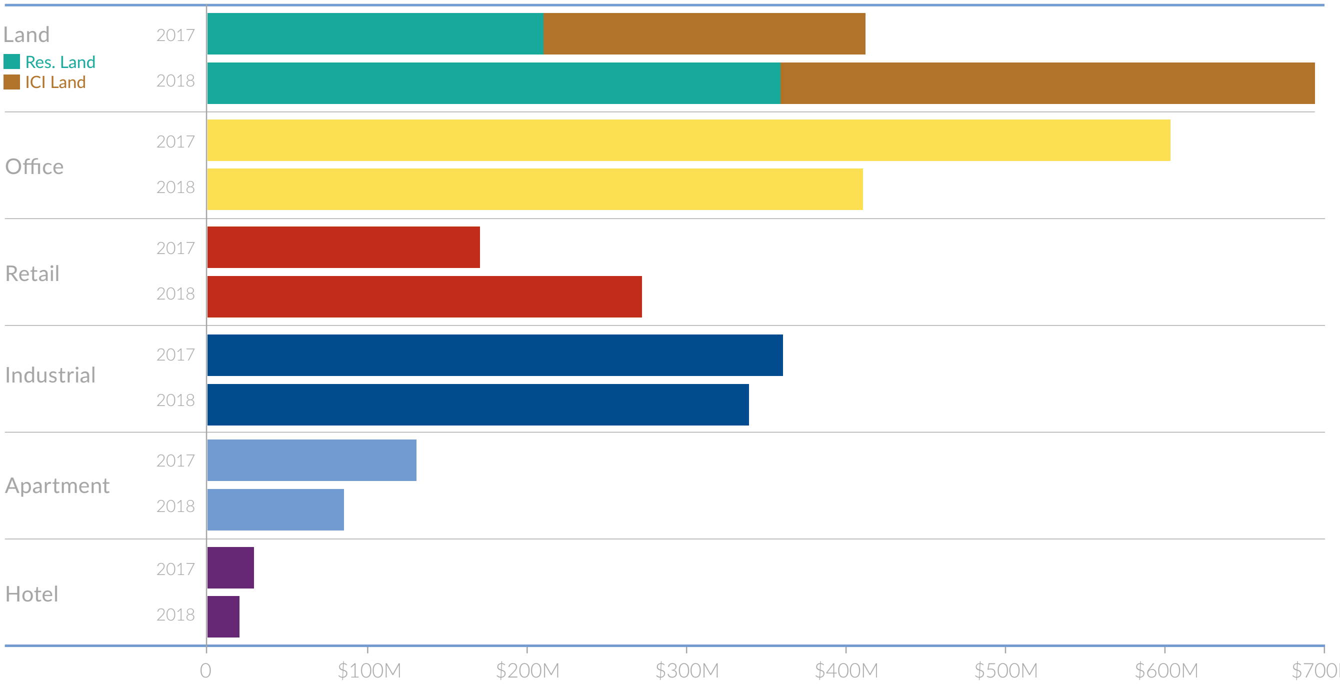


Source: Altus Group

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

Calgary Remains Attractive Especially for Private Investors and Opportunity Funds

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

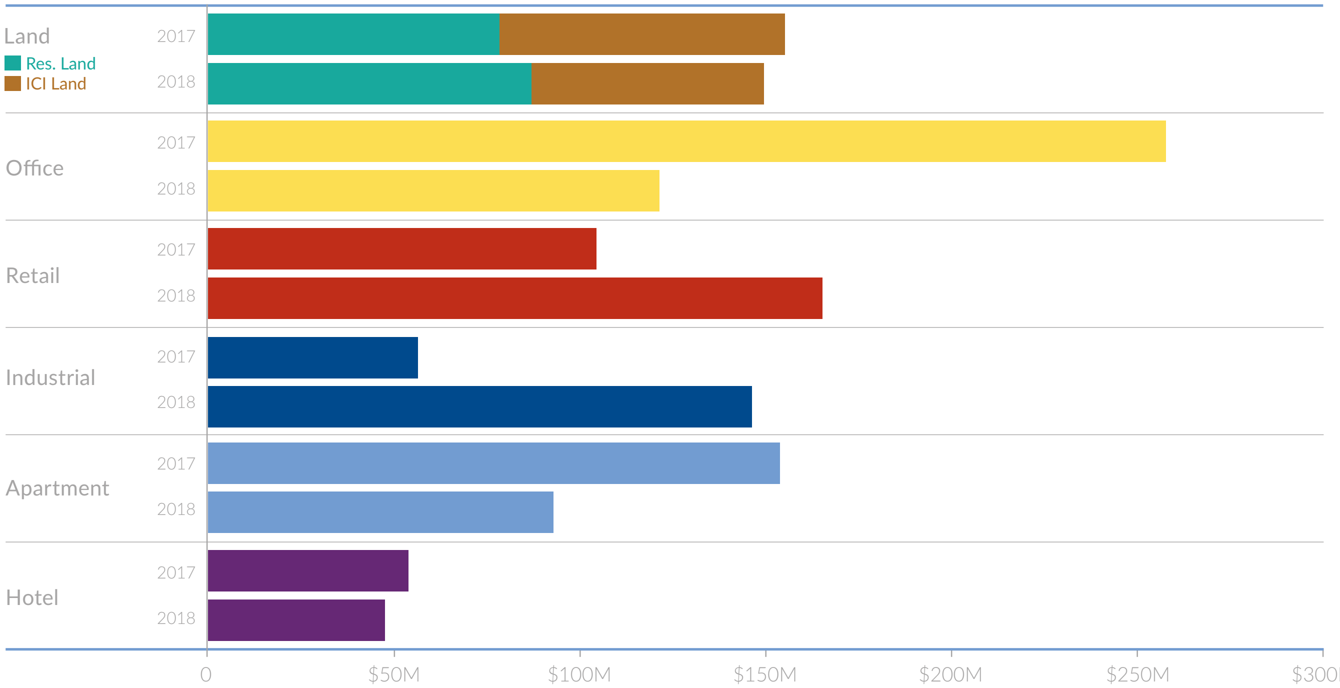


Source: Altus Group

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

Investors Attracted By Higher Yields

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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"HIGHEST" AND BEST USE?

Is there an assessment-related consequence of Cannabis legalization for commercial property owners?

Brooks Barnett
Manager
Government Relations & Policy
REALPAC

Co-authored by
Graeme Kennedy

The legalization of cannabis carries with it many implications for both commercial and residential real estate. As part of the legalization framework, the Government of Canada has given the provinces responsibility over both wholesale distribution and retail licensing, while municipalities are responsible for land-use and zoning policies relating to cannabis.

The retail sale of cannabis raises two important questions with regard to how legalization will impact commercial real estate: how will municipalities enshrine retail cannabis establishments in their zoning bylaws, and what impacts will a retail cannabis use have on property valuation and tax assessments?

"Cannabis dispensary" as an allowable use can be applied at multiple levels of legislation. The municipalities' Official Plans, Secondary Plans, corridor studies, Zoning Bylaws, or site-specific bylaws may all be tools for controlling the retail sale of cannabis.

Implementing amendments to these separate policy tools can become problematic if the use description is too loose or too restrictive. There could be too few restrictions creating a wild west for cannabis, or policy could be too restrictive making retail cannabis sales unviable.

A major problem for modern land-use planning is the frequent discrepancy and time delays between issuance of legislative guidance, council votes, Official Plan review, and updates to the municipalities' zoning bylaws. Modifications of Official Plans to include retail cannabis sales in commercial areas or add industrial cannabis production to employment lands could take up to five years to be added under a city's zoning bylaw. During that time, any property owner who wanted to use their property for cannabis sales or production would need to apply for a rezoning. This process is cost prohibitive, lengthy, and requires statutory public consultation and a favourable vote from city council. In contrast, a site-by-site review for cannabis uses via a corridor study or Secondary Plan process may lead to expedited as-of-right permissions.

The nature of how, when, and to what extent retail cannabis is incorporated in land-use

planning policy is vital in determining the impact that as-of-right cannabis permissions may have on Highest and Best Use (HABU) property valuations.

Recent studies of property tax assessments in Ontario have shown examples of the Municipal Property Assessment Corporation (MPAC) evaluating some low-rise street front properties as if they were condominiums even where no new development has been proposed for the site, a condominium would not be allowed as-of-right, and the property was subject to either a Heritage Conservation District or Heritage Attribute site encumbrance. This points to a major discrepancy between how the valuation of a property may be assessed and what would be considered “good and proper planning”. That MPAC is using this model to view everything as if it were a condo raises concerns about how retail properties would be assessed if they could be cannabis stores.

The model for determining HABU of a property contains four mutually agreed points that help real estate professionals, developers, land-use planners, and the government determine development potential, land costs, and appropriate taxation. These four points relate to what is physically possible, legally permissible, financially feasible and most profitable.

The legalization of cannabis for recreational use and possible strength of the retail dispensary market raises important questions with regard to how the ability to sell highly profitable substances will impact commercial real estate rents and taxation.

1. Physically Possible

As a previously illegal substance, cannabis sales kept mostly to the fringe of society and operated in black markets. As such, the potential profit from selling the product at a retail level was never previously accounted for when it came to determining rent for retail establishments.

2. Legally Permissible

The legal permissibility of retail cannabis as an allowed use under a by-law is the crux of the matter. For a very long time, cannabis was exclusively purchased via black market supply chains and as such, the infrastructure upon which the market was predicated was unregulated. No longer.

3. Financially Feasible

The development required to sell cannabis at a retail level is at the low end of the cost spectrum since the fit-out for cannabis sales is much simpler than other retail applications. Provincial regulations and requirements tied to retail licensing may require additional safety, handling, or security infrastructure, but the upfront cost of a renovation will still be much lower than a restaurant, data farm or complex manufacturing facility. The financial costs of cannabis retail moving into a space are anything but prohibitive, as cannabis distributors are probably one of the easiest tenants to move into a space.

4. Most Profitable

As an allowable use, there are no doubts as to the profits that can be achieved with retail cannabis sales. Early financial indicators point to substantial profits for those companies established or planning to enter the market over the next year.

Based on all four HABU factors, it becomes abundantly clear that a commercial assessment may lead to the conclusion that the “highest and best use” for many retail storefronts is for them to be used for retail cannabis. Such is the failure of the HABU model that it does not factor diversity of uses or “good and proper planning” into the model. In fact, there is evidence that a HABU assessment may reflect conditions that would not be considered appropriate.

Concern over HABU assessments with the legalization of cannabis is directly related to REALPAC’s concerns of how the HABU model has been applied to properties in Toronto that are contextually close to large condominium developments. There are limits on tall buildings, residential uses, and density through guidance from Toronto’s Official Plan, Tall Building Guidelines, and the Heritage Act. Such restrictions have not stopped MPAC from assessing commercial properties as if they were condominiums, with tools such as the Lands in Transition designation being employed to justify this valuation.

The current state of retail in Toronto has seen unlicensed cannabis dispensary storefronts popping up along major avenues, in otherwise vacant retail strips, and in communities where a more liberal stance on consumption is more widely accepted (Church St. Village and Kensington Market). Commercial property landlords have already seen how retail cannabis can outlive other similar businesses.

The government has signalled that it will be licensing a limited number of retailers, all of whom will be allowed to establish a retail presence in Ontario. In an over-protective market, a limited number of licenses may also be met with a limited amount of areas or even individual properties that are zoned to allow for retail cannabis. On the other hand, an overly liberal land-use planning regime may allow for retail cannabis under the “Commercial” or “Mixed Use” land-use zoning designations. Both of these options raise questions about how legalization will impact rents.

Based on the Toronto condominium MPAC case study, property taxes may be raised as if stores were potential locations for cannabis sales. This may mean that property owners might raise commercial rents in order to cover this increased cost. This in turn impacts small businesses which require similar storefront properties.

Another option for retail cannabis is for municipalities to approve such retail outlets for all commercial zones. Until all licensed cannabis retail outlets find space, commercial property owners may raise rents in an attempt to capture the increased value that could be gained by a cannabis outlet. This may force other tenants out of their spaces, as has reportedly happened along particular retail strips in Toronto. As with many other lingering questions with respect to the cannabis legislation, time will tell how municipalities will adapt zoning and tax policies to accommodate this new game-changing retail dynamic. ■

Kris Kolenc
Coordinator, Research & Sustainability
REALPAC

FLOODING AND CLIMATE CHANGE AS THE NEW NORMAL: HOW IS THE INDUSTRY RESPONDING?

Another summer has come and gone and we have experienced yet another series of floods and climate change events across Canada and the United States. August 7th was a memorable night in Toronto, 72 millimeters of rain fell in just a few hours resulting in extensive flooding. Major buildings such as Union Station, the Metro Toronto Convention Centre, and a series of condominiums were flooded. Pictures and videos of cars and streetcars surrounded by water surfaced on social media. Two men nearly drowned stuck in an elevator with rising water. The Insurance Bureau of Canada reports that the flooding caused more than $80 million in insured damages, and the uninsured damages are likely to be even higher. Between the end of April and mid-May, the St. John River flooded in New Brunswick, affecting nearly 12,000 properties and leaving thousands without power. The most recent floods have been caused by Hurricane Florence, which has caused 37 deaths within North Carolina, South Carolina, and Virginia, along with several billion dollars in damage.

Moving from flooding to heat and fire, a heatwave in July caused 93 deaths in Québec, and British Columbia has had another record year of wildfires with 1.349 million hectares of land burned, costing the

As greenhouse gases continue to be released into the atmosphere and average global temperatures continue to rise, the frequency and intensity of these events will increase. With flooding and climate change events becoming the new normal, how is the real estate industry responding, and is it responding fast enough?

province $450 million since April. In the United States, wildfires in California have burned over 600,000 hectares of land and caused over $2.876 billion (USD) in damages this year.

Every year, we continue to experience hurricanes, flooding, heatwaves, wildfires, and other hazardous events fueled by climate change. Last year, we can easily recall the flooding of the Toronto Islands and the devastating effects of Hurricanes Harvey, Irma, and Maria. As greenhouse gases continue to be released into the atmosphere and average global temperatures continue to rise, the frequency and intensity of these events will increase. With flooding and climate change events becoming the new normal, how is the real estate industry responding, and is it responding fast enough?

On an industry level, the Global Real Estate Sustainability Benchmark (GRESB), an organization which assesses the sustainability performance of real estate and infrastructure portfolios and assets worldwide, has added a resilience module to their annual assessment. Many REALPAC members participate in GRESB's annual real estate assessment and have participated in this new module. GRESB defines resilience as the capacity of companies to survive and thrive in the face of social and environmental shocks and stressors. This encompasses the physical, economic, and social dimensions of resilience, including, but not limited to, climate change. The new resilience module evaluates how real estate and infrastructure companies and funds are preparing for potentially disruptive events and changing conditions, assessing long-term trends, and becoming more resilient over time. The module will also help companies benchmark their resilience efforts against others and inform further action that can be taken. As the Canadian national industry partner, REALPAC is pleased to partner with GRESB on the release of their initial 2018 resilience results at the end of Q3 2018, and we look forward to collaborating together on future events and resiliency research.

The Intact Centre on Climate Adaptation, a University of Waterloo research centre supported by Intact Financial Corporation, is also providing support to the industry, specifically with flood adaptation measures. The Intact Centre works with homeowners, communities, governments, and businesses to identify and reduce the impacts of extreme weather and climate change. To date, they have collaborated with the Standards Council of Canada to create guidelines and standards for flood-resilient homes, new communities, and existing communities. They have also developed home inspector training for flood risk which is being offered at 20 colleges in Ontario as of September. With sponsorship from REALPAC, the Intact Centre is now beginning to create a guideline for flood-resilient commercial real estate, which will provide guidance for retrofitting existing commercial real estate properties in Canada to become more flood-resilient using a list of highly actionable best practices.

Although some guidance is being provided on an industry level to help real estate companies become more resilient, it is important that individual asset owners and managers begin their own assessment of what they can do within their organizations to make their assets more resilient. Climate change impacts vary regionally, and thus, each company's resilience strategy and adaptation measures will differ based on their own assets and locations. Adaptation measures should be taken at the asset level, such as installing sensors on elevators to ensure they avoid flooded floors, and elevating electrical equipment from lower floors, and at the entity level, such as conducting a corporate resilience risk assessment and training and educating staff.

It is assuring to see that some progress is being made within the industry to respond to flooding and climate change events, but it is clear that much more work still needs to be done. REALPAC is working to ensure the momentum around this issue builds and companies are prepared when the next flood or hazardous event strikes. ■

CALGARY: SITE OF THE 'SILICON STAMPEDE'?

Brooks Barnett
Manager
Government Relations & Policy
REALPAC

Co-authored by
Graeme Kennedy

The search for renewed civic prosperity in the digital economy is not just an exercise in industry investment and entrepreneurialism, but is also at its core an exercise in city-building. Specific factors must coalesce to build, over time, an amenity-rich home within which the innovation sector can thrive. The availability of land for both residential and commercial development, local universities, professional networks, and a local entrepreneurial spirit are all factors that have contributed to successful innovation districts in unexpected places.

The Greater Toronto and Hamilton Region (including outlying municipalities like Kitchener-Waterloo), Montreal and Vancouver largely hog the tech spotlight in Canada, but by looking at emerging tech hotspots south of the Canadian border, it becomes clear that Calgary may be perfectly positioned for success in this new frontier. Smaller states and cities are experiencing a renaissance when it comes to hosting innovative companies. Salt Lake City, Utah and Columbus, Ohio have both recently been singled out as emerging tech hubs, leading many to ask…why?

Growing tech communities in both cities have leveraged the availability of land, local talent from universities, and a lower cost of living to create two of the top "best places to work" for both young tech talent and older professionals looking for increased work-life balance. While Columbus has yet to earn its own tech moniker, the 'Silicon Slopes' title that has affectionately been bestowed on Salt Lake City stands as both a foil to Silicon Valley as well as a vision statement that defines exactly what tech companies in Utah are striving to build.

Calgary is similar to both Salt Lake City and Columbus in terms of size, landscape, educational resources, and business networks. All three have established economies, are home to a strong network of universities, have been the epicentres of previous "boom" type industries, and portray a calmer, more balanced lifestyle as opposed to their mega-city peers (no offense Toronto, Montreal and Vancouver). They all also contain greenfield development opportunities along with lower costs of living for tech talent. The success of technology companies in both Salt Lake City and Columbus present an important roadmap for Calgary to consider.

Like Calgary, neither Salt Lake City, nor Columbus are naturally thought of as technology giants. One is far more likely to associate Salt Lake City with other major industries such as tourism or industrial banking. Columbus may not register at all for non-Ohioans. However, Columbus in particular is the second largest city in the American mid-west and carries significant potential to greatly contribute towards re-shaping the North American economy. "A city like Columbus is the model for the future" wrote John Biggs for TechCrunch, citing how a diversified local economy of manufacturing, farming, retail, brewing, and ecommerce is also supported by corporate offices of Chase, Nationwide, and local universities churning out talented individuals equipped to lead companies into the future.

In 2017 Columbus won $277 million in "Smart City" funding grants based on a proposal that combined private industry interests and public infrastructure upgrades in a partnership model. Columbus is home to many large corporate offices and headquarters which largely overshadowed the smaller start-ups that were native to the city. But with the investments made in smart city programs, all that is changing. Tech talent is moving in. Companies are setting up in Columbus. It's a good place to be.

Calgary is an important city in Canada as we consider the rise of mid-size city tech centers and their role in fostering both a more connected world and a more accessible innovation industry. Especially in Canada where large cities are fewer and there is greater distance between them, Calgary can act as an anchor, the affordable option between Vancouver and Toronto that affords residents academic institutions, a good quality of life, and access to capital, business networks, and employment. Volatility in the oil sector has moderated Calgary and Edmonton home price inflation somewhat which makes life affordable for millennial talent.

The same high-cost conditions that exist for tech companies and other businesses based in San Francisco and New York exist, to some degree, in Toronto and Vancouver—which both also fit in the tech centre classification. In fact, it could be argued that many of our major employment centres have all reached peak cost-of-living. Young graduates looking for apartments and established professionals looking to start families may both find themselves priced out of these cities. This is not the case for cities like Calgary, Salt Lake City or Columbus.

Employers play a role in inflating the cost of housing, food, and fuel as they bid to out-compete one another for talent. Tech sector salaries are some of the highest, by industry, in North America. As such, there is a flywheel effect of high-tech salaries in expensive cities driving up rents and the cost of living. This also leads to boot-strapped start-ups or cash-strapped mid-growth companies being unable to hire the tech talent they need to meet targets.

Calgary's climb out of recession and its currently lower cost of living, in comparison to Toronto and Vancouver, may position it perfectly as an incubation city for tomorrow's tech giants.

Calgary may also provide the kind of space tech companies need in terms of growth. Forward-looking tech campuses have become a symbol for many of Silicon Valley's best and brightest success stories. Think of Facebook's new headquarters in Menlo Park, Google's 'Googleplex' in Mountain View, Sir Norman Foster's famous donut for Apple in Cupertino. Large tech companies have sought to create physical headquarters that reflect their visionary products. Importantly, few of these campuses are directly situated within downtown San Francisco but instead are constructed within the city's surrounding municipalities which form the Bay Area.

Where, at what scale, and why these campuses are hosted in specific municipalities raises important questions about how to attract tech talent to cities. What's clear is this: tech needs space. Space to grow. Space to house workers. Space to use to move products, materials and people around efficiently. Many of the most celebrated tech firms established themselves in areas in which development of their campuses was rather simple. With some greenfield development—not unlike the kind still possible in a place like Calgary—tech campuses and smart buildings could be designed to optimize these firms' operations and efficiency.

There is also something to be said for the important role of post-secondary institutions in building the conditions necessary for a strong tech scene. Universities in San Francisco, New York City, and Toronto all graduate top-notch tech talent every year, many of whom will reside as closely as possible to the tech firms that eventually employ them. Engineering talent is at a premium in many cities. The drive to fill departments at companies with the best and brightest science, technology, and engineering professionals is felt across Canada. It stands to reason that not all STEM professionals will want to have to choose between one of three major cities in Canada. So too, not all tech companies need be based in Montreal, Toronto, or Vancouver to be successful.

As a major city in an industry rich province, there is no doubt that significantly more local investment capital can be found in Calgary than in smaller cities. As city-builders, real estate investors, property owners, and decision-makers it is important to survey how best we can, as an industry, support innovation in the Calgary-Edmonton corridor. New technologies will require new forms of energy, infrastructural requirements, service delivery methods, and creative approaches to resource management. All are topics the citizens of Alberta are well-equipped to handle. Calgary, with its room to grow, still-affordable homes and consistent talent pool, can and hopefully will become the site of the 'Silicon Stampede'. ■

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