

# *Emerging Trends in Real Estate 2017*

*A Canadian Perspective*

Alberta  
January 11 & 12

# Emerging Trends in Real Estate 2017

*“**Innovation** is by far our biggest issue. We strive not only to lead – but also to attempt to **remain far ahead** of the competition.”*

- ❑ Emerging Trends is the industry’s “**most predictive forecast**”
- ❑ 38th annual outlook - 10<sup>th</sup> anniversary for Canada outlook
- ❑ Based on over 500 interviews and 1,500 surveys of industry leaders - **115 and 246 in Canada respectively**
- ❑ Sponsored jointly by PwC and the Urban Land Institute



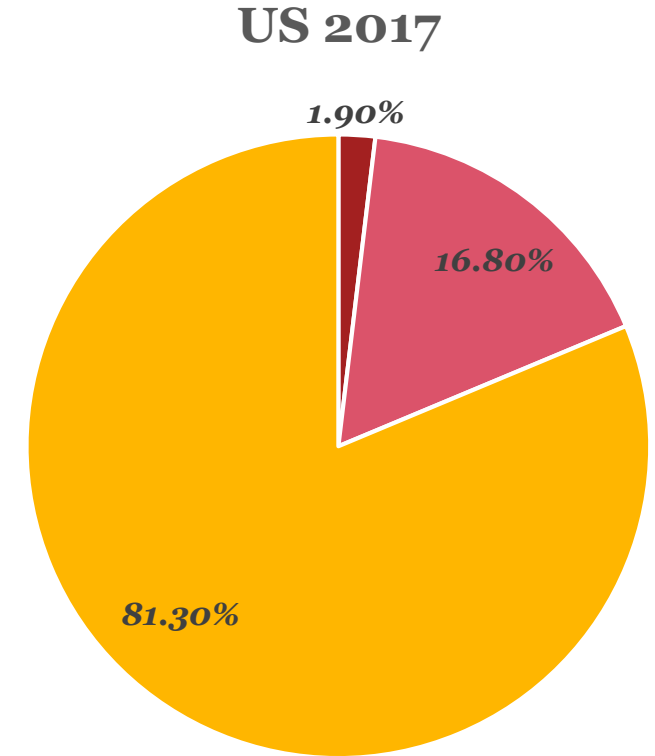
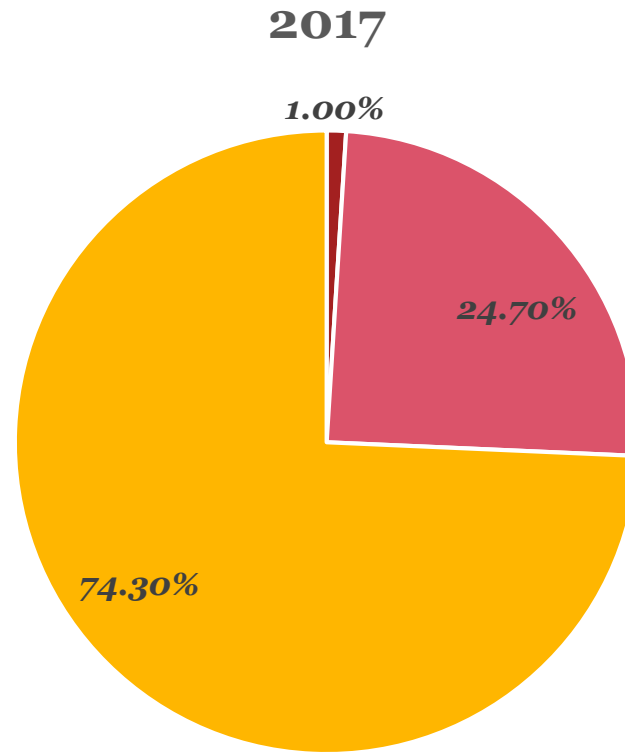
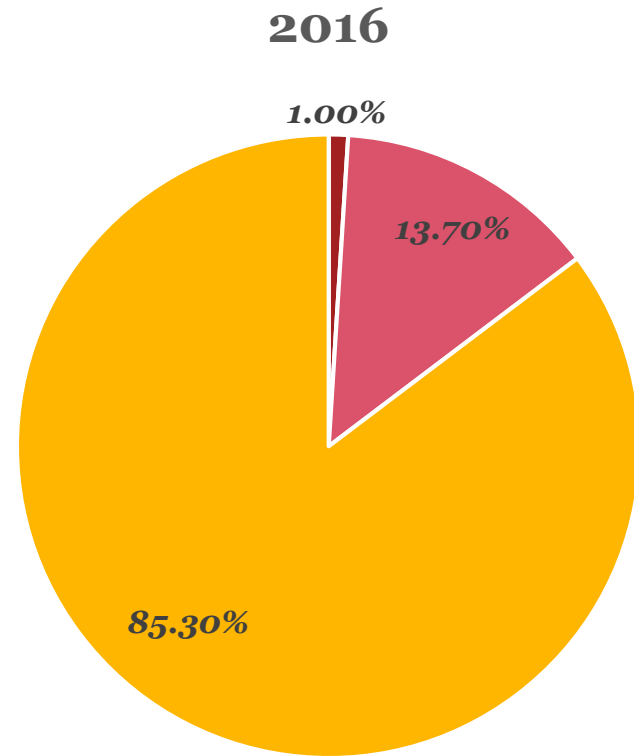
**Emerging Trends  
in Real Estate®**

Canada and the United States 2017

# *Market sentiment*



# Profitability expectations

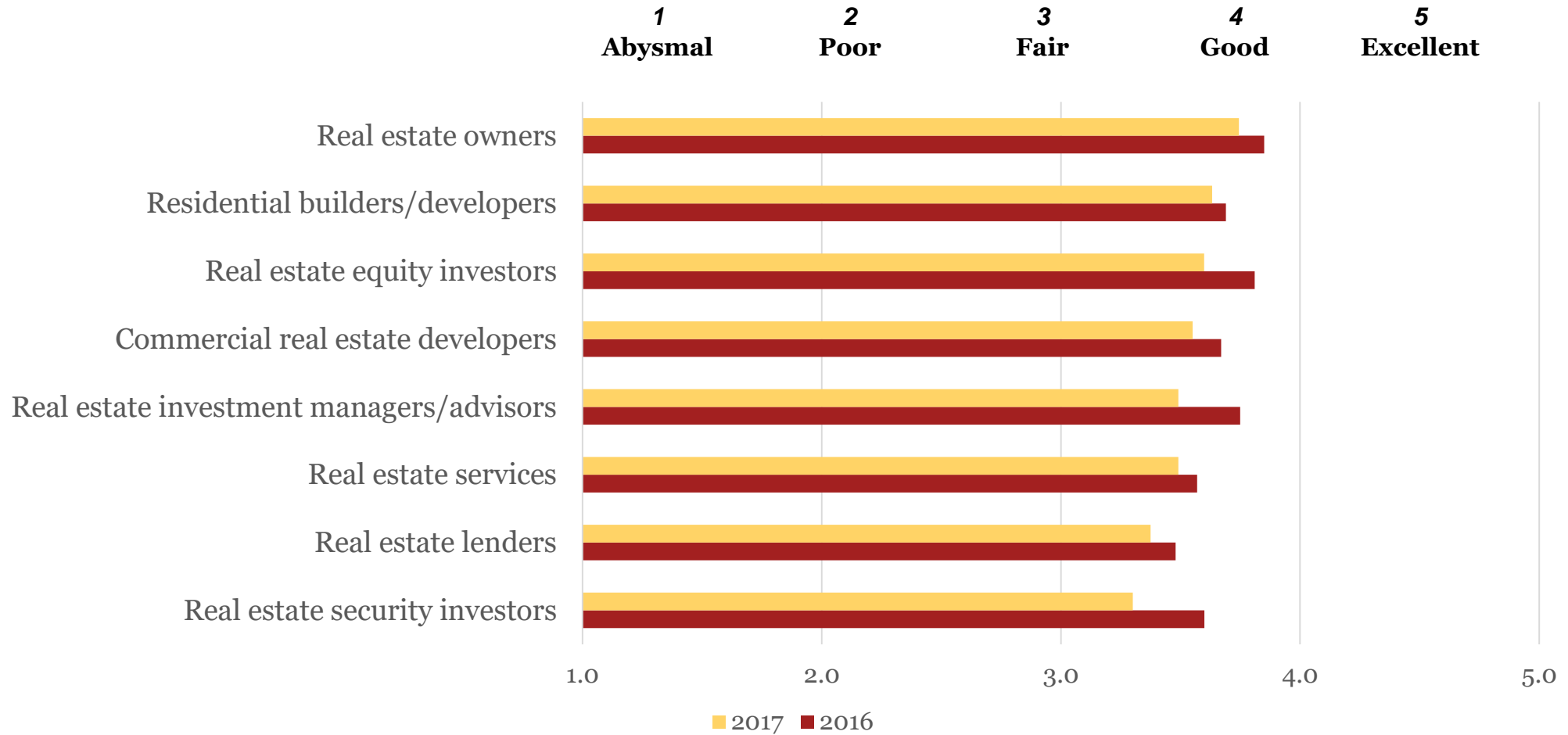


■ abysmal to poor ■ fair ■ good to excellent

■ abysmal to poor ■ fair ■ good to excellent

■ abysmal to poor ■ fair ■ good to excellent

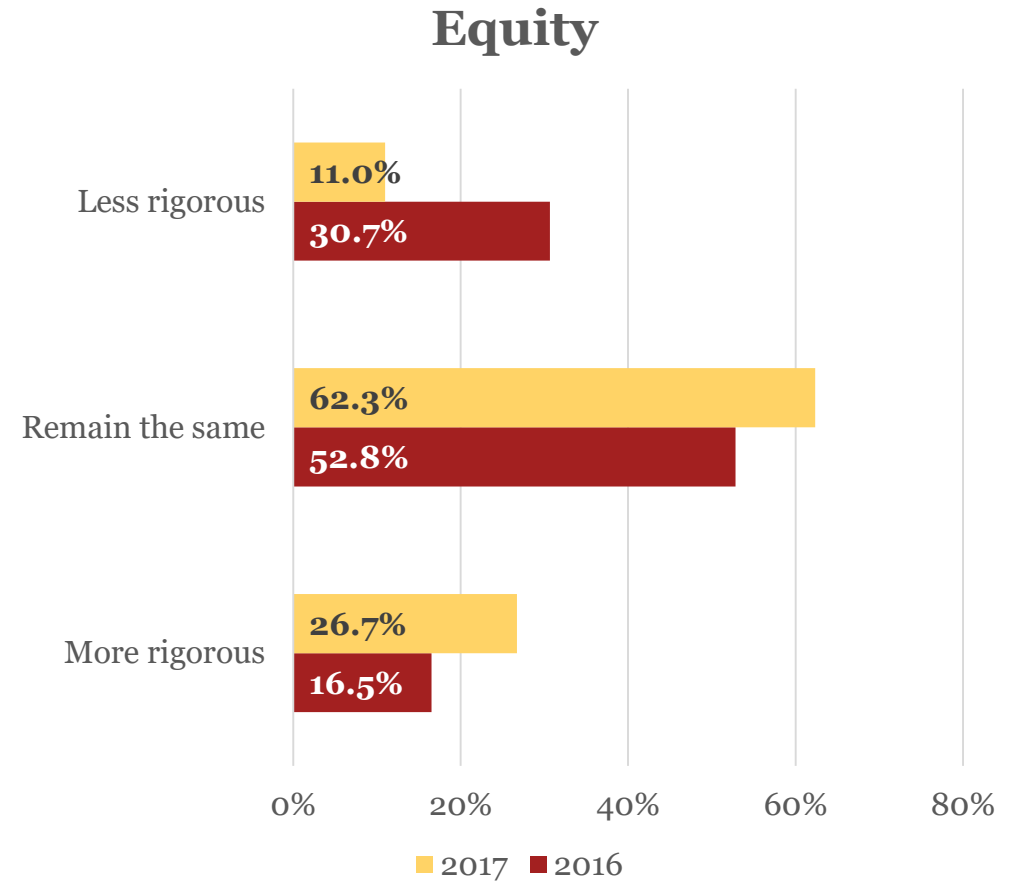
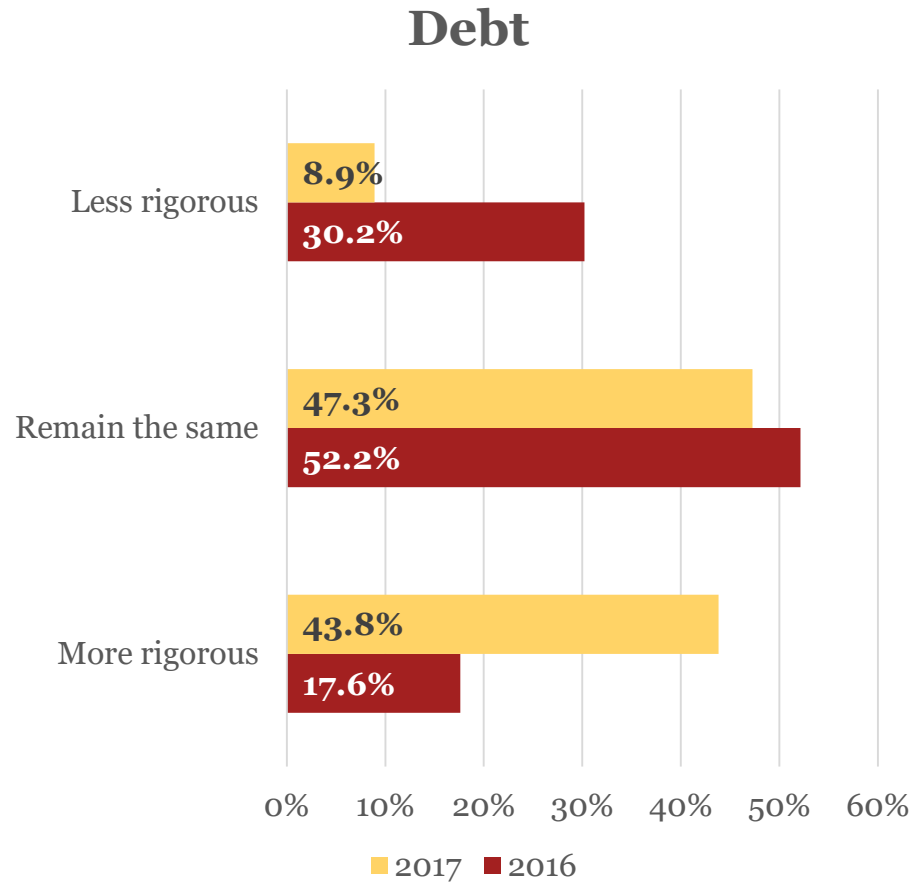
# Business prospects



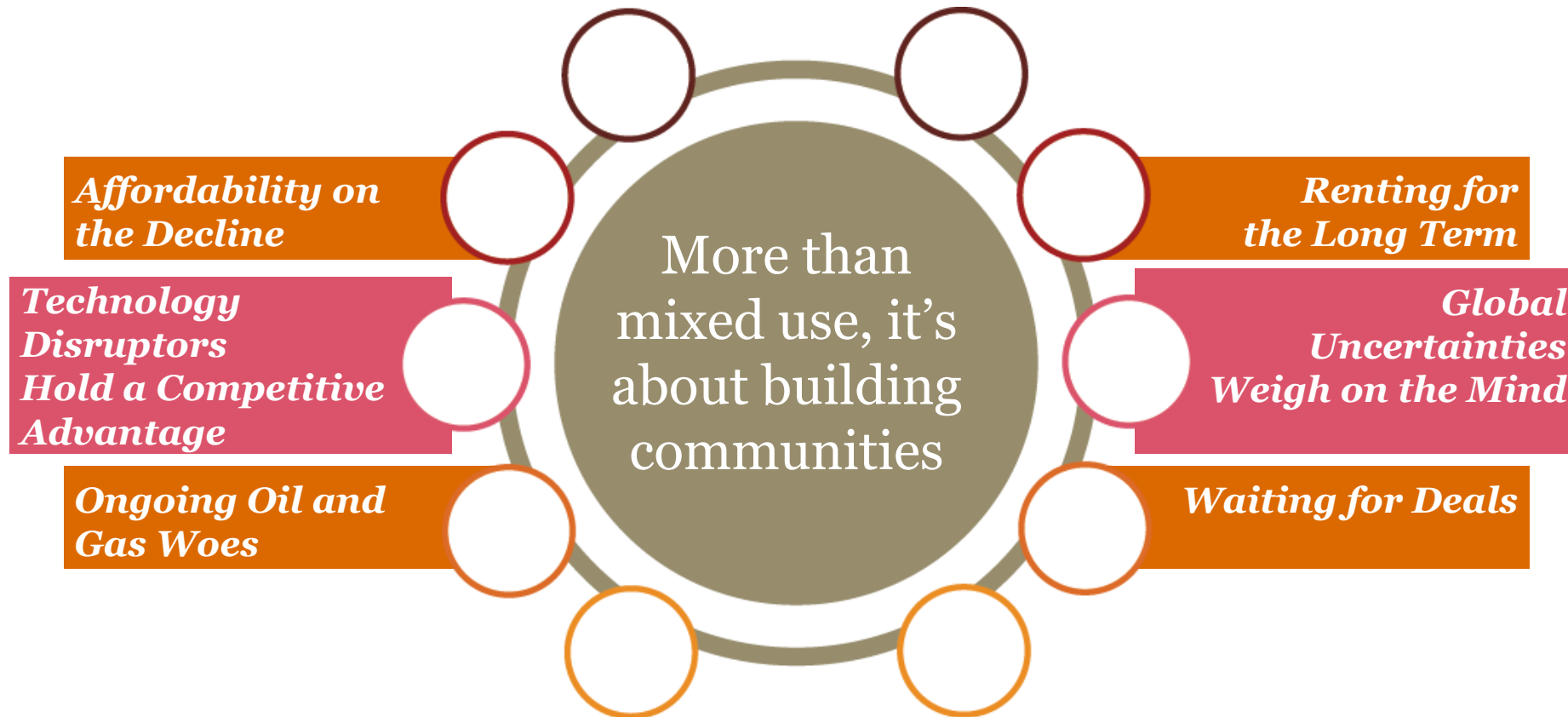
*How would you describe the 2017 real estate market? Here is what respondents said*



# Underwriting criteria adjust to the environment



## *Emerging Trends: Reflect market sentiment*





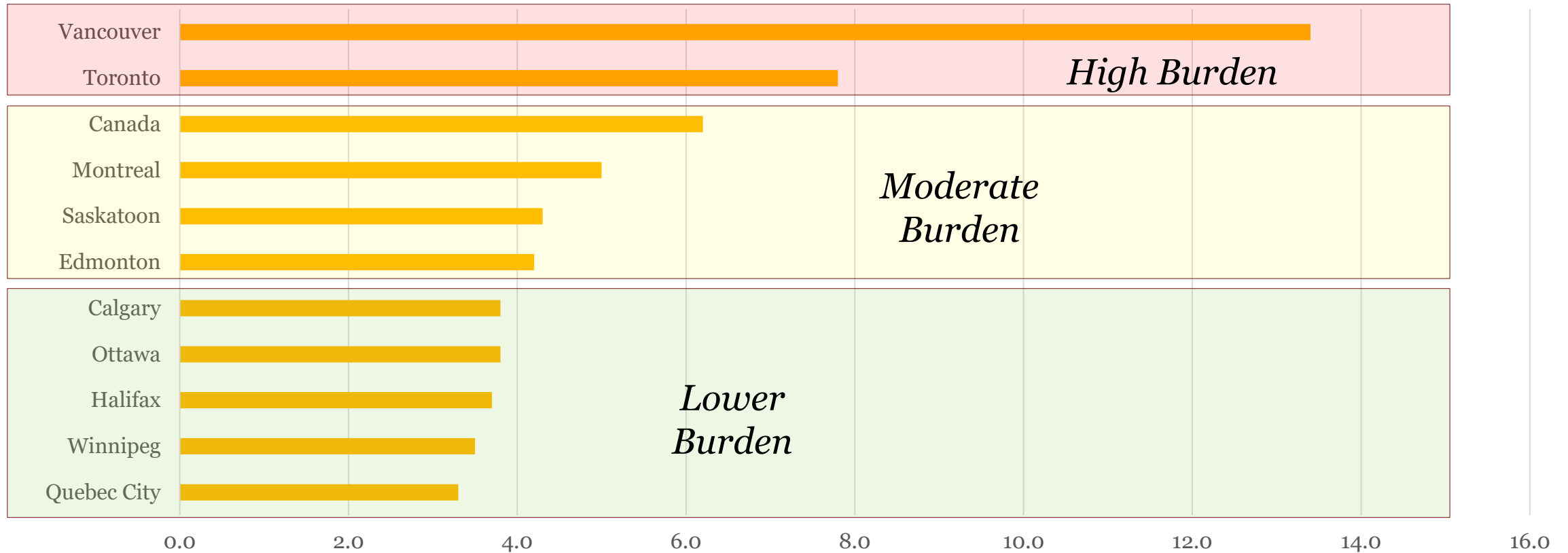
## *More than mixed use, it's about building communities*

- Focus on mixed use communities rather than stand alone mixed use buildings
- Tenants are demanding dynamic neighborhoods that combine residential, retail, commercial and public spaces
- Can lead to partnerships between experts in different components

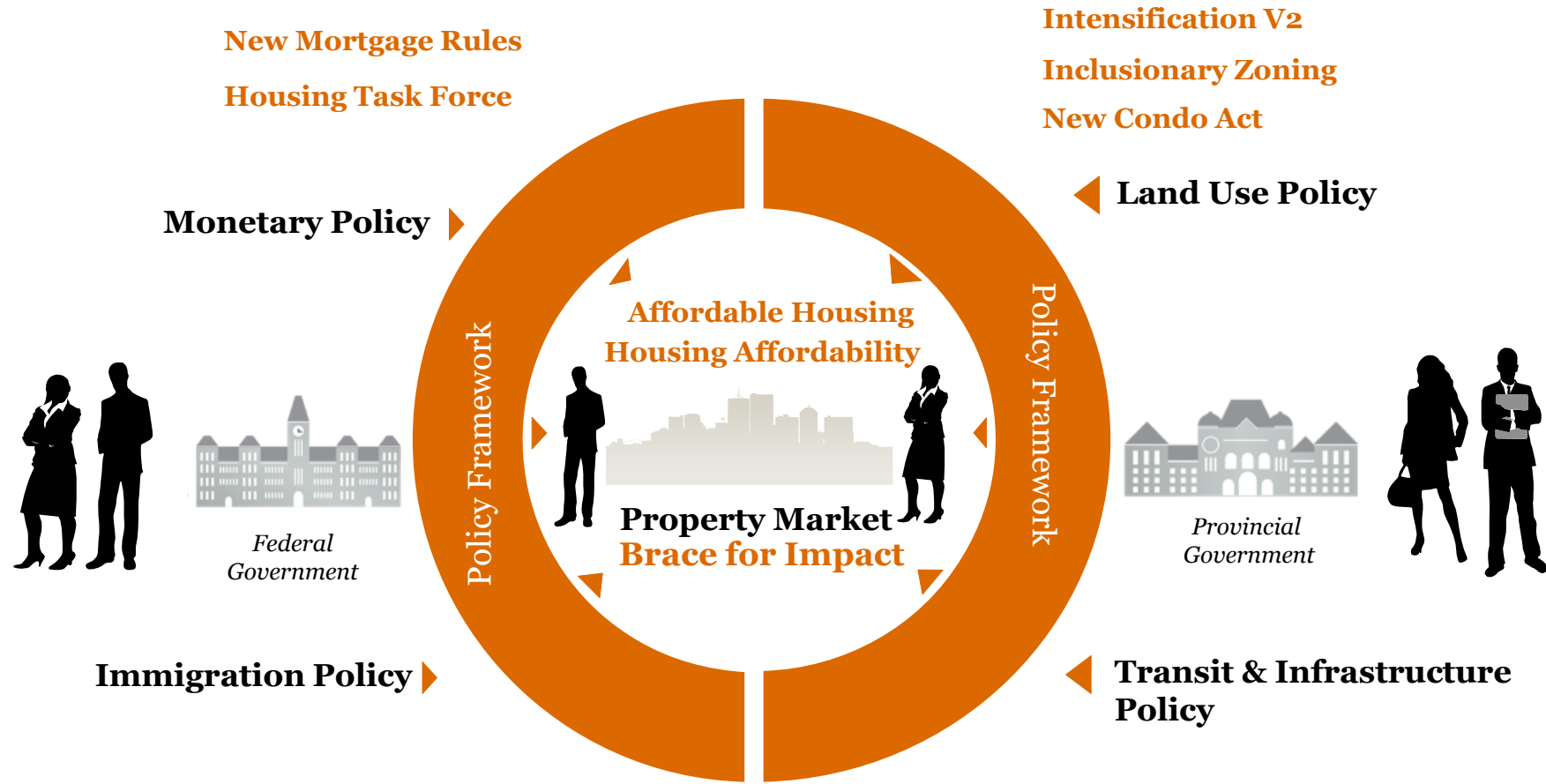


# Affordability on the decline

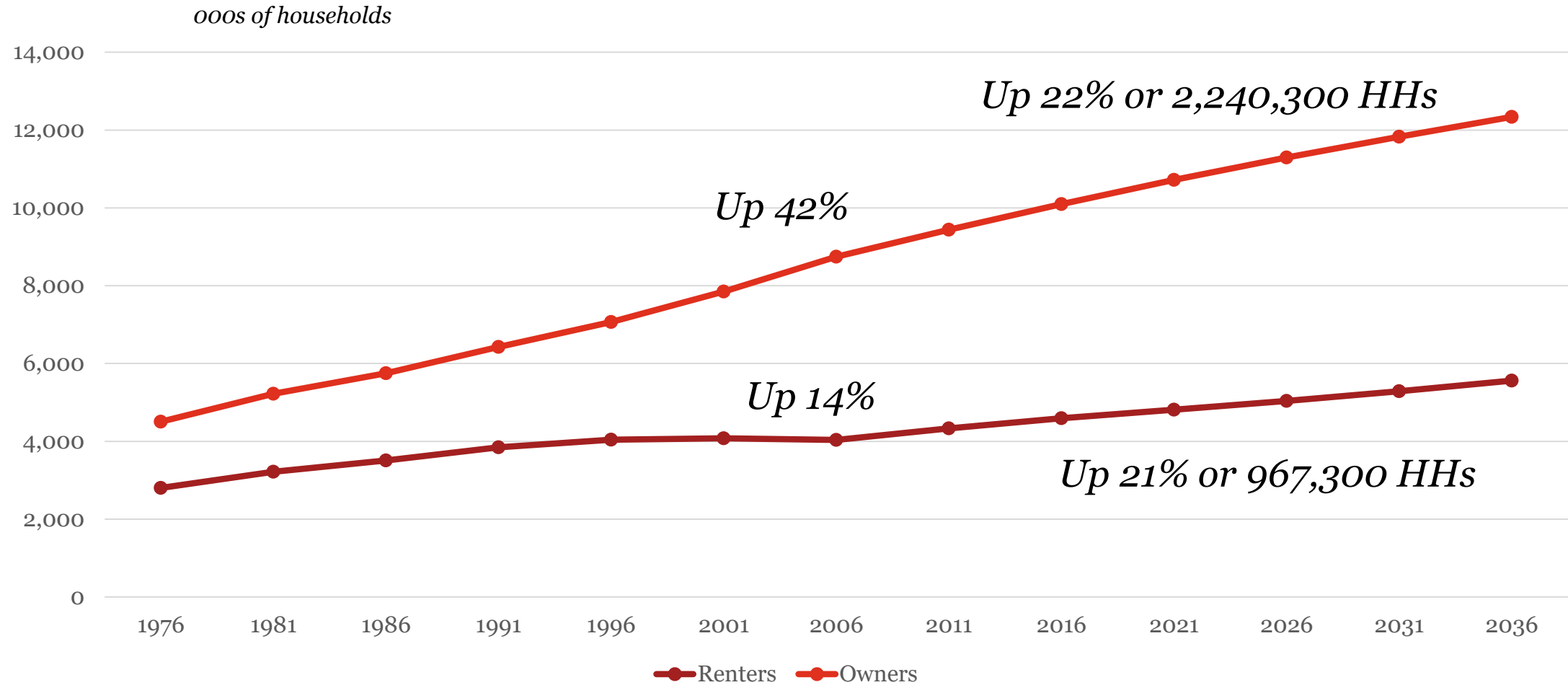
2016 Forecast price-to-income ratio



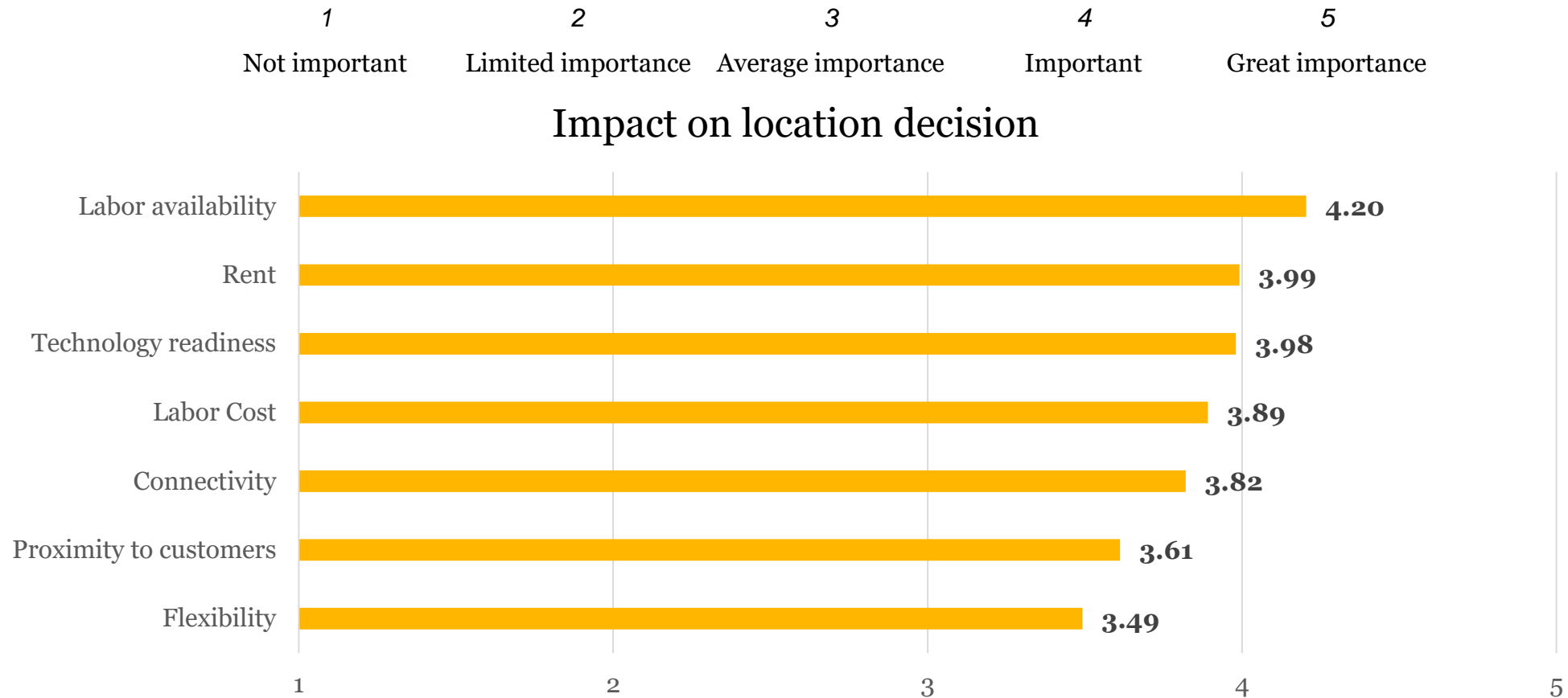
# Property Markets Operate in Policy Framework



# Renting for the long term

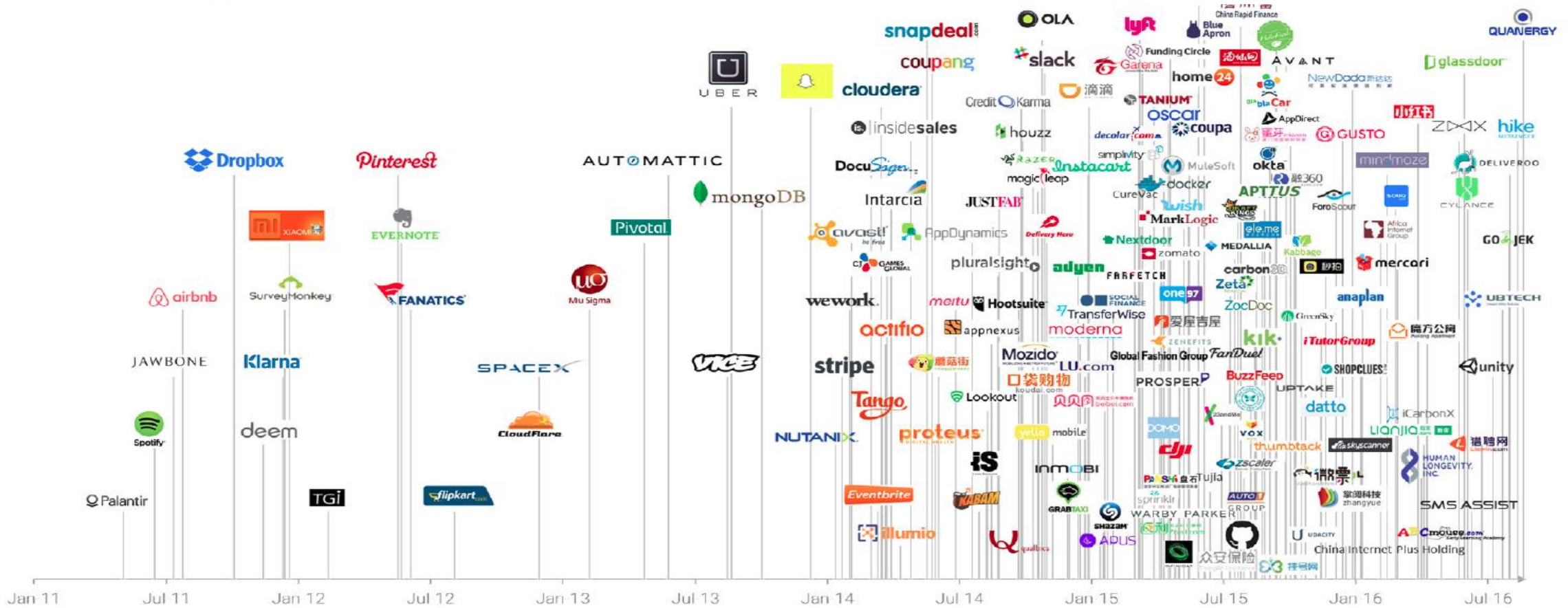


# Technology disruptors hold a competitive advantage

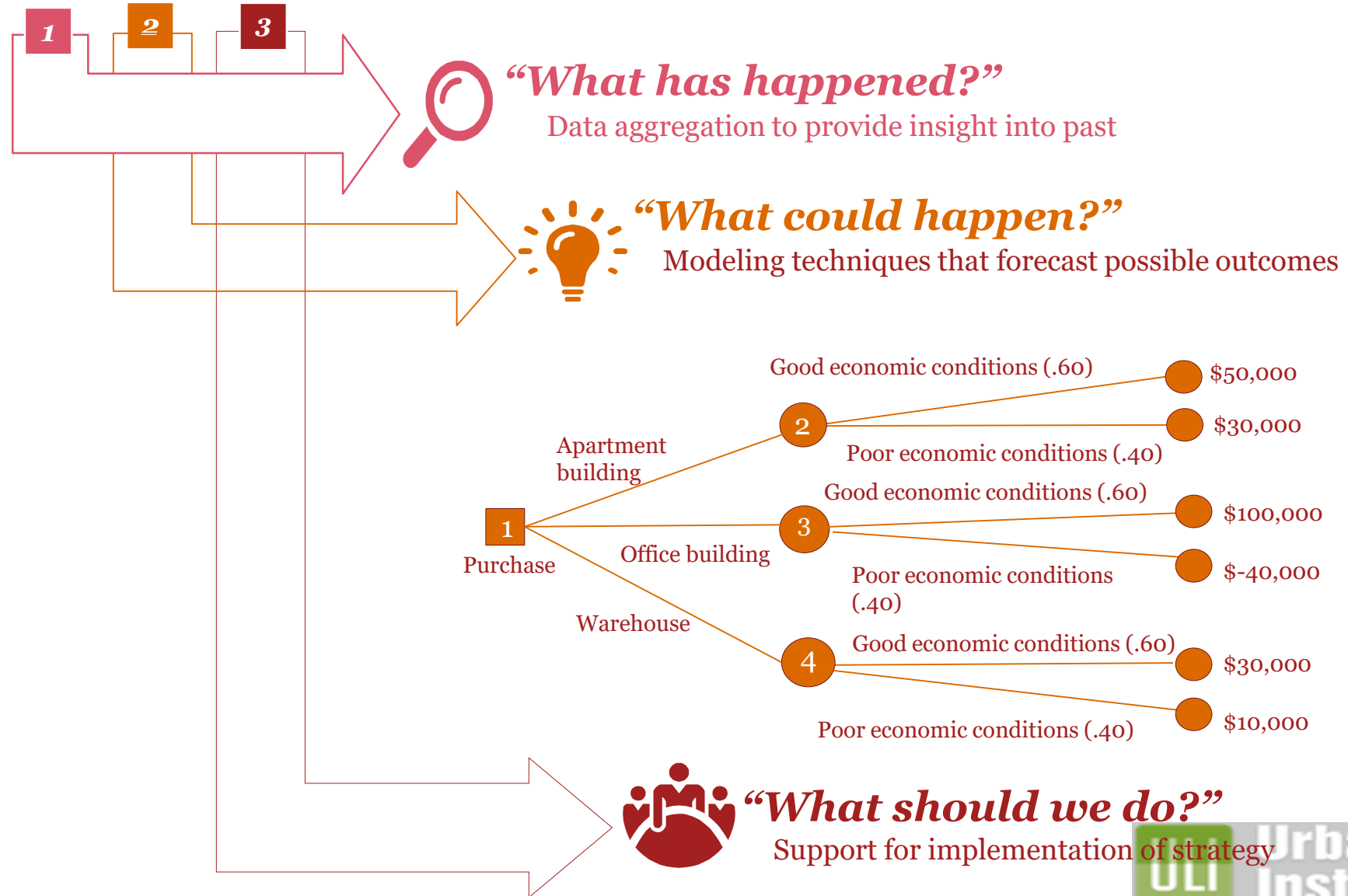


*“We’re getting to the point where if people don’t recognize technologies are existing and, moreover, how to integrate them, opportunities are being missed.”*

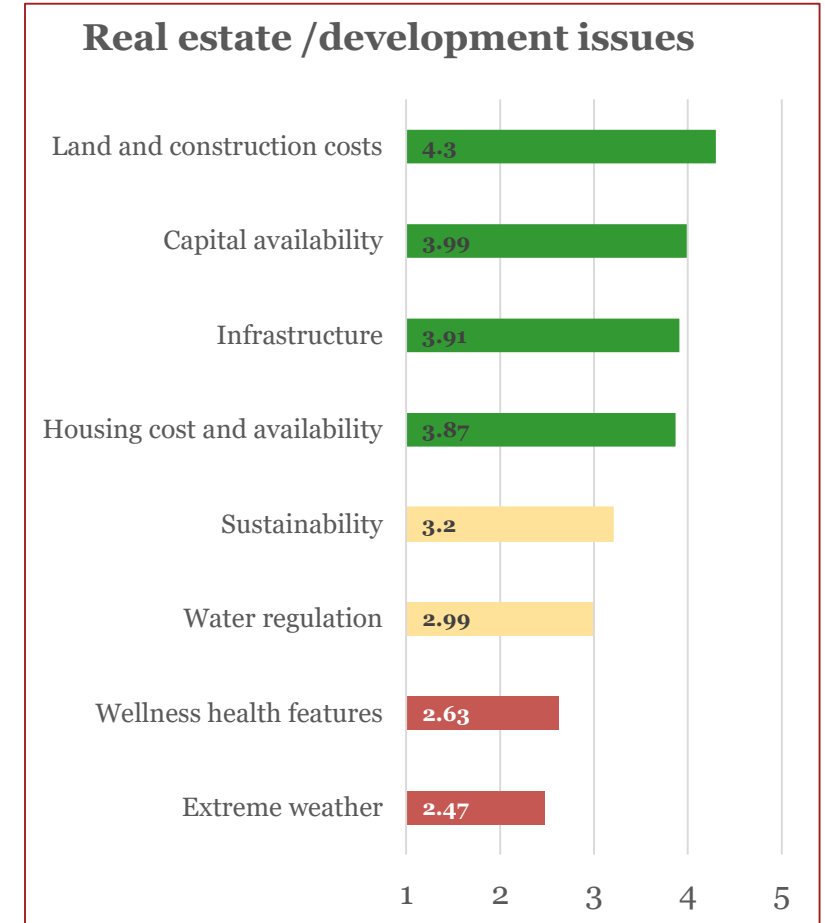
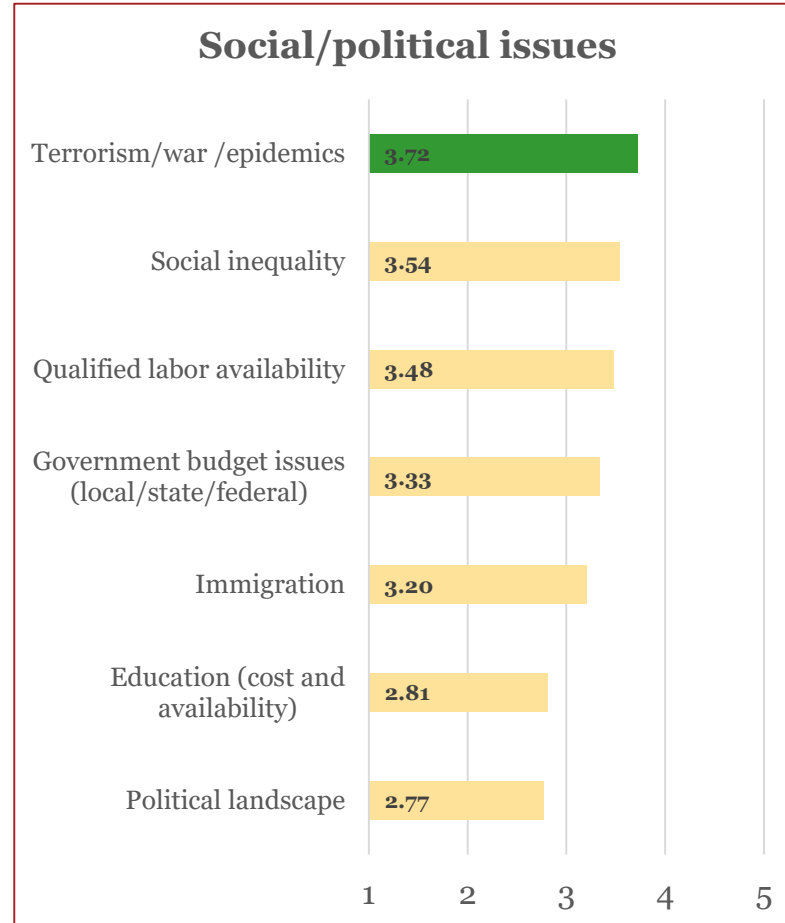
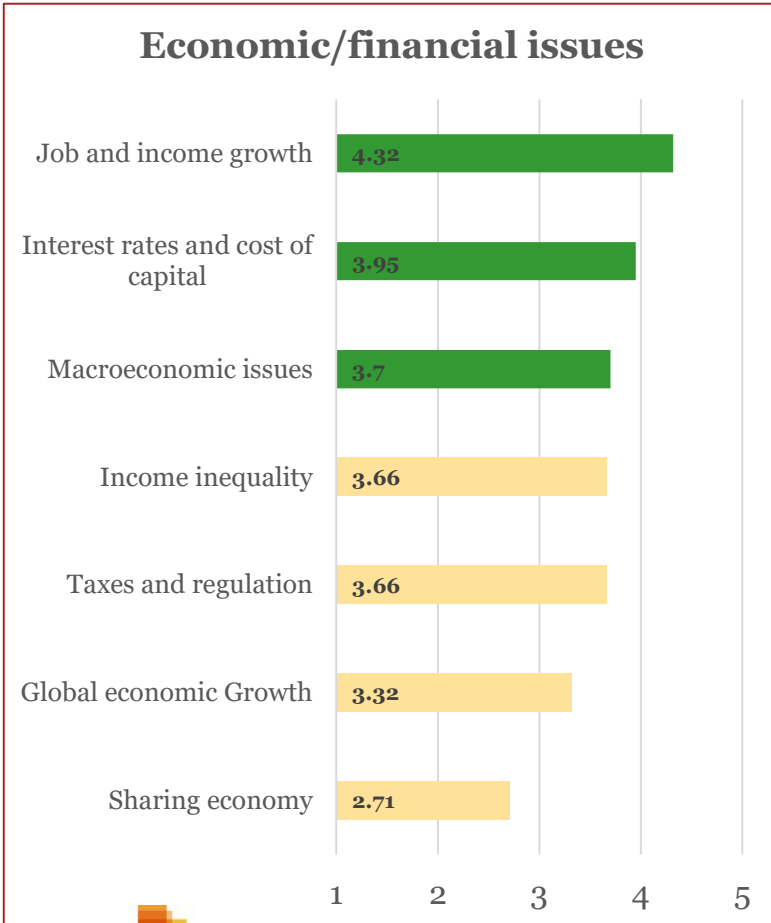
# Increasingly Crowded Unicorn Club - 176 Co's each valued at \$1 Billion+



# Data is King



# Global uncertainties weigh on the mind





# Ongoing oil and gas woes

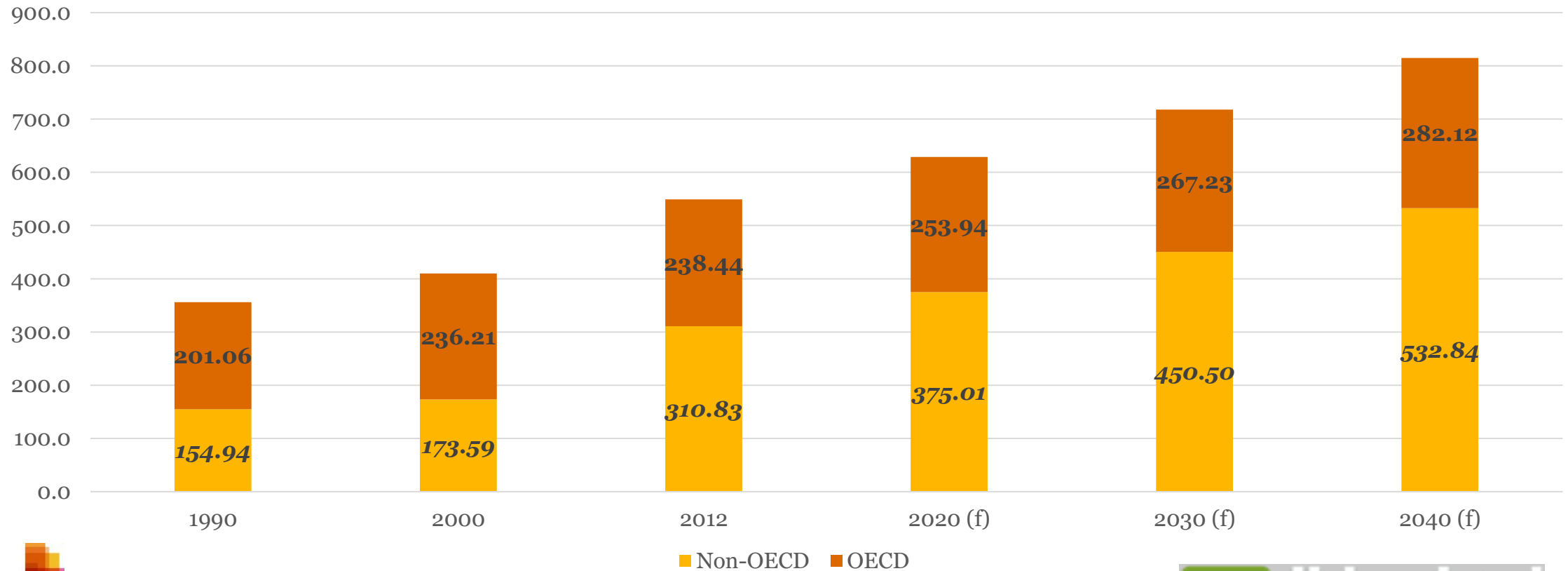
2016 WTI Spot Price



# Ongoing oil and gas woes

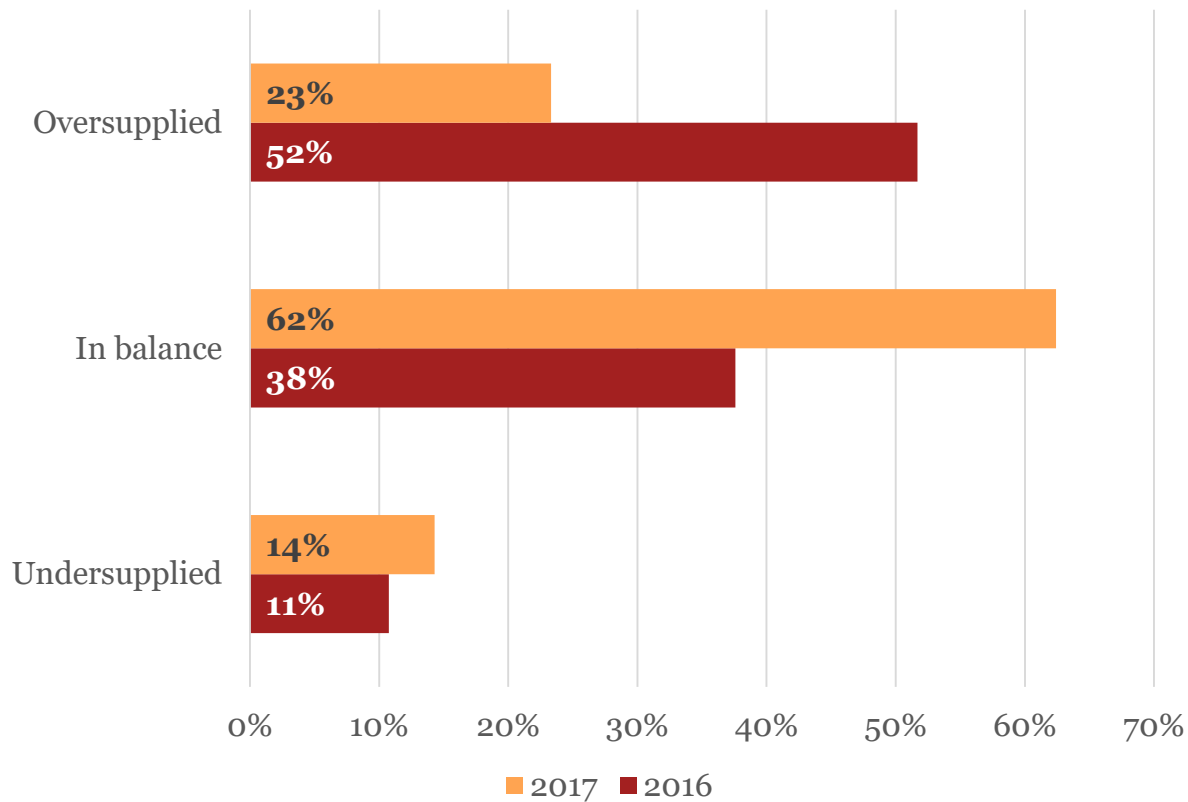
*Energy consumption will rebound, but will price improvement continue?*

World energy consumption, 1990-2040 (quadrillion Btu)

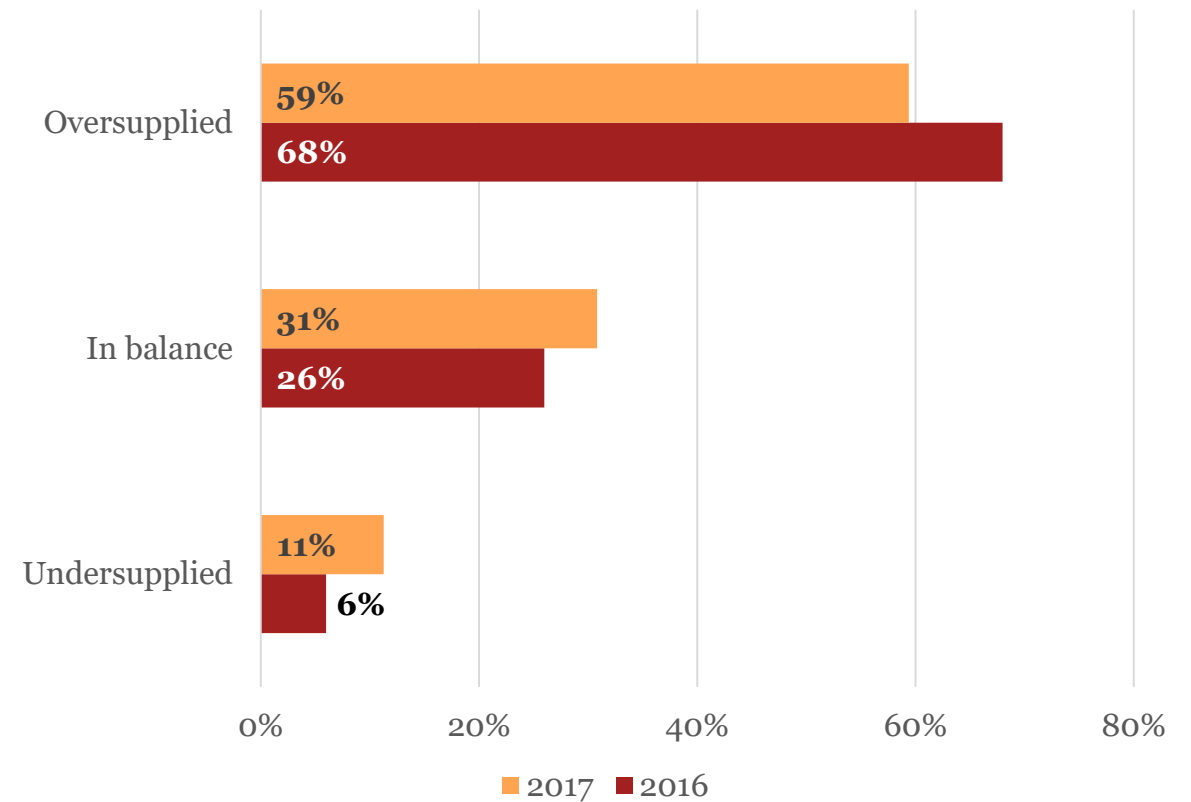


# Waiting for deals

## Debt capital for acquisition



## Equity capital for investment



## ***2017 Expected best bets***

***Urban mixed-use  
developments***



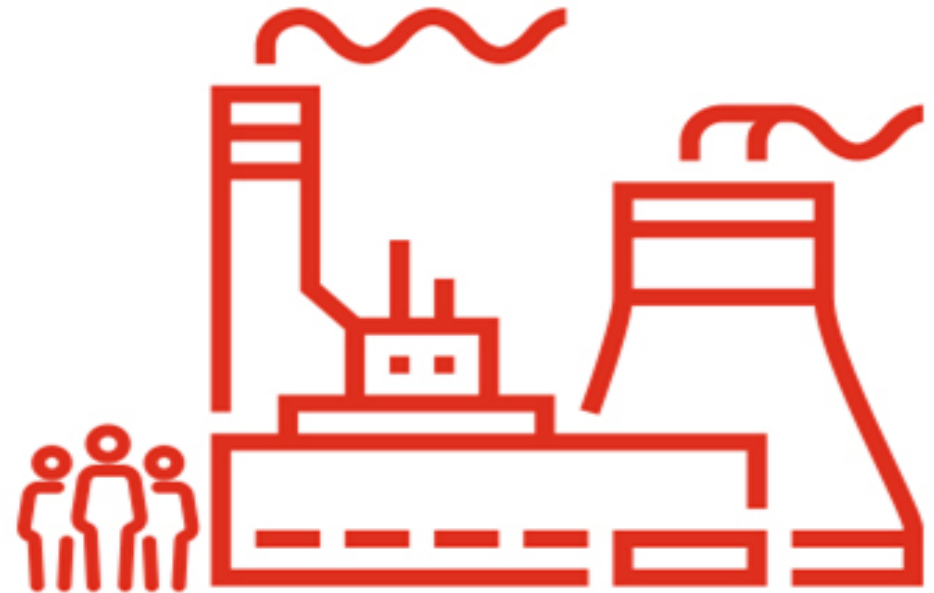
***Purpose-built multi-  
family rentals***

## ***2017 Expected best bets***



***Senior  
housing/retirement  
homes***

***Industrial property***



## *Property type outlook*

While there are regional variations in the outlook for different property types, developers, investors and property owners did strike some common notes in their assessment.

***Commercial***

***Condominium***

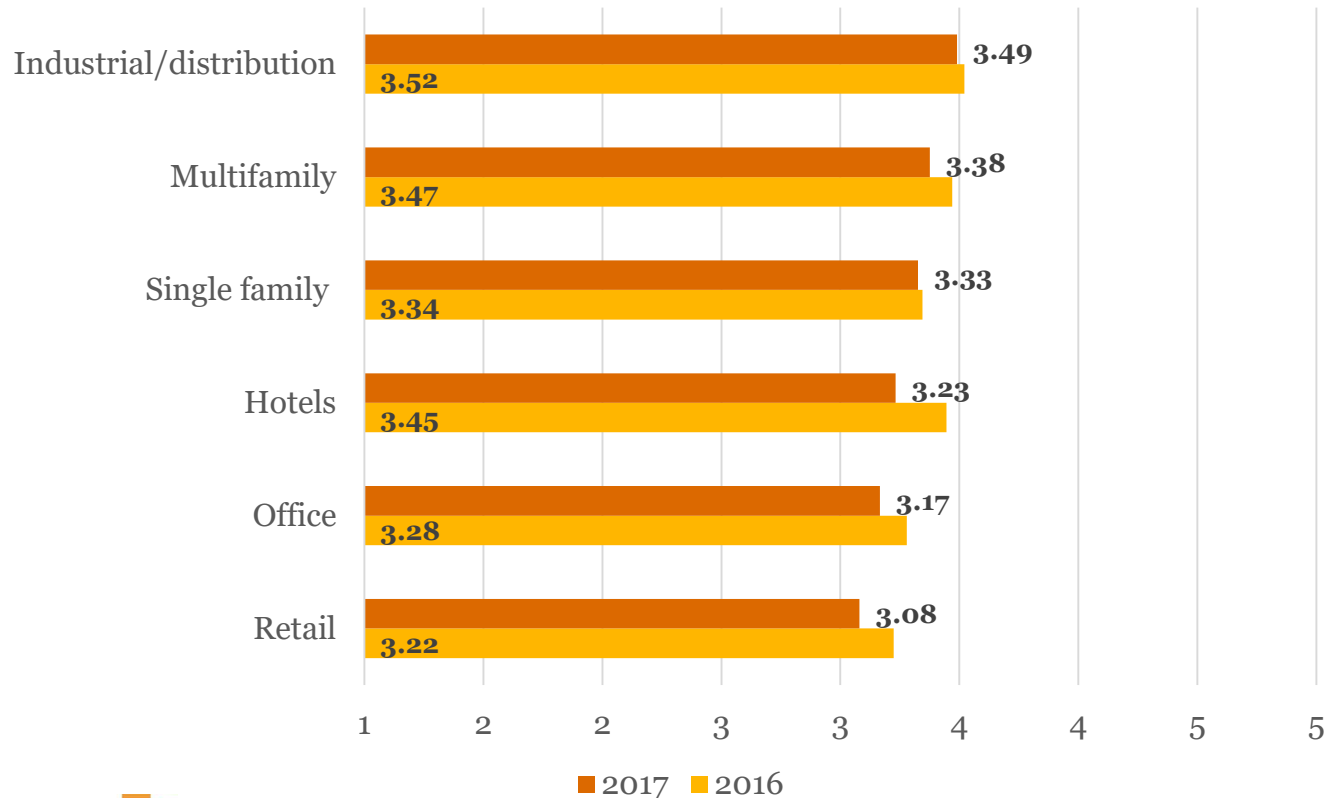
***Retail***



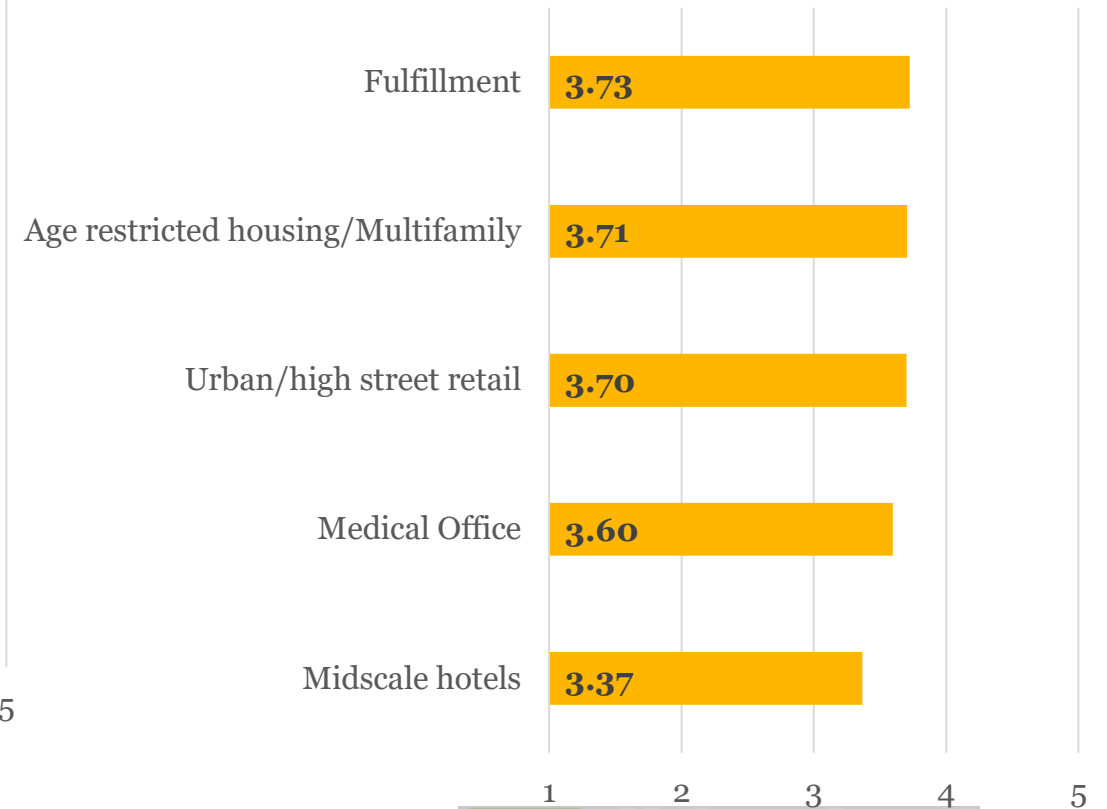
# Investment outlook

1 Abysmal      2 Poor      3 Fair      4 Good      5 Excellent

## Major sectors



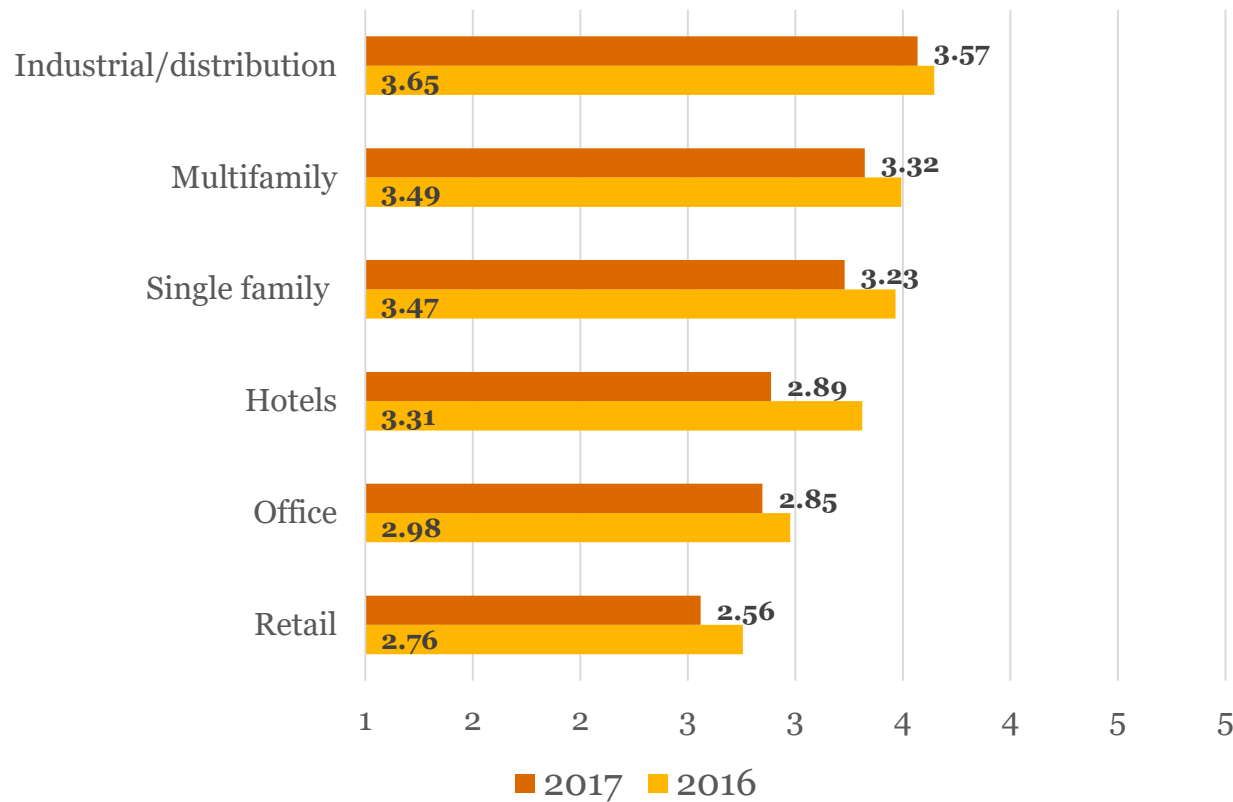
## Top subsectors for 2017



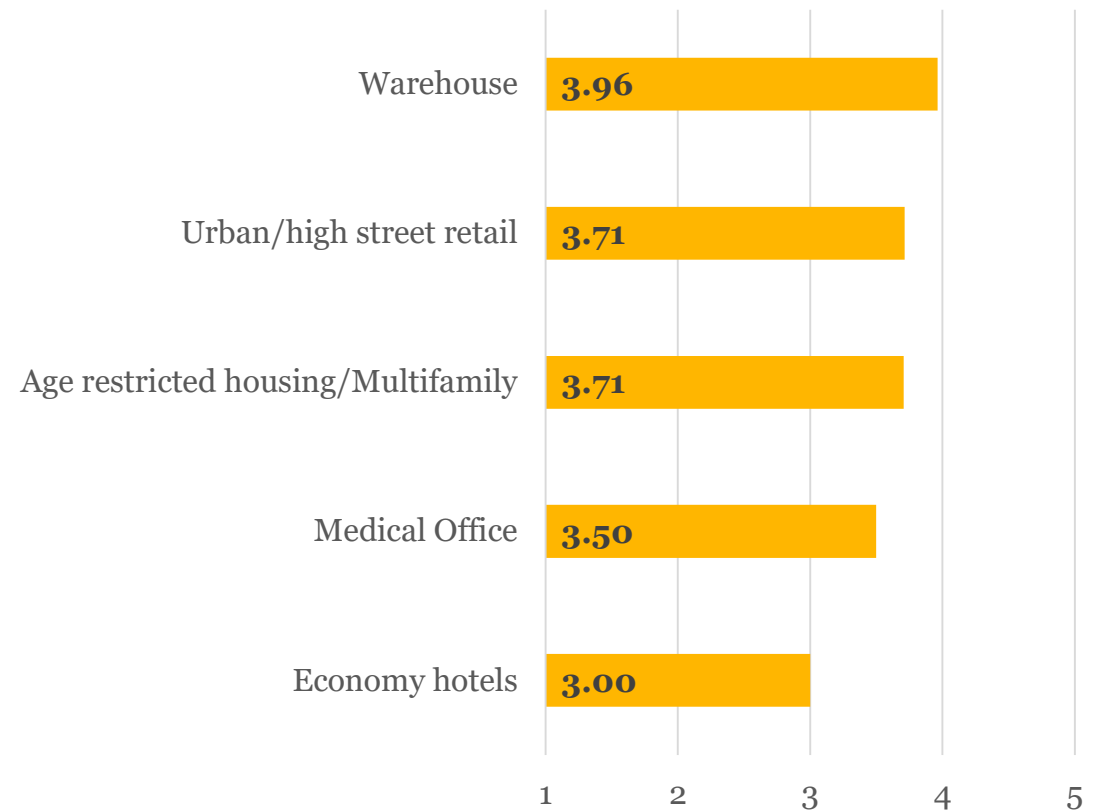
# Development outlook

1 Abysmal      2 Poor      3 Fair      4 Good      5 Excellent

### Major sectors



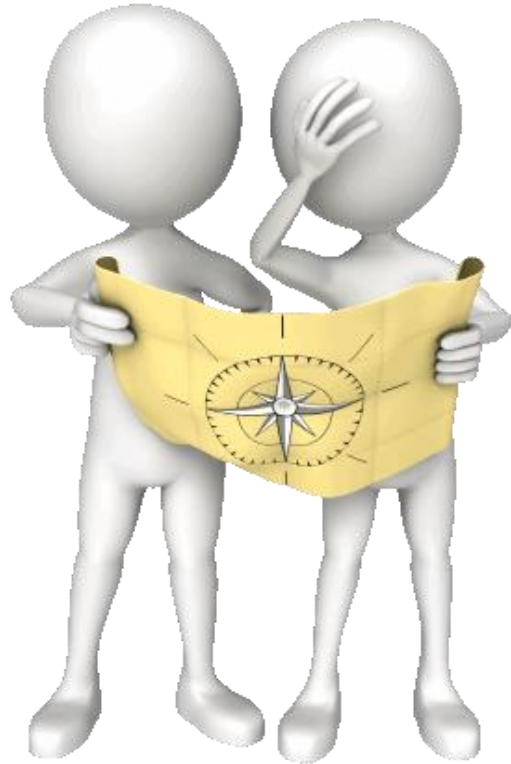
### Top subsectors for 2017





# Markets to watch

## 2017 markets to watch



	2012	2013	2014	2015	2016	2017
<b>Vancouver</b>	2	4	4	4	1	1
<b>Toronto</b>	1	3	5	3	2	2
<b>Montreal</b>	7	5	9	6	3	3
<b>Ottawa</b>	5	6	6	5	4	4
<b>Saskatoon</b>	6	7	3	8	5	5
<b>Winnipeg</b>	9	8	7	7	6	6
<b>Halifax</b>	8	9	8	9	8	7
<b>Edmonton</b>	4	2	2	2	7	8
<b>Calgary</b>	3	1	1	1	9	9

# ULI Emerging Trends

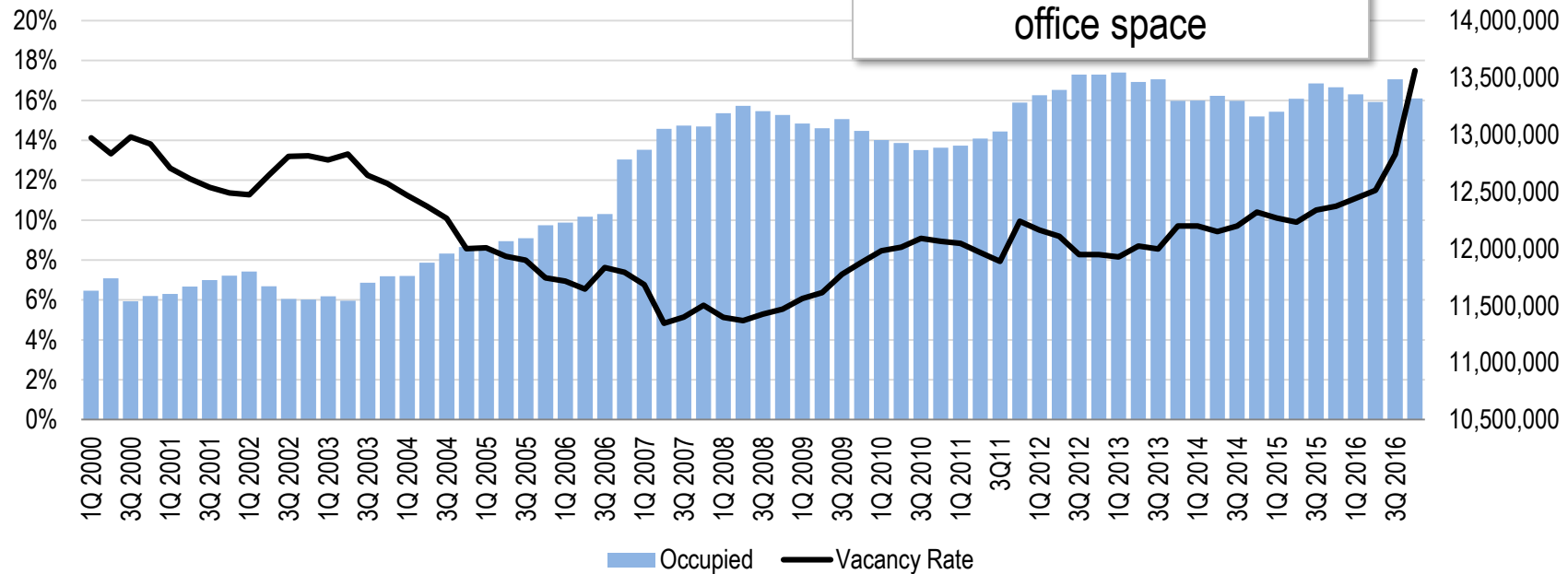
## Edmonton's Challenges and Opportunities

Wendy Waters  
Senior Director, Research Services & Strategy  
GWL Realty Advisors  
January 12, 2017



# Downtown office vacancy presents a challenge in Edmonton

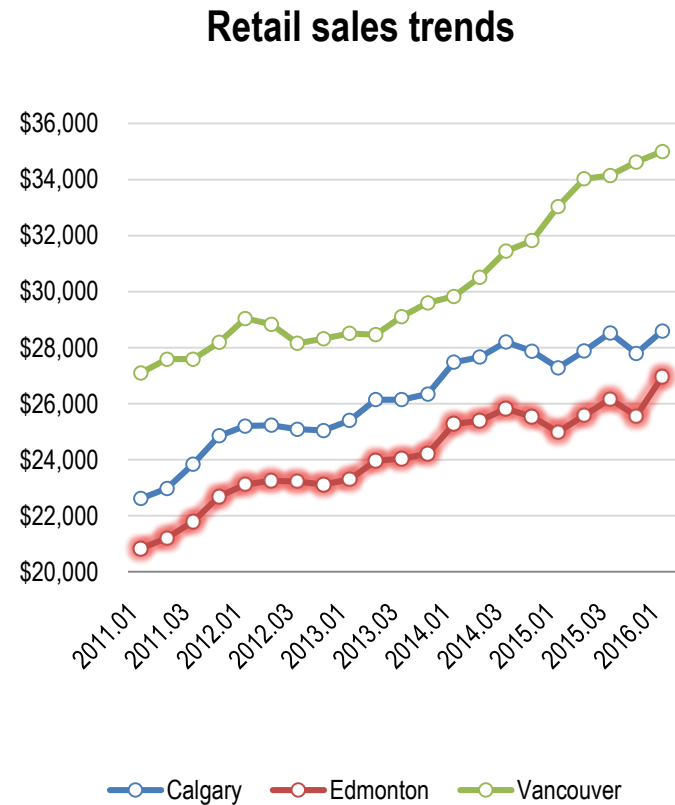
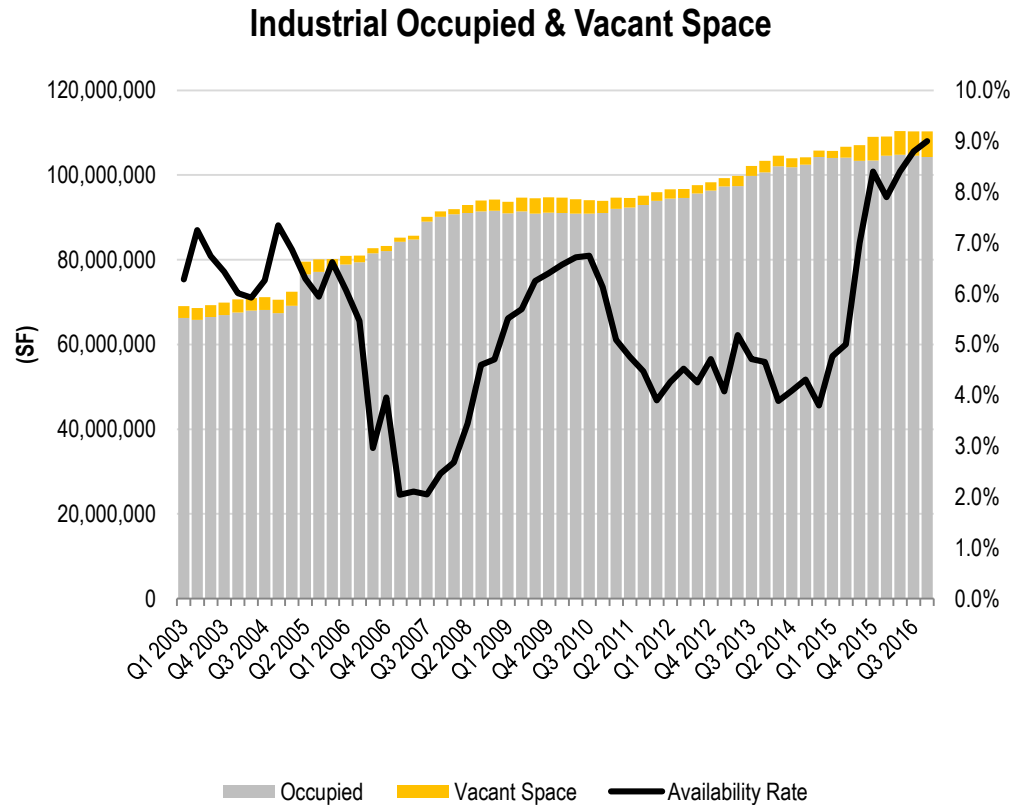
Edmonton DT Office Vacancy



	Average Annual Absorption	Years of Supply	To Balanced Market (8% vacant)
2000-2016	44,984	62	33
2004-2014	102,996	27	14

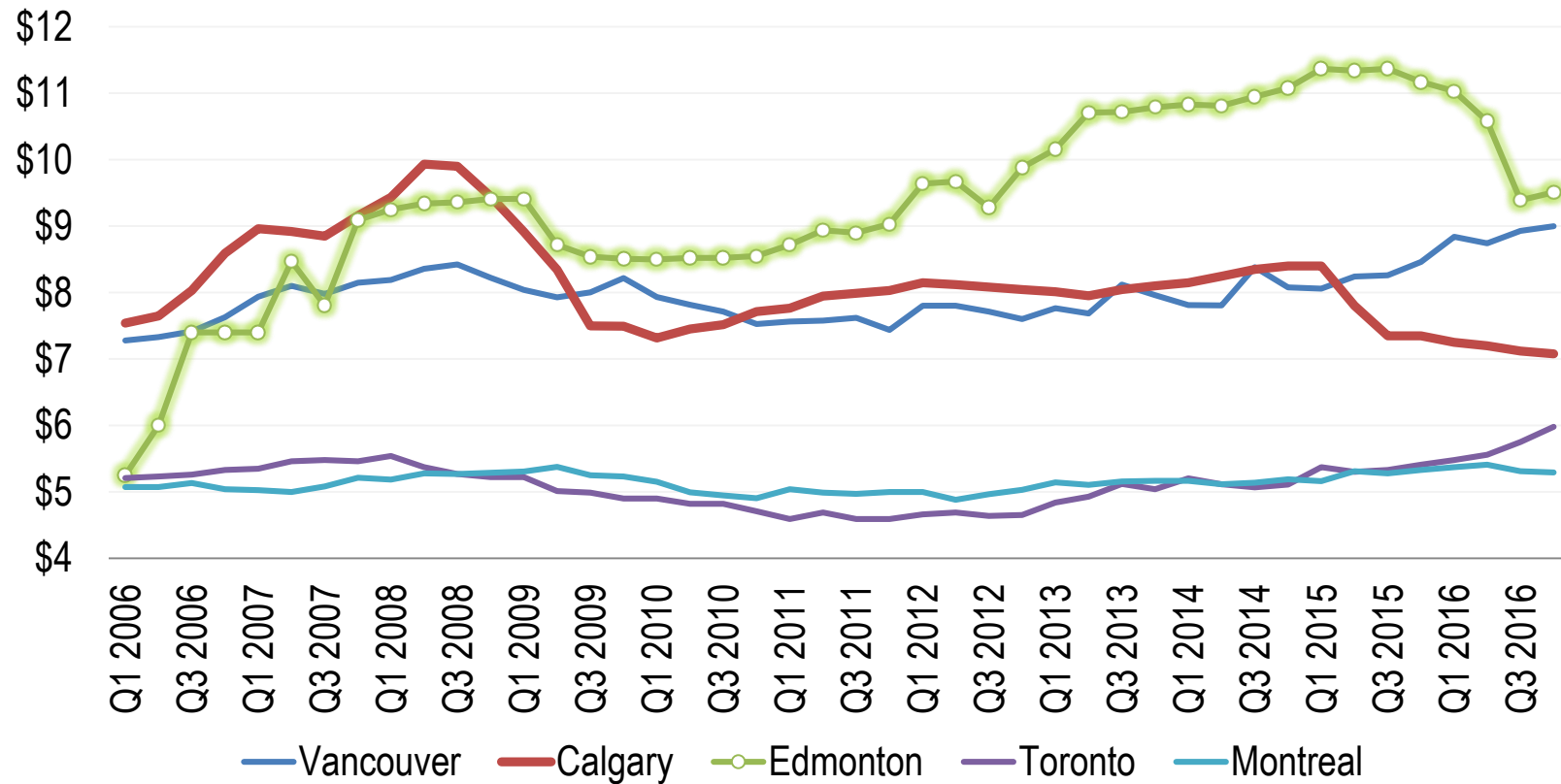
- Unemployment rate 7.4%
- 1.1 Million s.f. added 2016.
- 600,000 s.f. under construction

# Edmonton's industrial market is feeling the strain of a prolonged downturn, although occupied space (demand) has been resilient



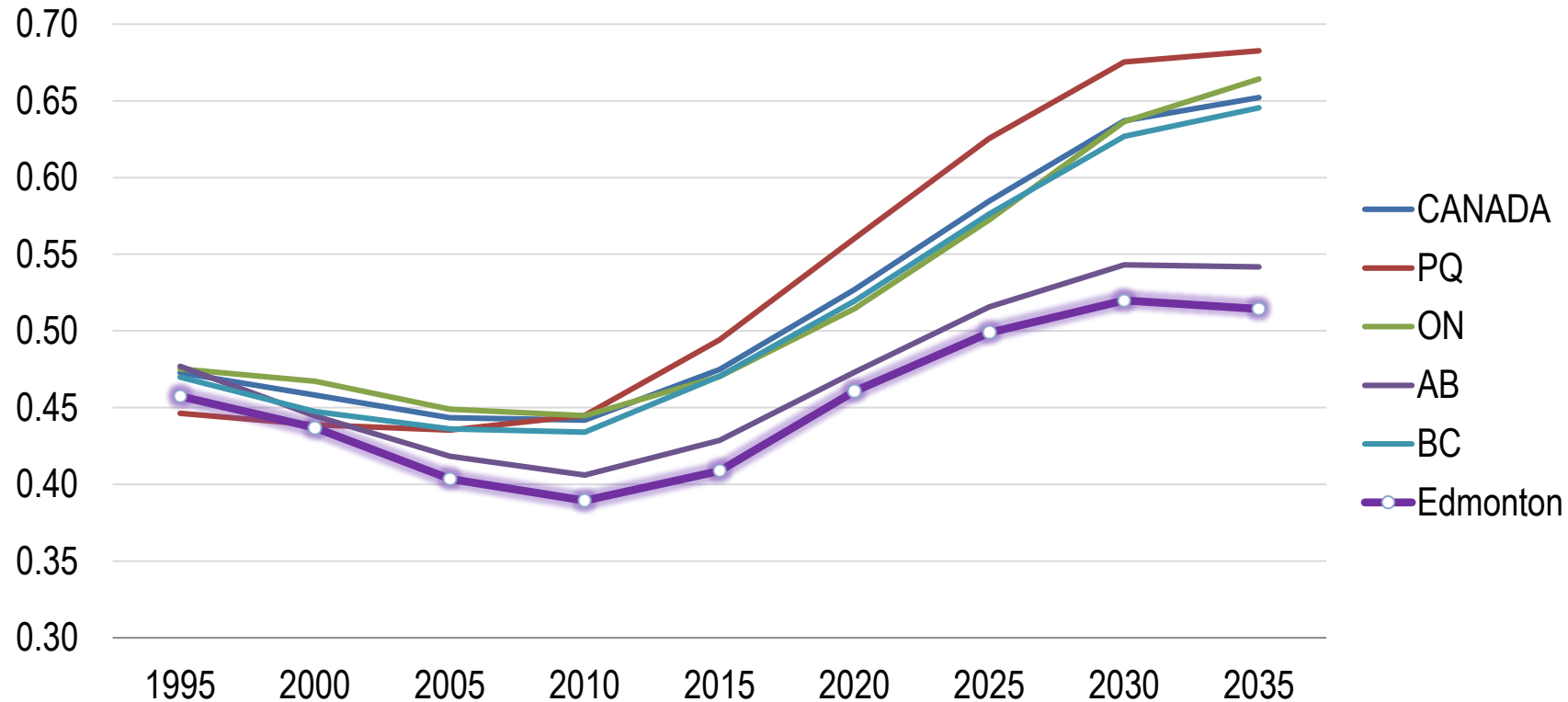
Despite having fallen 25% from their peak, industrial rents in Edmonton continues to be higher than other major markets

Net Industrial Rents, selected cities



# Edmonton's (and Alberta's) demographic advantage – youthful and large working-age population

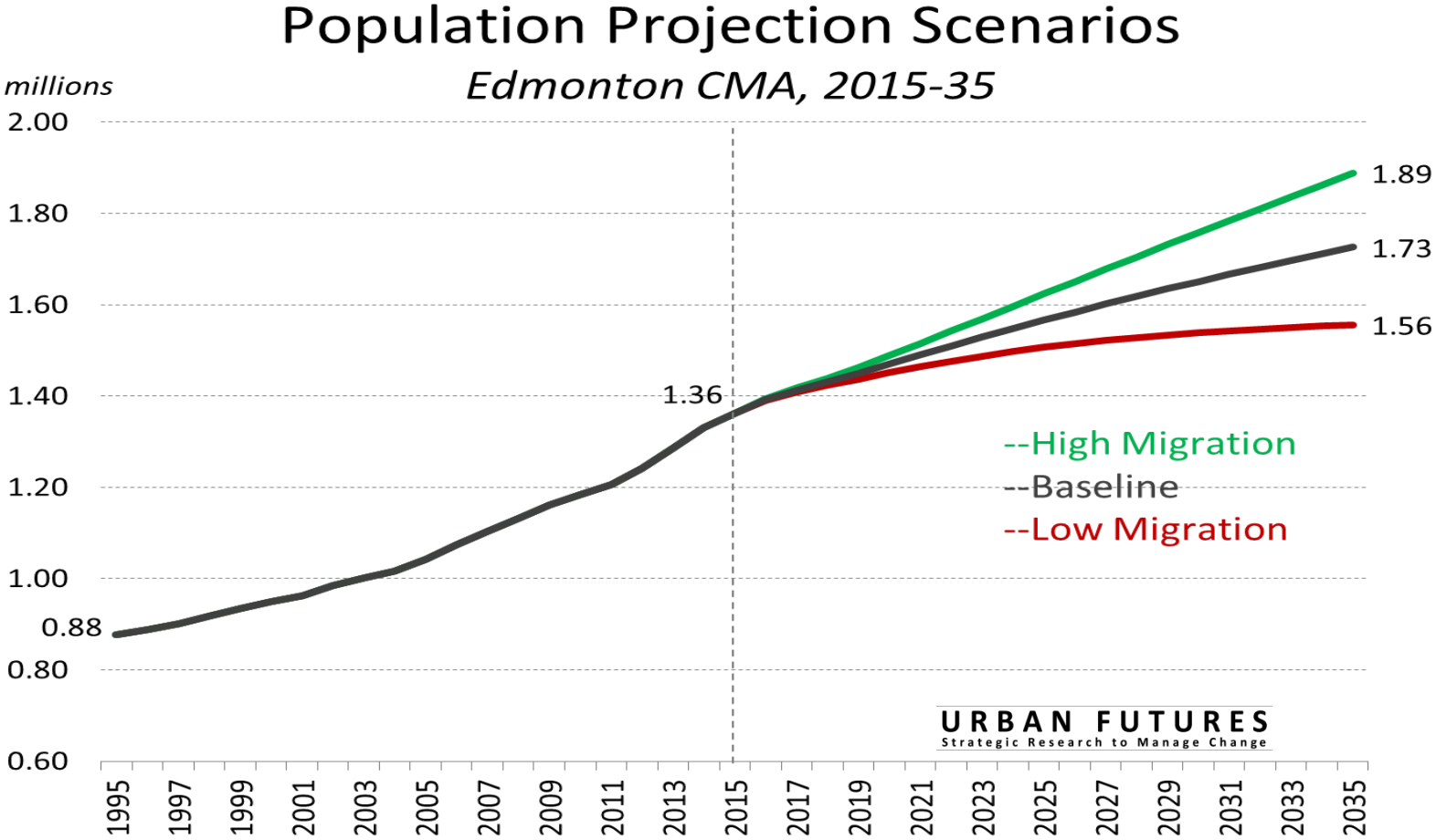
## Dependency Ratios compared



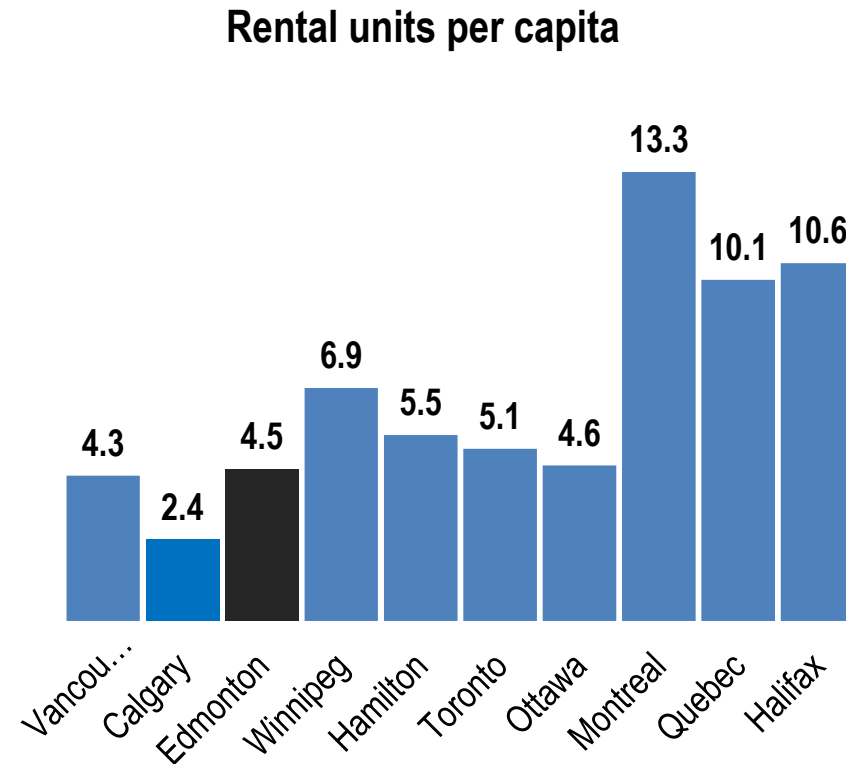
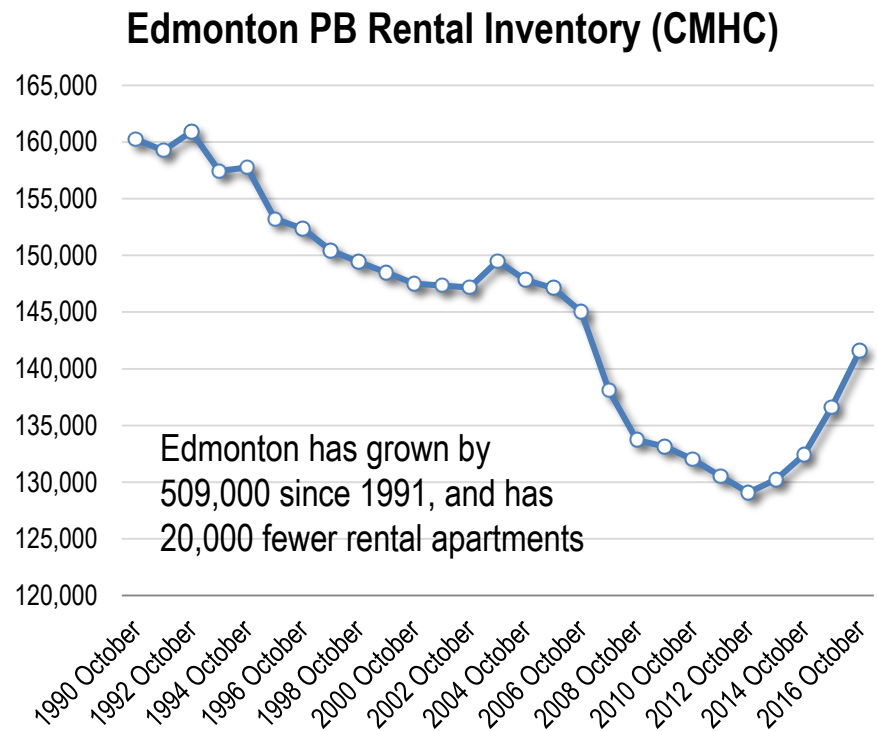
**.41** = Edmonton dependency ratio today

**.48** = Canadian dependency ratio today

By 2035, the region will add between 200,000 and 530,000 new residents. This creates opportunities



# Opportunity: Edmonton has a relatively low ratio of purpose-built rental housing



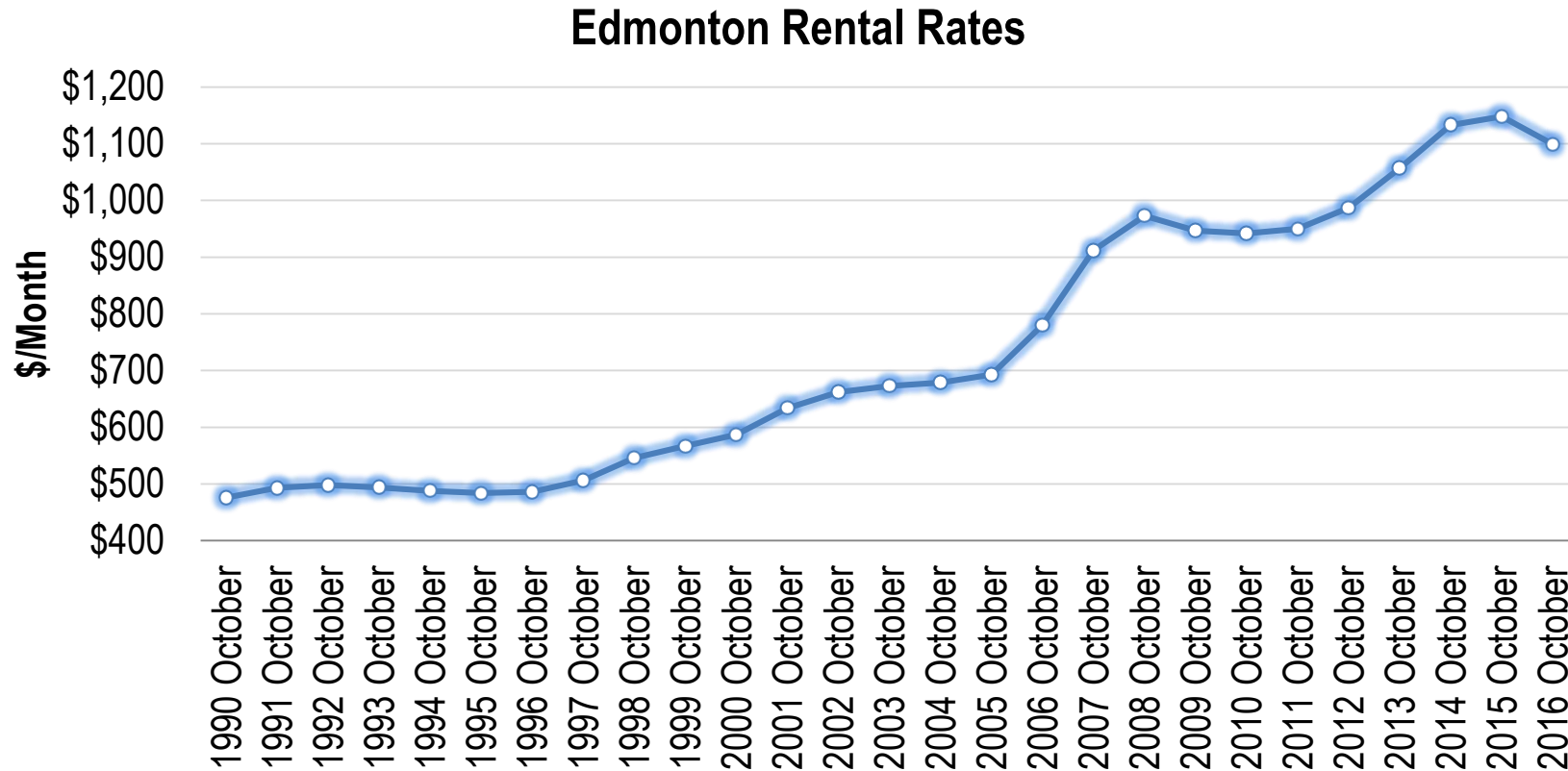
Source: Altus Group. 2014

## GWLRA 2016 National Survey

- Renters prefer purpose-built rental to condo;
- 2/3 surveyed would pay extra for PB rental

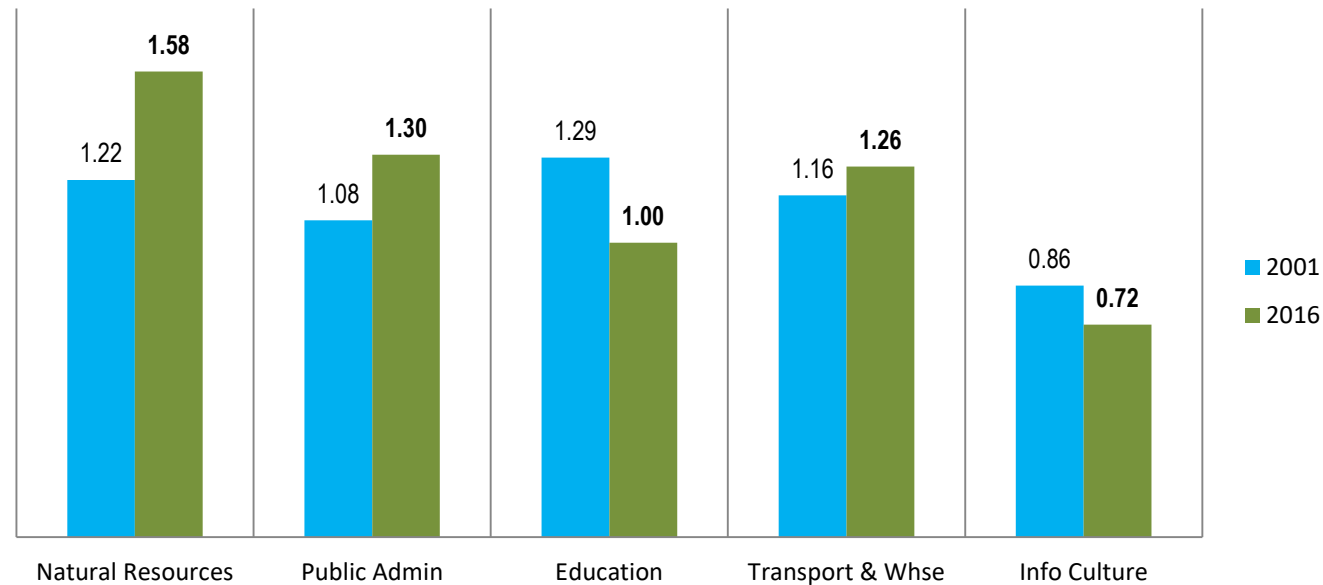


# housing affordability is relative and elusive



Edmonton lost the prominence of its education sector during the early 2000s. Now rebounding. Future foundation for economic diversification?

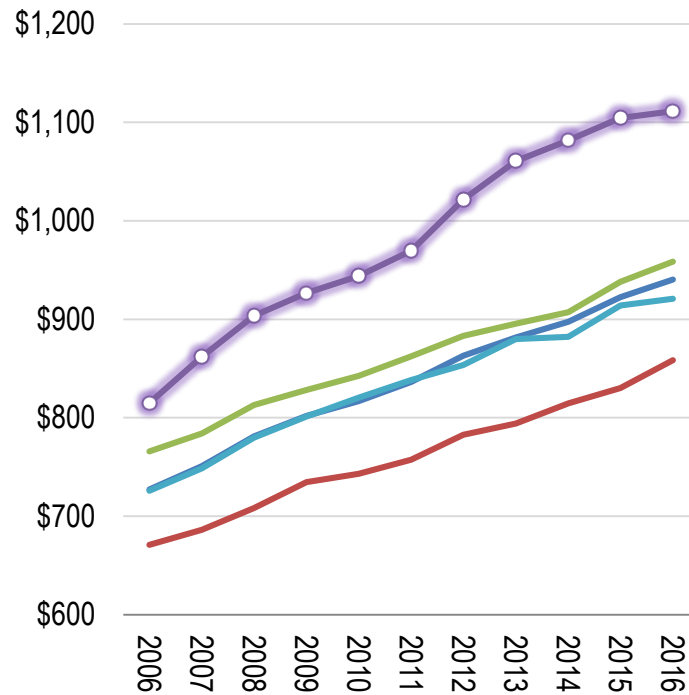
### Edmonton. Economic Drivers. Change since 2001



Location Quotients. >1=Driver

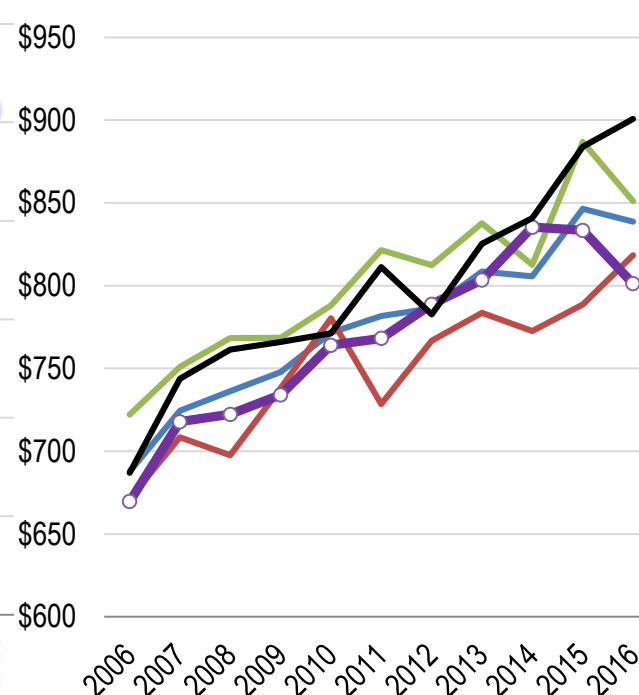
# Time for Edmonton to house some unicorn or Narwhal workforces? Alberta can compete for jobs with other provinces

**All Industries  
Average Weekly Wages**



- Canada
- Ontario
- British Columbia
- Quebec
- Alberta

**Info-Culture “Tech”  
Average Weekly Wages**

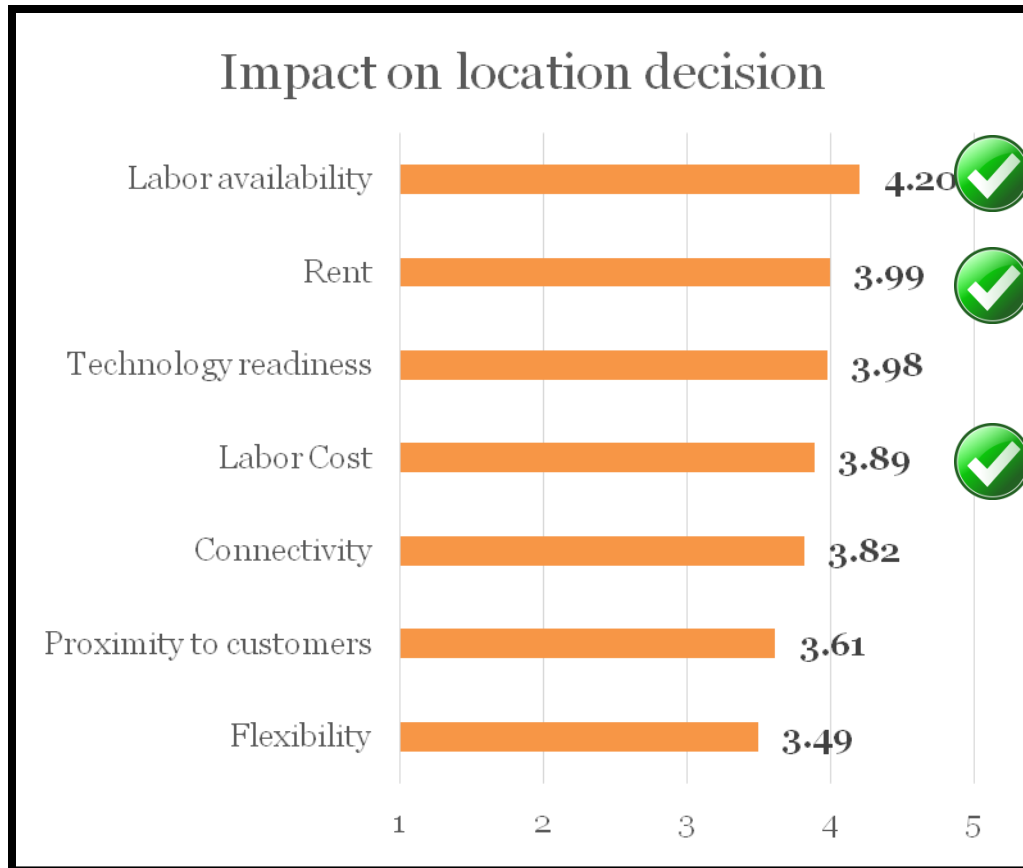


- Canada
- Ontario
- British Columbia
- Quebec
- Alberta



# Medium term view looks good for Edmonton, either scenario

## 1. Diversification Potential



Or 2.

- Oil & Gas Sector Rebounds
- Old Edmonton returns

Edmonton Best Bets either scenario:

- Industrial
- Rental
- Multi-family mixed use

# Discussion Time

Questions: [Wendy.Waters@gwira.com](mailto:Wendy.Waters@gwira.com)



@Wendy\_Waters