Emerging Trends in Real Estate 2019 ®

A Canadian Perspective

Reinvent — **Rebalance** — **Rethink**

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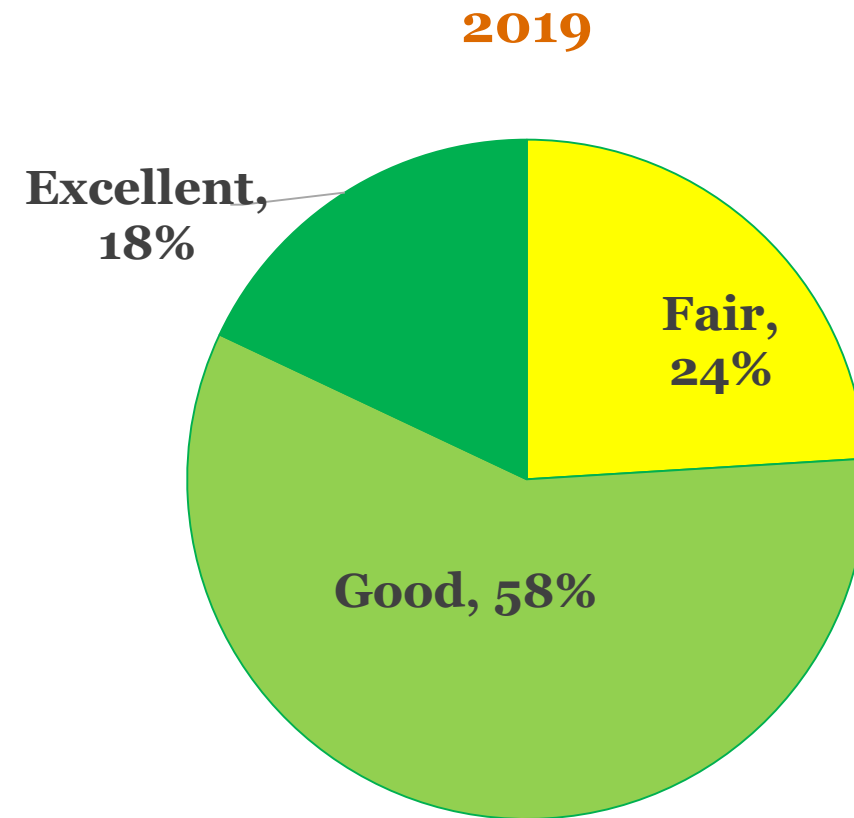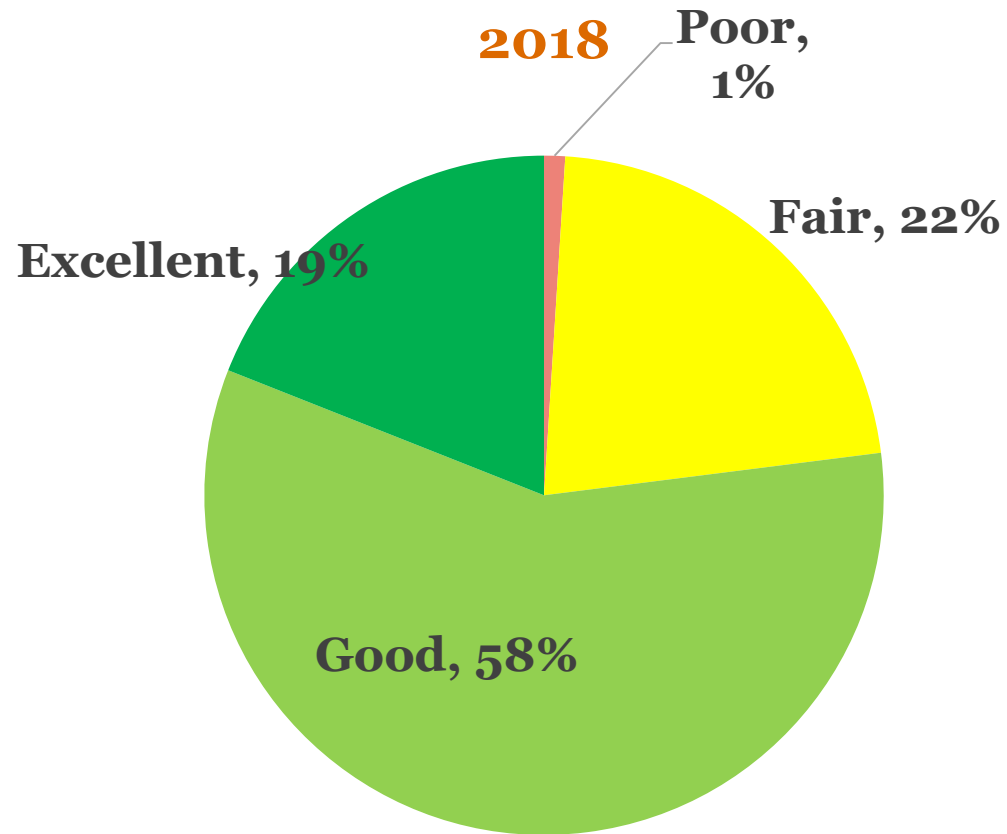ULI Urban Land Institute

Emerging Trends in Real Estate 2019

❑ **40th** annual outlook – **12th** Canadian annual outlook

❑ Based on insights from over 2,400 personal interviews and survey responses across North America, with over 400 from Canada

❑ Sponsored jointly by PwC and the Urban Land Institute

❑ Emerging Trends is the industry's **"most predictive forecast"**

Emerging Trends in Real Estate®
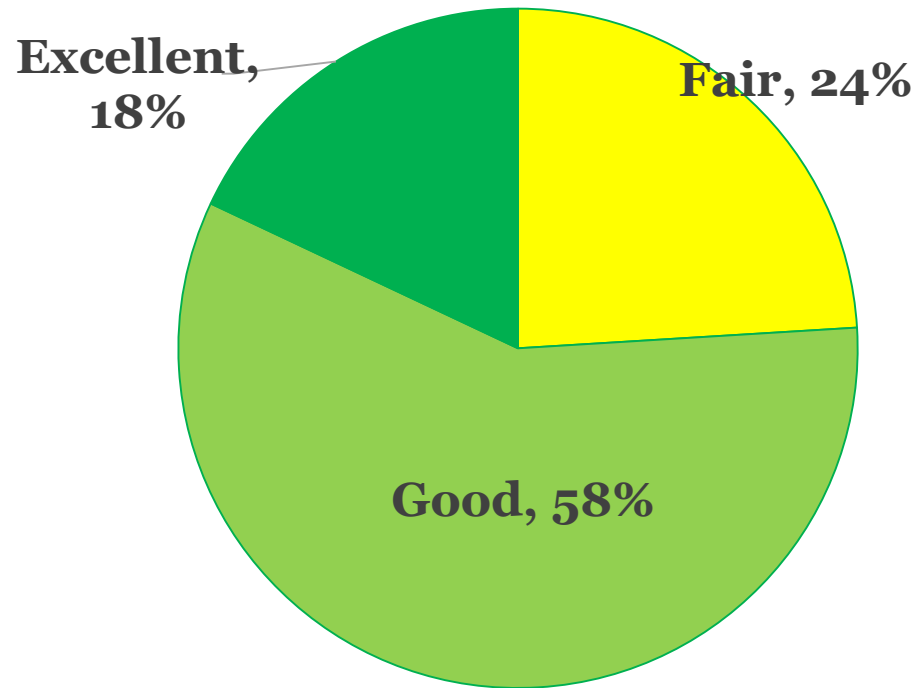
Canada and United States 2019

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Market Sentiment

Expected profitability of your business

2018

Poor, 1%

Fair, 22%

Excellent, 19%

Good, 58%

2019

Excellent, 18%

Fair, 24%

Good, 58%

Expected profitability of your business

Canada

- Excellent, 18%
- Fair, 24%
- Good, 58%

Edmonton

- Excellent, 9%
- Fair, 16%
- Good, 75%
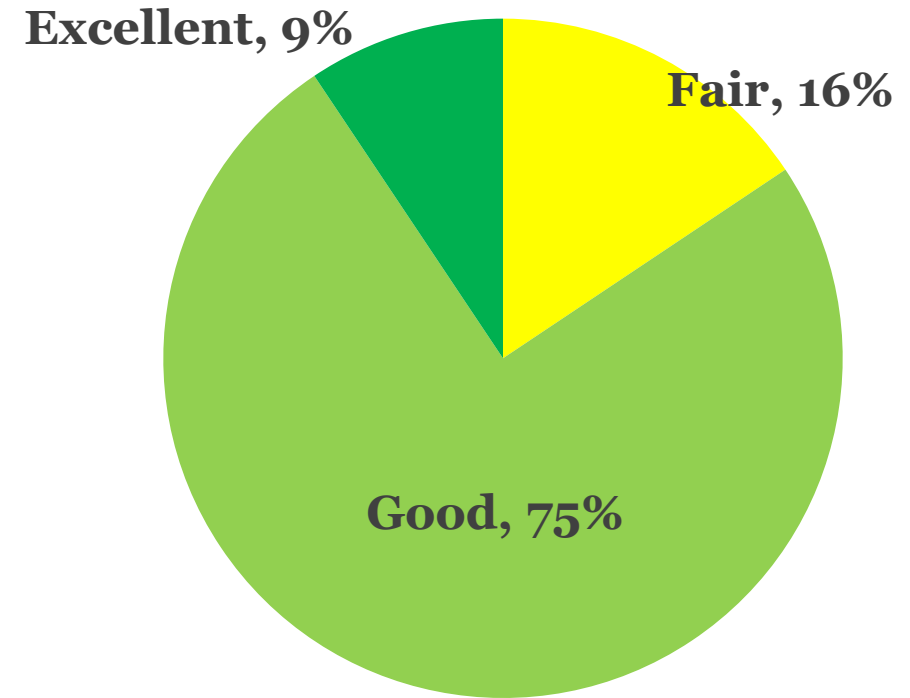
Trends

2019 Trends

Rebalance: **Real Estate Strategies Rely on Creativity**

☐ Reassess, rebalance, and redevelop

☐ Partnerships and opportunities

☐ Unlocking insights from predictive analytics

Reinvent: **Accelerating Digital Transformation**

☐ Embracing change and business transformation

☐ Meeting evolving tenant and customer expectations

☐ From awareness to action

☐ Unlocking the power of **Proptech**

☐ Getting the right skills

Rethink: **Time to Rethink the Affordability Puzzle**

☐ The governments role

☐ Affordability drives mobility and lifestyle

☐ Rethinking will be required for all property types

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Rebalance

Rebalancing portfolios to create advantage: Canada

What to buy in 2019

Sector	Buy Recommendation
Moderate-income apts	56.8%
Fulfillment	56.0%
Age-restricted housing	52.9%
Warehouse	50.0%
Medical office	40.8%

What to sell in 2019

Sector	Sell Recommendation
Power centers	72.0%
Luxury hotels	50.0%
Outlet centers	46.9%
Regional malls	42.0%
Suburban office	39.5%

Rebalancing portfolios to create advantage: Edmonton

What to buy in 2019

Sector	Recommendation
Industrial	45.5%
Multi-family/Rental	23.8%
Niche	12.5%
Single-family/Owner	11.1%
Retail	8.7%

What to sell in 2019

Sector	Recommendation
Retail	39.1%
Niche	31.3%
Office	18.2%
Hotels	11.1%
Multi-family/Rental	4.8%

Rebalancing portfolios to create advantage

Opinion of current pricing

Sector	Over Priced
All Property Type Avg.	32.2%
Luxury hotels	61.1%
High-income apartments	58.3%
Power centers	46.7%
Central-city office	42.9%
Urban/high-street retail	39.1%

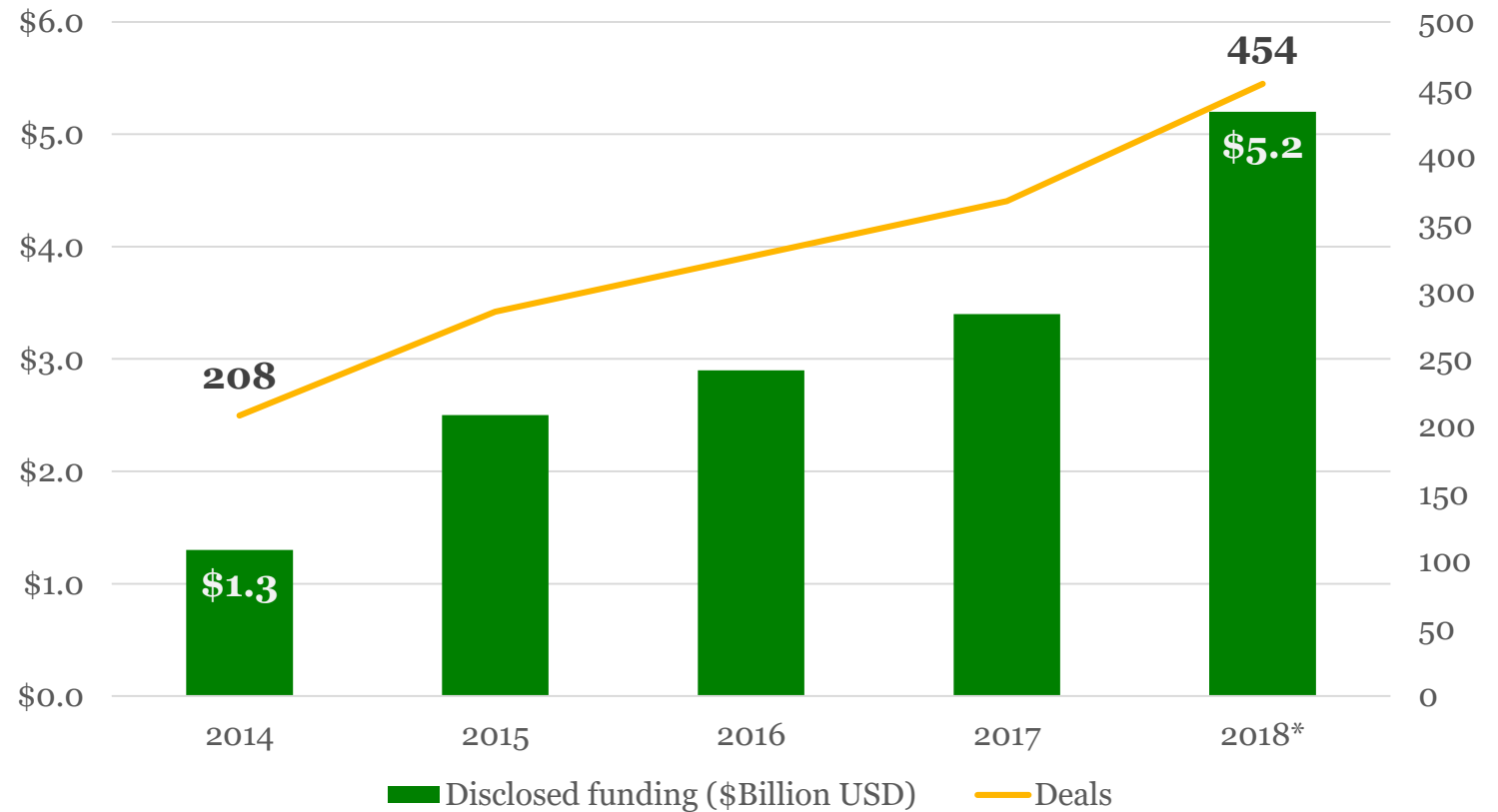| Sector	Under Priced
All Property Type Avg.	8.3%
Regional malls	19.6%
Flex	17.8%
Suburban office	17.5%
Affordable apartments	14.1%
Limited service hotels	11.1%

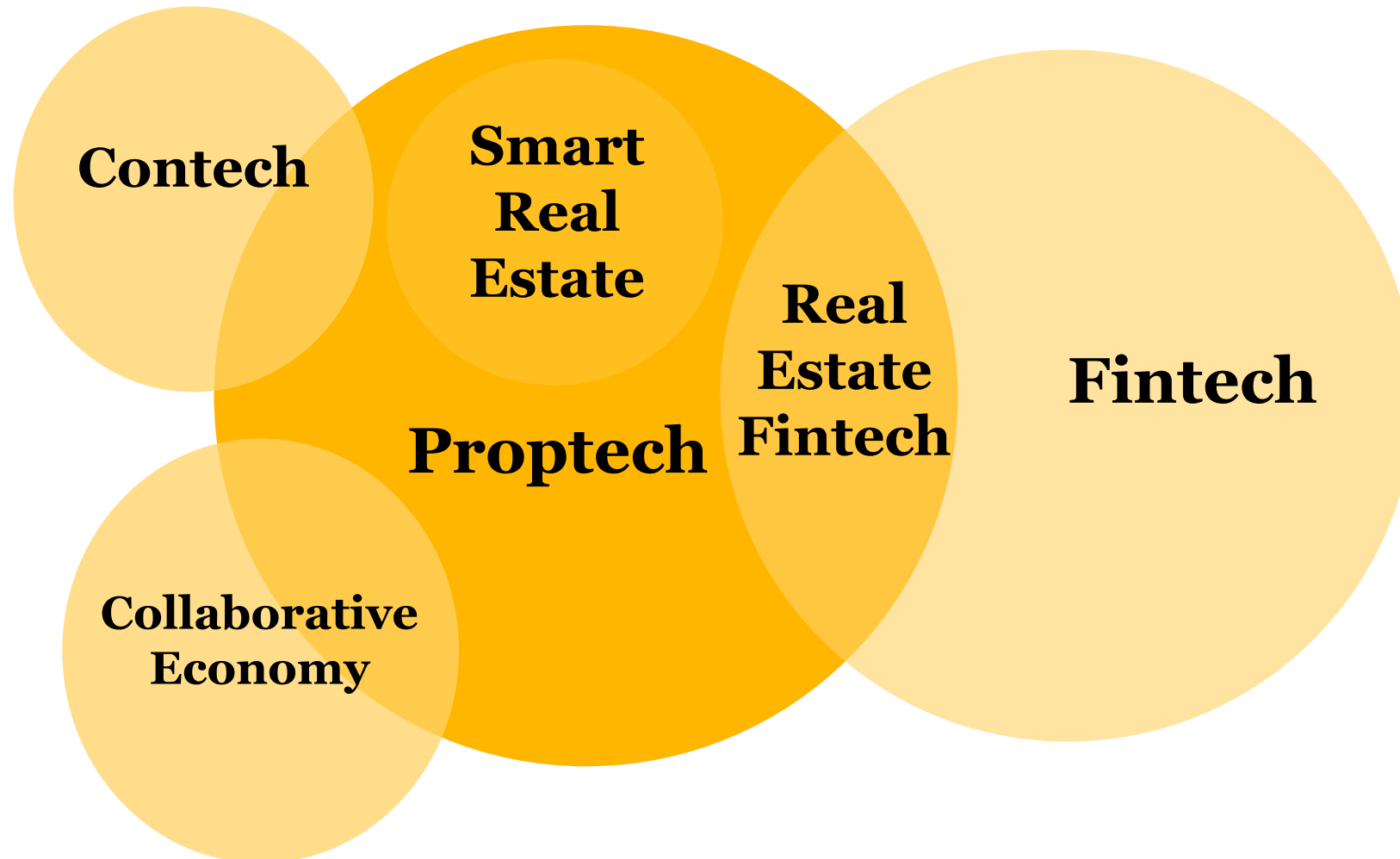# *Reinvent*

Accelerating Digital Transformation

41%
Annual increase in global real estate tech investment over the past 4 years

Real Estate Tech Financing

Chart showing Disclosed funding ($Billion USD) as green bars and Deals as a yellow line:
- 2014: $1.3, 208 deals
- 2015: ~$2.5
- 2016: ~$2.9
- 2017: ~$3.4
- 2018*: $5.2, 454 deals

Legend: Disclosed funding ($Billion USD) — Deals

Source: CB Insights

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Unlocking the power of Proptech

Contech

Smart
Real
Estate

Proptech

Real
Estate
Fintech

Fintech

Collaborative
Economy

From awareness to action

How important could the following be to disrupting the real estate industry?

	None	Little	Moderate	Considerable	Great

Construction technology

Autonomous vehicles

Internet of things (IoT)

Cyber security

Sharing/Gig economy

Workplace automation

Big data analytics

CoWorking

5G implementation

3D printing

Augmented/virtual reality

Blockchain

Drone technology
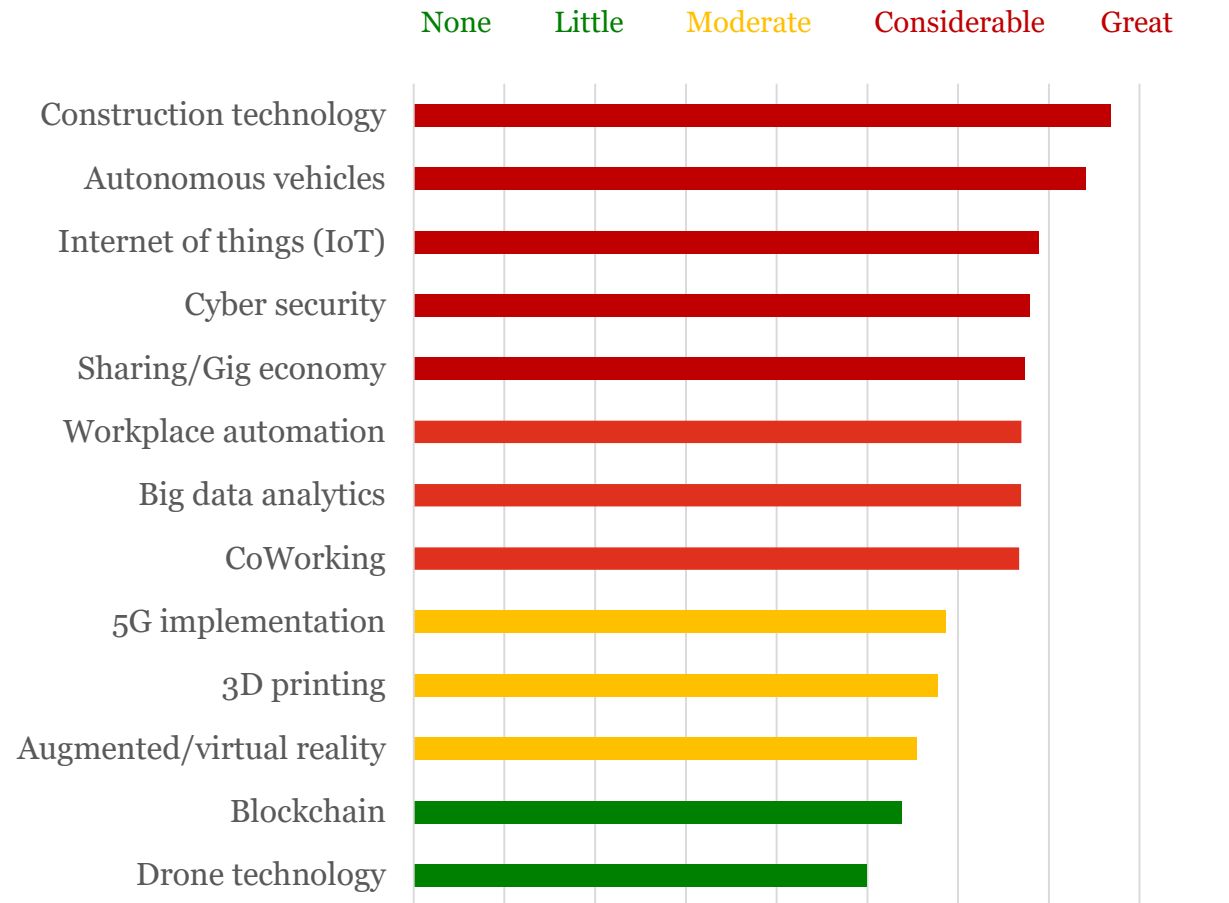
Unlocking insights with predictive analytics

Competitive Advantage (vertical axis)

Analytics Maturity (horizontal axis)

- Raw Data
- Cleaned Data
- Standard Reports
- Ad Hoc Reports
- Generic Predictive Analytics
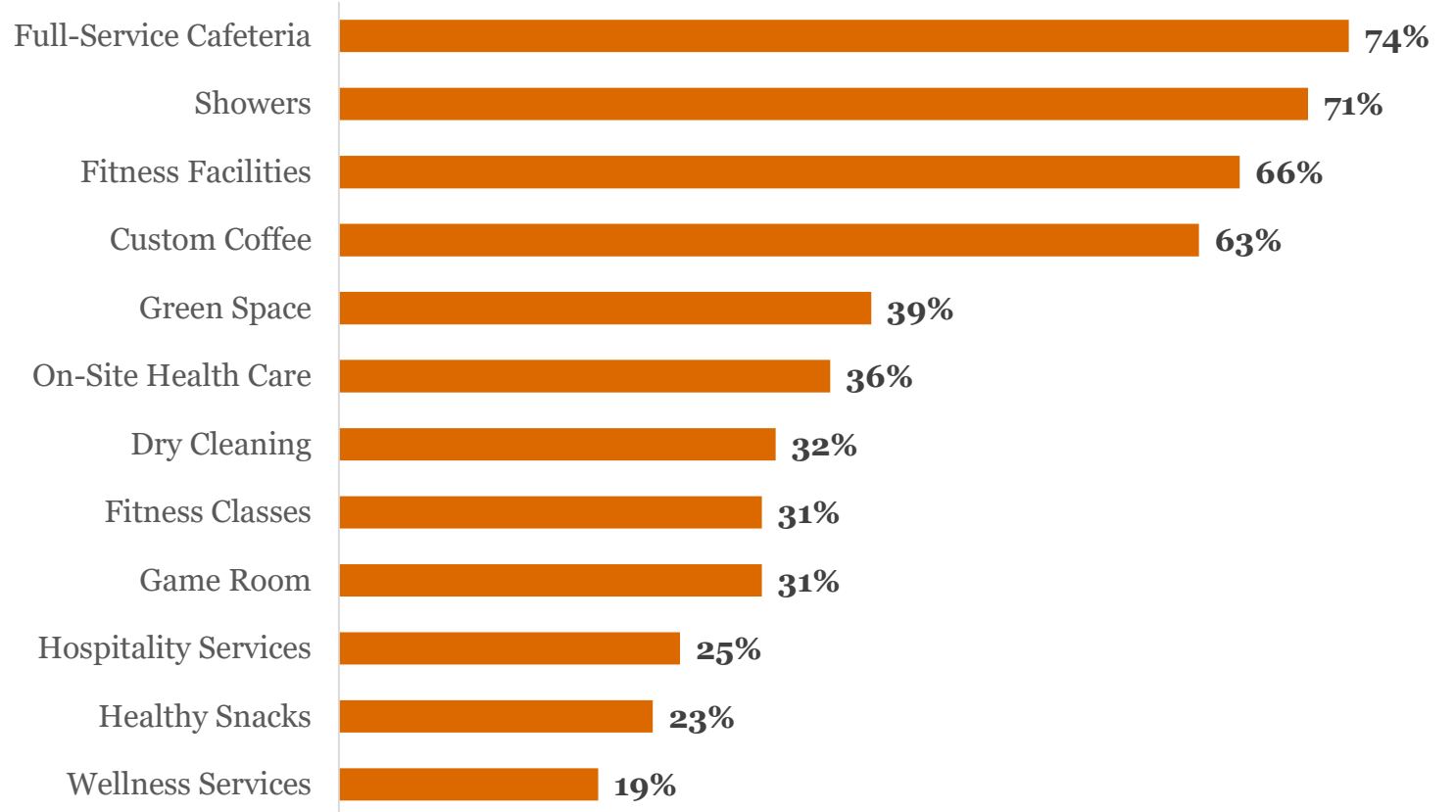- Predictive Modeling
- Optimization

Understanding

Action
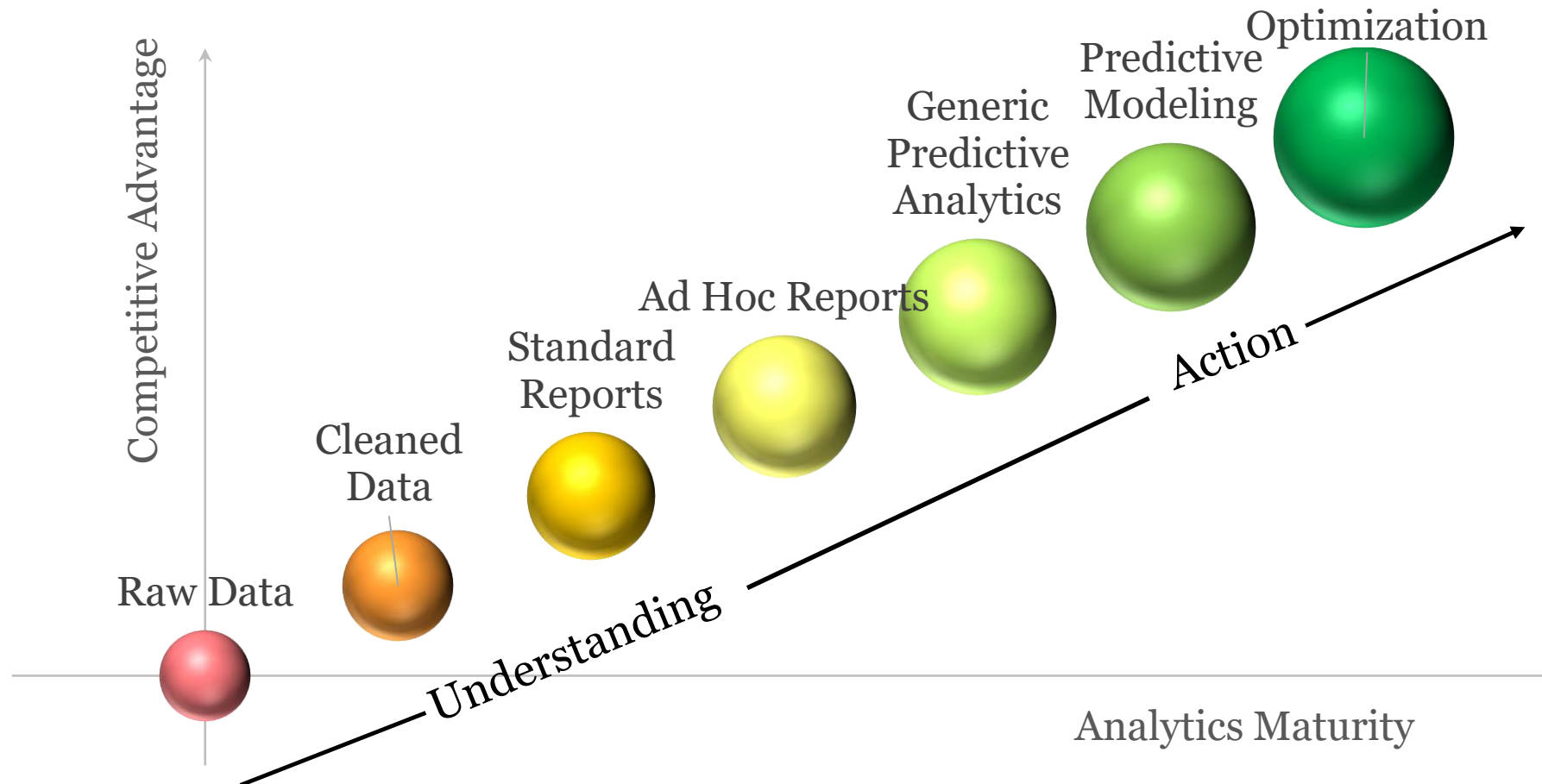
Getting the Right Talent

81%

Of employers feel that the right amenities are needed to attract employees

Amenities Provided

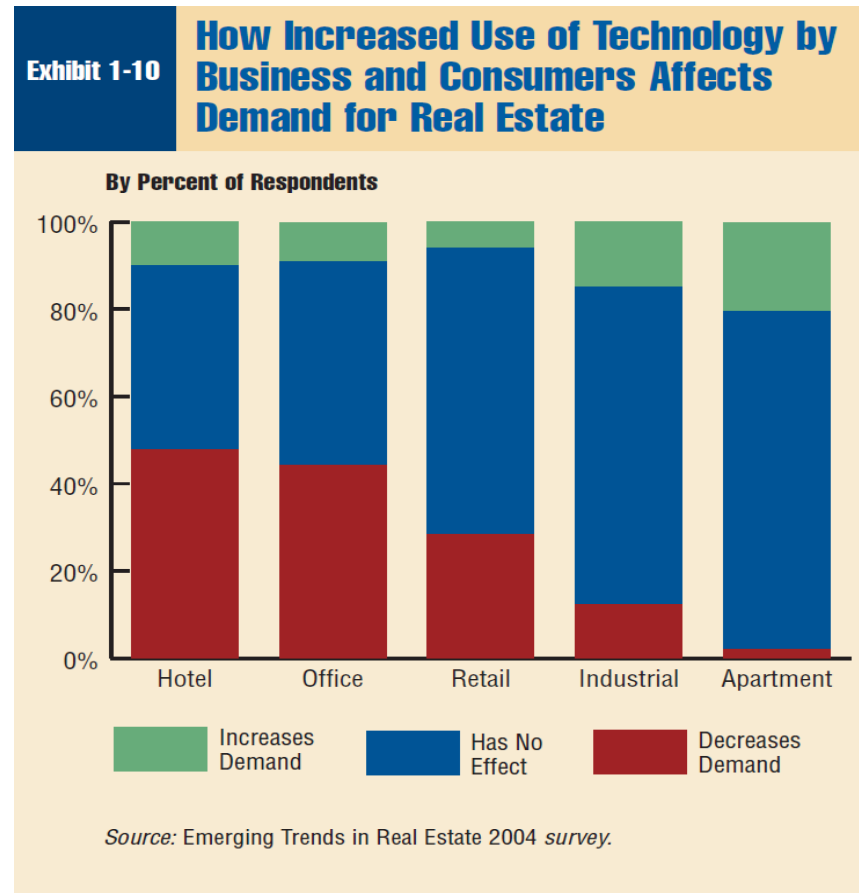| Amenity	Percentage
Full-Service Cafeteria	74%
Showers	71%
Fitness Facilities	66%
Custom Coffee	63%
Green Space	39%
On-Site Health Care	36%
Dry Cleaning	32%
Fitness Classes	31%
Game Room	31%
Hospitality Services	25%
Healthy Snacks	23%
Wellness Services	19%

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Rethink

Meeting evolving tenant and business transformation

70%

The percent of survey respondents who felt technology would have no impact on the demand for retail space.


Exhibit 1-10 How Increased Use of Technology by Business and Consumers Affects Demand for Real Estate

By Percent of Respondents

Legend:
- Increases Demand
- Has No Effect
- Decreases Demand

Source: Emerging Trends in Real Estate 2004 survey.

What does disruption look like ?

Their Biggest issues – people didn't rewind these

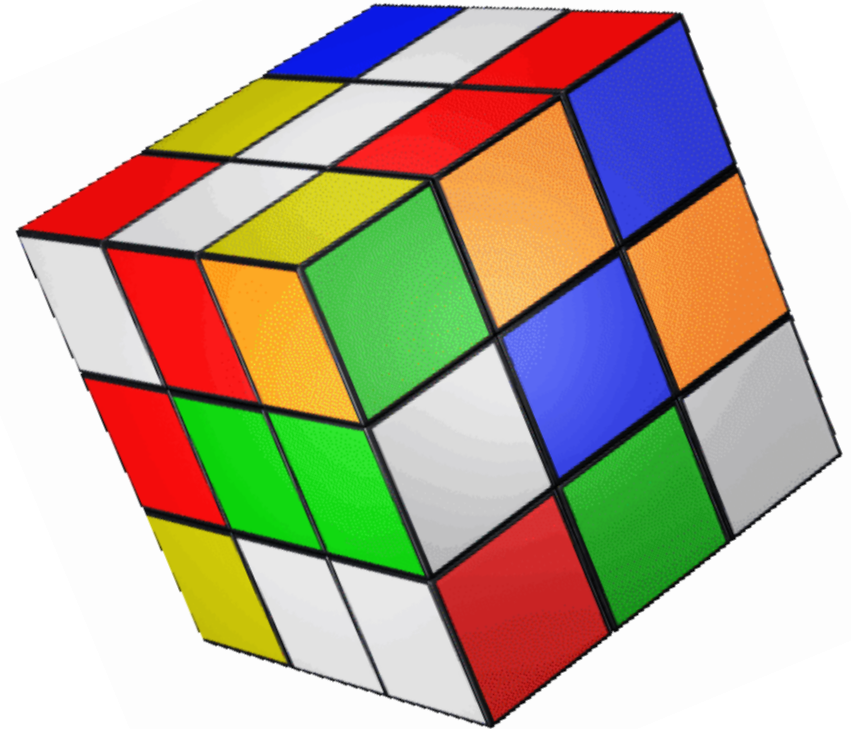Emerging Trends in Real Estate 2019

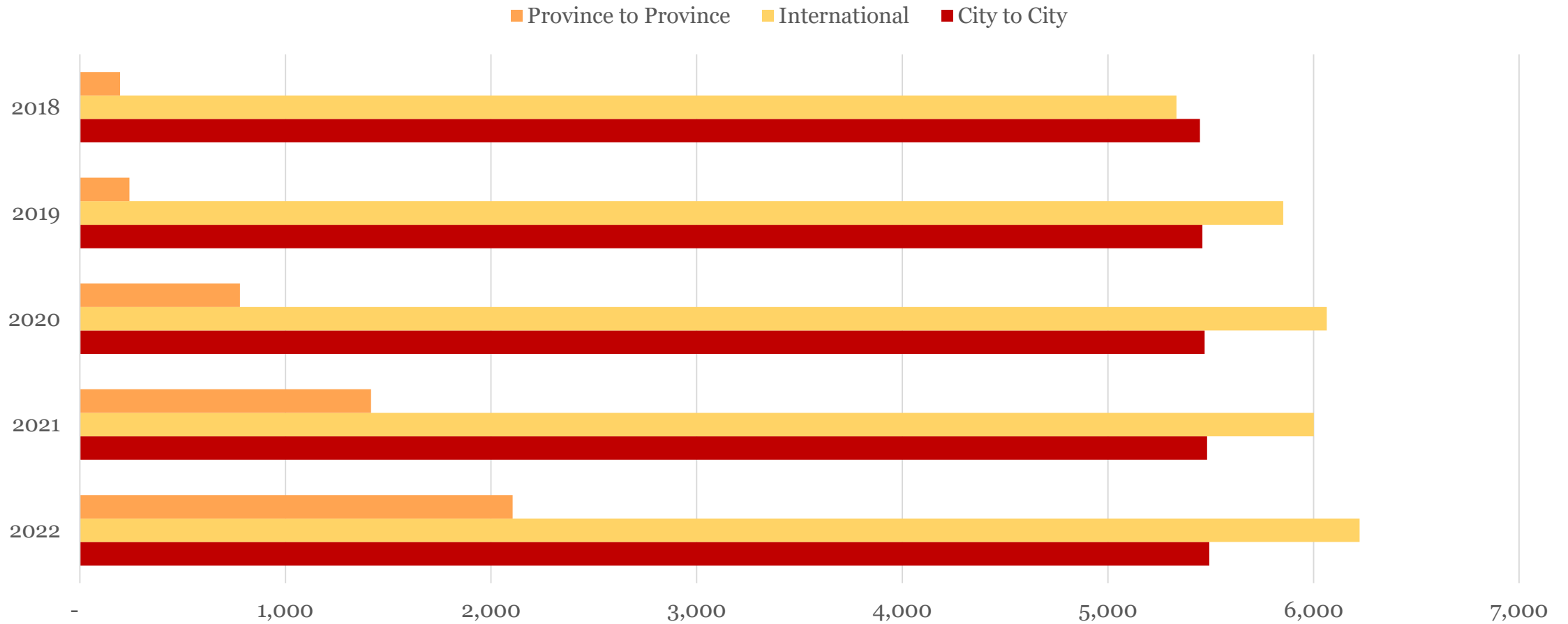# *Taking their eye off the ball*
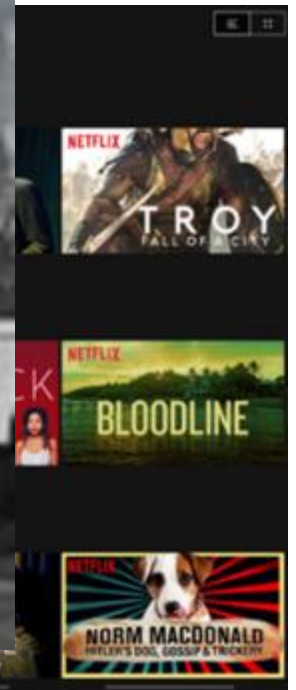
Time to Rethink the Affordability Puzzle

- ❑ **Agree on what the problem really is**

- ❑ **Can't be solved by just getting one side right**

- ❑ **Pieces have to be moved in coordination**

- ❑ **Watch out for unintended consequences**

- ❑ **Find a way to create the right amount of new supply**

Edmonton net migration forecast

Legend: Province to Province, International, City to City

Chart showing net migration forecast for years 2018–2022, with horizontal bars for Province to Province, International, and City to City. X-axis from - to 7,000.

Conference Board of Canada

Migration cycle

- More space
- Affordability
- School quality
- Proximity to Family

Looking For → Still want

Impact on Destination

and Potentially ← Leads to

- Access to amenities (walkability)
- Available transit
- Close to city

- Residential
- Retail
- Services
- Entertainment

- Employers follow the workers

Thank you, and now our panel!

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Emerging Trends in Real Estate 2019

uli.org/et19

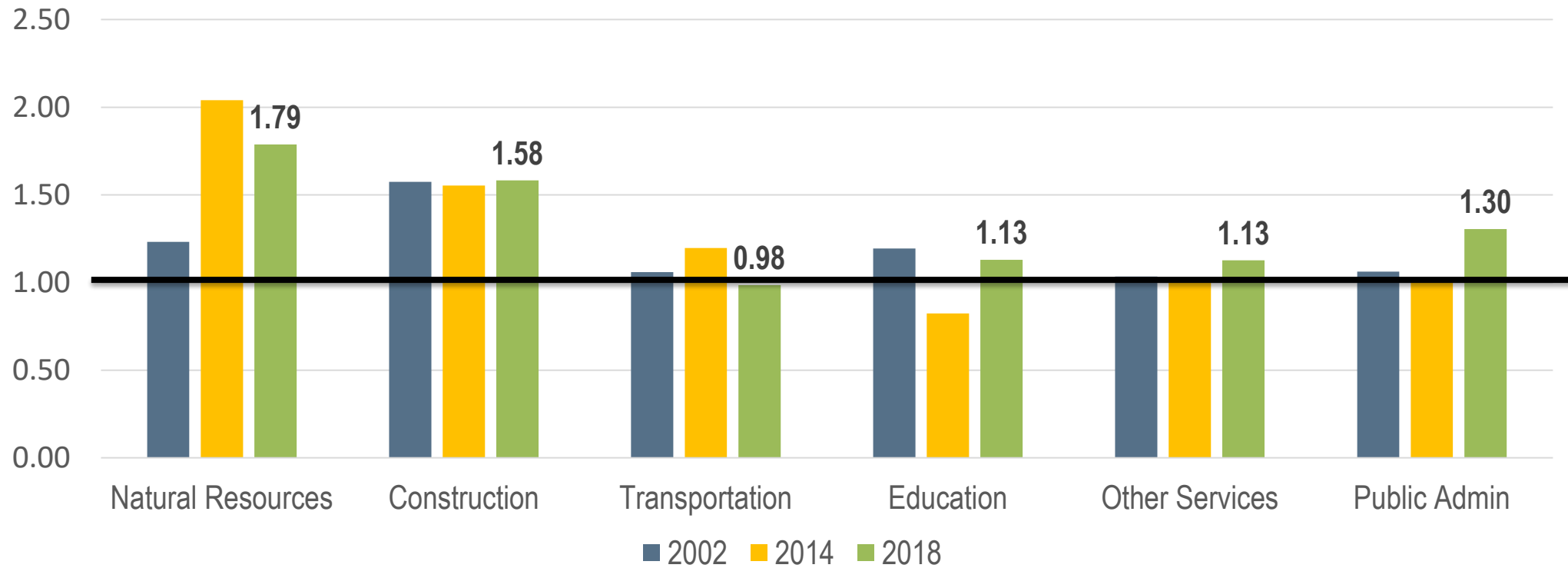**pwc.com/ca/emergingtrends**

Edmonton: Re-Inventing and Re-Thinking

ULI Emerging Trends Breakfast
9 January 2019

Wendy Waters

Sr. Director, Research Services & Strategy
GWL Realty Advisors
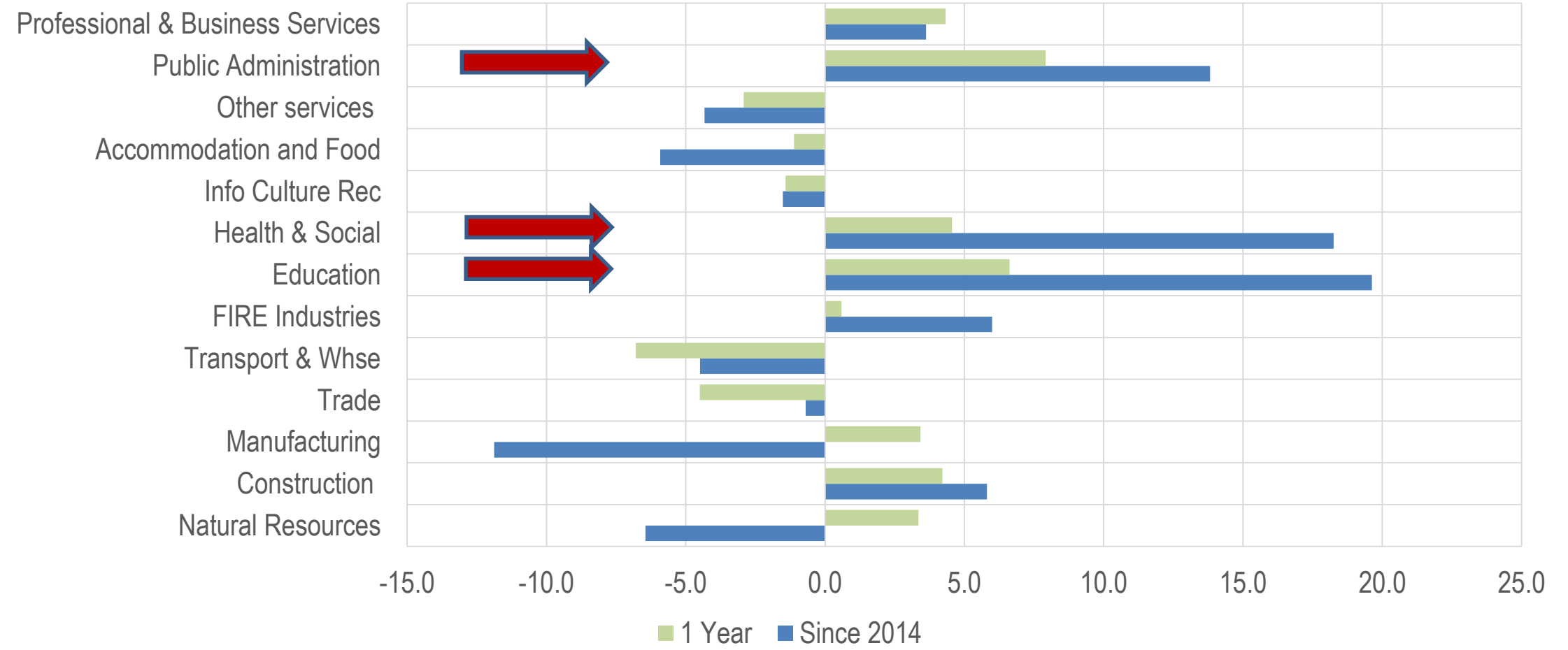
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Reinventing the economy: Edmonton has experienced economic shifts since 2014

Edmonton Economic Drivers (Location Quotients)
**>1.05 = Noteworthy Driver**

Bar chart showing location quotients by sector for 2002, 2014, and 2018.

- Natural Resources: **1.79** (2018)
- Construction: **1.58** (2018)
- Transportation: **0.98** (2018)
- Education: **1.13** (2018)
- Other Services: **1.13** (2018)
- Public Admin: **1.30** (2018)

Legend: ■ 2002 ■ 2014 ■ 2018

gwlra.com

Edmonton added a net 13,000 jobs in 2018. Not evenly distributed.

Edmonton Employment Trends

Chart legend: 1 Year (green), Since 2014 (blue)

Categories (top to bottom): Professional & Business Services, Public Administration, Other services, Accommodation and Food, Info Culture Rec, Health & Social, Education, FIRE Industries, Transport & Whse, Trade, Manufacturing, Construction, Natural Resources

X-axis: -15.0, -10.0, -5.0, 0.0, 5.0, 10.0, 15.0, 20.0, 25.0

Re-inventing, Rethinking: Youthful population key for future economic growth

Growth in 25-39 Year Old Population, Compared

Legend: Calgary, Edmonton, Vancouver, Toronto, Montreal
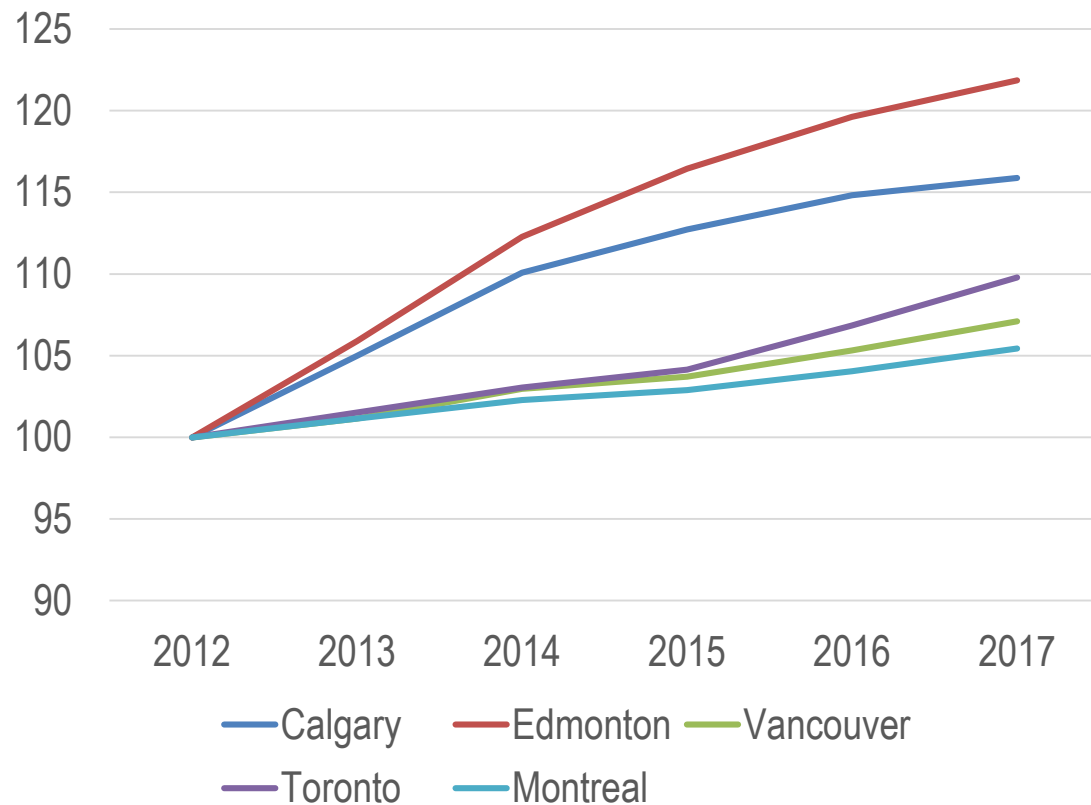
Percent of population age 25-39 (July 2017)

Calgary	Edmonton	Toronto	Montreal	Vancouver
25.9%	26.1%	22.3%	21.9%	22.4%
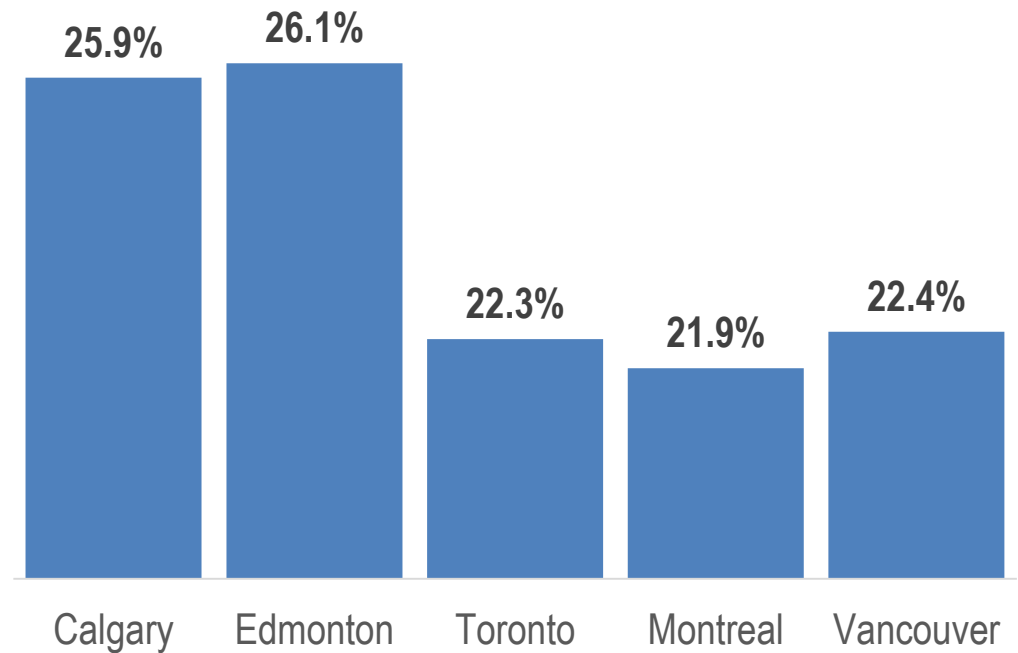
Re-Invention: More computer and information science degrees being awarded. But Alberta enrollment below rates seen in 2002.

Computer & Information Science (includes Mathematics) Degrees Awarded

Legend: QC, Ontario, AB, BC
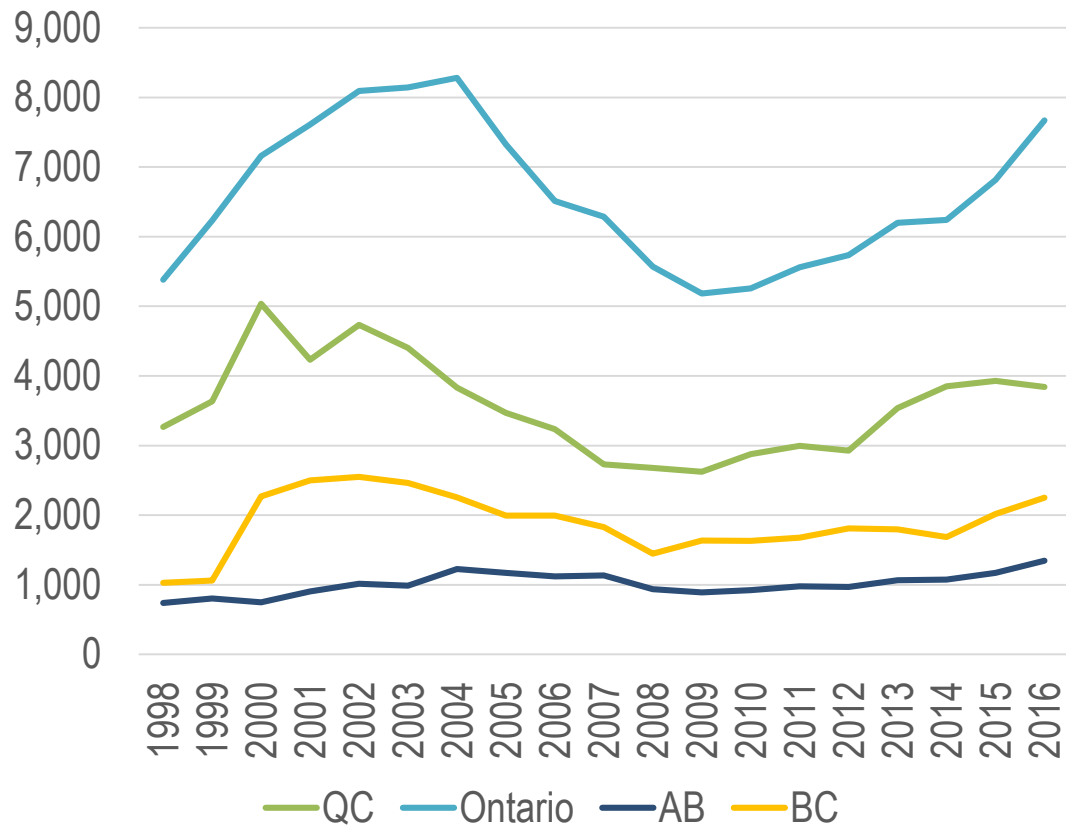
Percent Enrolled in Computer Science / Math in Alberta. Statistics Canada. Canadian average = 3.8%

- 2002-2003: 3.9%
- 2008-2009: 2.1%
- 2016-2017: 3.2%
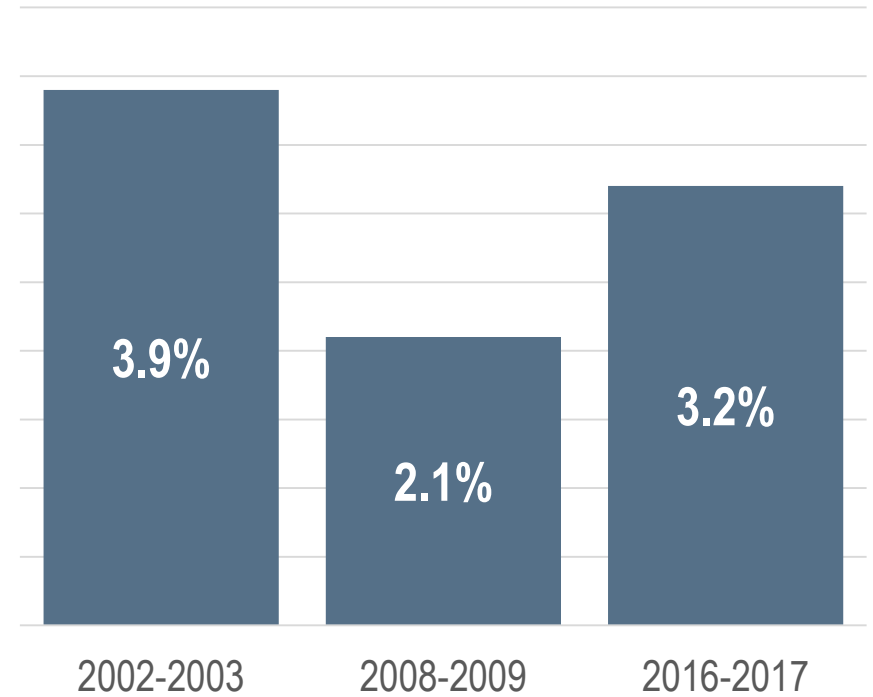
Statistics Canada. Table 37-10-0012-01

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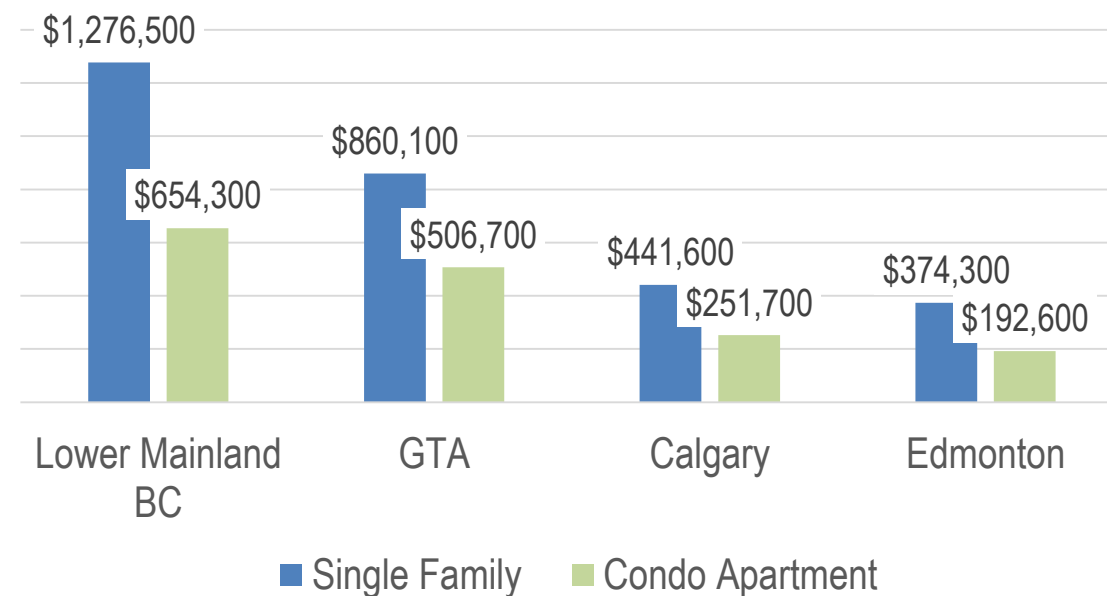# Alberta's advantages and challenges

Advantages

- Youthful population

- Housing affordability and availability

- Livability

- Low taxes

- High wages (good for workers)

- Land and talent availability

Challenges

- Low levels of computer science graduates

- High wages (detractor for attracting employers)

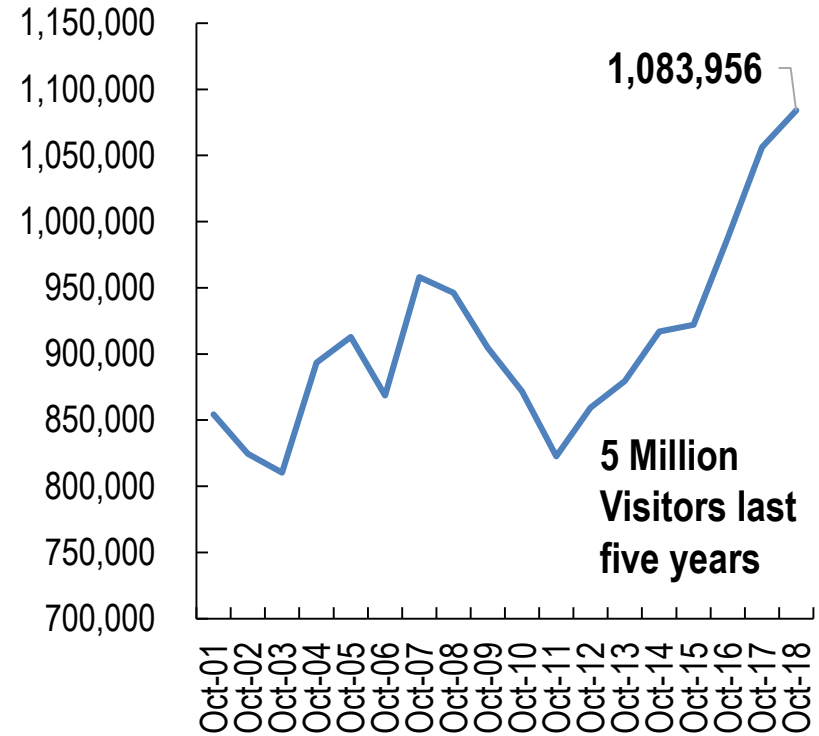**Benchmark Home Price November 2018, Compared**

	Single Family	Condo Apartment
Lower Mainland BC	$1,276,500	$654,300
GTA	$860,100	$506,700
Calgary	$441,600	$251,700
Edmonton	$374,300	$192,600

Tourism and food are growth drivers within the province

Indexed Retail Sales
Last 10 Years
2008=100

Legend:
- Canada
- Alberta
- Edmonton
- Calgary

CMAs on Par Nationally
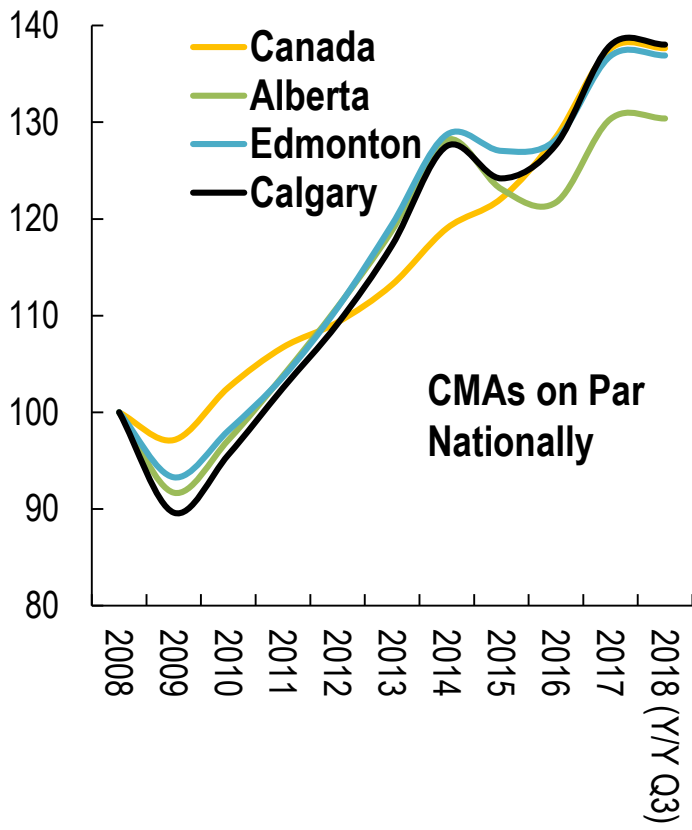
Alberta International Tourist Entries - Persons
Annualized to October 2018

1,083,956

5 Million Visitors last five years

AB Food and Drinking Places Receipts ($M)
Annualized to October 2018

$9,370

40% increase since 2010

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Albertans are spending more on food and beverages

Average spending per household:
2017 compared to 2012

		Top 3			Bottom 3	
	Grocery	**Alcohol & Tobacco**	**Home Operations**	**Recreation equipment**	**Household Appliances & Equipment**	**Clothing & Accessories**
2012	$ 5,855	$ 1,568	$ 5,032	$ 835	$ 1,430	$ 4,580
2017	$ 6,424	$ 1,915	$ 5,344	$ 549	$ 1,118	$ 3,803
NET	+$ 569	+$ 347	+$ 312	$ (286)	$ (312)	$ (777)

Source: Statistics Canadian Survey of Household Spending

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E-Commerce growth generating logistics real estate demand

CBRE Research:

$1
Billion Cdn
e-commerce
sales

=

1.25
Million SF
Net Industrial
Demand

Metro Area	Industrial Availability	Net Rental Rate
Calgary	8.2%	$7.54
Edmonton	7.9%	$9.52
Vancouver	2.3%	$11.86

Industrial Warehouse Demand Fueled by E-Commerce
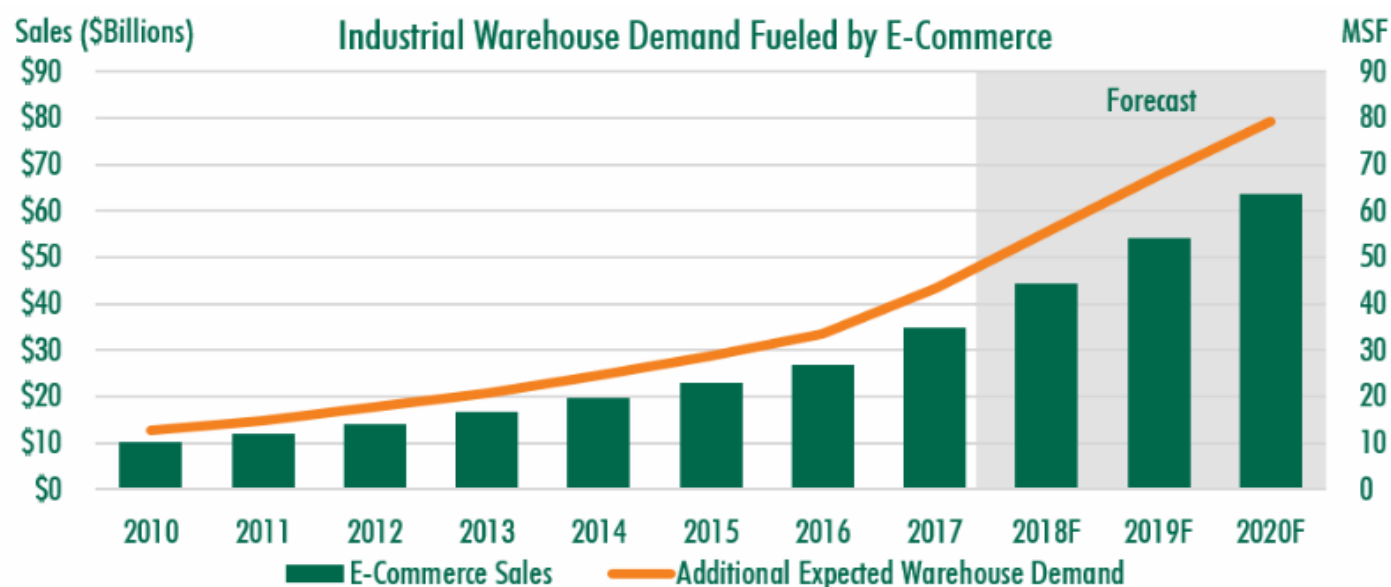
Source: e-Marketer, CBRE Research, May 2018.

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Edmonton office space trends

Edmonton Downtown Supply & Demand

Legend: Absorption, New Supply, Vacancy Rate
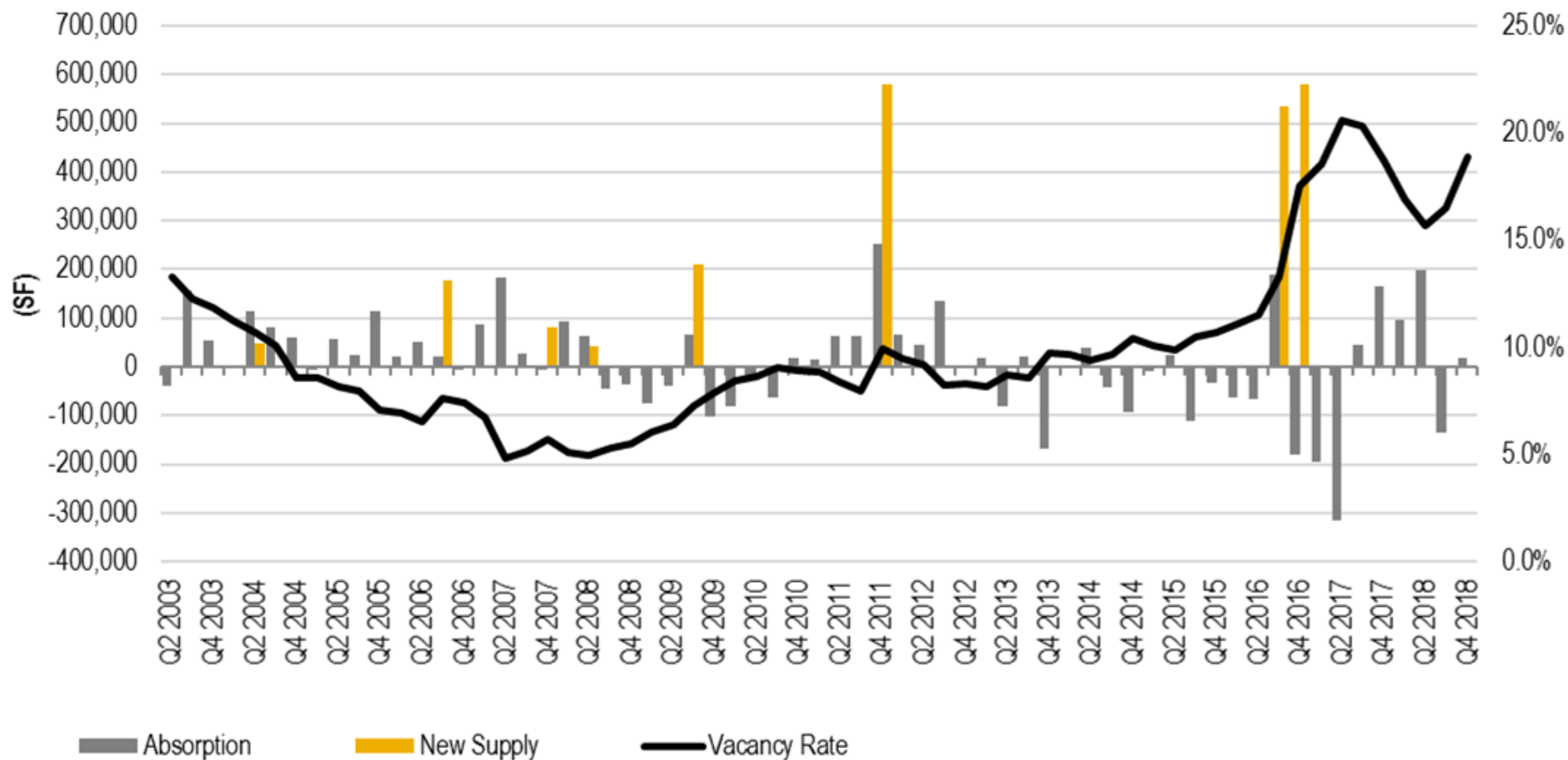
Office space is changing. WeWork and Co-Working is demonstrating alternative options and what is possible

CLASS-A AMENITIES AS A PREMIUM LEASING TOOL

Those who are trying to attract highly sought after tenants should look to reserve 12 percent or more of their building space towards amenities.

Highly Sought After
Class-A Office Building

12%

Traditional
Class-A Office Building

3%
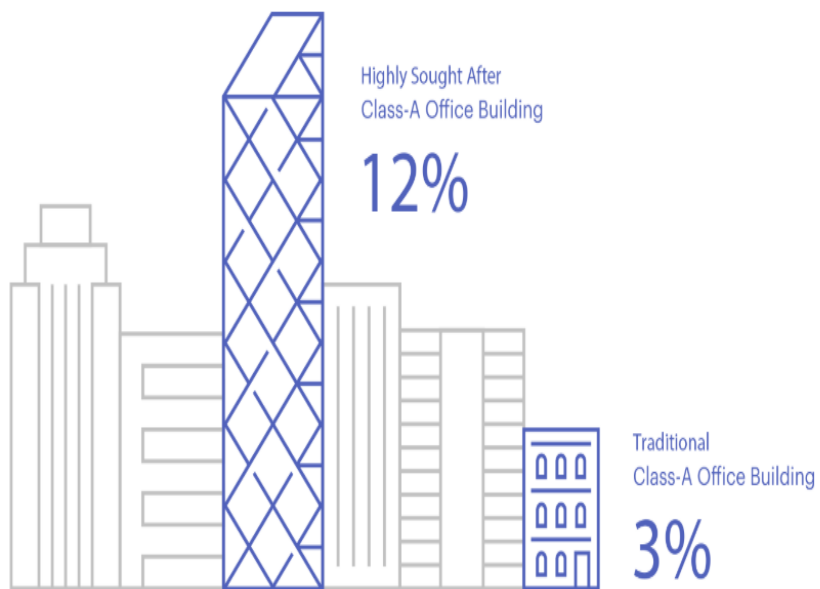
Source: Colliers

THE FUTURE IS EXPERIENCE

- Roof terrace/event space/bar/restaurant
- 5-7 year conventional floors
- Shared food hall/conference auditorium
- 3 year flex-lease/semi-serviced
- Co-working/serviced offices
- Incubator/accelerator space
- Concierge/bike storage/gym & leisure facilities

AGGREGATE DEMAND

BUILD COMMUNITY

IMPROVE SERVICES

PROVIDE WELLNESS

Source: CBRE

Found at www.convene.com/realestate

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Edmonton: Fantastic Example of Re-Invention, Re-thinking

North American Emerging Trends

- Re-thinking urban spaces
- 24 X 7 Environments
- Compact, efficient living
- Facilitate the consumption of **experiences**

The Ice District & 104th

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Questions, Comments

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