

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 - 10th 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



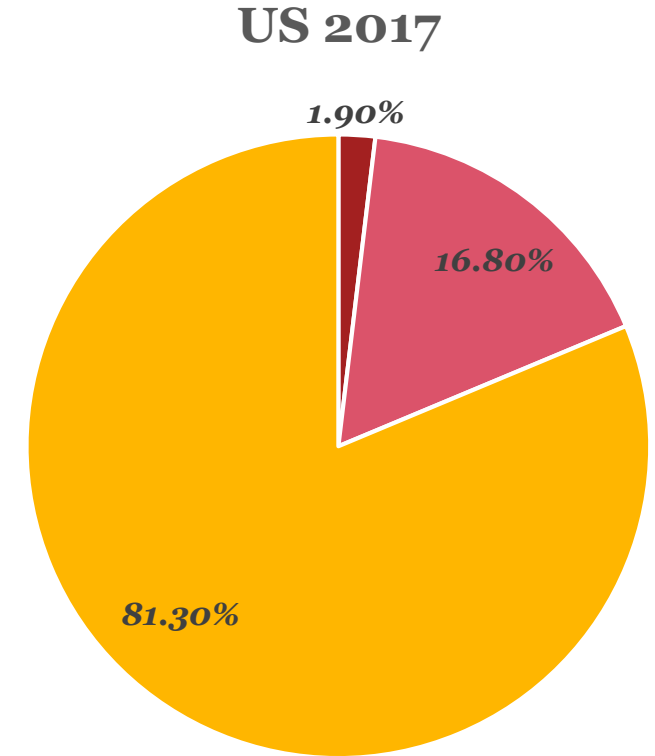
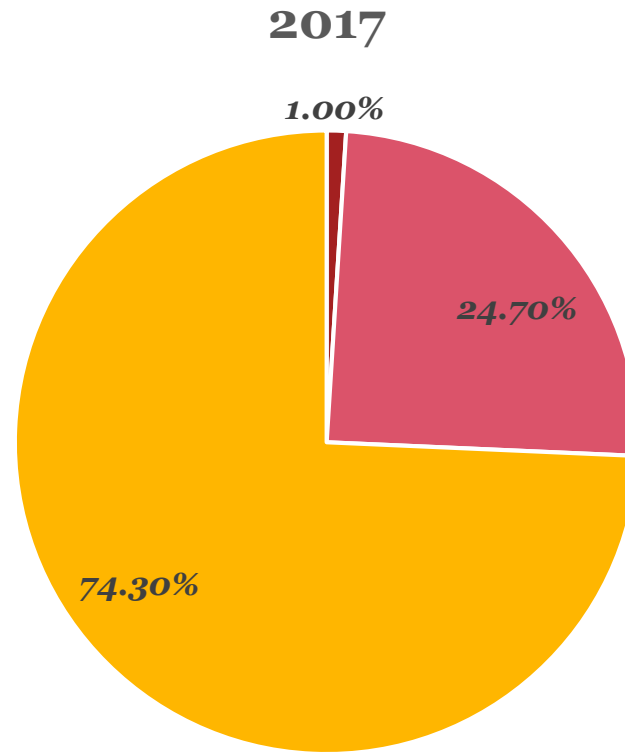
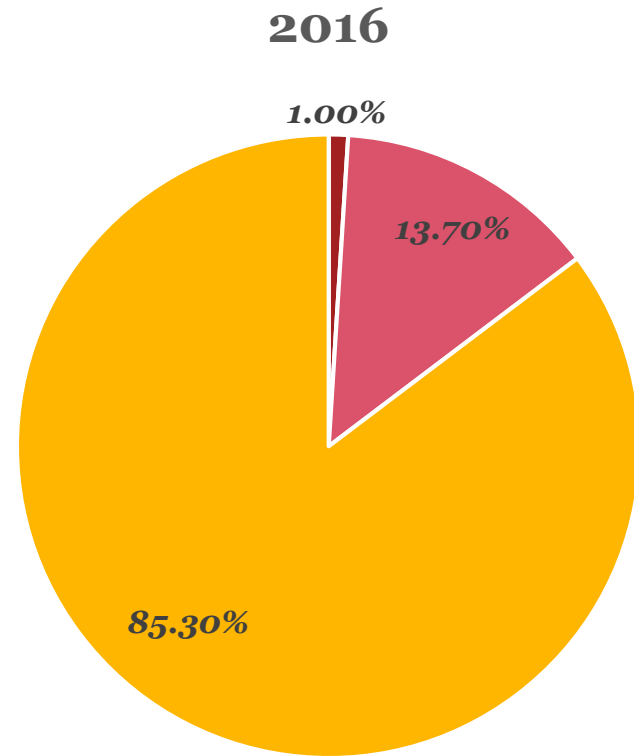
**Emerging Trends
in Real Estate®**

Canada and the United States 2017

Market sentiment



Profitability expectations

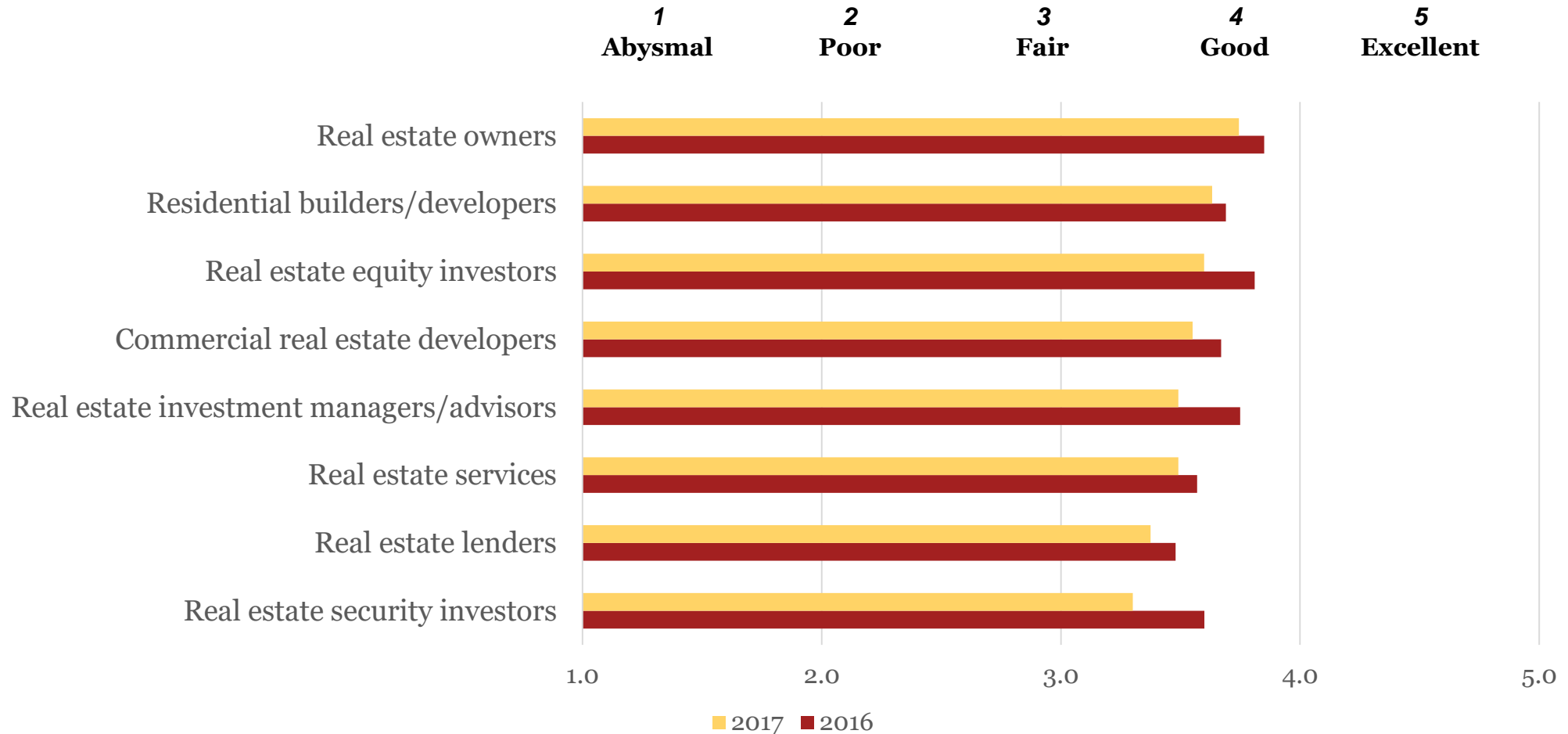


■ abysmal to poor ■ fair ■ good to excellent

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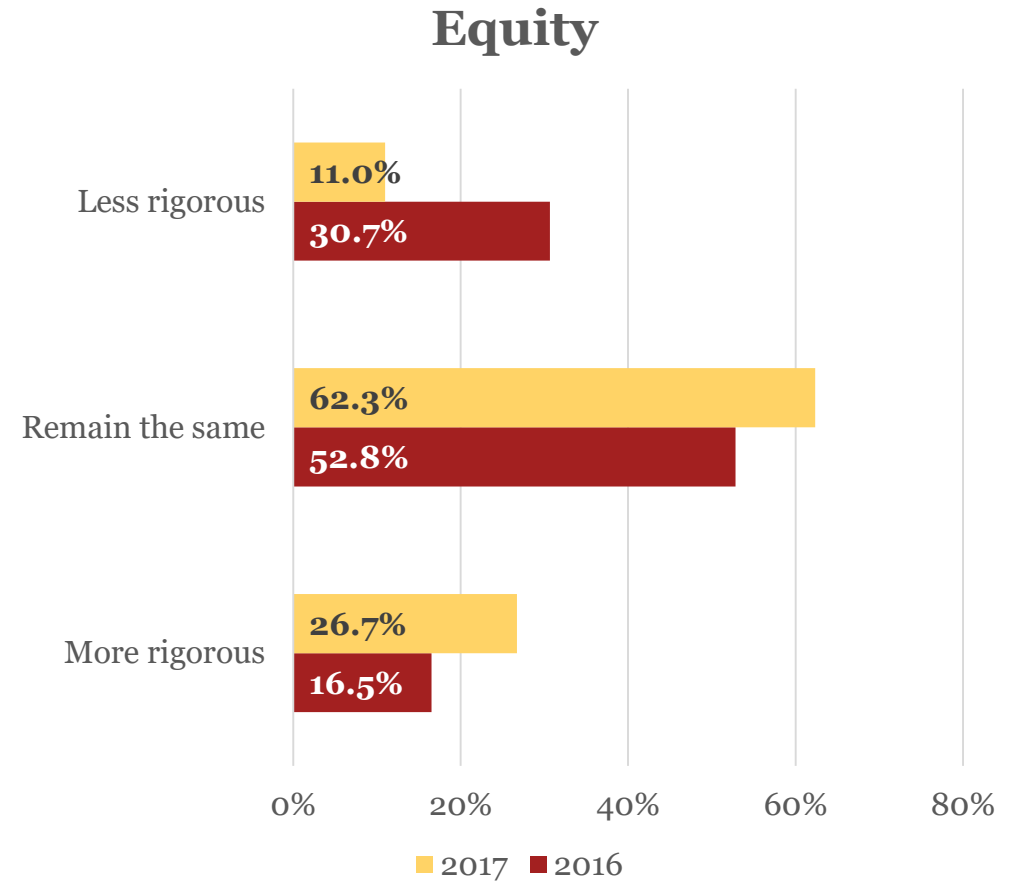
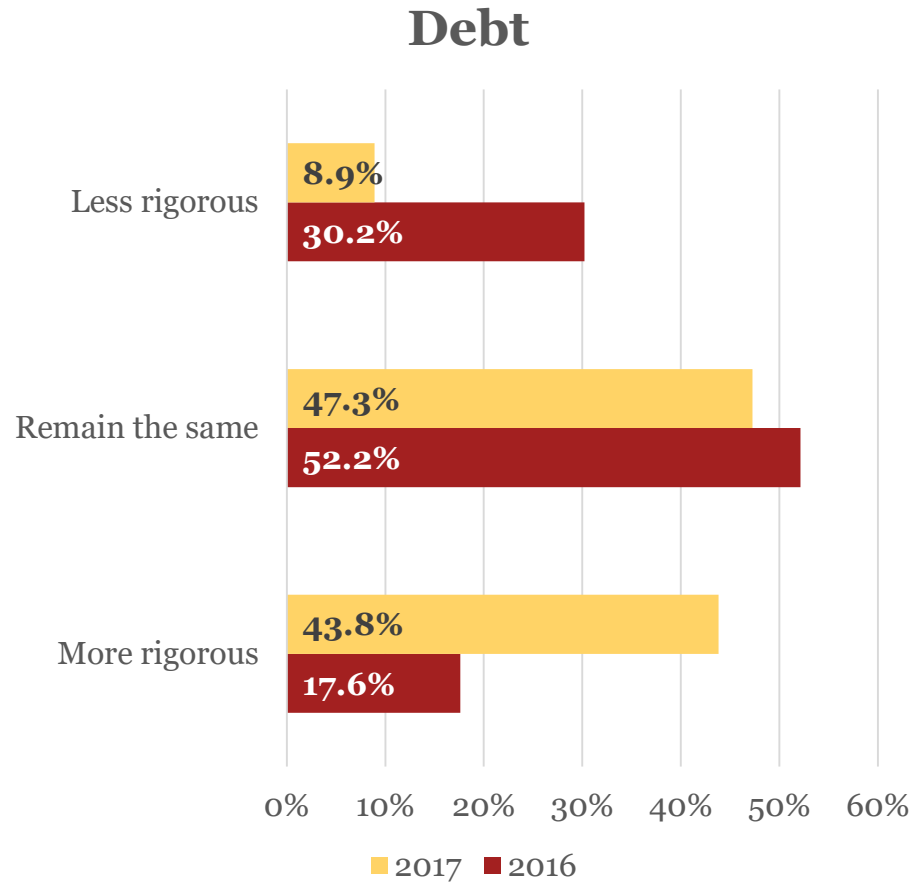
Business prospects



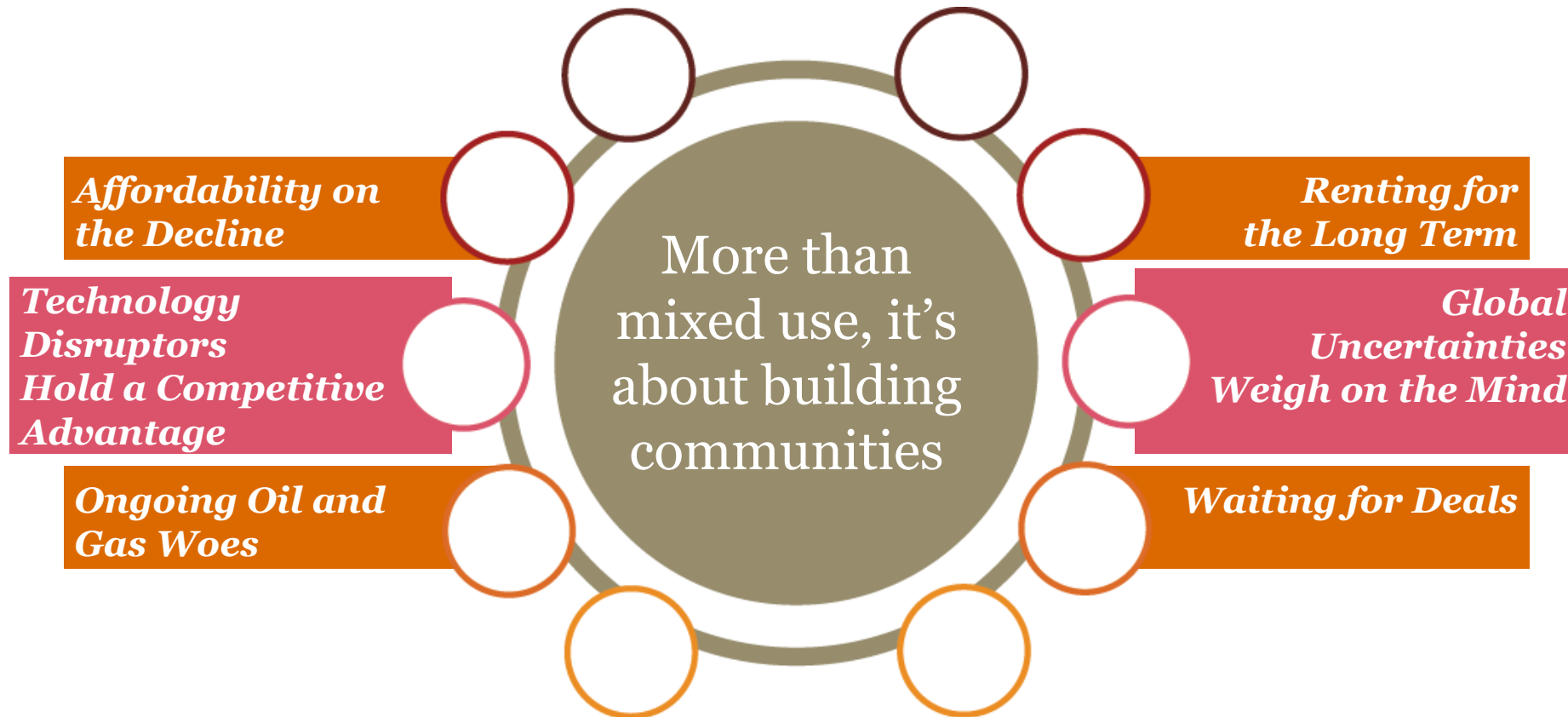
How would you describe the 2017 real estate market? Here is what respondents said



Underwriting criteria adjust to the environment



Emerging Trends: Reflect market sentiment



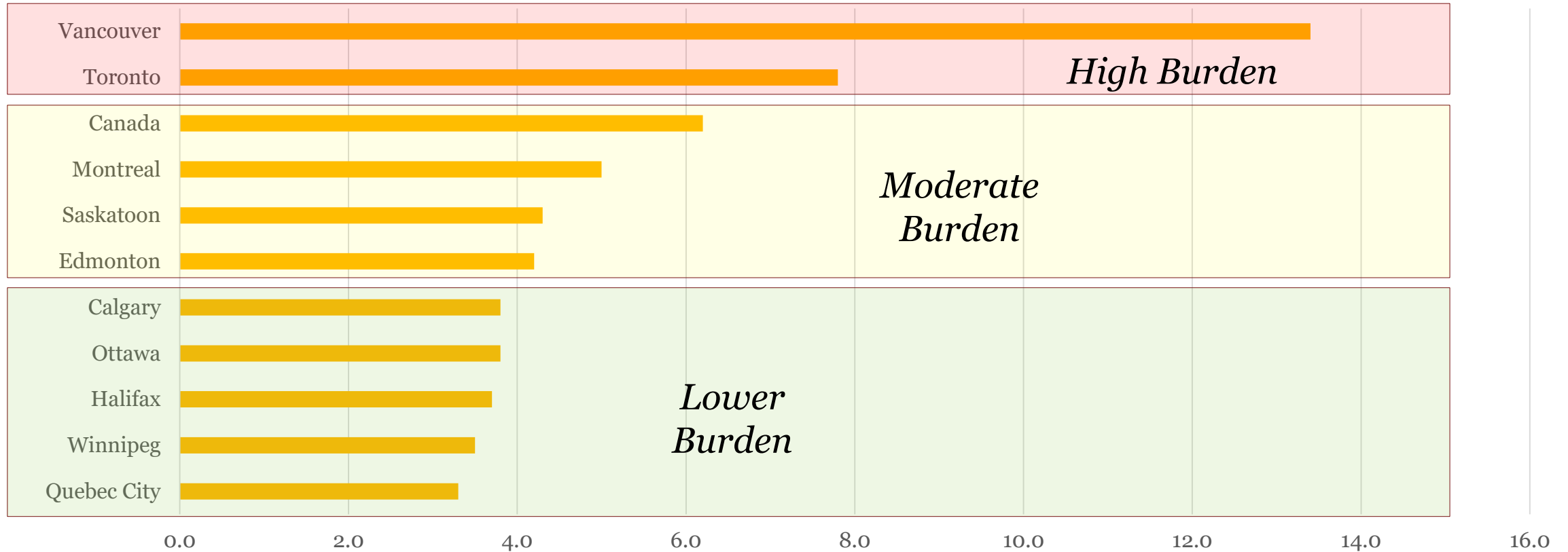
More than mixed use, it's about building communities

- 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

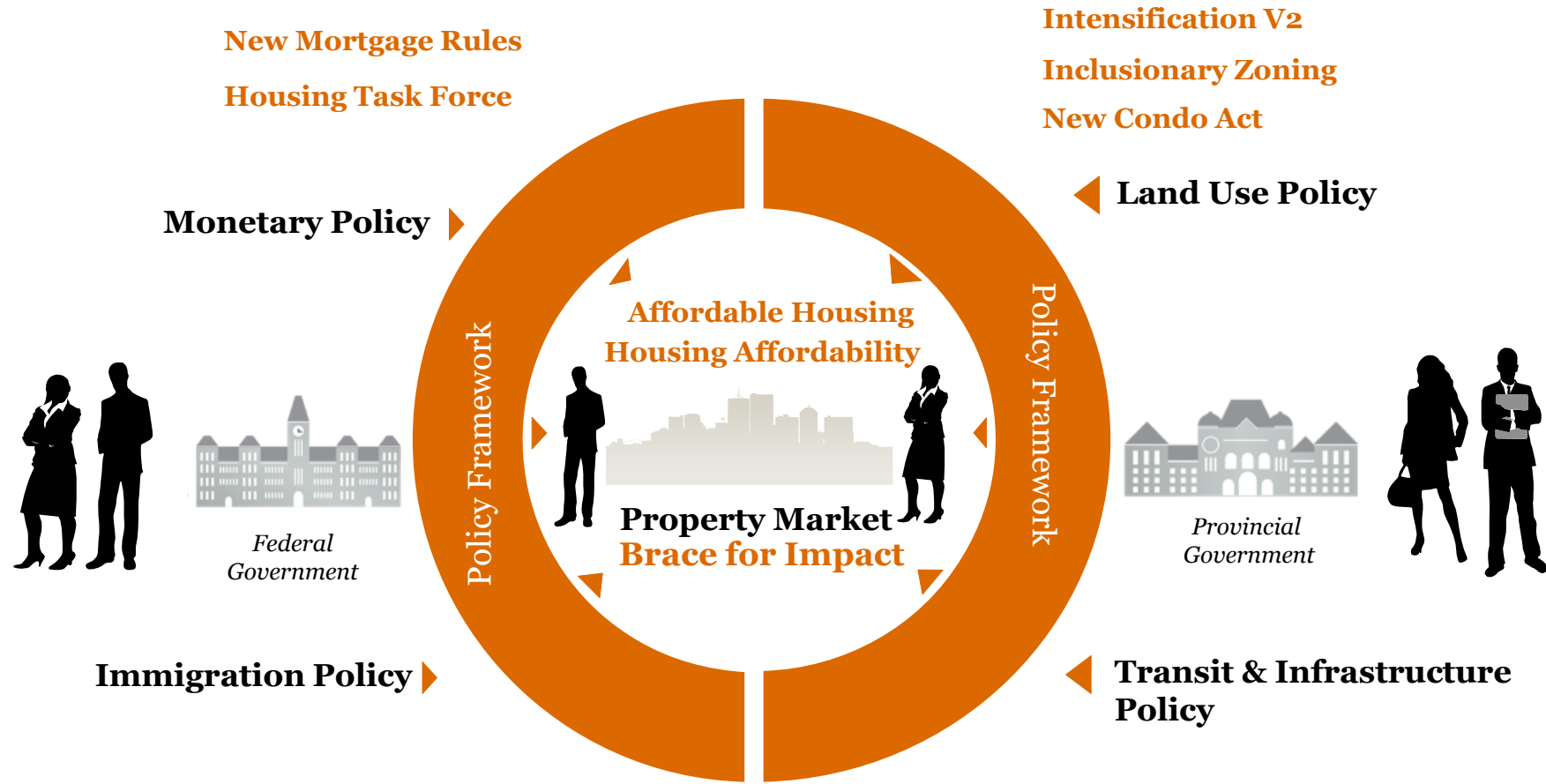


Affordability on the decline

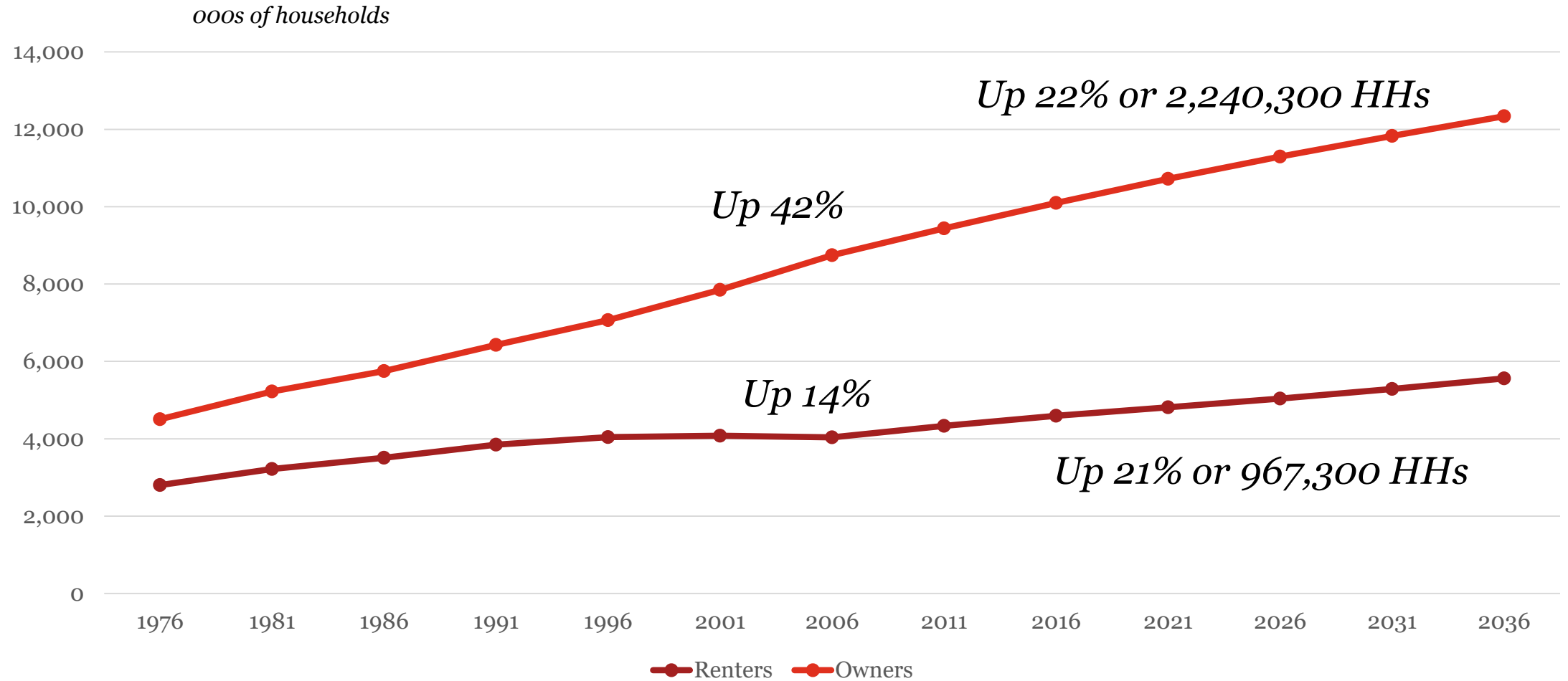
2016 Forecast price-to-income ratio



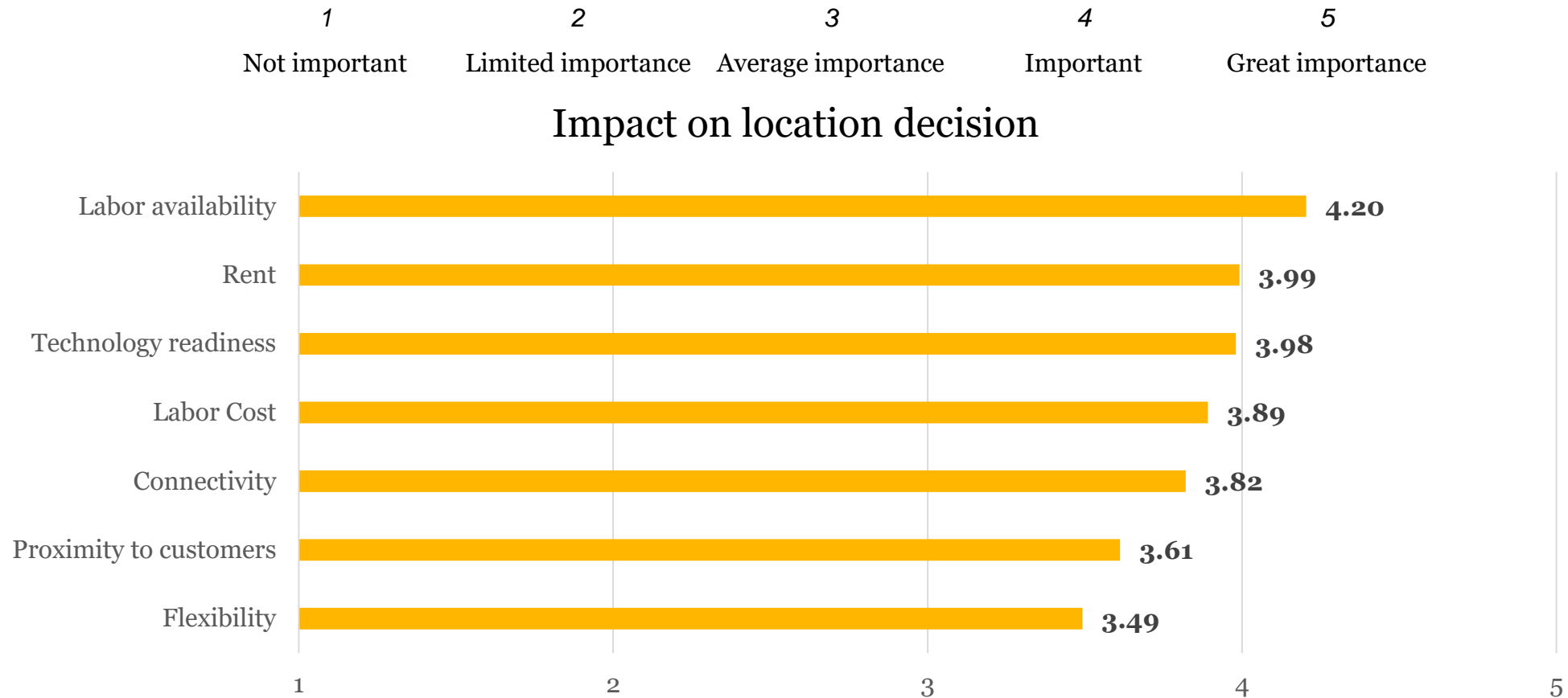
Property Markets Operate in Policy Framework



Renting for the long term

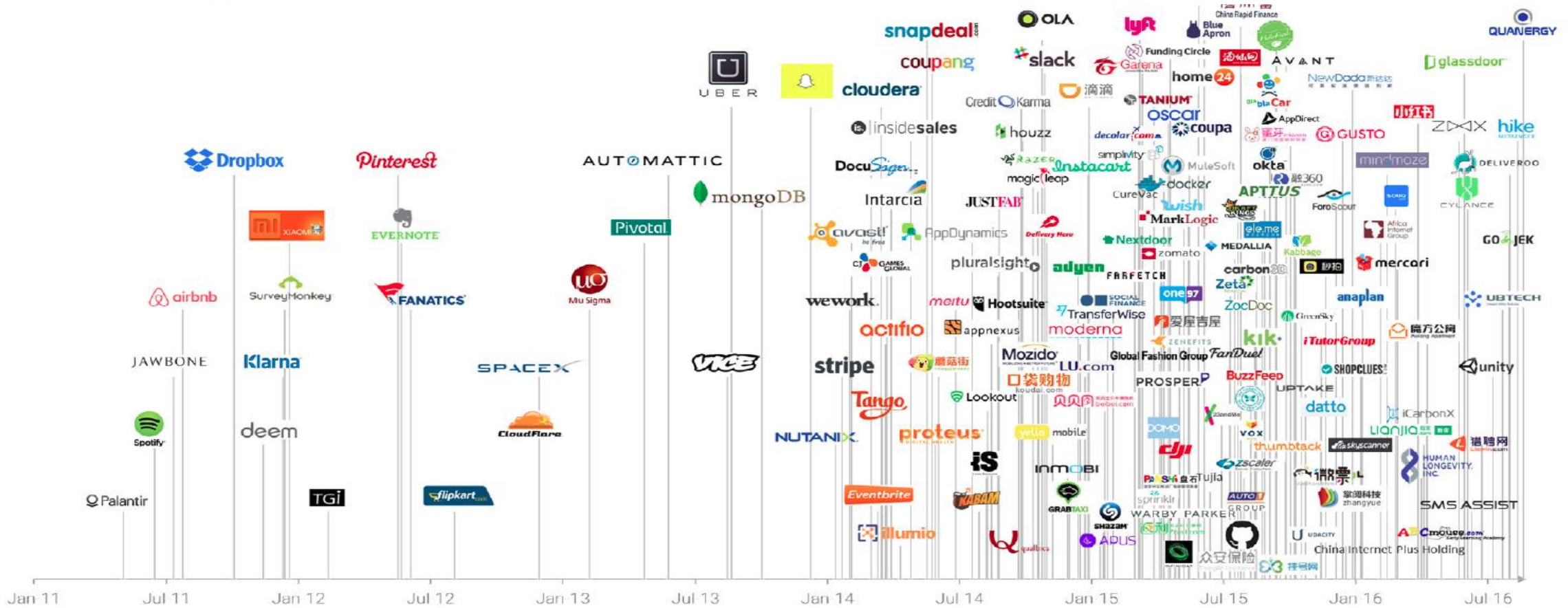


Technology disruptors hold a competitive advantage

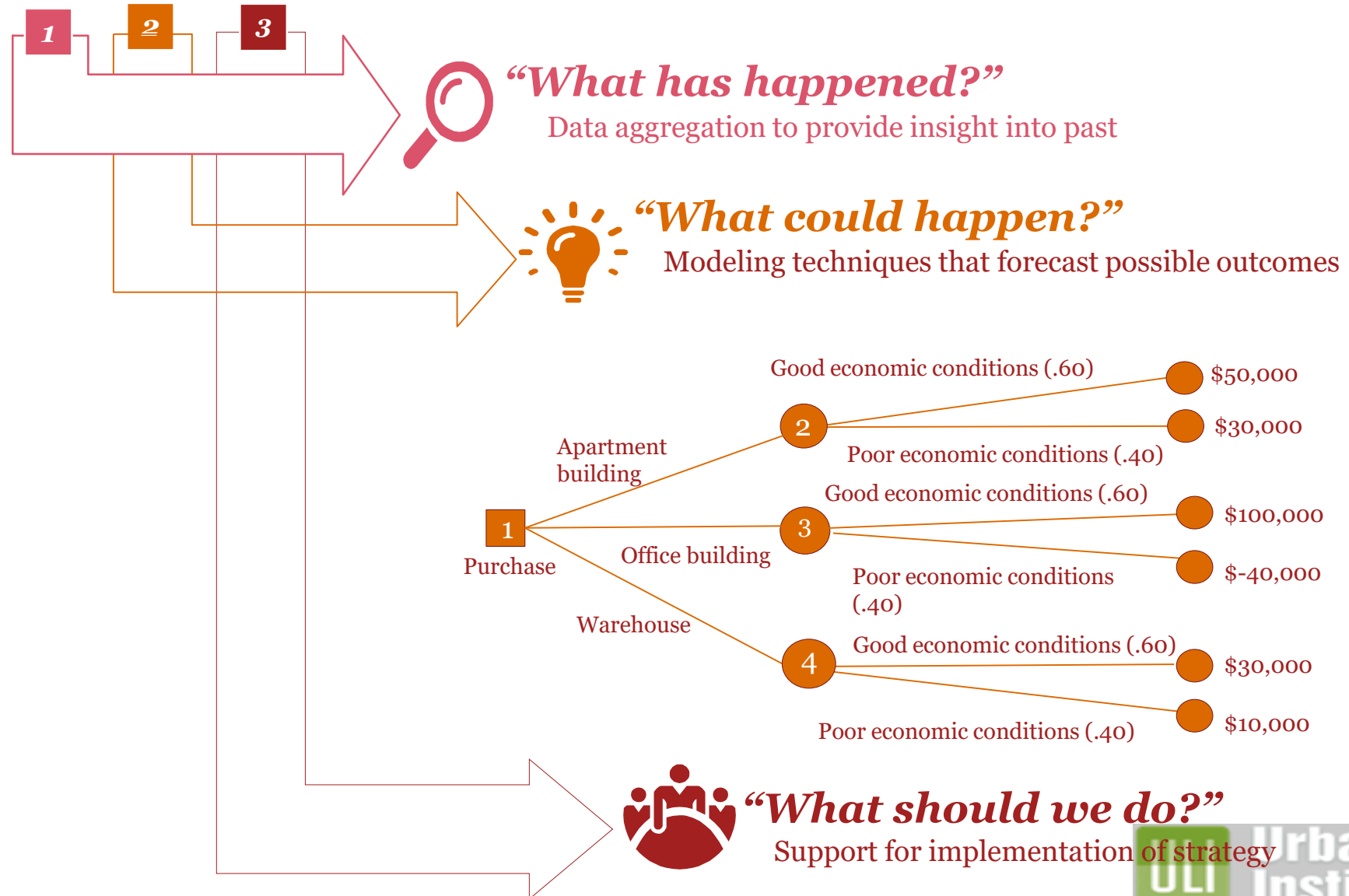


“We’re getting to the point where if people don’t recognize technologies are existing and, moreover, how to integrate them, opportunities are being missed.”

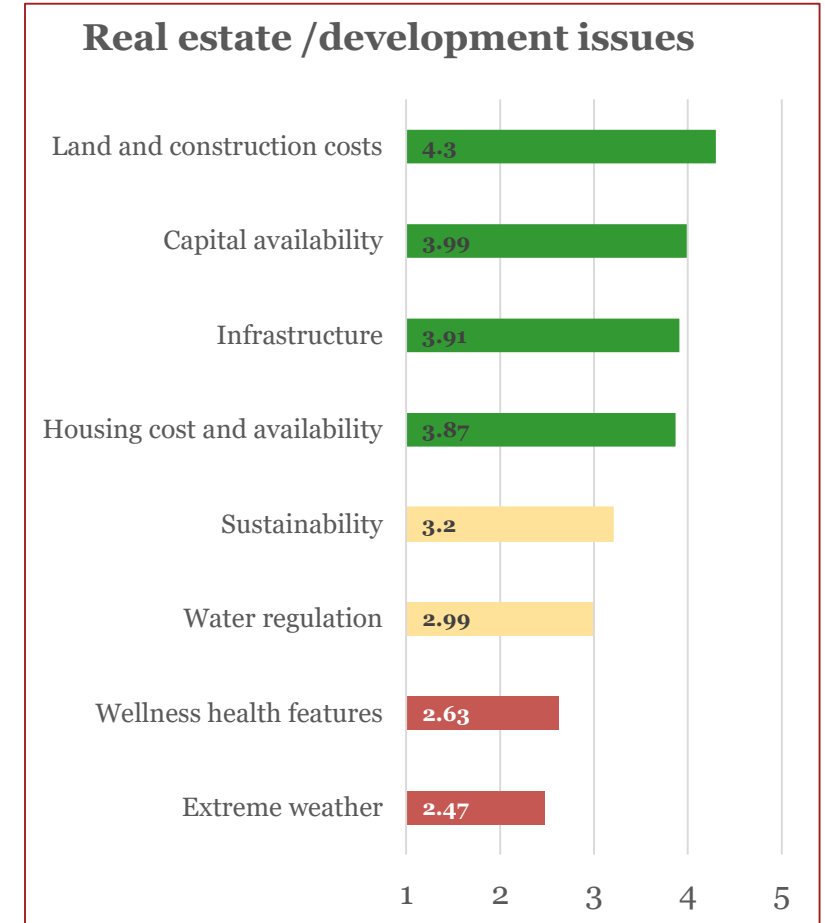
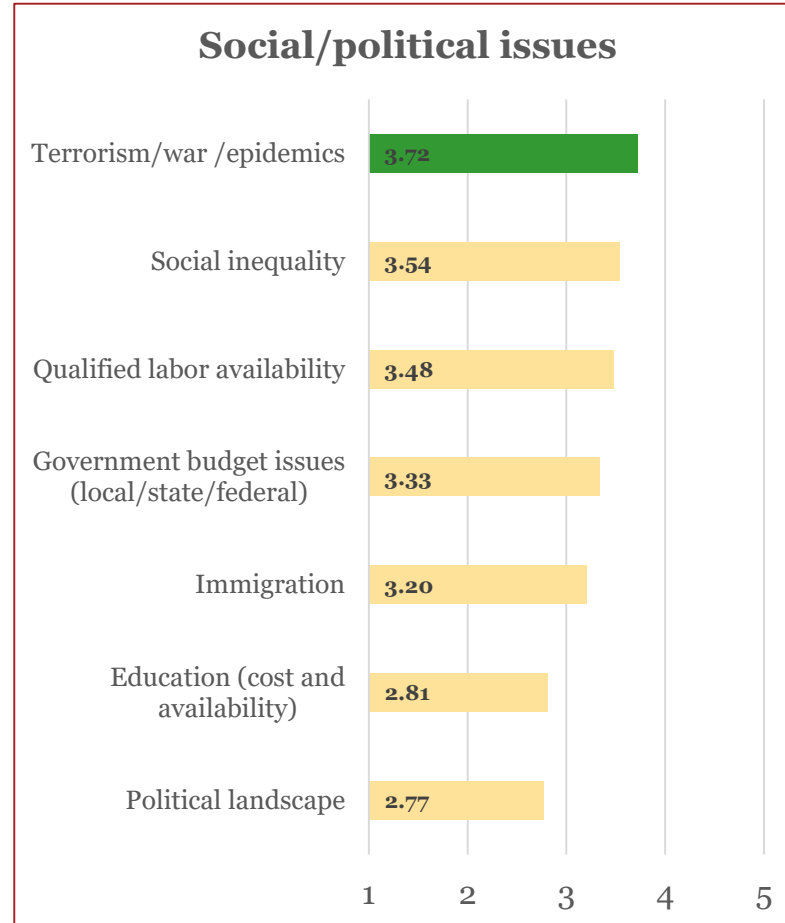
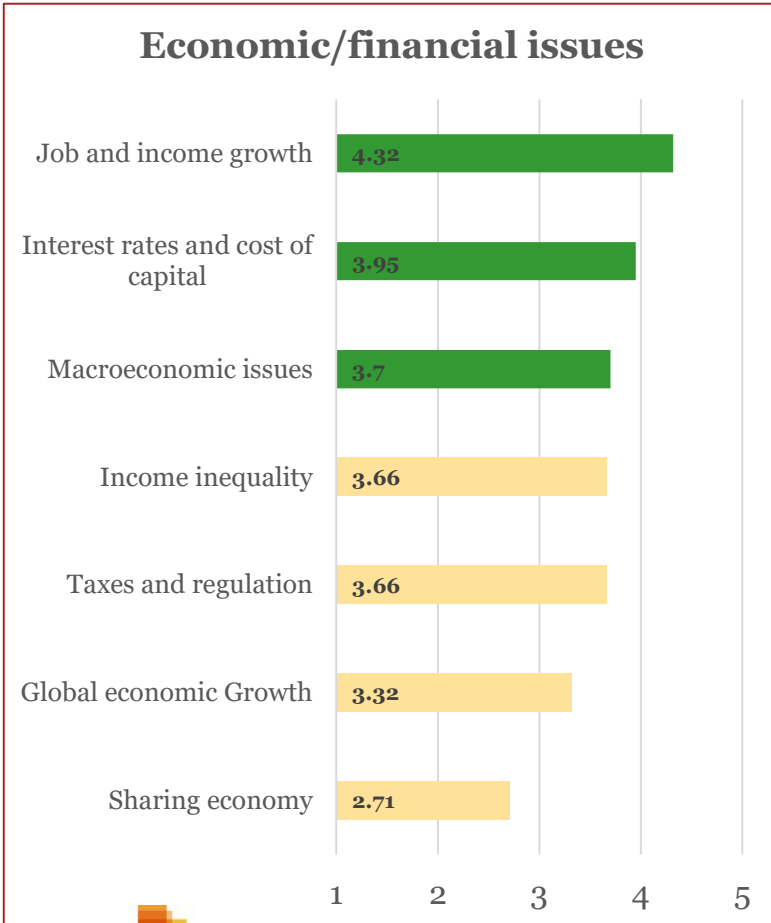
Increasingly Crowded Unicorn Club - 176 Co's each valued at \$1 Billion+



Data is King



Global uncertainties weigh on the mind



Ongoing oil and gas woes

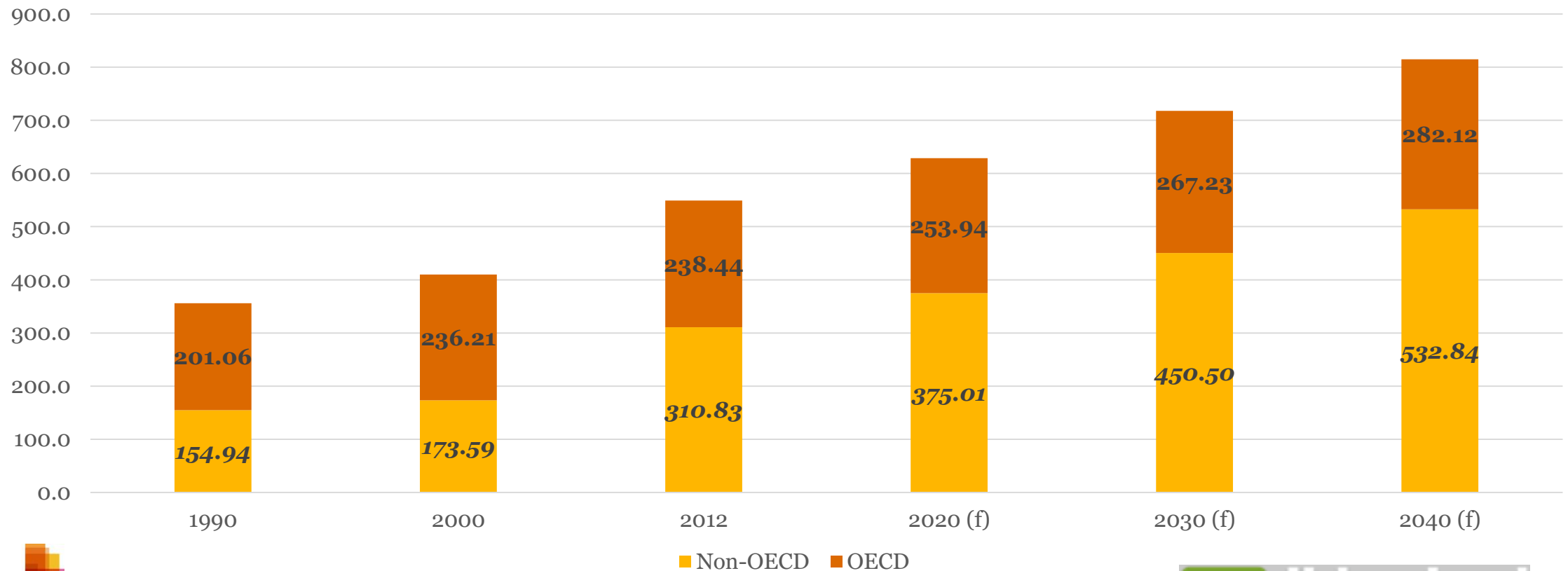
2016 WTI Spot Price



Ongoing oil and gas woes

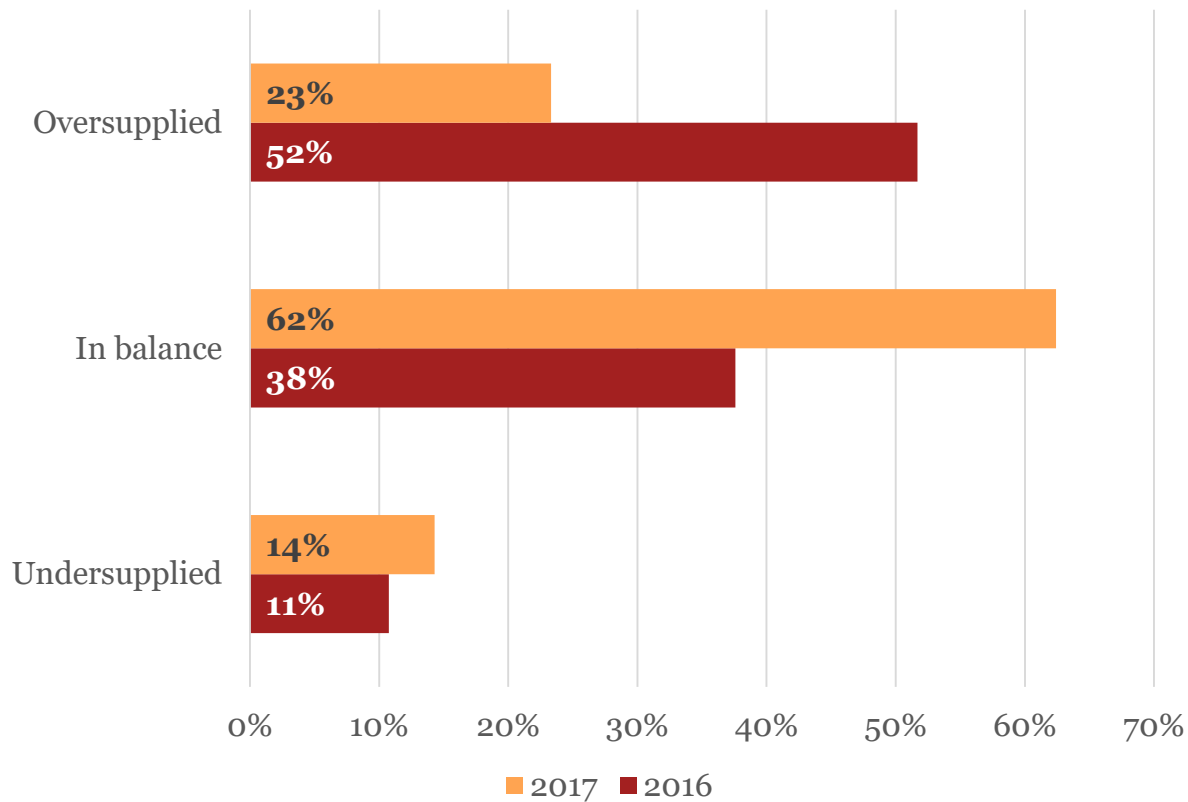
Energy consumption will rebound, but will price improvement continue?

World energy consumption, 1990-2040 (quadrillion Btu)

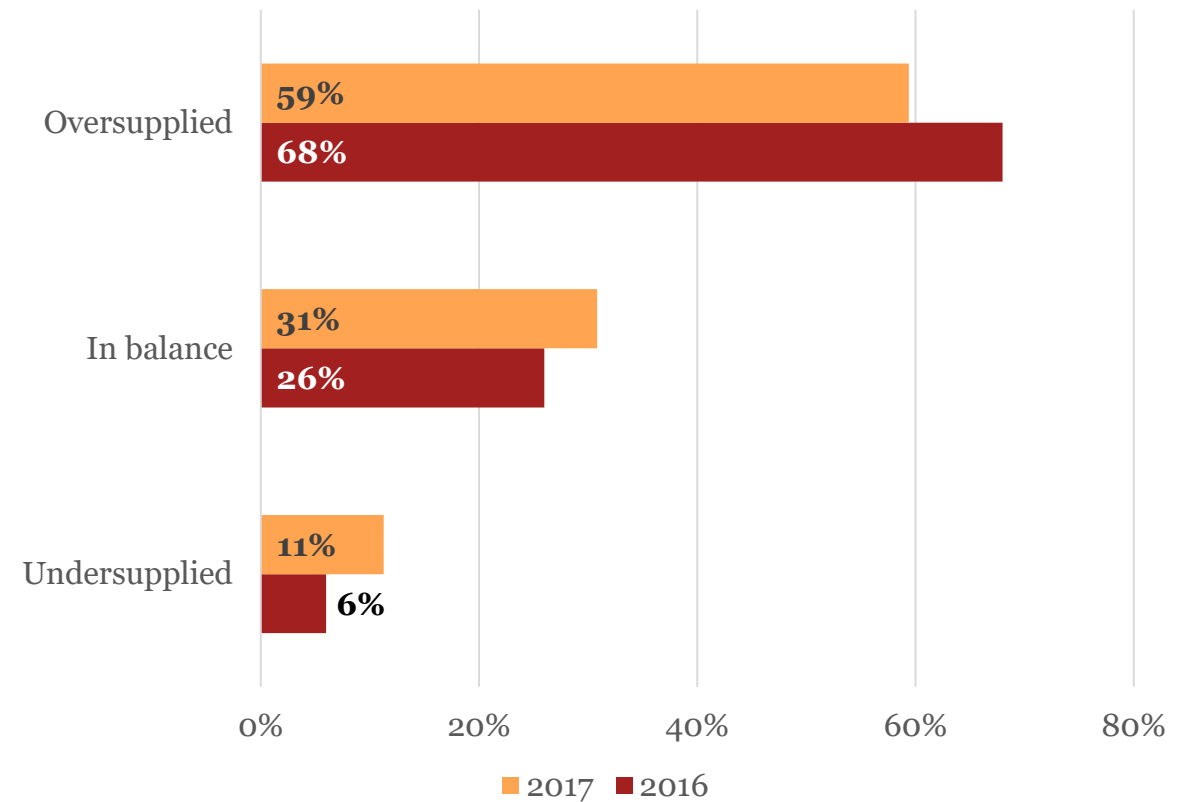


Waiting for deals

Debt capital for acquisition



Equity capital for investment



2017 Expected best bets

*Urban mixed-use
developments*



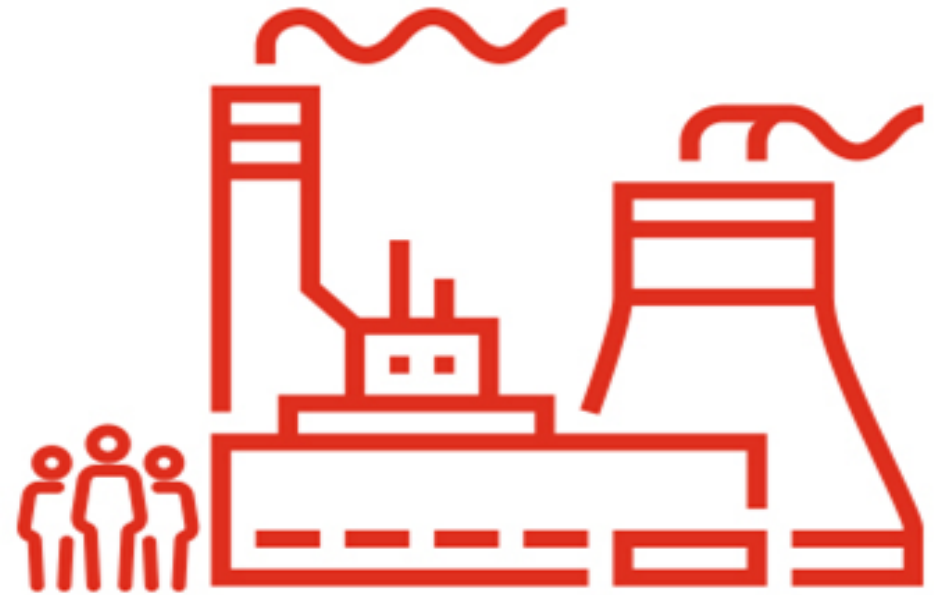
*Purpose-built multi-
family rentals*

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

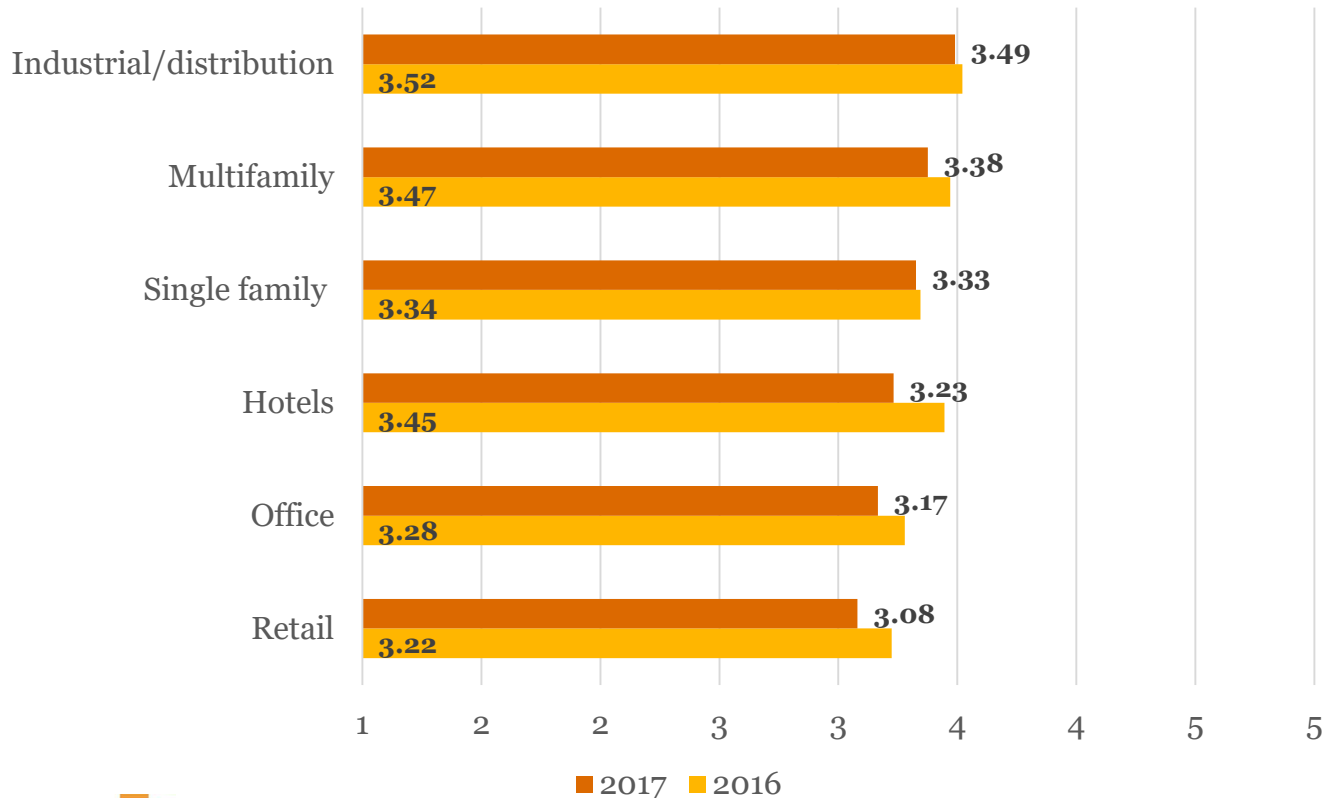
Retail



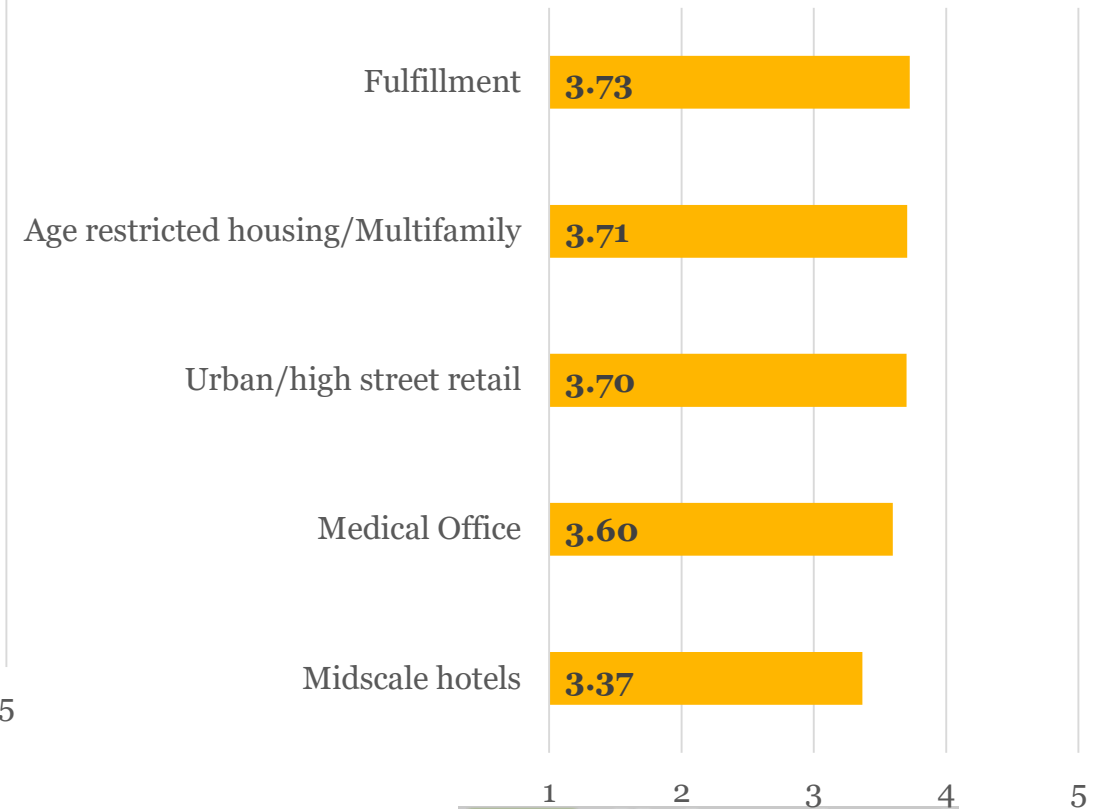
Investment outlook

1 Abysmal 2 Poor 3 Fair 4 Good 5 Excellent

Major sectors



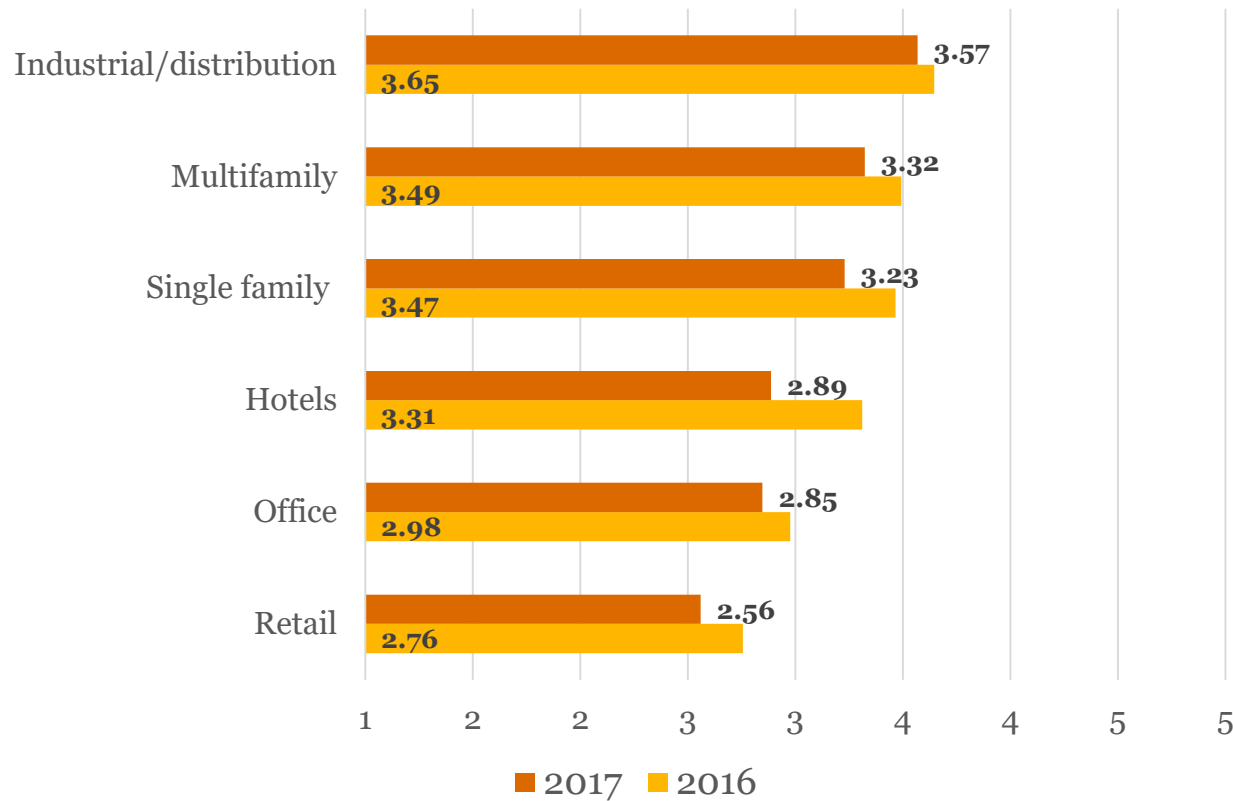
Top subsectors for 2017



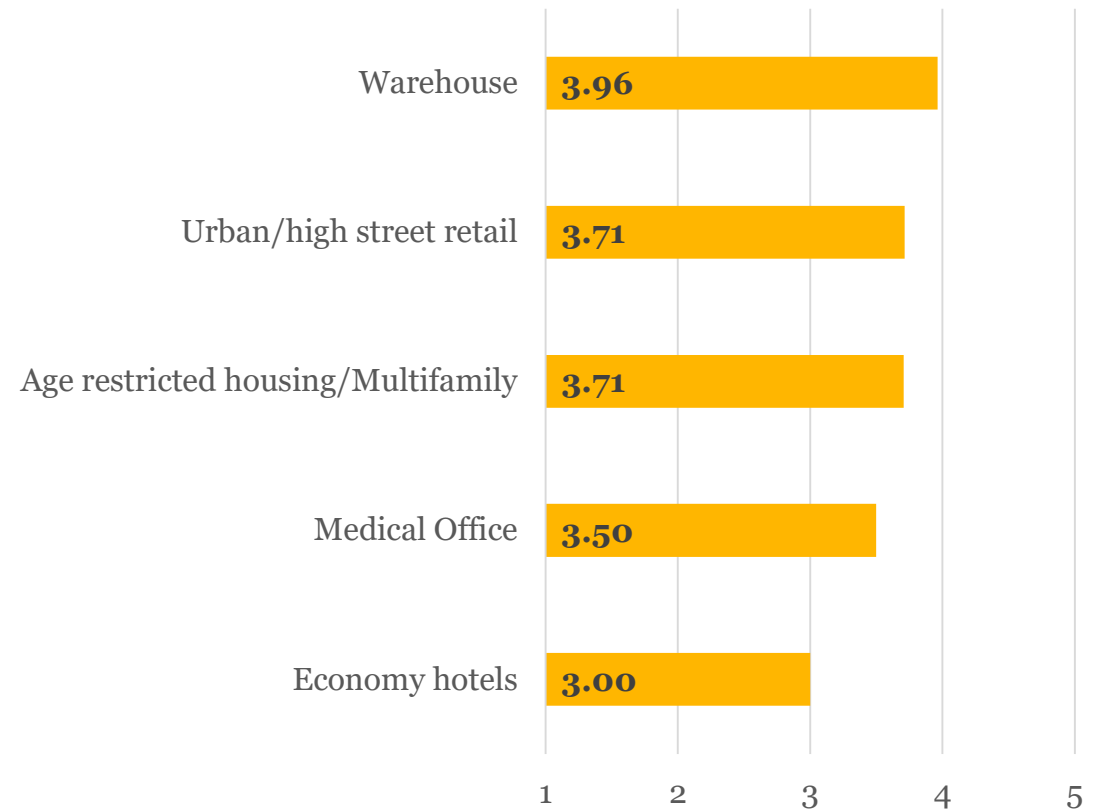
Development outlook

1 Abysmal 2 Poor 3 Fair 4 Good 5 Excellent

Major sectors

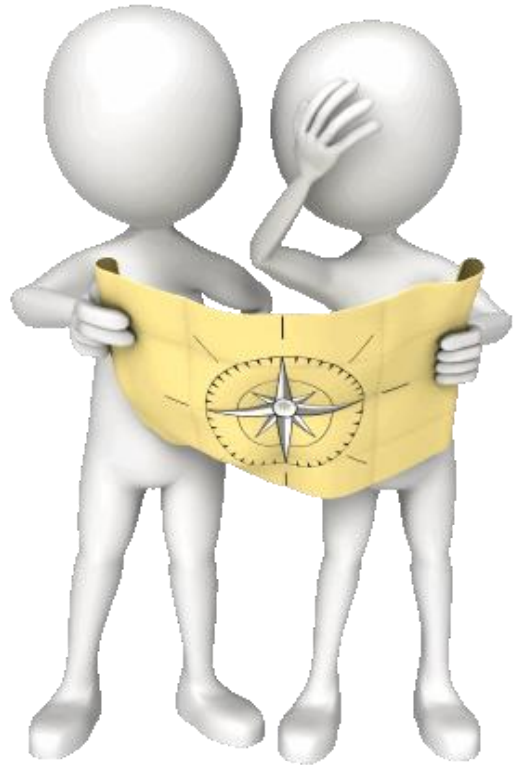


Top subsectors for 2017



Markets to watch

2017 markets to watch



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

ULI Emerging Trends

Calgary's Challenges and Opportunities

Wendy Waters

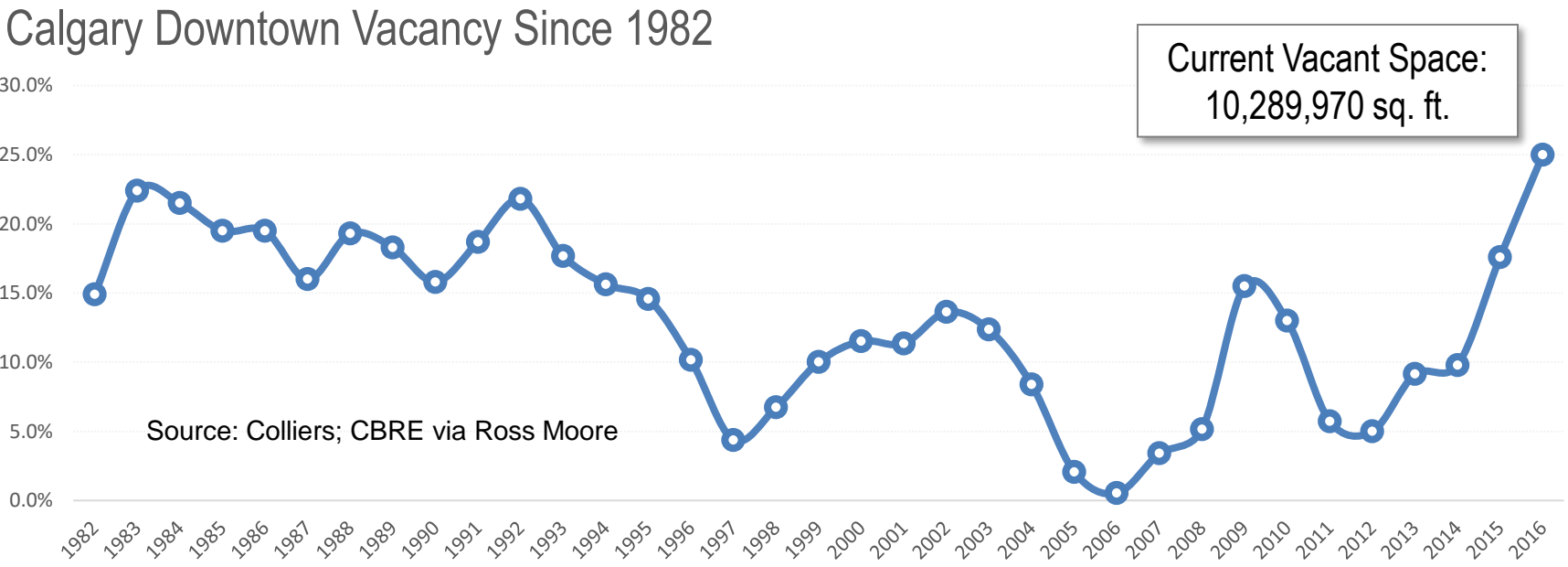
Senior Director, Research Services & Strategy

GWL Realty Advisors

11 January 2017



Calgary's challenges: Downtown office vacancy; need to diversify



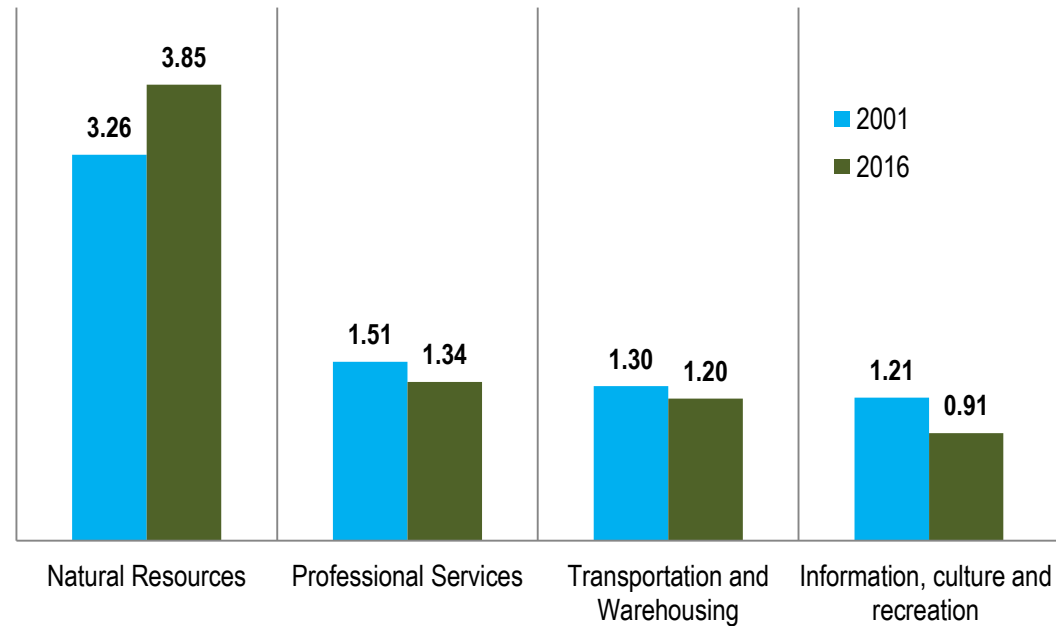
	Average Annual Absorption	Years of Supply	To Balanced Market (8% vacant)
1982-2016	433,679	24	19
2004-2014	757,530	14	11
1994-2003	378,757	27	22

WTI = \$52
 Unemployment = 10.2%

Data: CBRE

Calgary lost economic diversity during the oil boom

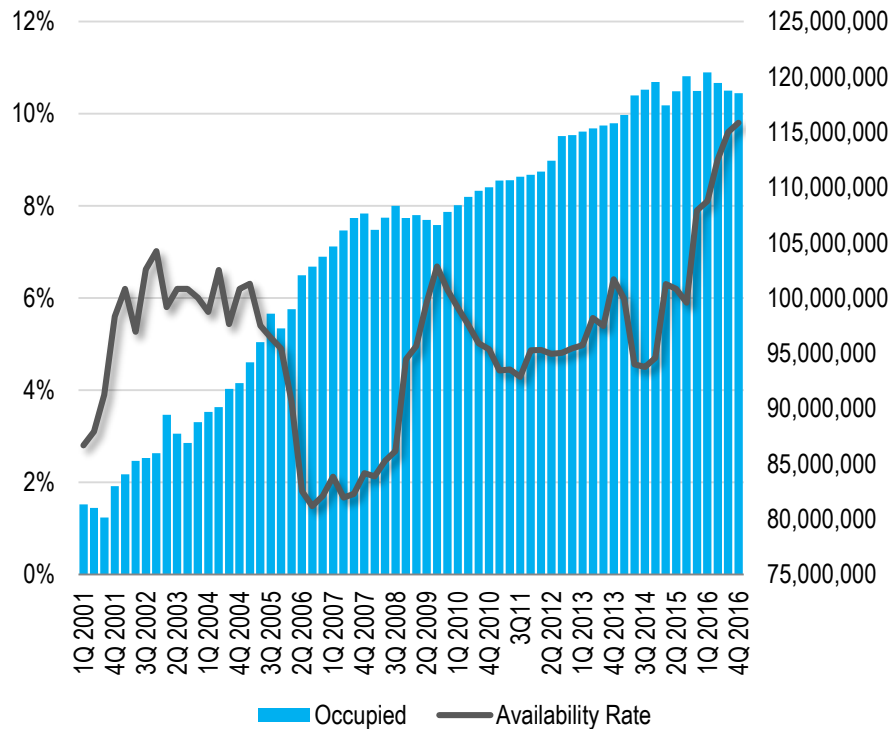
Economic Drivers (Location Quotients). Relative Weights. Change 2001-2016



Data: Labour Force Survey; GWLRA Calculations.

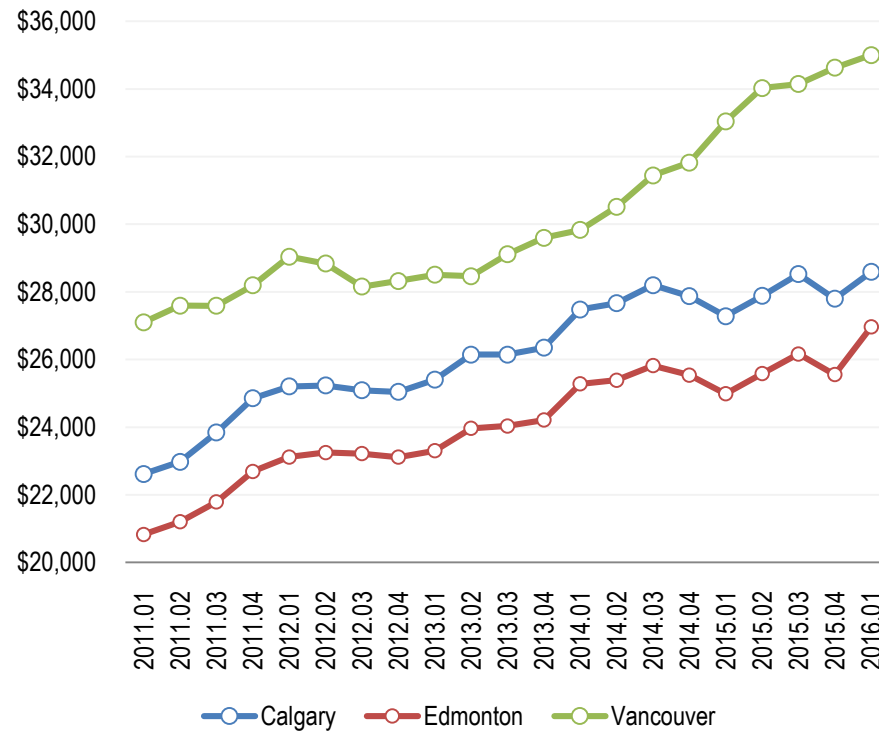
Calgary's promising features. Calgary Industrial real estate demand more stable on strength of growing Canadian distribution requirements, serving local economy

Calgary Industrial occupied space and availability rate



Data: CBRE

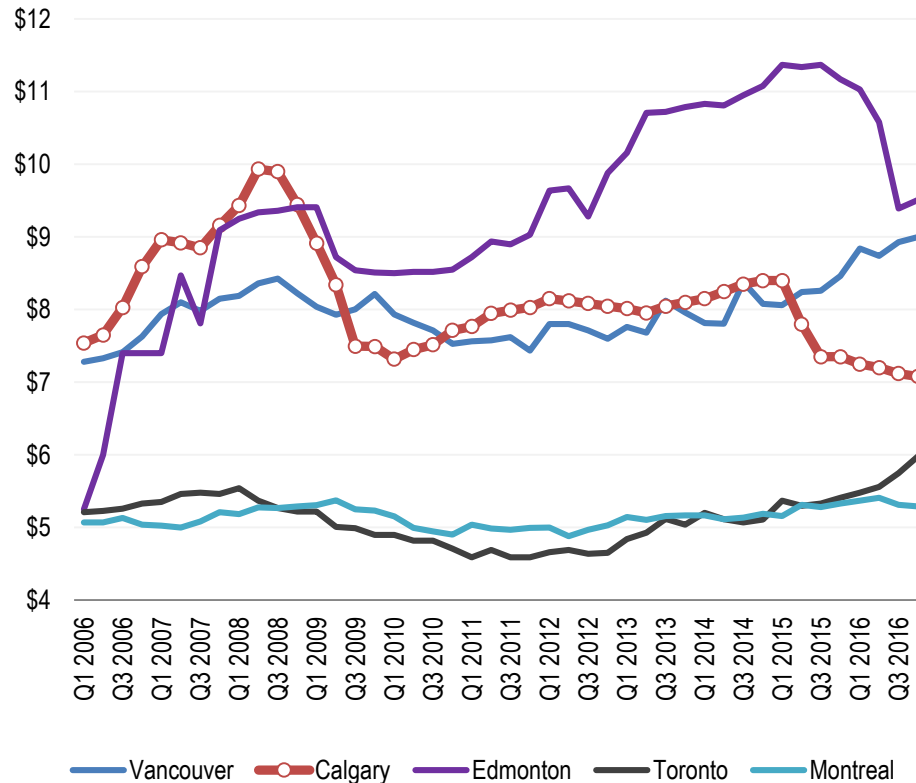
Retail sales trends X \$1,000,000



Data: The Conference Board of Canada

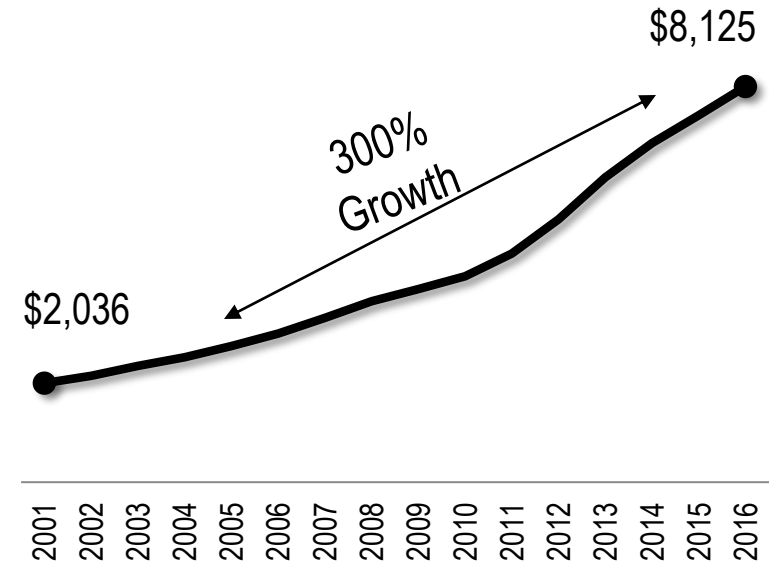
Calgary industrial rental rates lowest of major western Canadian markets. eCommerce expanding industrial requirements

Net Industrial Rents, selected cities



Data: CBRE

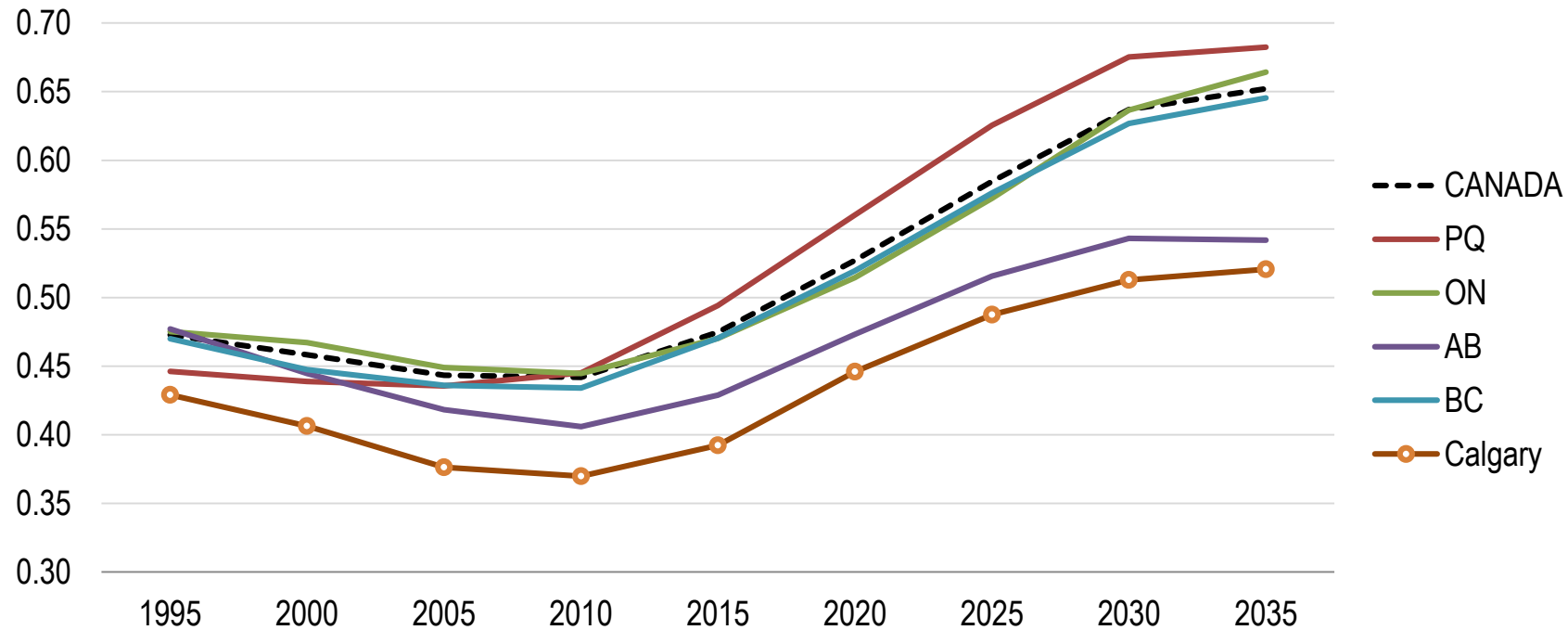
Canadian internet-based retail sales (\$ Millions) Data: Euro-Monitor



Data: Euromonitor

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

Dependency Ratios compared

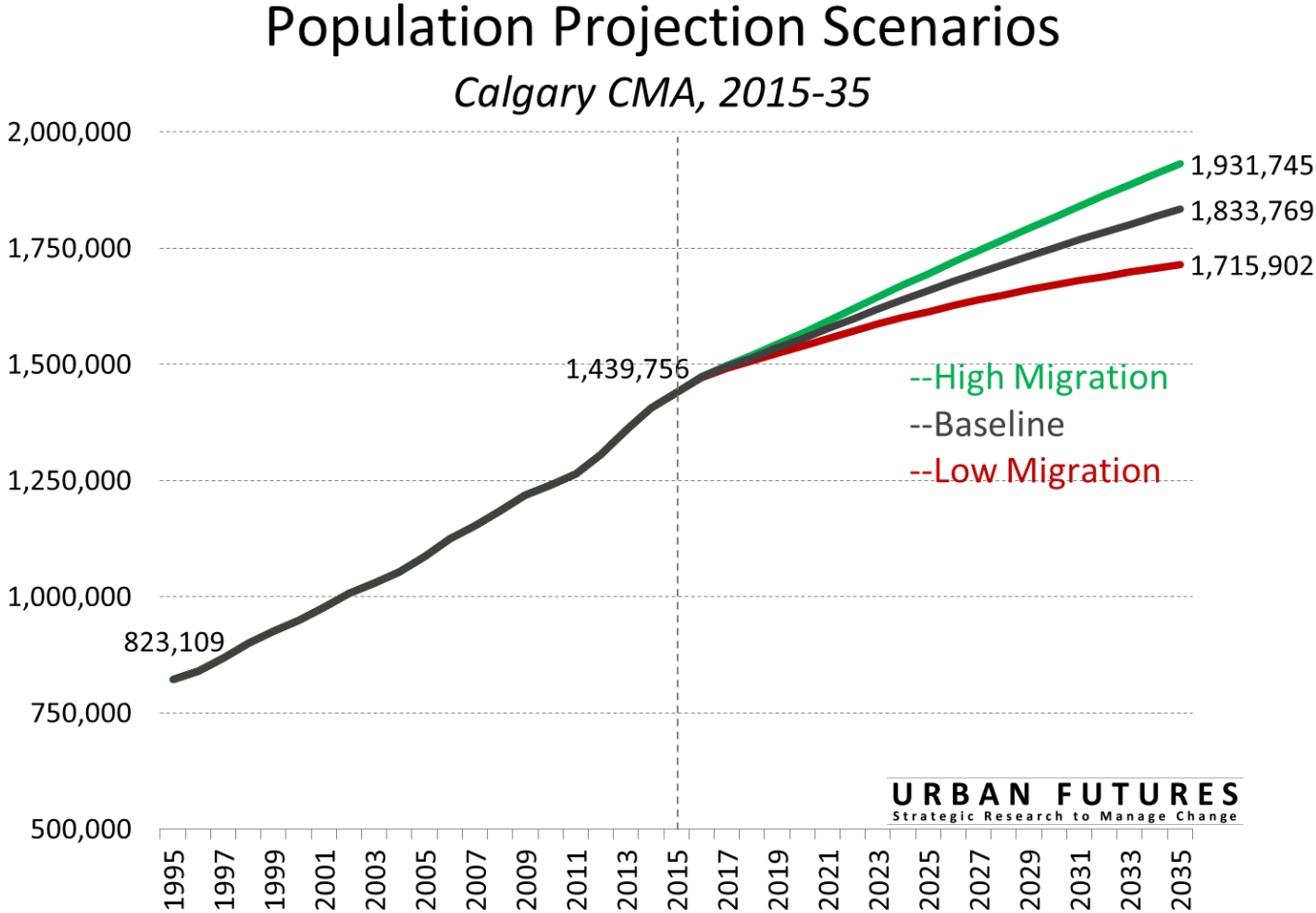


.39 = Calgary dependency ratio today

.48 = Canadian dependency ratio today

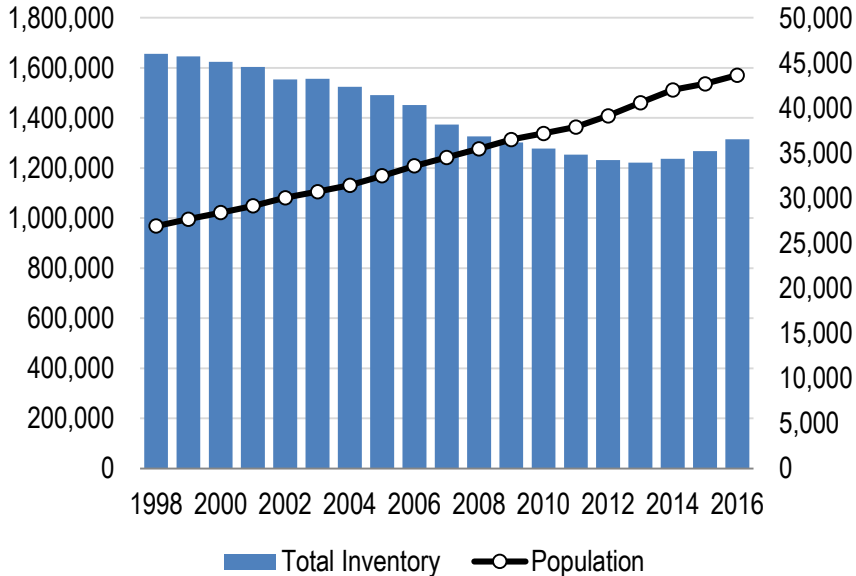
Data: Statistics Canada; Urban Futures.
GWLRA Calculations

By 2035, the region will add between 300,000 and 500,000 new residents. Accommodating this growth creates opportunity



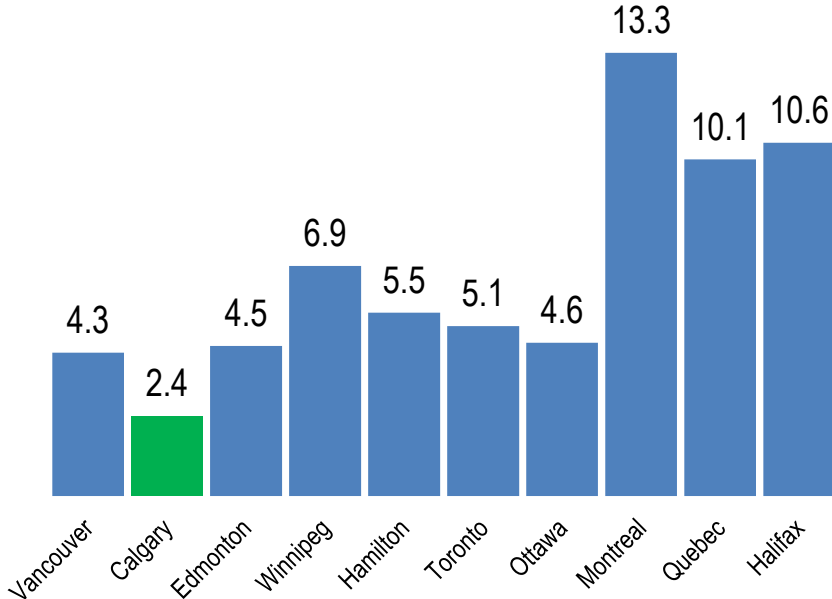
Opportunity: Calgary has Canada's lowest ratio of purpose-built rental housing

Calgary's Rental Apartment & Population Trends



Data: CMHC, Calgary Economic Development

Rental units per capita

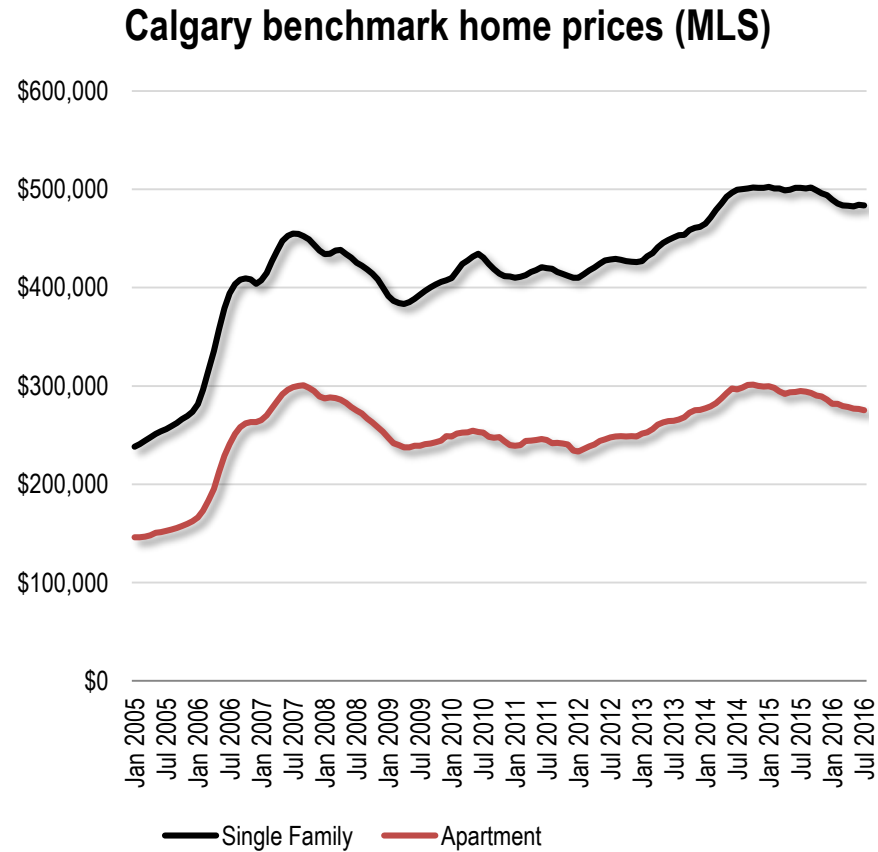
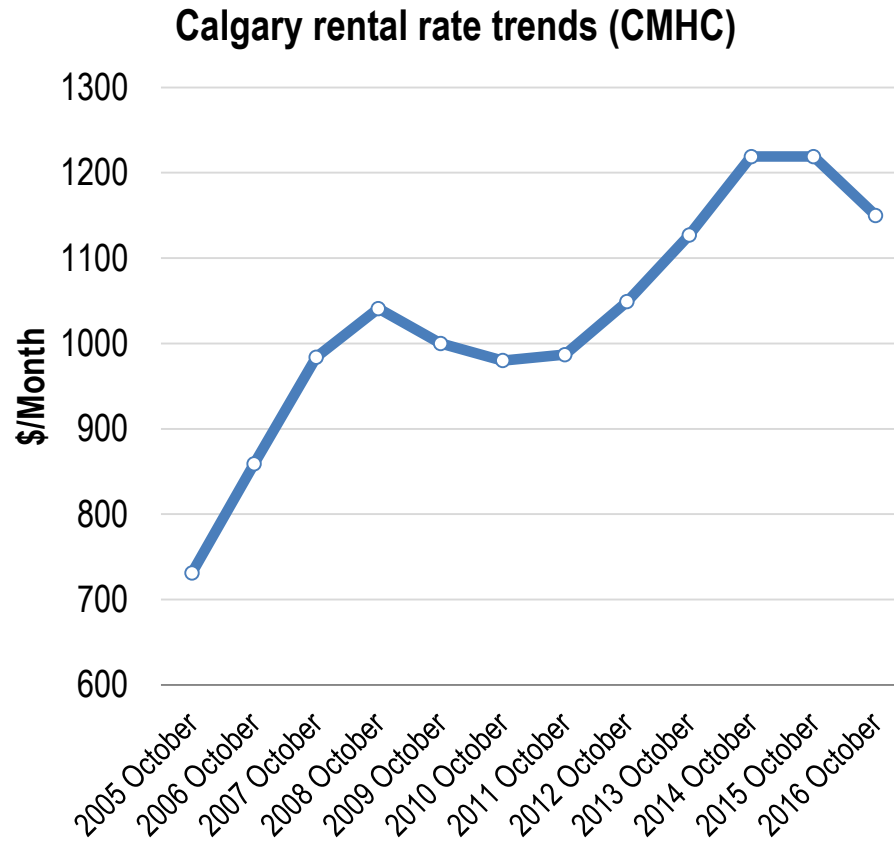


Source: Altus Group. 2014

GWLRA 2016 National Survey

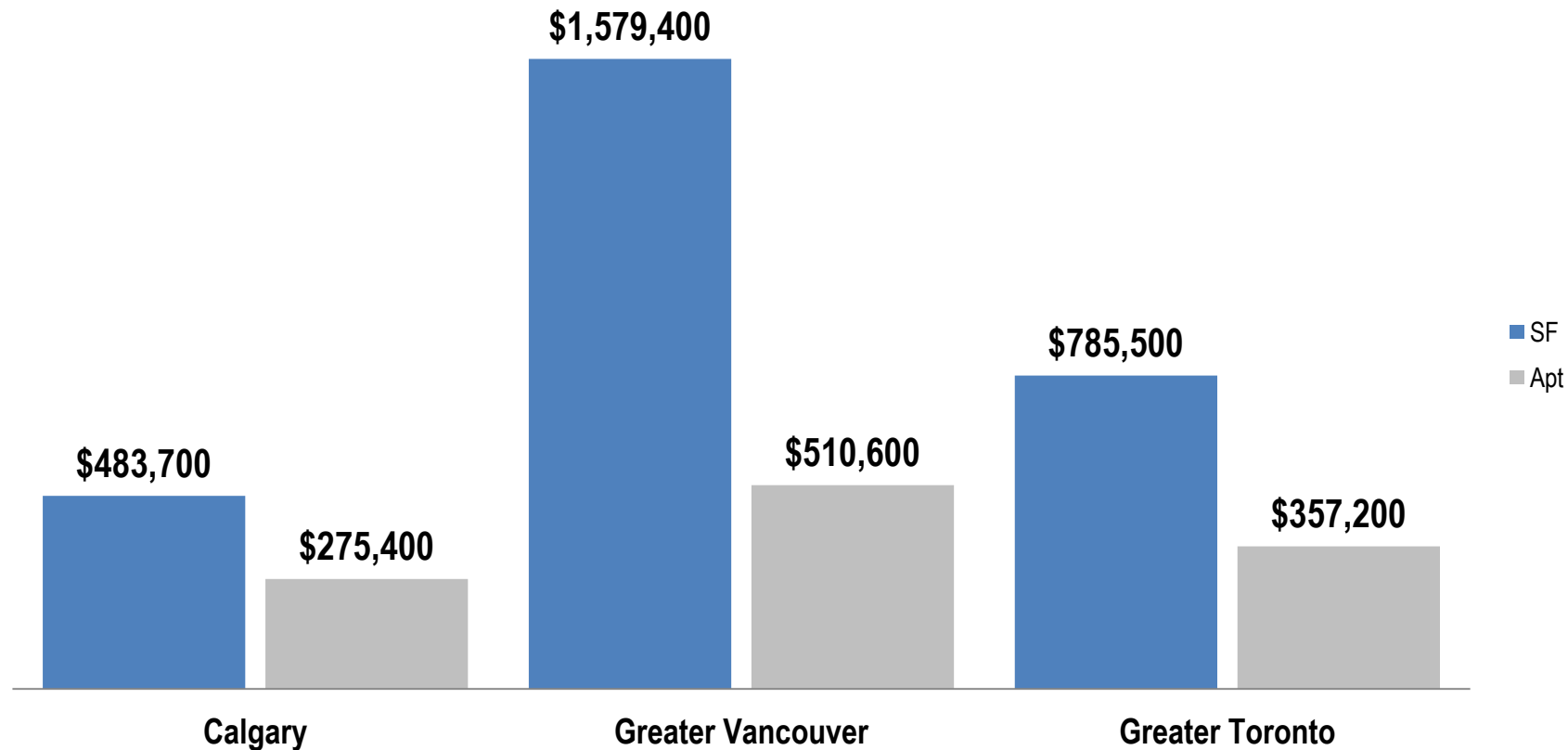
- Renters prefer purpose-built rental to condo;
- 2/3 surveyed would pay extra for PB rental

In Calgary, housing affordability is relative and elusive



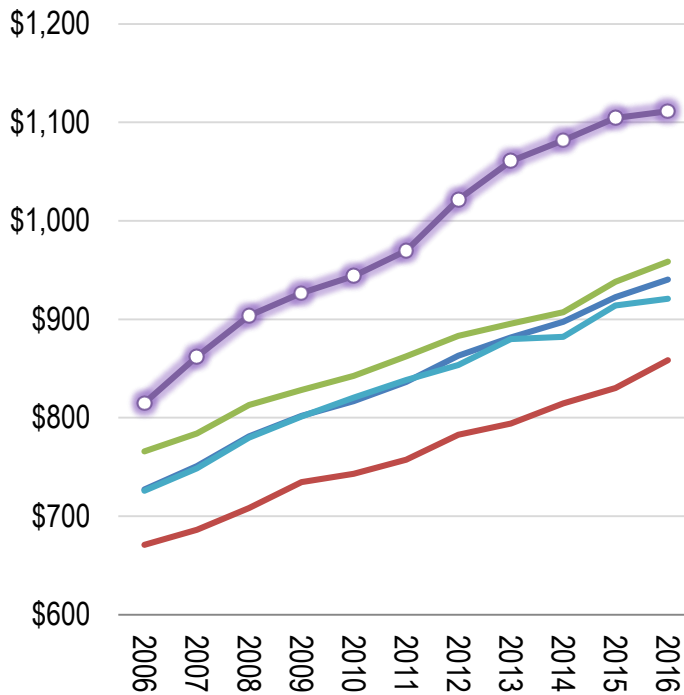
Calgary housing is more affordable to prospective migrants from Toronto or Vancouver

MLS Home Price Index, Benchmarks Compared (July 2016)



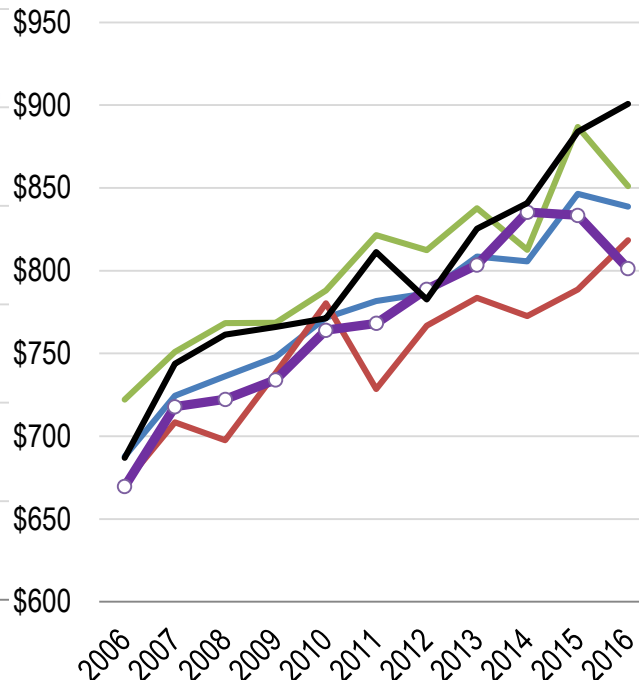
Time for Calgary to house some unicorn or Narwhal workforces? Alberta can compete for jobs with other provinces

**All Industries
Average Weekly Wages**



Canada
Ontario
British Columbia
Quebec
Alberta

**Info-Culture "Tech"
Average Weekly Wages**



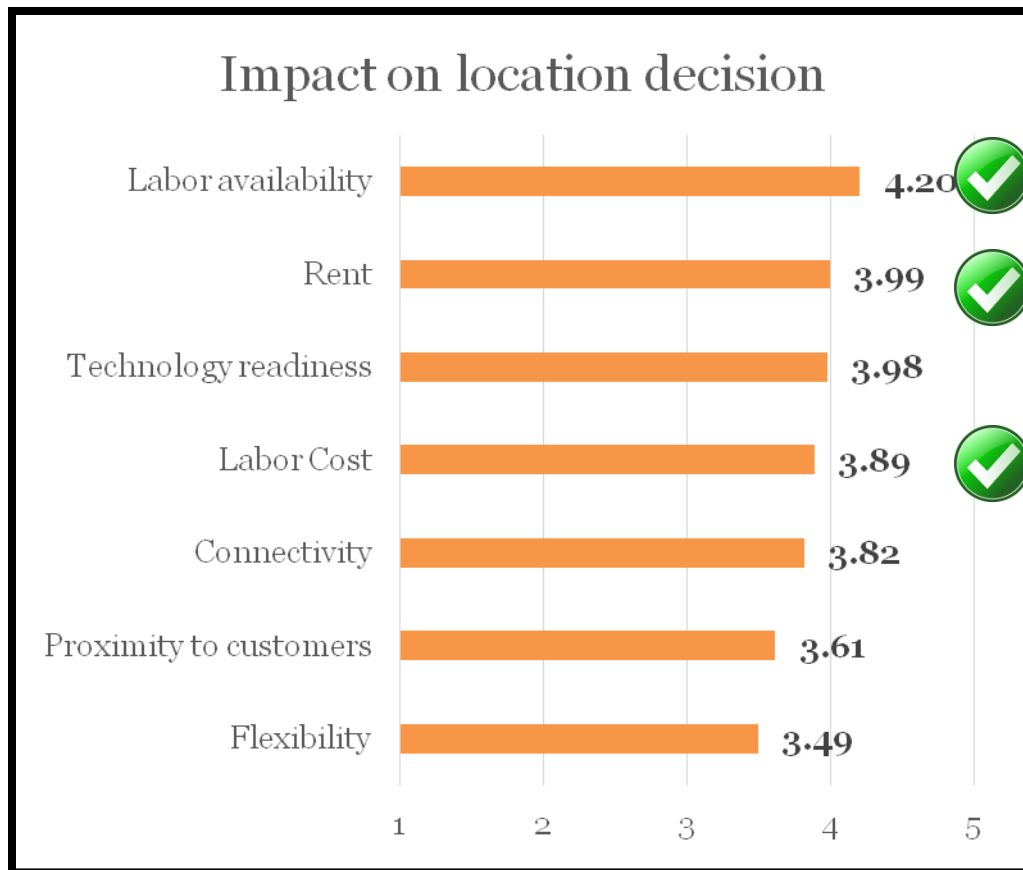
Canada
Ontario
British Columbia
Quebec
Alberta



Data: Statistics Canada; Labour Force Survey

Medium-Longer term view looks good for Calgary, either scenario

1. Diversification Potential



Or 2.

- Oil & Gas Sector Rebounds
- Old Calgary returns

Calgary Best Bets either scenario:

- Industrial
- Rental
- Multi-family mixed use

Discussion Time

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