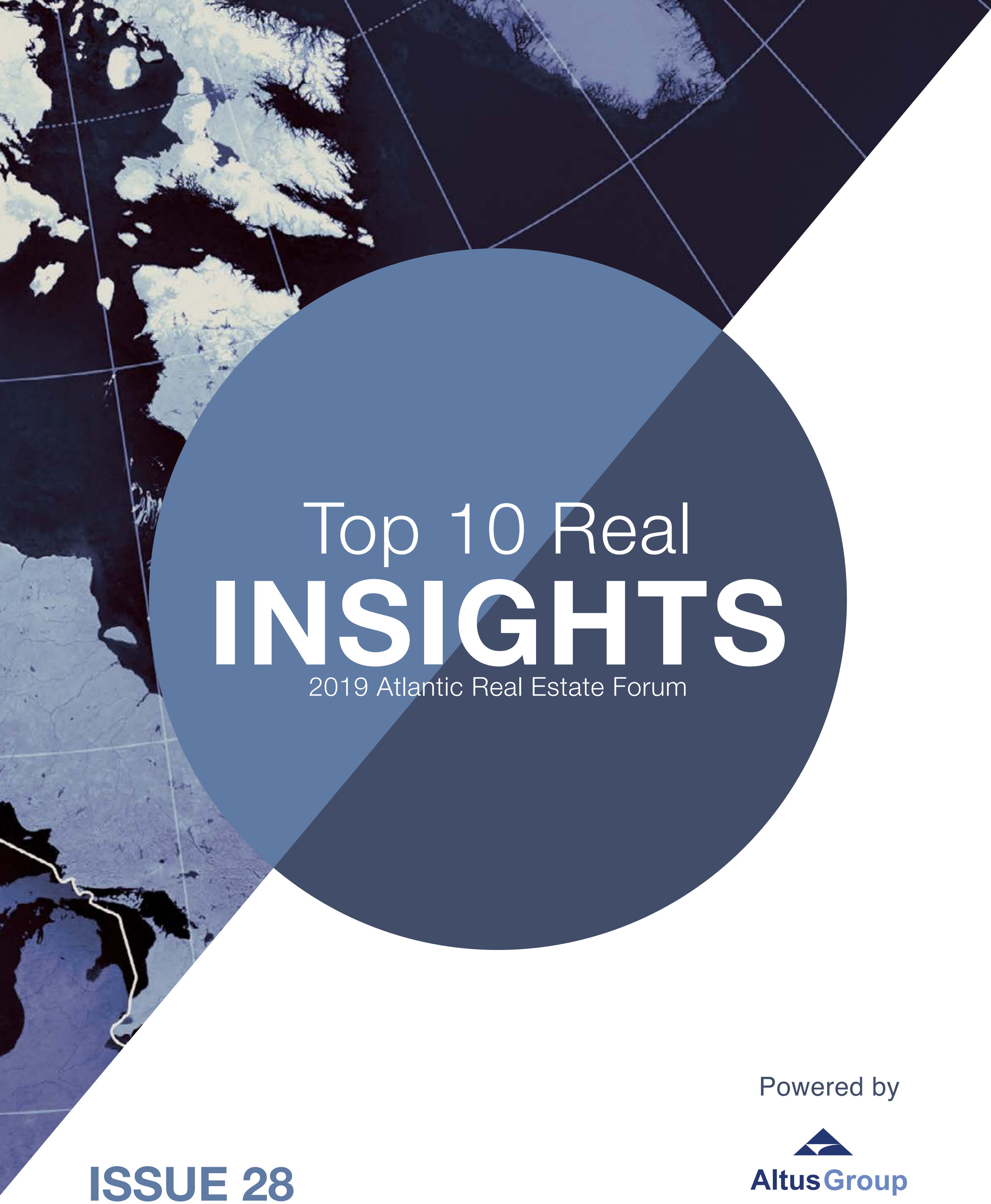

Top 10 Real

INSIGHTS

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ISSUE 28

TOP 10 | REAL INSIGHTS

2019 Atlantic Real Estate Forum

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

1 GROWTH FORECASTED ACROSS ATLANTIC CANADA THROUGH 2019

Atlantic Canada is a leader in cutting edge sectors such as ocean technology, aerospace and defence, biotechnology and clean and renewable energy which are supporting the region's growth.

2 ATLANTIC CANADA BECOMING A MAGNET FOR TECH AND VENTURE CAPITAL

With over 400 start-ups in the region, Atlantic Canada is home to a growing tech ecosystem.

3 TECHNOLOGY CONTINUES TO CHALLENGE THE STATUS QUO

Technology is attracting huge amounts of capital from the real estate sector.

4 GROWTH IN ECOMMERCE SUPPORTING INCREASED DEMAND FOR INDUSTRIAL SPACE

In Atlantic Canada growth of online shopping is growing at a rate that is faster than any other region of Canada.

5 LENDER SENTIMENT REMAINS POSITIVE

As lenders plan to deploy more capital to real estate in 2019, many are keen on Atlantic Canada.

6 DEMAND FOR HOUSING IMPROVES ACROSS THE REGION

Improving economic conditions and increased immigration are fuelling an expanding housing market.

7 DEMAND FOR OFFICE SPACE SOLID

Vacancy rates are falling across most of the major Atlantic Canada markets while rental rates offer tenants substantial value.

8 CAPITAL FLOWS STEADY IN ATLANTIC CANADA

Maritime REITs are busy as major deals are finalized.

9 ALTERNATIVE ASSET CLASSES GENERATING INCREASED INTEREST

In the quest for yield, investors are turning to alternative asset classes.

10 POPULATION IS GROWING AND THIS IS GREAT NEWS FOR THE REGION

A bevy of government policies have been successful in increasing immigration and attracting talent.

For further details on these top trends please visit the Real Estate Forums Portal at realestateforums.com

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CANADIAN REAL ESTATE FORUMS

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1. GROWTH FORECASTED ACROSS ATLANTIC CANADA THROUGH 2019

Atlantic Canada is a leader in cutting edge sectors such as ocean technology, aerospace and defence, biotechnology and clean and renewable energy which are supporting the region's growth.

Between July 2017 and April 2018, the Atlantic economy created more than 16,000 jobs. Employment grew 1.5%, better than the national average of 0.9%.

The Conference Board of Canada has forecasted growth for all of the Atlantic provinces in 2019. PEI is expected to lead the entire country with a growth rate of 3.2%.

PRINCE EDWARD ISLAND

Strong population growth has propelled PEI's outperformance, supporting home sales and consumer spending, TD reports. Retail sales grew by about 4% last year— nearly the strongest pace in the entire country. Elevated US demand for PEI products and a competitive dollar pushing manufacturing sales higher in 2018 helped to drive growth. The provincial government is on track to record its second straight budget surplus in FY 2018/19.

NEWFOUNDLAND

TD anticipates growth to pick up in 2019 and continue in 2020, supported in part by a steady ramp-up of oil production as well as work on a number of smaller-scale capital projects. Expansions have been announced in the Voisey's Bay mine and the White Rose oil field, where work is expected to gear up.

NOVA SCOTIA

Real GDP expanded at 1.2%— a rate slightly faster than the province's 10-year average of 0.9%. The US expansion, coupled with rising demand from China supported exporters, helped manufacturing sales grow about 10%. Rising employment and strong population gains lifted home sales and prices, while builders broke ground on the largest number of new homes since 2006.

NEW BRUNSWICK

New Brunswick's economy is expected to have slowed to a more modest 0.9% rate in 2018. After turning negative in 2014, population growth has moved into positive territory, fuelled by faster immigration. This has spurred home sales and reduced rental vacancy rates. Expectations of positive home demand should boost prices.

The Atlantic Trade and Investment Growth Strategy (ATIGS) was launched in 2017. Its purpose is to help companies find export markets, create jobs, and strengthen the economy. Federal and provincial partners plan to invest $20 M by 2022 through the Atlantic Trade and Investment Growth Agreement.

The funding will be used to:

- Double the number of exporters in Atlantic Canada
- Increase the value of Atlantic exports by 30%
- Increase the number of Atlantic firms who export into more than one market to 40%
- Increase foreign investment in Atlantic Canada

Atlantic Canada has world-class R&D capabilities and is supported by 17 universities and four community colleges.

More than 100 bioscience companies and 25 research organizations are located in the region and are generating more than $300 M in annual private sector revenues.

In July 2017, the Government of Canada announced that over $2.4 B would be allocated through the Investing in Canada Infrastructure Program to the Atlantic provinces over the next decade for infrastructure projects.

Atlantic Canada's food industry is one of the region's largest economic engines and comprises nearly 20,000 businesses. In 2017, Atlantic Canada exported more than $6.1 B in food and seafood to markets worldwide, an increase of close to 8% since 2015. ACOA is helping growth in this industry by investing approximately $126 M in the last three years.

There are more than 200 aerospace and defence firms, including branches of multinationals like Lockheed Martin, Boeing and EADS in Atlantic Canada. The industry generates over $1 B in annual revenues and exports to 180 countries around the world. It also employs more than 10,000 skilled workers across the region.

Canada's $38.6 B National Shipbuilding Procurement Strategy selected Irving Shipbuilding of Halifax to build the next generation of Canada's combat vessels. This contract represents the largest component of the Royal Canadian Navy and Canadian Coast Guard fleet renewal project.

Atlantic Canada has one of the fastest-growing and innovative energy sectors in North America, with major new projects in offshore oil and gas and hydroelectricity. The clean and renewable sectors such as wind and tidal energy are also growing. Regionally, the energy sector is responsible for over 18,700 jobs, and energy products represent almost 60% of the region's merchandise exports.

Employment grew 1.5%, better than the national average of 0.9%

2. ATLANTIC CANADA BECOMING A MAGNET FOR TECH AND VENTURE CAPITAL

With over 400 start-ups in the region, Atlantic Canada is home to a growing tech ecosystem.

Atlantic Canada recorded $158 M in venture capital investment in 2018, accounting for its biggest ever proportion of Canada's VC funding.

The Canadian Venture Capital and Private Equity Association, known as the CVCA, released its annual data in March, which showed that VC funding in Atlantic Canada rose by 60% from $99 M in 2017. The four eastern provinces accounted for 4.3% of Canada's VC funding last year.

Entrevestor, which provides data on start-ups in Atlantic Canada, reported that 2017 was a banner year for start-ups and that the region has developed a core of substantial high-growth corporations founded on innovation. They reported that 114 companies launched in 2017, the highest number in the five years they have been collecting this data. It pushed the number of start-ups to over 400 in the region.

CBRE reported in November that Halifax's tech talent pool grew by 28% over the past five years, adding 2,500 tech jobs.

The region has produced a number of highly successful tech firms.

Radian6, a social media monitoring platform founded in Fredericton, was acquired by Salesforce in 2011 for $326 M. IBM bought Q1 Labs, a cybersecurity company also launched out of Fredericton, for $600 M.

In November, the Feds announced an investment of up to nearly $153 M, matched dollar for dollar by the private sector, in the Atlantic Canada–based Ocean Supercluster. The Ocean Supercluster is a group of businesses, post-secondary institutions and non-profits working together to accelerate innovation and sustainable economic growth from Canada's oceans. It is projected that this supercluster will create more than 3,000 jobs and add more than $14 B to Canada's economy over 10 years.

One of the participants in the Ocean Supercluster is Rutter Inc. Headquartered in St. John's, Newfoundland, Rutter is a developer of speciality radar signal processing technologies for the marine safety, security, and environmental monitoring sectors.

Along with a rising number of start-ups, there are also new incubators that have come onto the scene.

In 2016 Nova Scotia became the first Canadian region to enrol in MIT's Regional Entrepreneurship Acceleration Program.

The Creative Destruction Lab (CDL) expanded to the Rowe School of Business at Dalhousie in 2017. The CDL is a seed-stage program for science-based companies raising $1.5 B in equity in its first five years.

CDL-Atlantic will foster the creation of powerful blue-green technology ventures through strategic alignment with Dalhousie's research initiatives in this area, including the Ocean Frontier Institute, the NSERC/Tesla Canada Industrial Research Chair, and the Canada Research Chair in Organic Agriculture.

Incite is Propel's accelerator focused on early-stage start-ups in the tech sector. It announced in January that 15 companies will be participating in Phase 2 of its Incite Accelerator. Phase 1 of the 12-month, entirely virtual accelerator program began in September 2018.

The Volta Cohort program is an accelerator run out of The Volta, an innovation and Startup hub based in Halifax. Open to early-stage tech start-ups in Atlantic Canada, the program began operating in 2017 to address the gap in funding to help innovative start-ups gain traction faster. Each company receives a $25,000 investment through a micro-fund co-founded by Volta, BDC Capital, Innovacorp and the Atlantic Canada Opportunities Agency.

Since its inception, Volta Cohort has awarded a total of $400,000 in investments at live pitch events and welcomed 16 companies into the program.

The Canadian government is providing $4.4 M to Venture for Canada to help students access work at start-ups in Atlantic Canada. The money will specifically help open up spaces to 505 students. The funding is part of the government's Student Work Placements Program, which is dedicating $73 M over the next four years to create over 10,000 paid student work placements in STEM.

3. TECHNOLOGY CONTINUES TO CHALLENGE THE STATUS QUO

Technology is attracting huge amounts of capital from the real estate sector.

In 2012, $221 M was funnelled into the global PropTech market, according to start-up data provider CB Insights. That number increased to $4.2 B in global venture capital in 2016, with 2017 seeing a total investment of $12.6 B, according to market research agency Re:Tech. And while the dollar volume of investment was down in 2018, the number of deals increased substantially.

PitchBook, a Seattle-based financial research company, reported that $3 B in venture capital poured into North American real estate start-ups in 2018, double the amount that was invested in 2014.

In 2018, Brookfield Asset Management, committed $300 M under Brookfield Ventures to support real estate tech, while Jones Lang LaSalle launched an international venture fund to invest $100 M into the industry.

Colliers launched a real estate accelerator with Techstars last year. The program intends to identify and mentor startups around the globe that are developing industry-disrupting technologies in the property and real estate industry.

Also in 2018, RXR Realty partnered with CBRE Group Inc and Cushman & Wakefield to back MetaProp Ventures II LP, a $40 M venture capital fund that will invest in early-stage real estate technology firms alongside more traditional real estate companies. New technologies that the fund is reported to be investing in include augmented reality, 3D printing, co-working and the blockchain.

One of the verticals of PropTech is Smart Buildings. Propelled by The Internet of Things IoT (in which a network of physical devices, appliances and software connect and exchange data to support automation), this class of PropTech assists with asset management in a variety of ways:

Building Maintenance – Sensors measure and report of equipment usage, changes or failure. Sensors in supply rooms can let facilities managers know when inventory needs to be stocked.

Energy Management – Energy represents 19% of the total expenditures for the typical building in the US. Smart sensors decrease building operation costs by automatically adjusting lighting, ventilation and temperatures based on the number of occupants and building usage patterns. According to Energy Star, even a 10% decrease in energy use can lead to a 1.5% increase in net operating income.

Space Utilization – Smart sensors can detect building occupants' locations, count, and movements with extreme precision. Based on the data, CRE companies can reconfigure building layout or plan for changing demand. They can also help tenants make data-based decisions to adjust office layout, add or subtract meeting rooms, or implement hotdesking strategies.

These are some examples of PropTech companies that are shaking up the industry:

Oakland start-up Comfy, allows employees to control temperature, lighting, book meeting rooms and desks and submit work requests via an app. It has led to a 20% decrease in HVAC energy use and a 30% potential increase in space utilization. Comfy, which was recently acquired by Siemens, is being used in 25 M sq. ft. of space and in some Oxford offices.

Founded in 2014 and based in Toronto, Lane is a SaaS software that creates a smart workplace; it leverages the Commercial Real Estate ecosystem to enable buildings and their tenant companies to communicate and engage with urban-professionals, directly to their mobile devices. With Lane, building owners can increase ROI by 2.2% by integrating existing building systems into the Lane platform, increase building operation efficiency and reduce tenant turnover. Its technology is in 35 M sq. ft. of space across North America.

Lane was one of 10 companies chosen to participate in Colliers International's first PropTech accelerator. Lane has also received funding from Alate, which Dream Unlimited launched in partnership with Relay Ventures.

Enertiv uses data to enhance building operations in commercial real estate portfolios, with a focus on office and multifamily buildings. They use a highly granular data set to design tools for making building easier to operate, healthier to occupy and increases their profitability.

4. GROWTH IN ECOMMERCE SUPPORTING INCREASED DEMAND FOR INDUSTRIAL SPACE

In Atlantic Canada growth of online shopping is growing at a rate that is faster than any other region of Canada.

Consumers research and learn all there is to know about the product before going into a physical location— if they ever do. One of the outcomes is that square footage demand for retail space has decreased due to shifts in consumer behaviour and buying patterns, efficiencies of the physical store and online channels, according to Forbes.

"...Increasingly, retail stores are being used as vehicles for product discovery, not pickup. At the same time, digital native retailers are moving into showroom-style spaces," CBRE's Paul Morassutti asserts.

Global online sales were less than $1 T in 2011. By 2020, according to estimates from e-Marketer and Prologis Research, total sales could double again to $4 T, at which point they'll account for nearly 15% of total sales. In Canada, it is estimated that retail e-commerce sales will total C$55.78 B by 2020.

At 1.7%, the region has the lowest share in Canada of online sales for FMCG (fast-moving consumer goods), however, it has the highest growth rate, with a 26% increase in online sales in 2017.

The Atlantic Canada Opportunities Agency (ACOA) is contributing $60,000 to a new program to teach SMEs from across Nova Scotia how to scale online with the help of eBay. Businesses will have the opportunity to participate in eBay's Retail Revival Program, which works with small businesses and local governments to teach digital skills needed to attract new customers and reach new markets through ecommerce.

Due to the ongoing growth of online shopping, warehousing and distribution markets have experienced an increasing demand.

Canada's industrial availability rate held steady at 2.9% in Q1 2019 from the previous quarter and down from 3.5% in the same quarter last year, Altus Group reports.

Canada-wide average rates increased by 10.1% in 2018, the largest single-year increase in history while rental rates in the GTA grew by 17.6%.

Nova Scotia's industrial market experienced a decline in vacancy throughout 2018, with the vacancy rate falling 100 basis points from 12.4% in the first quarter to 11.4% in the last quarter of 2018. The average net asking rent increased to $7.36 per sq. ft., Cushman & Wakefield reported.

CBRE Canada said industrial real estate investment in Halifax increased nearly tenfold between 2017 and 2018, growing from $26 M to $215 M.

The vacancy rate in St. John's declined almost 3% to 15.3%, to remain above the historical average of 11%. The average net asking rent increased slightly to $11.33.

New Brunswick's Industrial market lost some momentum through 2018 as the vacancy rate rose to 18.2% in the Q4 2018 compared to 15.3% in the Q4 2017. Average asking rates were up a few cents to $6.21, according to Cushman & Wakefield numbers.

The Atlantic Gateway–Halifax Logistics Park is a multi-phased real estate development project that is strategically located to support the growth of logistics and warehousing activity.

Phase 1 of the project is currently underway comprising ~140 acres of serviced lots, of which 50 acres have already been developed. It has attracted tenants engaged in transloading, distribution and warehousing activities including Consolidated Fastfrate, Armour Transportation and Mathers Logistics.

Adjacent to Phase 1, Phase 2 comprises 128 acres and there is the potential for another 250 acres in the area for future development opportunities.

The major benefits of locating in this logistics park are its proximity to other modes of transportation and that it allows for goods shipped from overseas to Atlantic Canada, Central Canada, the US Midwest, and the US Eastern Seaboard to reach regional distribution centres or arrive direct-to-store faster and cheaper.

5. LENDER SENTIMENT REMAINS POSITIVE

As lenders plan to deploy more capital to real estate in 2019, many are keen on Atlantic Canada.

While lenders are demonstrating a degree of cycle awareness and have become more selective in their targeted lending programs, they are still very active in the Canadian marketplace, CBRE reports in their 2018 Canadian Lenders' Report. As 73.3% of lenders plan to deploy an additional 10-20% of net new capital to real estate in 2019, capital will continue to be abundant.

Of the lenders that were surveyed, 16.7% stated that they had a strong appetite to lend in the Halifax market, tying the city with the London and Quebec City markets. Of those surveyed, 20% said that they planned to increase their loan budget in Atlantic Canada in 2019, while 30% said that they planned to maintain their 2018 budget.

Lenders expect spreads to widen in 2019 with the majority of lenders calling for an increase up to 20 bps for 5-year terms. For spreads in the 10-year term, lenders were a bit more divergent with 30% anticipating no movement while 40% called for a 20-30 bps increase, CBRE reports.

Alternative lenders are playing a growing role in Canada's real estate market as the industry searches for new sources of financing, risk-averse banks become more picky, and investors look for yield.

In 2019, the greatest growth in originations is expected from alternative lenders such as mortgage REITs and debt funds (49% anticipate growth greater than 5%) according to the commercial real estate finance outlook survey.

20% of lenders said that they planned to increase their loan budget in Atlantic Canada in 2019

30% of lenders said that they planned to maintain their 2018 budget.

A recent study conducted by Altus Group found that more than 82% of the 400 development executives surveyed are using at least one alternative lending vehicle to fill their capital stack. These debt funds have created competition for traditional banks. Debt funds are not subject to the same strict restrictions as banks, making them more appealing to borrowers in need of quick and more creative financing options.

The results of RealPac's Q4 2018 Canadian Real Estate Sentiment Survey states that overall debt capital remains available and lenders continue to be competitive. Less established groups without a track record may experience increased difficulty in acquiring credit. One person who was surveyed stated:

"No problem with debt for established companies with relationships with the major banks and insurance companies. For others, [lenders] may decide to cut back for the newer entries into the market and less established ones, as it is the established players that really will continue to get what they need because of the relationship side of the business as opposed to just standing on the economics of the deal."

Of those who surveyed, 62% believe that the availability of debt capital will remain the same at the end of 2019 as it was at the end of 2018.

6. DEMAND FOR HOUSING IMPROVES ACROSS THE REGION

Improving economic conditions and increased immigration are fuelling an expanding housing market.

Multi-family housing experienced an overall tightening of vacancy in all of the major markets. For now, uncertainty around the oil sector is muting housing demand in St. John's. Vacancy in Halifax is one of the lowest across Canada and is poised to drop even lower in 2019.

- Halifax - apartment vacancy is at 2.0%, down from 2.3% in October 2017. Average rent for a two-bedroom increased to $1,175.
- St. John's - vacancy was down slightly to 7.0% while rents were also down to $901 in October 2018.
- PEI - up from 0.9% in October 2017 to 1.0% one year later. Rents remained flat at $900.
- New Brunswick - Vacancy was down 30 basis points to 3.8% while rents grew slightly to $795.

*All figures from CMHC

Halifax

The median price of a home in Halifax is expected to increase by 1.6% in 2019, rising to an aggregate price of $326,096. This increase reflects the region's healthy economy and its ability to attract immigrants and Canadians from other provinces, according to the Royal LePage Regional Price Forecast.

"This year was a good year for the Halifax real estate market, which absorbed the impact of OSFI's 2018 mortgage stress test fairly quickly," said Marc Doucet, broker of record, Royal LePage Atlantic. "... the market's balanced inventory should continue to drive healthy price increases."

Housing starts are expected to grow through 2019 driven by strength in both the apartment and single detached markets. Growth in international migration paired with positive interprovincial migration and an ageing population seeking downsizing options will support demand for rental units, supporting the growth of multi-family construction, according to CMHC.

Apartment vacancy rates will remain low through 2019 until new product comes on board and rental rates will be pushed higher.

St. John's

The resale market is expected to pick up with an improving economy through 2020. The extent to which the oil industry recovers will affect the housing market especially sales activity among homes in the over $300,000 price range.

Demand for rental units in the St. John's area is expected to increase from recent lows over the forecast period. "Transient oil sector workers and a stable flow of post-secondary students should also support demand for rental units within varied rent ranges in the region. As a result, the vacancy rate is forecasted to trend downward through 2020 from recent multi-year highs", CMHC states.

Charlottetown

Prices are being pushed higher due to a lack of supply of resale housing. This will nudge housing starts higher and put added pressure on rental rates.

New immigrants, along with downsizing seniors and international students, are expected to create a steady demand for rental accommodations that will exceed the supply of new rental units through 2020 as developers look to catch up to demand with future rental projects.

New Brunswick

In New Brunswick, CMHC expects construction to pick up again in 2019 and 2020. Multi-unit construction will be driven by the province's swelling baby boomer cohort looking to downsize.

Recent strong increases in full-time jobs, average weekly wages and youth participation rate should stimulate demand of single-detached homes. Multi-unit housing will be strongest in the Fredericton region which recorded a historic low vacancy rate of 2.2% last fall.

The number of homes sold through the MLS® Systems of real estate Boards in New Brunswick totalled 485 units in January 2019. This was an increase of 16.3% from January 2018 and marked a new sales record for the month of January, the New Brunswick Real Estate Association reported.

At the local level, home sales increased significantly. Sales increased by 55.1% in Fredericton year-over-year, by 12.9% in Saint John and by 2.3% in Moncton.

The average price of homes sold in New Brunswick was $162,043 in January 2019, down 3.8% from January 2018.

Student Housing

The student housing sector has been attracting more interest and more capital. Over 1.5 M students are enrolled in Canadian post-secondary institutions and generate a huge demand for housing.

A recent report in the Economist revealed that student housing attracted US$16 B worldwide investment in 2016, as sovereign wealth funds increasingly target the sector.

Alignvest Student Housing REIT formed in 2018. Since then, the private REIT has acquired seven purpose-built student residences in Ontario with looks to expand into Halifax and across the country.

"Currently, only about 3% of Canadian university students live in an off-campus purpose-built student accommodation compared to 10% in the U.S. and 12% in the UK," said Sanjil Shah, ASH REIT Managing Partner. "We are 10 to 15 years behind those markets, even though our student population is growing at a much higher rate fuelled by both domestic enrolment and our increasing share of international students."

Former professor Chris Galea, founder and president of Micro Boutique Living, currently has two apartment buildings in Wolfville and Antigonish, with a third in Charlottetown under development. The buildings offer fully-furnished units that are 300 sq. ft. in size with a full kitchen and bathroom. Depending on the location, the apartments start at about $800 per month for a school-year lease, with a full-year lease starting at $695 per month.

Seniors Housing

The vacancy rate across all types of seniors housing averaged 11.4% in 2018 across the region, unchanged from the previous year. The availability of two bedroom units was cut in half and was at 4.0%, according to CMHC numbers.

In New Brunswick, the number of standard spaces was virtually unchanged whereas the number of residents increased by 19% in 2018 compared to 2017. With demand increasing faster than supply, the vacancy rate for standard spaces decreased 1.3 points to 9.3%.

Nova Scotia has the lowest number of seniors housing spaces resulting in the lowest vacancy across the region. One-bedroom units, which account for 58% of total spaces, had the highest average rent of $3,265 among all units.

The average rent for standard spaces increased by 3% to $2,781 in Newfoundland. The vacancy rate for standard spaces was the highest in Atlantic Canada, increasing by 2 basis points to 20%.

The supply of housing rose at the same level as the number of residents in PEI. The average rent for all standard spaces increased by 6% to $3,270 largely due to a 16% increase in rents for one-bedroom units.

A new 44 unit seniors complex is scheduled for completion on Norwood Road in Charlottetown. This project is part of $5.2 M in federal funding received through the Investment in Affordable Housing Agreement.

A 13 unit affordable senior's complex is under construction in Porters Lake, NS. The units are one bedroom plus den and will become available for anyone with an annual income of $33,000 or less.

7. DEMAND FOR OFFICE SPACE SOLID

Vacancy rates are falling across most of the major Atlantic Canada markets while rental rates offer tenants substantial value.

Heading into 2019, Fredericton has the healthiest vacancy rate of the six major office markets in Atlantic Canada, Turner Drake & Partners reported.

Altus Group reports, Fredericton's overall vacancy rate dropped from 9.1% in Q1 2018 to 6.2% in Q1 2019. Fredericton average office rental rates grew from $13.27 per sq. ft. to $13.95 per sq. ft. ($16.67 per sq. ft. for downtown Class A space).

Charlottetown's vacancy rate sat at 7.59% at the end of 2018 with average rental rates of $14.87 per sq. ft.

Moncton's availability rate trended downwards to 11.2% in Q1 2019 from 12.2% in the same quarter of 2018, Altus Group.

On average, rental rates were the lowest in Moncton, dropping from $13.13 per sq. ft. in 2017 to $12.93 per sq. ft. in 2018 ($14.28 per sq. ft. for downtown Class A).

At the end of 2018, St. John's had a vacancy rate of 17.21% and rental rates among the highest in Atlantic Canada at $18.99 per sq. ft.

Halifax's office vacancy rate saw a drop from 16.3% in Q1 2018 to 14.9% in Q1 2018, a trend which can also be seen across all suburban markets in Greater Halifax, reports Altus Group. Average rents were down for A-, B- and C-classes of office space and sits at $14 per sq. ft. net— the lowest since 2013, according to Turner & Drake.

Rising demand for downtown office space with next-generation layouts and amenities is a dominant trend globally. This shift is playing out in Halifax, where office construction, tenant demand and multifamily projects have shifted to the Peninsula for the first time in decades, CBRE reported in its Canadian Real Estate Outlook.

The Halifax office market has almost 178,000 sq. ft. of space under construction with 125,000 sq. ft. in the downtown area, according to Altus Group.

One of the buildings under construction right now is the $200 M Queen's Marque development, a platinum LEED certified mixed-use complex on the waterfront. The 450,000 sq. ft. project will have a 120,000 sq. ft. office component, retail, a boutique hotel, apartments and 75,000 sq. ft. of public space. The development is slated for completion in December 2020.

The Atlantic Canadian law firm Stewart McKelvey will take over three-quarters of the commercial space in the Queen's Marque building and Deloitte will occupy the top two floors.

ExxonMobil is moving out of downtown St. John's into a new building that Allied Construction is currently building on Hebron Way. The company will move into their new 184,000 sq. ft. office building in 2020.

5% Five percent of Canada's workforce will be "on demand" or "freelancing" by 2020, StatsCan forecasts.

Irving Oil has completed its 11 storey building and, at the time of writing, was in the process of moving 1,000 employees to its new headquarters in uptown Saint John. The building has approximately 225,000 sq. ft. of above grade space, 28,000 sq. ft. of below-grade parking and service space as well as a 40,000 sq. ft. adjacent surface parking lot.

Last fall, Ross Ventures began construction of an office tower with 90,000 sq. ft. of "Class A" commercial space on Carleton Street. The building which will be up to seven storeys high, will be the first Class A office building constructed in Fredericton in 20 years.

Shared workspaces have grown at an incredible rate of 200% over the past five years. In global cities like London, New York, and Chicago they are expanding at an annual rate of 20%, making coworking an institutional part of the market despite many dismissing this trend as a fad.

According to a 2017 study by Freelancers Union and Upwork, freelancers are expected to become the majority of the workforce by 2027. Forty-five percent of Canada's workforce will be "on demand" or "freelancing" by 2020, StatsCan forecasts.

Although the growth of freelancing or the gig economy fuels the demand for coworking space, more than 30% of WeWork's members now work at companies with 1,000 or more employees, Bloomberg reports.

These factors together will enable continued growth for co-working. Spaces and Regus owner IWG announced it will open at least nine new locations across Canada in 2019. Combined, the new locations will encompass about 375,000 sq. ft. and this expansion will bring IWG's total Canadian footprint up to approximately 3 M sq. ft. in over 35 cities.

In October 2018, Regus opened up a 13,000 sq. ft. location in Founders Square on Hollis Street in Halifax.

8. CAPITAL FLOWS STEADY IN ATLANTIC CANADA

Maritime REITs are busy as major deals are finalized.

Crombie REIT will sell an 89%, non-managing interest in 26 retail properties across Canada to a US private equity group. The sale price for the interest in the portfolio of mainly grocery-anchored properties is $161.6 M.

The portfolio comprises approximately 883,167 sq. ft. of primarily free-standing, grocery-anchored properties (Sobeys and its related banners). All are located in secondary or tertiary markets across Canada and include:

- 151 Church St., in Antigonish, NS., 51,272 sq. ft., anchored by Sobeys
- 105-107 Catherwood St., in Saint John, NB., 45,916 sq. ft., anchored by Lawtons

The transaction is anticipated to close in April 2019.

Recently, Killam purchased a newly constructed four-building complex containing 107 units in Charlottetown, PEI. The property, known as the Harley Street Apartments, was purchased for $22.4 M ($209,000/unit), representing an all-cash yield of 5.6%. The average monthly rent is $1,505 and the property is 100% occupied. The buildings include underground parking, a unique feature in the Charlottetown market.

In addition, Killam purchased a 1.9 acre development site in downtown Charlottetown on the waterfront for $2.2 M. The site is located on Haviland Street and is zoned for 99 units. Killam also purchased a 1.2 acre development site in Stratford for $1.2 M. The site is zoned for 79 units and is located on the waterfront overlooking downtown Charlottetown.

In St. John's, the Cooperators Building located at 19 Crosbie sold to Atlantic Property Management, a Crosbie company.

5.48 acres of land located at 81 Lovett Lake Court in the Bayers Lake Business Park is listed for sale at $1,995,000. Bayers Lake Business Park is over 236 acres and in addition to being a destination for retail warehouse superstores, it has attracted major warehousing, trucking, distribution, and manufacturing.

Sussex Place, the 115,000 sq. ft. regional mall in Sussex, NB is being listed for sale for $4,495,000.

A 17,225 sq. ft. retail plaza anchored by GoodLife Fitness is listed for sale. The property is located at 26 College Street in Antigonish, NS and is being listed for $2,799,999.

Town Square, a 33,000 sq. ft. mixed-use office/retail building on Webster Street in Kentville, NS, is listed for sale for $3,256,000. Anchored by CIBC, the property is over 80% occupied.

9. ALTERNATIVE ASSET CLASSES GENERATING INCREASED INTEREST

In the quest for yield, investors are turning to alternative asset classes.

As traditional asset classes become fully valued and yields shrink across the country, investors are looking to alternative asset classes for superior returns.

JLL's Global Alternatives Sector report shows volumes reached US $52.1 B in 2016, with alternatives making up 6.2% of the total commercial real estate market— the highest yet. Investment in the sector has more than tripled since 2010.

In 2016, student housing, seniors housing, laboratories and data centres made up more than 99% of the market for alternative assets, with cold storage making up the remainder.

As an example of the interest level in alternative properties, KA Real Estate, the real estate private equity arm of Kayne Anderson Capital Advisors, closed its fifth (and largest) equity fund at US$1.8 B in May 2018. The oversubscribed fund will invest in off-campus student housing, seniors housing and medical office buildings.

Life Sciences Space

With more than $66 B in venture capital invested in bioscience companies from 2014-2017, commercial real estate is expected to benefit, as life sciences require significant square footage for laboratories, office workers, R&D and device manufacturing.

"Real estate is becoming a key component for collaborative R&D environments," Deloitte found in its 2019 Global Life Sciences Outlook.

As a result, core life science markets—Boston-Cambridge, San Francisco, San Diego, the Raleigh-Durham Research Triangle and Seattle—are enjoying construction booms and growth in rents, which have escalated more than 50% over the last three years, according to the CBRE Life Sciences report.

The report also notes that vacancy for lab space ranged from 4.1% in the Boston-Cambridge market and 2.0% in the San Francisco Bay Area to 6.4% in San Diego at the end of 2018.

Sona Nanotech Inc. a Halifax-based nanotechnology life sciences firm, has had to move into larger lab space following significant growth since it was founded in 2014. It has recently leased flexible and scalable lab space in Innovacorp's Technology Innovation Centre.

Data Centres

"The global demand for data storage and processing has grown exponentially over the past few years, driven by trends like the increase in mobile devices, the internet of things, cloud services and the rise of digital photography and social media," Peter Russell of Urbacon says.

Urbacon Data Centre Solutions Inc. is building an industrial park dedicated to data storage. The Barker Business Park Digital Campus just north of Toronto will have up to five buildings ranging from 100,000 to 150,000 sq. ft. The first of the warehouse-like buildings, Data Centre One (DC1), was already 50% occupied by a tenant when it opened in mid-2017. The second is under construction.

With another of its data centres opening in Montreal, Urbacon has now formed a joint venture with Summit Industrial Income REIT to develop, own or operate data centres across Canada.

Cool temperatures and access to cheap power are two advantages that Canada has over other locales. Data centres need to be equipped with air cooling systems and require between 15 and 20 megawatts.

Marijuana

The legalization of recreational weed in October immediately fuelled a major surge in pot-growing facilities to 8.7 M sq. ft. in 2018 through September, according to data from Altus Group. Publicly listed companies have another 6.4 M sq. ft. on the drawing board, not including retail.

According to a StatsCan survey released just before weed was legalized, Nova Scotia led the country in cannabis consumption among people 15 and older with 23% of residents reporting having used the drug.

Online sales, however, are lower than estimated so the province is looking to add an additional 12 retail outlets.

Nova Scotia currently gets its supply from two licensed producers based in the province as well as from producers based in PEI, New Brunswick, Ontario and Alberta.

Canopy Growth announced in March that it received a cultivation licence for its facility located in Fredericton which will help supply the Atlantic Canada market with legal recreational cannabis, BNN reports. The 86,000 sq. ft. facility, which cost the company $40 M, comes online with an initial forecasted annual output of about 5,500 kilograms of pot. The company said the facility will create more than 130 jobs in the Fredericton area and help to supply more than one-third of Canopy's agreed-upon purchase orders with provincial cannabis wholesalers.

The Inception Cos. recently launched Inception REIT, which provides sale-leaseback, senior debt and capital improvement financing to businesses in the medical and recreational segments of the marijuana industry. Some estimates have the US marijuana industry reaching US$75 B by 2030, however, many institutions stay clear of this sector because of federal restrictions on pot. This is the first REIT to enter into this niche market.

According to Richard Costa, the CEO of Inception REIT, "the opportunity in California alone is clearly in the hundreds of millions of dollars if you just think about cannabis real estate assets."

10. POPULATION IS GROWING AND THIS IS GREAT NEWS FOR THE REGION

A bevy of government policies have been successful in increasing immigration and attracting talent.

Atlantic Canada has made it a priority to grow the workforce and attract talent having implemented the following programs:

- Atlantic Immigration Pilot (AIP)
- Atlantic Canada Study and Stay™ program
- Atlantic Apprenticeship Harmonization Project (AAHP)

Since the launch of the Atlantic Immigration Pilot, employers in Atlantic Canada have made more than 3,700 job offers to skilled workers. The program, which was supposed to end this year, has been extended to December 2021.

Atlantic Canada Opportunities Agency said the region continues to experience record levels of immigration, welcoming over 21,000 newcomers since July of 2016.

> According to a StatsCan survey released just before weed was legalized, Nova Scotia led the country in cannabis consumption among people 15 and older with 23% of residents reporting having used the drug.

Halifax is expected to experience strong population growth as a result of the Atlantic Growth Strategy, a government initiative introduced in 2016 with the goal to attract more immigrants to the maritime provinces. According to the Conference Board of Canada, Halifax's population is expected to grow annually by an average of 1.3% from 2019 until 2022, outpacing that of the national and provincial averages of 1.1% and 0.4%, respectively.

In 2014, Ray Ivany, the president of Acadia University, came out with a report that was commissioned by the Province of Nova Scotia. Entitled Now or Never: An Urgent Call to Action for Nova Scotians, it became the blueprint for the Province's economic development plans and priorities. The report stated that unless population and economic trends were reversed, the province would fall into decline. It called for 19 goals and 12 long-term strategies around employment, immigration and spending on R&D.

Five years after the report was published, the province is making progress on 10 of the 19 proposals according to the tracking efforts of OneNS.ca.

The Ivany report calls for 7,000 new immigrants per year. Nova Scotia had 5,500 in 2018. Between January and October of 2018, the number of immigrants coming to Nova Scotia jumped by 36 % when compared to the same period in 2017.

In fact, in December, StatsCan confirmed that the province's population had risen for the third consecutive year. And according to the latest figures, the province has added 26,373 residents since 2015 to reach a total population of 964,693 as of October 1, 2018, which is a record high.

In Prince Edward Island, population growth hit 6.8% over the past three years— faster than every other province.

"No matter what industry you're in today, the biggest issue is talent. We have got to figure out how to recruit and maintain our talent," CBRE senior vice-president Robert Mussett said.

"Part of that retention is adopting a workplace strategy that includes office design that is focused on the employee experience with attention to connection, mobility and wellness, and in that, light and fresh air are critical."

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