# Disclaimer

# NATIONAL
# State of the Market
# 2021

FEBRUARY 18, 2021

Altus Group

# COMMERCIAL MARKET UPDATE

*Raymond Wong, Vice President, Data Operations*
*Data Solutions, Altus Group*

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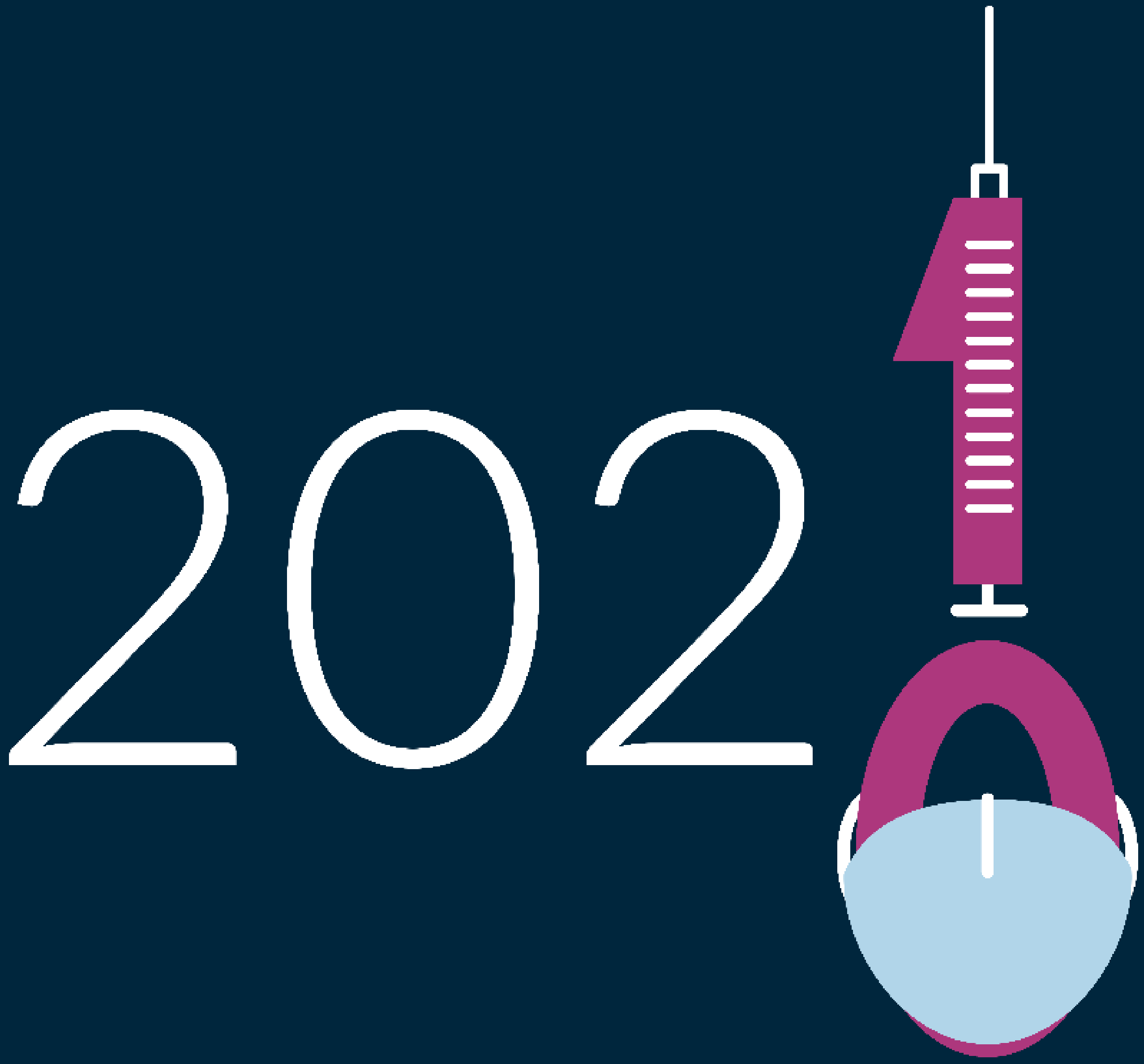
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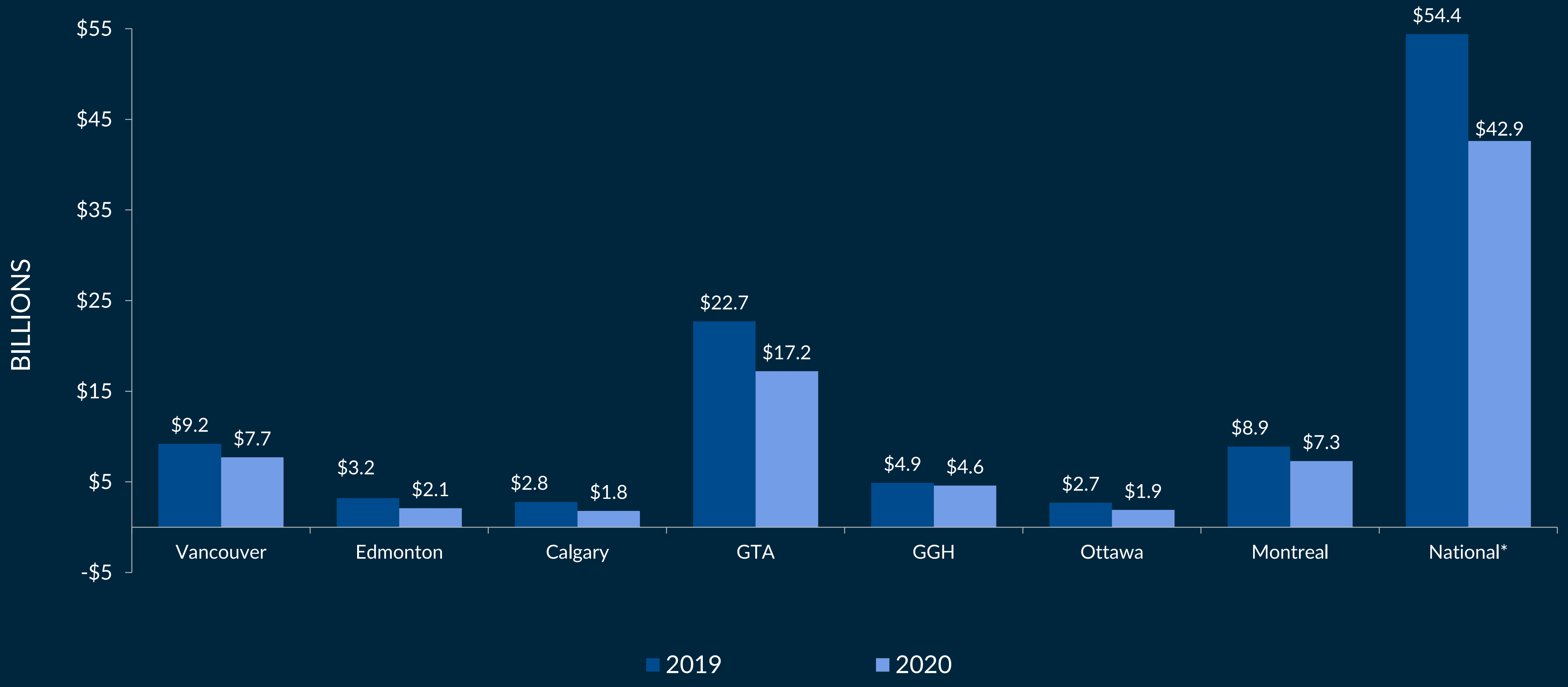
# ESG & sustainable investing continues to grow


**85%** of industry executives either have or plan to **change their portfolio strategy (more) towards ESG**

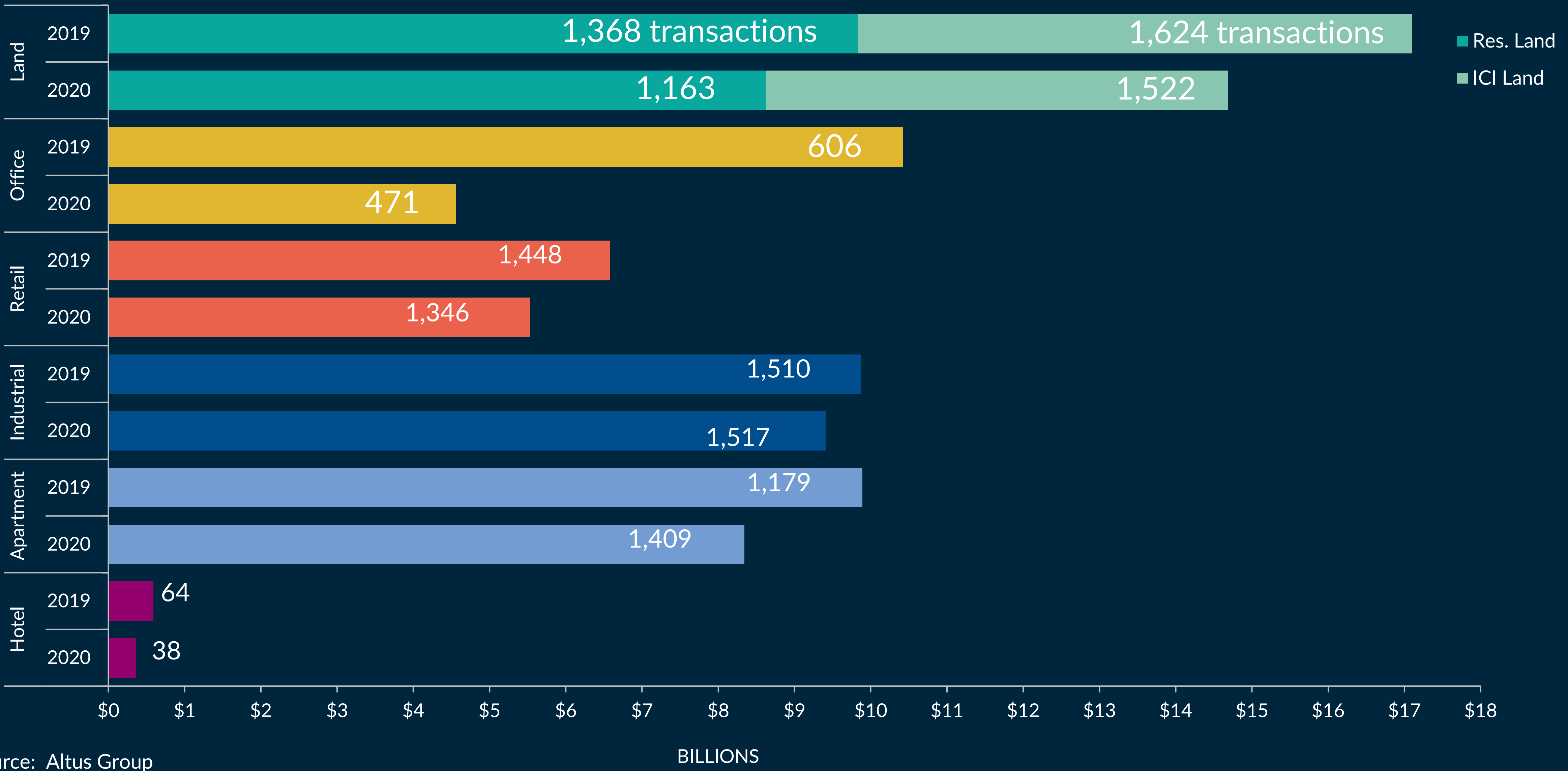
Source: Real estate in the new reality, KPMG International, 2020

# Total investment activity down 21% year-over-year



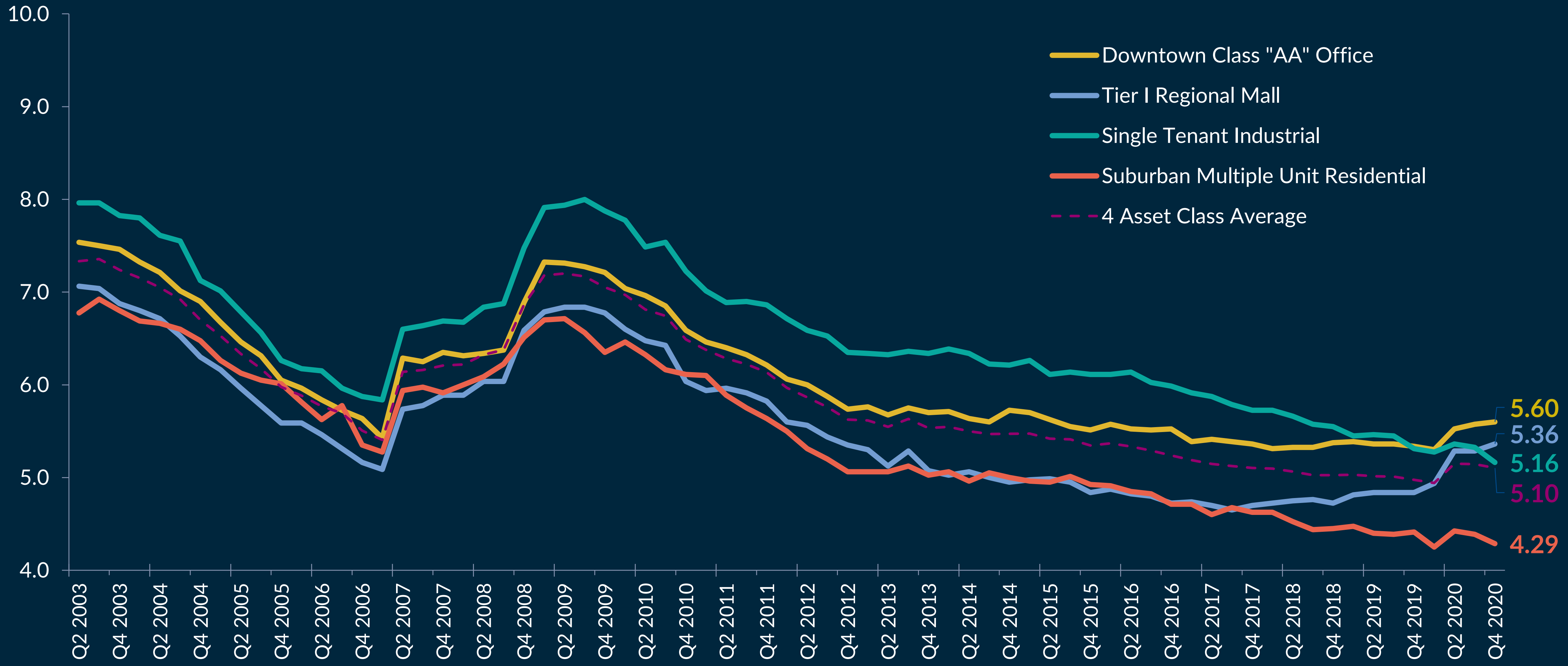

Source: Altus Group

# National property transactions by asset class – 2019 vs 2020




Source: Altus Group

# National OCR trends – 4 benchmark asset classes 4Q 2020



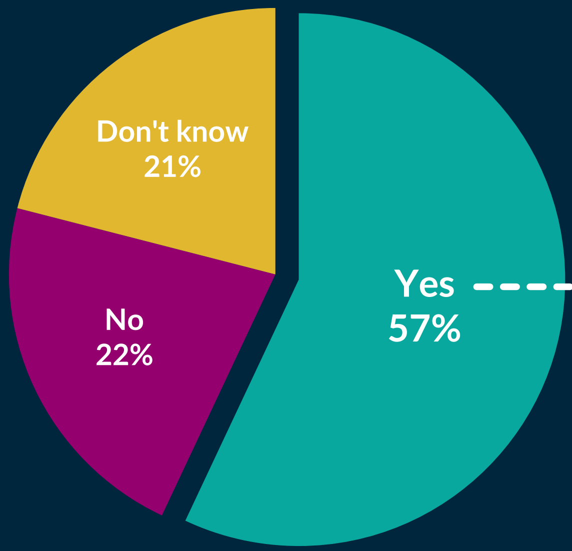

Source: Altus Group, Investment Trends Survey

# Evolution of work - adapting and adopting

Image sources: Forbes, WeWork

# Office is here to stay, just changing a bit

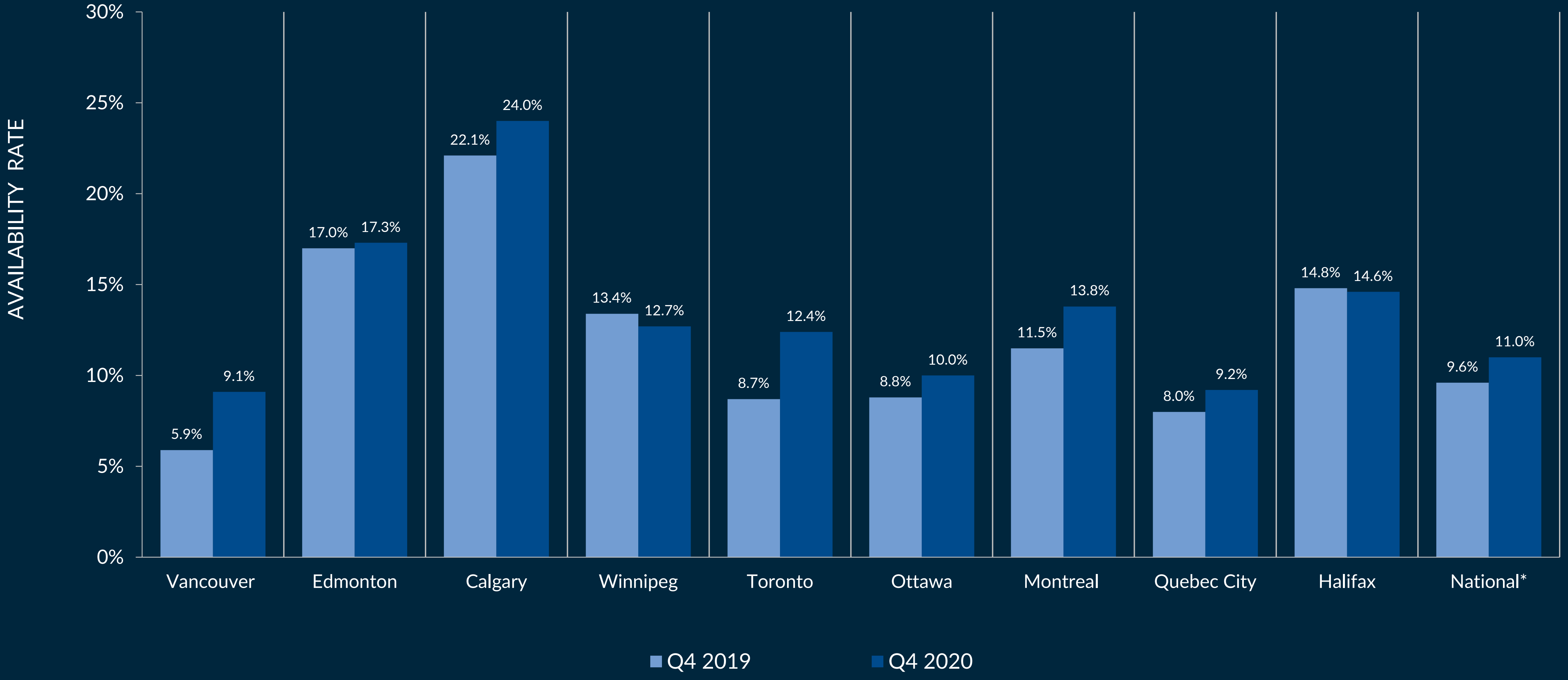
**57%** of respondents
expect office tenants to
**downsize**
as a result of increase in WFH




**62%**
expect average
downsize to be
**less than 20%**

Source: Altus Group's Key Assumptions Survey (November 2020)

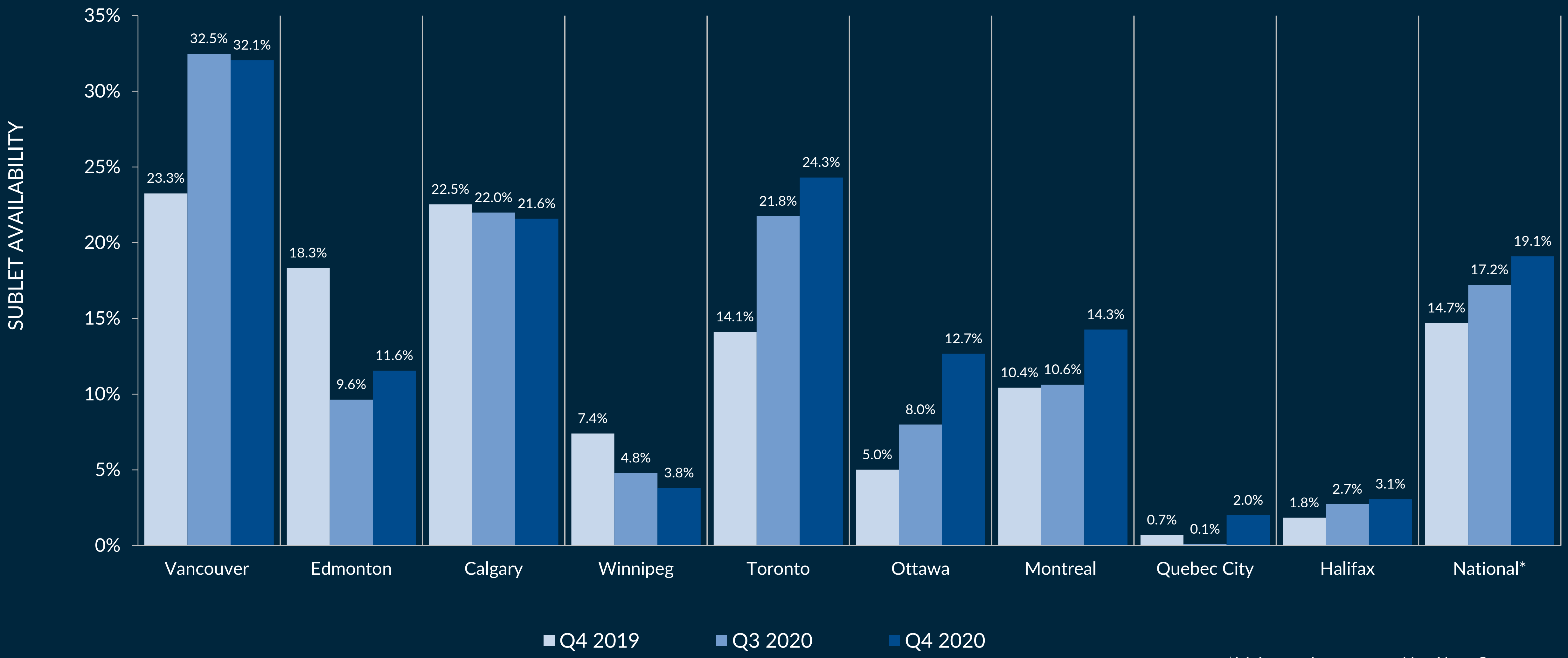
# Office availability rate increasing, and likely to continue




Source: Altus Group

*Major markets covered by Altus Group

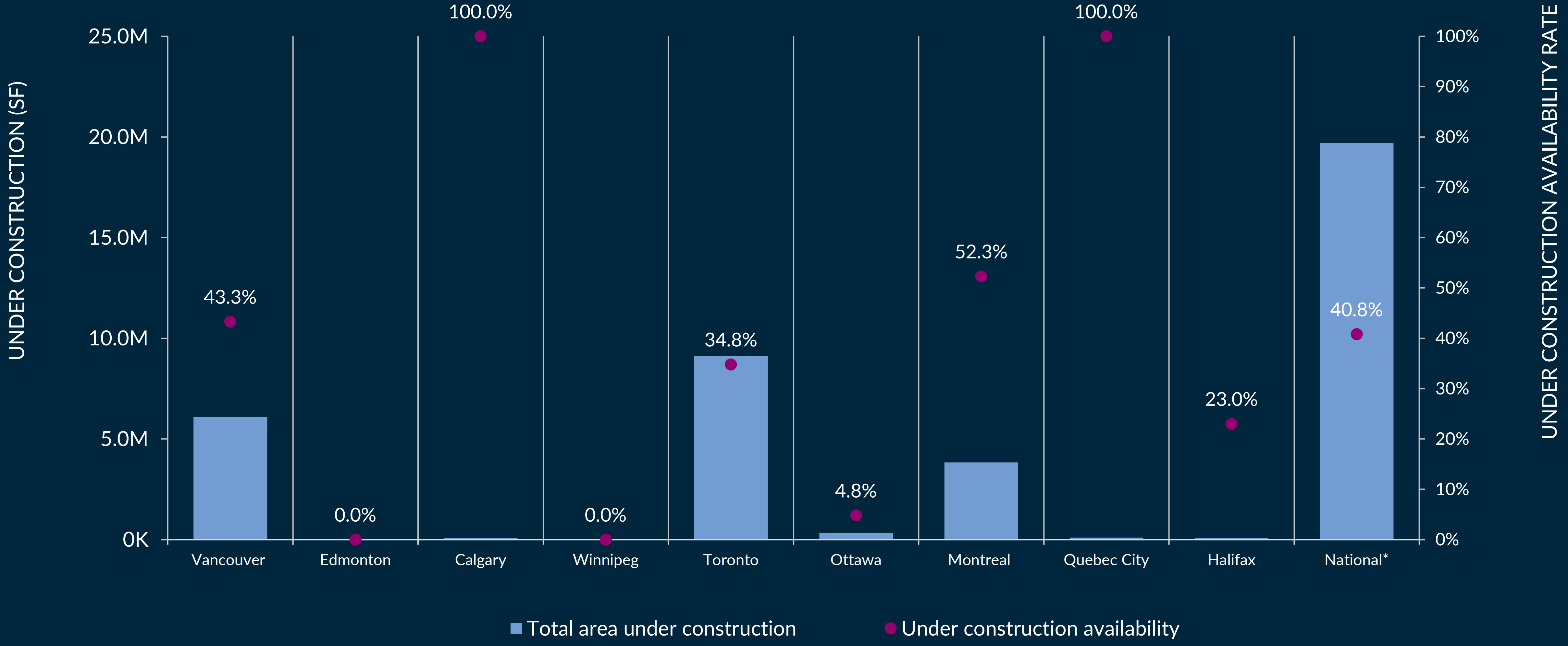
# Office sublet availability as a % of available space: expected to continue to increase




*Major markets covered by Altus Group

Source: Altus Group

# Office under construction & availability (Q4 2020), pre-leasing holds

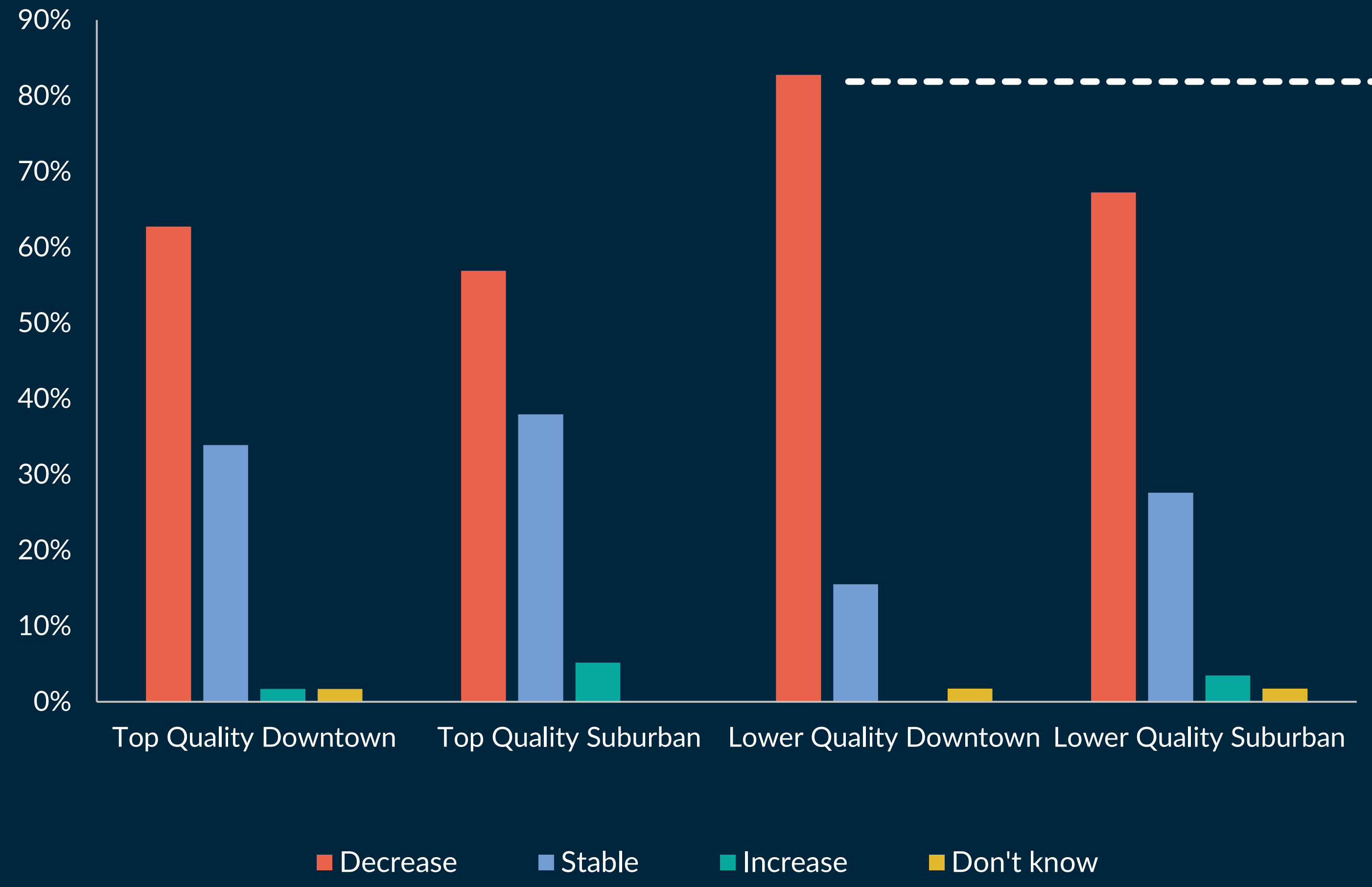



Source: Altus Group

*Major markets covered by Altus Group

# Office market rents expected to fall; tenant inducements increase

*What change in market rents (face rates) are you forecasting for the 2021 fiscal year?*



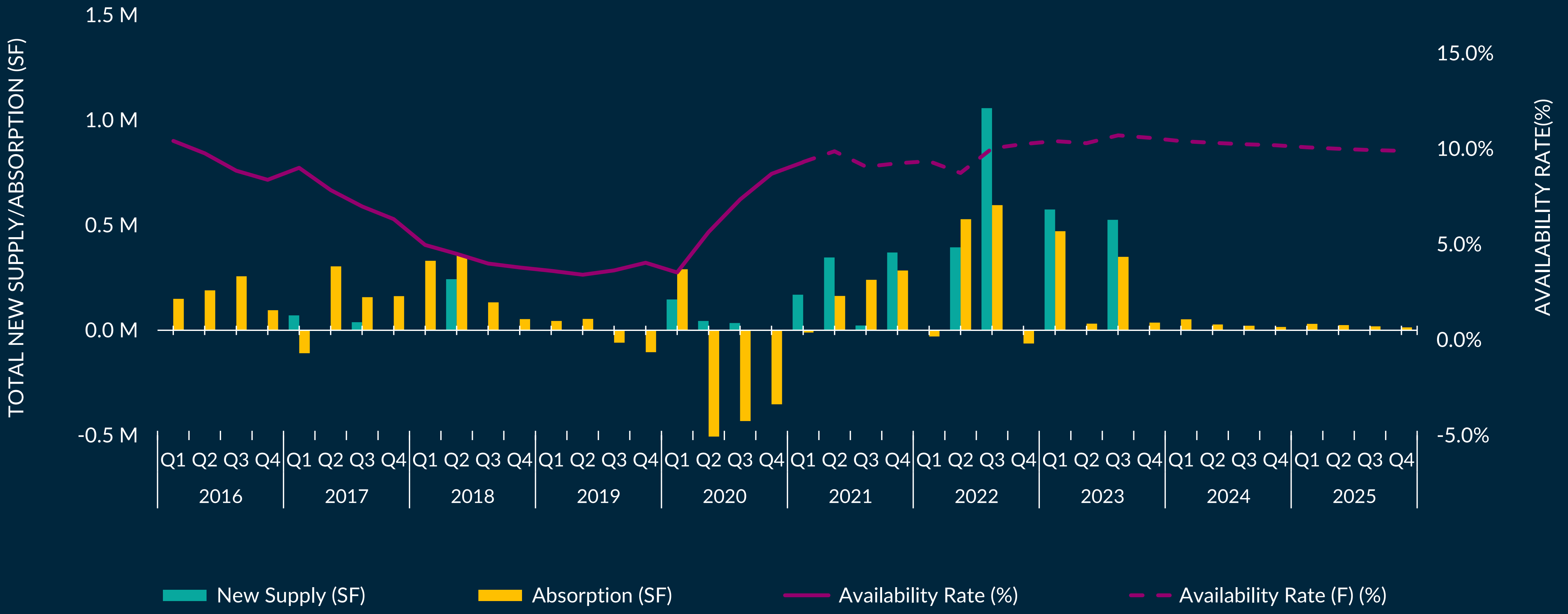

**83%** of respondents expect **lower quality downtown** office buildings to be impacted most by **decrease in rental rates**

A larger share of respondents are expecting rental rates to decrease, compared to previous survey period.

Source: Altus Group's Key Assumptions Survey (November 2020)

# Office availability rate vs. Absorption vs. Total new supply forecast

Downtown Vancouver, 2016 - 2025




Source: Altus Group

# Vancouver office leasing activity

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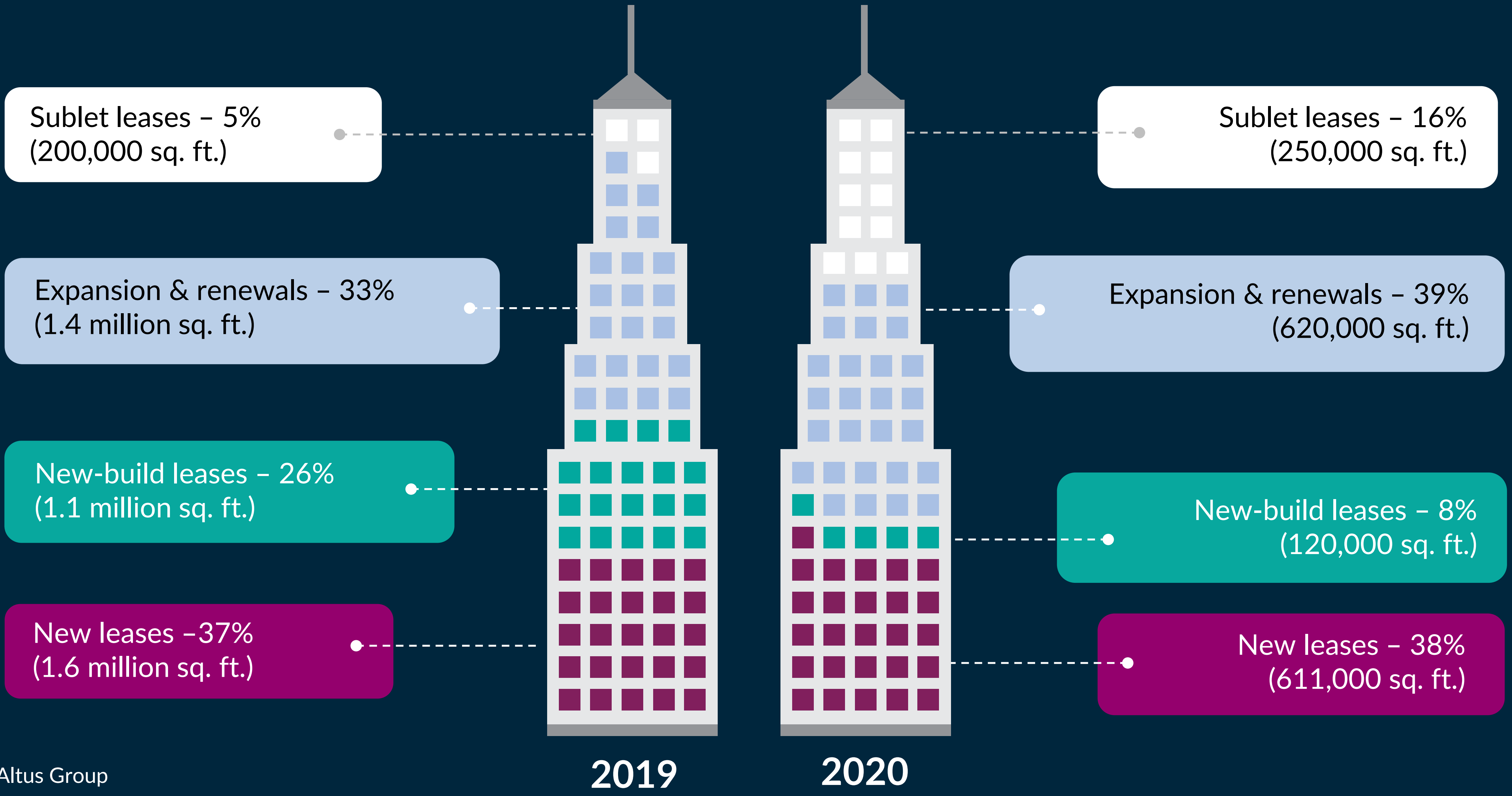
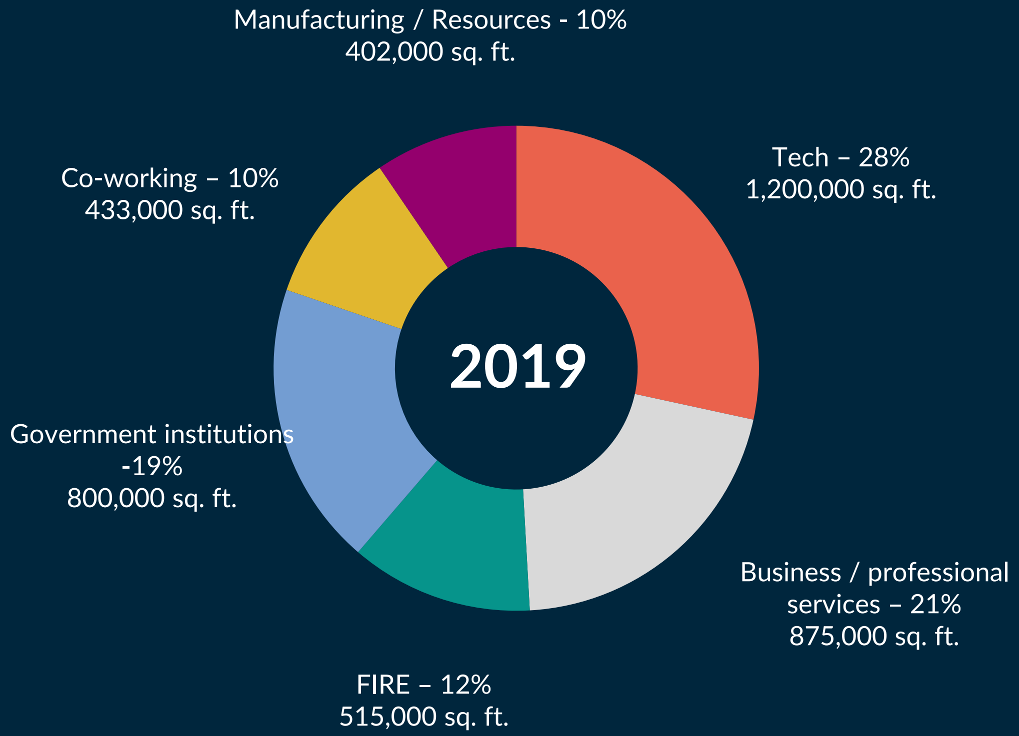
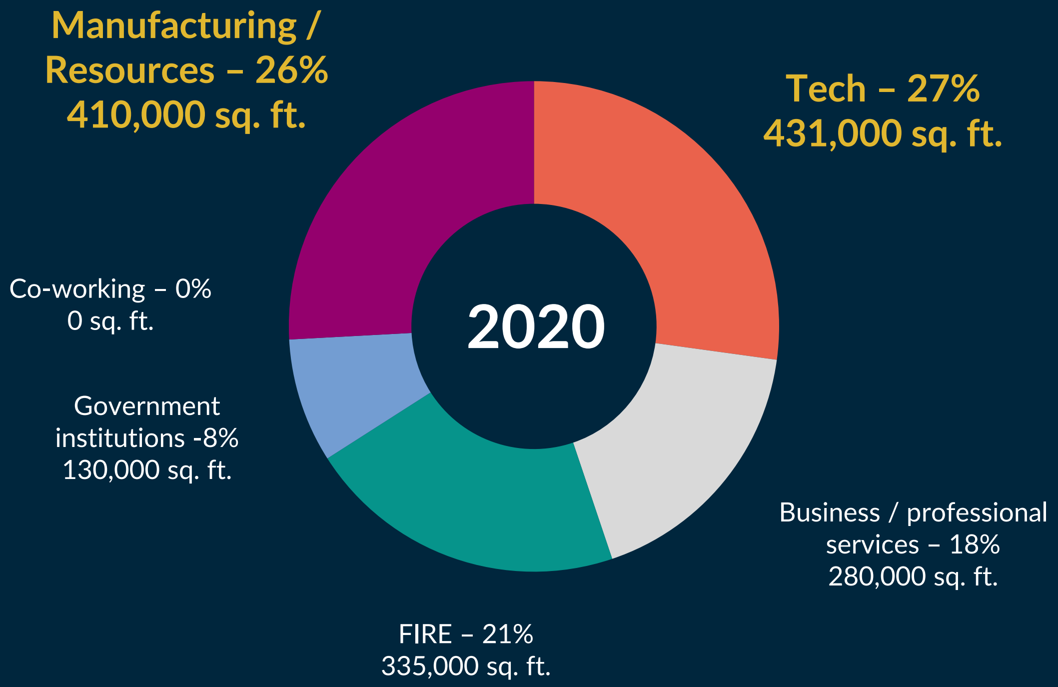



Source: Altus Group

# Vancouver office leasing activity by sector



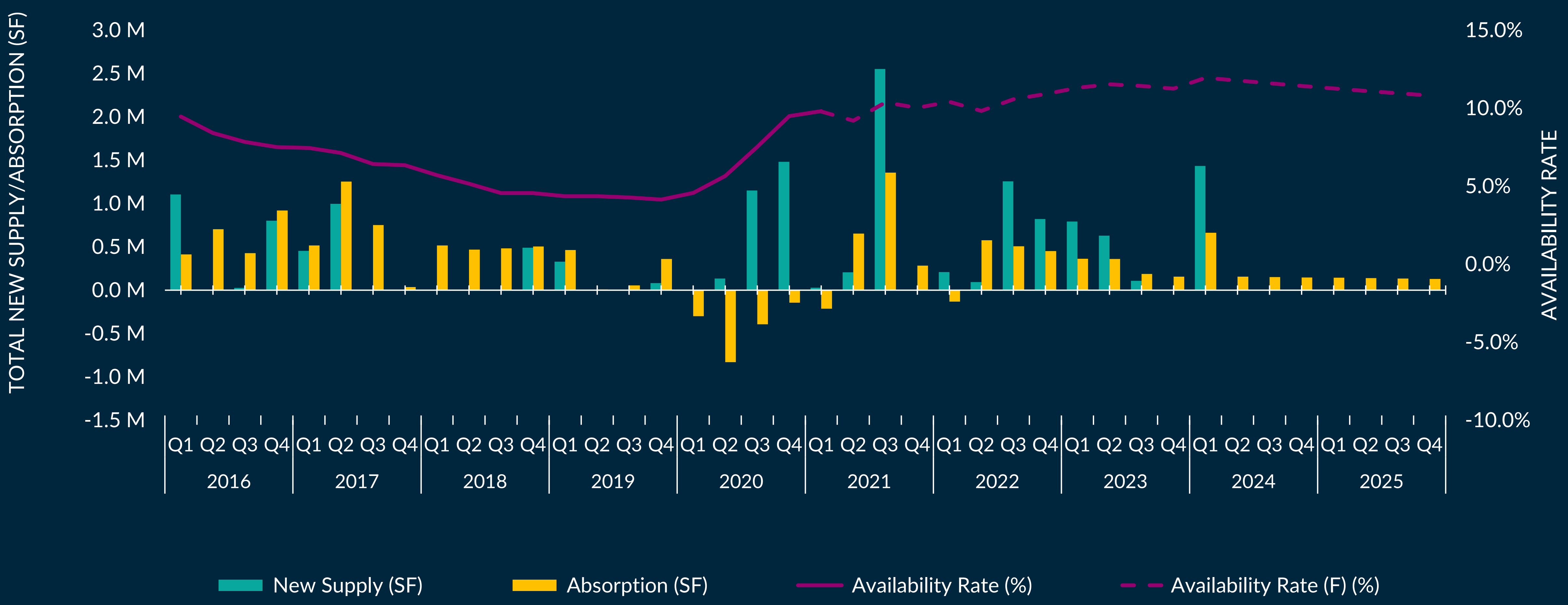




Source: Altus Group

# Office availability rate vs. Absorption vs. Total new supply forecast

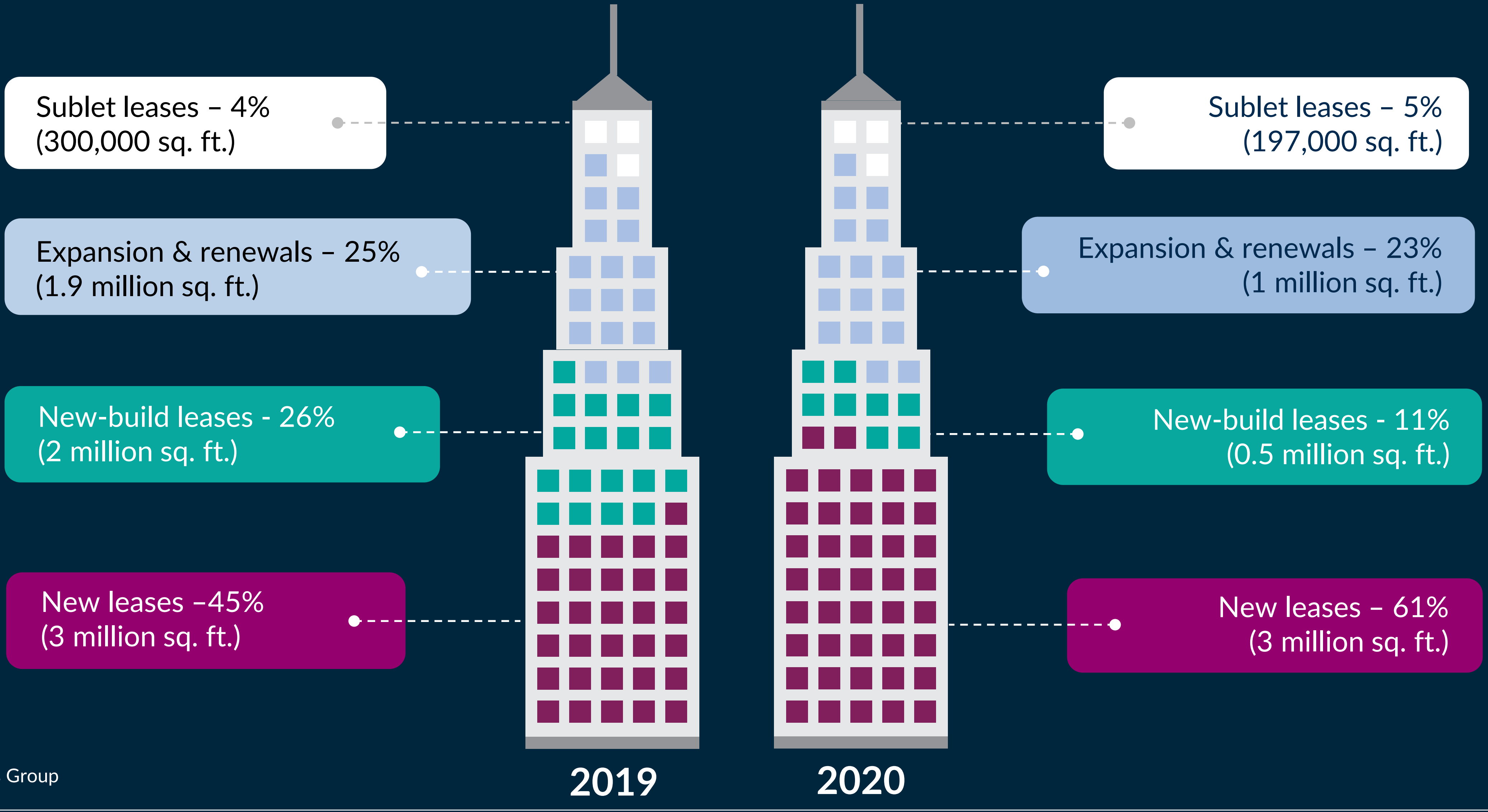
Altus Group

## Downtown Toronto, 2016 - 2025




Source: Altus Group

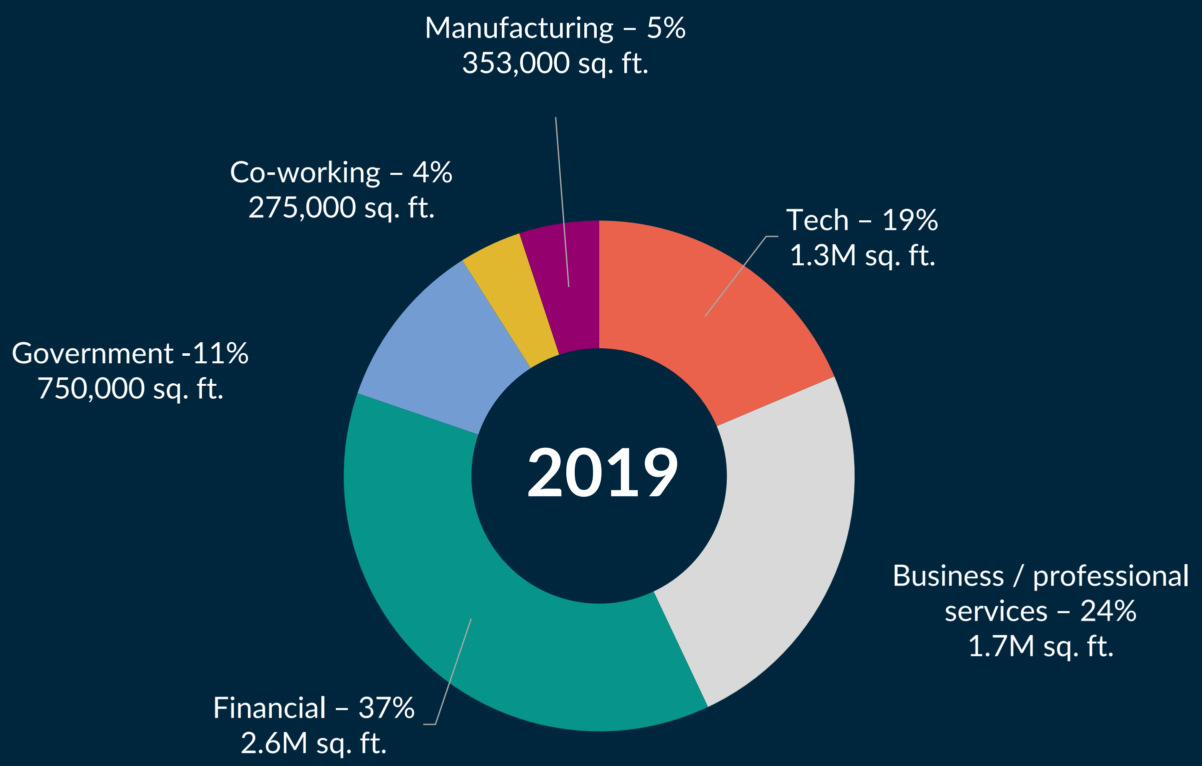
# GTA office leasing activity

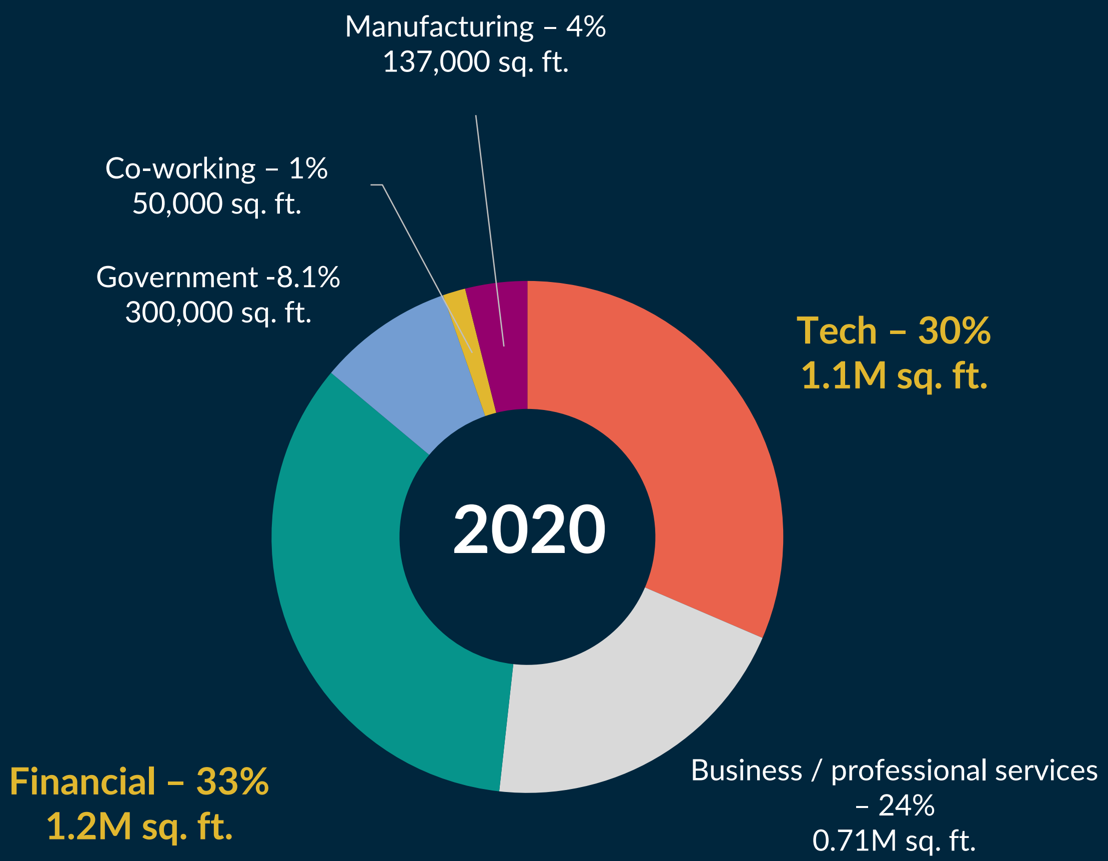



Source: Altus Group

# GTA office leasing activity by sector

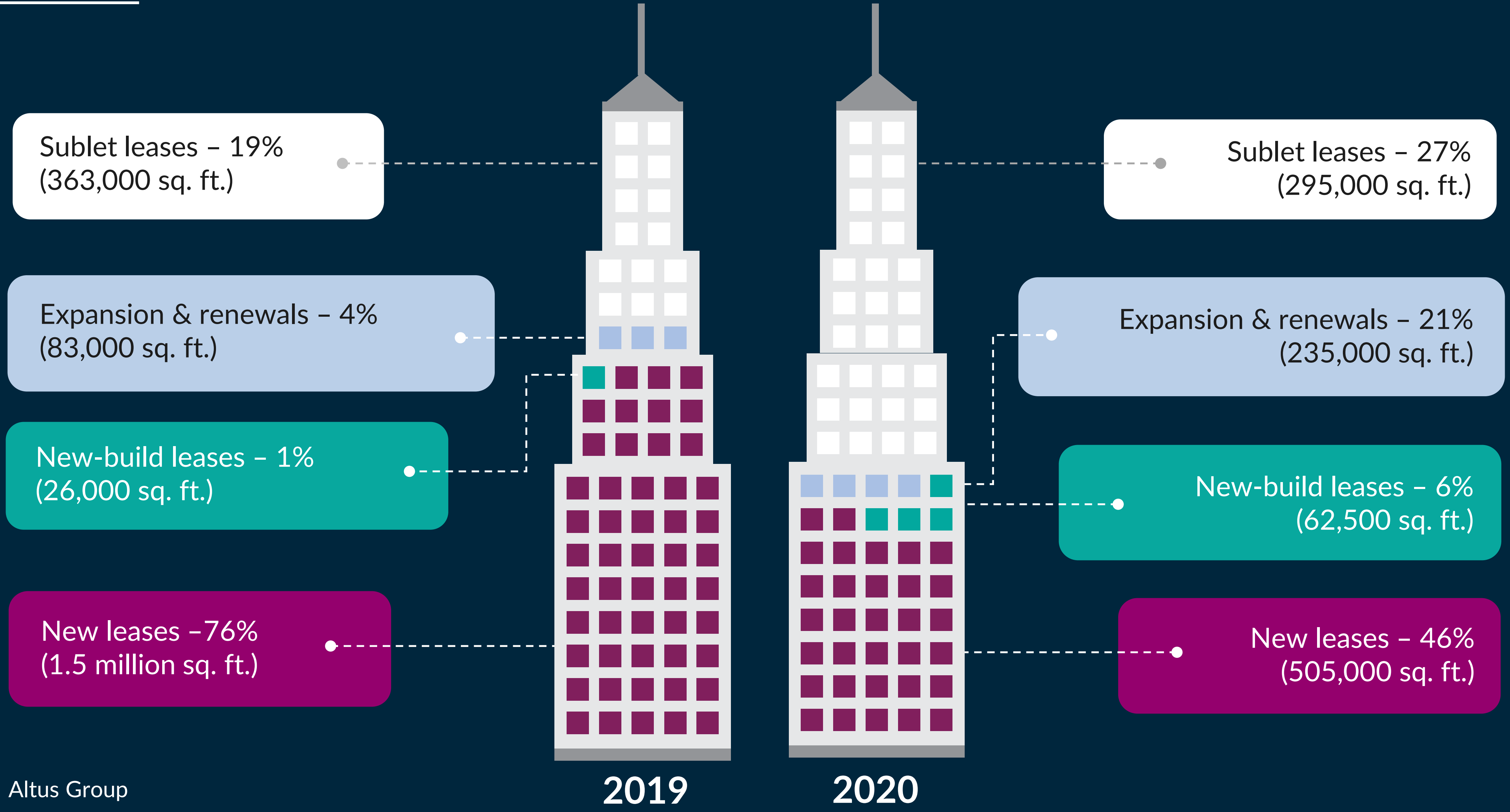
Altus Group




Source: Altus Group

# Calgary office leasing activity




Source: Altus Group

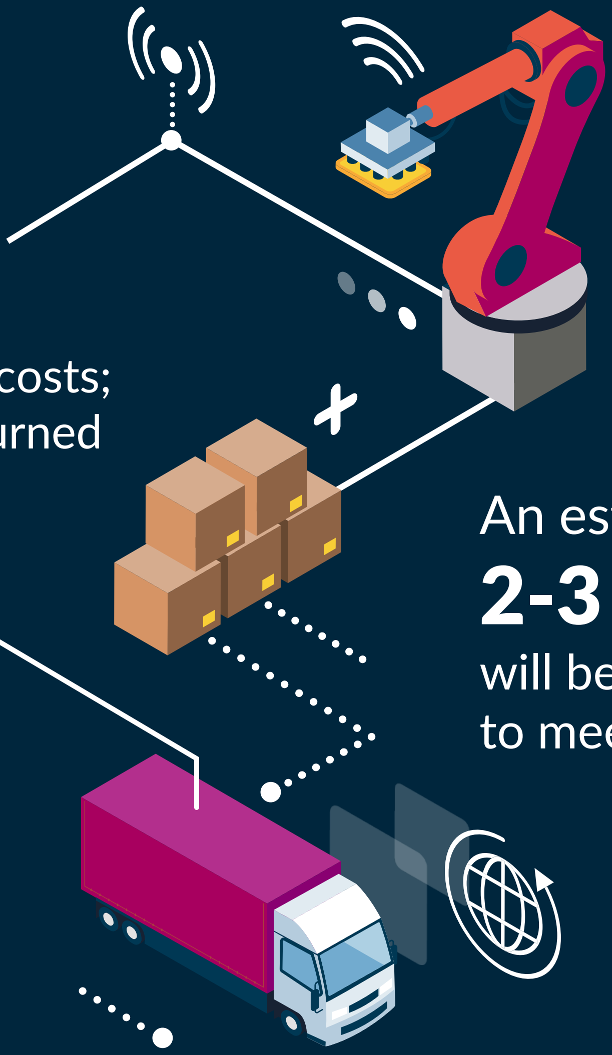
# Retail: constant evolution

# E-commerce sales rapidly accelerating in Canada


Source: eMarketer-Canada Ecommerce 2020: Digital Retail Propelled by COVID-19 Quarantines-June 2020 and Altus Group

*Projected

# Reverse logistics impact

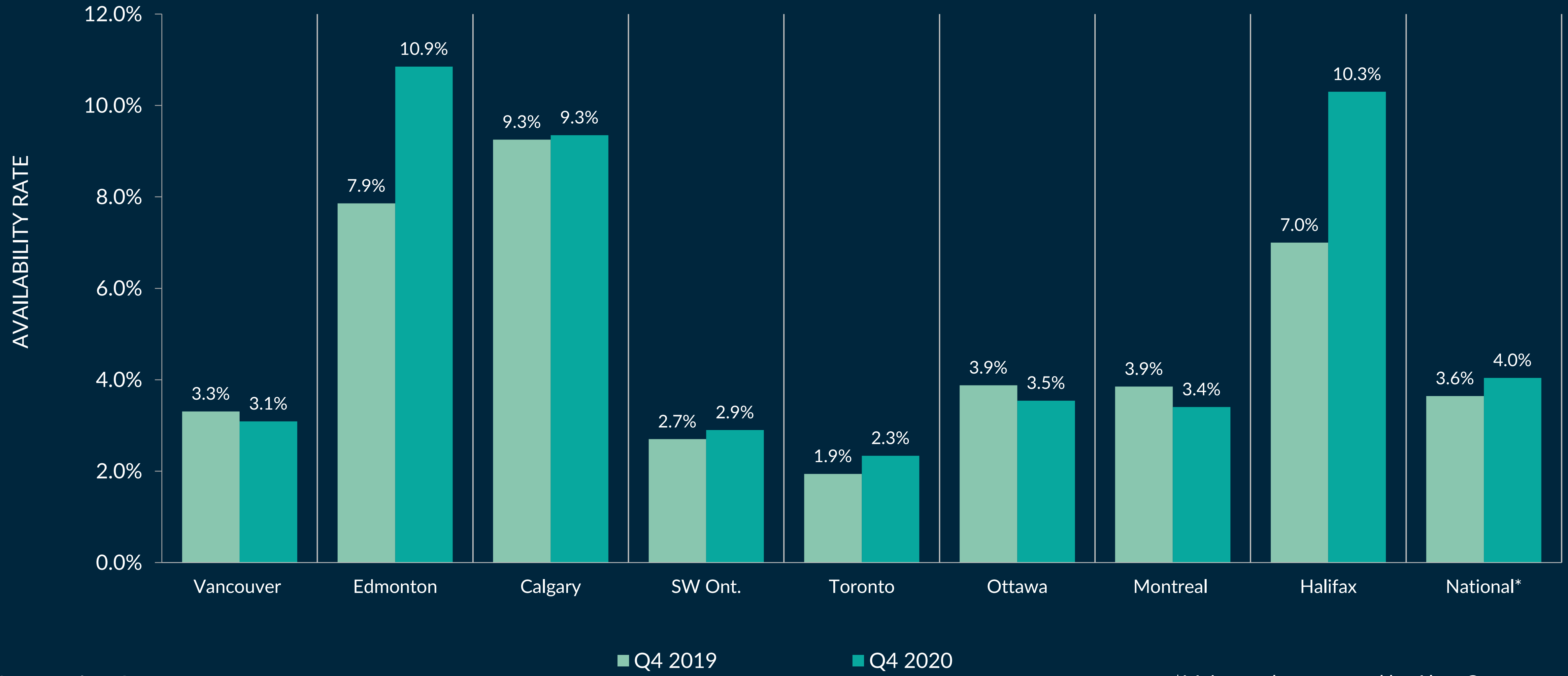


**At least 20%**
of goods purchased online are returned

**Adding 2-3%**
to warehouse operating costs; and **triple** that when returned from retail locations

An estimated
**2-3 million sq. ft.**
will be needed every year in order to meet additional demand

# Industrial availability Q4 2019 vs. Q4 2020




Source: Altus Group

*Major markets covered by Altus Group

# Industrial under construction & availability (Q4 2020)

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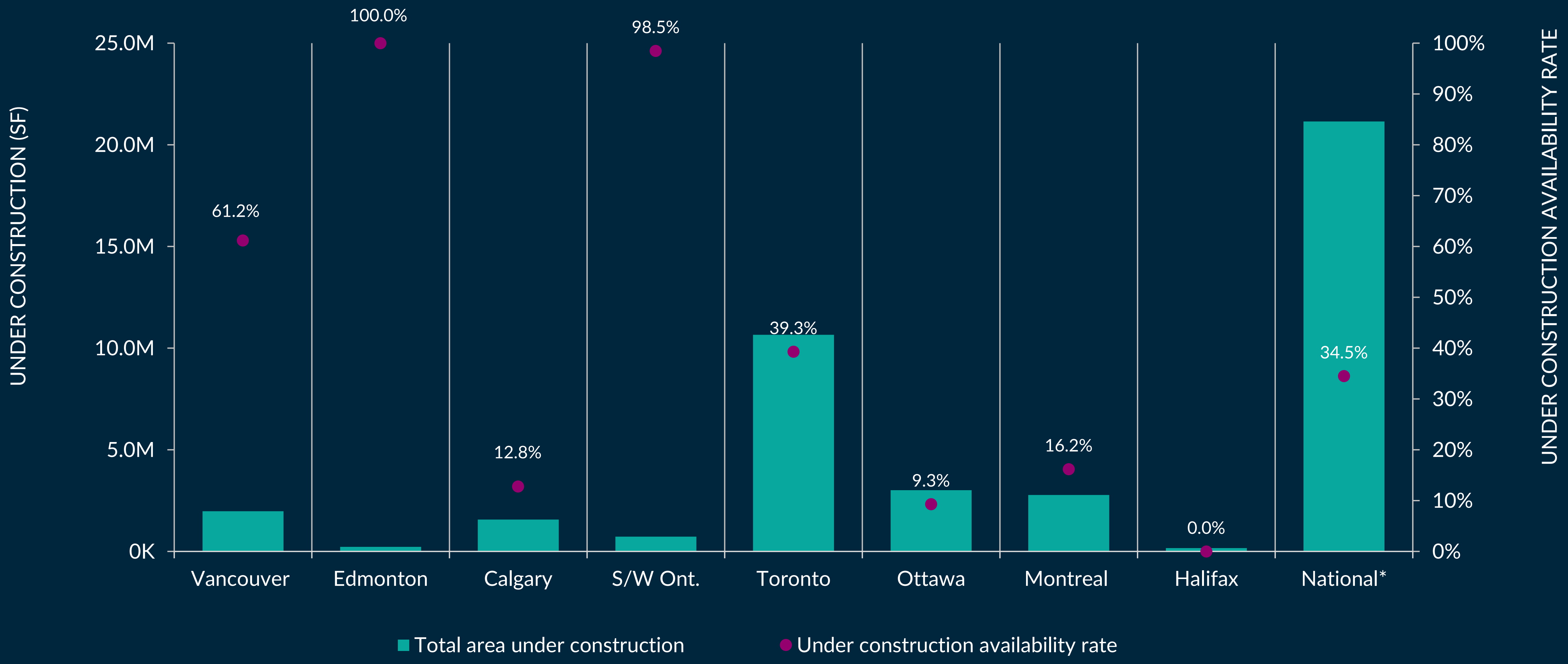


Source: Altus Group

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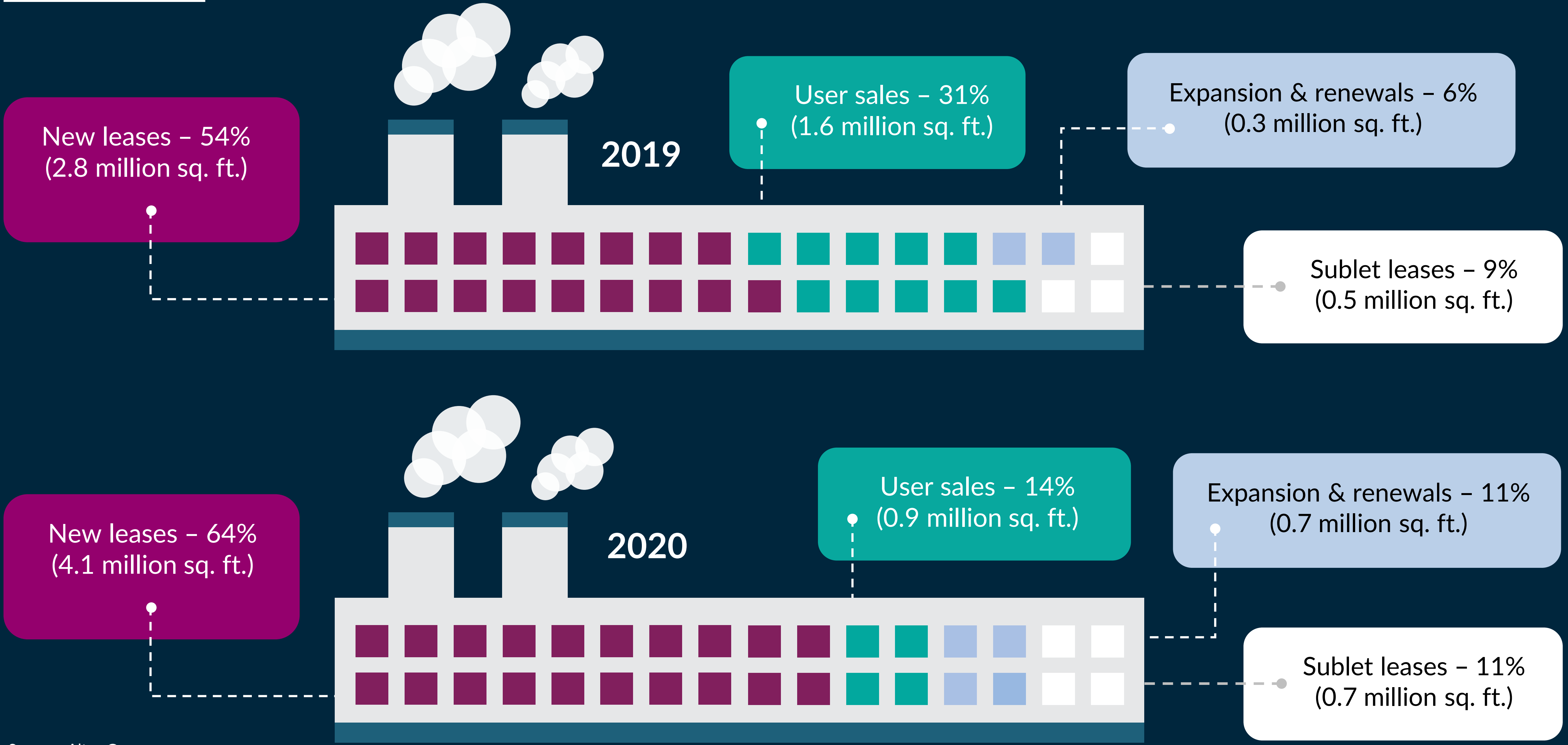
# GVA industrial sales and leasing activity




Source: Altus Group

# Industrial availability rate vs. Absorption vs. Total new supply forecast

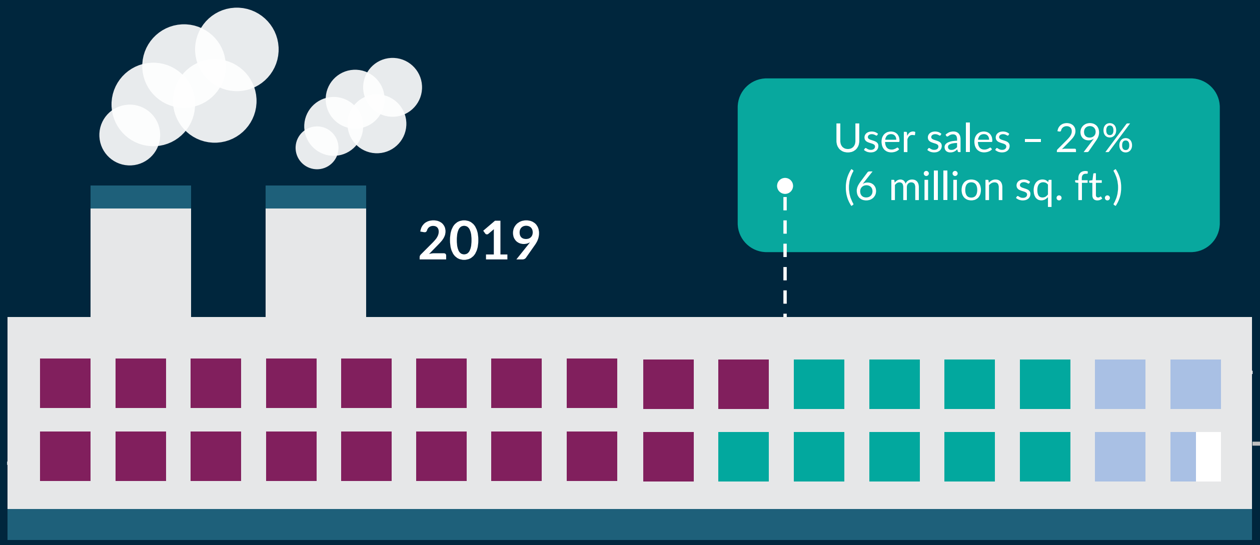
Altus Group

## Vancouver market area, 2016-2025


Source: Altus Group

# GTA industrial sales and leasing activity

New leases – 59%
(11.9 million sq. ft.)

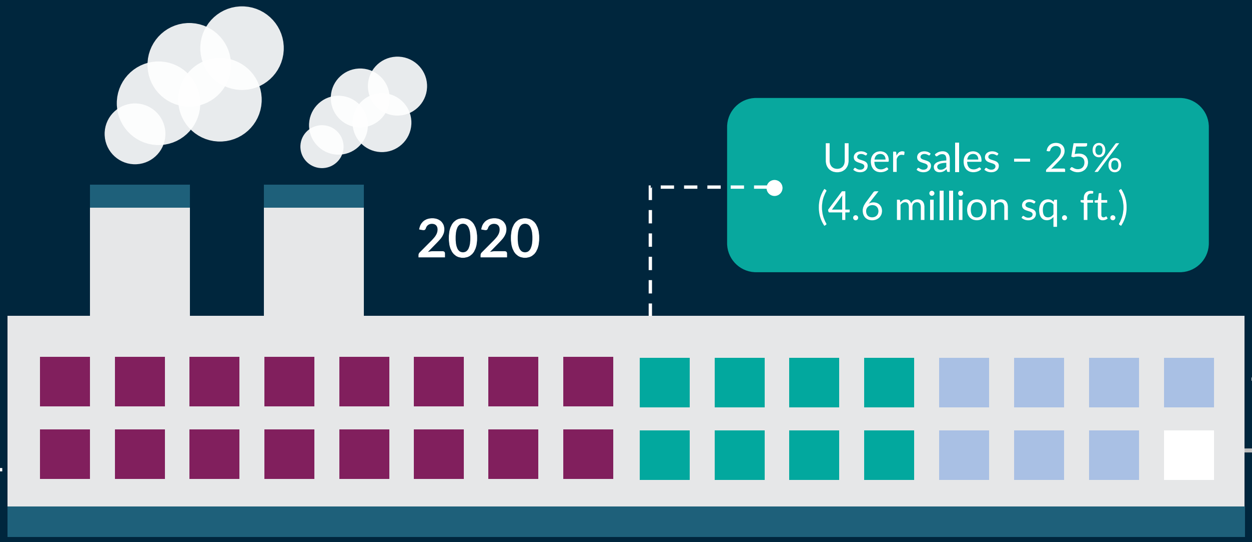



User sales – 29%
(6 million sq. ft.)

Expansion & renewals – 11%
(2.2 million sq. ft.)

Sublet leases – 1%
(142,000 sq. ft.)

New leases – 51%
(9.4 million sq. ft.)




User sales – 25%
(4.6 million sq. ft.)

Expansion & renewals – 22%
(4.1 million sq. ft.)

Sublet leases – 2%
(420,000 sq. ft.)

Source: Altus Group

# Industrial availability rate vs. Absorption vs. Total new supply forecast

Greater Toronto Area, 2016-2025


Source: Altus Group

# Summary – from adapting to adoption

ESG will continue to impact investment strategies and shape portfolios.

Office needs to evolve to address balance between the needs of the employers and their employees to foster collaboration and reinforce company culture. The office needs to be the connection point!

E-commerce will continue to impact future demand in retail, industrial and how we use space.

# RESIDENTIAL MARKET UPDATE

*Matthew Boukall, Vice President, Product Management*
*Data Solutions, Altus Group*

# Housing policy and housing market performance

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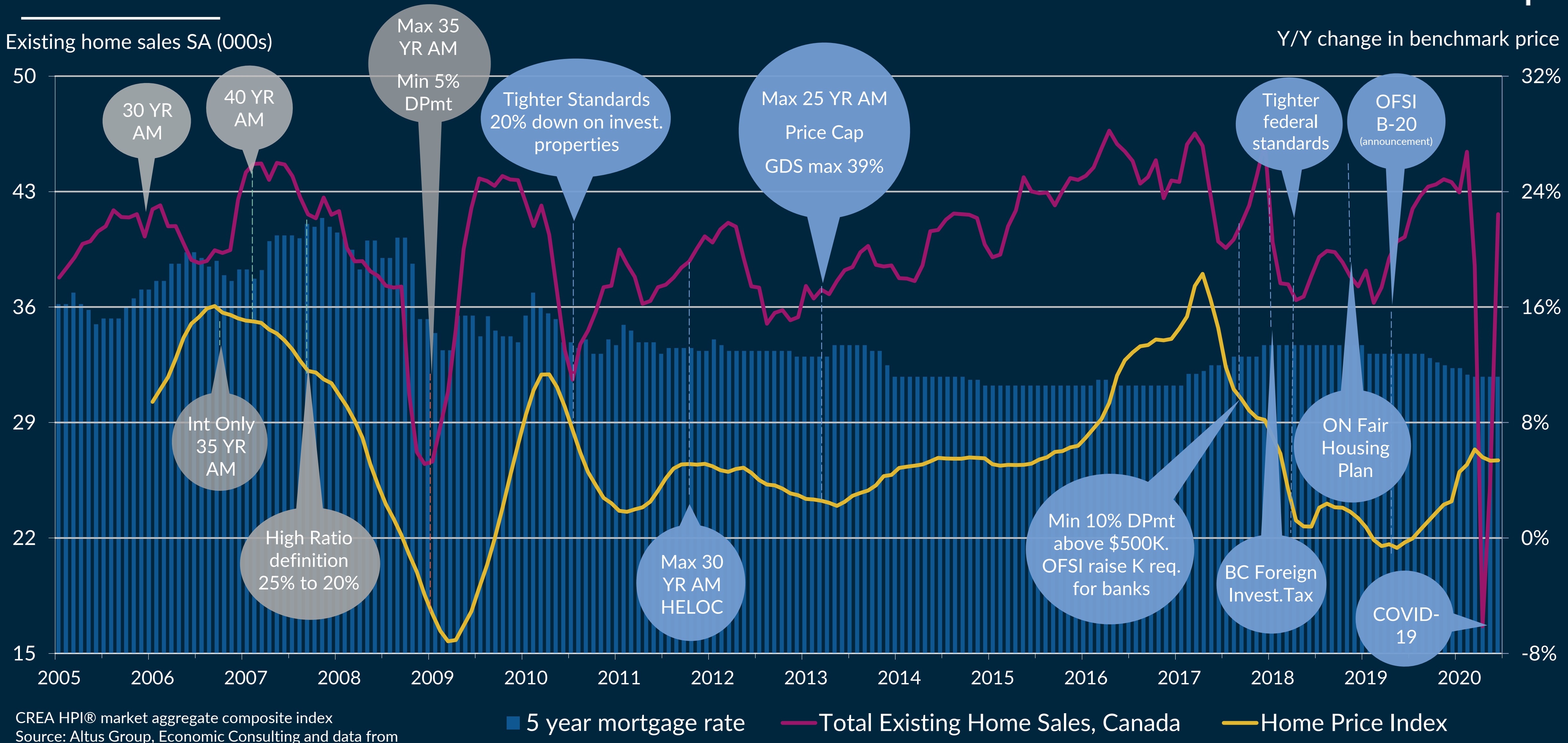
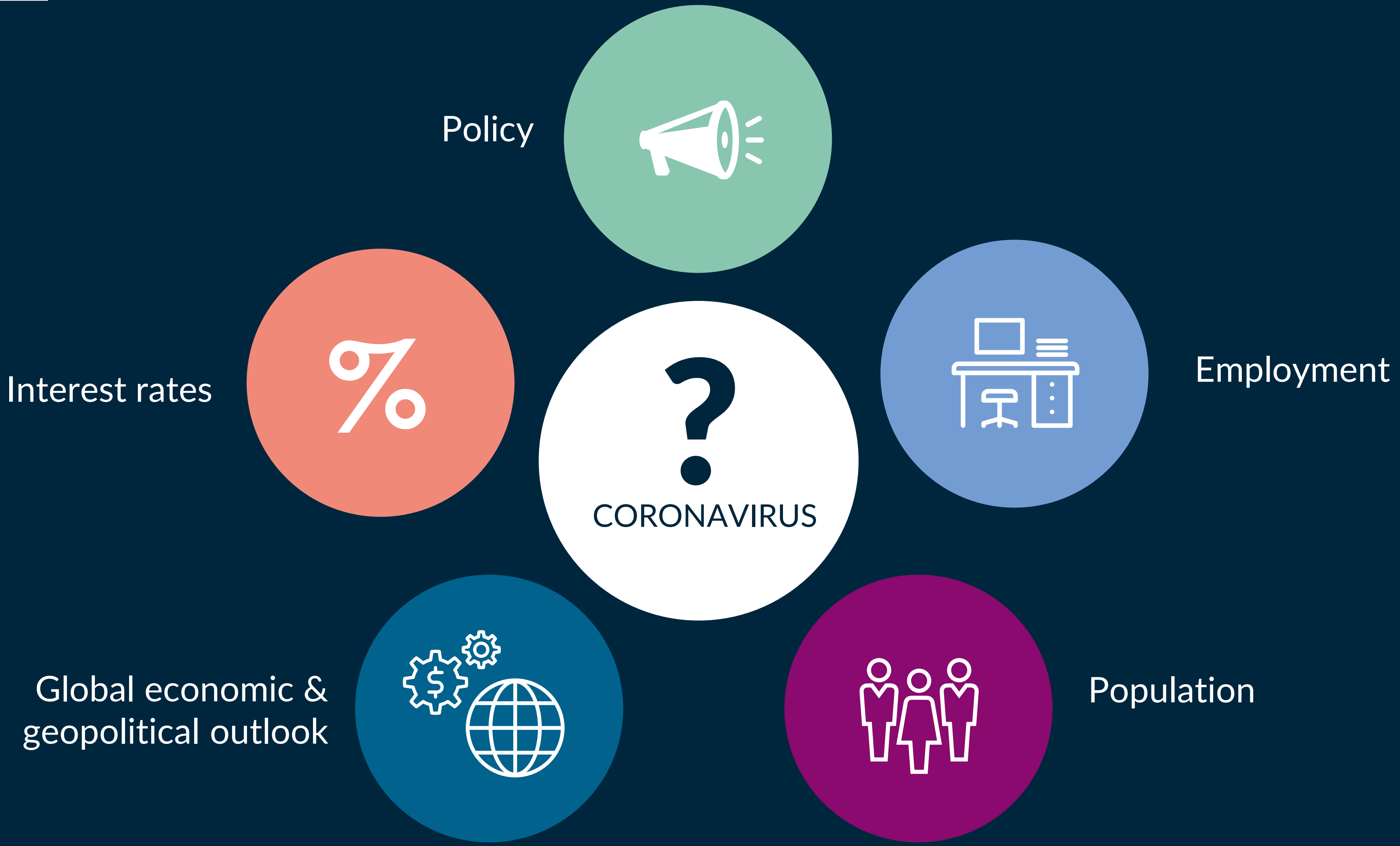



CREA HPI® market aggregate composite index
Source: Altus Group, Economic Consulting and data from The Canadian Real Estate Association

# Factors we anticipated to impact the 2020 market…



# …factors that *actually* impacted the 2020 market

Interest rates

Vaccines provide hope

CORONAVIRUS

Accelerating change and innovation

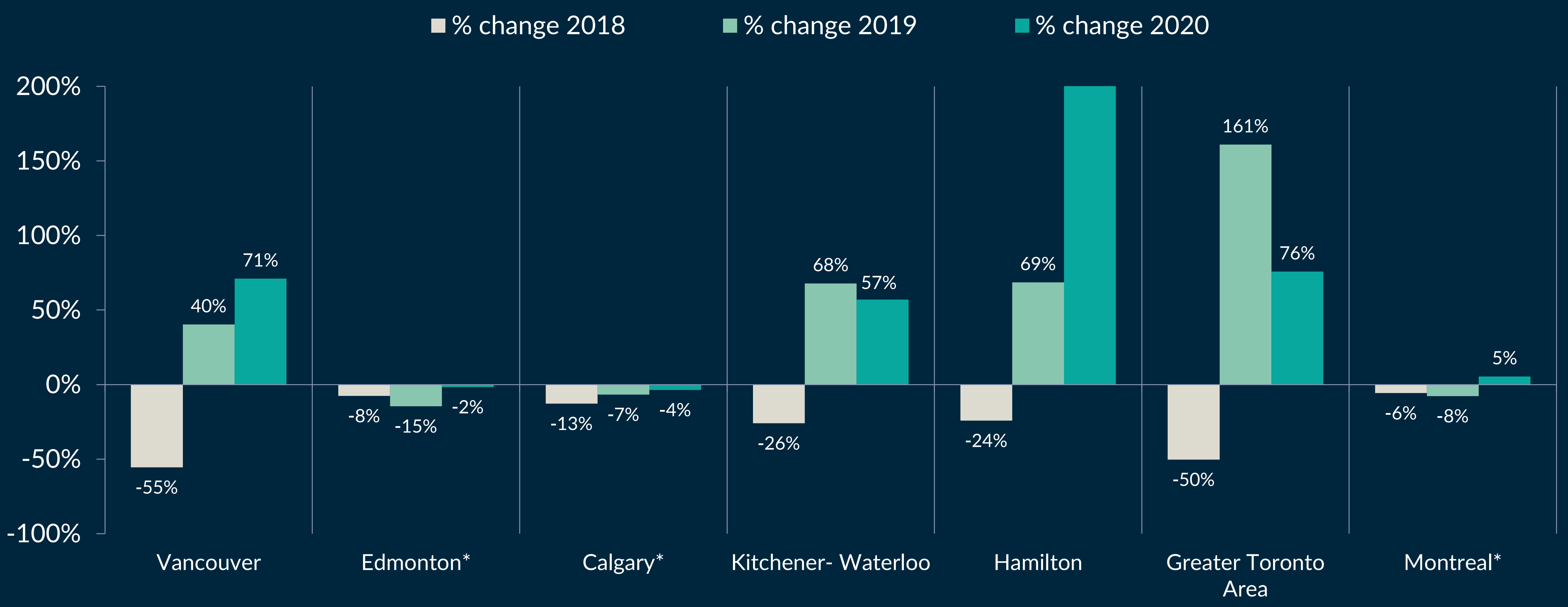
Economic uncertainty

Unemployment

Work-from-home disrupting status quo

# Single-family housing demand up in 2020

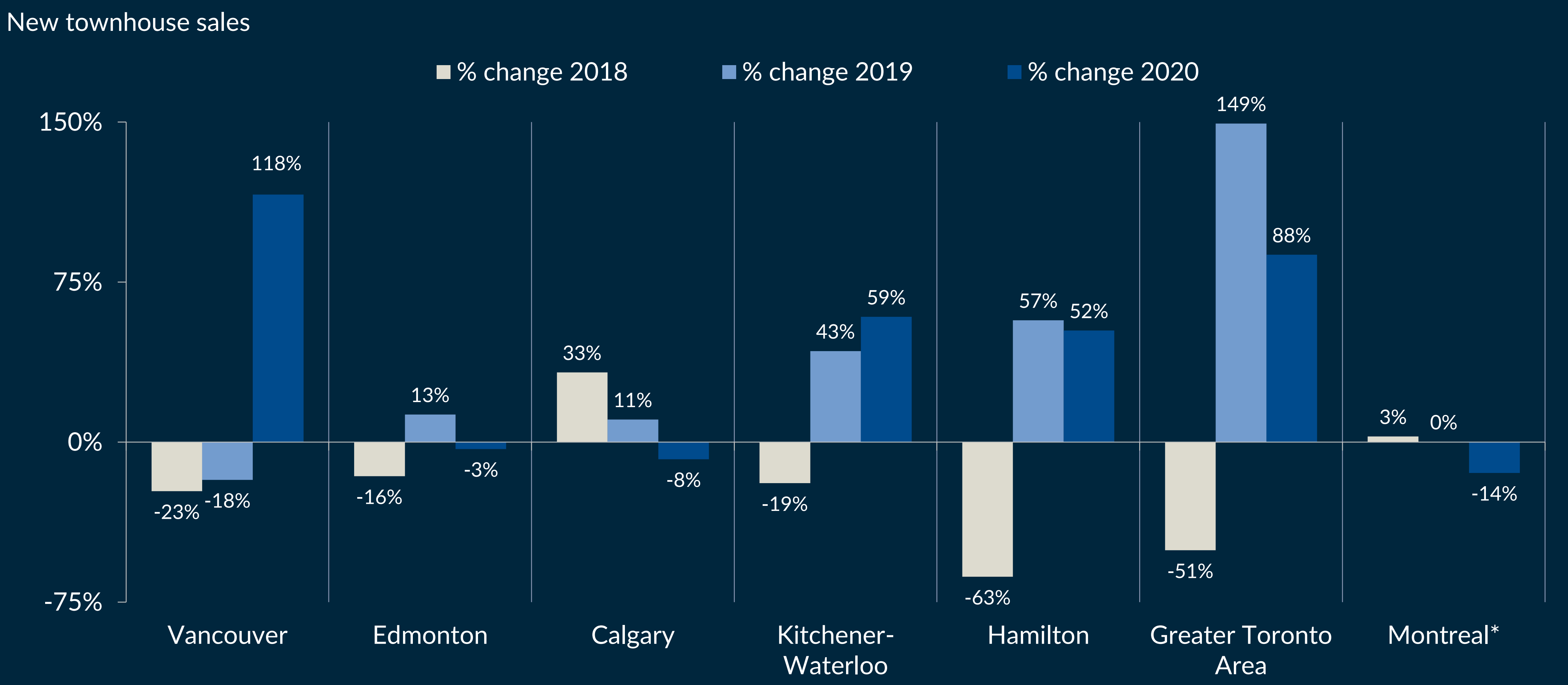
New single-detached & semi-detached home sales




Source: Altus Group and CMHC

* Approximated by housing starts

# Affordability and supply keep townhouse demand strong

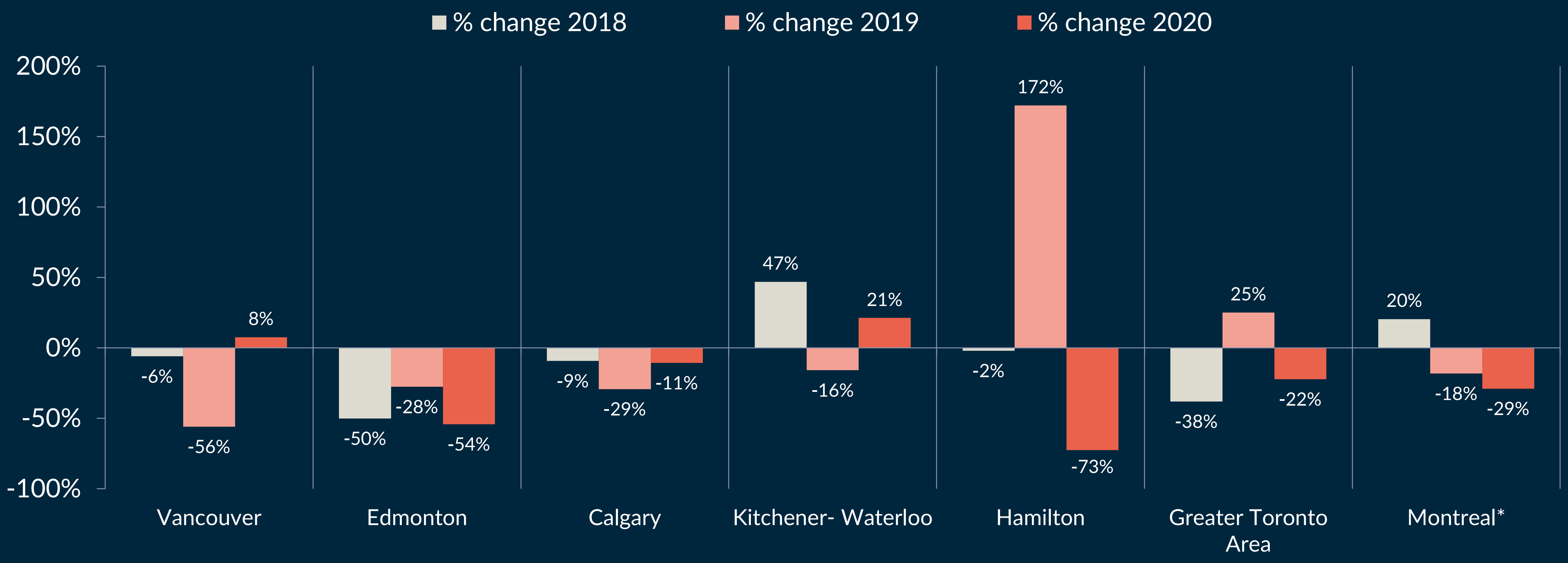



Source: Altus Group and CMHC

* Approximated by housing starts

# Condominium apartment sales down, impacted by inventory and weaker downtown demand

New condominium apartment sales

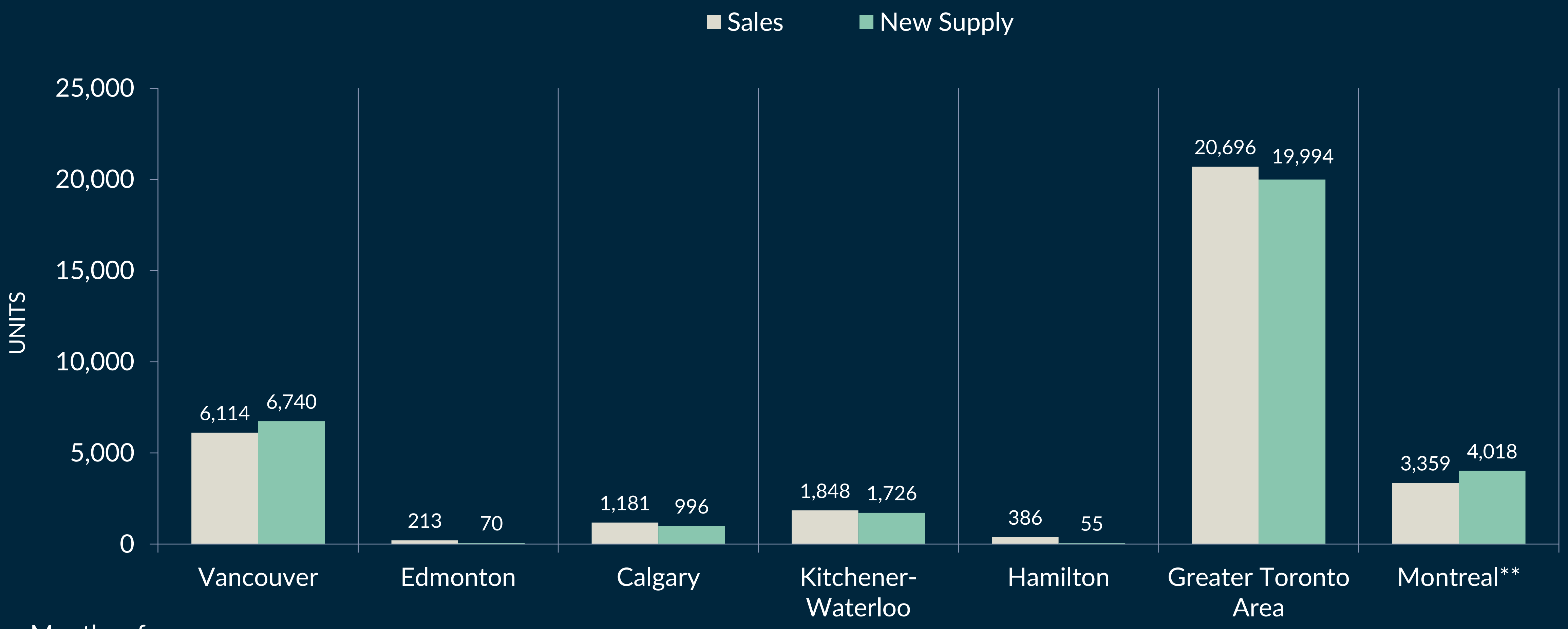



| | Vancouver | Edmonton | Calgary | Kitchener- Waterloo | Hamilton | Greater Toronto Area | Montreal* |
|---|---|---|---|---|---|---|---|
| Total sales | 6,114 | 213 | 1,181 | 1,848 | 386 | 20,696 | 3,359 |

Source: Altus Group

* YTD Q3 2020

# Inventory levels generally declined as project launches impacted by COVID-19

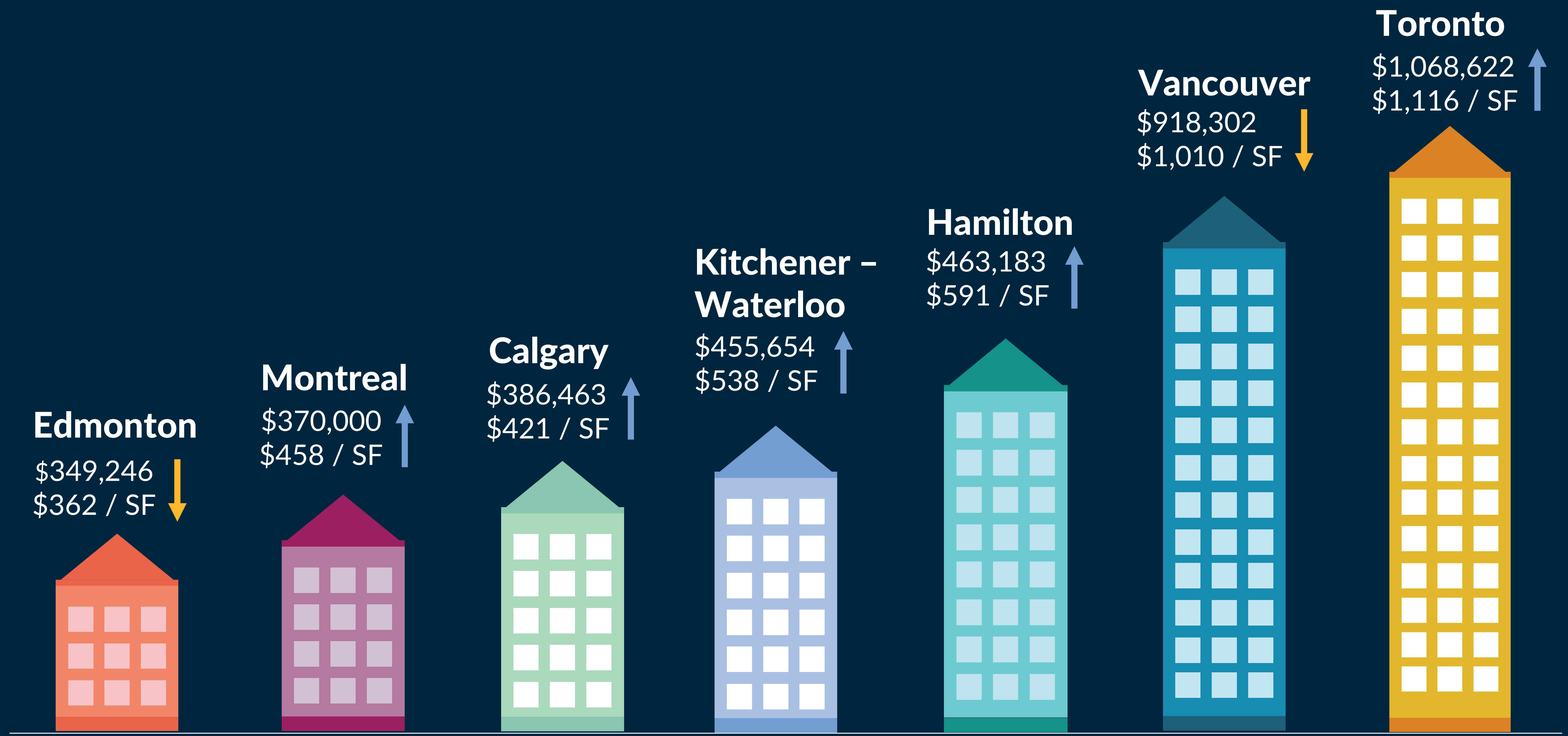



| | Vancouver | Edmonton | Calgary | Kitchener-Waterloo | Hamilton | Greater Toronto Area | Montreal** |
|---|---|---|---|---|---|---|---|
| Months of Inventory, End of Year* | 13.6 ↓ | 46.5 ↓ | 19.4 ↓ | 2.5 ↓ | 21.1 ↓ | 6.2 ↑ | 9.0 ↑ |

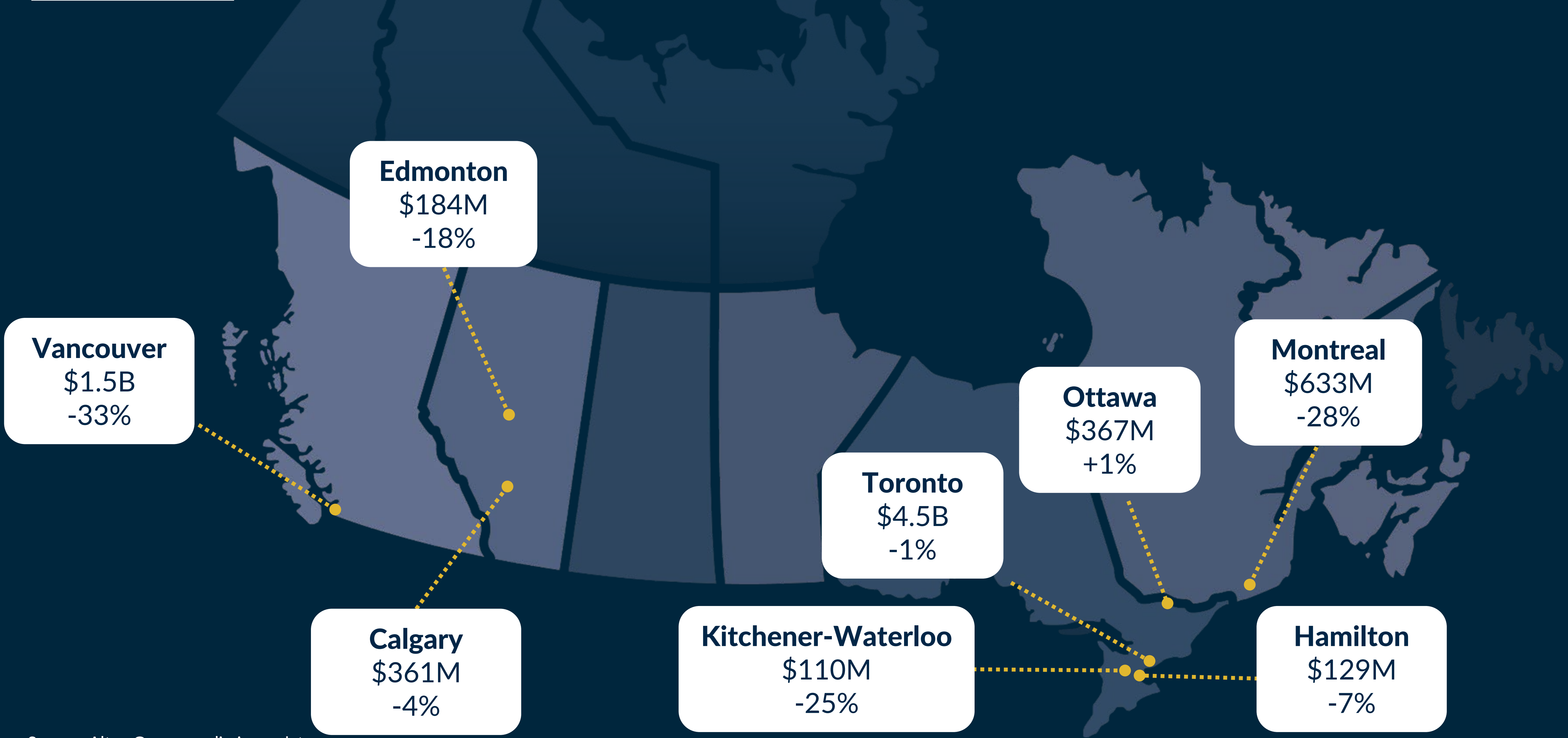
Source: Altus Group

* At average monthly pace of sales in the previous 12 months
** YTD Q3 2020

# Average new condo prices in GTA surpass Vancouver



# Land sales volumes down across the country




Source: Altus Group, preliminary data

# Project successes – big wins in 2020

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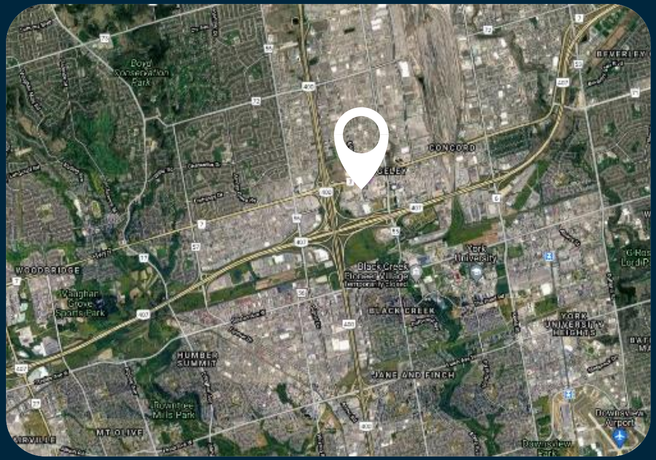



## Festival – Menkes | High rise apartment

Vaughan, Ontario

Approx. $1,050 / sq. ft.

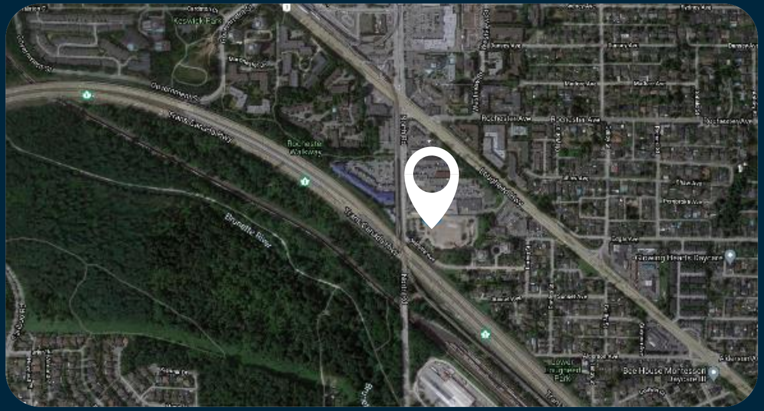
Two towers launched in September; both sold out in December – top selling project in Canada with over 1,300 units sold

## SOCO – Anthem | High rise apartment

Coquitlam, BC

Two towers launched in April & September; 75% sold by December with over 370 sales

Approx. $900 - $925 / sq. ft.



# Rents and vacancy rates

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**Average 2 bedroom condo**

**Toronto**
$1,635 ↑ 3.4% ↑

**Ottawa**
$1,517 ↑ 3.9% ↑

**Vancouver**
$1,792 ↗ 2.6% ↑

**Kitchener-Waterloo**
$1,221 ↑ 2.1% →

**Hamilton**
$1,207 ↑ 3.5% →

**Calgary**
$1,323 ↗ 6.6% ↑

**Edmonton**
$1,272 ↗ 7.2% ↑

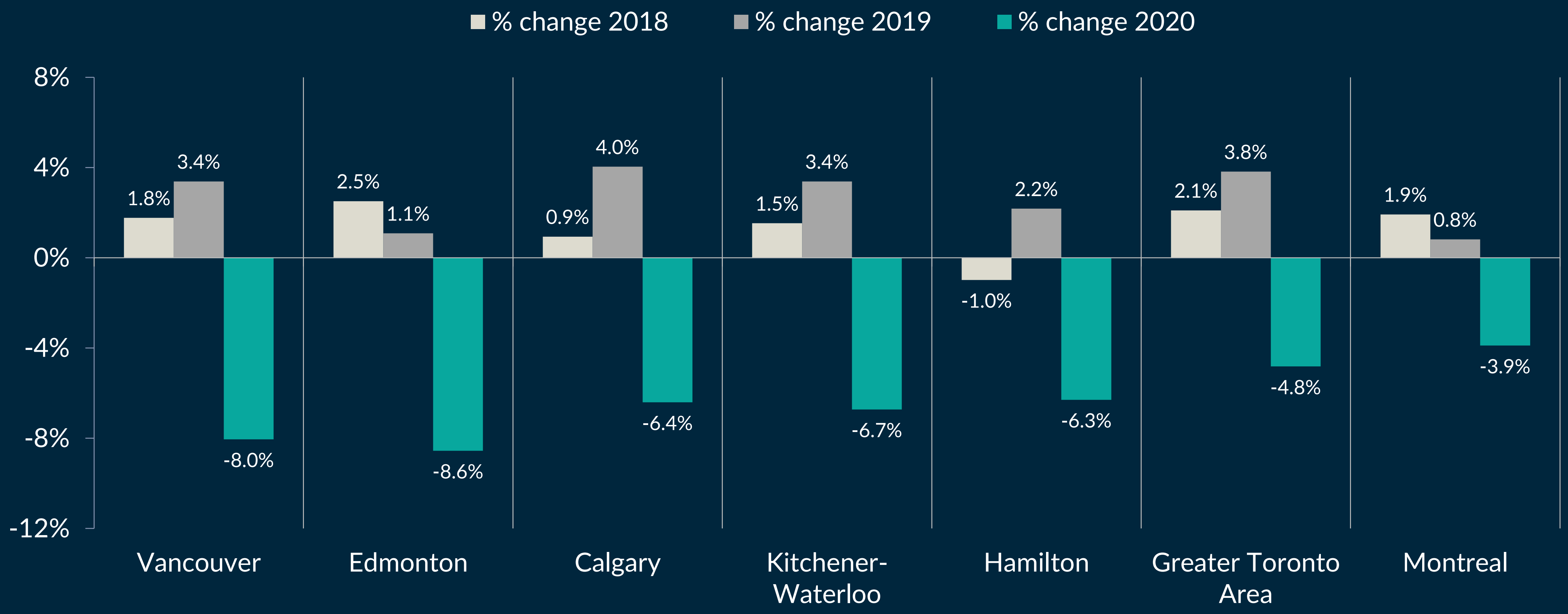
**Montreal**
$903 ↑ 2.7% ↑

Source: CMHC

# COVID-19 impacted employment levels; losses more significant in service sector

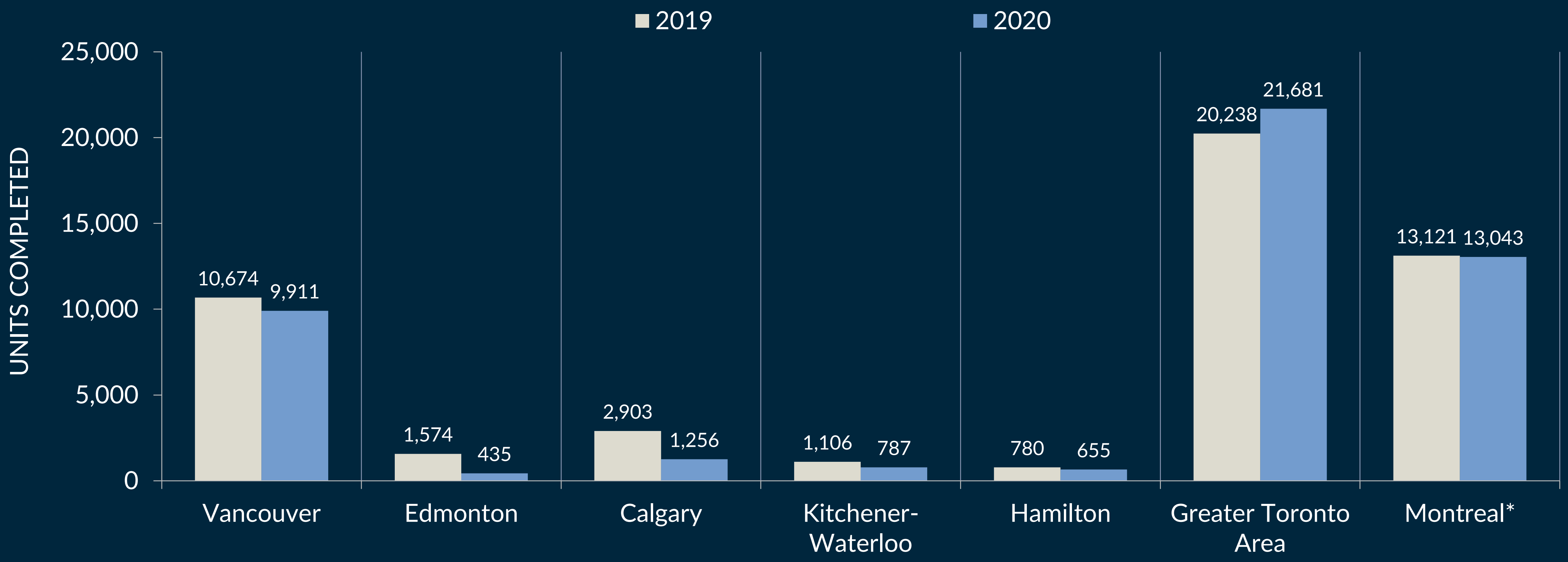
Altus Group

## Total employment




Source: Altus Group based on StatCan data

# Completions up in GTA, down in the Prairies and Vancouver

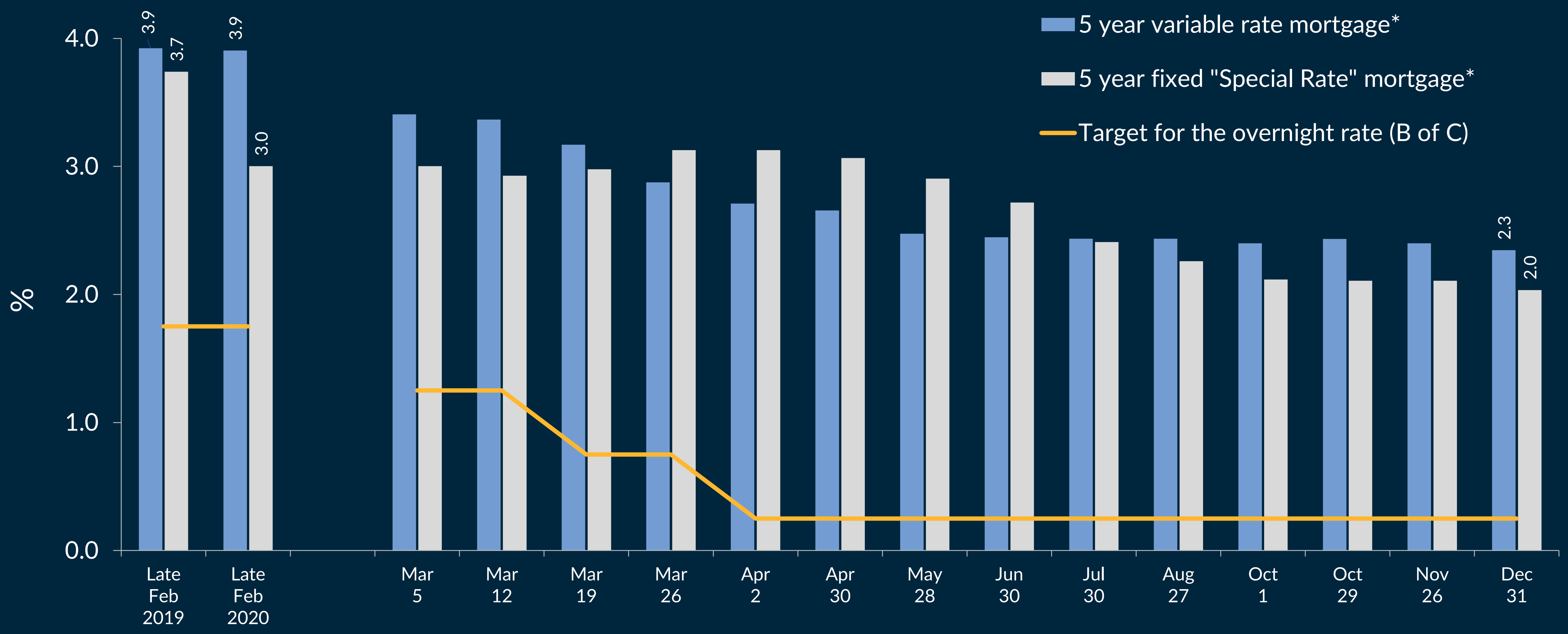



| | Vancouver | Edmonton | Calgary | Kitchener-Waterloo | Hamilton | Greater Toronto Area | Montreal* |
|---|---|---|---|---|---|---|---|
| Total units under construction | 31,319 | 521 | 1,425 | 3,760 | 1,644 | 82,175 | 13,043 |

Source: Altus Group

* 2020 Q3

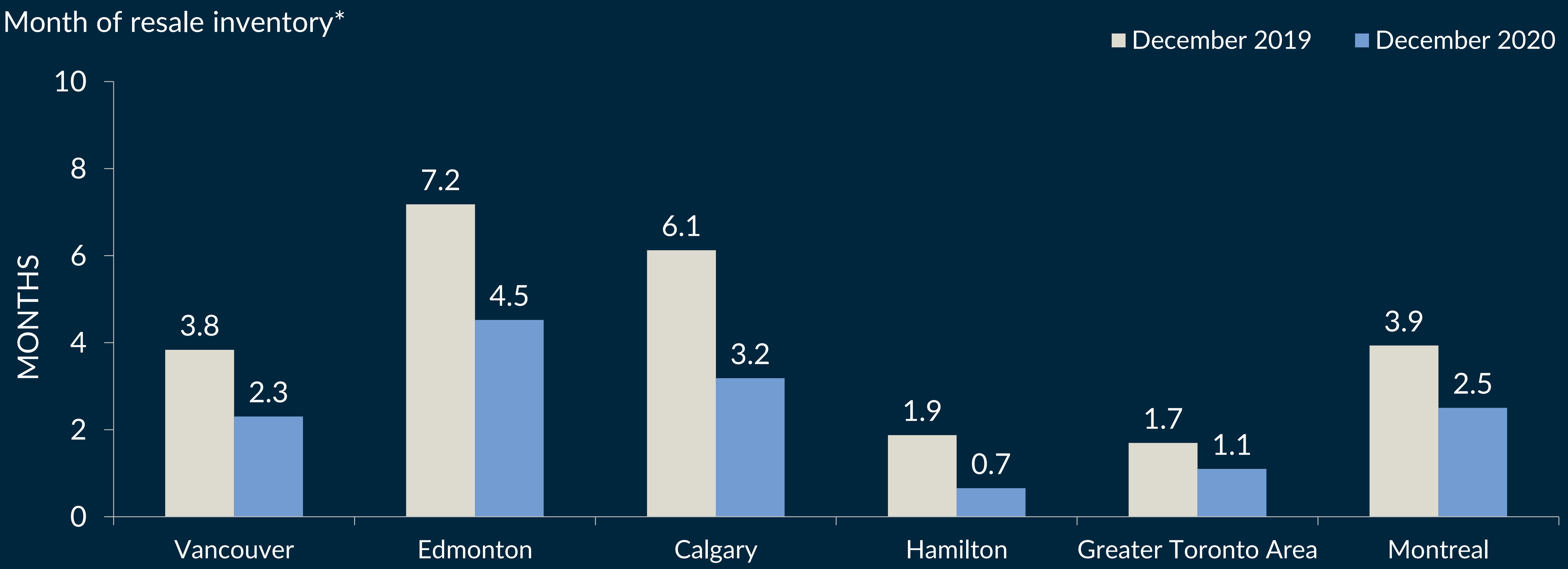
# Mortgage rates declined, but discounted rates dropped further




Source: Altus Group based on data from StatCan, Bank of Canada and major bank web sites

** Average for the major banks*

# Resale supply declining across the country as sales increased – single-family inventory tight across the country

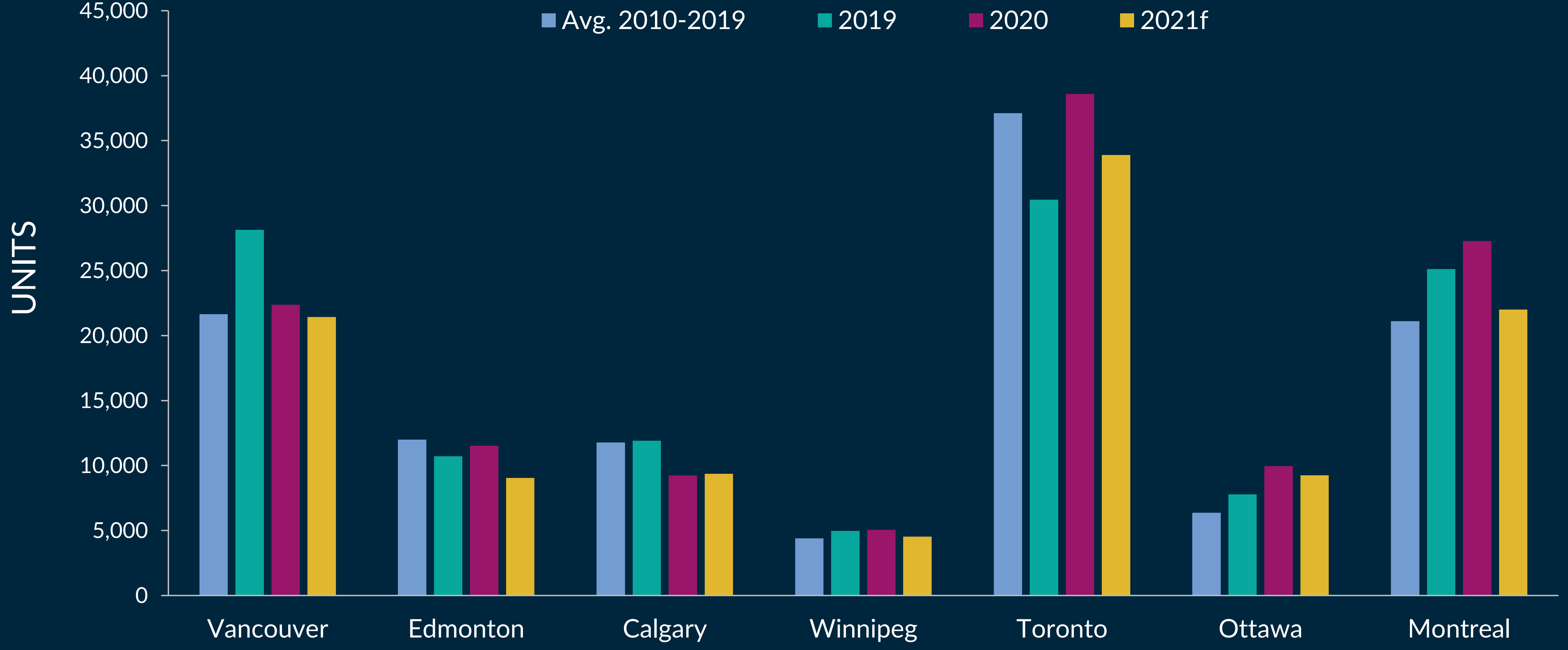



| | Vancouver | Edmonton | Calgary | Hamilton | Greater Toronto Area | Montreal |
|---|---|---|---|---|---|---|
| Single-family | 2.1 | n.a. | 2.2 | n.a. | 0.7 | 1.5 |
| Apartment | 3.0 | n.a. | 6.4 | n.a. | 2.0 | 2.9 |

Source: Altus Group based on data from The Real Estate Board of Greater Vancouver, The Fraser Valley Real Estate Board, The Realtors Association of Edmonton, The Calgary Real Estate Board, the Realtors Association of Hamilton-Burlington, The Toronto Regional Real Estate Board and The Greater Montreal Real Estate Board

* At average monthly pace of sales in the previous 12 months

# Impact on housing starts forecast to continue into 2021




Source: CMHC (Historical) and Altus Group (Forecasts)

# Key takeaways

Market sales volumes remarkable given the challenges - **loss of three months of sales**, in two waves of pandemic

Strong demand speaks to level of **pent-up demand** in the market pre-pandemic

**Older millennials influencing housing demand** for towns and detached; Gen Z has been sidelined by COVID, but will be back

Pre-existing supply & pricing challenges in **Vancouver, GTA & Montreal** will continue into 2021

**Strong single-family demand expected to continue** – but could be impacted by higher prices or interest rates

**Near-term challenges impacting condo apartment** demand should fade as market balance returns and offices reopen

**Strong demand has eroded pent-up demand**, while lower immigration levels will reduce future demand

**The post-COVID housing market will be different**

- Flexible work environment will influence housing decisions
- Increasing savings could fuel demand
- Attention on family (your best friend during a pandemic)
- Economic impacts were uneven

# Vancouver: Cautiously positive outlook for 2021

Altus Group

Positive market momentum going into 2021 – sales up and more new supply

Prices remain + low interest rates = sales upside in 2021

Lower immigration and international students expected to slow investment activity

# Alberta: Stable market in 2021

Energy sector and slow economy will continue to impact new demand generation

Low interest rates and attractive prices = excellent housing affordability

Demand strongest in the suburbs = where jobs are going and families want to be…

# Toronto: A brighter outlook for H2 – but could see a mixed spring market

Headwinds in condo apartment demand from rental market weakness, resale competition, and uncertainty

Single-family supply drying up with prices rising

Consumers' savings during pandemic + low interest rates = stable demand