# Disclaimer

This presentation, or any part thereof, may not be reproduced or transmitted in any form by any means, without the express written permission of Altus Group in each instance. The material in this document has been prepared by Altus Group based on data and experience.

The information is believed to be accurate at the time of its preparation; however, no responsibility can be taken for errors or omissions. Any advice contained herein is of general nature and should not be relied upon unless confirmed with Altus Group.

Altus Group makes no representation about the accuracy, completeness or suitability of the material represented herein for the particular purpose of any reader.

Please contact **datasolutionsinfo@altusgroup.com** with any questions.

# NATIONAL
## State of the Market
# 2020

**PART 2**

**COMMERCIAL REAL ESTATE**

Change, uncertainty, and the new normal

Altus Group

**Raymond Wong**

Vice President, Data Operations
Data Solution, Altus Group

Altus Group

# 2020: the year of accelerated evolution

# Accelerated evolution

**Increased density & crowded workspaces**

**Increased noise & stimuli**

**Negative impacts to productivity**

**70-135 SQ.FT.**

national range SF per employee

Focus on employee

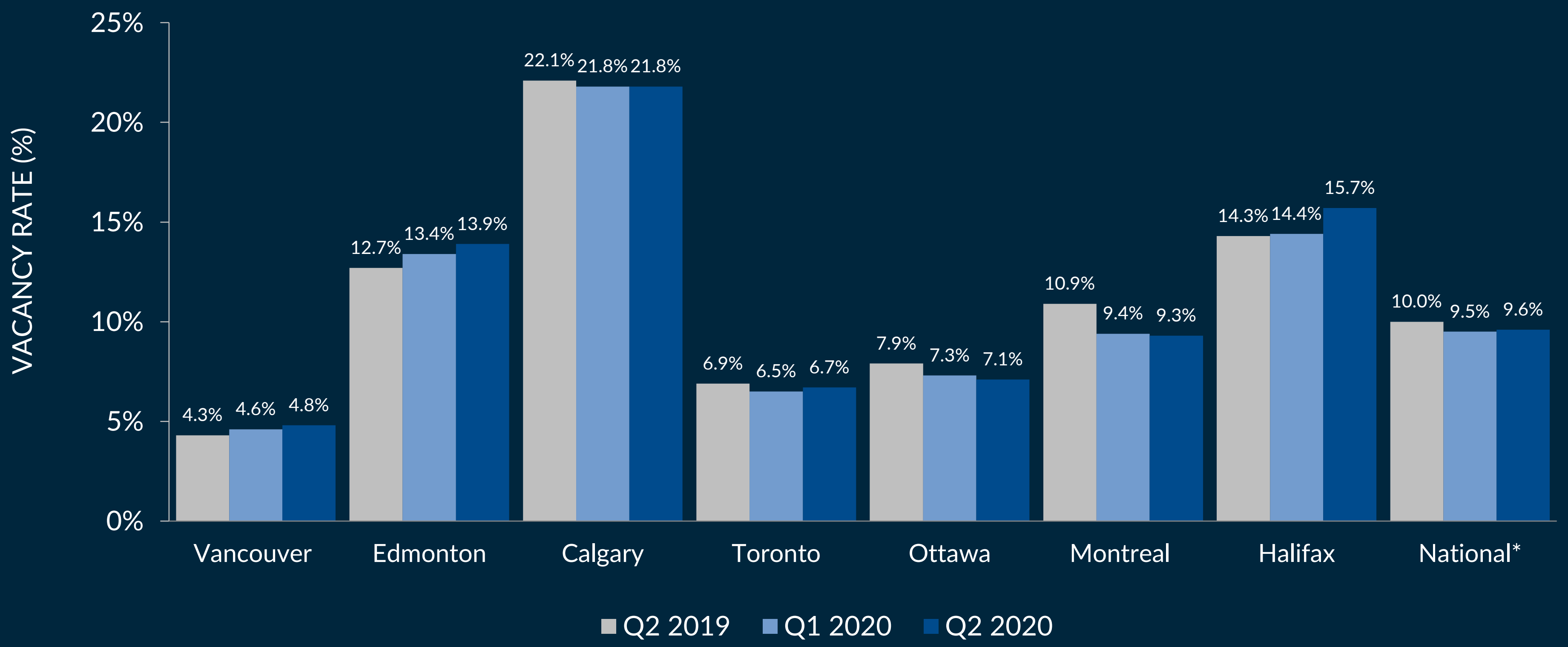
**health**

**wellness**

**Flexible working**

# Office vacancy rates creeping upward overall

Q2 2019 vs. Q1 2020 vs. Q2 2020

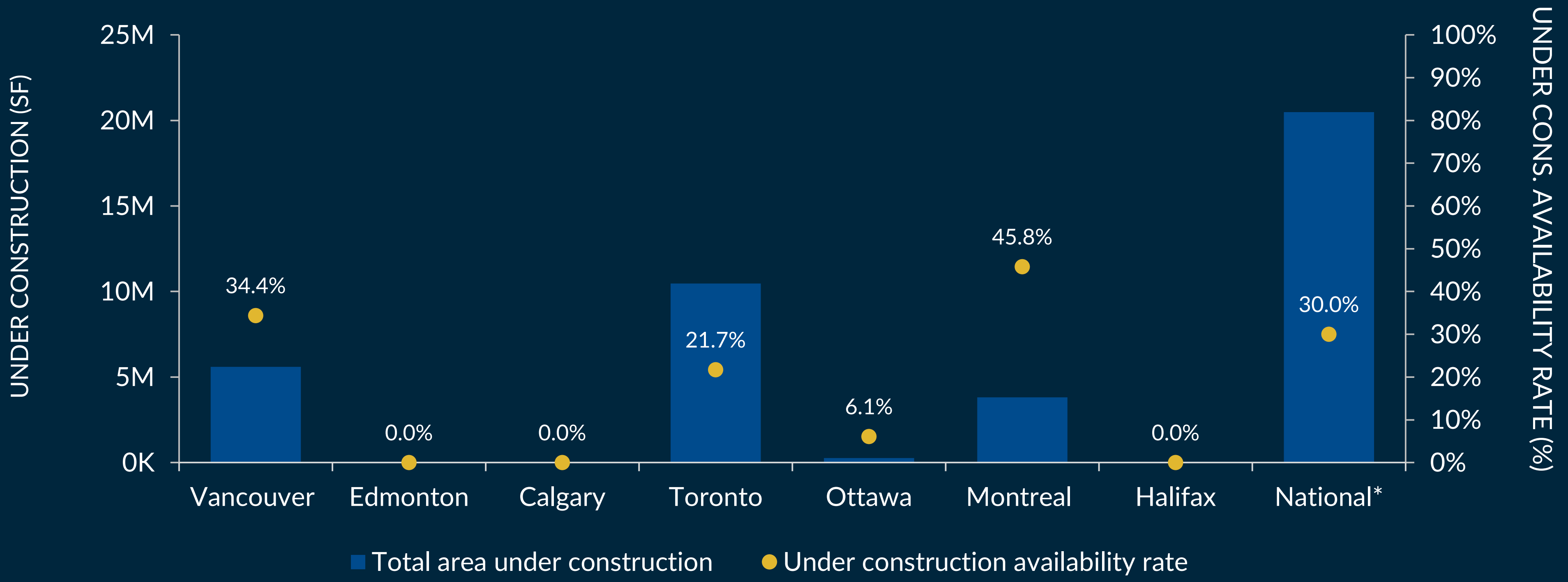



Source: Altus Group

*Major markets covered by Altus Group

# Pre-leasing activity still strong…

Office under construction & availability Q2 2020

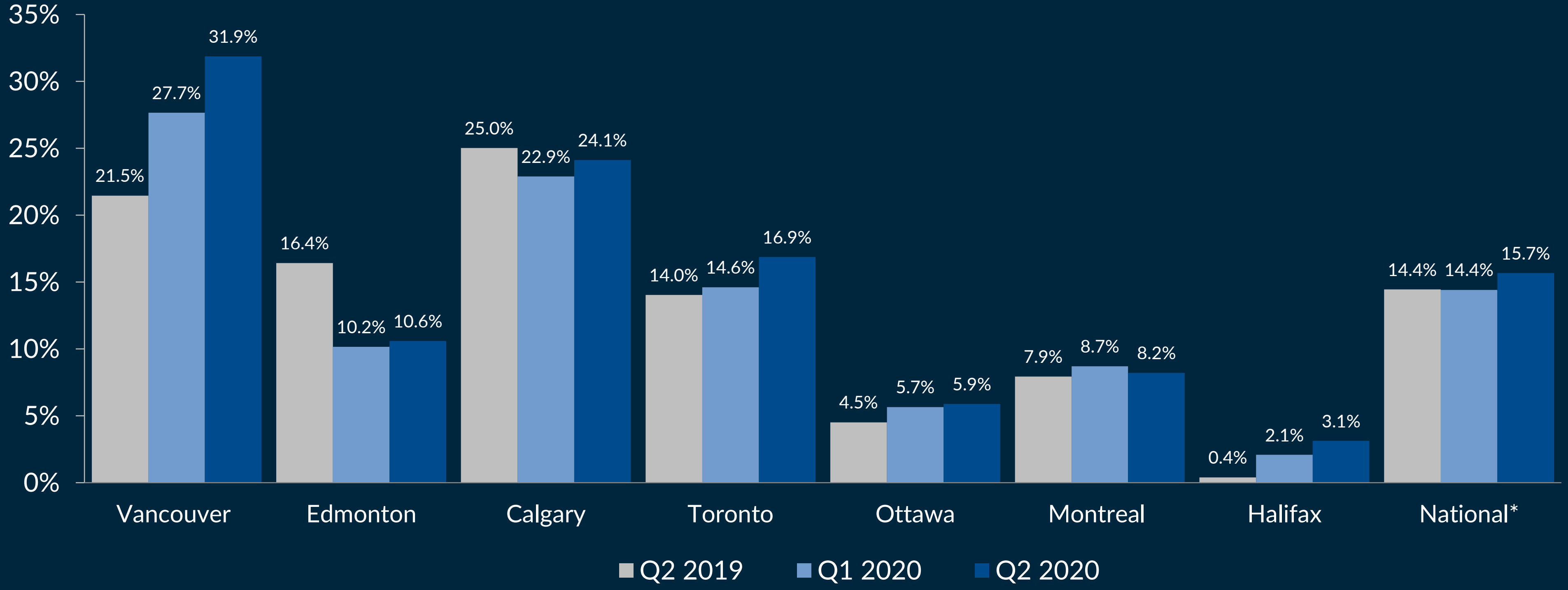



Source: Altus Group

*Major markets covered by Altus Group

# …but sublet space is increasing…

Office sublet availability as a % of available space Q2 2019 vs. Q1 2020 vs. Q2 2020

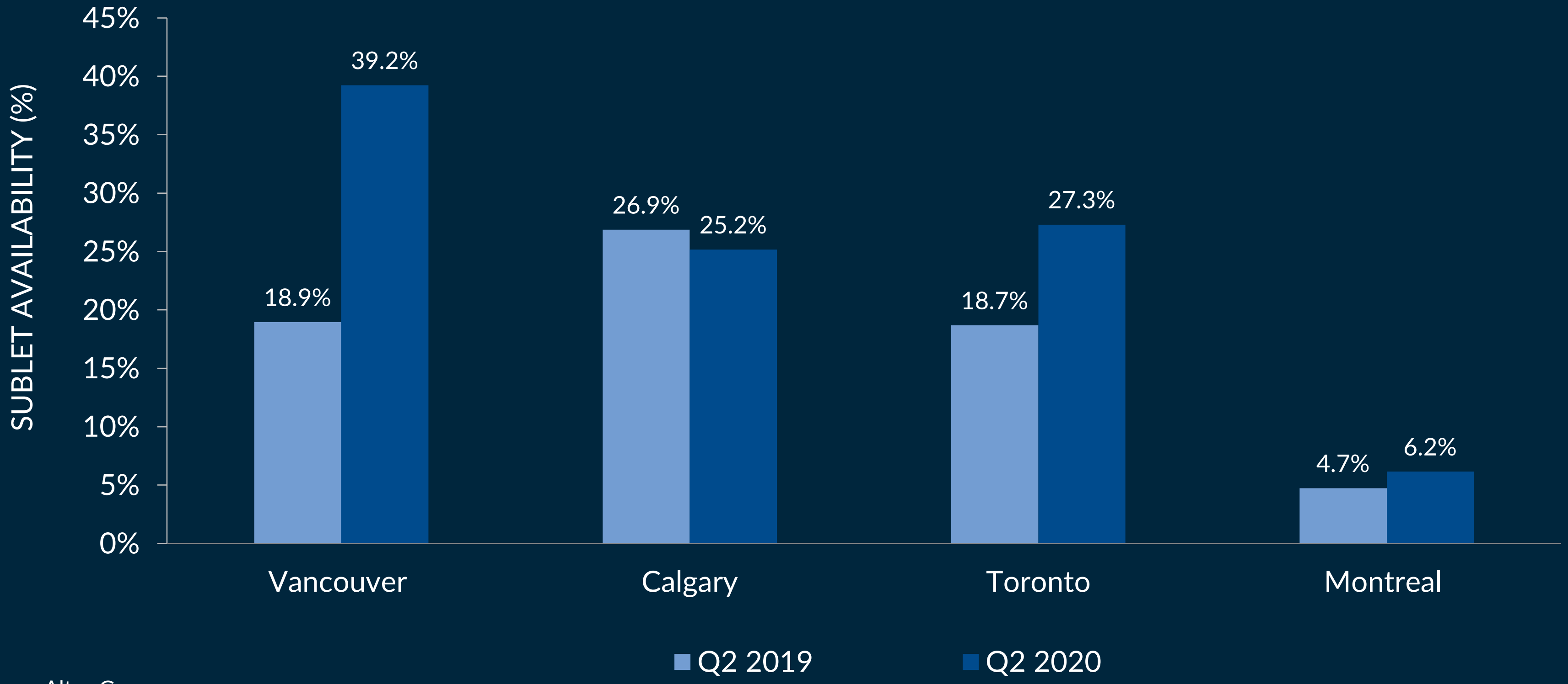



Source: Altus Group

*Major markets covered by Altus Group

# ...especially in downtown markets

Downtown office sublet as a % of available space Q2 2019 vs. Q2 2020

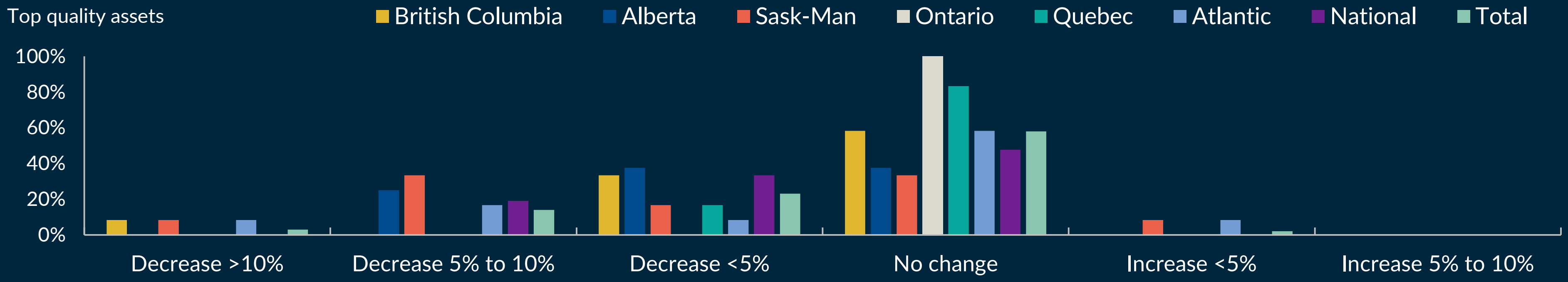


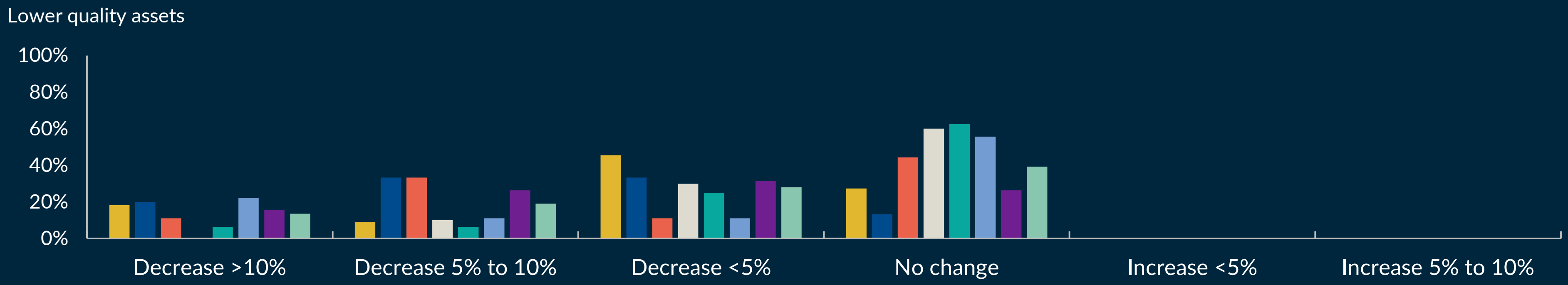

Source: Altus Group

# Office market rents (face rates) by region - expected to hold for now…

Altus Group

Assuming the COVID-19 pandemic is under control by June 30th, what % change in market rents (face rates) would you expect in the next 12 months?



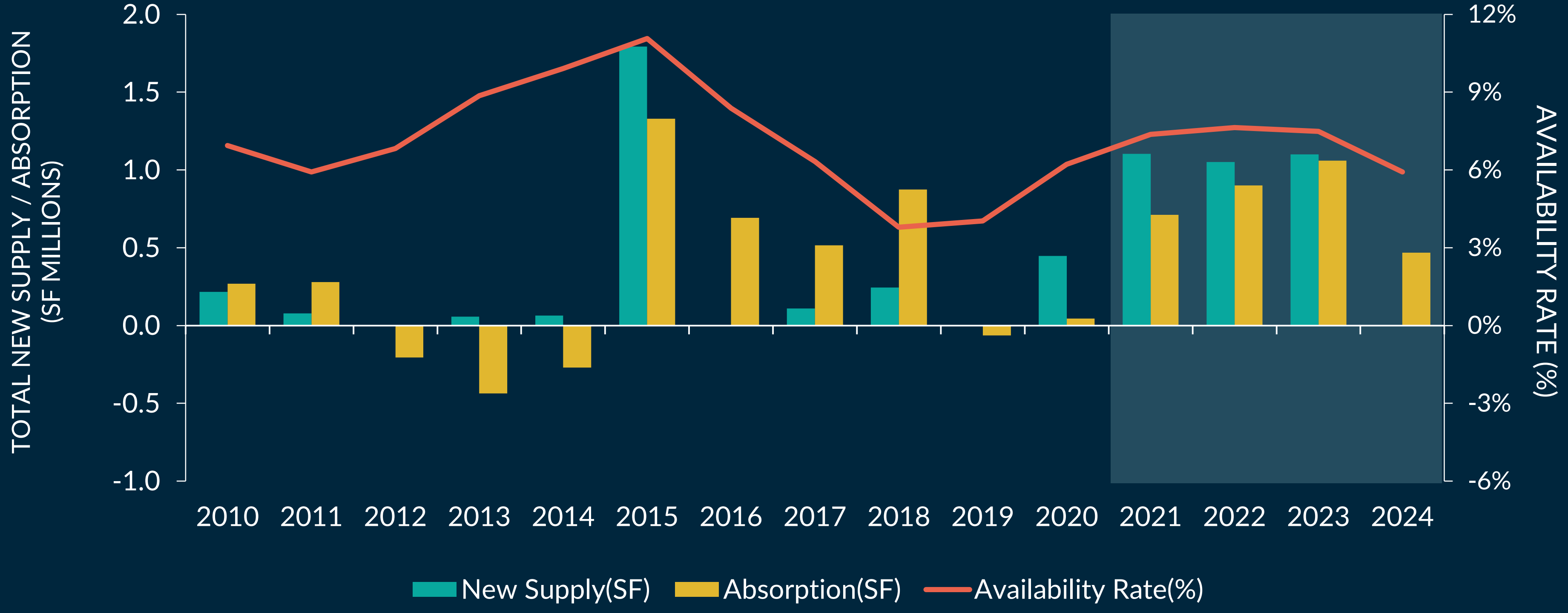




Source: Altus Group's Key Assumptions Survey (June)

# Forecast: office vacancy rates anticipated to rise in downtown Vancouver

Altus Group

Office availability rate vs. Total new supply forecast vs. Absorption
(Downtown Vancouver area, 2010-2024)

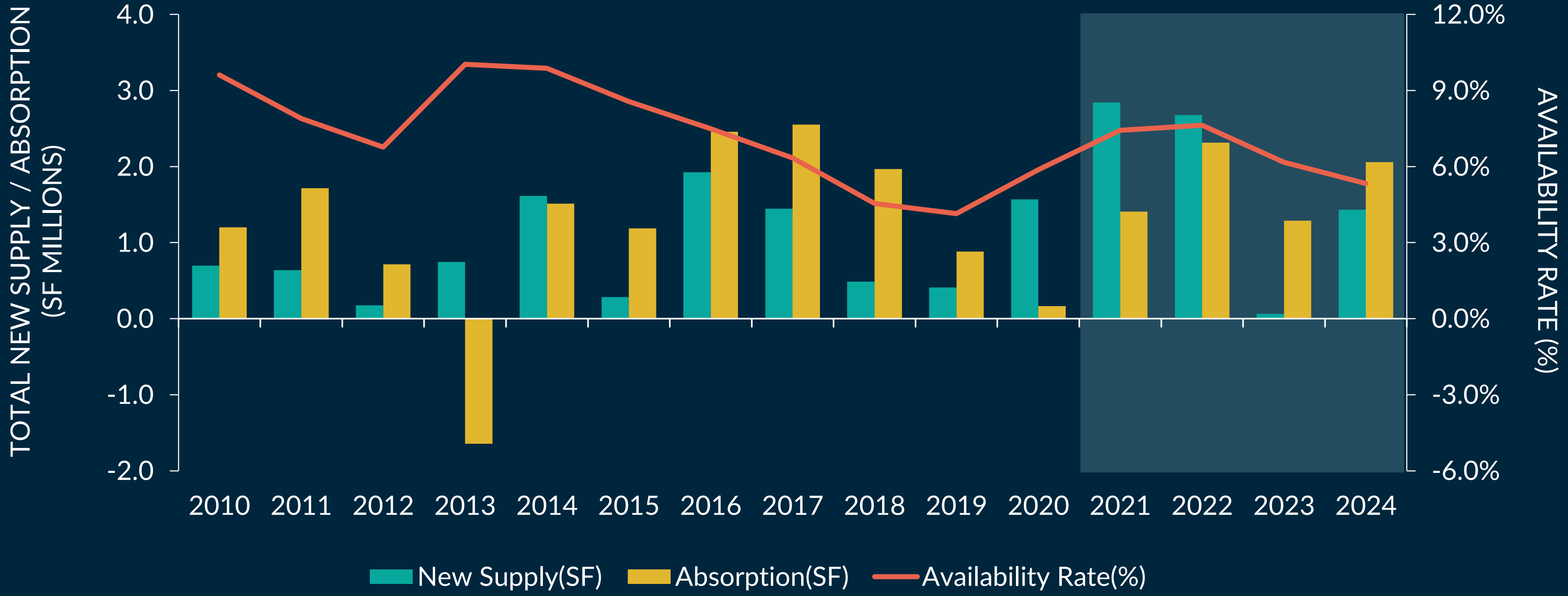



Source: Altus Group

# Similar for downtown Toronto

Altus Group

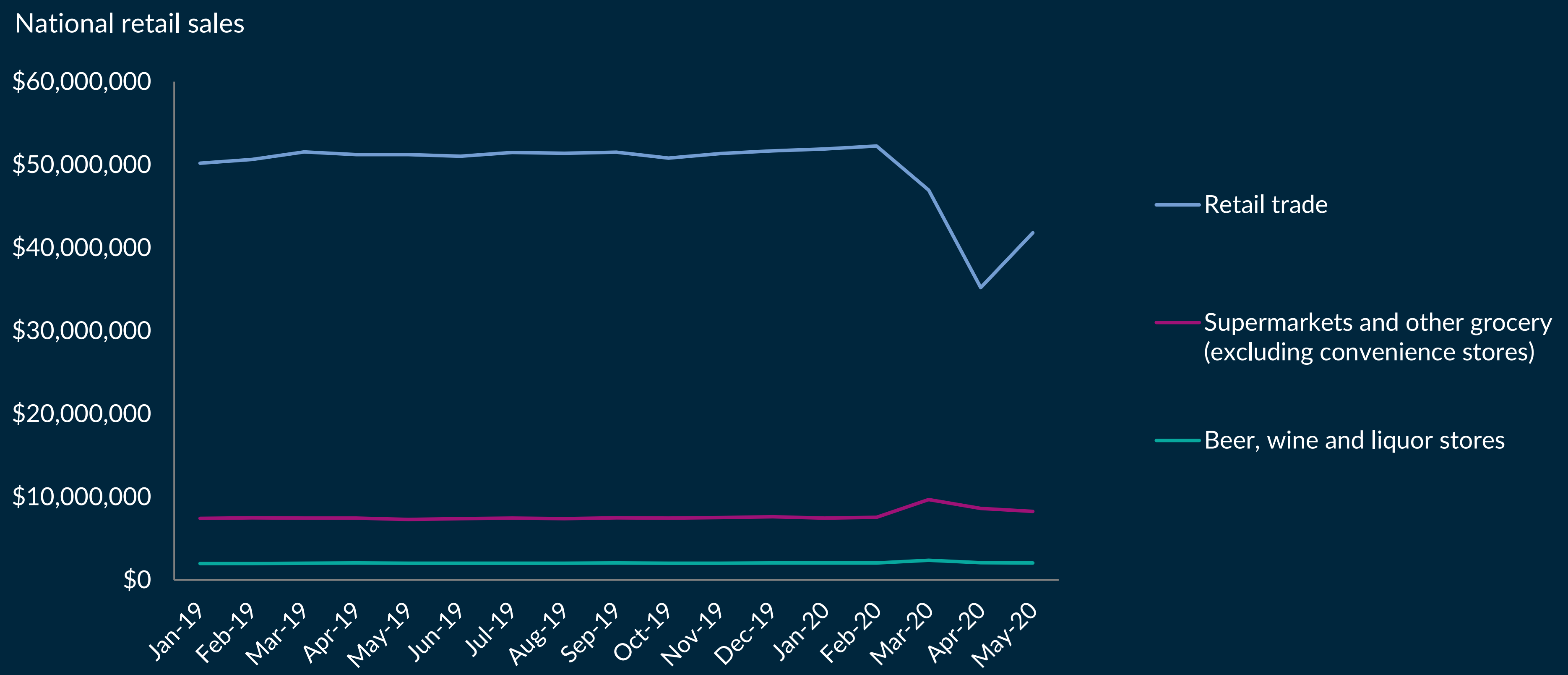
Office availability rate vs. Total new supply forecast vs. Absorption
(Downtown Toronto, 2010-2024)




Source: Altus Group

# Retail survival

# Still a long way to go

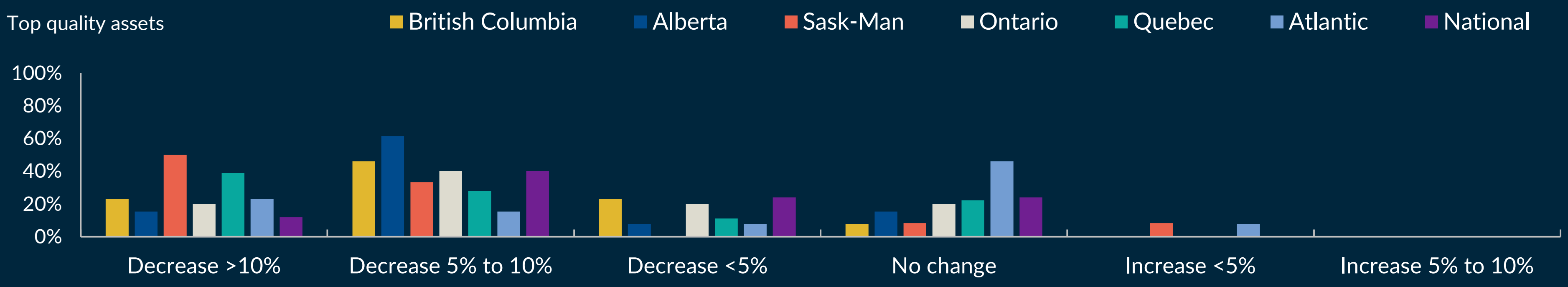


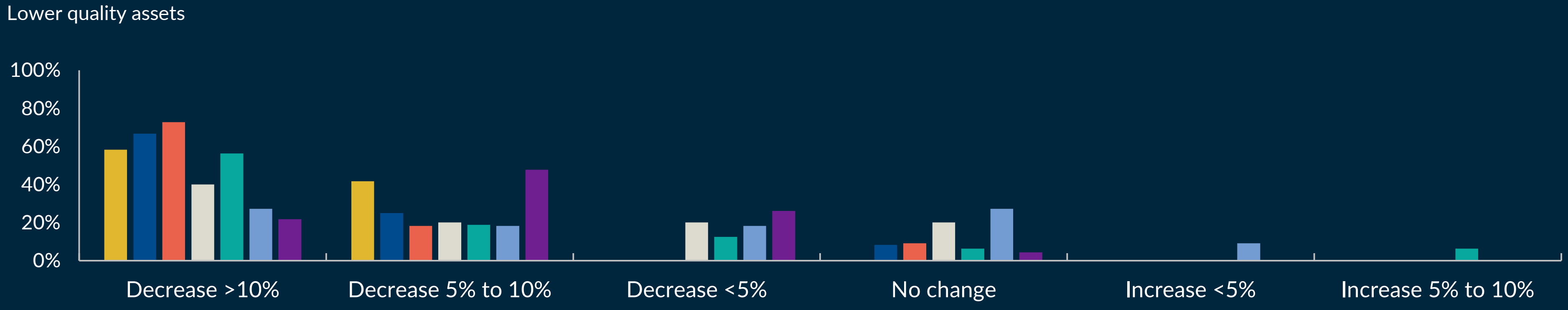

Source: Statistics Canada

# Retail market rents (face rates) by region – expected to continue falling

Altus Group

Assuming the COVID-19 pandemic is under control by June 30th, what **% change in market rents** (face rates) would you expect in the next 12 months?




Source: Altus Group's Key Assumptions Survey (June)

# Survival of the fittest

Altus Group

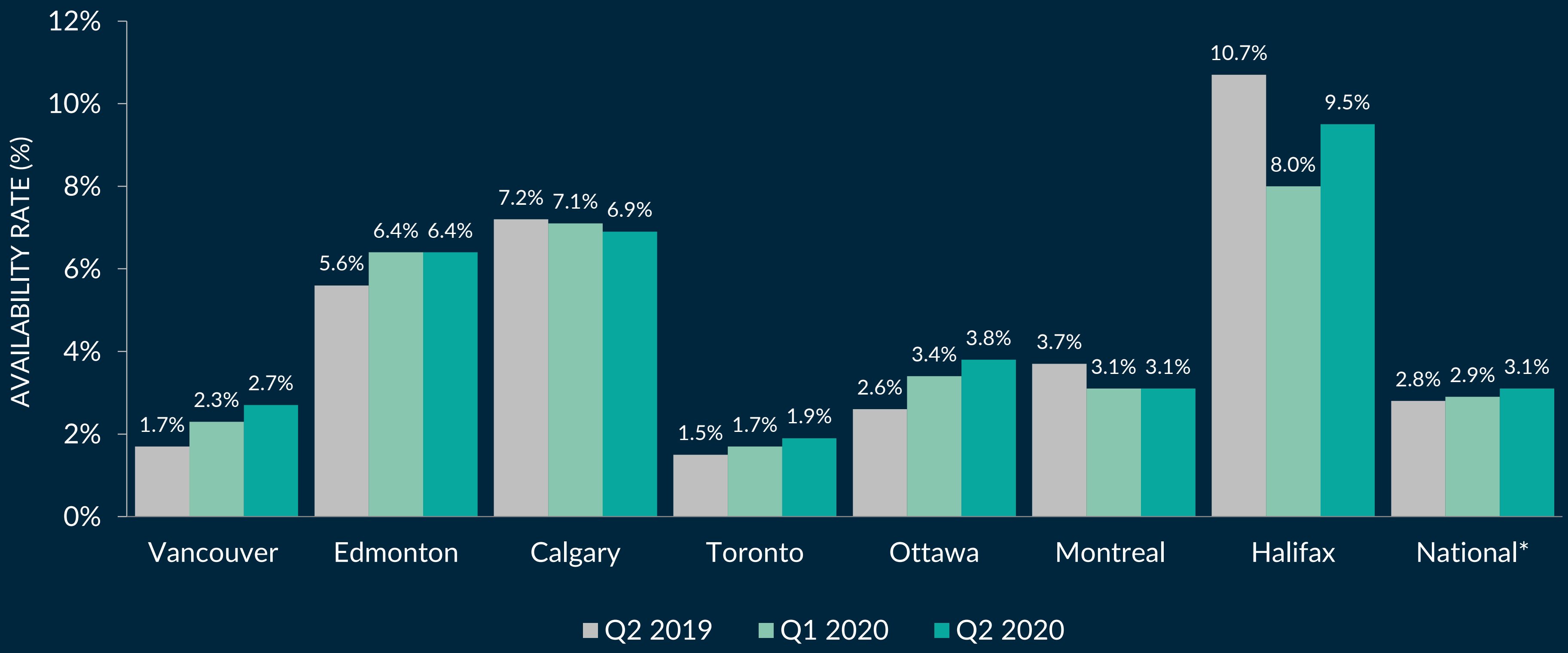
## Walmart to invest $3.5 billion in its Canadian operations over the next five years

- Online grocery order volumes in some regions have doubled and tripled
- 150 out of Walmart’s 400 Canadian stores will be renovated, including upgrades to POS technology, online ordering, and distribution network
- Two new distribution facilities in the Greater Toronto Area and Surrey, B.C.


Source: Financial Post, Walmart

# Overall availability rates remain tight

Industrial availability Q2 2019 vs. Q1 2020 vs. Q2 2020

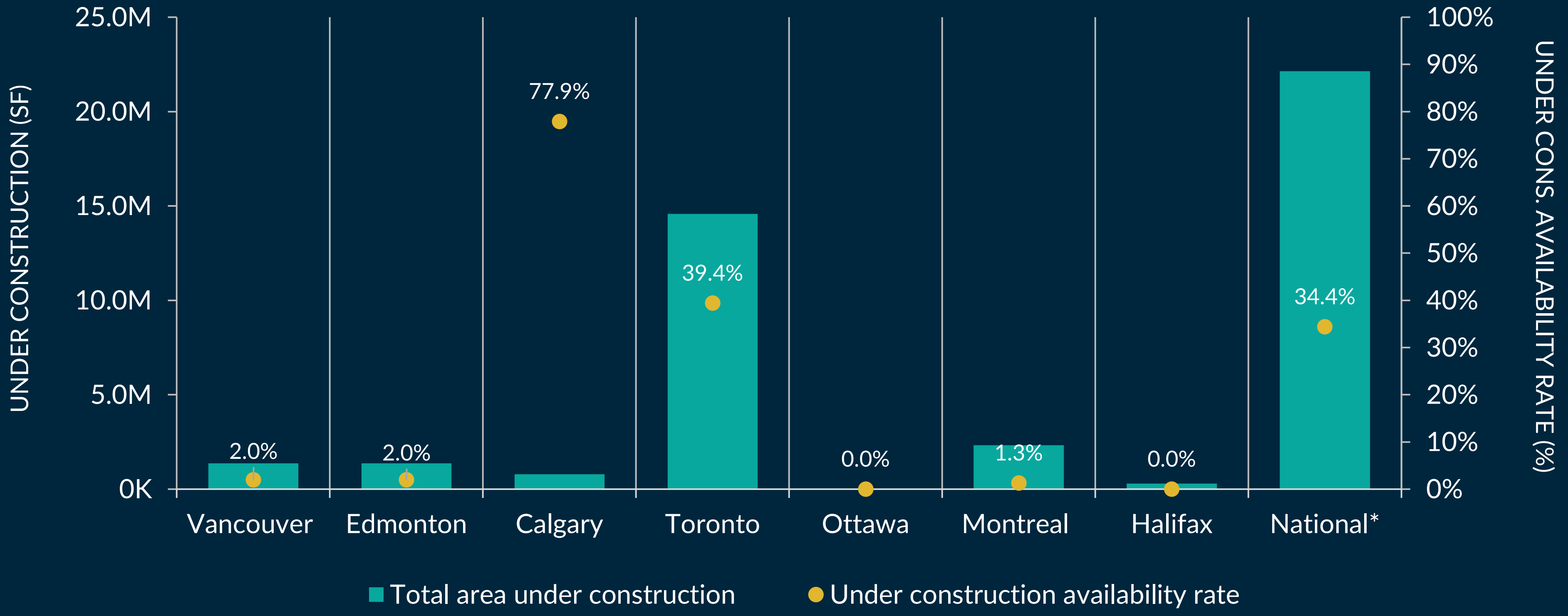



Source: Altus Group

*Major markets covered by Altus Group

# New construction remains in short supply

Industrial under construction & availability Q2 2020

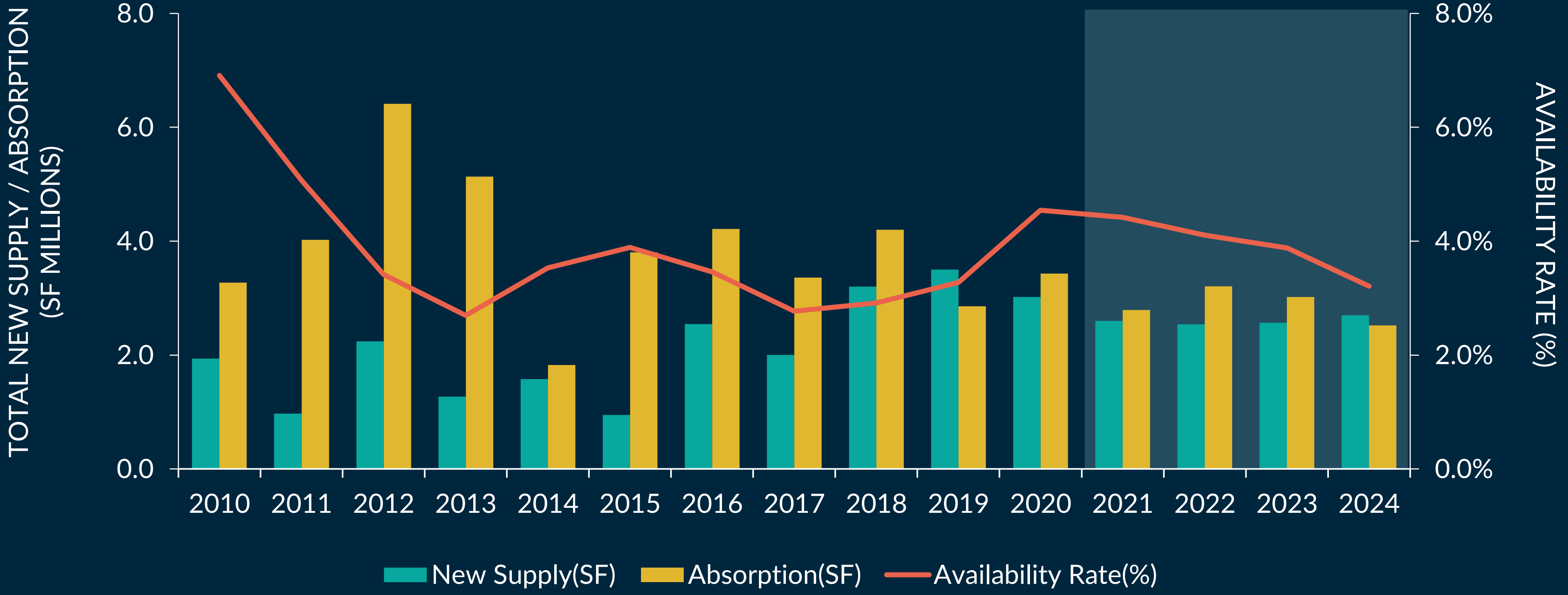



Source: Altus Group

*Major markets covered by Altus Group

# Forecast: Availability rates to remain tight in Vancouver

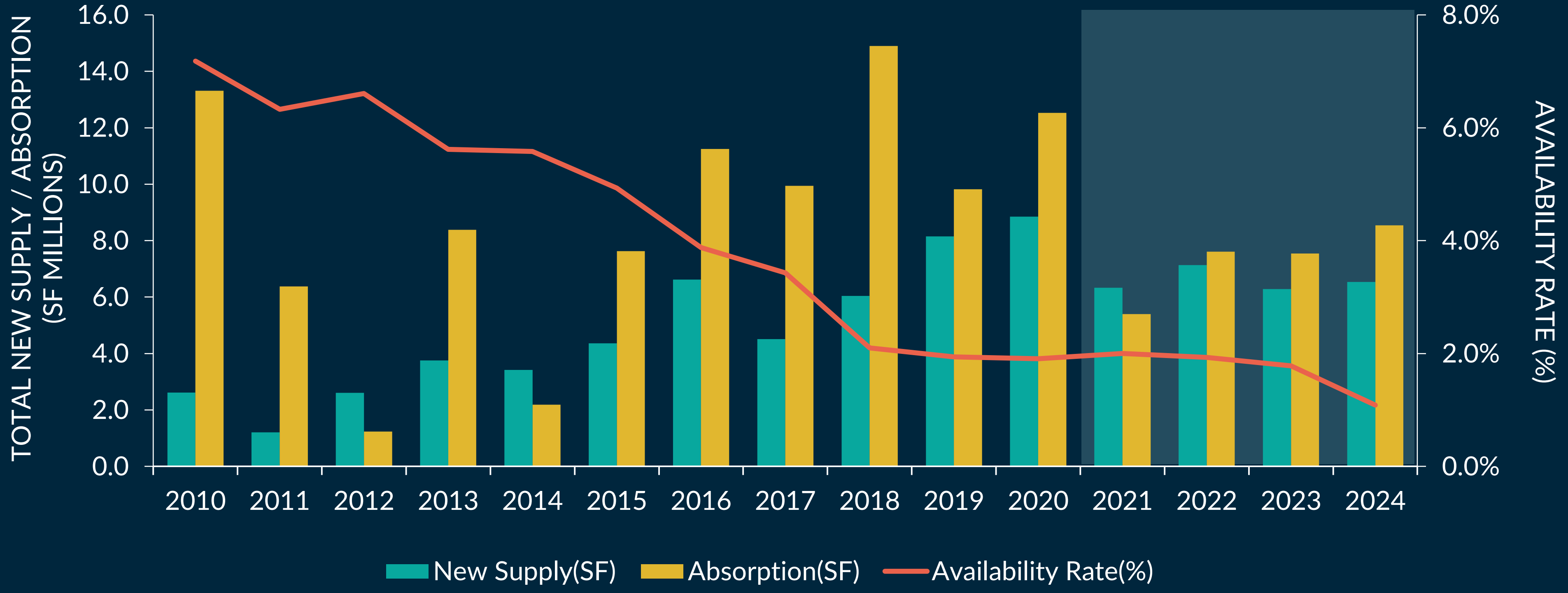
Industrial availability rate vs. Total new supply forecast vs. Absorption
(Vancouver market area, 2010-2024)




Source: Altus Group

# Even more so in the GTA

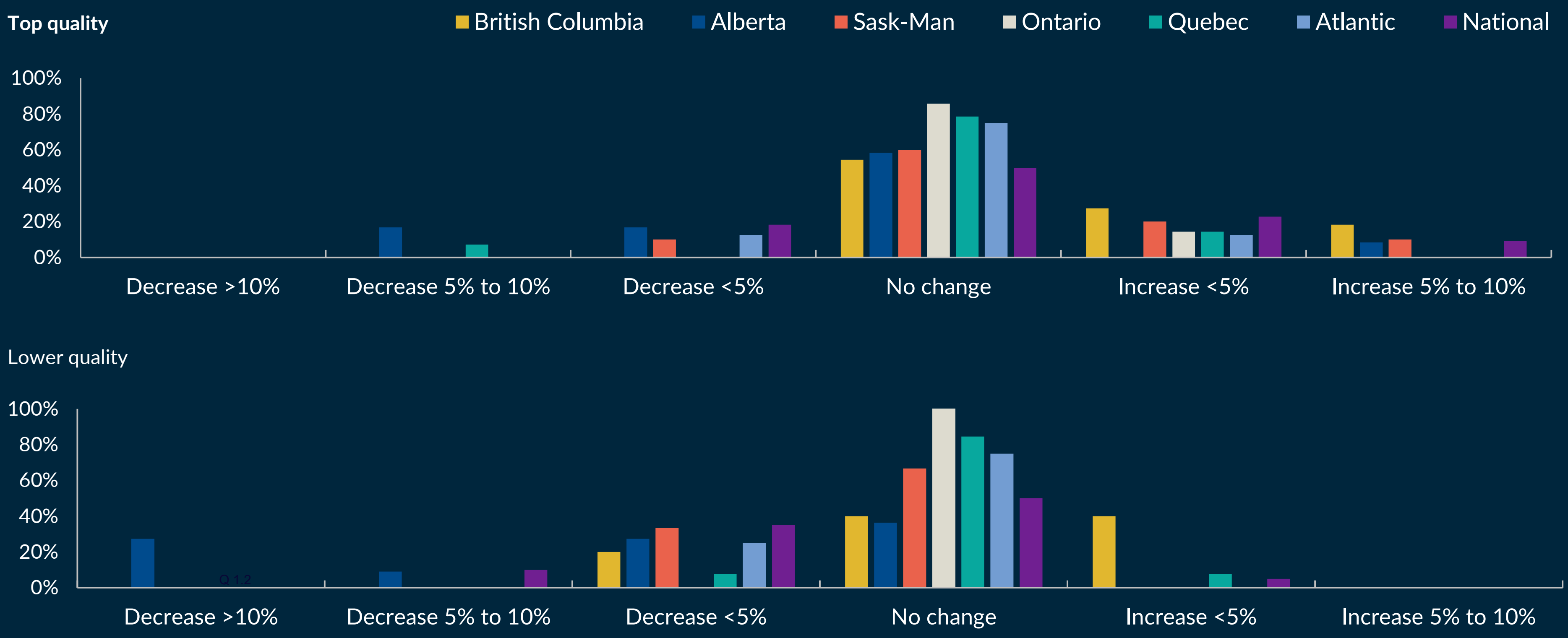
Industrial availability rate vs. Total new supply forecast vs. Absorption
(Greater Toronto area, 2010-2024)




Source: Altus Group

# Average rental rates expected to increase for newer buildings

## Industrial market rents (face rates) by region

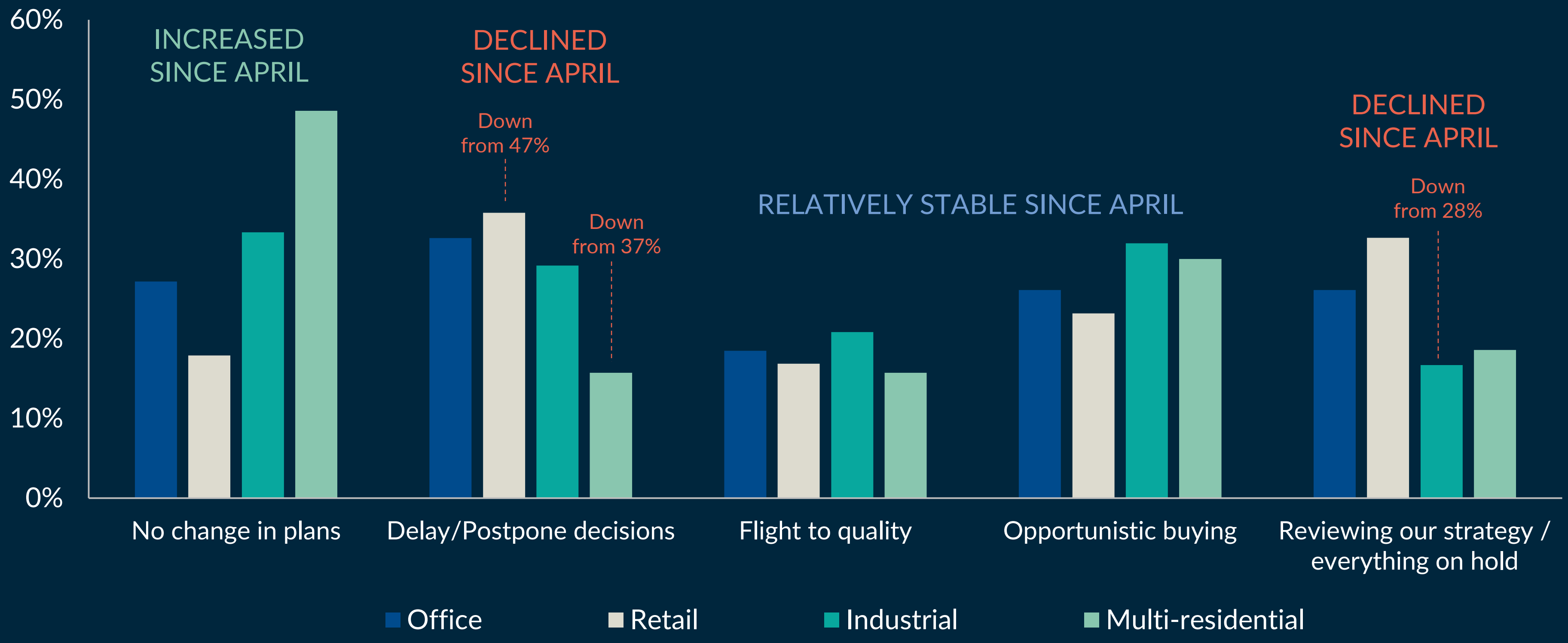



Source: Altus Group

# Capital markets

# Industry response: investment strategy

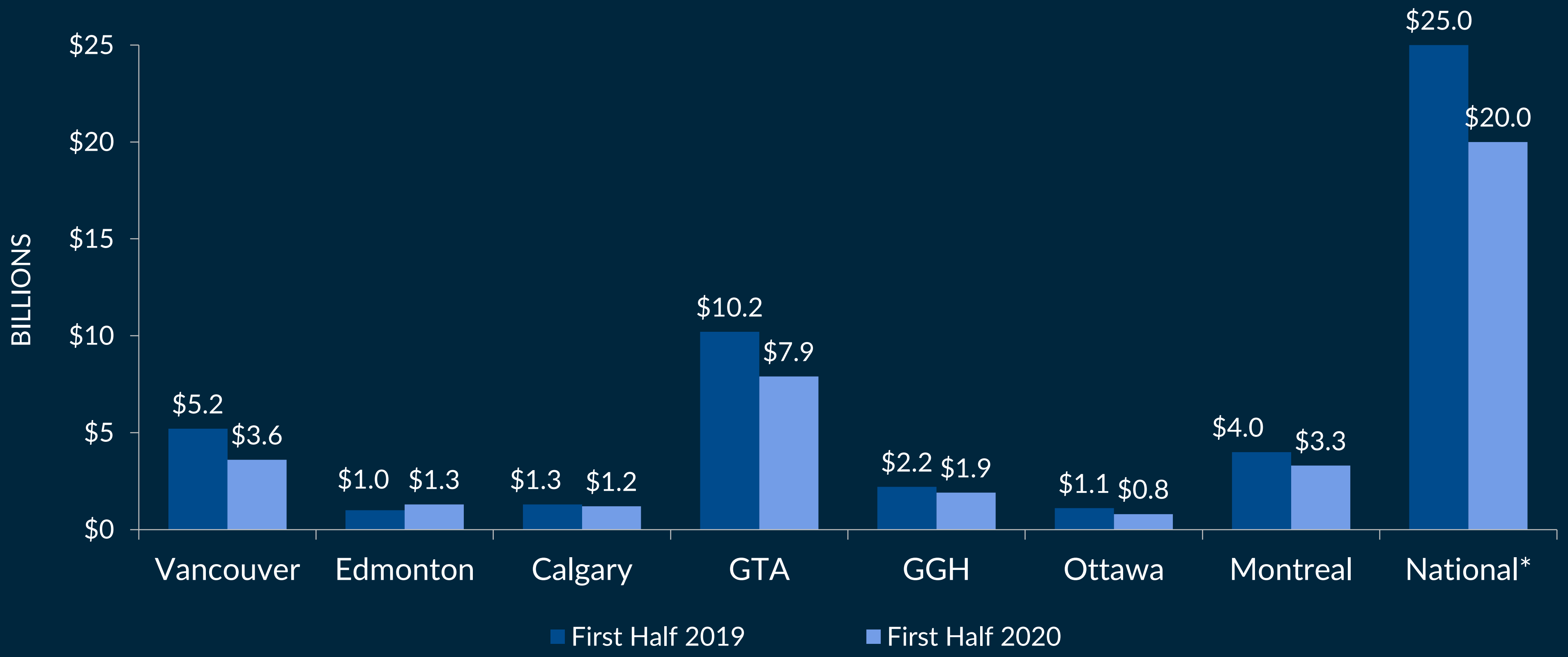
How has the COVID-19 pandemic changed your investment plans?




Source: Altus Group's Key Assumptions Survey (June)

# Total investment activity slowdown – not bad, surprisingly

Altus Group

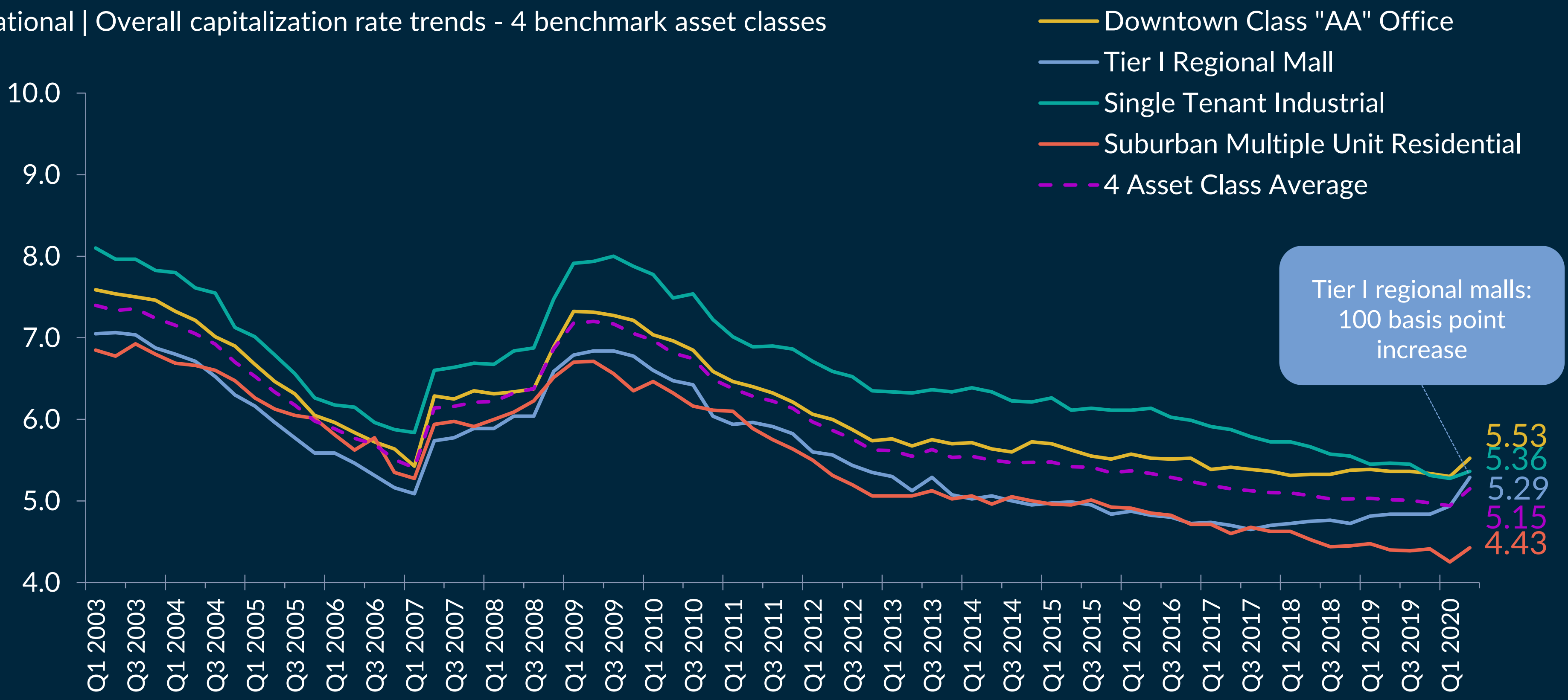



Source: Altus Group

*Major markets covered by Altus Group

# Cap rates expected to increase, especially for retail

National | Overall capitalization rate trends - 4 benchmark asset classes




Source: Altus Group

# Key takeaways

Bid-ask gap expectations will slow the market

Workplace dynamics are shifting, employee needs come first

Rapid changes in retail will continue

Industrial demand is strong, and getting stronger

Some things won't be the same, and that's okay!

CHANGE, UNCERTAINTY, AND THE NEW NORMAL

# Audience questions

# Thank you for joining us!

Attendees will receive an email tomorrow with a copy of the presentation.

Questions or comments?

Let us know your thoughts in the post-webinar survey!