

Emerging Trends in Canadian Real Estate 2020

ULI/PwC Annual Real Estate Trends Forecast 2020
October 4, 2019



Emerging Trends in Real Estate 2020



- ☐ **Predictive Industry publication now in it's 41st year**
- ☐ **13th year for Canadian Outlook**
- ☐ **Sponsored jointly by ULI and PwC**
- ☐ **Input from over 2,200 industry leaders with over 400 covering Canada**

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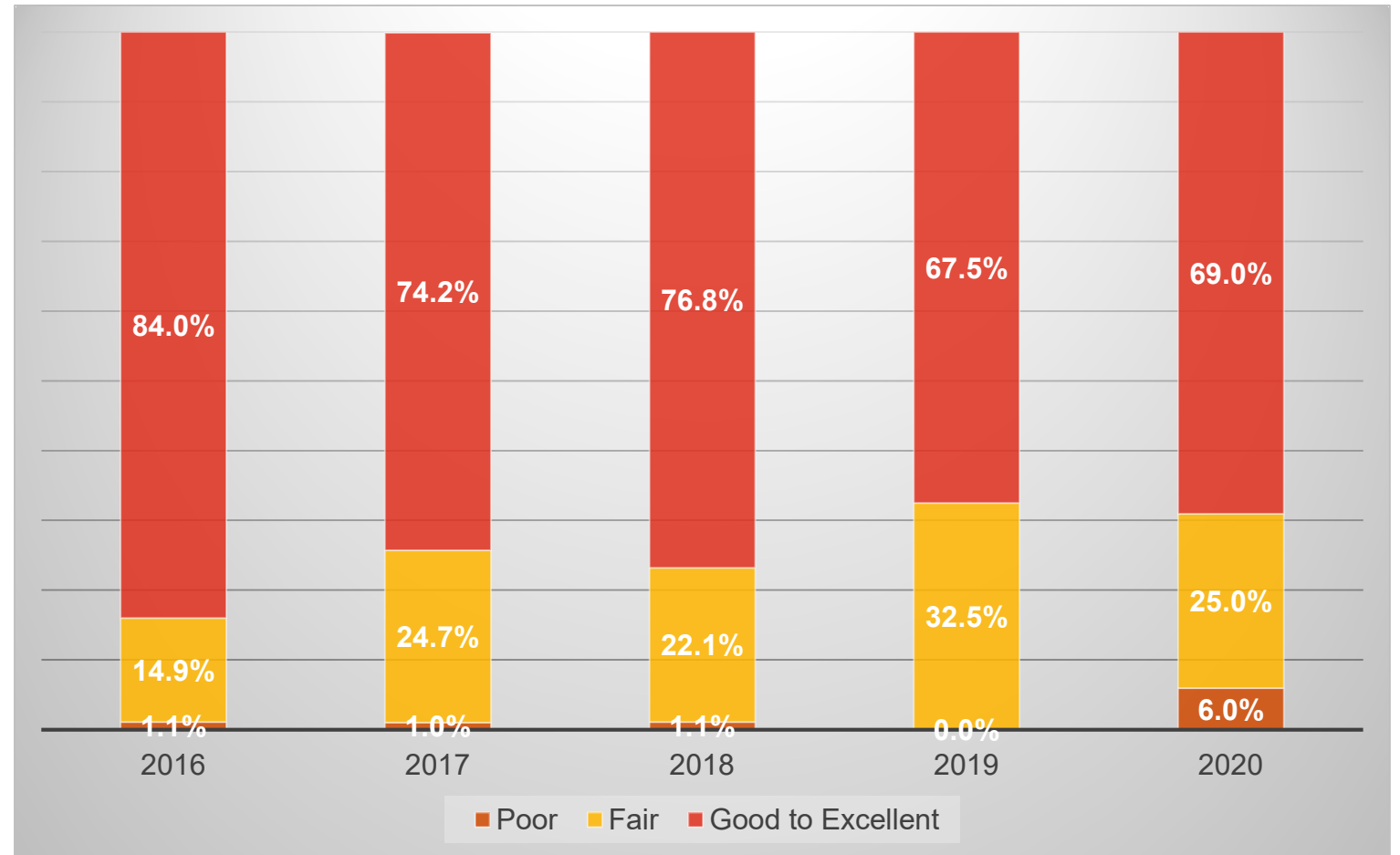
Market Sentiment; Still positive, but are we seeing some diversity in opinion?



2020 Expected Profitability

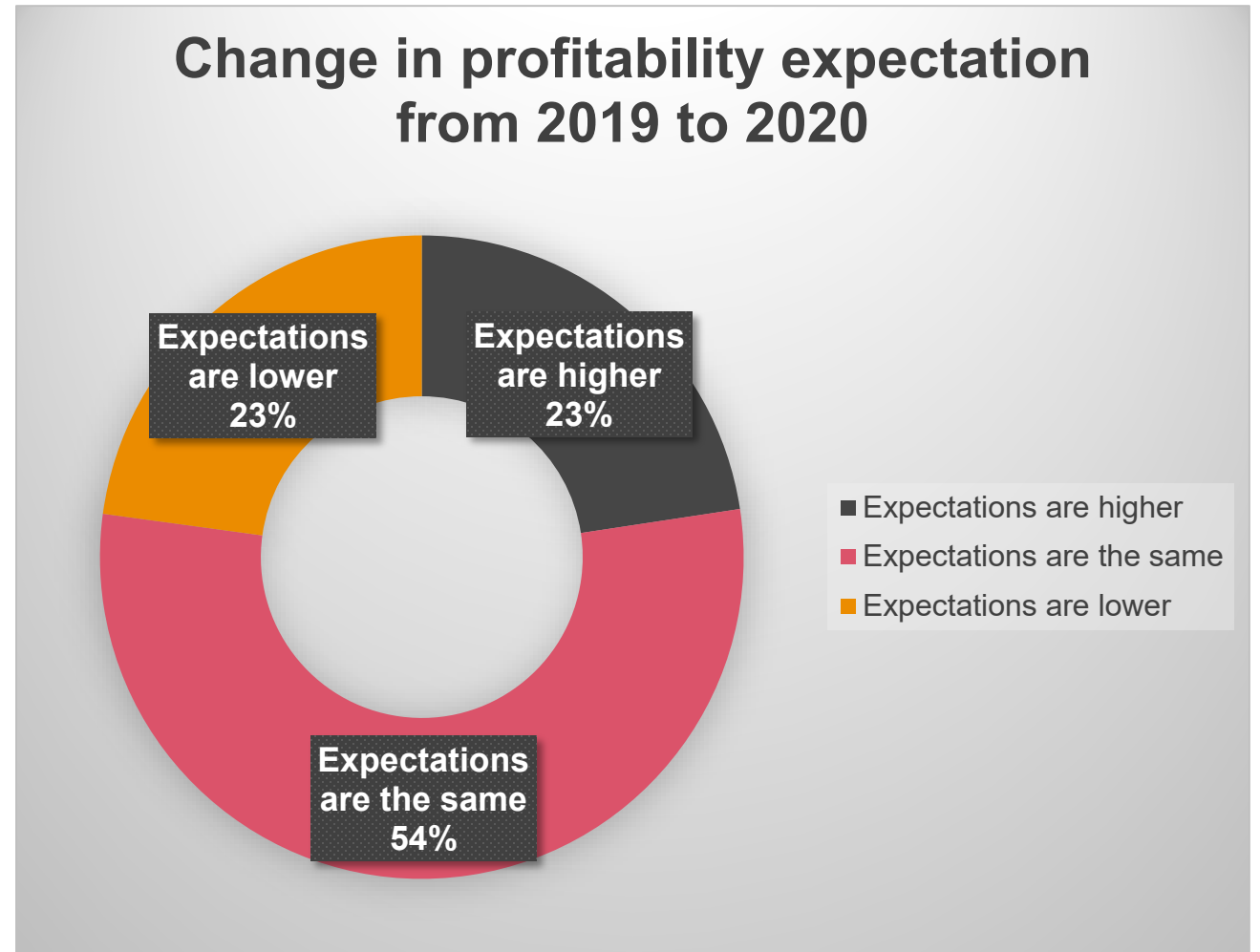
Is this what an extended expansion looks like?

- An uptick in the percentage of respondents who are less than positive about 2020
- The fair, or consistent outlook is also down from 2019
- Good to excellent still strong



Any change of heart from last year?

- *The majority of respondents, 54%, have not changed their expectations for 2020 from 2019*
- *The same percentage of respondents, 23%, have lowered and raised their expectations from 2019 to 2020*



What is behind the change of heart?

Reasons given for change in expectations from 2019

23%

Expectations are lower

1. **Economy – 36%**
2. **Fundamentals – 29%**
3. **Government – 14%**
4. **Capital markets – 11%**
5. **Strategy shift – 5%**

23%

Expectations are higher

1. **Strategy shift – 28%**
2. **Fundamentals – 28%**
3. **Internal changes – 22%**
4. **Economy – 16%**
5. **Capital markets – 6%**

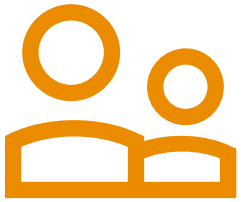
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The common theme in office, retail, and residential is that it is no longer about **space**. It's about the **services** you offer.



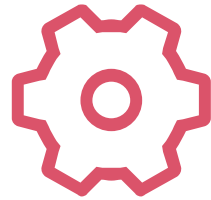
Emerging Trends in Real Estate 2020

Laying the Foundation for a Customer-Driven Future



Putting customers at the heart of reimagined spaces

- Real estate as a service
- Blurring the lines between property types



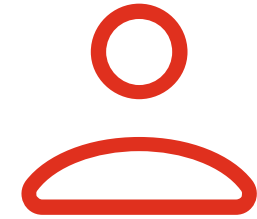
Powering digital transformation through Proptech

- Proptech practices and possibilities
- A growing appetite for data and analytics



Navigating policy and geopolitical uncertainty

- Black swans and “Legislation by Twitter”
- What is the path forward



Tackling emerging business issues

- Securing skills and talent
- The urgent issue of cyber security

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Putting customers at
the heart of
reimagined spaces

While cash flows, cap rates, and NPV calculations are always important in real estate, focusing on the customer experience has become a significant priority.



Remember when it was just work space?



1960's interpretation of the open office concept



1980's interpretation of a private office concept



Today's interpretation of collaboration space

It is all about work process

One work space does not fit all work

Tenants want space to address different goals

- Collaboration in formal and informal settings
- Quiet space for individualized work
- Available space for hotelling workers
- Flexible space that can be utilized to house staff on a temporary basis
- Space where employees can relax, eat, socialize



Blurring the lines between property types



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**Powering digital
transformation
through proptech**

The ultimate goal of
implementing
technology is to make
the whole equal more
than the sum of the
parts



We continue to generate more data every year!



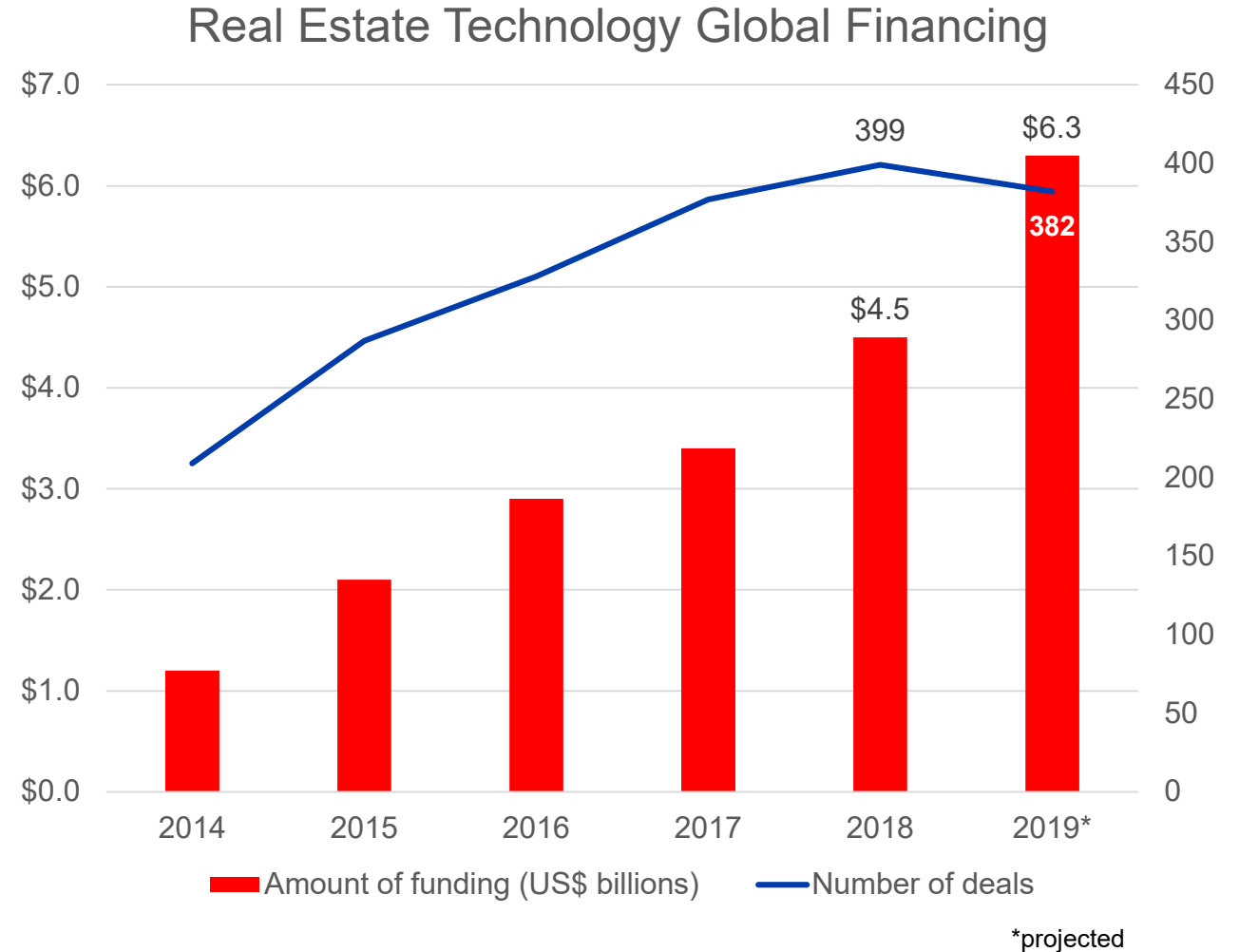
2019 *This Is What Happens In An Internet Minute*



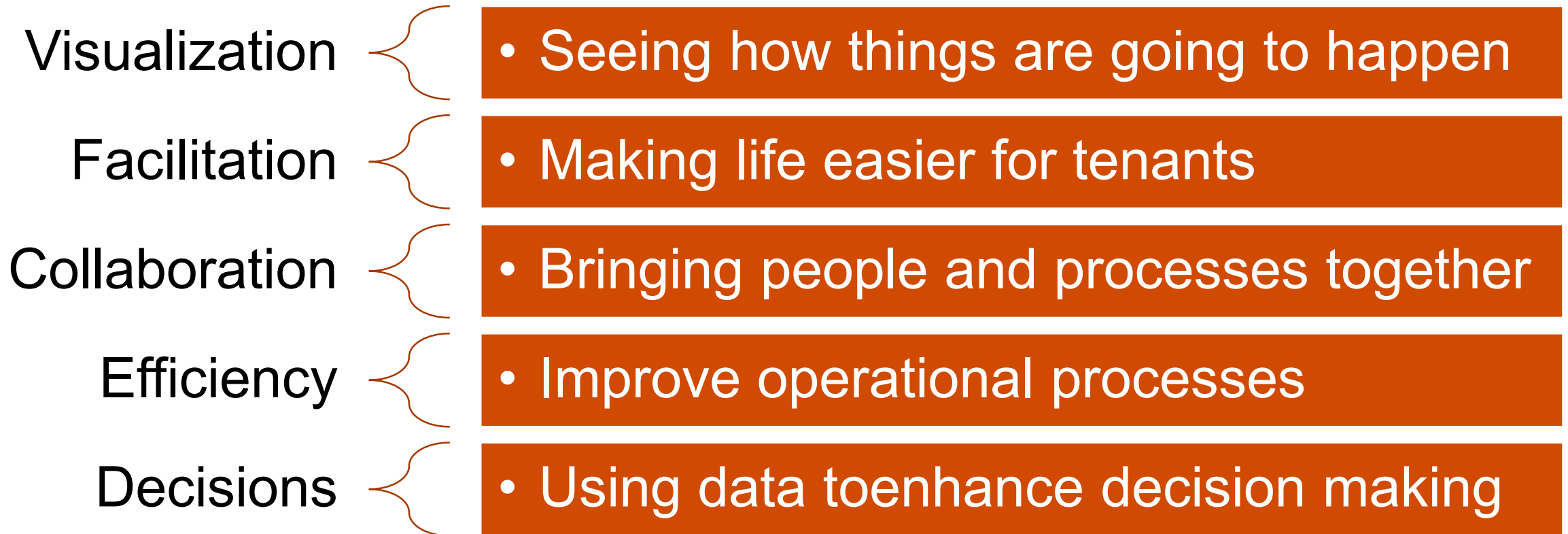
Investment in real estate technology continues to rise

Total dollar amount invested projected to rise again in 2019

- Includes only PropTech, does not include Fintech deals
- While number of deals may be down, investment dollars per deal is up from \$11.3 million in 2018 to a projected \$16.5 million in 2019
- Interest in the sector continues due to size of the real estate industry and continued adaption and implementation by major market participants



How technology is being used today

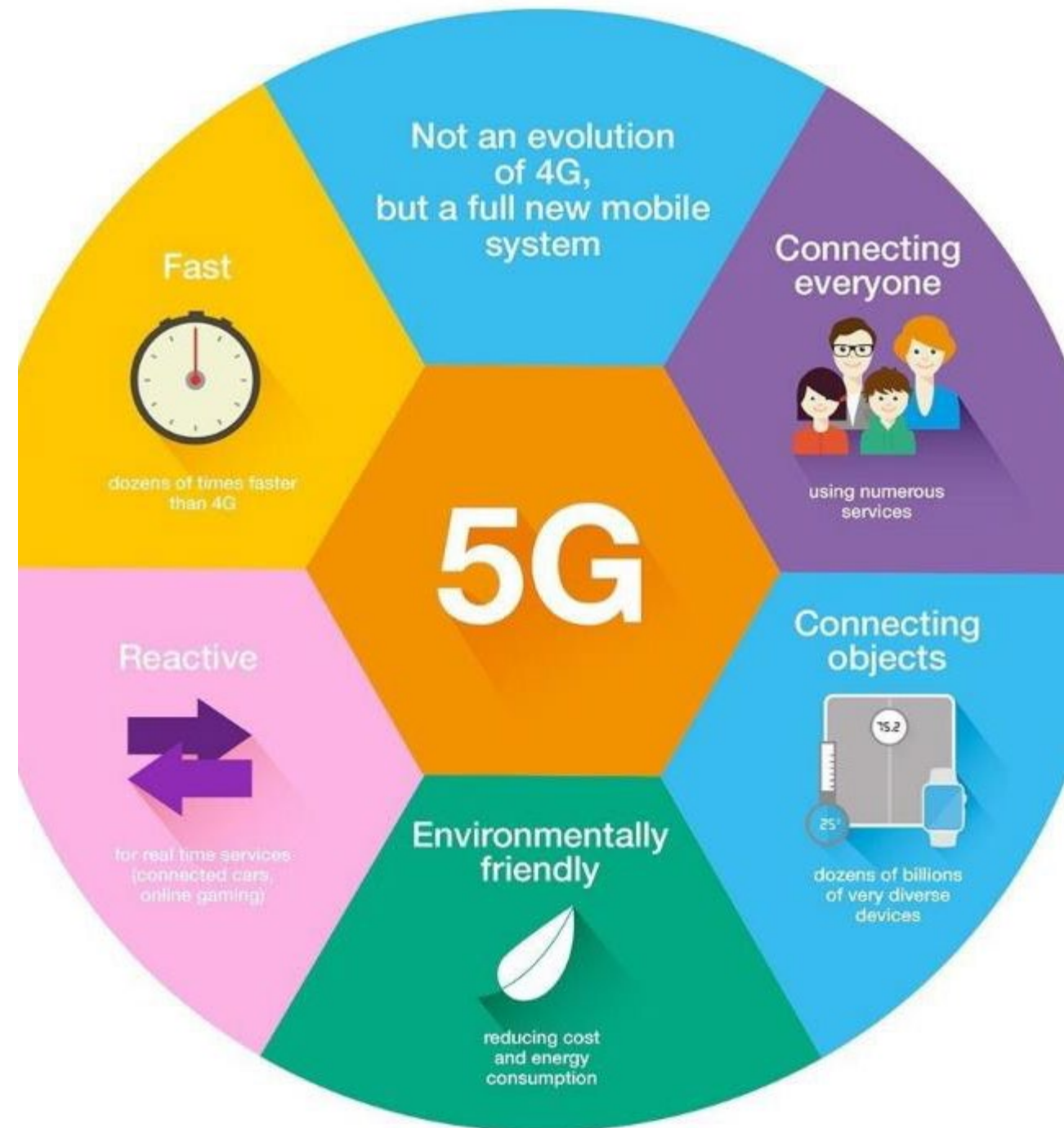


Will 5G allow current and existing technologies to have a real impact?

5G will enhance speed and reliability

The increased speed and latency provided by 5G will make a number of technologies viable

- Increased broadband access
- Autonomous vehicles/smart infrastructure
- Control of remote devices
- Quiet space for individualized work
- Machine learning and enhanced IOT (internet of things)



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How does the public sector partner with the private sector to create social impact?

Navigating policy and geopolitical uncertainty



Interesting times and unintended consequences

THE WALL STREET JOURNAL.

ECONOMY

**World Economy to Grow at
Lowest Rate Since Financial
Crisis: OECD**

THE WALL STREET JOURNAL.

OPINION | BUSINESS WORLD

**How Bad Can a Trade War
Get?**

Financial Post

**The mortgage 'stress test' has
started harming Canadians
more than it helps**

A recurring question: How to improve housing affordability?



- ☐ **Multiple solutions need to focus on both sides of the equation**
- ☐ **Unintended consequences can make the problem worse**
- ☐ **Populist sentiment makes it likely we could experience more market regulation**
- ☐ **Real estate industry will need to take a position of leadership**

Black Swans and “Legislation through Twitter”



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If you're not the learner
you're the lesson

***Tackling
emerging
business issues***



Major issues for 2020



Economic/financial

- *Job and income growth*
- *Regulations*
- *Qualified labor availability*



Social/political

- *Housing costs and availability*
- *Political landscape*
- *Immigration*



Real estate/development

- *Construction costs*
- *Land costs*
- *Construction material costs*

A lot to think about for 2020



Top Markets

- ☐ Vancouver
- ☐ Toronto
- ☐ Ottawa
- ☐ Halifax
- ☐ Montreal

Top Property Types

- ☐ Industrial
- ☐ For rent residential
- ☐ Senior Housing
- ☐ Office

Best Bets

- ☐ Warehousing/Fulfillment
- ☐ Senior housing
- ☐ Affordable apartments
- ☐ Transit oriented development

Thank you

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