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AICON2018

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DATA SOLUTIONS

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National Overview

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Economic Outlook

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	Average 2008-17*	2017	2018f	2019f	
	Year-to-Year Change				
Real GDP (economic growth, %)	1.6	1.5	3.0	2.4	
Employment Growth (persons, 000s)	165	337	275	200	
CPI (inflation, %)	1.3	1.6	2.0	2.0	
Real Personal Disposable Income per Capita (%)	2.0	1.8	1.5	1.3	
1 Year Mortgage Rate (banks, posted %)	3.5	3.2	3.3	3.1	
5 Year Mortgage Rate (banks, posted %)	5.2	5.0	5.2	5.0	

* Annual average

Source: Historical - Statistics Canada and Bank of Canada Forecasts – Altus Group Economic Consulting

"Cyclical Upswing, Structural Changes"

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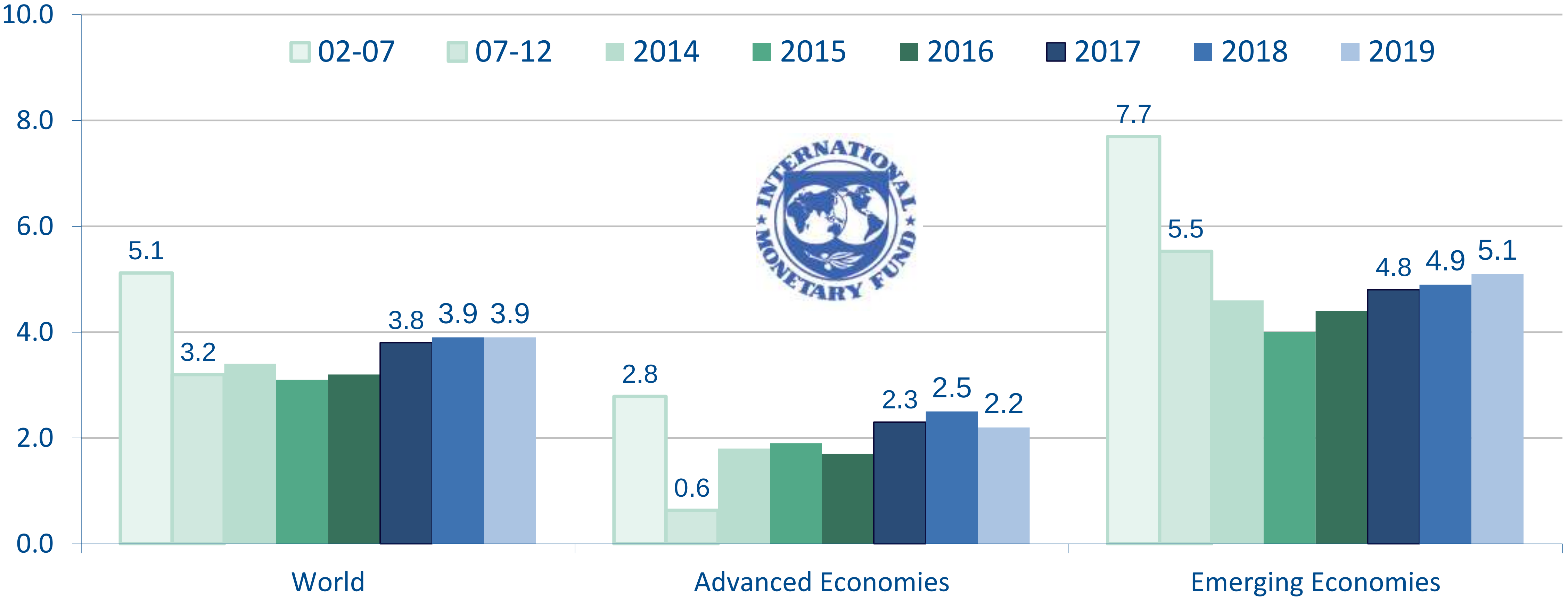
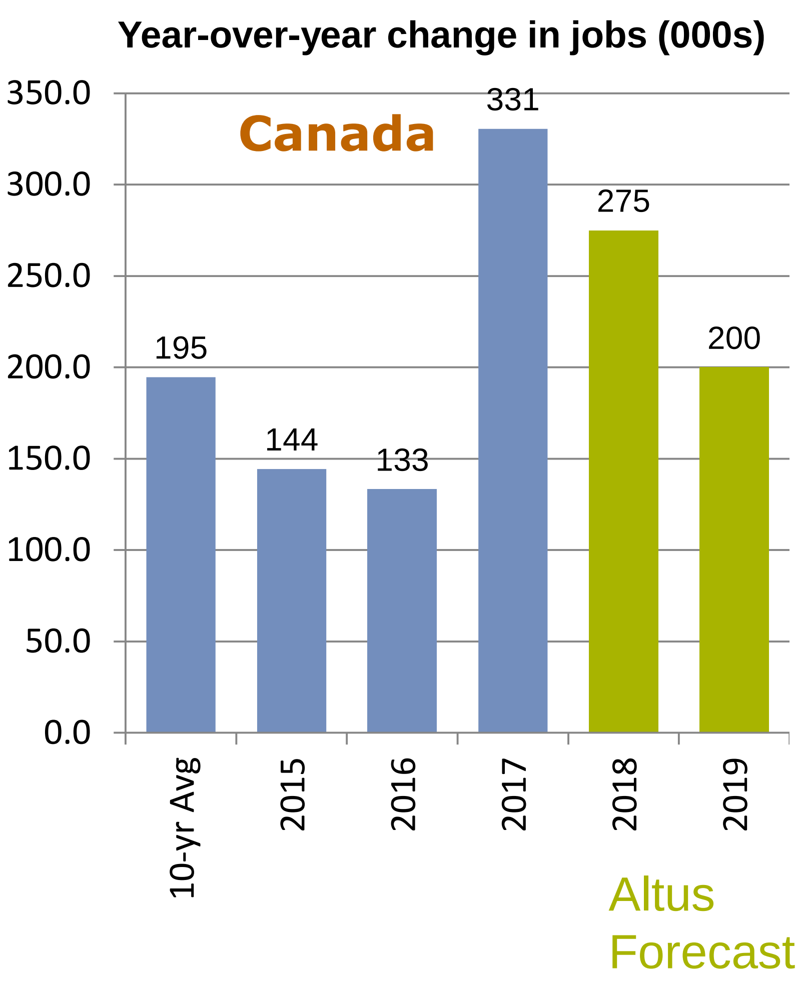
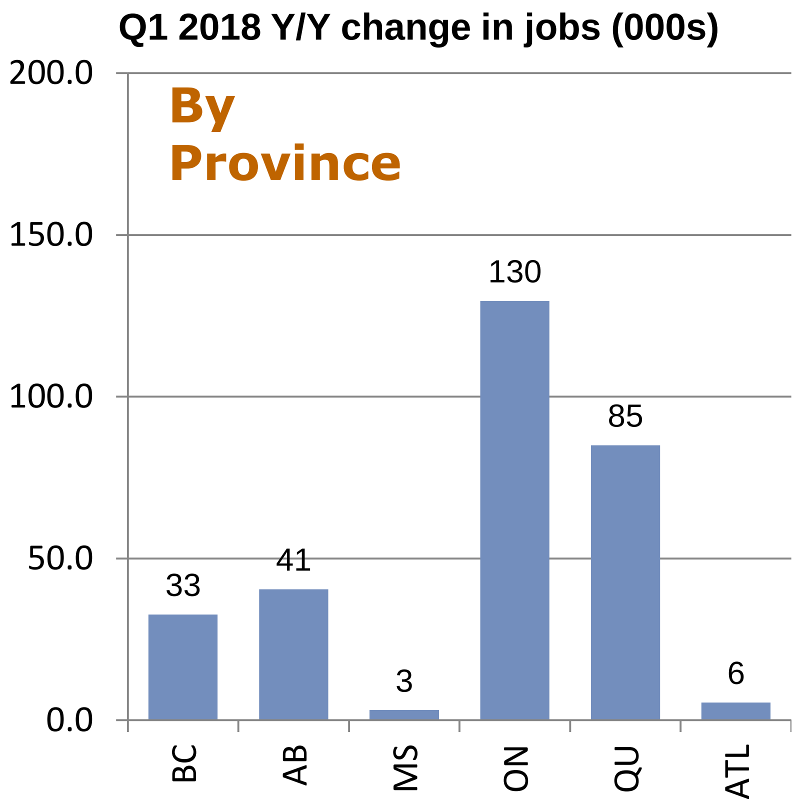
Real GDP Annual % Change

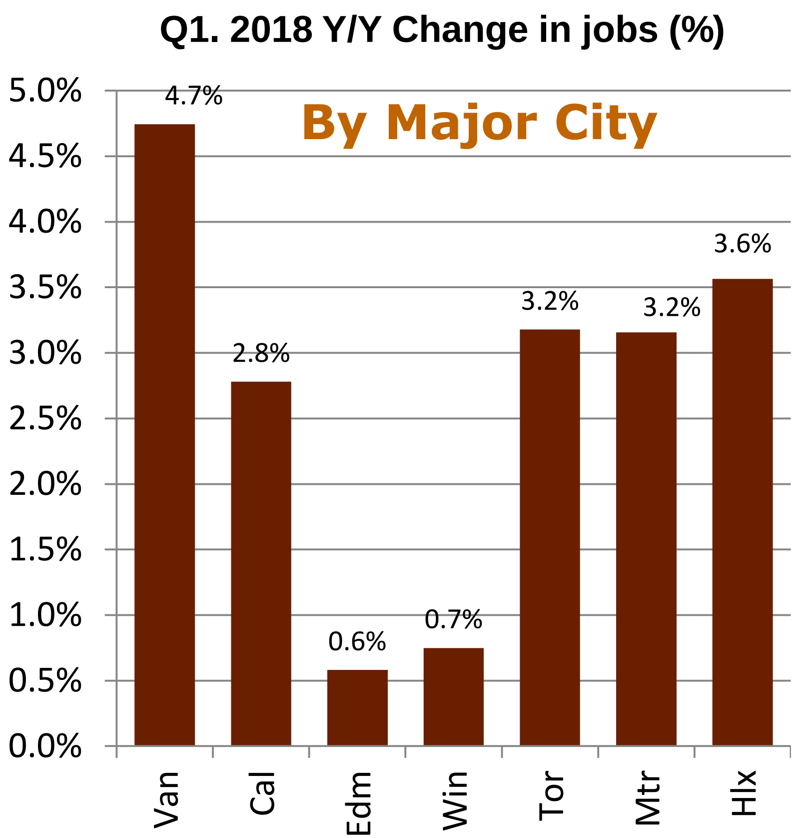


Source: Altus Economics based on IMF (April 2018)

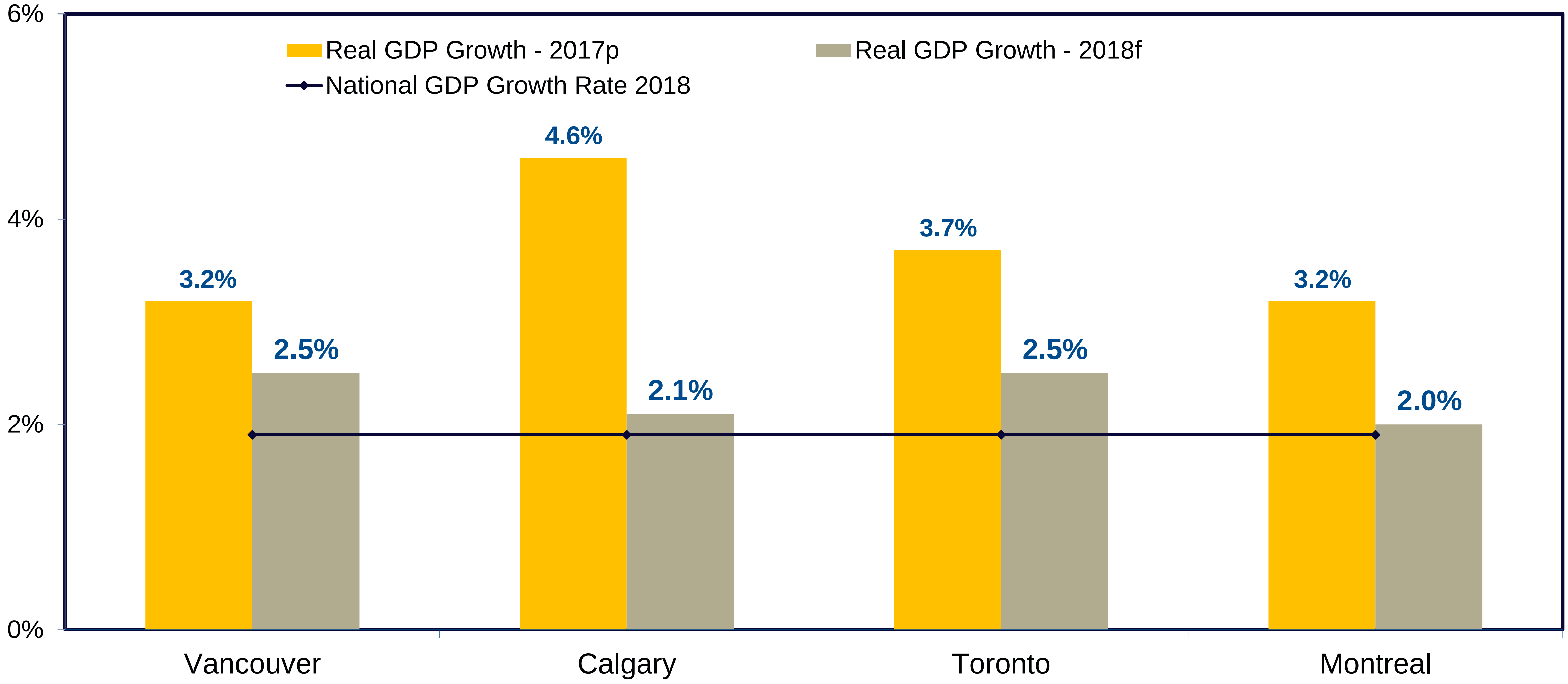
Job Growth Excelling Almost Everywhere





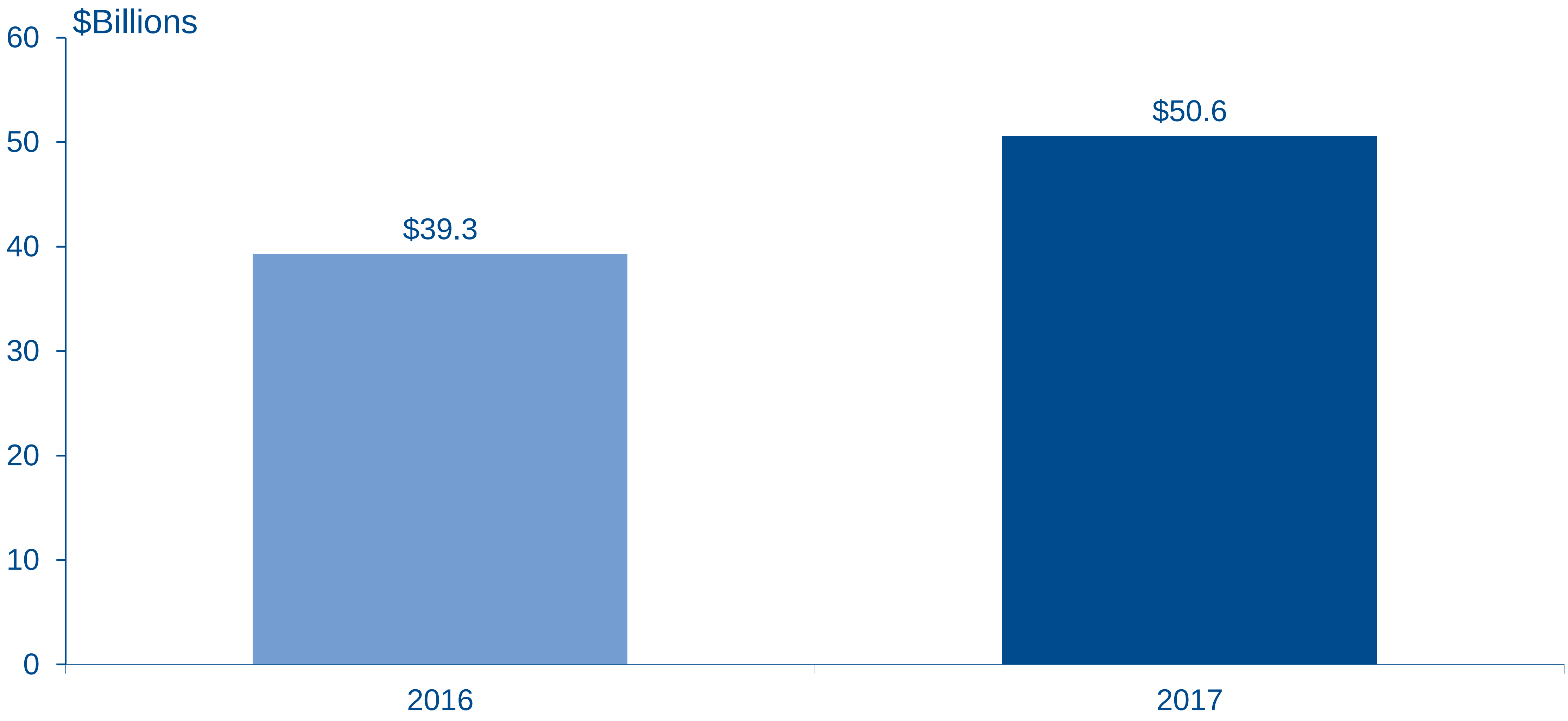


Major Metro Areas - GDP Growth Rates



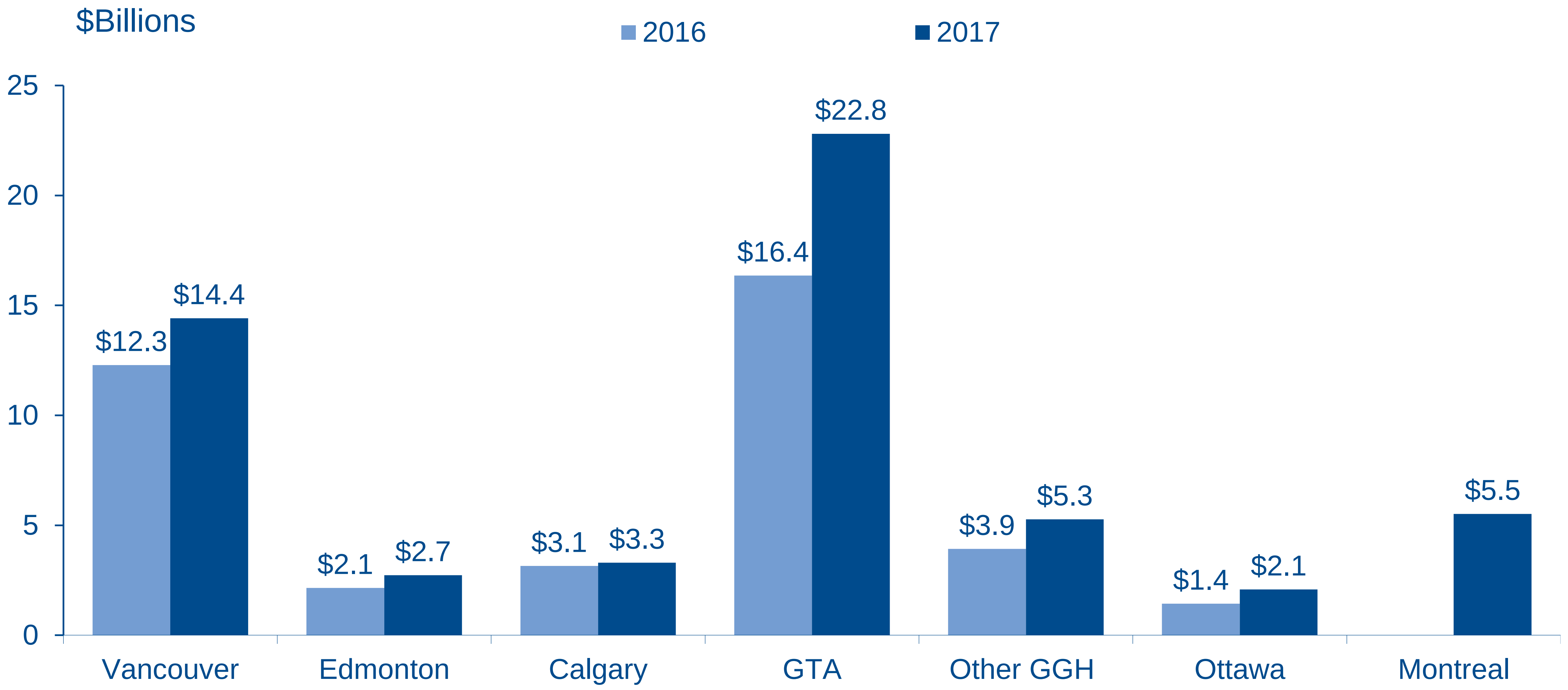
Source: Conference Board of Canada

2017 Was Another Record Year for Commercial Investment Activity in Canada



Source: Altus Group

With Overall Investment Activity Increasing in Every Major Market Across Canada



Source: Altus Group

Real Estate Market Trends

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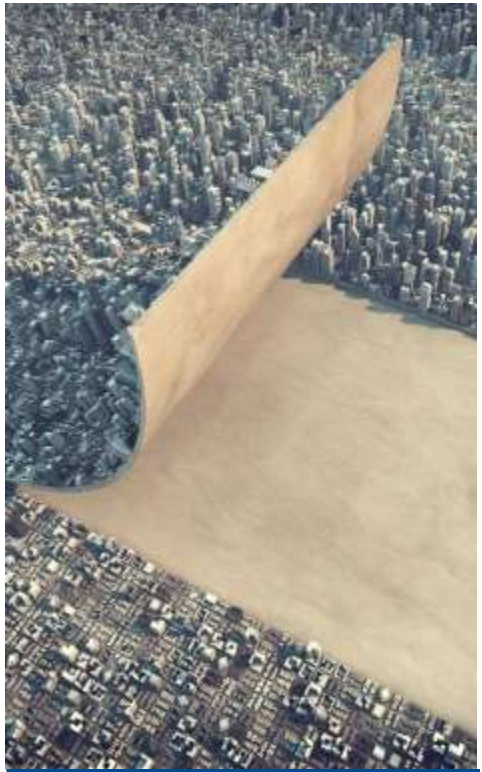
Office Market
and the Chase
for Talent



Land Sales Drive
Investment Volumes

Interaction
Between
Retail and Industrial

New Homes
Reaches
New Heights

Investments
Attracting Capital
from Around
the World

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Office Market

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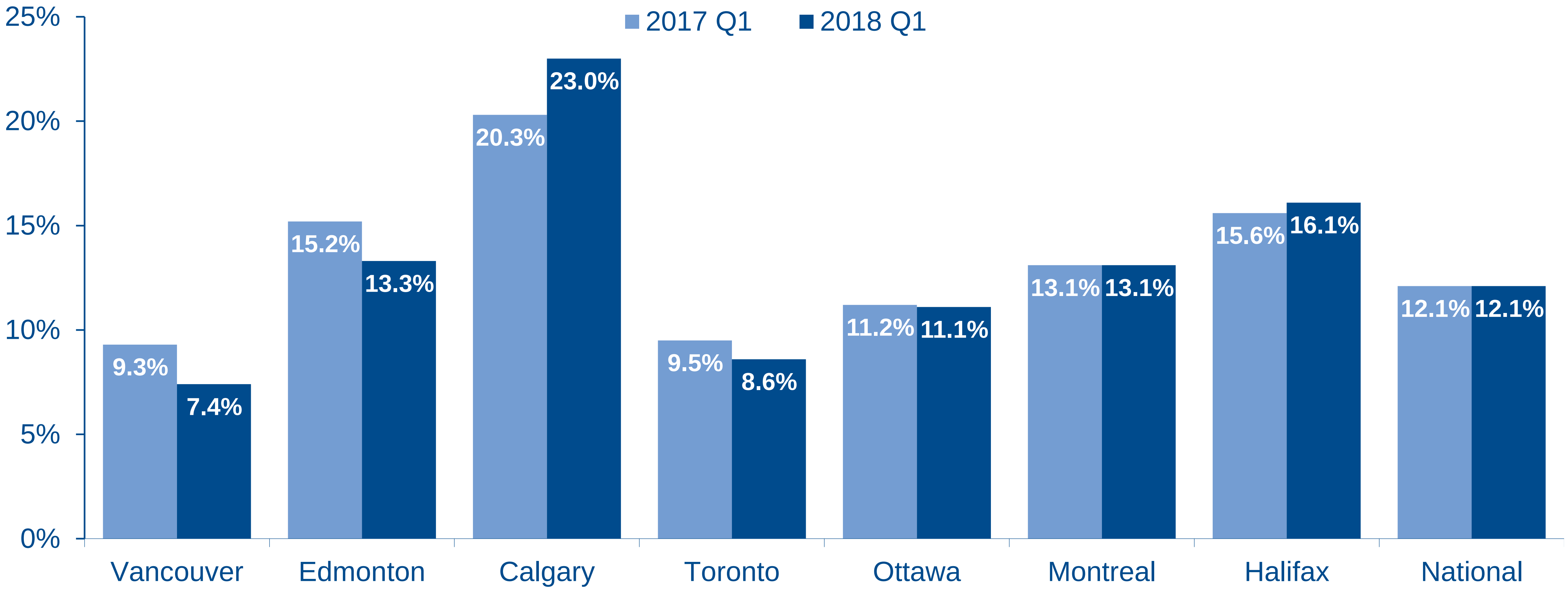
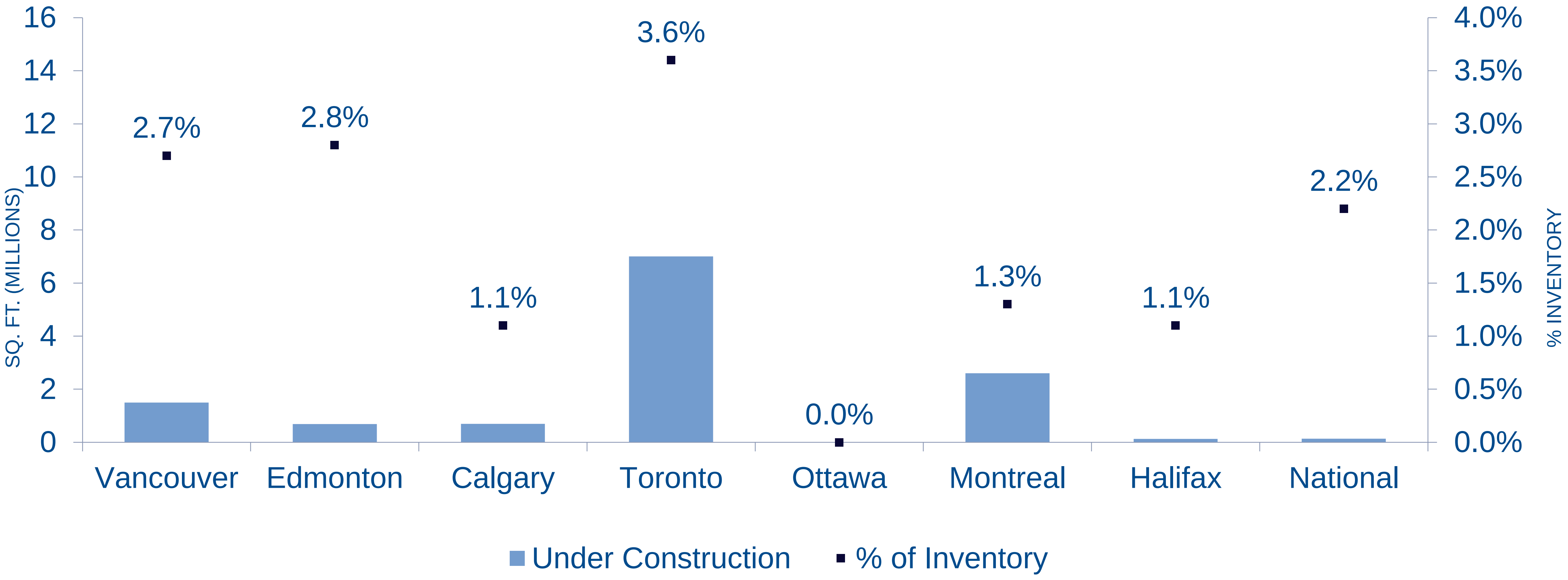
Office Vacancy Rate Largely in Check Nationally



Source: Altus Group

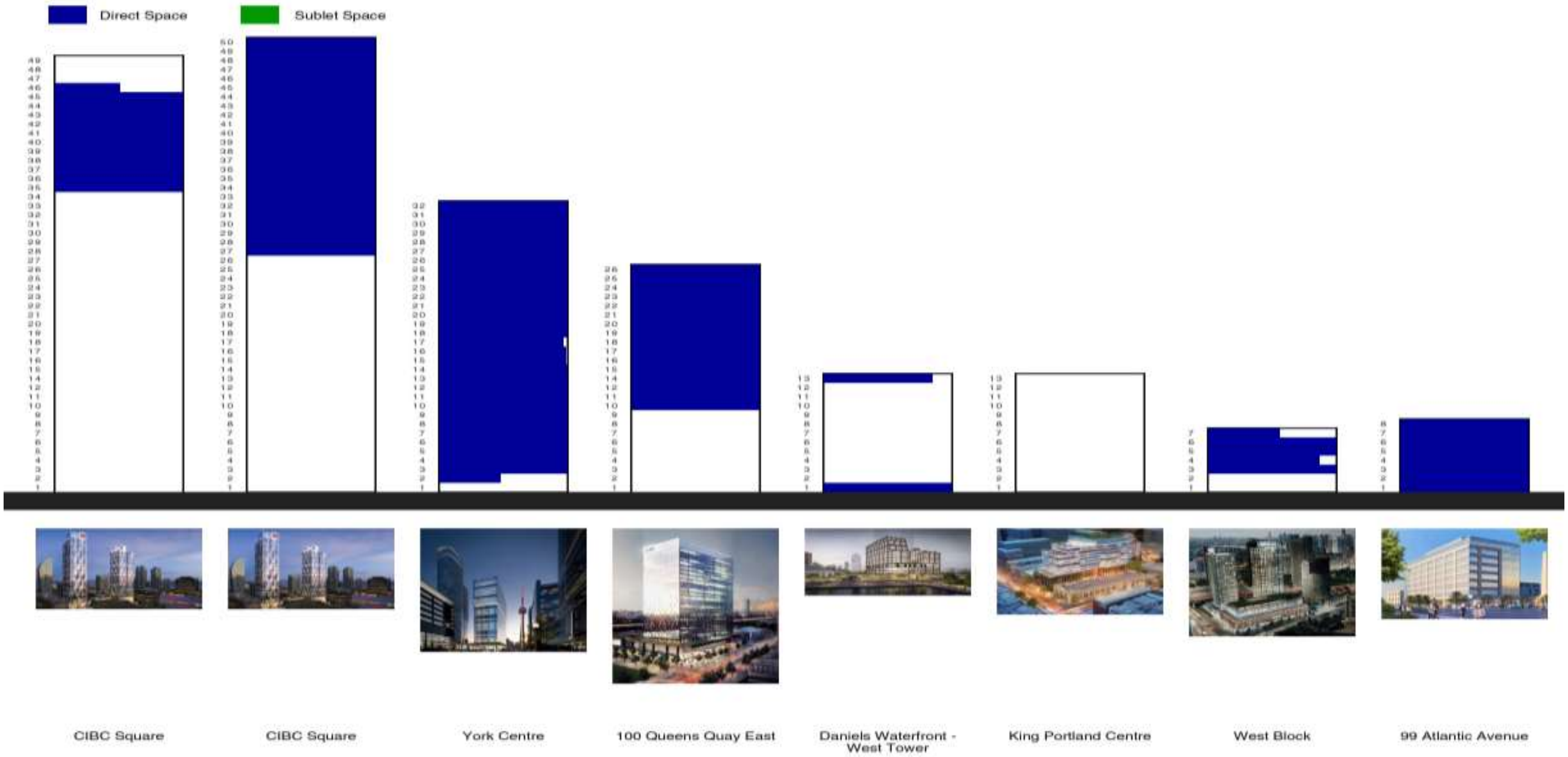
New Office Construction, as % of Inventory



Source: Altus Group

Under Construction in Downtown Toronto

Placing Modest Pressure on Existing Inventory

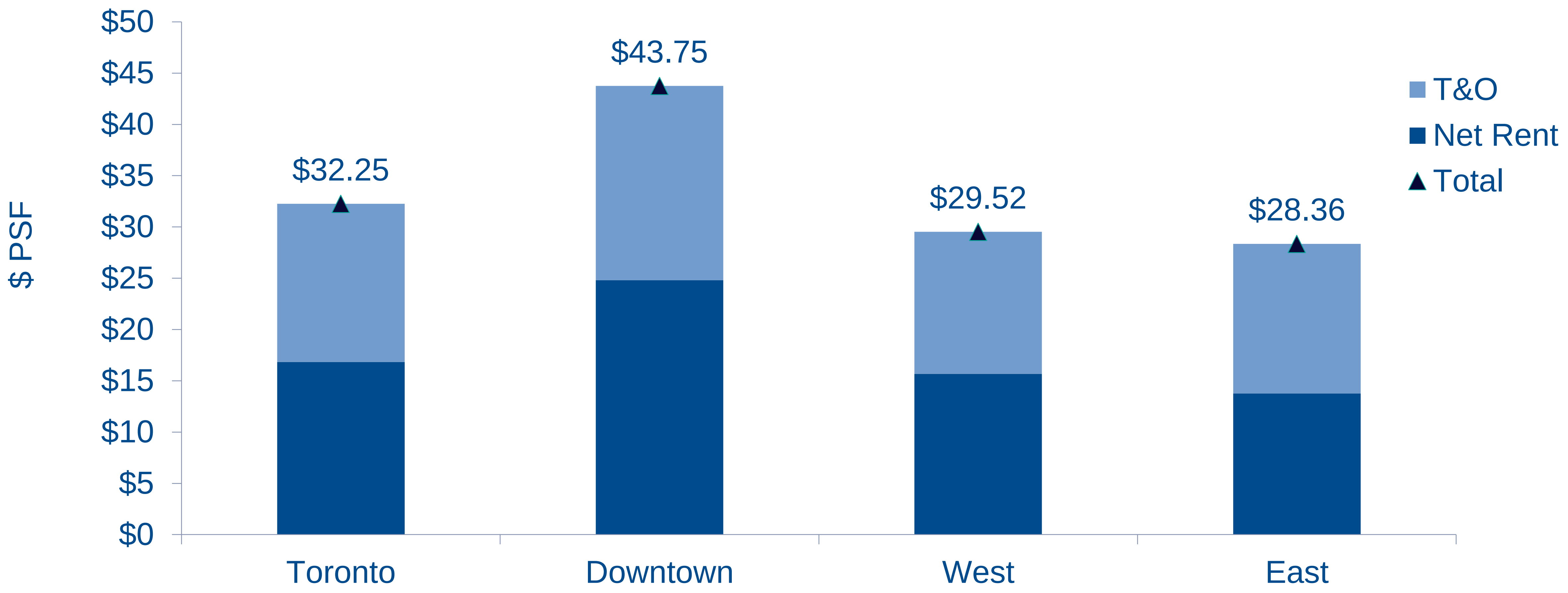


Source: Altus Group

Toronto New Downtown Office Construction Delivery Forecast Will Bring Little Available Supply in 2018

Source: Altus Group

Office Rental Rates Continue to Increase



Source: Altus Group

Why Co-Working Space is Gaining in Popularity

Image Source: LiquidSpace

And, it’s not only for tech and start-ups!

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Industrial & Retail Markets

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Industrial Vacancy Rates Remain Tight in Toronto

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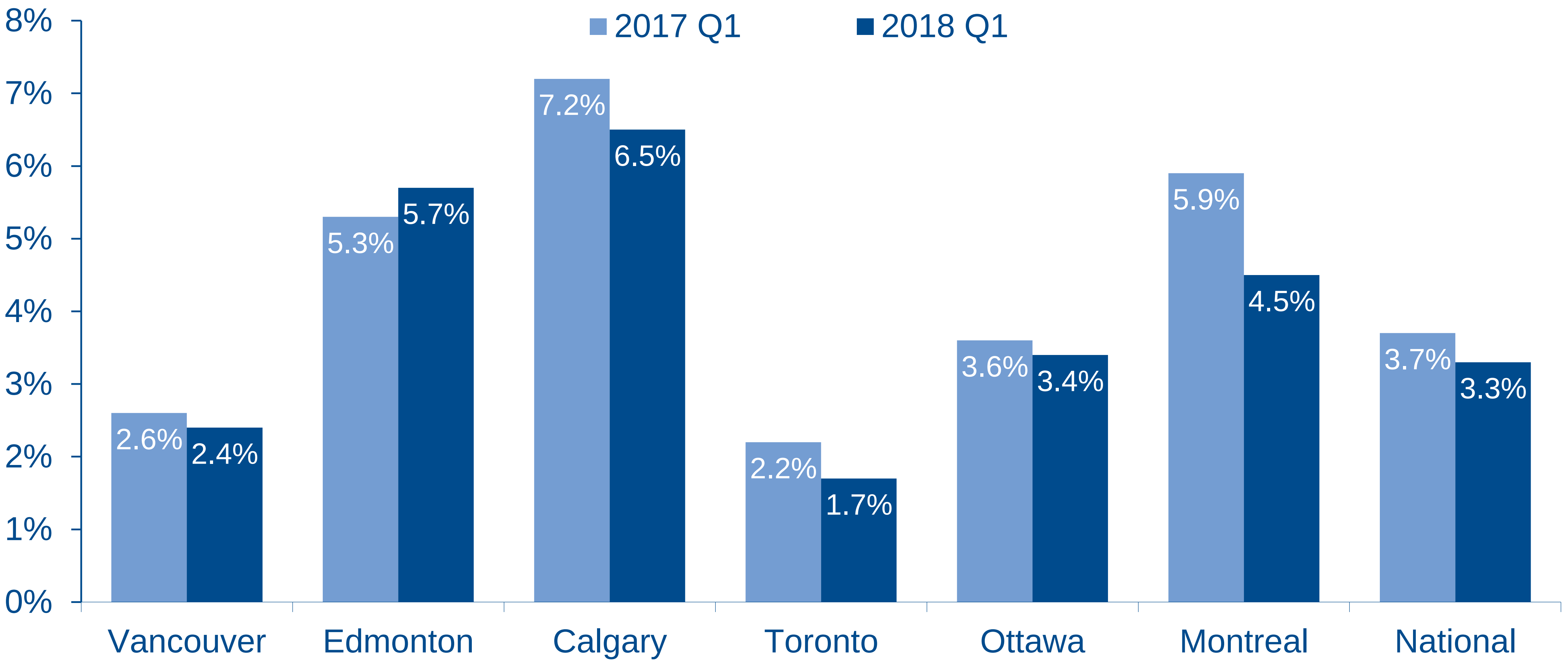
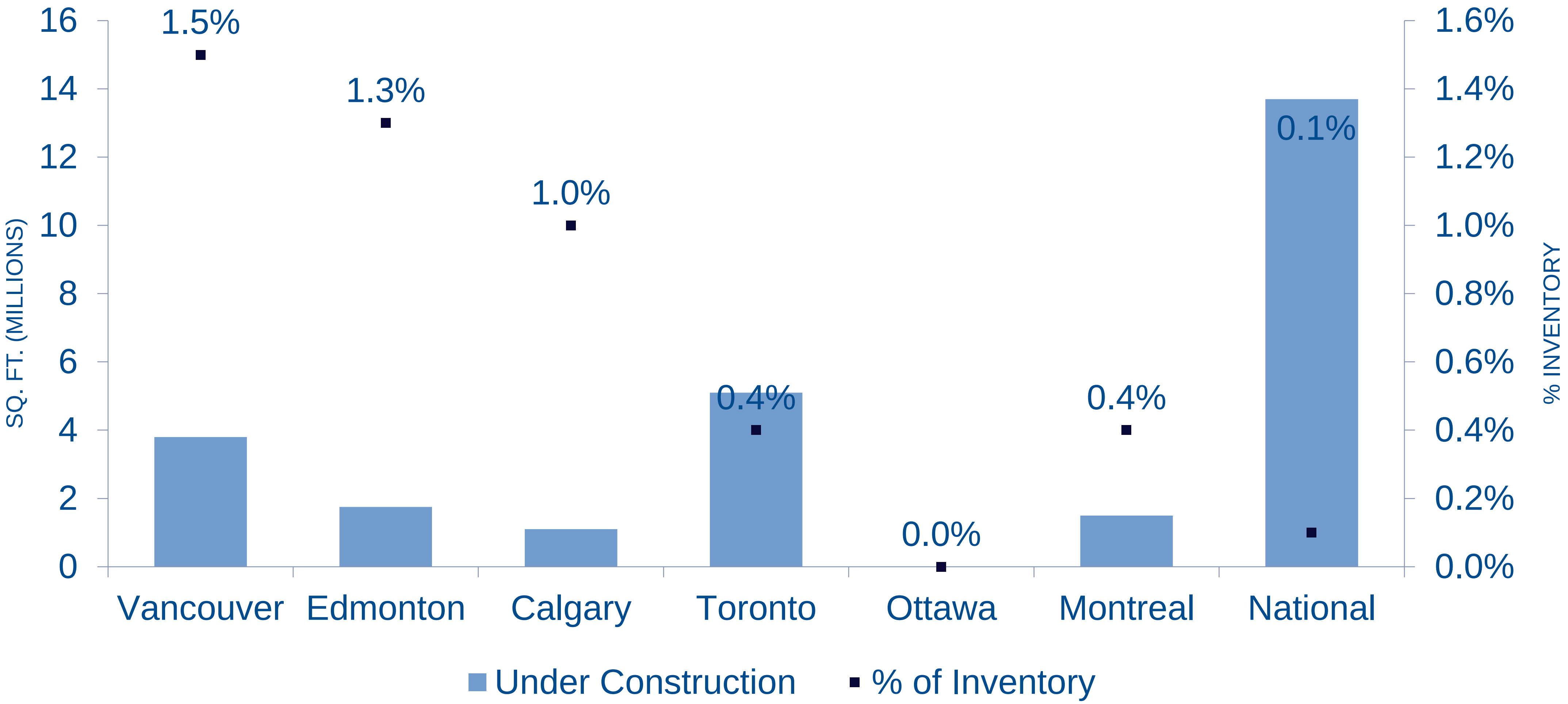


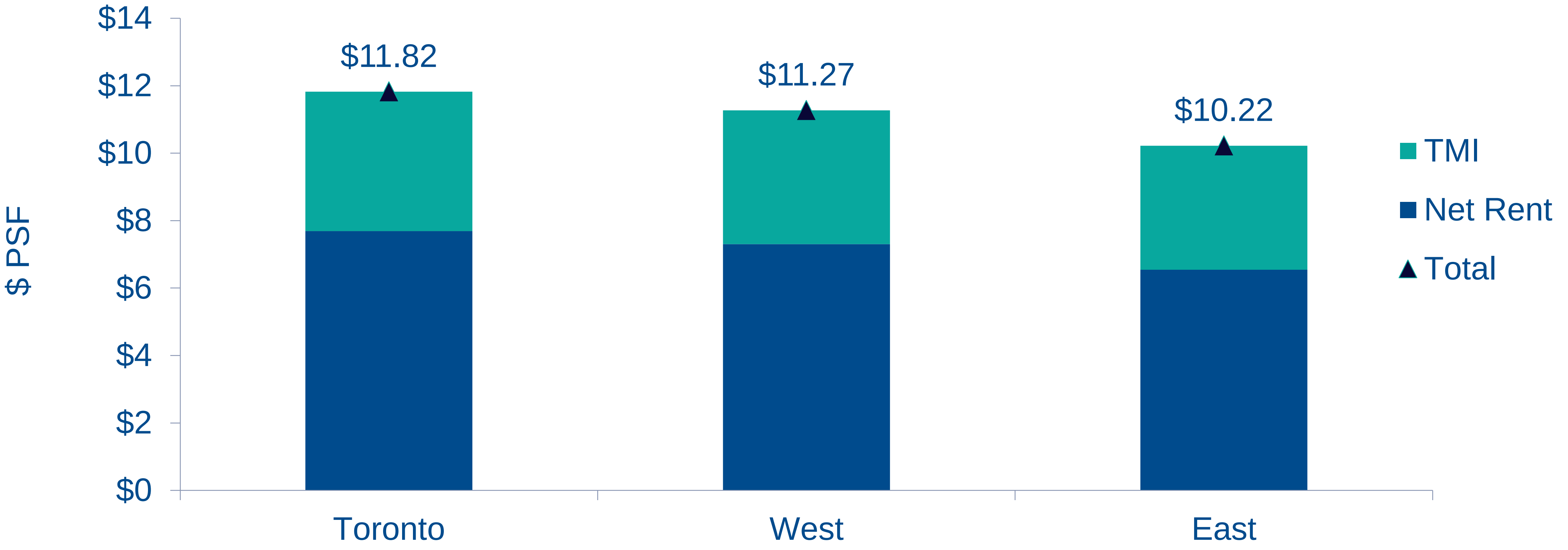
Source: Altus Group

Industrial Under Construction, as % of Inventory Remains Low (Q1 2018)



Source: Altus Group

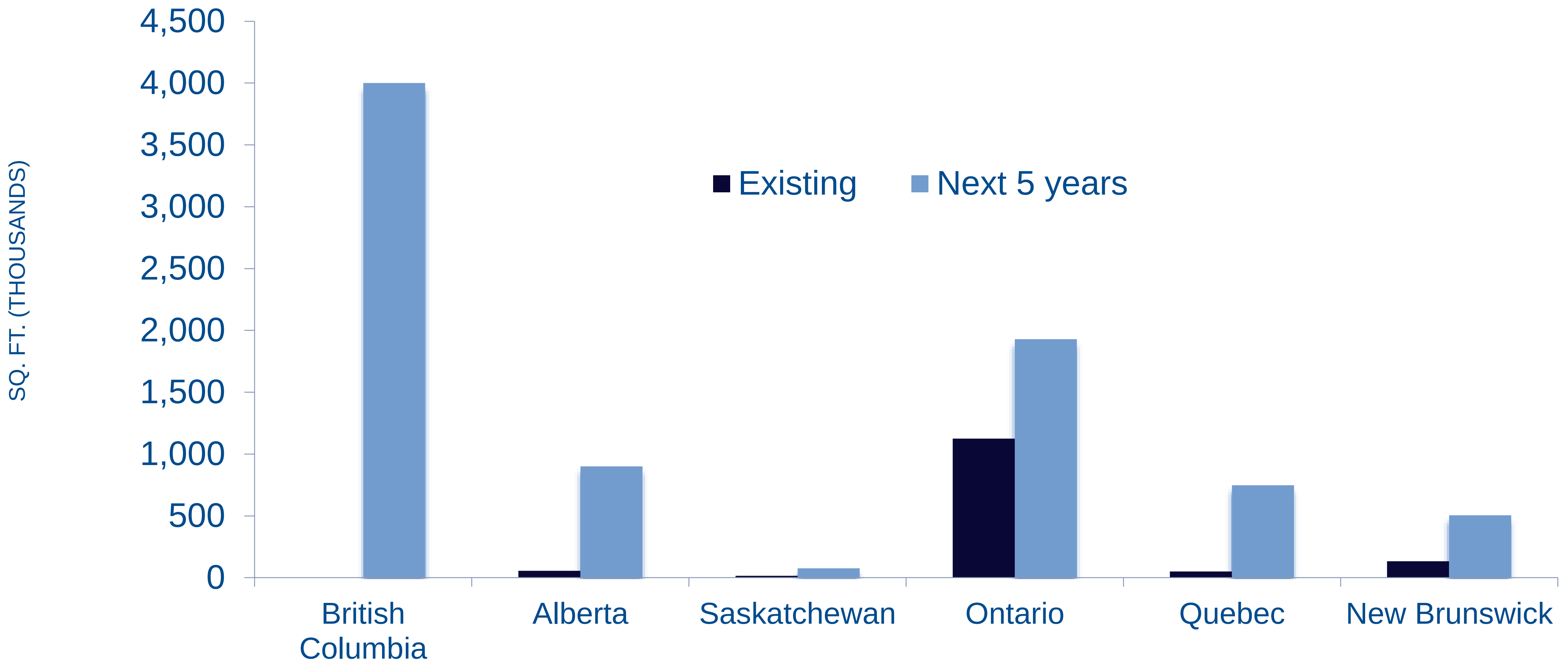
Industrial Rental Rates Continue to Creep Up (Q1 2018)



Source: Altus Group

Industrial Demand from Cannabis Operations Impacting Secondary Markets

“Growing Op” Fast: Cannabis Facilities Across Canada



Source: Altus Group

Will the GTA Continue to See Retail and Industrial Disruptors Impacting Demand

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New Homes Market

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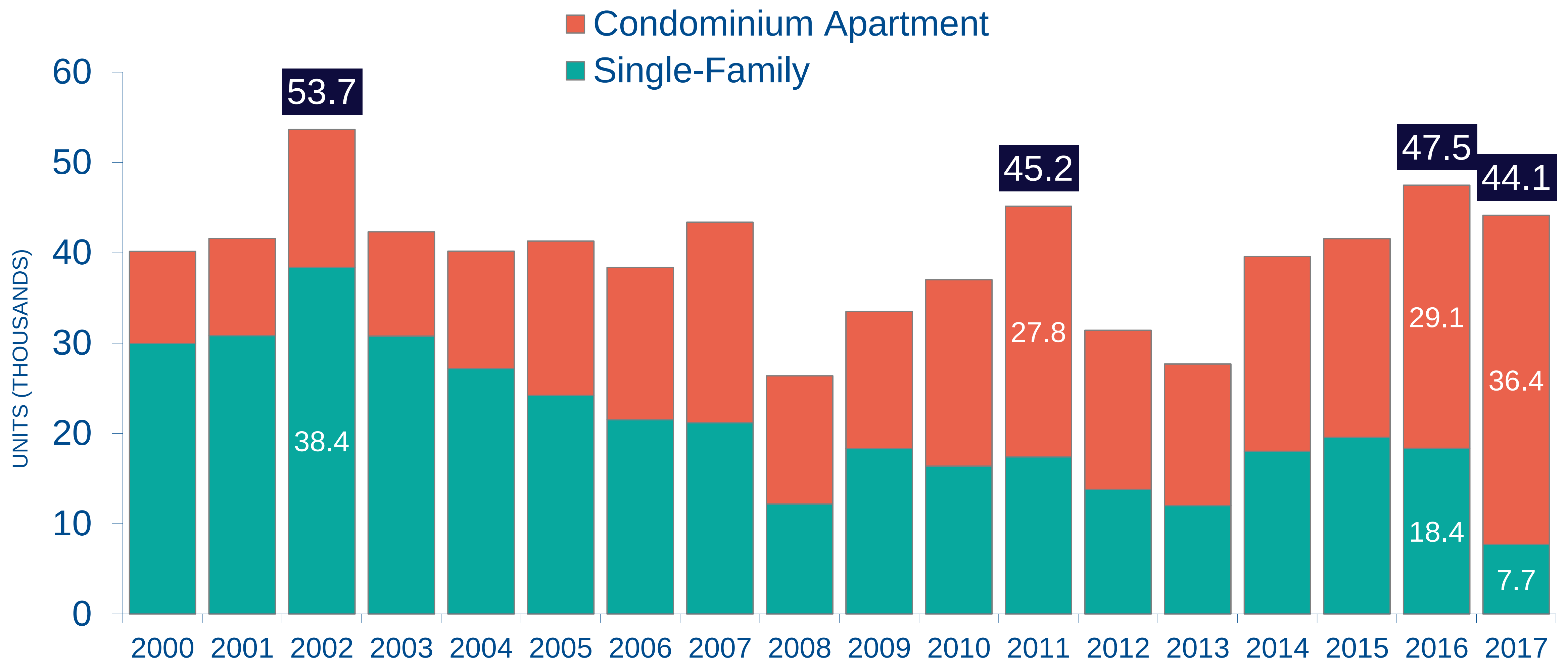
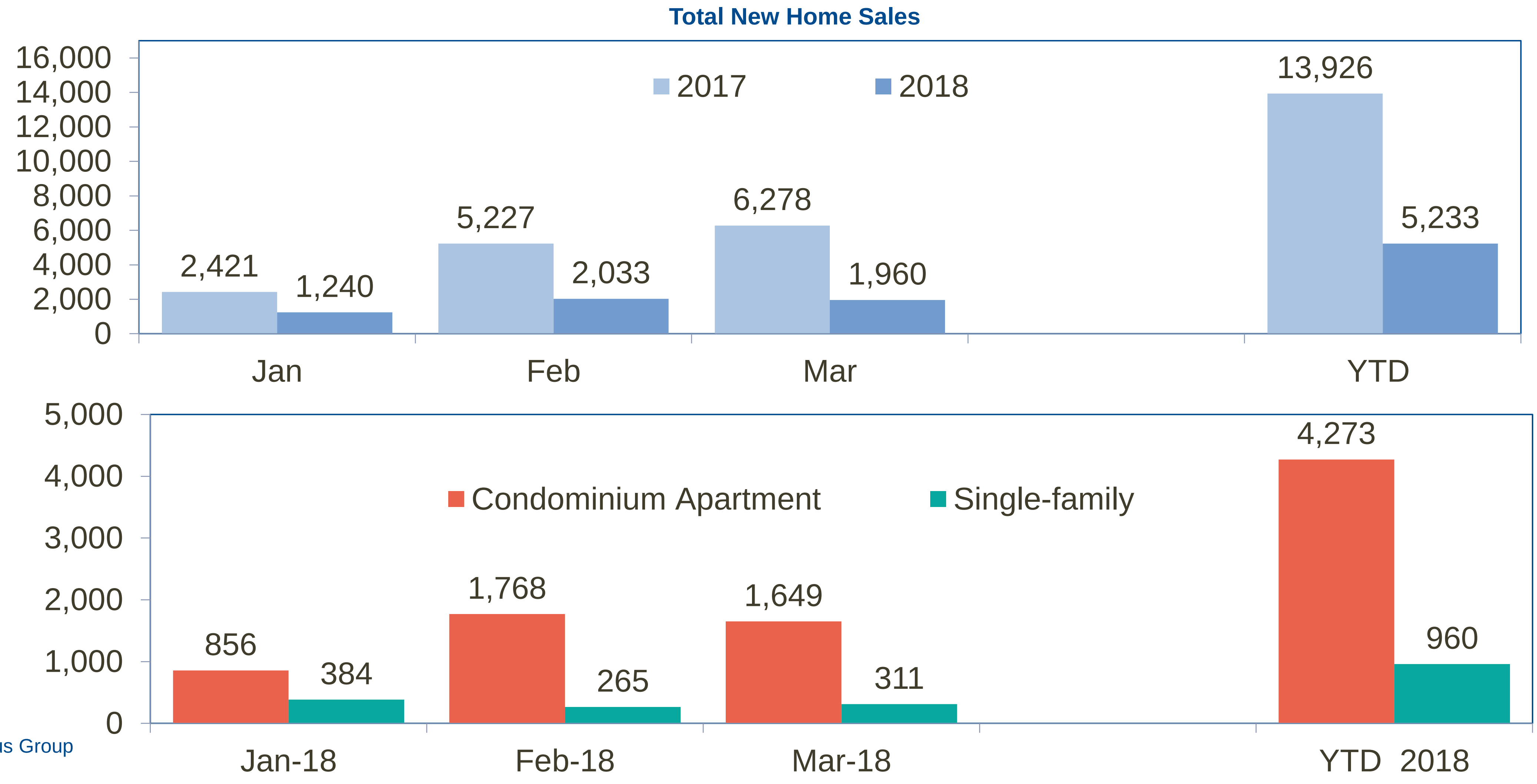
Record High Condo Apartment Sales; Record Low Single-Family in 2017



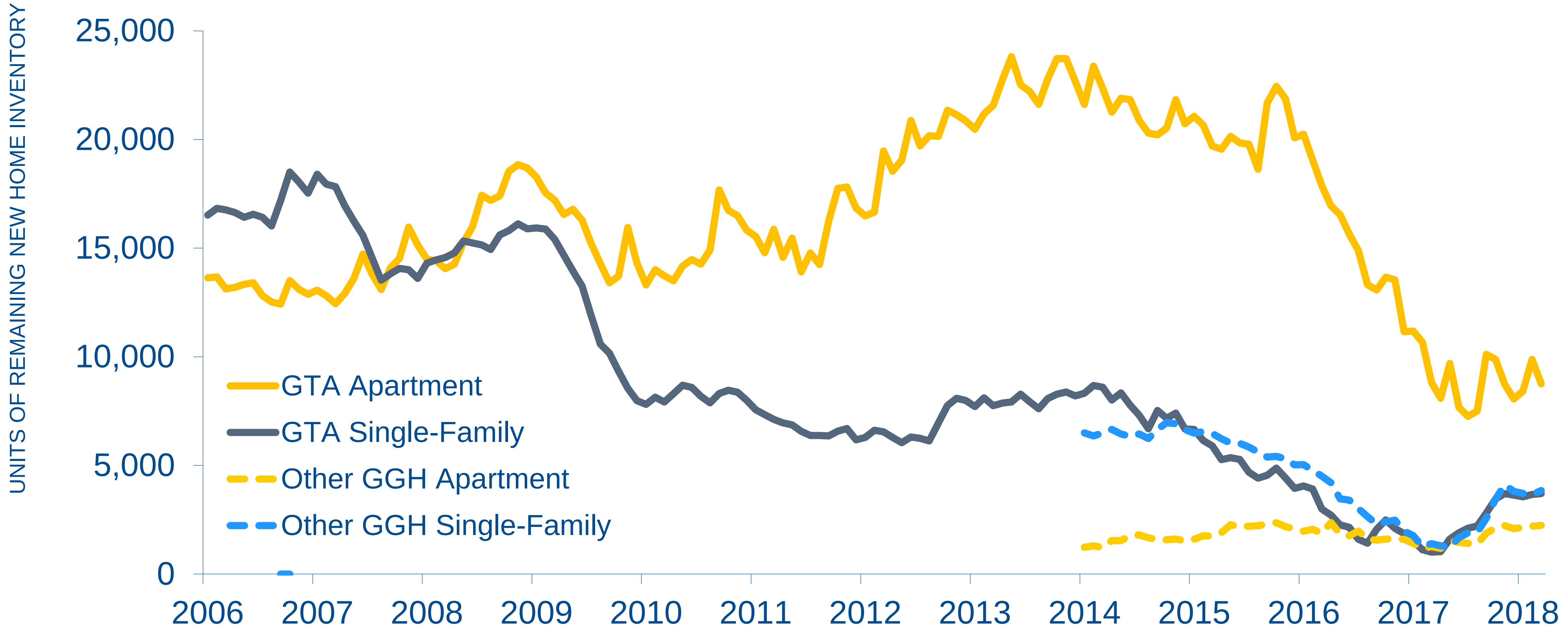
Source: Altus Group

GTA New Homes Sales Are Off the Pace in 2018



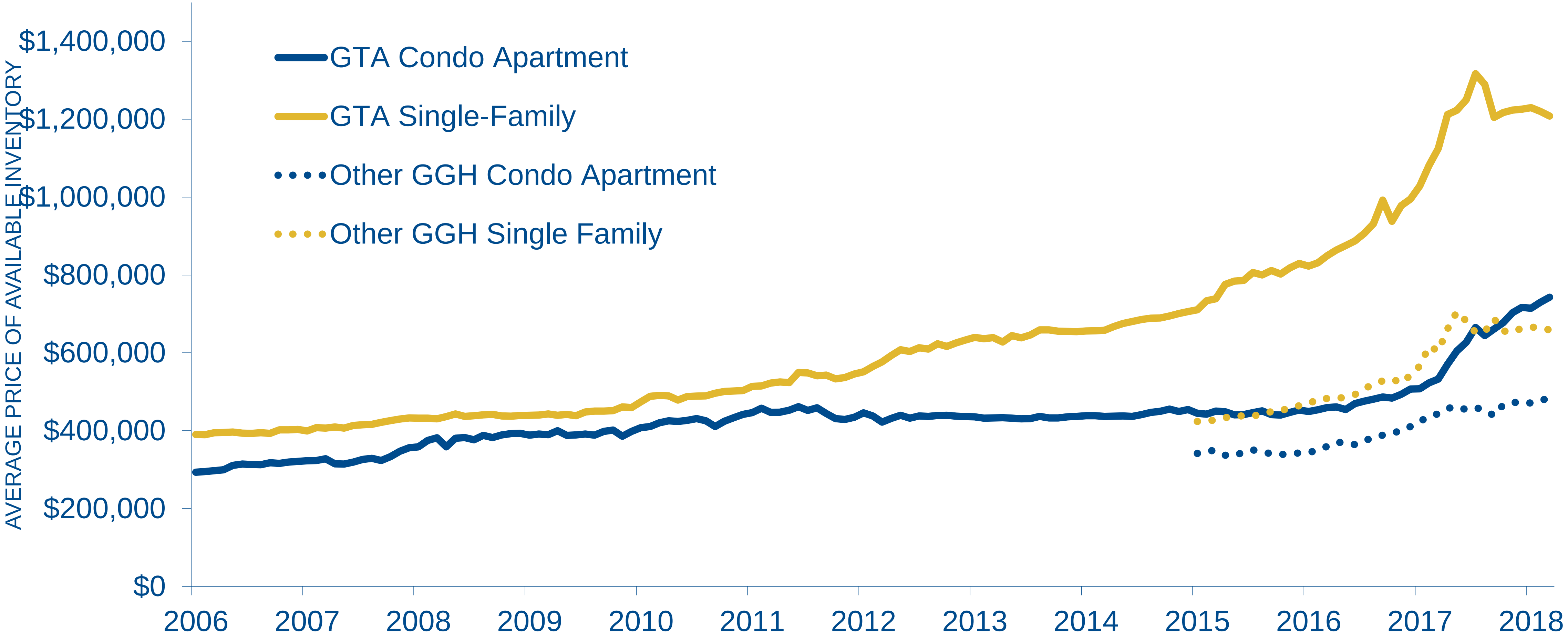
Source: Altus Group

The New Homes Inventory Situation Has Improved Modestly



Source: Altus Group

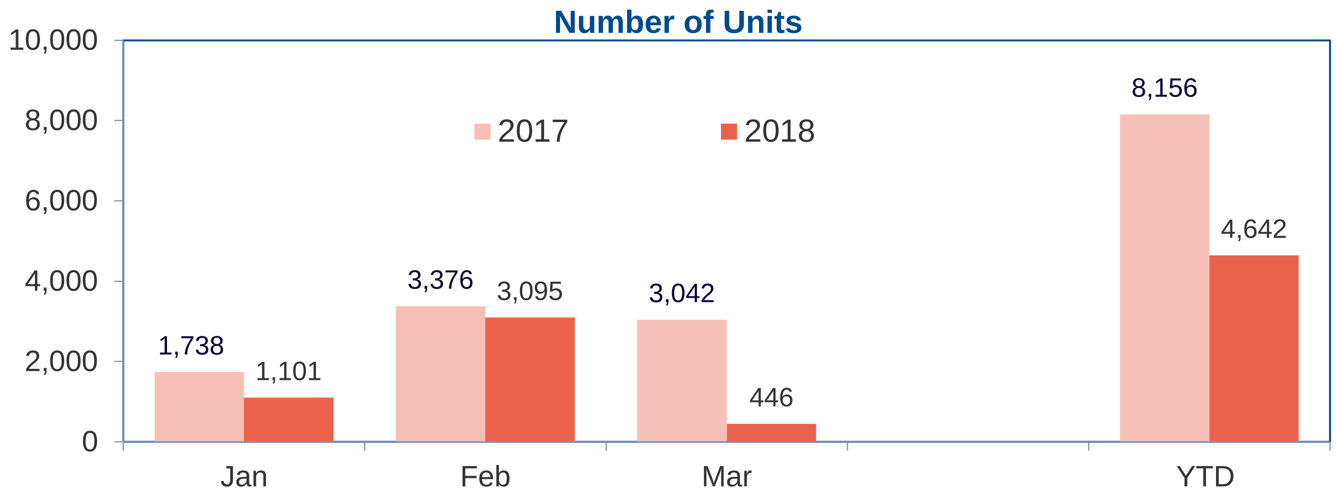
With Strong Condo Demand Pushing Prices Higher, While Single Family Prices Softened

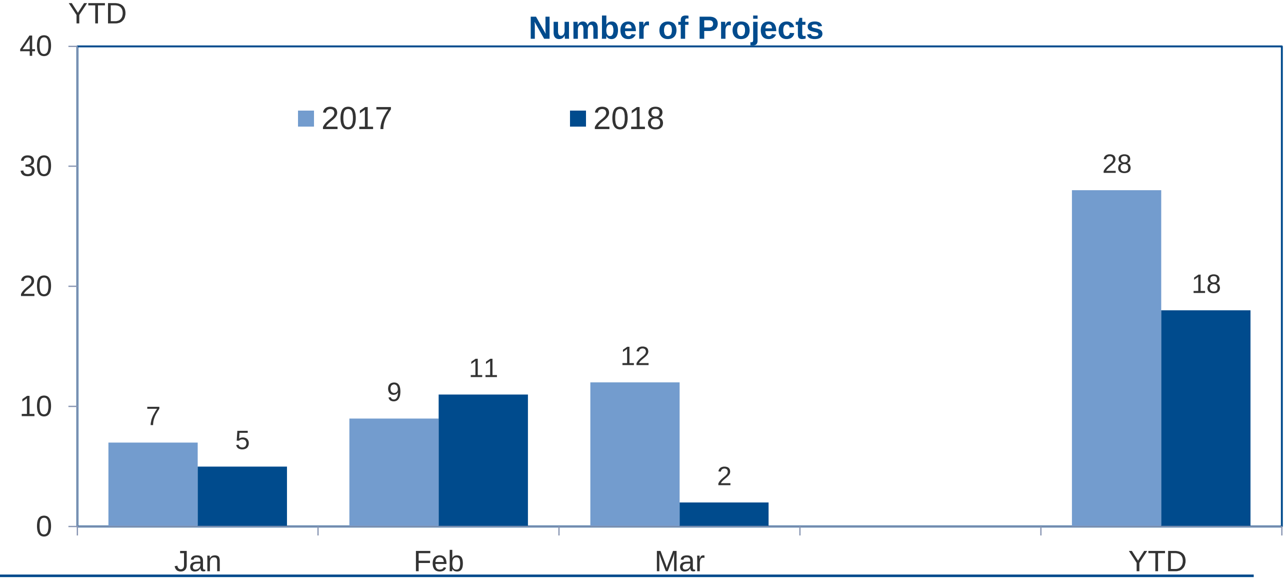


Source: Altus Group

Impacted by the Slow Release of New Projects and Units

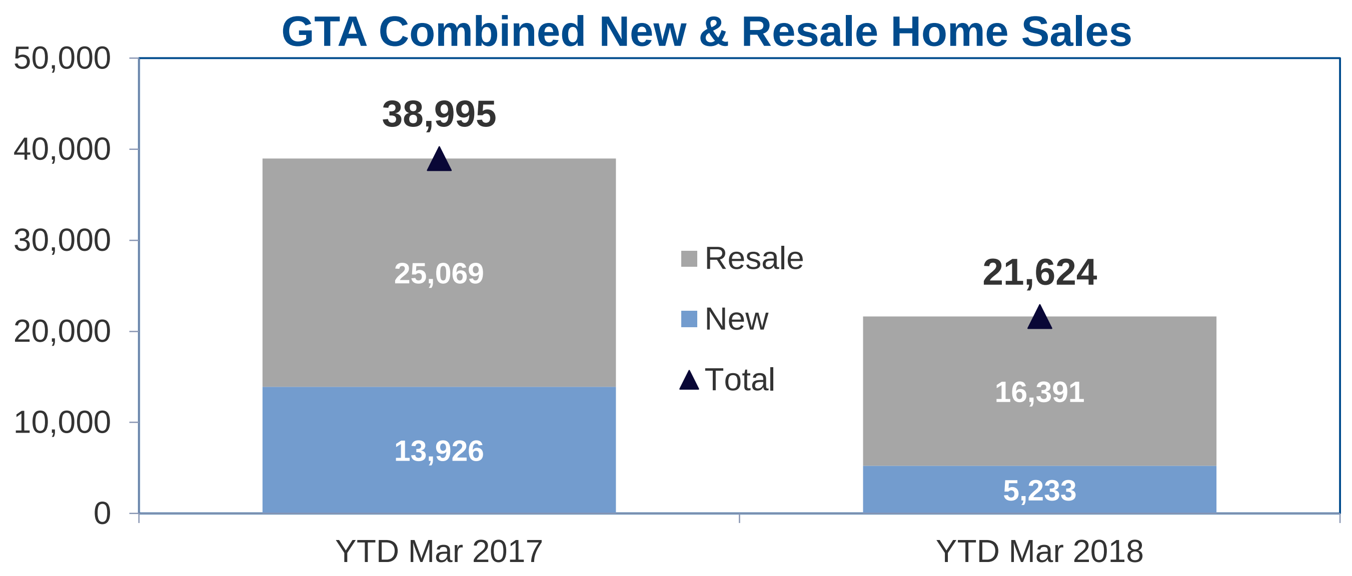
GTA New Condominium Apartment Project Openings

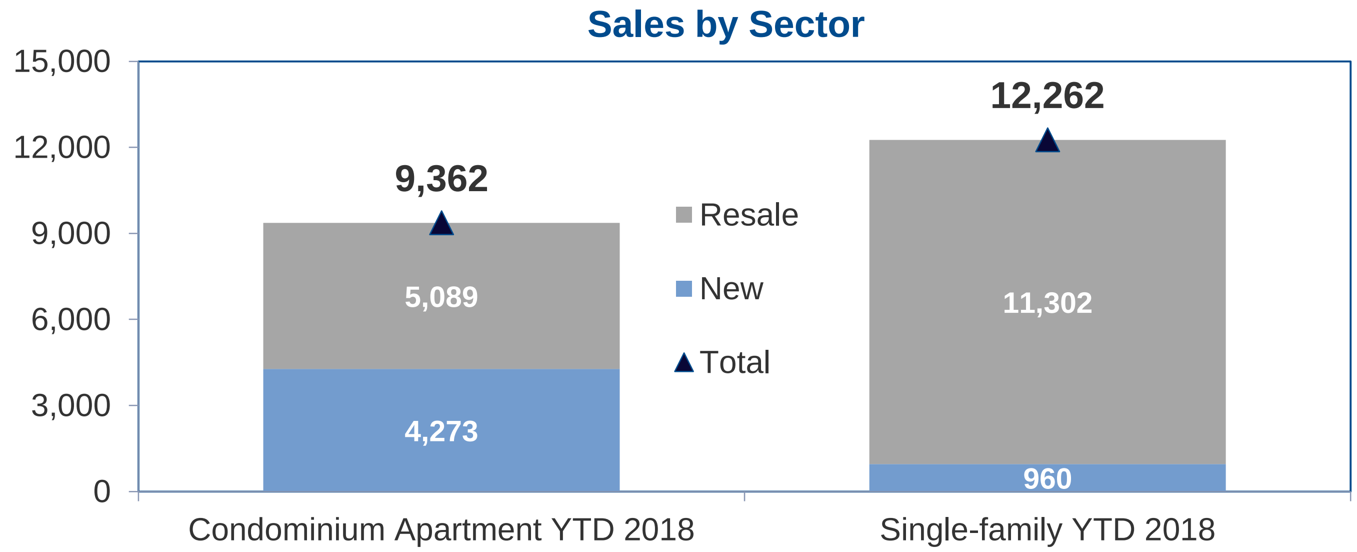




Source: Altus Group

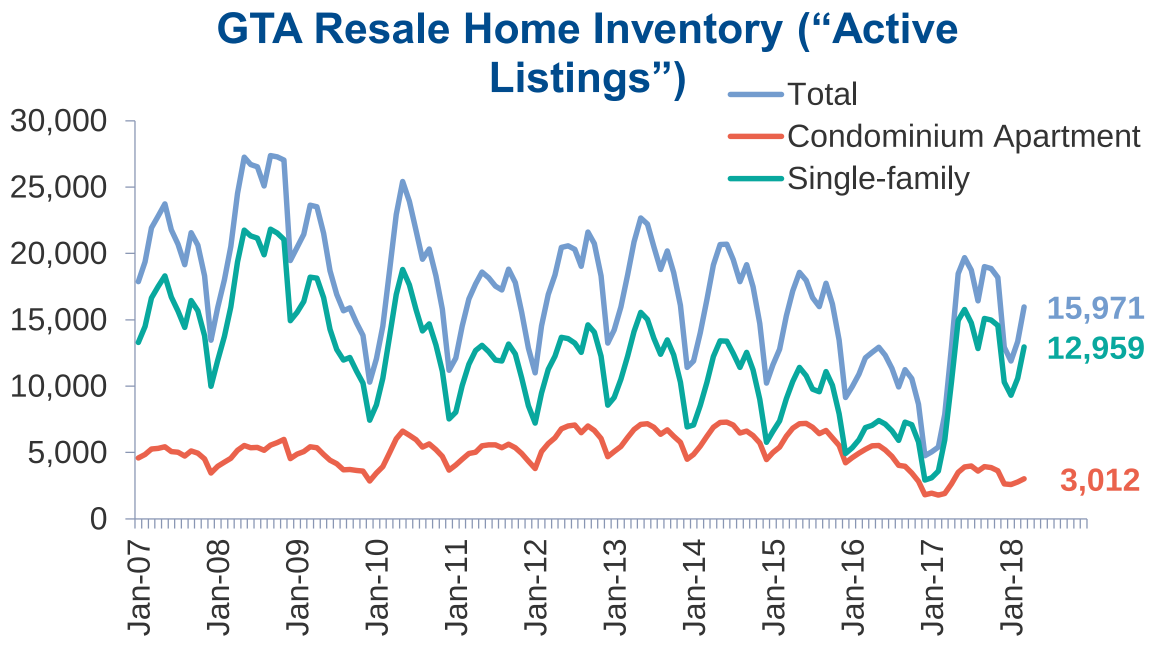
The Decrease in the Number of Sales Has Been More Significant in the New Home Market…

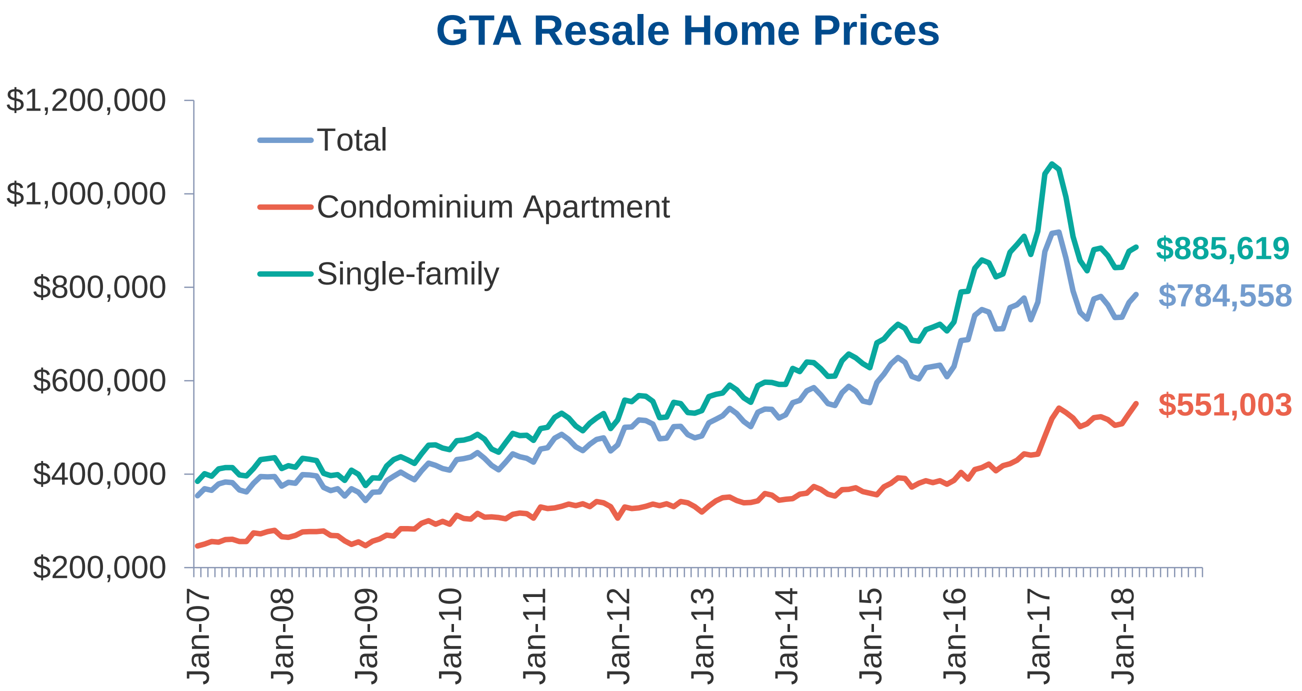




Source: Altus Group and Toronto Real Estate Board

Resale Market Adjusting to “Calming” Measures





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Investment Transactions

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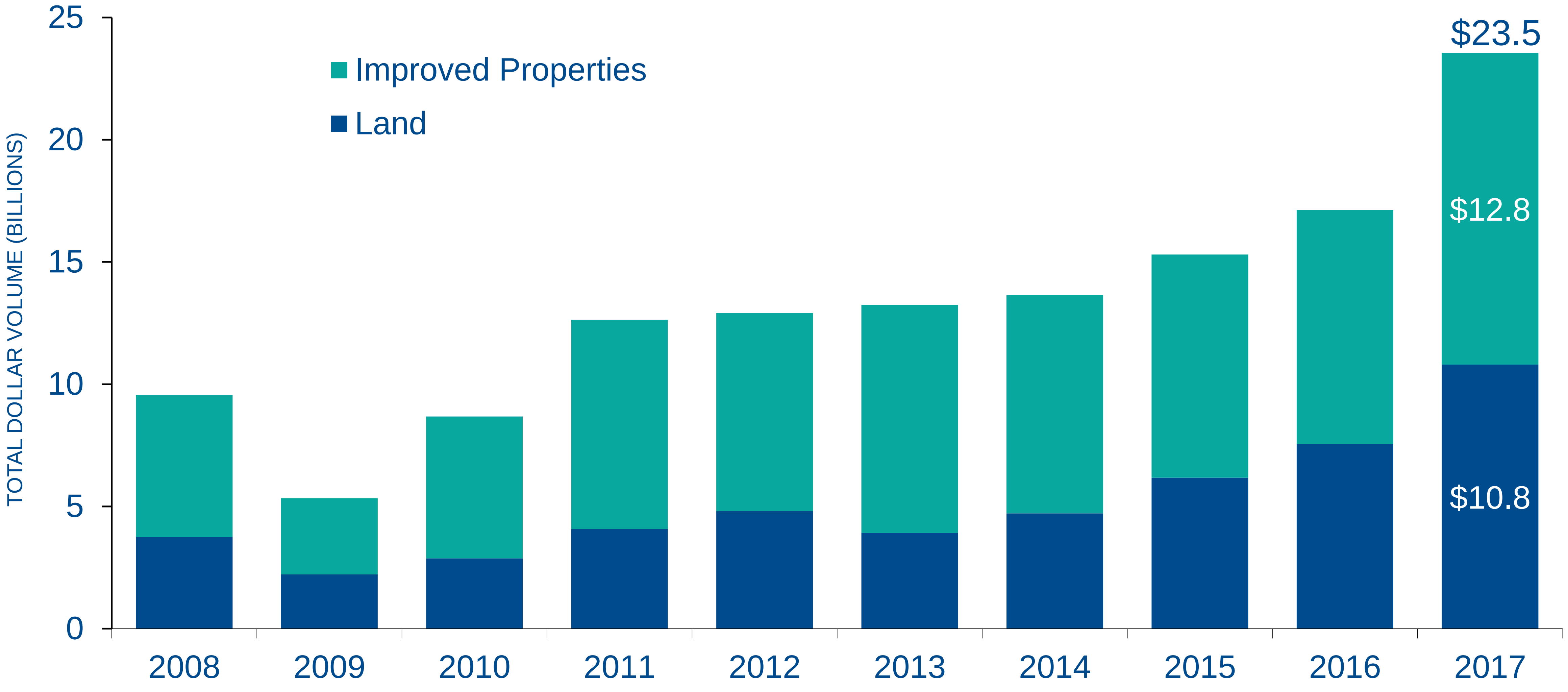
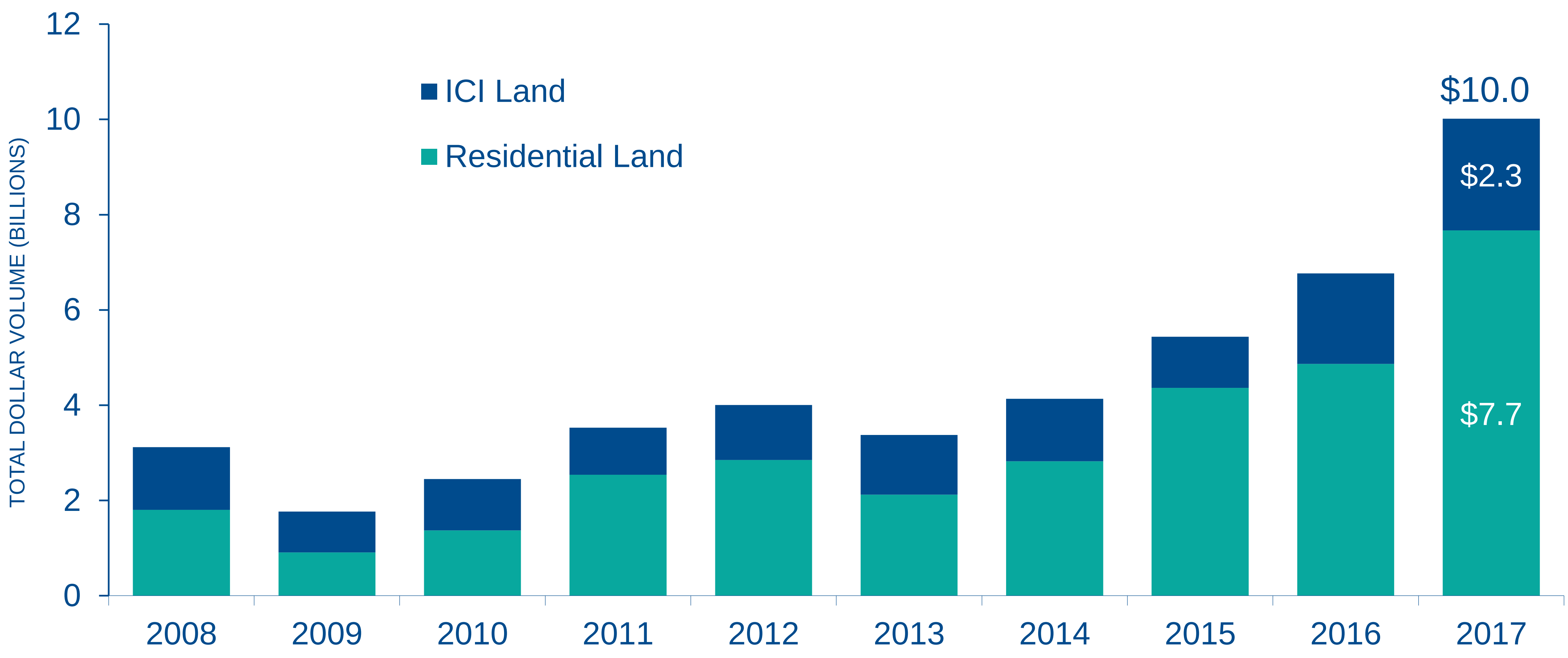
Investment Transactions Reached New Record Levels in 2017



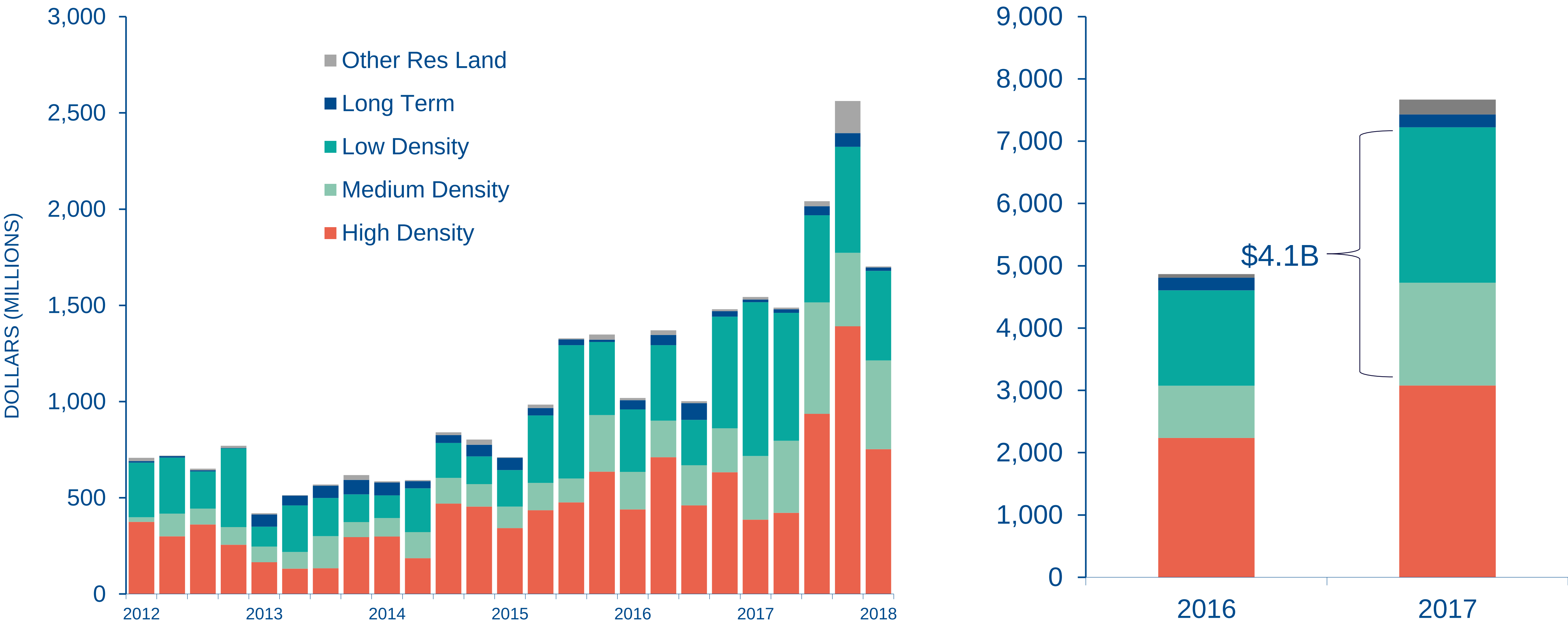
Source: Altus Group

Land Sale Volumes Surged, Driven by Residential Land Sales



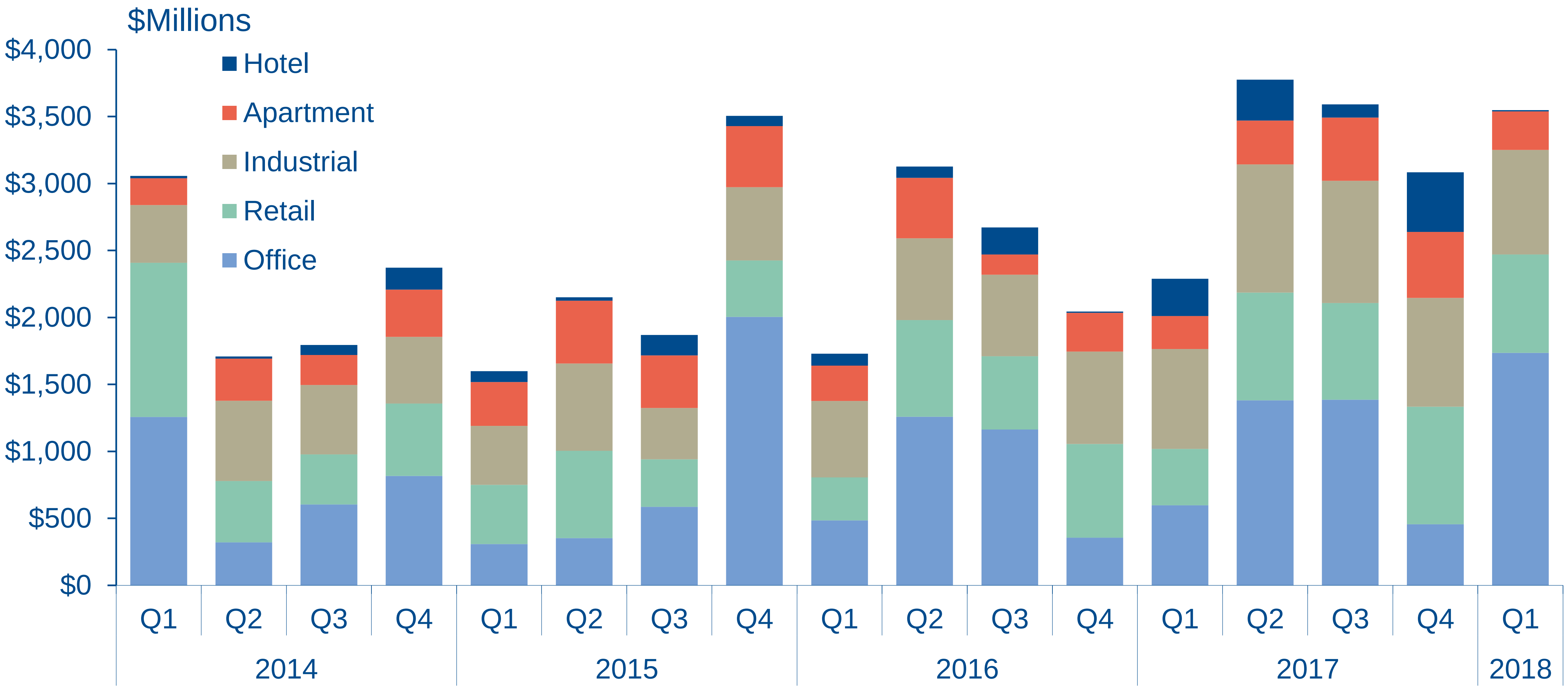
Source: Altus Group

Land Sales Remain Strong Despite the Weaker New Home Sales Market



Source: Altus Group

Improved Property Transaction Volumes Remain Solid



Source: Altus Group

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Market Outlook

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Employment Growth in the GTA Remains Strong

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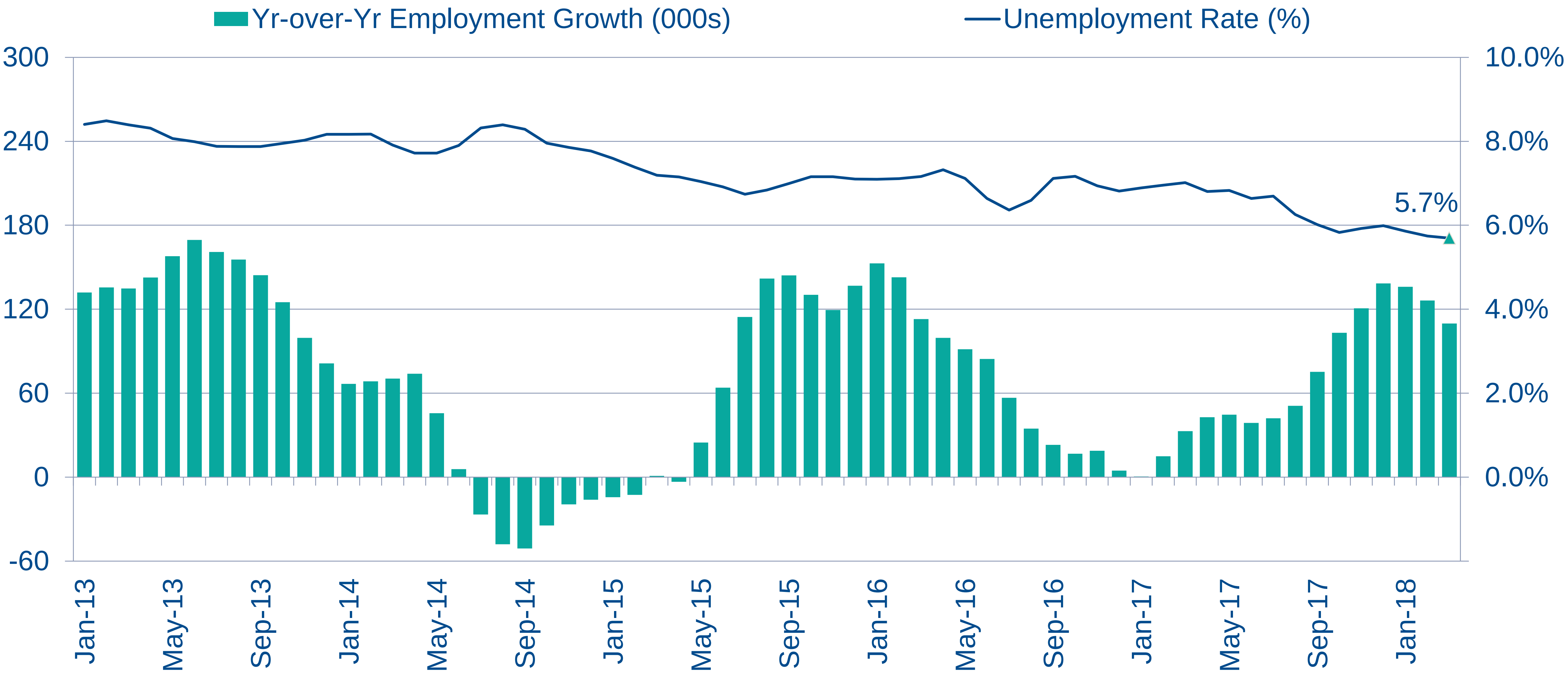
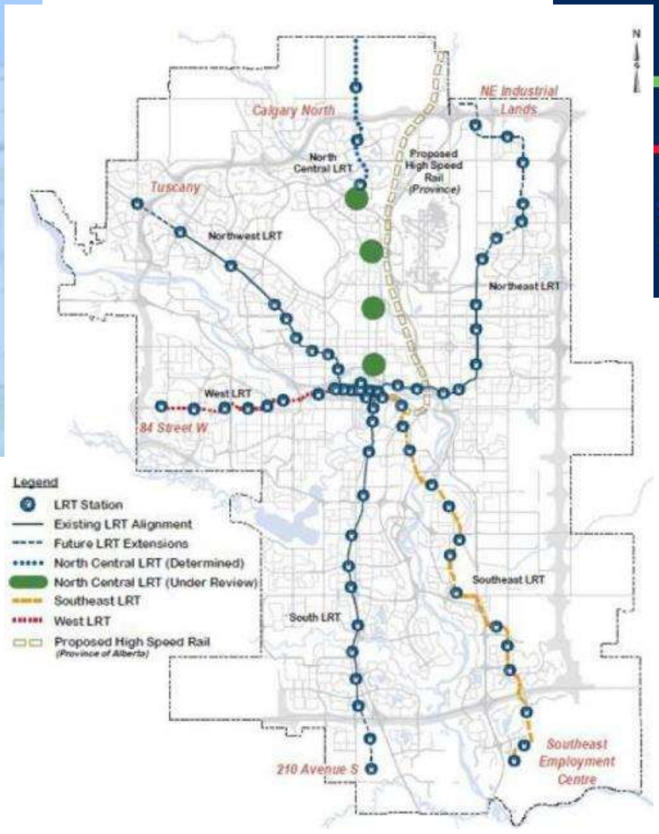


Source: Altus Group based on Statistics Canada data

Rail Expansions Will Influence Values and Demand in Small Markets Across Canada



Higher Interest Rates Will Impact Affordability

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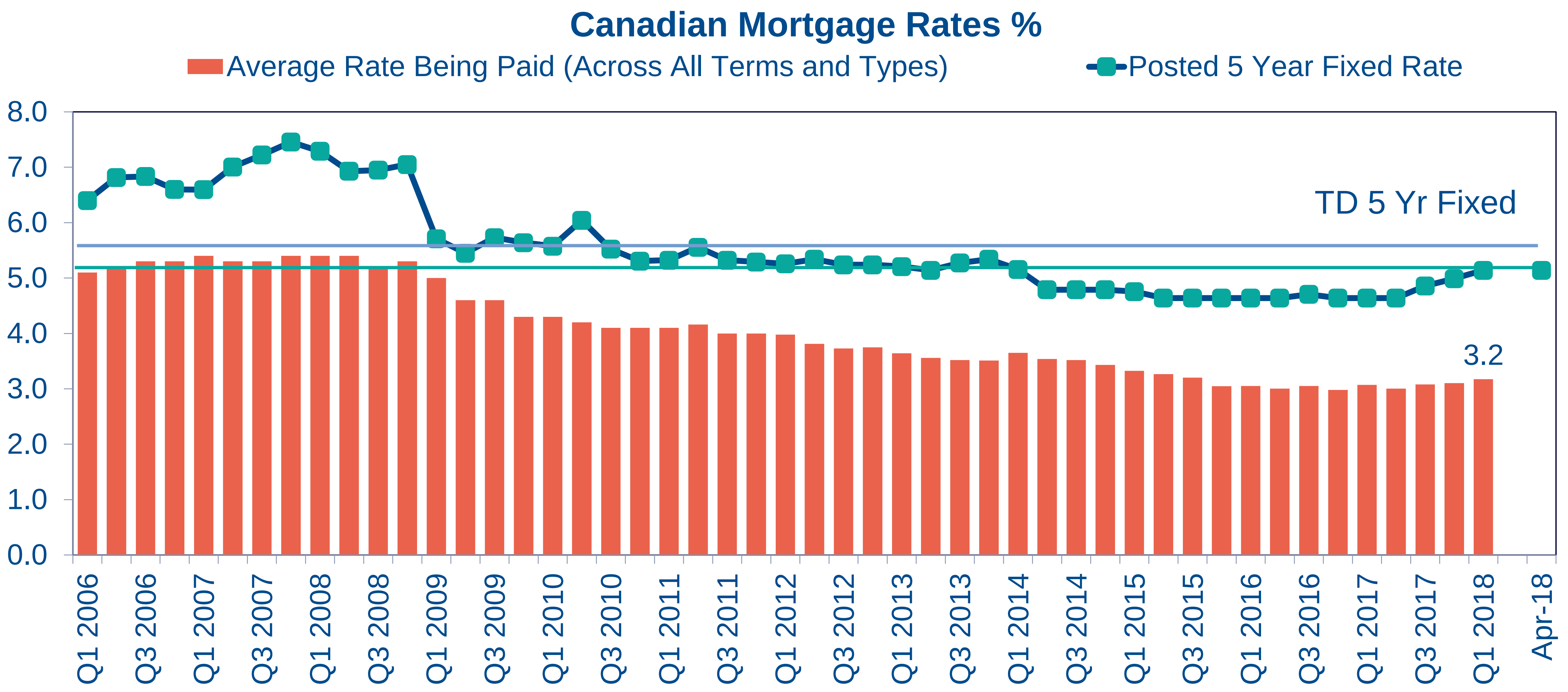

Source: Altus Group and Bank of Canada data

New Policy Will Increase Immigration Intake 25% Over Pre-Recession Levels

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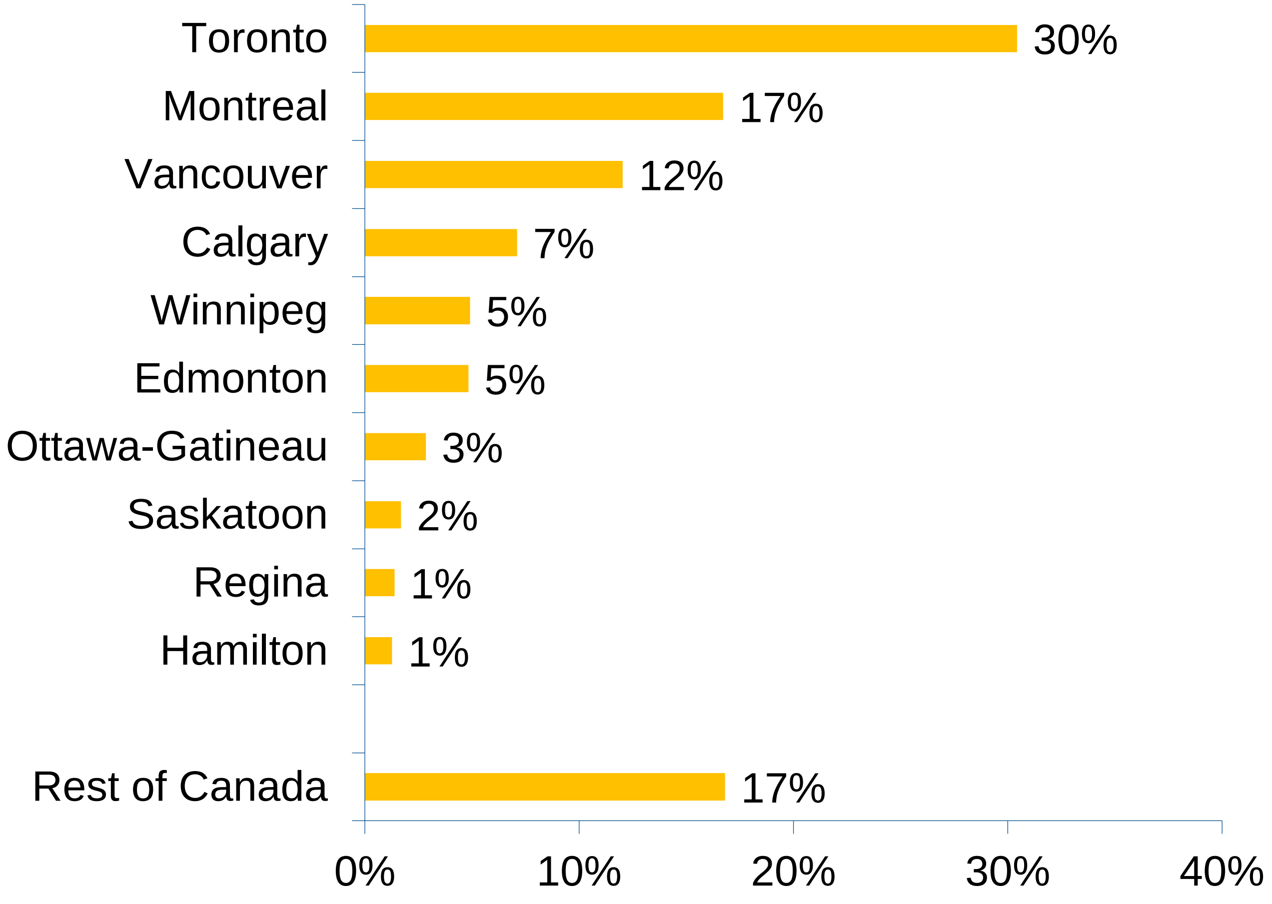
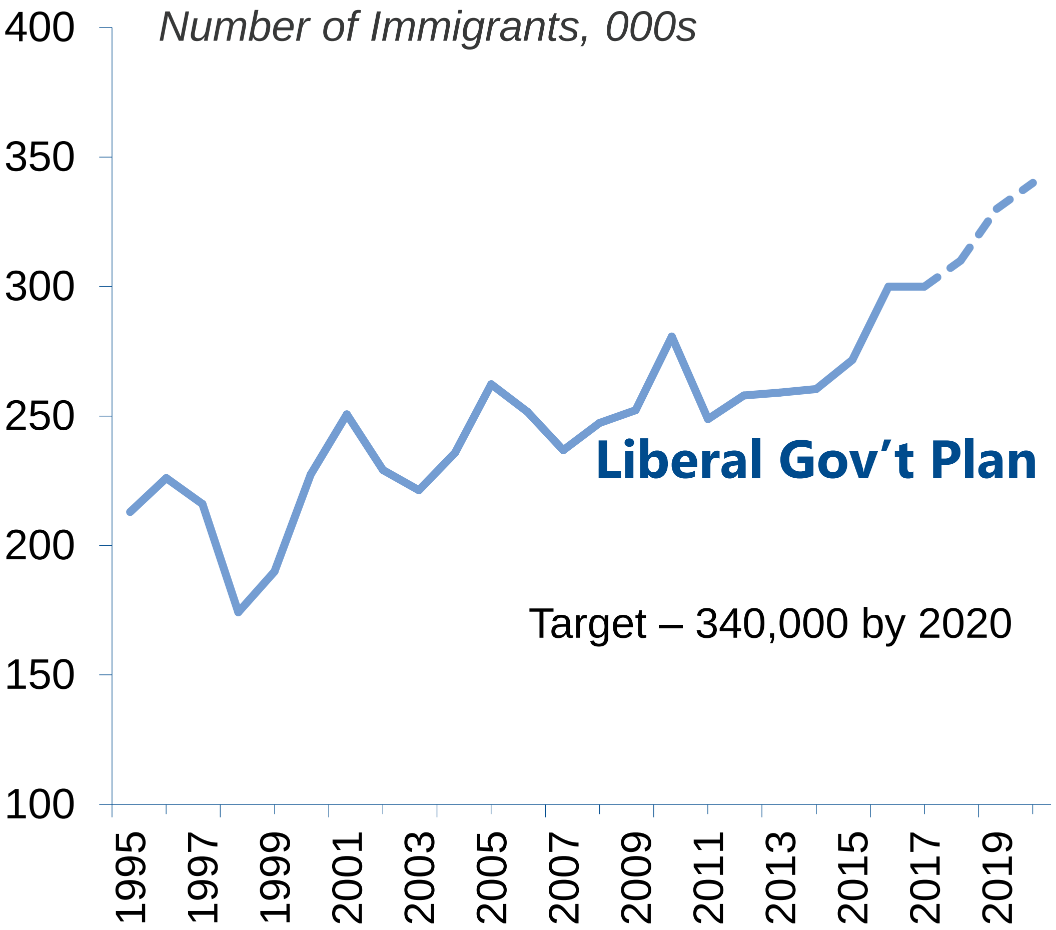
Top Markets for Immigration (% of Total 2011-2015)

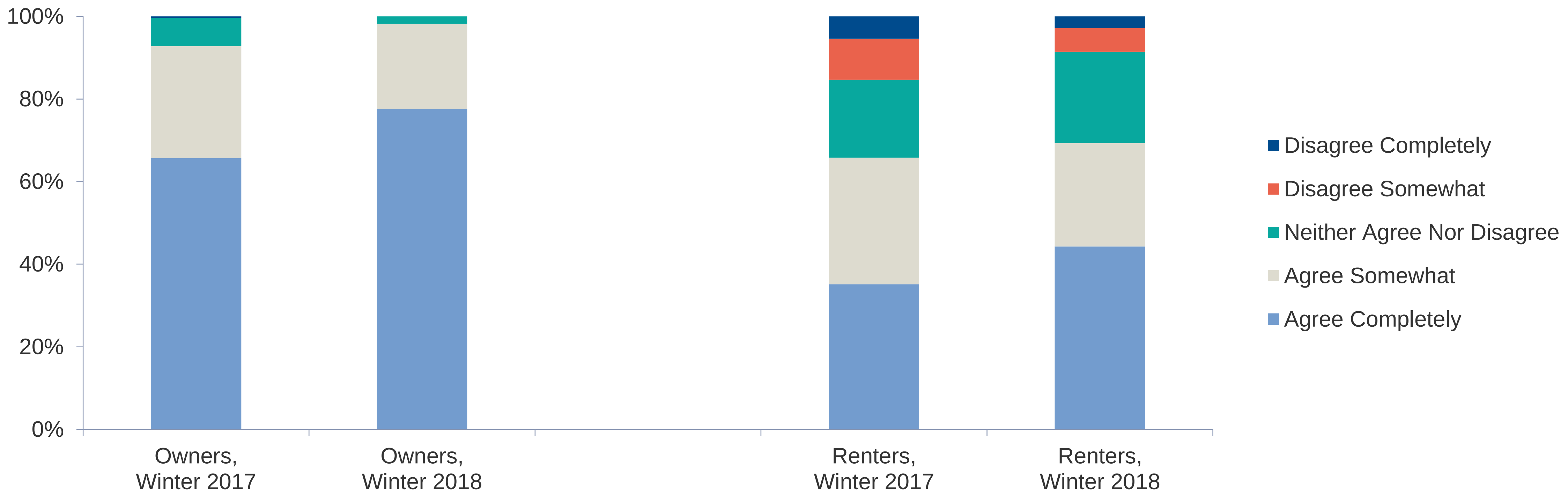




Source: Statistics Canada

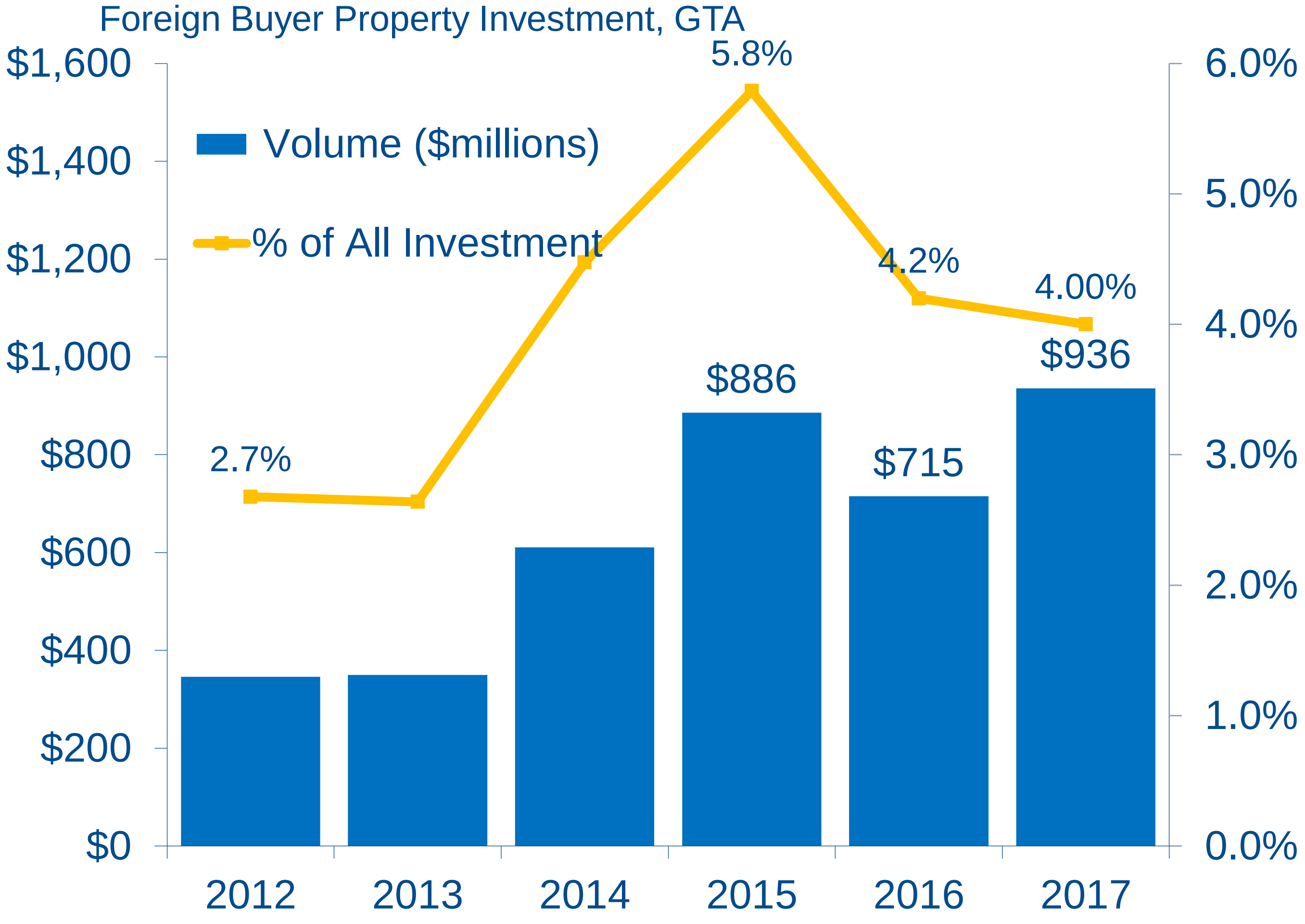
Consumer Demand For Housing Remains Strong – Despite the Downturn in Sales

Owning a Home is a Good Investment, GTA

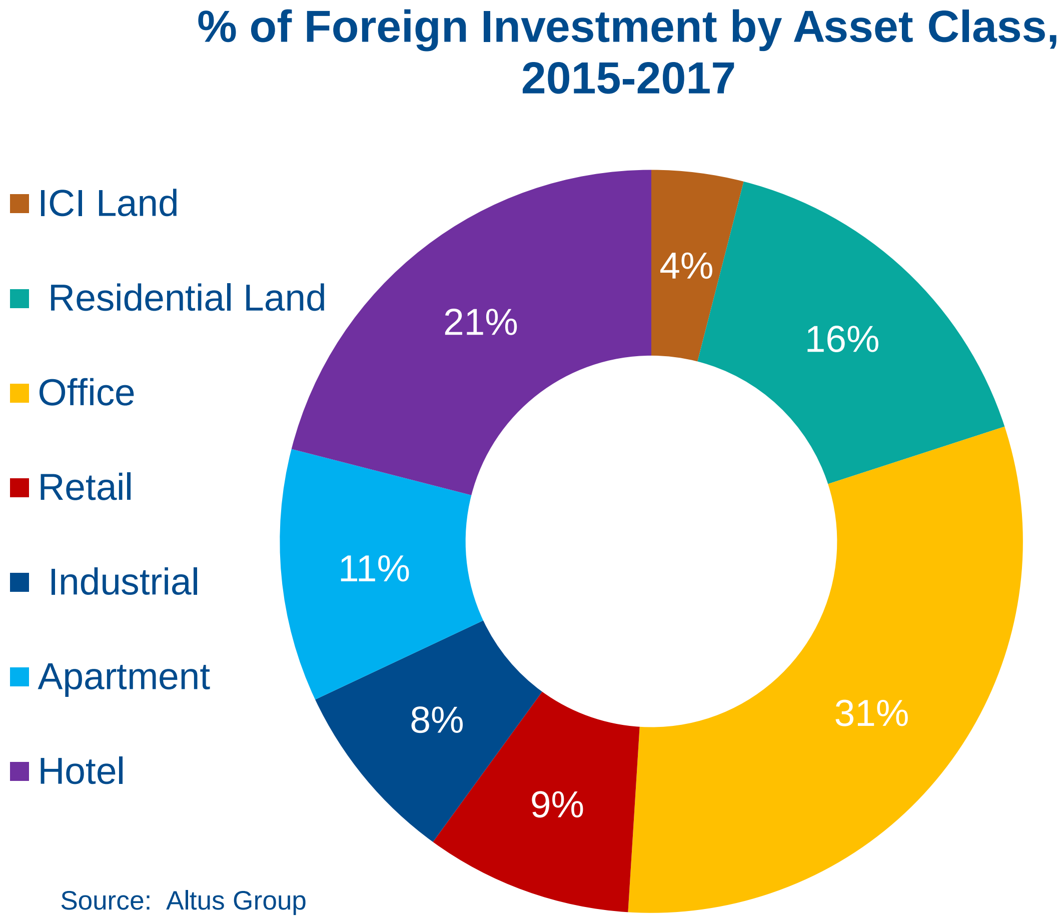


Source: Altus Group

Foreign Buyers Increase Investment Dollars in GTA in 2017



Source: Altus Group



Source: Altus Group

Product / Market Barometer Indicates Investors Are Still Active in the Two Largest and Most Expensive Markets

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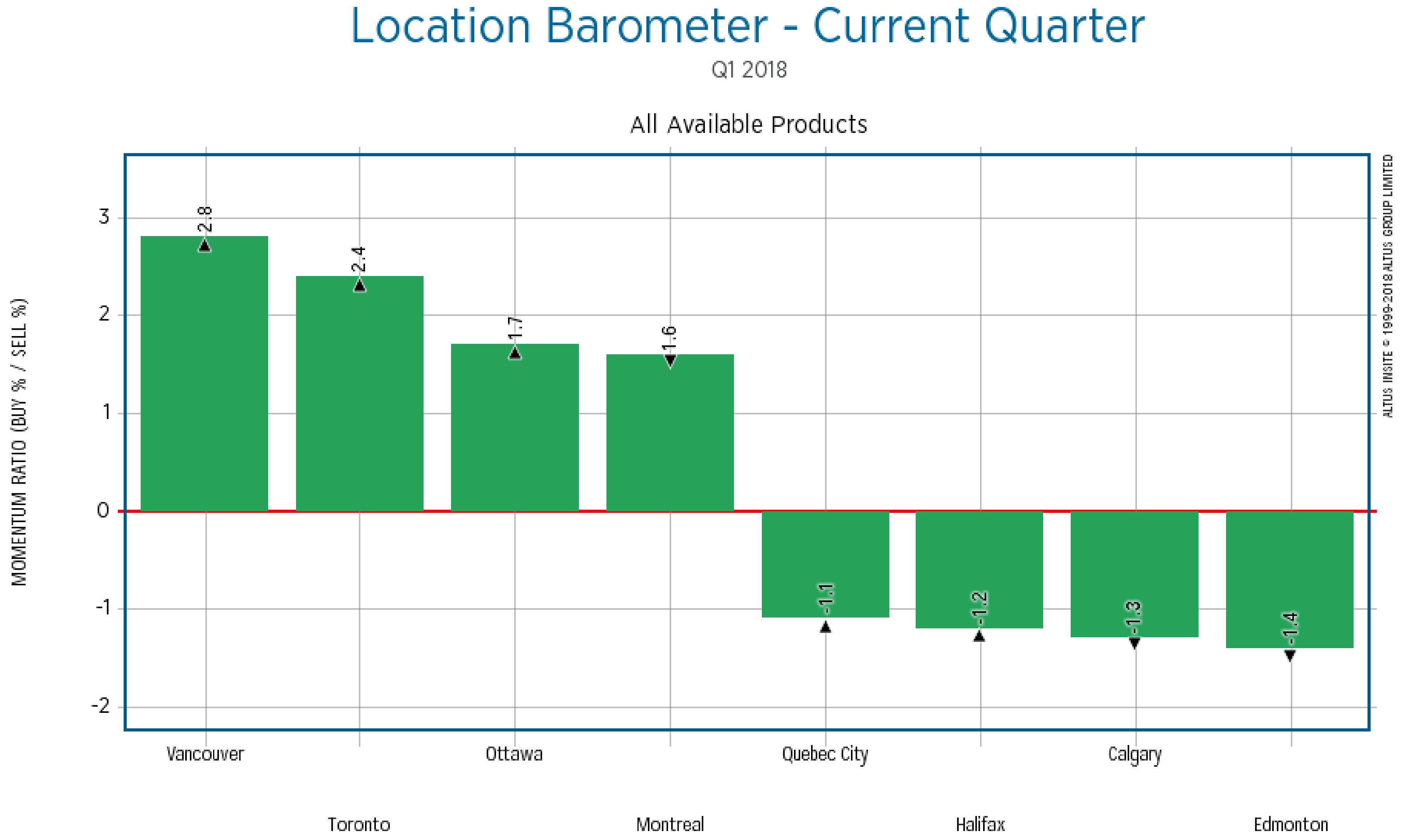

Source: Altus Group

With Residential Intensification on Retail Sites

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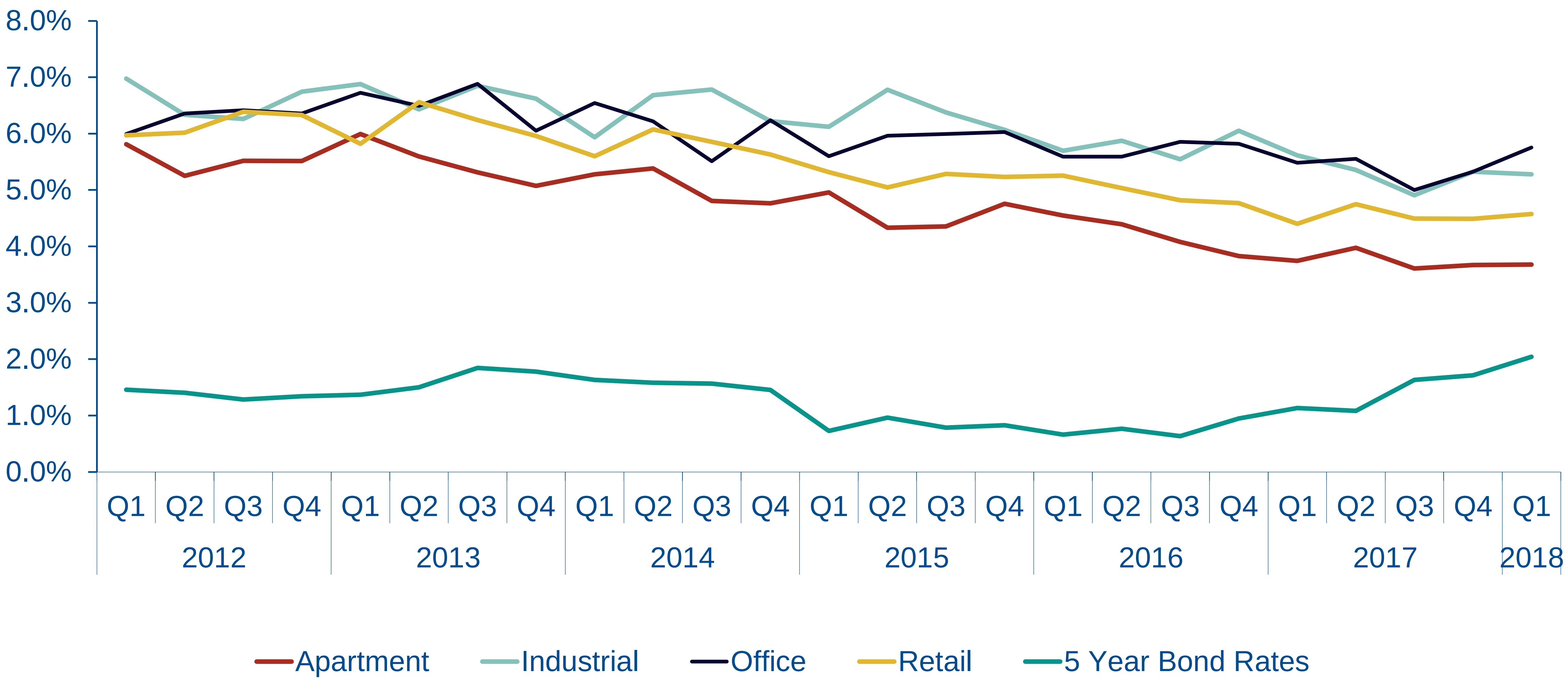
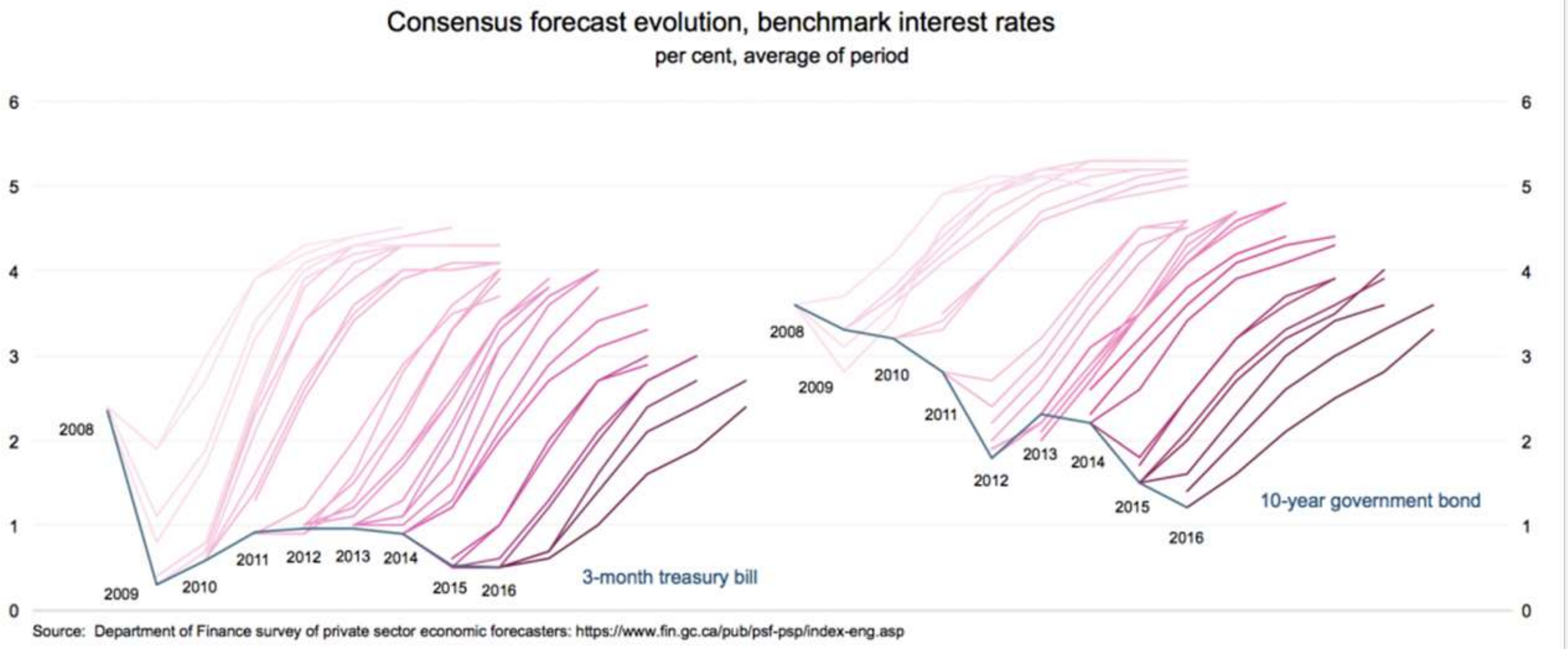
Galleria Mall	**Bayview Village Shopping Center**	**Yorkdale Mall**
245,487 square meters Total GFA	162,270 square meters Total GFA	577,238 square meters Total GFA
2,891 units	1,132 units	1,496 Units
Dufferin & Dupont	Bayview & Sheppard	Allen Road & Highway 401

GTA Cap Rate Compression Stalling?



Source: Altus Group, Bank of Canada

Fool Me Once …… Fool Me Twice….



Source: Altus Group based on Scott Cameron as published in Macleans Magazine 12.13.16

US Policy Impacts on Canada

- ✓ Tariffs
- ✓ "America First"
- ✓ Immigration

- ✓ US Tax Cuts
- ✓ World Trade Policies
- ✓ NAFTA?

Housing Outlook

Demand Impacts

Interest Rate Increases
OFSI B20 Mortgage Stress Test
Affordability Constraints
Increasing Resale Supply

Supply Constraints
Strong Population Growth
Positive Wage Growth

Supply Impacts

Strong Pre-Sales Demand
Continued Investor Demand

Construction Capacity/Constraints
Cost Inflation 6%+
Development Charges
OMB Changes Impact New Supply

Land Market Outlook

Demand Impacts

Affordability Constraints Impact Absorption Pace

Weak H1 Demand?

Low Inventory of New Homes

Strong Demand for Housing in Desirable Locations

Limited Supply of Single-Family Homes Pushing Affordability

Supply Impacts

Development Approval Uncertainty

Impact of OMB Revisions

Rent Controls/Foreign Buyer Tax

Limited Land Supply

Competition between Commercial and Res Developers

Price Growth Supporting Higher Prices

Office Market Outlook

Market Impacts

Weaker Demand in Suburban Locations

Challenges in Attracting Talent to Non Core Locations

Shared Workspace versus Traditional Office

Low Vacancy in Core Areas

Limited Vacant Space in New Supply

Strong Demand from Tech and Financial Sectors

Supply Impacts

Land Supply Competition from Residential Developers

Construction Trade/ Supplier Competition

Long Construction Cycles

Flexible Shared Work Space Supply

New Supply Coming to Market 2019+

Industrial Market Outlook

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Market Impacts

Higher Prices – Both for Space and Land

Challenges in Employment/Transportation Infrastructure

Low Vacancy and Lack of New Supply

Intense Demand for Industrial Near Consumers – Competing with Residential for Last Mile Sites

E-Commerce Driving Demand for Distribution Spaces

Economic Growth in the GTA

Supply Impacts

Land Supply Competition from Residential Developers

Construction Trade/ Supplier Competition

Limited Supply near Transportation Corridors / Population Centres

Rent Growth Supporting New Development

Flex Industrial Space in High Demand from Tenants and Investors

Economic Outlook Positive and Supporting New Supply

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