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INSIGHTS FROM INDUSTRY LEADERS DURING THE CONTENT FORMATION OF THE TORONTO REAL ESTATE FORUM

ACCELERATION OF URBANIZATION IS HAVING AN IMPACT

Transit, affordable housing, big government decisions are changing the urban landscape.

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RETAIL PRODUCT DELIVERY WILL AFFECT THE LOGISTIC PROCESS

Drone delivery, automated cars and omni channel are challenging the traditional use of space and infrastructure and in turn land use planning and fulfillment buildings.

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TECHNOLOGY TRENDS AFFECT THE WAY YOU WORK AND LIVE

Autonomous vehicles are going to have a larger impact on the real estate sector. Co-working is now becoming mainstream. Crowd funding is starting to get attention globally with an estimated \$3.5B invested in 2016. AI and robotics are starting to affect occupier space.

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CHANGING RETAIL BOXES MEANS NEW REAL ESTATE STRATEGIES

Retailers are starting to speak in terms of negative expansion.

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INVESTMENT TRENDS AND BUYER MOTIVATIONS ARE GOING GLOBAL

With foreign companies looking to place capital internationally, what are their yield requirements, motivations and plans. Lack of size, yield and the need for competitive advantages and diversification keep driving Canadians to invest abroad.

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THE HOUSING MARKET IS ROBUST BUT BUBBLE CONCERN REMAINS

In the fall of 2017, CMHC was quoted as saying the housing market was highly vulnerable citing Toronto, Hamilton, Vancouver, Victoria and Saskatoon as key cities with overvaluation and price acceleration.

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GOVERNMENT CHANGES WILL CHALLENGE THE STATUS QUO

The Ontario government's proposed labor law changes will have a fundamental impact on the economy with some anticipating less overall retail spending.

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CHANGING SPENDING PATTERNS = CHANGING RETAIL STRATEGIES

Millennials are not spending the same way previous generations have. They lean more towards experiences rather than clothes and "things".

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DIVERSITY MATTERS BOTH INTERNALLY AND EXTERNALLY

Who is coming to Canada as net new talent? In 10 years, 75% of the work force will be millennials, this cohort will drive space and retail demands.

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INNOVATIONS IN DEVELOPMENT ARE BEING PUSHED BY USERS

Increasingly more people are using less space across most industry segments including industrial, multi-family and office.

HEAR MORE ABOUT
THESE IMPORTANT
ISSUES ON THE MAIN
STAGE AND IN
CONCURRENT
SESSIONS
AT THE FORUM

ACCELERATION OF URBANIZATION IS HAVING AN IMPACT

- Transit, affordable housing, big government decisions are changing the urban landscape.
- There is a growing emergence of a positive trend towards the rental market within Canadian gateway cities.
- Transit concerns are factoring in to development decisions with discussion on how we will we manage the movement of people in the coming years across our cities and communities.

CHANGING RETAIL BOXES MEANS NEW REAL ESTATE STRATEGIES

- Across the U.S. in 2016 roughly 6,200 retail stores closed their door compared to 2017 where a predicted 9,000 retailers are anticipated to close which will be a record year.
- Retailers are starting to speak in terms of negative expansion. They are looking at gaining 5 new locations but giving up 20 under performing ones. They will be down overall by 15 locations but have more strategic higher performing ones.
- With shipping cost, approximately 4X as expensive in Canada as the U.S. many are looking at e-commerce as a different situation south of the boarder as in Canada.

RETAIL PRODUCT DELIVERY WILL AFFECT THE LOGISTIC PROCESS

- Drone delivery, automated cars and omni channel are challenging the traditional use of space and infrastructure and in turn land use planning and fulfillment buildings.
- Amazon's purchase of Whole Foods and Walmart's significant financial commitment to their e-commerce presence, demonstrates traditional e-commerce or bricks and mortar alone do not equal a complete equation.
- The need for a physical space combined with digital presence is required to survive.

GOVERNMENT CHANGES WILL CHALLENGE THE STATUS QUO

- The Ontario government's proposed labor law changes will have a fundamental impact on the economy with some anticipating less overall spending.
- Ontario regulatory changes including land transfer tax, Smart Growth, rent controls, city charters, will all have a notable impact on developers and their plans across the region.
- Owners and developers of warehouse and industrial space are anticipating implications with the reopening of NAFTA on demand for their locations and projects.

INVESTMENT TRENDS AND BUYER MOTIVATIONS ARE INCREASINGLY GOING GLOBAL

- The investment market is experiencing both growing through bifurcation and more cap rate compression. With the former, larger institutional and REIT real estate investors and platforms are increasingly going global while domestically smaller investors (REITs, private equity, privately owned) are focusing more on value add and opportunistic strategies that include asset repurposing, additional development potential, adaptive re-use, etc.
- That said, lack of size, yield and the need for competitive advantages and diversification keep driving Canadians to invest aboard.
- With significant development planned nationally, who will be the winners and losers after it's built. Are we at a late stage of the credit and real estate cycle? Increasing interest rates combined with potential massive liquidity issues pose some concern.

TRENDS IN TECHNOLOGY WILL NOT ONLY AFFECT THE WAY YOU WORK BUT THE WAY WE LIVE

- Autonomous vehicles are going to be a consideration faster and with a larger impact to the real estate sector. Implications for zoning bylaws, parking spaces requirements and future development rationales.
- Envision a 10% reduction in parking requirements and the subsequent massive inflow of development lands in urban cores.
- With the proliferation of autonomous cars, does building on transit lines still have the same appeal to developers and end users?
- Co-working which once started as a fringe market is now becoming mainstream, showcased by the 2017 subleasing of Amazon from WeWork in Vancouver. The landlord and service provider response to co-working will force the traditional lease document and process to evolve.
- Crowd Funding is starting to get attention globally with an estimated \$3.5B invested in 2016.
- In 2025 CFX Markets has predicted that the crowd funding industry will be valued at more than \$300M.
- Artificial intelligence and robotics are starting to affect occupier space and there is speculation on the overall impact that this new workforce will have on the traditional built form.

CHANGING SPENDING PATTERNS MEANS CHANGING RETAIL STRATEGIES

- Millennials are not spending the same way previous generations have. They lean more towards experiences rather than clothes and "things".
- With sales being driven on-line there is a large impact in terms of traditional retail formats. Customers are embracing new ways of buying with Amazon growing by \$80 Billion (U.S.) between 2010 and 2016. It is stated that 8% of U.S. retail sales are made online compared to some 2% in Canada. That said, when accounting for travel, cross boarder and accommodation spending the real Canadian number is more like 6% (Retail Council of Canada estimate).

DIVERSITY MATTERS BOTH INTERNALLY AND EXTERNALLY

- Who is coming to Canada as net new talent? What visas are being provided to those coming to Canada to live and what type of jobs are they coming for?
- In 10 years, 75% of the work force will be millennials. This cohort will drive space and retail demands.
- Attention is needed on internal teams as well as consideration for occupiers and their changing requirements.
- Owners, managers and developers from across the country are looking at their HR teams to find ways to increase access and attract new and diverse talent to fill roles.

INNOVATIONS IN DEVELOPMENT & DESIGN ARE BEING PUSHED BY THE USERS

- Increasingly more people are using less space across most industry segments including industrial, multi-family and office.
- Mixed-use developments keep evolving especially with the inclusion of Choice Properties REIT, RioCan REIT and Sobeys into the space on their excess land holdings.
- Tech reportedly is a driver of space in select markets, how do tech hubs impact design and location for these users?

CANADIAN HOUSING MARKET IS STILL ROBUST BUT CONCERN OF A BUBBLE REMAINS

- The state of the what Canadian housing market is on everyone's mind in both gateway cities and secondary markets.
- In the fall of 2017, CMHC was quoted as saying the housing market was highly vulnerable citing Toronto, Hamilton, Vancouver, Victoria and Saskatoon as key cities with overvaluation and price acceleration.