ULI Alberta Emerging Trends 2018

Re-Balancing, Re-Thinking, Re-Inventing. Calgary Outlook 2018

Wendy Waters
Senior Director
Research Services & Strategy
GWL Realty Advisors

@Wendy_Waters
@GWLRA

GWL REALTY ADVISORS

1

Snap shot of Calgary in a Canadian & North American Context

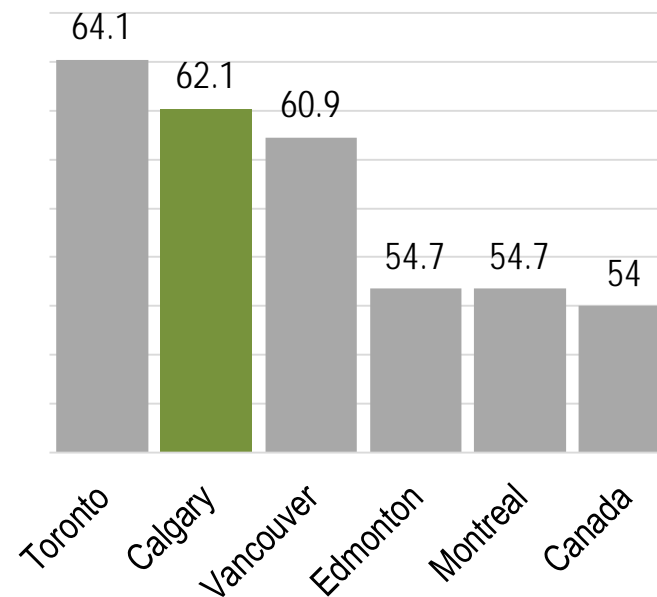### Reasons to be optimistic about Calgary in 2018 and beyond in 3 charts

Youthful!

Dependency Ratios compared

Legend:
- CANADA
- PQ
- ON
- AB
- BC
- Calgary

Educated!

College diploma or above in percent

Bar chart values: Toronto 64.1, Calgary 62.1, Vancouver 60.9, Edmonton 54.7, Montreal 54.7, Canada 54

Data: Statistics Canada

Job Growth!

Employment Growth Compared 2017.

	Major Metro Area	Employment Percent change
1	**Montreal**	3.6
2	Calgary	3.3
3	Riverside,CA	3.2
4	Raleigh, NC	3.2
5	Orlando, FL	3.1
6	**Vancouver, BC**	3.1
7	San Antonio,TX	3.0
8	Dallas-Fort Worth, TX	2.8
9	Jacksonville, FL	2.8
10	Austin,TX	2.7

Data: BLS.GOV & Statistics Canada

Dependency ratio=non-working age population (<15 and >65) divided by the working age population (age 15-65). Lower is better. It means a lower tax burden for workers or, for same tax rate gov't earns more to spend on services.
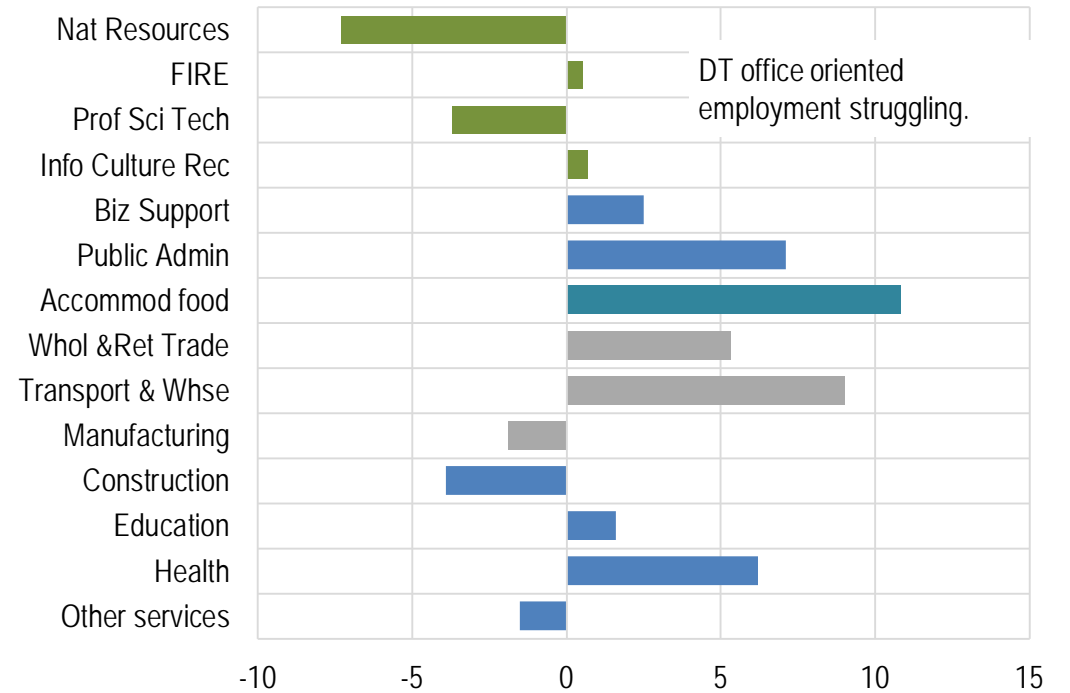
WWW.GWLRA.COM

2

Re-Balancing the Calgary Economy

Job growth solid across multiple non-energy sectors

Calgary & Edmonton Employment Trends (in 000s)

Calgary Employment Change in 2017, by Sector in 000s

DT office oriented employment struggling.
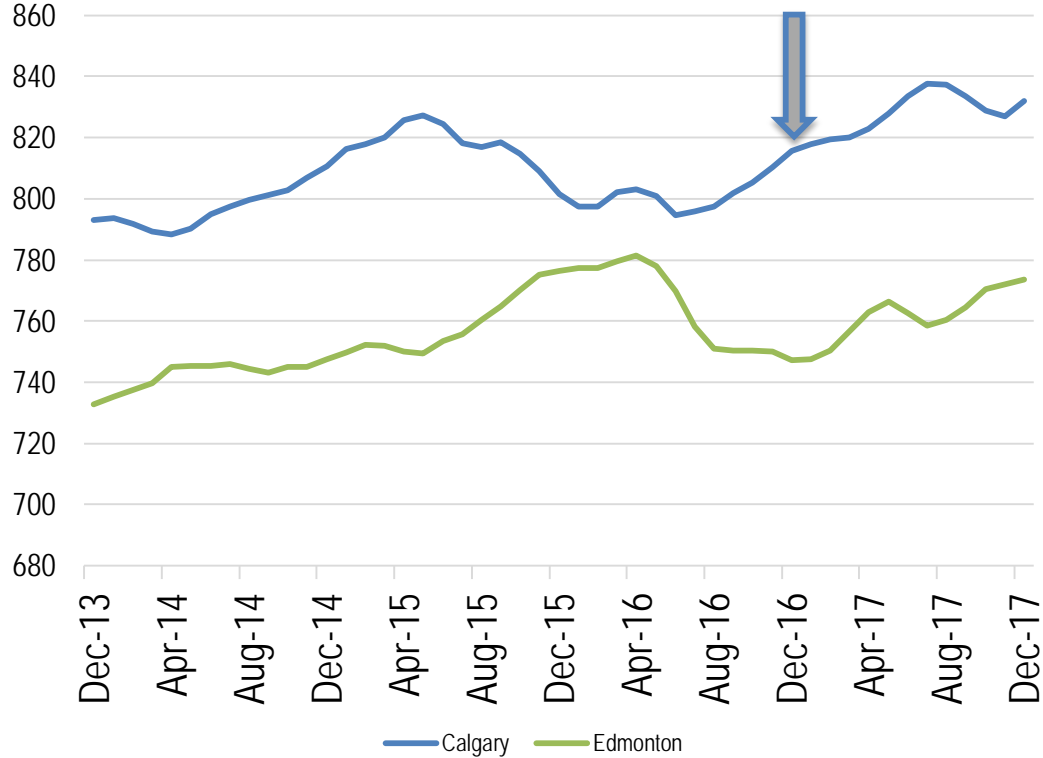
Data: Statistics Canada, Labour Force Survey

Calgary & Edmonton have struggled more than other energy cities

Total Job Growth Trends 2011-2017. Selected Energy Cities. North America. Indexed to January 2011.


Legend: Edmonton, Calgary, Austin, Dallas, Denver, Ft. Worth, Houston
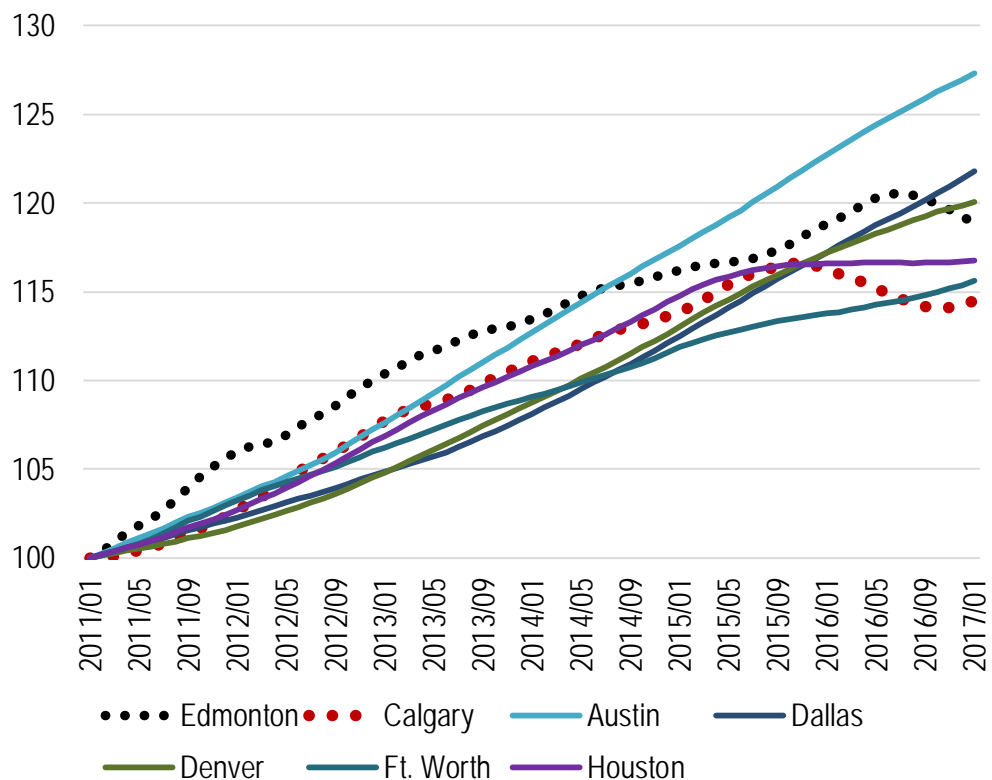
Location Quotients (Economic Drivers. >1.0 = Driver)

	Natural Resources	Transportation	Information	Financial Activities
Houston, TX	5.8	1.2	0.6	0.9
Dallas, TX	2.1	1.0	1.5	1.6
Fort Worth, TX	6.3	2.0	0.6	1.0
*Austin, TX	4.5	0.4	1.5	1.0
*Denver, CO	2.9	1.0	1.7	1.3
Calgary	3.7	1.2	1.0	0.9
*Edmonton	1.7	1.3	0.7	0.8

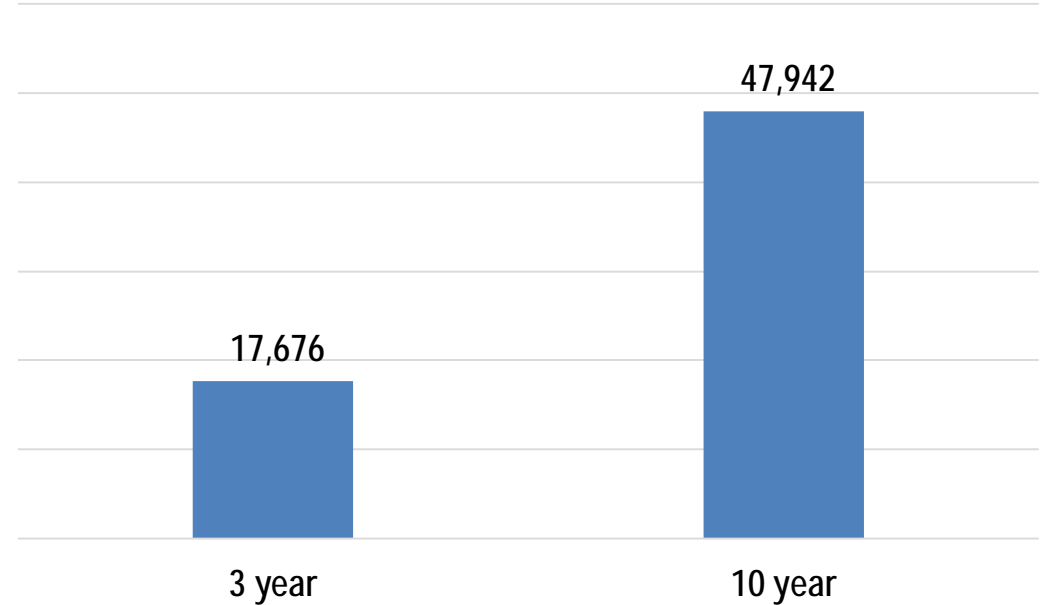*GWLRA Research Note,* 3 April 2017: http://www.gwlranews.com/

Economic Drivers: Diversification is happening, slowly
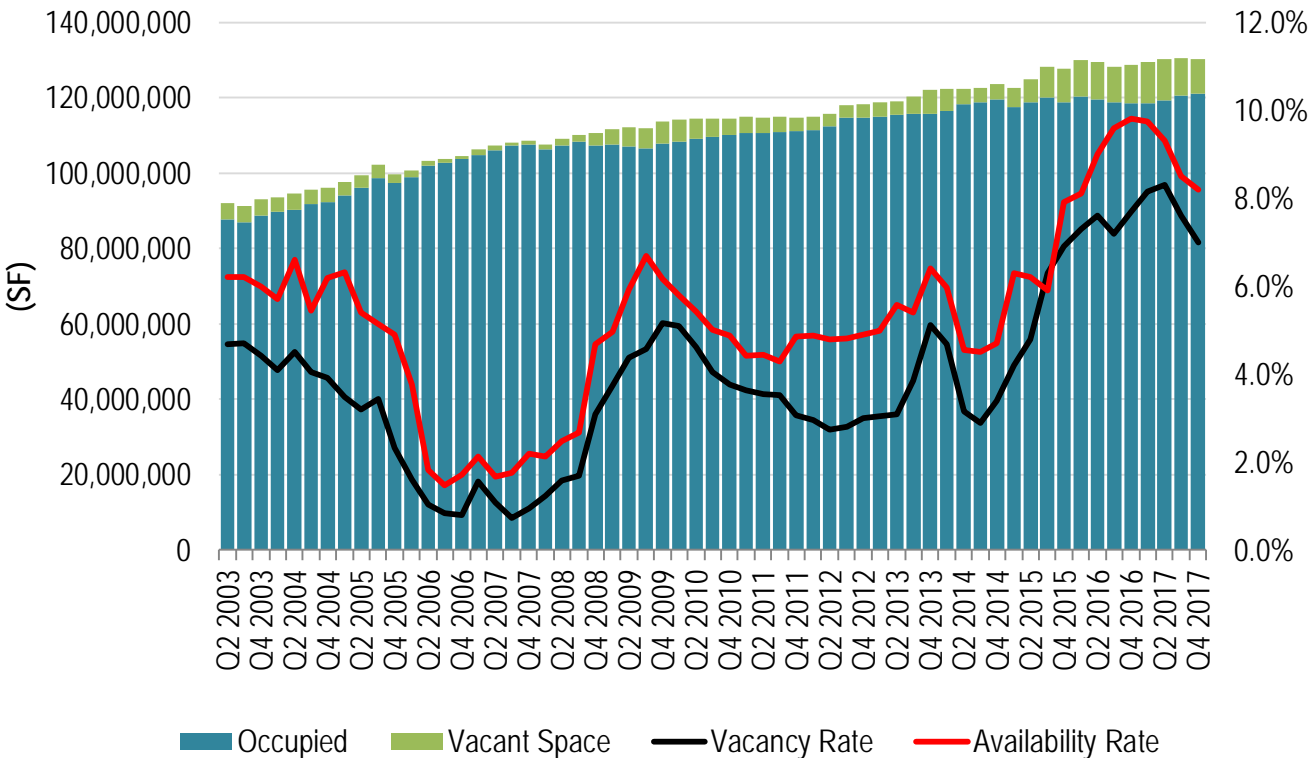
Calgary Location Quotients
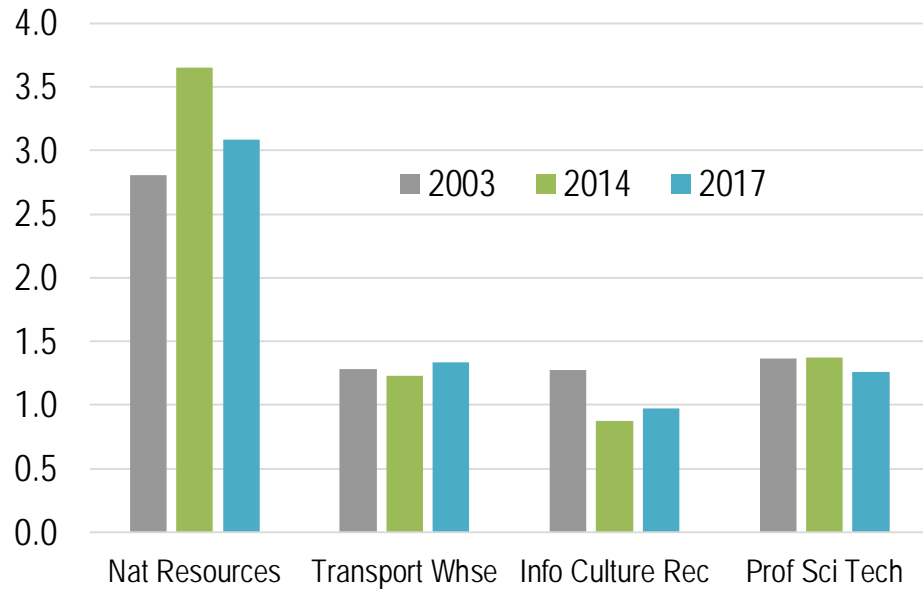
Data: Statistics Canada; GWLRA Calculations

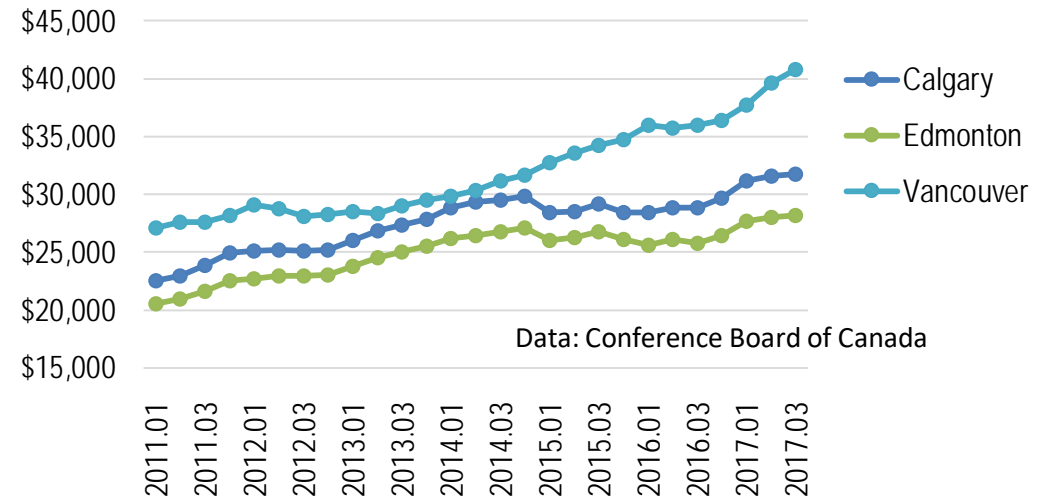**Calgary: Transportation & Warehousing Employment Growth**

Good Bet: Distribution Industrial, Select Retail

Industrial Occupied & Vacant Space

Legend: Occupied, Vacant Space, Vacancy Rate, Availability Rate

Data: CBRE

Retail Sales Trends to Q3 2017 X$1,000,000

Legend: Calgary, Edmonton, Vancouver

Data: Conference Board of Canada

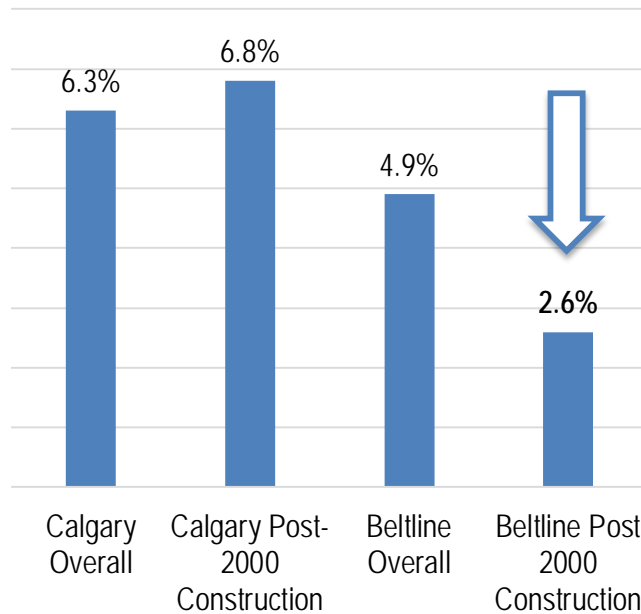| City	Avg Industrial Rental Rate
Calgary	$7.02
Edmonton	$9.69
Vancouver	$9.99

Data: CBRE

Good Bet: New apartment housing in walkable, amenity-rich nodes

Calgary Purpose Built Rental Absorptions 2017 by Year of Construction

- Before 1960: 52
- 1960 - 1979: -29
- 1980 - 1999: 13
- Post 2000: 1,755
- All Occupied: 1,790
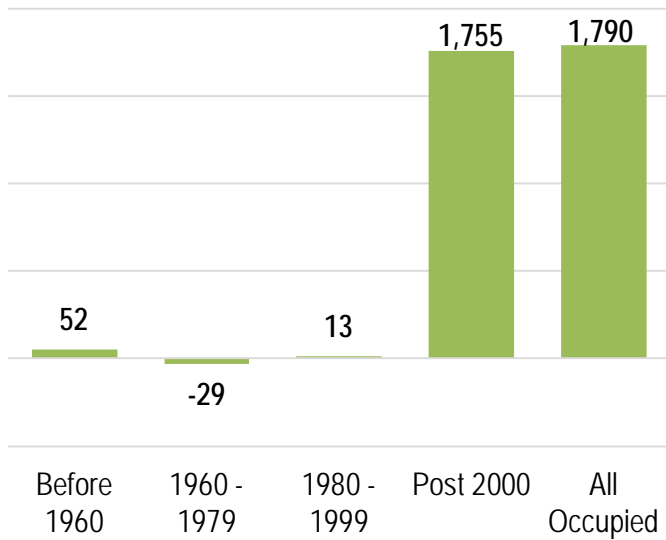
Calgary CMHC Rental Vacancy Rates at November 2017

- Calgary Overall: 6.3%
- Calgary Post-2000 Construction: 6.8%
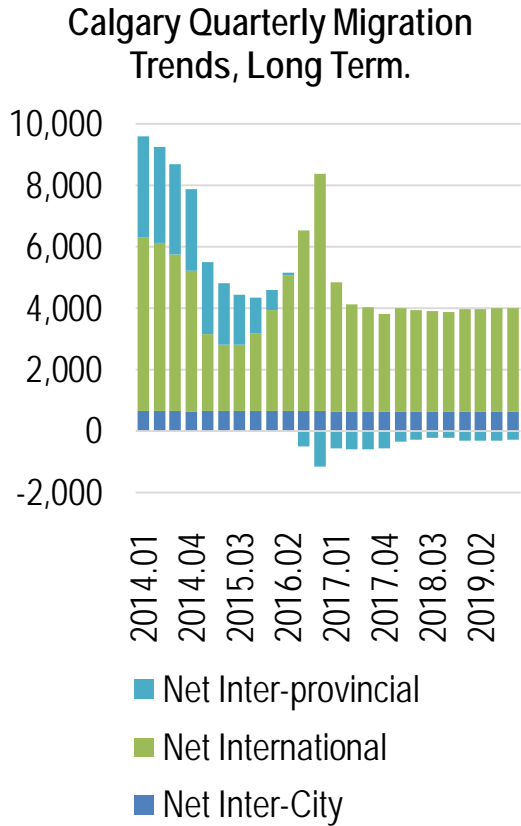- Beltline Overall: 4.9%
- Beltline Post 2000 Construction: 2.6%

Percent of renters who would select a smaller suite with new kitchen and bath over a larger unit with dated features. All else equal.

- Overall: 2011 31%, 2016 55%
- Calgary*: 2011 29%, 2016 73%
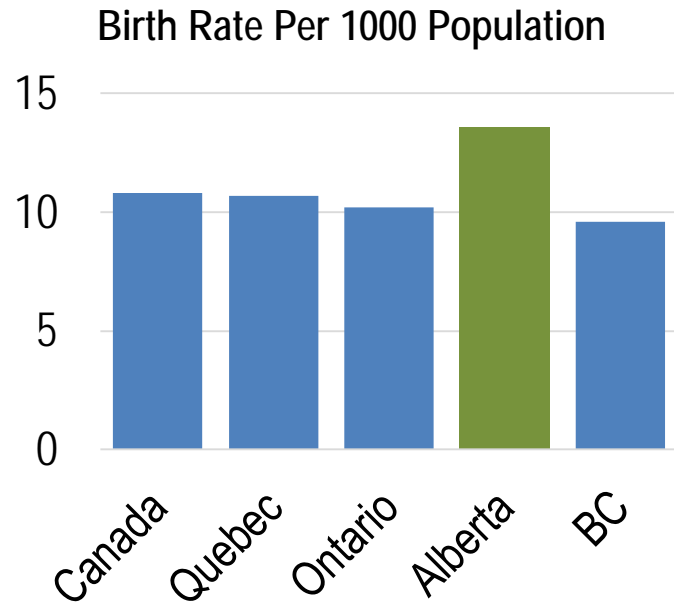- Edmonton*: 2011 25%, 2016 67%

■ 2011 ■ 2016
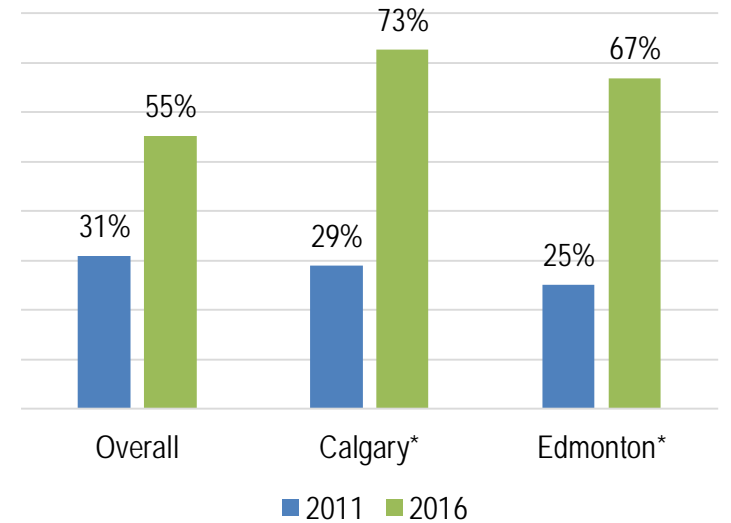
Data: CMHC; GWLRA Calculations

Data: Survey conducted for GWLRA by Mustel Group. November 2016.

Good Bet: Family-Oriented Housing & Infrastructure
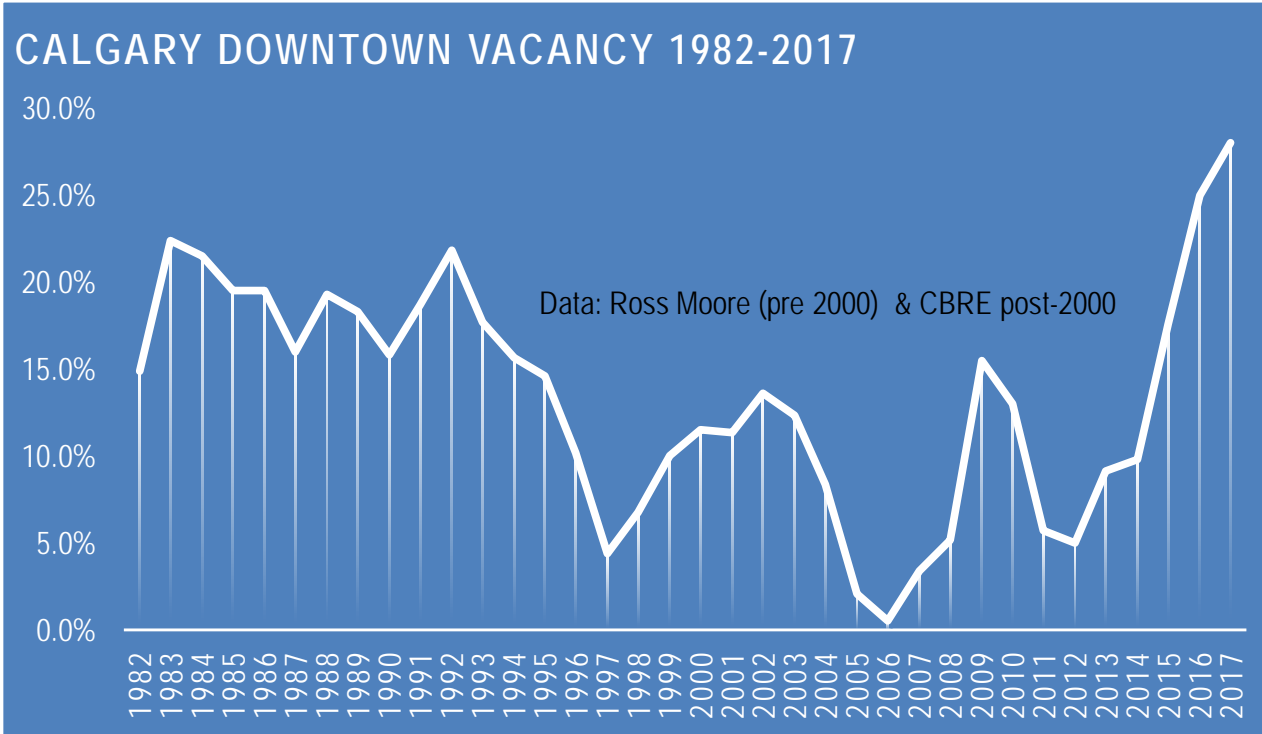
Calgary Quarterly Migration Trends, Long Term.
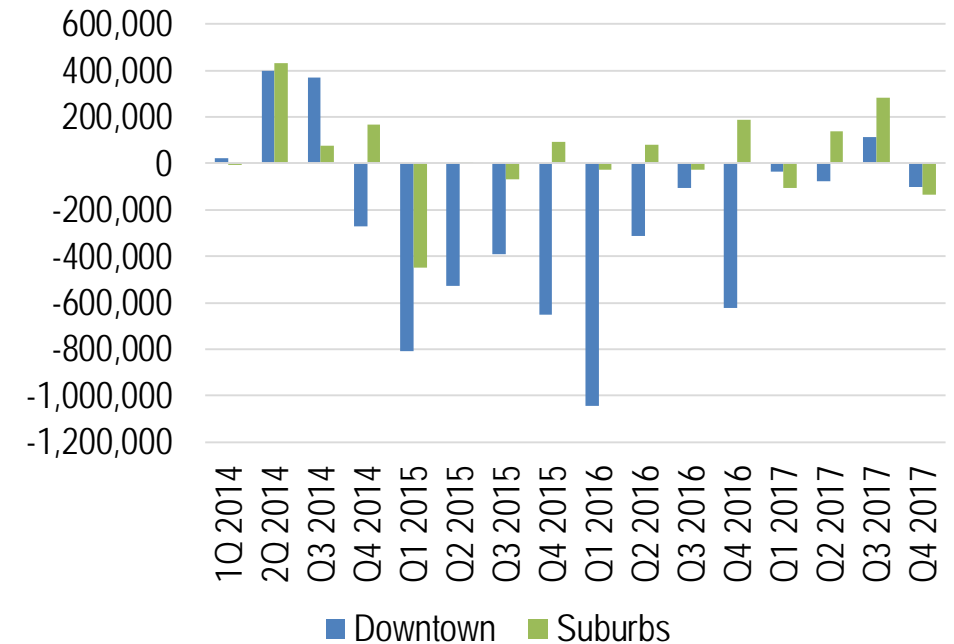

- Net Inter-provincial
- Net International
- Net Inter-City

Data: Conference Board of Canada

Birth Rate Per 1000 Population

Canada, Quebec, Ontario, Alberta, BC

Schools. Recreation Facilities. Libraries. Day Care. Arts Centres.

Kids/Sq Km
Data: Sitewise; GWLRA Calculations

NE Calgary, YVR Yaletown, YVR Grandview, Beltline, Calgary Core
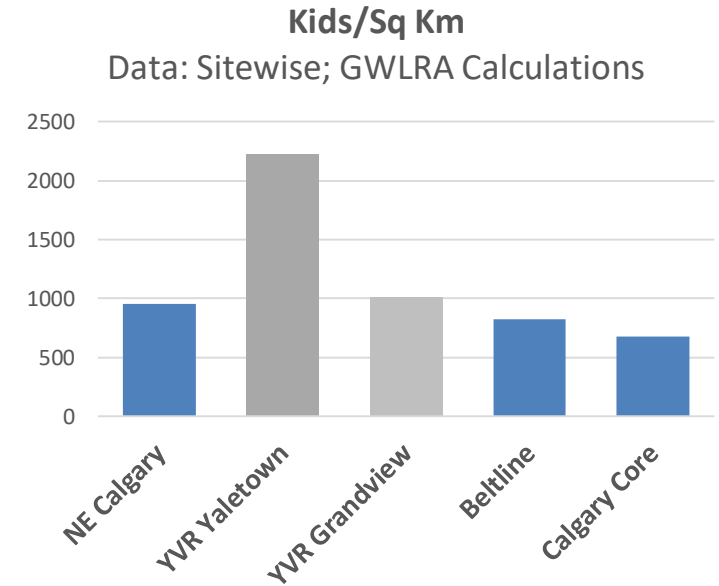
Downtown Calgary's office market improving, but barely.

CALGARY DOWNTOWN VACANCY 1982-2017

Data: Ross Moore (pre 2000) & CBRE post-2000

New Supply 2017

1,400,000 s.f.

Absorption 2017

-105,000

A Class Office Absorption
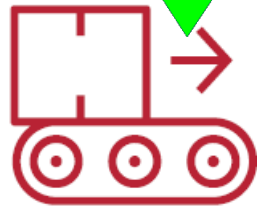Downtown vs Suburbs

Downtown   Suburbs

Data: CBRE

2018 Expected Best Bets (Global / North America) vs Calgary

Senior housing

Serving baby boomers in their retirement years
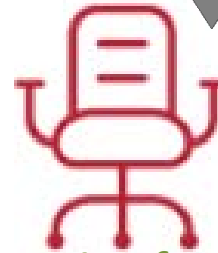
Fulfillment and warehousing

Healthcare

Social Infrastructure Incl schools

Building communities

Learning from DT
Toronto office *renaissance*

Proptech

10

Final Thoughts: Re-thinking, re-balancing, re-inventing Calgary:
beyond the easy stuff

Vancouver Office Vacancy Pre- and Post-Natural Resource Head Office Exodous
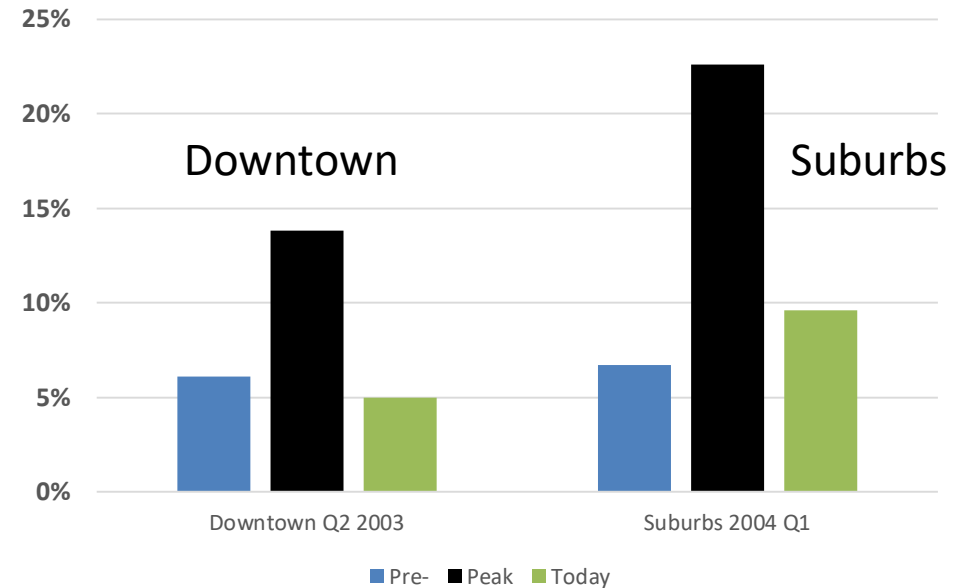
Calgary has an opportunity to surge ahead of urban trends and be the role model by 2030

Calgary today is similar to Vancouver in the 1990s; Seattle in the 2000s; Core Toronto 1990s-early 2000s:

All faced:
-> Economic restructuring
-> Weak demand for office space downtown

Data: CBRE

Adding housing downtown & densifying core—in hindsight—will be the easy part

Start in schools?

A Friendly and Safe Community Look like...

Grade 3 students asked: What makes a friendly, safe community?
-> *PEOPLE…Working, jogging, shopping, biking*

Challenges elsewhere as growth returned:

- Housing affordability; brutal traffic congestion

- Resistance to solutions: higher densities, to transit investment, and bike lanes (lifestyle options)

Prepare for the challenges—the consequences of success.
Show the world how to manage growth, better

Questions? Comments?

T: @Wendy_Waters

E: Wendy.Waters@gwlra.com

More from GWLRA Research at www.gwlranews.com