Western Canadian Commercial Real Estate in Perspective

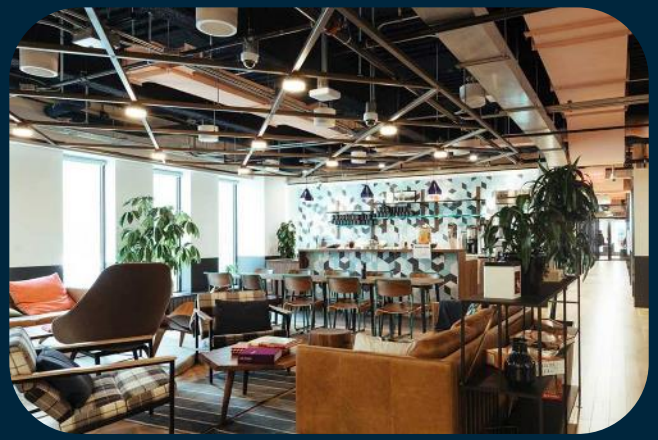
CPTA 2020 Symposium

AGENDA

1. New Decade
2. Capital markets update
3. Commercial market update
4. Closing remarks

A new decade, a new beginning…
…sort of.

Trends in the past decade…to continue



Co-working space, improved office amenities

Amenities and lifestyle driving housing decisions

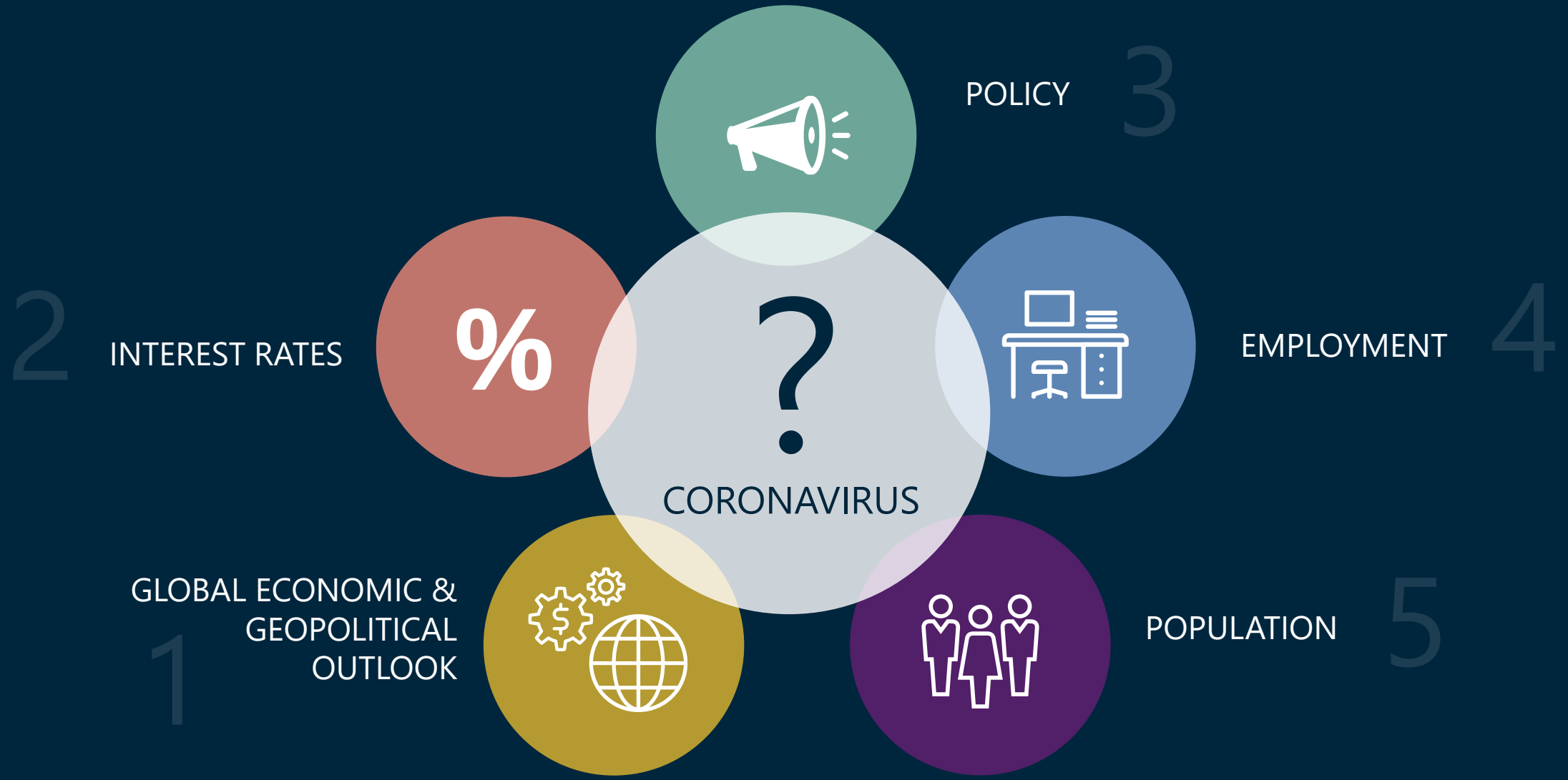
PropTech

Immersive food & retail experiences

Source: WeWork, MetroNaps ,Shop Square One, Eataly Toronto

Suburban mixed-use redevelopment

Key factors shaping the outlook for the next year



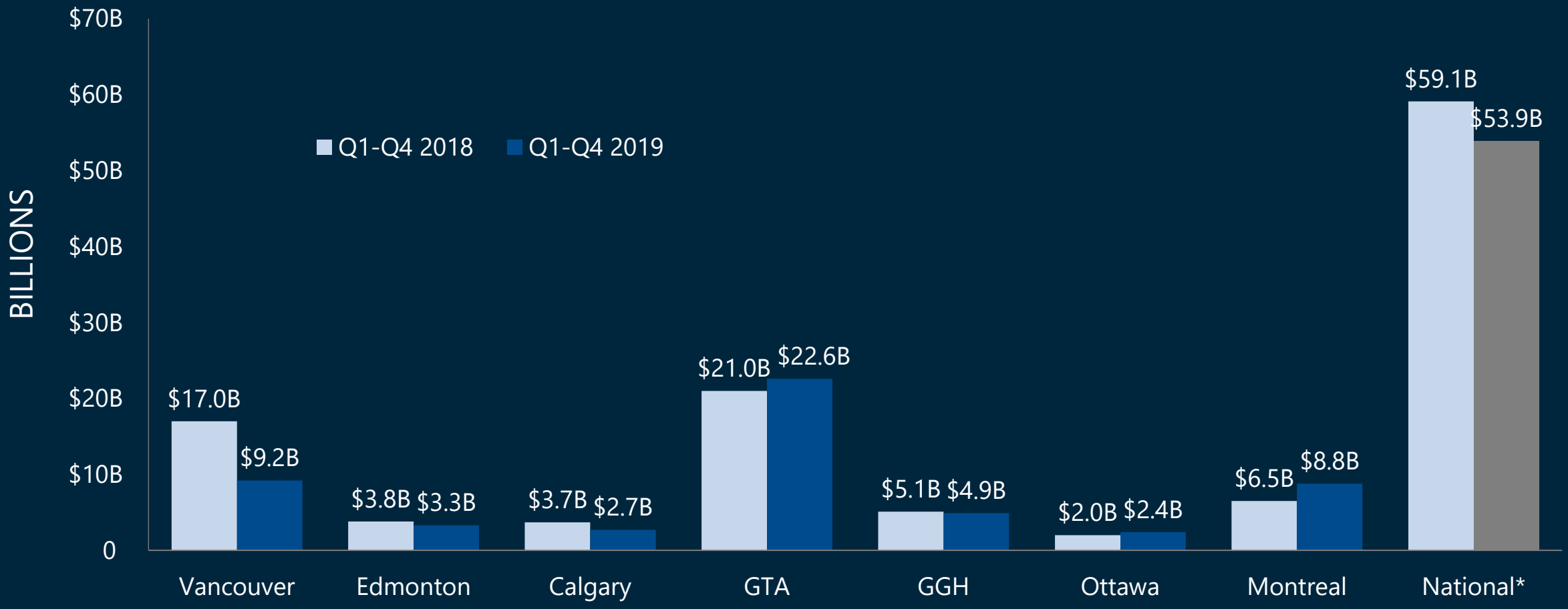
CAPITAL MARKETS

What investors want…

Property type barometer – all available products (Q4 2019)

Source: Altus Group (Investment Trends Survey)

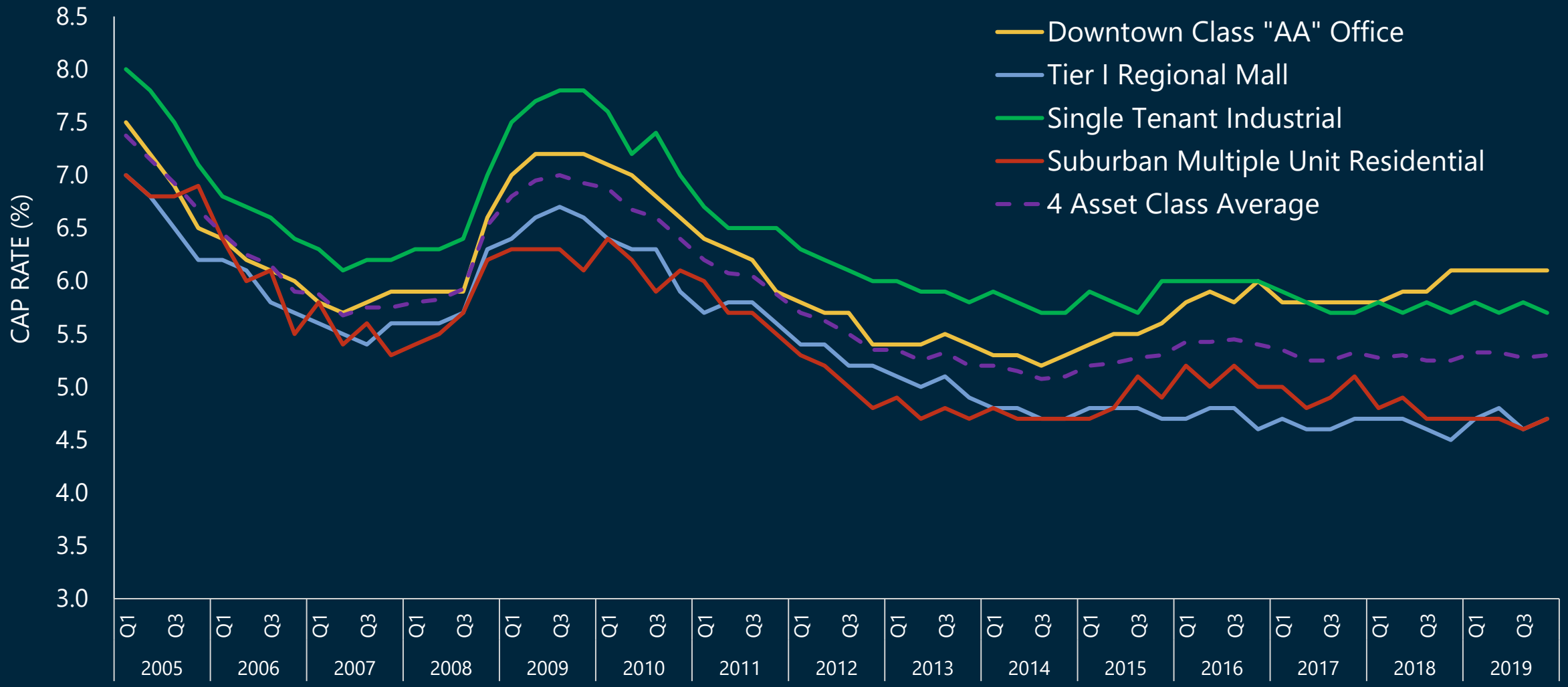
National investment activity down 9% in 2019



*National summaries include: commercial arm's length market transactions and share sales > $1 million

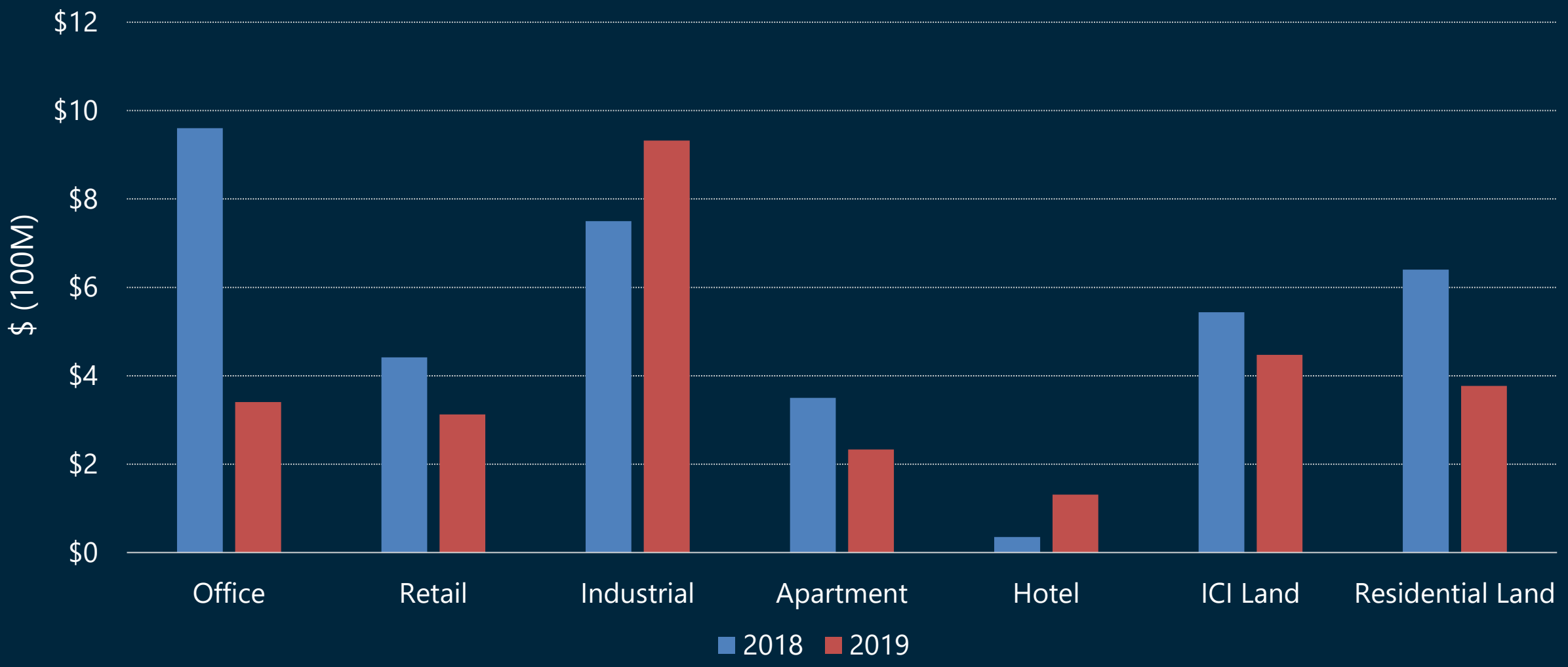
Source: Altus Group

Calgary cap rate trends



Source: Altus Group (Investment Trends Survey)

Calgary Transactions by Asset



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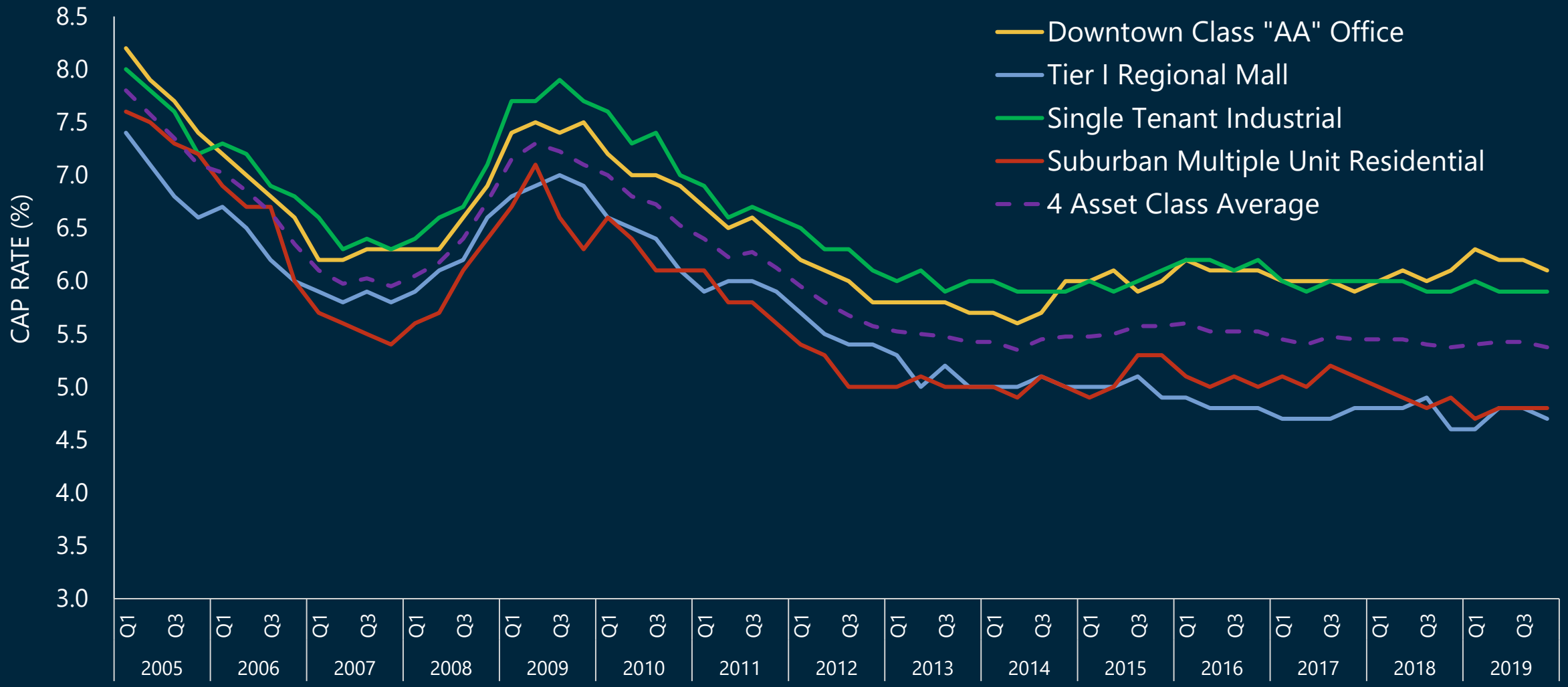
Edmonton cap rate trends



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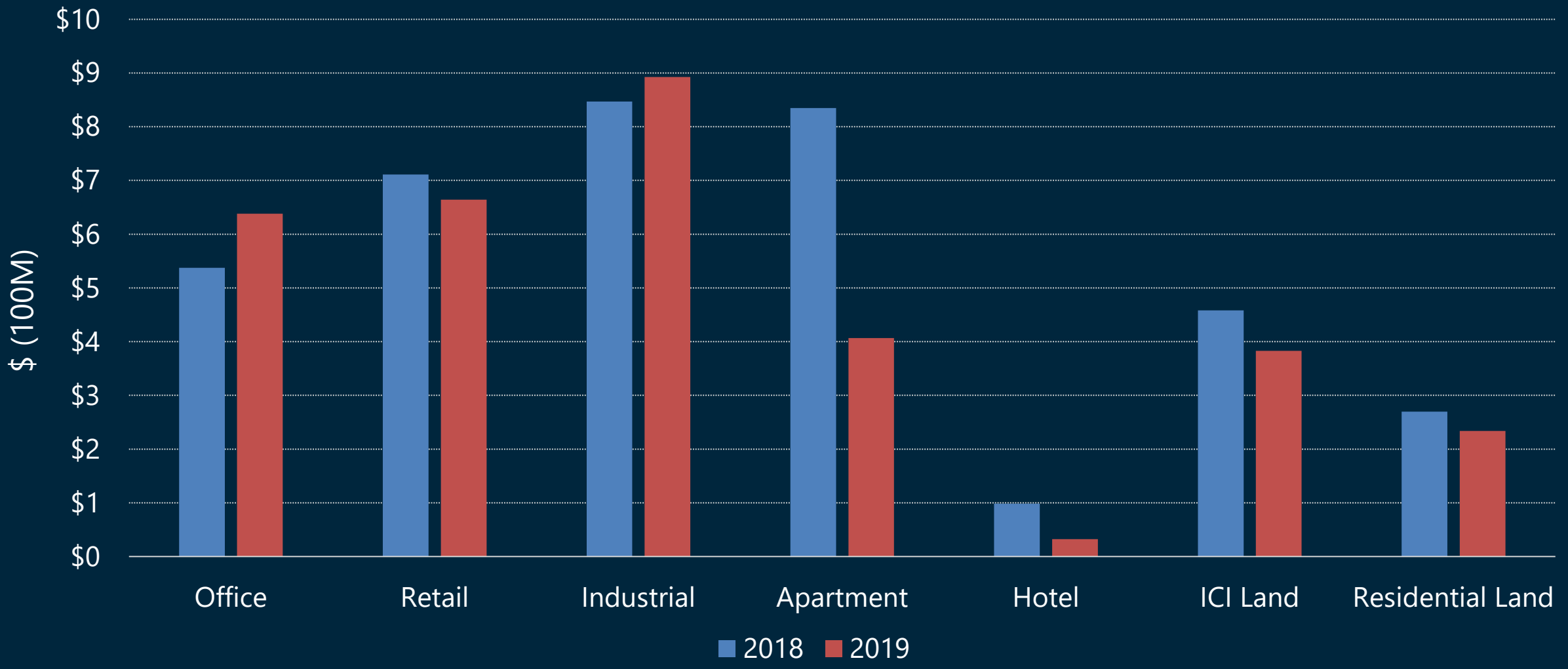

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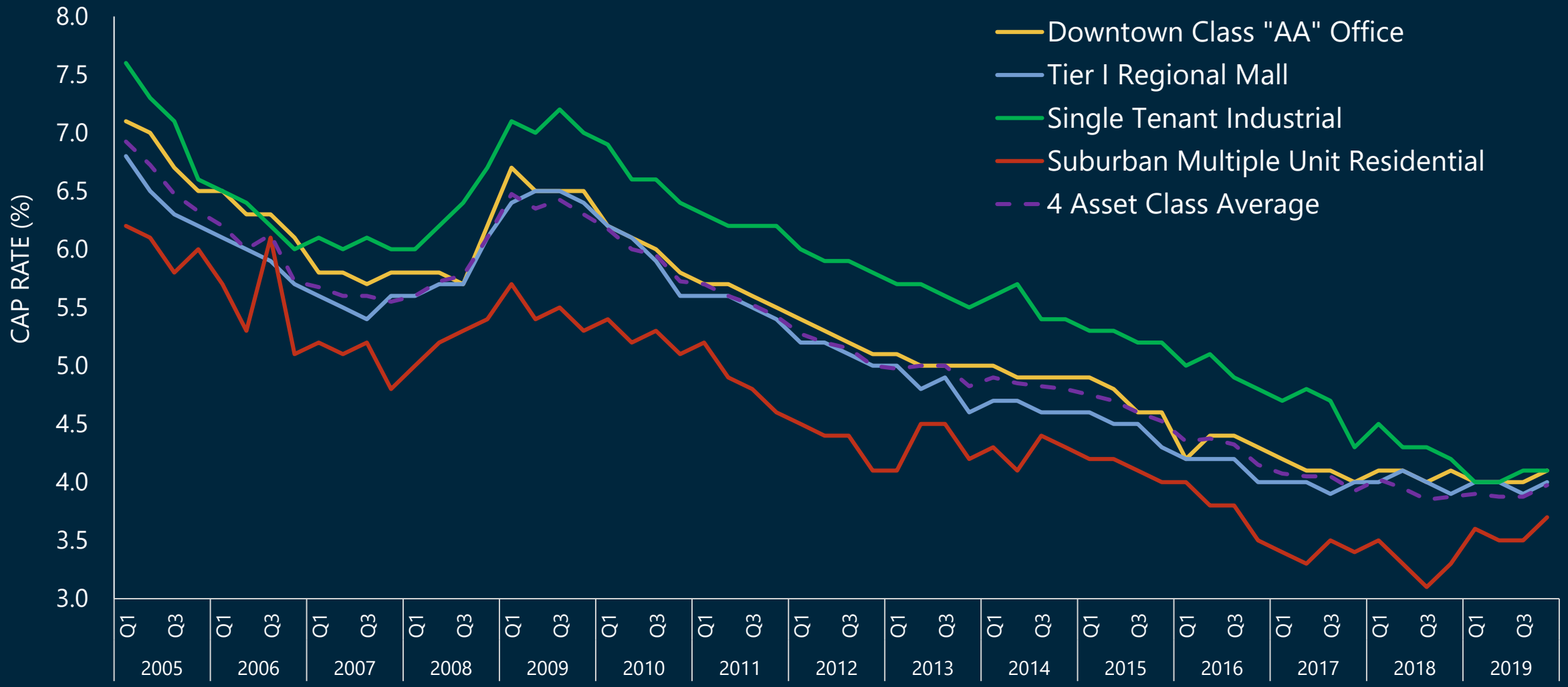
Vancouver cap rate trends



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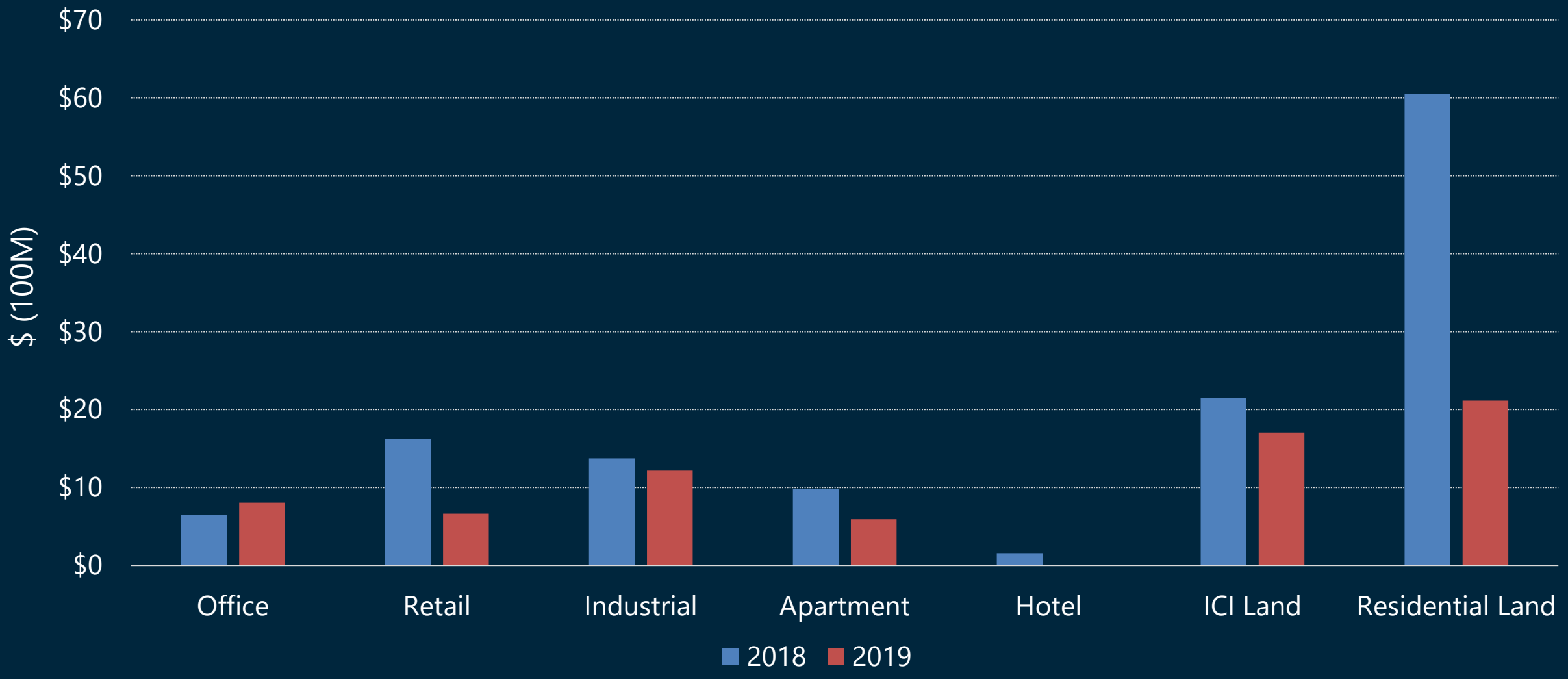


Source: Altus Group

Apartment Demand Remains Very Strong…

CONTINUUM REIT – STARLIGHT PORTFOLIO
GTA, OTTAWA, LONDON

Date: December 2019
Price: $1.73B
Price / unit: $276,116
Cap rate: 3.56%

Starlight Investments and KingSett Capital to Acquire Northview Apartment REIT in a Transaction Valued at Approximately $4.8 Billion or $36.25 per Trust Unit

NEWS PROVIDED BY
Starlight Group Property Holdings Inc. →
Feb 20, 2020, 08:03 ET

SHARE THIS ARTICLE

Source: Altus Group

Capital watch

Redevelopment / densification opportunities – continued cap rate pressures

Retail in secondary markets will need to continue to evolve

Apartment and industrial will continue to be hot, especially properties with potential upside

Capital is still chasing desirable assets – at the right price

OFFICE

Top office tenant preferences

1. Abundant natural light

2. Coffee shops

3. Free WiFi

4. Room sensors - temperature control

5. Efficient elevators

6. Sound proofing

7. Ability to receive packages

Source: Informa, 2019 Office Tenant Preference Survey

Health, wellness, employee-centric amenities

Lifestyle choices & physical / social environments determine 90% of health.

- WELL Building Institute

BDO Offices, Toronto

Nap it Up – daytime napping studio for office tower workers at Yonge & Eglinton

70% of employees say that a workplace that enhances their health and well-being would encourage them to stay at current job or accept a job offer.

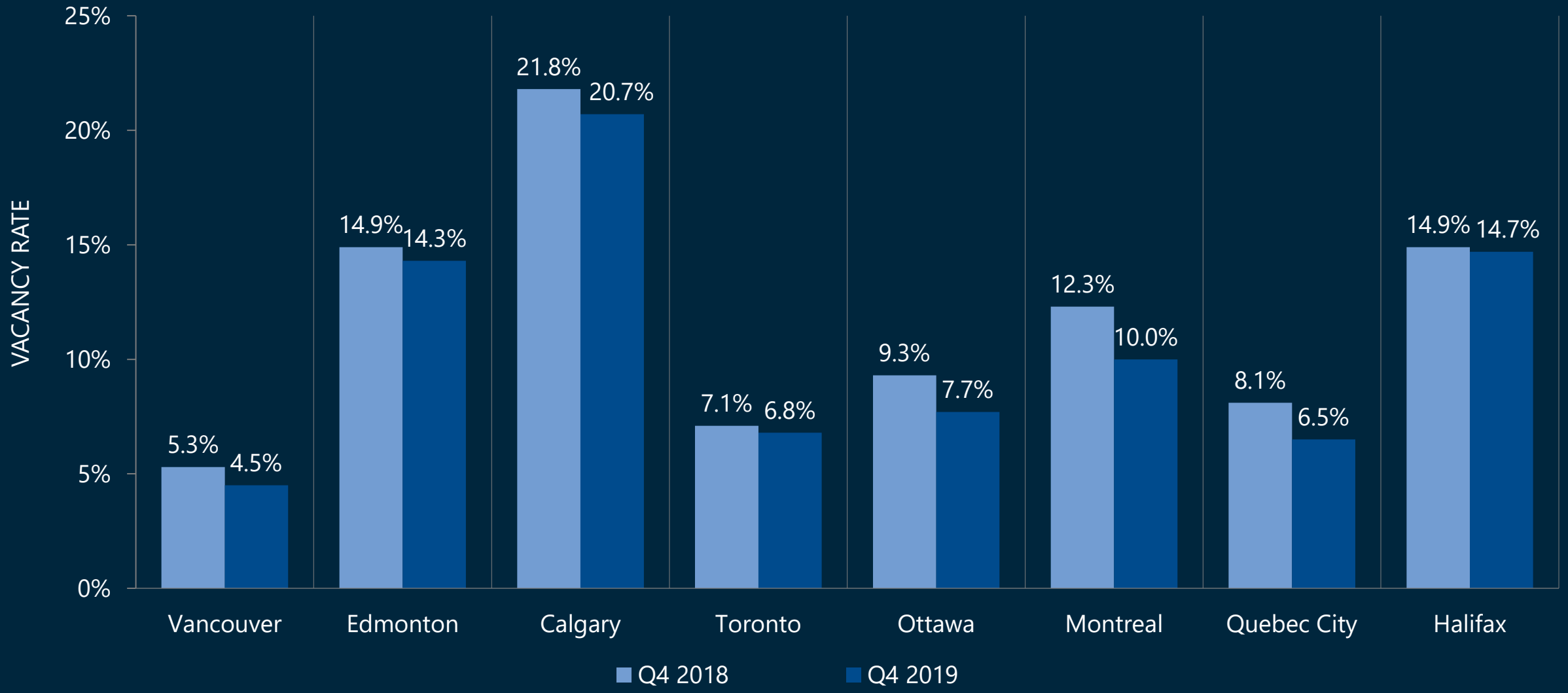
- 2019 Workplace Wellness Study, Future Workplace

Source: WELL Building Institute, Workplace Wellness Study, Forbes, Toronto Life, Office Snapshots / Claude-Simon Langlois

Challenges with open workspaces

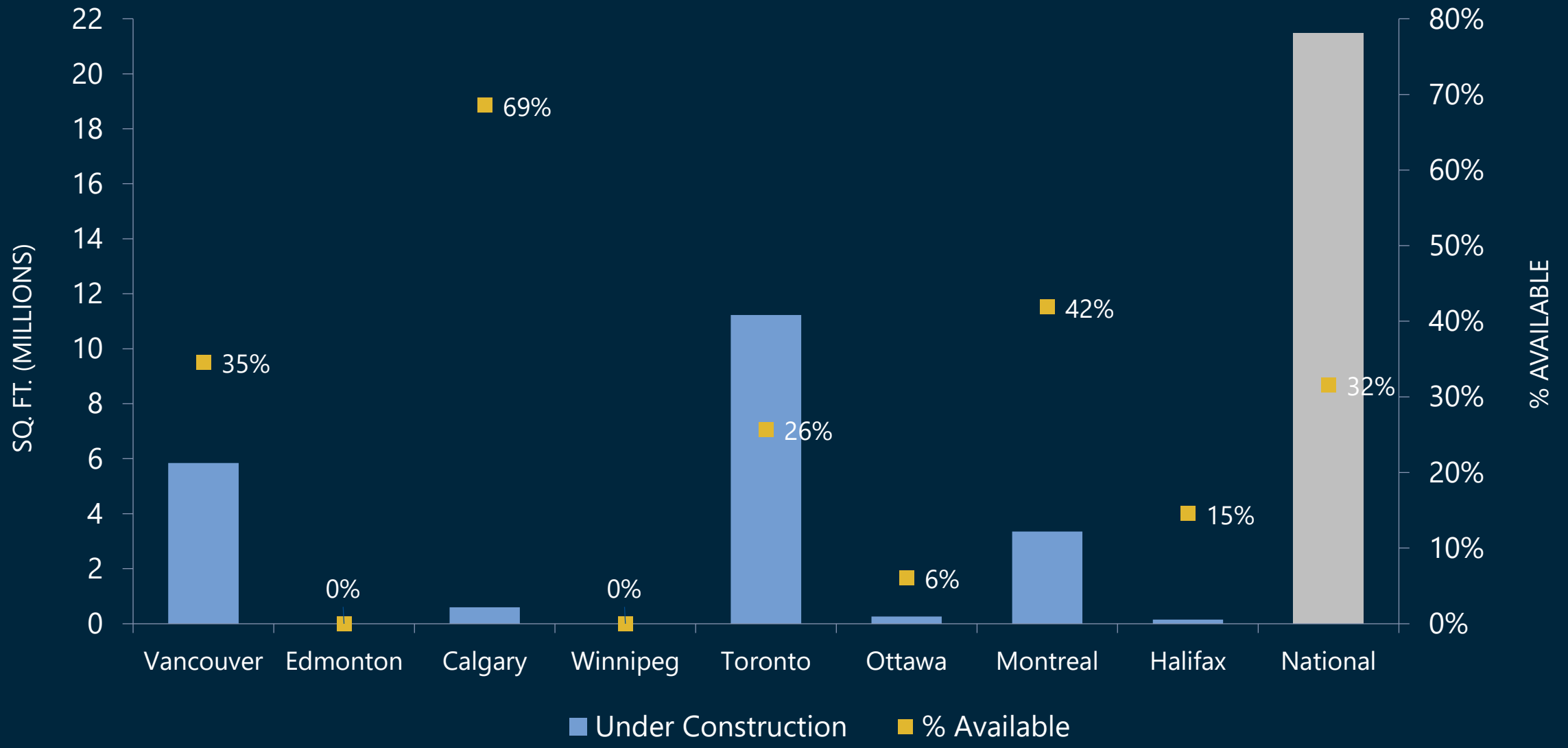
Source: CBC / Onetwosix Design / The Japan Times

Office vacancy rate in balance – for the most part



Source: Altus Group

Strong office pre-leasing activity

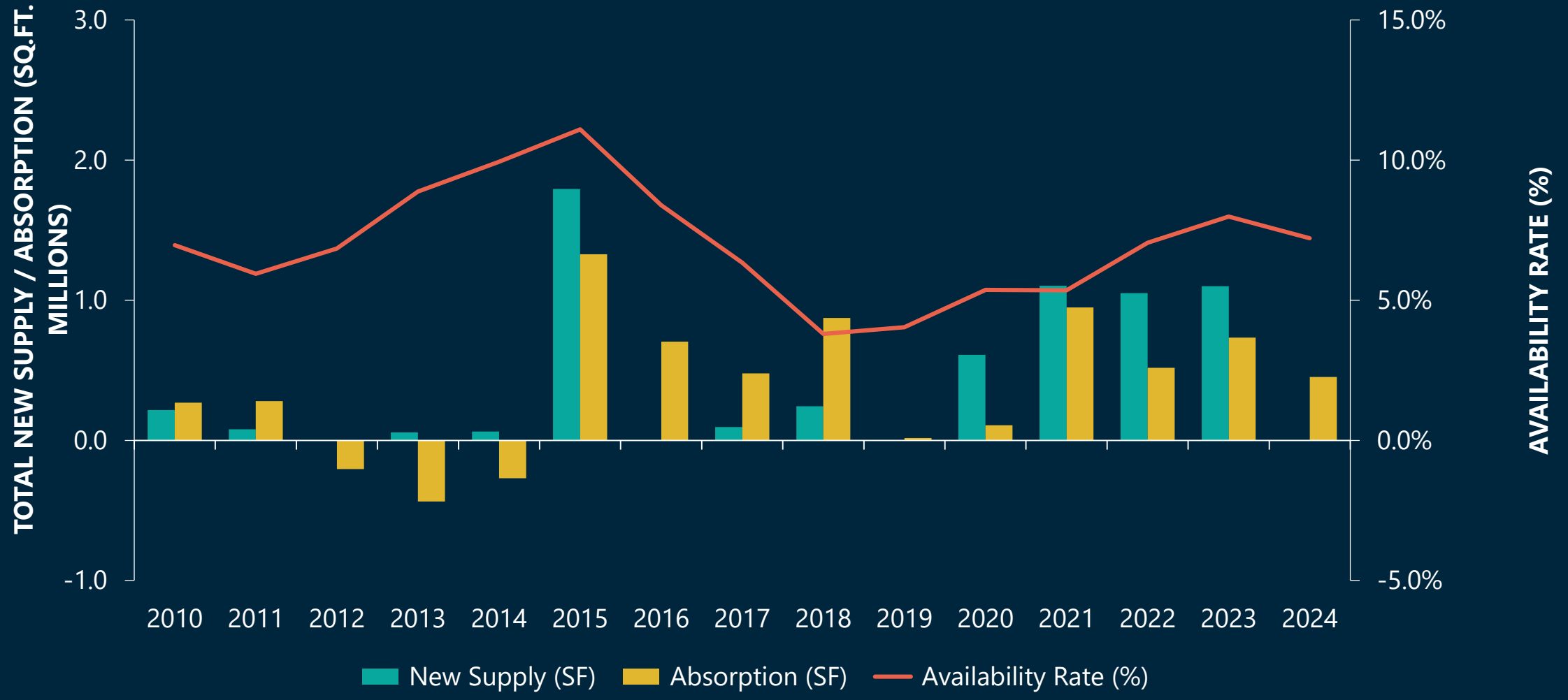


Source: Altus Group

Vancouver Office Forecast

Office Availability Rate vs. Total New Supply Forecast vs. Absorption

(Downtown Vancouver, 2010-2024)



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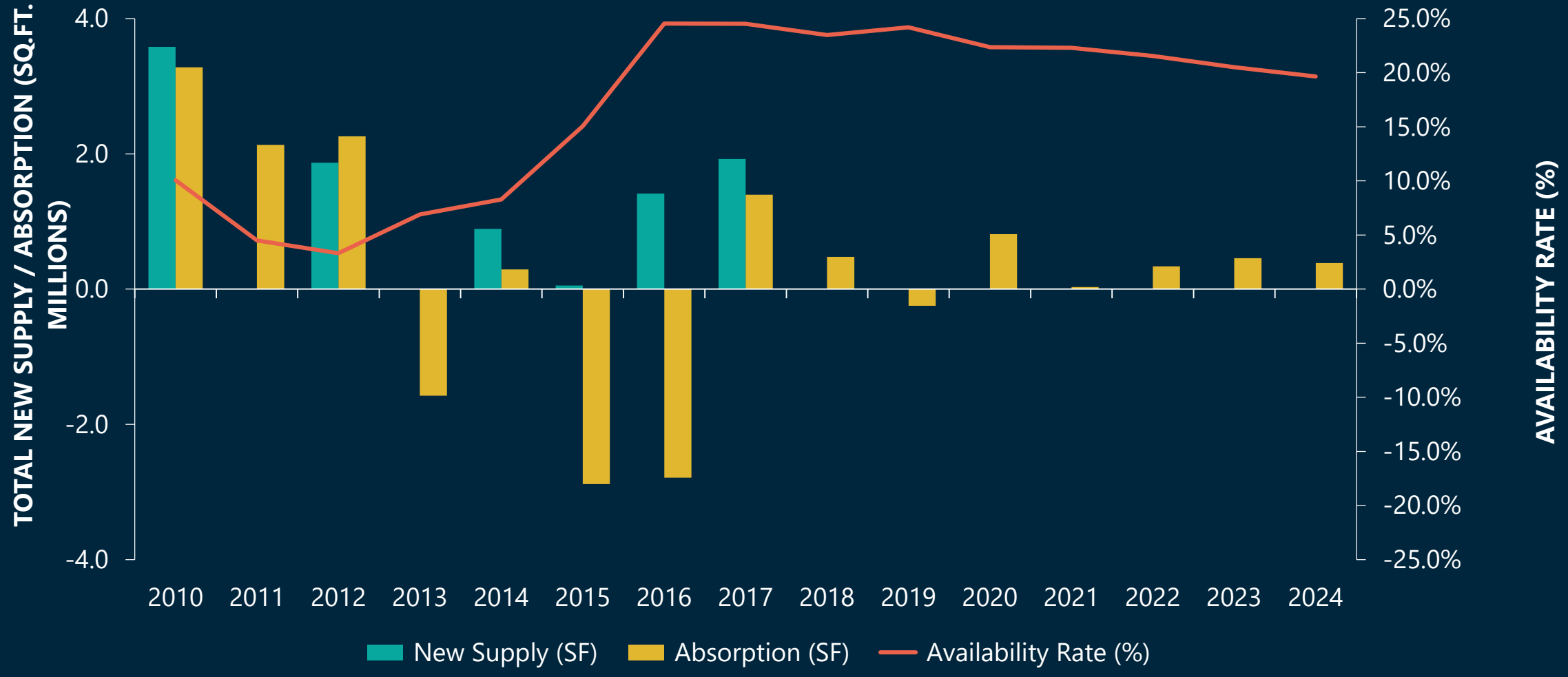
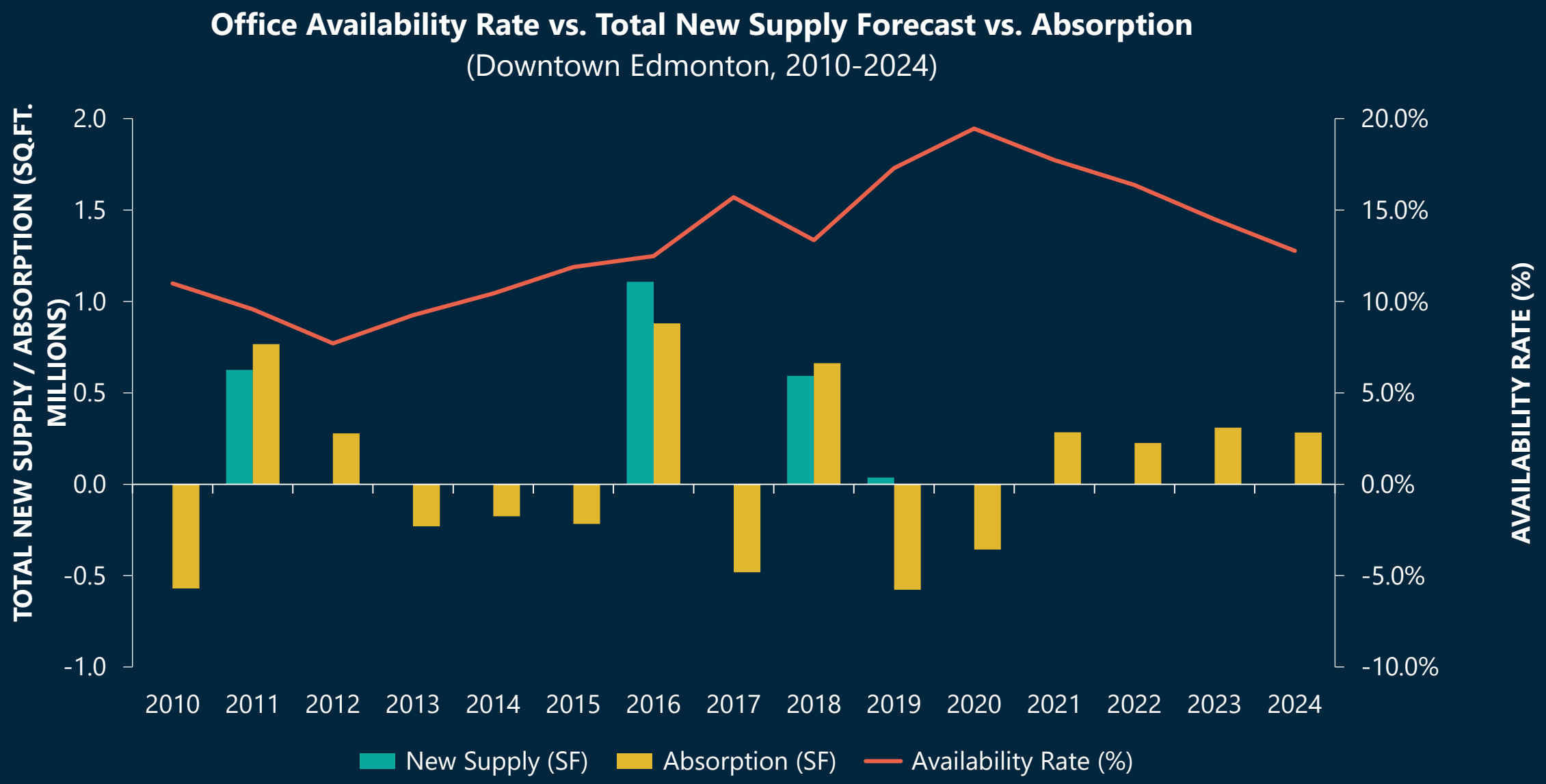


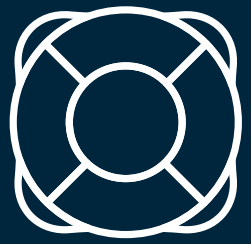
Edmonton Office Forecast



Office watch

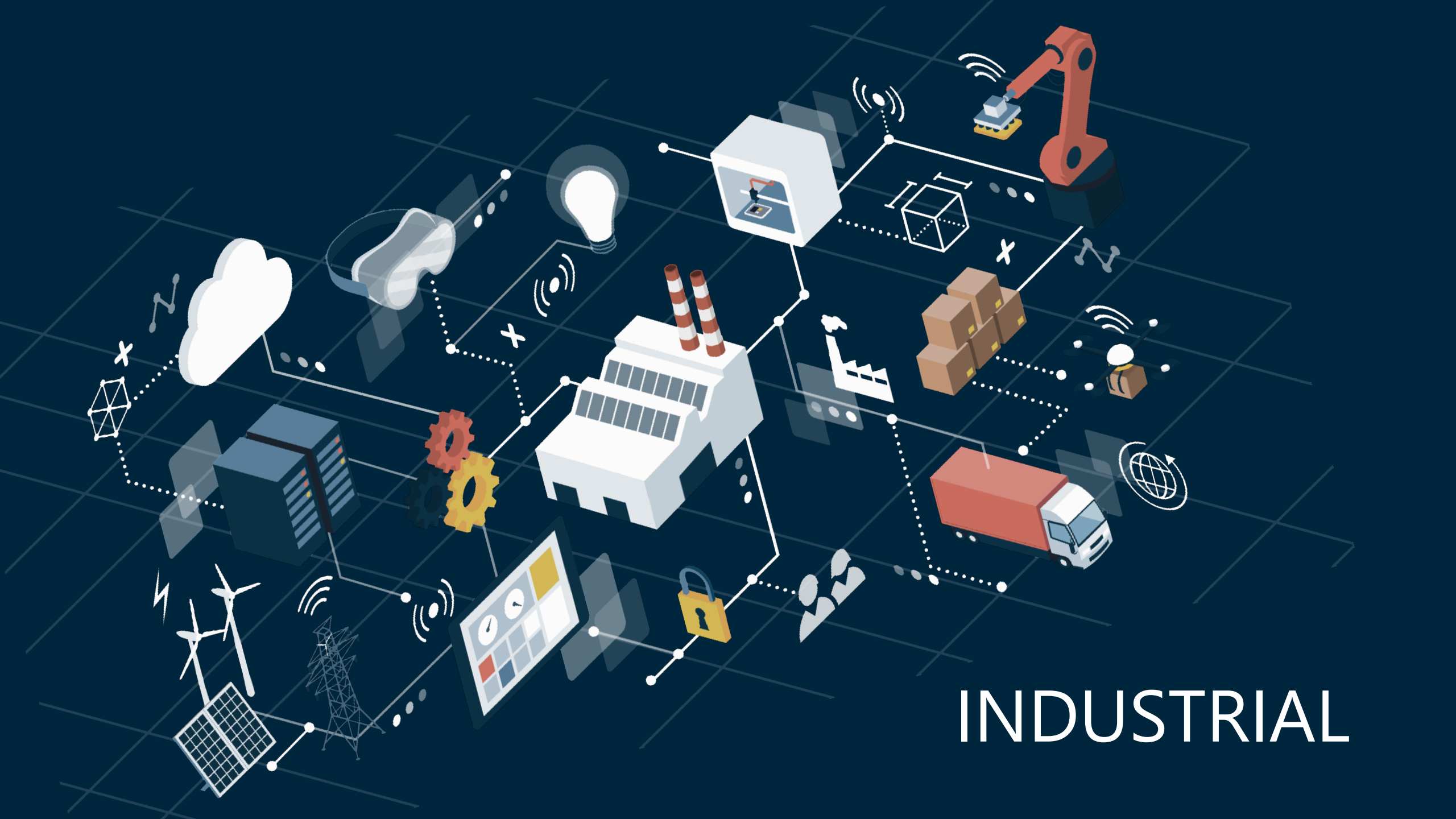
New supply in Vancouver will match supply – while Edmonton and Calgary will continue to slowly absorb space

Suburban office will struggle to compete with the desirability of core office spaces

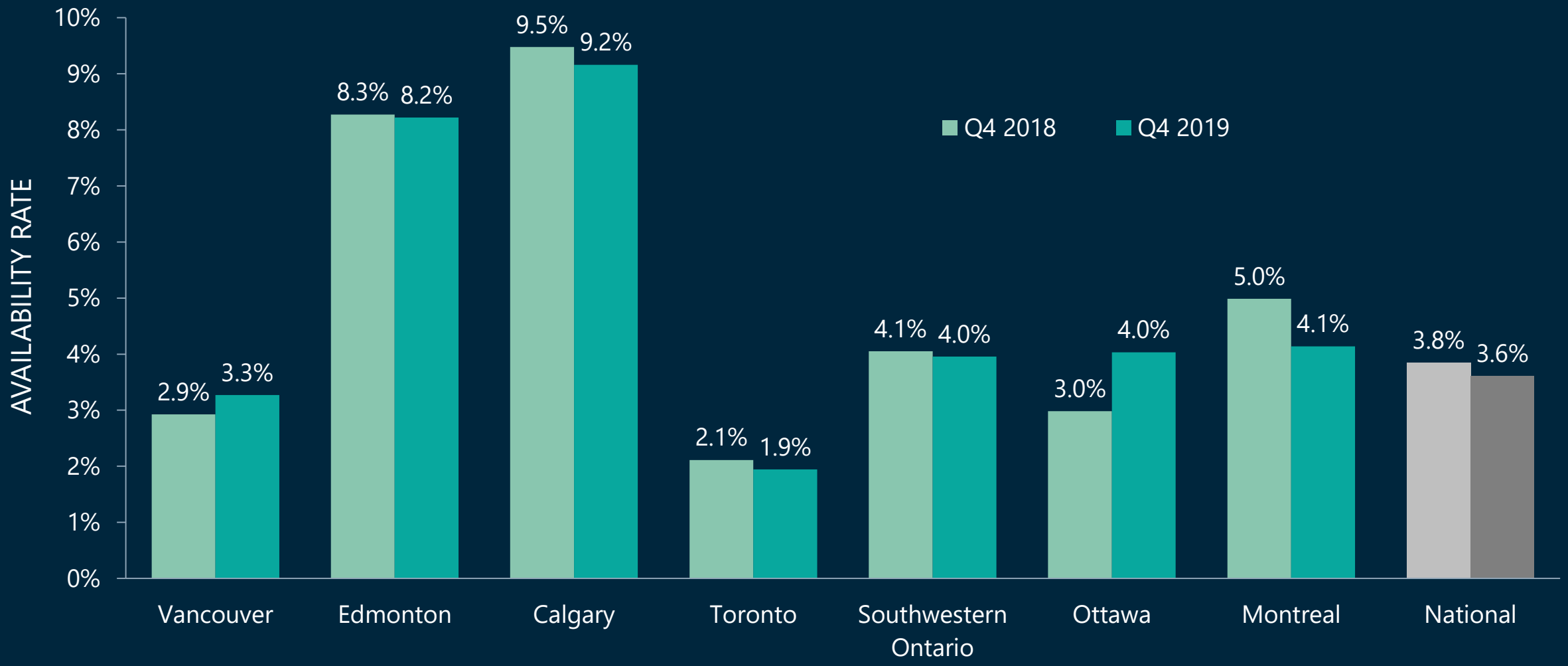


Tech demand driving demand for new spaces – everywhere?

Flexibility and talent is key; co-working will continue to grow

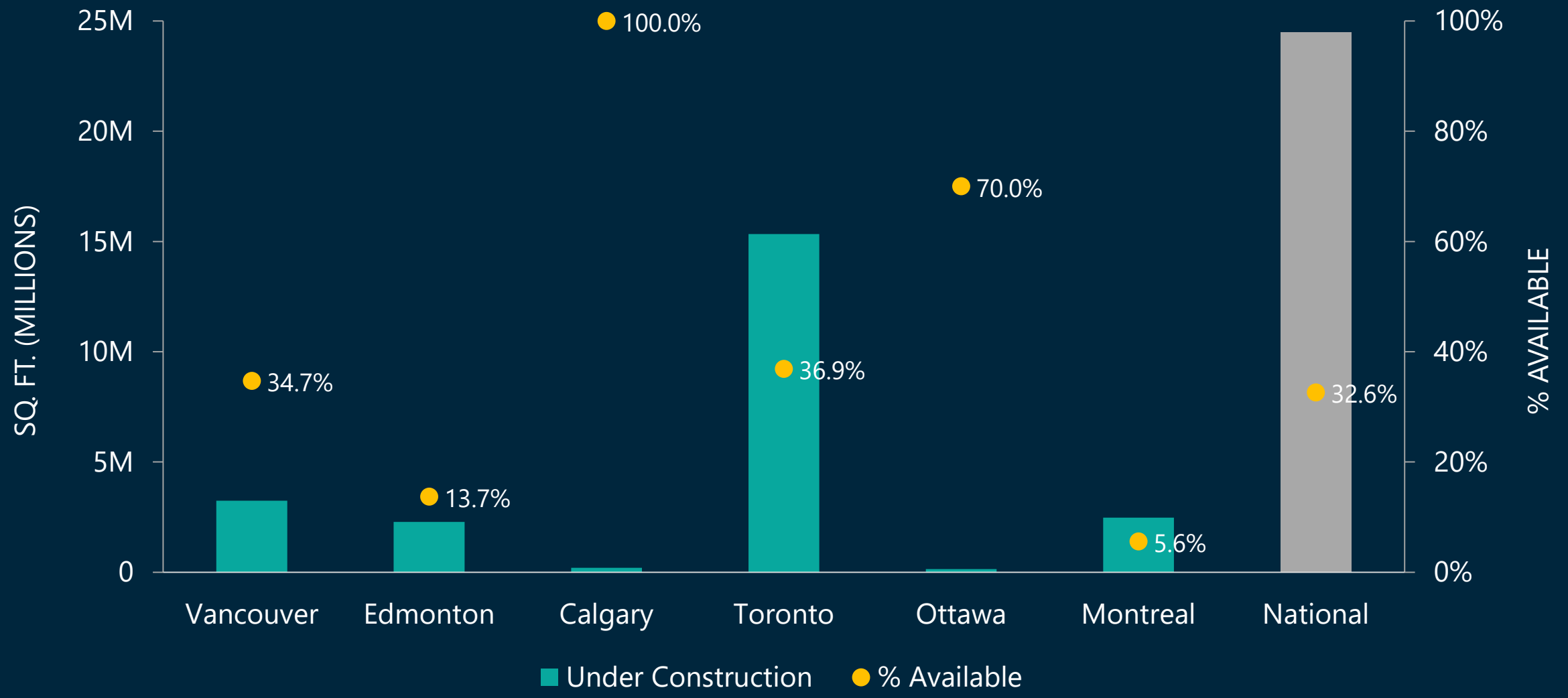

INDUSTRIAL

Industrial sector remains undersupplied, while demand strengthens



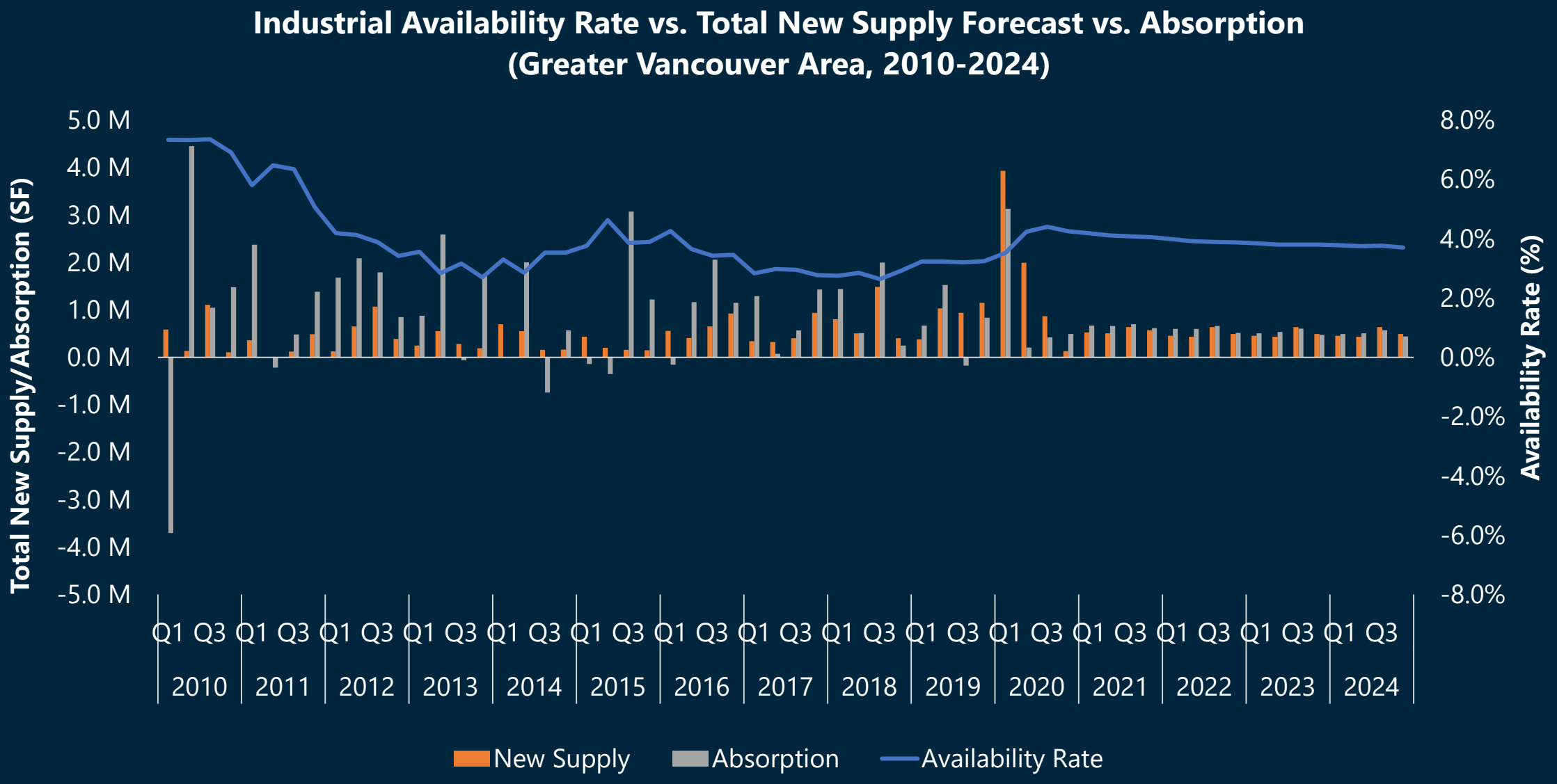
Source: Altus Group

Pre-leasing activity in new buildings under construction has been strong



Source: Altus Group

Vancouver Industrial Forecast



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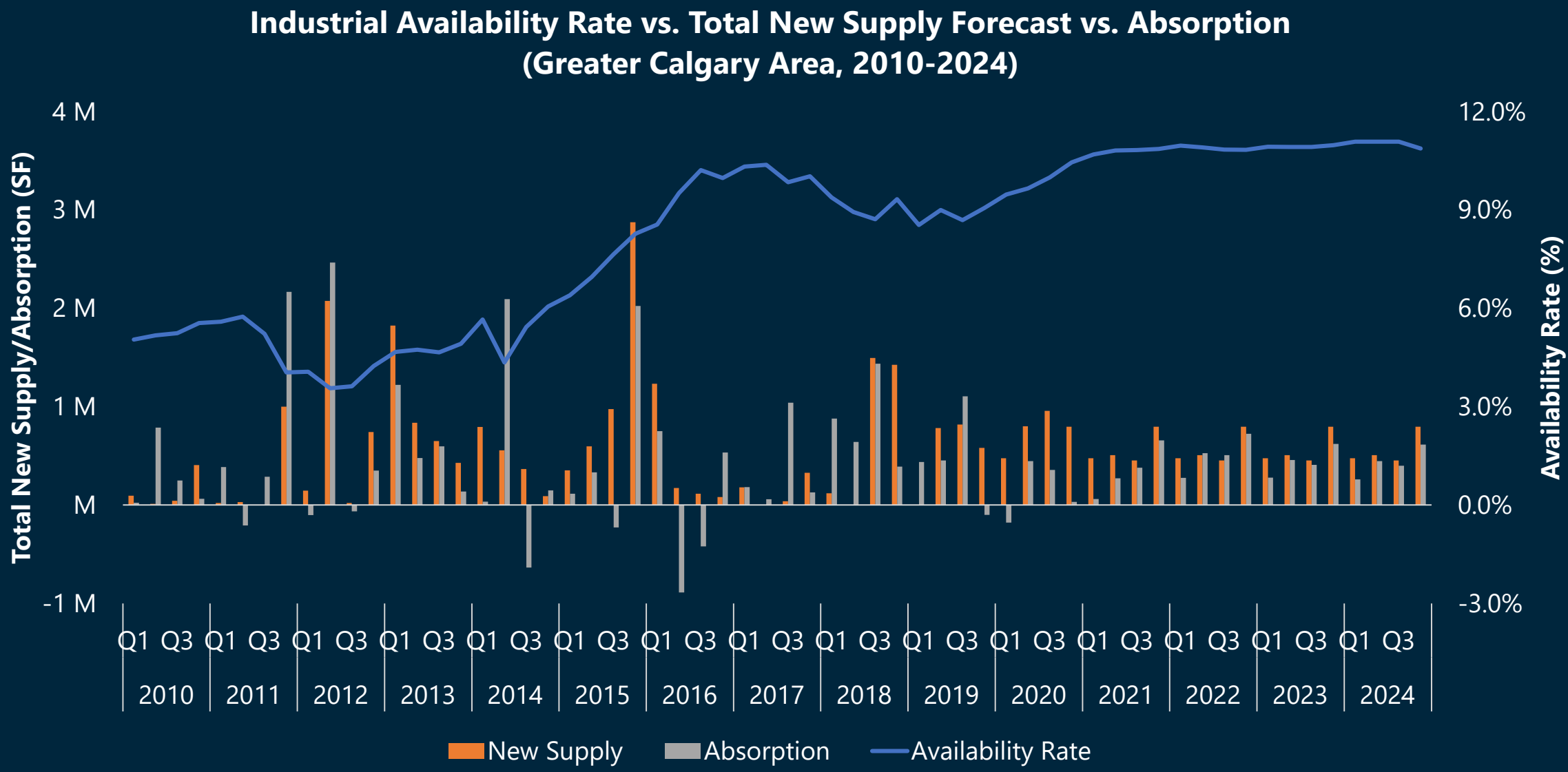

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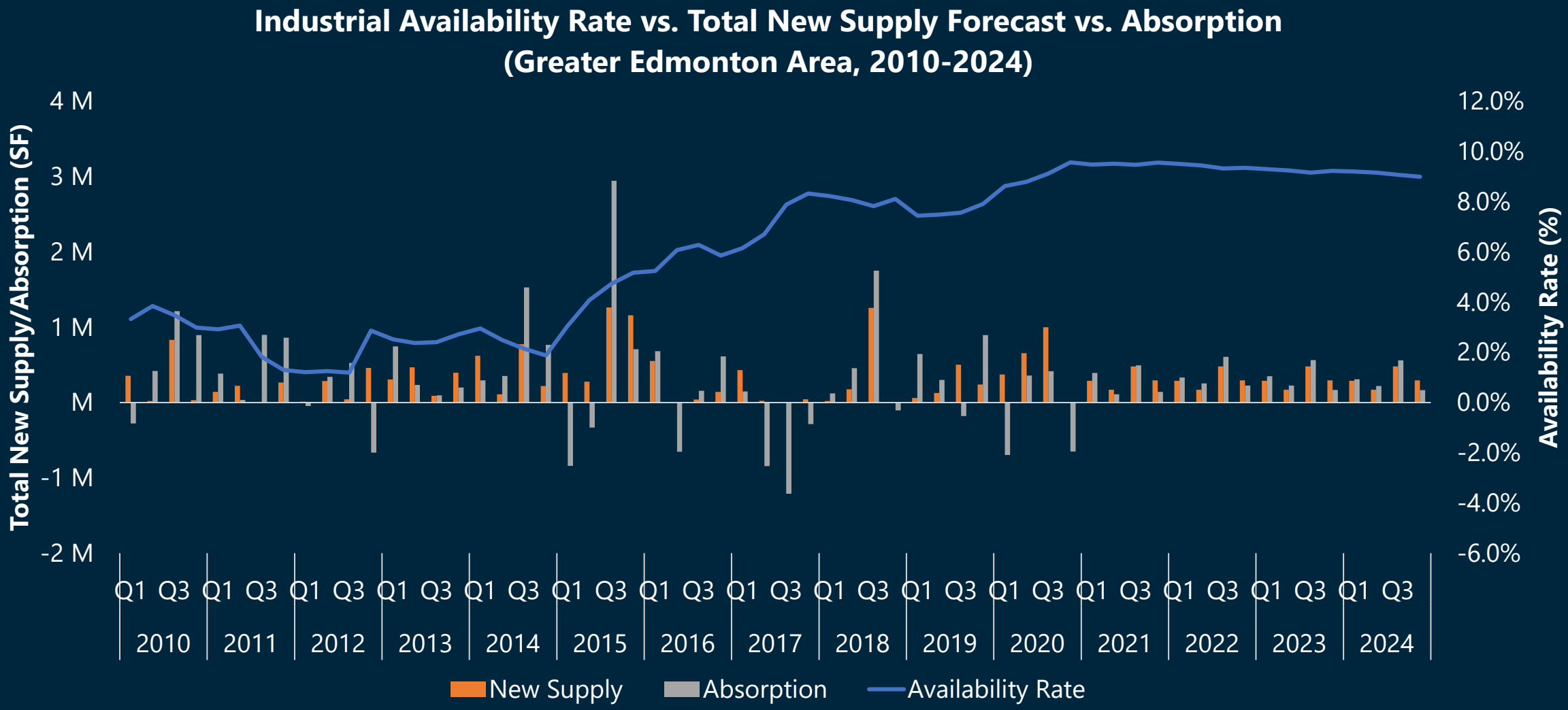


Industrial watch

Sale prices will continue to climb, driven by users and investors

Demand for new spaces are *("have been")* pushing rental rates higher

Tenants will focus on automation and efficiencies

Key takeaways

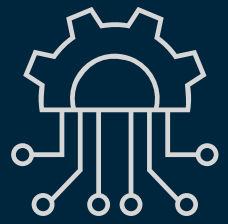
Commercial market summary and outlook

Office demand remains strong in Vancouver – Steady-ish in Alberta

Demand for industrial spaces remains strong, although new supply in Alberta is keeping pace Vancouver will see less intense competition from Res developers

Apartment demand remains robust – both from consumers and investors – but is there room left to grow?

Considerations in 2020 and beyond



- PropTech disruption has reached the tipping point and we are seeing wide spread adoption - in both commercial and residential assets
- High prices/aggressive valuations will support broader adoption in order to capture more value out of assets – and improve the attractiveness of new

- Climate change is on the minds of consumers, investors, and owners
- Expect more attention to building standards, efficiency, reporting, and location in years ahead

- The next decade will bring the rise of Gen Z
- Their impact on residential and retail sectors will be profound, but their desires will impact all sectors of real estate

Thank you!