Emerging Trends in Real Estate 2019®
A Canadian Perspective

Reinvent  Rebalance  Rethink
Emerging Trends in Real Estate 2019

- 40th annual outlook – 12th Canadian annual outlook

- Based on insights from over 2,400 personal interviews and survey responses across North America, with over 400 from Canada

- Sponsored jointly by PwC and the Urban Land Institute

- Emerging Trends is the industry’s “most predictive forecast”
Over the course of your real estate career, what do you feel has been the most significant event or change to the industry?

- Global Financial Crisis
- Technology
- Information Availability
- Asset Class Acceptance
- Urbanization
- REITs
- Low Interest Rates
- Capital Availability
- Securitization
- Space Utilization Changes
The next 40 years?

What do you feel could have the most significant impact on the real estate industry over the next 40 years?

- Technology Implementation
- Autonomous Vehicles
- Space Utilization Changes
- Demographic Shifts
- Artificial Intelligence
- Data Analytics
- Retail Transformation
- Smoother Economic Cycles
- Climate Change
- Rising Interest Rates
After 40 years, what’s next?

or

CAUTION

40

IT'S ALL DOWNHILL
FROM HERE

KEEP CALM
...AND REMEMBER...
40 IS
THE NEW 20
Market Sentiment
Expected profitability of your business

2018
- Excellent, 19%
- Fair, 22%
- Good, 58%
- Poor, 1%

2019
- Excellent, 18%
- Fair, 24%
- Good, 58%
Expected profitability of your business

Canada
- Excellent, 18%
- Fair, 24%
- Good, 58%

Toronto
- Excellent, 10%
- Fair, 33%
- Good, 58%
What word would you use to describe the 2019 real estate market?

Top 5

#1 Competitive
#2 Cautious
#3 Uncertain
#4 Evolving
#5 Overheated
Trends
2019 Trends

**Rebalance: Real Estate Strategies Rely on Creativity**
- Reassess, rebalance, and redevelop
- Partnerships and opportunities
- Unlocking insights from predictive analytics

**Reinvent: Accelerating Digital Transformation**
- Embracing change and business transformation
- Meeting evolving tenant and customer expectations
- From awareness to action
- Unlocking the power of Proptech
- Getting the right skills

**Rethink: Time to Rethink the Affordability Puzzle**
- The government's role
- Affordability drives mobility and lifestyle
Rebalance
**Rebalancing portfolios to create advantage**

What to buy in 2019

<table>
<thead>
<tr>
<th>Sector</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderate-income apartments</td>
<td>56.8%</td>
</tr>
<tr>
<td>Fulfillment</td>
<td>56.0%</td>
</tr>
<tr>
<td>Age-restricted housing</td>
<td>52.9%</td>
</tr>
<tr>
<td>Warehouse</td>
<td>50.0%</td>
</tr>
<tr>
<td>Medical office</td>
<td>40.8%</td>
</tr>
</tbody>
</table>

What to sell in 2019

<table>
<thead>
<tr>
<th>Sector</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power centers</td>
<td>72.0%</td>
</tr>
<tr>
<td>Luxury hotels</td>
<td>50.0%</td>
</tr>
<tr>
<td>Outlet centers</td>
<td>46.9%</td>
</tr>
<tr>
<td>Regional malls</td>
<td>42.0%</td>
</tr>
<tr>
<td>Suburban office</td>
<td>39.5%</td>
</tr>
</tbody>
</table>
Rebalancing portfolios to create advantage

Opinion of current pricing

<table>
<thead>
<tr>
<th>Sector</th>
<th>Over Priced</th>
<th>Sector</th>
<th>Under Priced</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Property Type Avg.</td>
<td>32.2%</td>
<td>All Property Type Avg.</td>
<td>8.3%</td>
</tr>
<tr>
<td>Luxury hotels</td>
<td>61.1%</td>
<td>Regional malls</td>
<td>19.6%</td>
</tr>
<tr>
<td>High-income apartments</td>
<td>58.3%</td>
<td>Flex</td>
<td>17.8%</td>
</tr>
<tr>
<td>Power centers</td>
<td>46.7%</td>
<td>Suburban office</td>
<td>17.5%</td>
</tr>
<tr>
<td>Central-city office</td>
<td>42.9%</td>
<td>Affordable apartments</td>
<td>14.1%</td>
</tr>
<tr>
<td>Urban/high-street retail</td>
<td>39.1%</td>
<td>Limited service hotels</td>
<td>11.1%</td>
</tr>
</tbody>
</table>
Opportunities in the US?

Color indicates state tax burden
- High
- Medium
- Low

Unlocking insights with predictive analytics

- Raw Data
- Cleaned Data
- Standard Reports
- Ad Hoc Reports
- Generic Predictive Analytics
- Predictive Modeling
- Optimization

Competitive Advantage

Understanding

Analytics Maturity

Action
Reinvent
41%
Annual increase in global real estate tech investment over the past 4 years

Source: CB Insights
**Embracing change and business transformation**

Odds are much greater that AI will replace tasks you currently do rather than replace you!

The promise is that AI will enhance PI by freeing workers to focus on more value add tasks.

<table>
<thead>
<tr>
<th>Intellectual tasks</th>
<th>Customer service</th>
<th>Physical tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax preparation software</td>
<td>Online shopping agents</td>
<td>Grocery store scanners</td>
</tr>
<tr>
<td>Watson for legal and medical uses</td>
<td>Restaurant ordering kiosks</td>
<td>ATMs</td>
</tr>
<tr>
<td>IoT warehousing programs</td>
<td>IVR call centers</td>
<td>Automated parking garages</td>
</tr>
</tbody>
</table>
From awareness to action

How important could the following be to disrupting the real estate industry?

<table>
<thead>
<tr>
<th>Technology</th>
<th>None</th>
<th>Little</th>
<th>Moderate</th>
<th>Considerable</th>
<th>Great</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction technology</td>
<td></td>
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<tr>
<td>Autonomous vehicles</td>
<td></td>
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<tr>
<td>Internet of things (IoT)</td>
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<tr>
<td>Cyber security</td>
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<tr>
<td>Sharing/Gig economy</td>
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<tr>
<td>Workplace automation</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Big data analytics</td>
<td></td>
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<tr>
<td>CoWorking</td>
<td></td>
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<tr>
<td>5G implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3D printing</td>
<td></td>
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<tr>
<td>Augmented/virtual reality</td>
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<tr>
<td>Blockchain</td>
<td></td>
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<tr>
<td>Drone technology</td>
<td></td>
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</tr>
</tbody>
</table>
Meeting evolving tenant and business transformation

70% The percent of survey respondents who felt technology would have no impact on the demand for retail space.

Source: Emerging Trends in Real Estate 2004
Unlocking the power of Proptech
81% of employers feel that the right amenities are needed to attract employees.
Getting the right talent
Rethink
Time to Rethink the Affordability Puzzle

- Agree on what the problem really is
- Can’t be solved by just getting one side right
- Pieces have to be moved in coordination
- Watch out for unintended consequences
- Find a way to create the right amount of new supply
Toronto net migration forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Province to Province</th>
<th>International</th>
<th>City to City</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>(40,000)</td>
<td>80,000</td>
<td>(20,000)</td>
</tr>
<tr>
<td>2019</td>
<td>(40,000)</td>
<td>80,000</td>
<td>(20,000)</td>
</tr>
<tr>
<td>2020</td>
<td>(40,000)</td>
<td>80,000</td>
<td>(20,000)</td>
</tr>
<tr>
<td>2021</td>
<td>(40,000)</td>
<td>80,000</td>
<td>(20,000)</td>
</tr>
<tr>
<td>2022</td>
<td>(40,000)</td>
<td>80,000</td>
<td>(20,000)</td>
</tr>
</tbody>
</table>
Migration cycle

- More space
- Affordability
- Schools
- Proximity to Family

Impact on Destination

Looking For

Still want

and Potentially

Leads to

- Access to amenities (walkability)
- Available transit

- Residential
- Retail
- Services
- Entertainment

Employers follow the workers
Best Bets & Issues to Watch
Best Bets & Issues to Watch

**Best Bets**

- Fulfillment
- Multifamily Market
- Senior Housing

**Issues to Watch**

- Interest rates
- Tariffs
- ???
Thank you, and now our panel!

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uli.org/et19
pwc.com/ca/emergingtrends