Emerging Trends in Real Estate
A Canadian Perspective

Creating possibility:
Rebalance.
Rethink.
Reinvent.
Emerging Trends in Real Estate 2018

“Looking forward, it’s not a clear blue sky—but there are no storm clouds coming, either.”

- Emerging Trends is the industry’s “most predictive forecast”
- 39th annual outlook – 11th Canadian annual outlook
- Based on personal interviews with over 1,000 individuals representing 590 organizations combined with an additional 1,600 online surveys
- Across Canada, over 110 personal interviews across Canada with over 95 organizations and 325 online surveys
- Sponsored jointly by PwC and the Urban Land Institute
How do we feel about 2018?
What word would you use to describe the 2018 real estate market?

Top 5

#1 Competitive
#2 Cautious
#3 Measured
#4 Uncertain
#5 Growing
**Expected profitability of your business**

- **2017**
  - Excellent: 17%
  - Poor: 1%
  - Fair: 25%
  - Good: 58%

- **2018**
  - Excellent: 19%
  - Poor: 1%
  - Fair: 22%
  - Good: 58%
Expected profitability of your business US Responses

Total

Good & Excellent

Abysmal–Poor  Fair  Good–Excellent

Good  Excellent


100.0%  90.0%  80.0%  70.0%  60.0%  50.0%  40.0%  30.0%  20.0%  10.0%  0.0%

66.9%  36.1%  26.2%  36.2%  79.6%  19.3%  1.1%

50.3%  28.5%  6.4%  32.9%  62.8%  16.8%
2018 Trends

1. Transit to transform cities
2. Rethinking how to address affordability
3. Rise of placemaking
4. Rebalancing portfolios to create advantage
5. Making the 18-hour city a Canadian reality
6. Reinventing real estate through technology
7. Evolving tenant expectations
8. The global war for talent
2018 Emerging Real Estate Trends

- Economic
- Slow Glide to Soft Landing
- Working Harder and Smarter

Markets

- Procession of Generations
- Retail Transforms
- Housing Tipping Point

Demographic
Rebalancing portfolios
## Rebalancing portfolios to create advantage

### What to buy

<table>
<thead>
<tr>
<th>Sector</th>
<th>Buy Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fulfillment</td>
<td>71.2%</td>
</tr>
<tr>
<td>Warehouse</td>
<td>58.8%</td>
</tr>
<tr>
<td>Age-restricted housing</td>
<td>55.4%</td>
</tr>
<tr>
<td>Moderate-income apartments</td>
<td>46.3%</td>
</tr>
<tr>
<td>Medical office</td>
<td>42.3%</td>
</tr>
</tbody>
</table>

### What to sell

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sell Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power centers</td>
<td>65.9%</td>
</tr>
<tr>
<td>Regional malls</td>
<td>56.0%</td>
</tr>
<tr>
<td>Outlet centers</td>
<td>43.9%</td>
</tr>
<tr>
<td>Economy hotels</td>
<td>42.2%</td>
</tr>
<tr>
<td>Suburban office</td>
<td>38.8%</td>
</tr>
</tbody>
</table>
Rebalancing portfolios to create advantage

### 2018 Buy recommendation by market and property type

#### Industrial

<table>
<thead>
<tr>
<th>Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>70%</td>
</tr>
<tr>
<td>Vancouver</td>
<td>47%</td>
</tr>
<tr>
<td>Calgary</td>
<td>45%</td>
</tr>
</tbody>
</table>

#### Office

<table>
<thead>
<tr>
<th>Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montreal</td>
<td>67%</td>
</tr>
<tr>
<td>Toronto</td>
<td>58%</td>
</tr>
<tr>
<td>Vancouver</td>
<td>56%</td>
</tr>
</tbody>
</table>

#### Multifamily

<table>
<thead>
<tr>
<th>Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ottawa</td>
<td>69%</td>
</tr>
<tr>
<td>Halifax</td>
<td>67%</td>
</tr>
<tr>
<td>Montreal</td>
<td>57%</td>
</tr>
<tr>
<td>Toronto</td>
<td>54%</td>
</tr>
</tbody>
</table>

#### Retail

<table>
<thead>
<tr>
<th>Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montreal</td>
<td>86%</td>
</tr>
<tr>
<td>Saskatoon</td>
<td>50%</td>
</tr>
<tr>
<td>Winnipeg</td>
<td>50%</td>
</tr>
<tr>
<td>Toronto</td>
<td>32%</td>
</tr>
</tbody>
</table>
Rebalancing portfolios to create advantage

### 2018 Sell recommendation by market and property type

#### Market Industrial
<table>
<thead>
<tr>
<th>Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halifax</td>
<td>50%</td>
</tr>
<tr>
<td>Saskatoon</td>
<td>33%</td>
</tr>
<tr>
<td>Montreal</td>
<td>22%</td>
</tr>
<tr>
<td>Toronto</td>
<td>5%</td>
</tr>
</tbody>
</table>

#### Market Multifamily
<table>
<thead>
<tr>
<th>Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halifax</td>
<td>33%</td>
</tr>
<tr>
<td>Saskatoon</td>
<td>33%</td>
</tr>
<tr>
<td>Winnipeg</td>
<td>11%</td>
</tr>
<tr>
<td>Toronto</td>
<td>9%</td>
</tr>
</tbody>
</table>

#### Market Office
<table>
<thead>
<tr>
<th>Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halifax</td>
<td>75%</td>
</tr>
<tr>
<td>Calgary</td>
<td>50%</td>
</tr>
<tr>
<td>Edmonton</td>
<td>50%</td>
</tr>
<tr>
<td>Toronto</td>
<td>0%</td>
</tr>
</tbody>
</table>

#### Market Retail
<table>
<thead>
<tr>
<th>Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halifax</td>
<td>33%</td>
</tr>
<tr>
<td>Calgary</td>
<td>23%</td>
</tr>
<tr>
<td>Toronto</td>
<td>21%</td>
</tr>
</tbody>
</table>
US property type choices skew toward demographics

Investment
- #1 Fulfillment Centers
- #2 Age Restricted Housing
- #3 Moderate Income Apartments
- #4 Affordable Apartments
- #5 Medical Office
- #6 Student Housing

Development
- #1 Fulfillment Centers
- #2 Age Restricted Housing
- #3 Moderate Income Apartments
- #4 Medical Office
- #5 Affordable Apartments
- #6 Student Housing
Rethinking how to address affordability

❑ It is a matter of supply and demand

❑ Demand is a matter of growth

❑ Regulation should focus on increasing supply

❑ Low affordability could force many to change how and where they want to live
Living arrangements change due to affordability

Young adults living with parents

- Ottawa
- Montreal
- Canada
- Vancouver
- Toronto

2016 vs 2006
Not much relief in sight for US home construction costs

New Home Price Index (2005 = 100)

Source: US Census Bureau

America's continued construction labor crisis

Soaring lumber prices a problem for home builders and buyers

Real estate CEO: Record-low housing inventory is 'freaking us out'

Housing inventory continues to drop amidst tight credit and a growing tendency toward becoming a

The Wall Street Journal

CNN Money

CNBC
Which could lead to desperate measures!

It’s harder to move back home, if home keeps moving!
ETRE 2018
Rethinking real estate
Trends add to the desirability of markets and submarkets

Transit to transform

New opportunity

Rise of placemaking

18-hour city
It’s different this time...Isn’t it? The market outlook
The next big market in the survey may be smaller

Top ranked market and cumulative population of top 10 markets by year
Reinventing real estate
“Technology’s impact is everywhere in real estate – and we can’t ignore it.”

Reinventing through technology

Source: CB Insights, Real Estate Tech Research Briefing –Funding Update through Q1 2017
2018 Market Outlook

#1 Vancouver
#2 Toronto
#3 Montreal
#4 Ottawa
#5 Winnipeg
#6 Saskatoon
#7 Edmonton
#8 Halifax
#9 Calgary
2018 Expected Best Bets

- Senior housing
- Fulfillment and warehousing
- Healthcare
- Building communities
- Proptech
- Toronto office
Thank you, and now our panel!

Download your copy of Emerging Trends in Real Estate 2018

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