Leadership.
Influence.
Impact.

REALPAC

REALPAC Prospective Survey 2022

What Will Canadian Commercial Real Estate Industry Look Like in 5 Years?

2022

November 30, 2022

REALPAC Prospective Survey 2022

The survey was conducted between October 18 and October 31, 2022 to determine what senior CRE leaders expect our sector to look like 5 years from now.

Key questions:

- What will employees, investors, tenants, governments, and society expect of CRE?
- What changes do we have to start making now to get there?
- Which sectors are the most potentially impacted?
- Which sectors will have the greatest challenges?
- How do we all contribute to a better Canada while maintaining successful businesses?

Survey sections:

A. People & Culture
B. Property Markets
C. Debt Markets
D. Financial Best Practices
E. Office
F. Retail

G. Apartment
H. Industrial
I. ESG
J. Innovation
K. Government & Regulation
L. Strategy

Note: Percentages shown represent the percent of survey respondents who provided that answer

Respondent Representation

38
Senior Leaders

36,500
Represented Staff

$290B
Canadian AUM

Survey respondents included:

- ACM Advisors
- Adgar Canada Inc.
- Aspen Properties
- Avison Young
- Boardwalk
- Canada Post Pension Plan
- Canadian Net REIT
- Canadian Urban Limited
- Canderel

- CBRE
- Choice Properties REIT
- CT REIT
- Epic
- Equitable bank
- Granite REIT
- Grosvenor - Property Americas
- GWL Realty
- HOOPP

- Kindred Works
- KingSett Capital
- Morguard
- NS Pension
- Panattoni Development Company
- PCL Constructors Inc
- Primaris REIT
- PROREIT
- Pure Industrial

- QuadReal
- RioCan REIT
- R-LABS Canada Inc.
- RYCOM CORP
- Strathallen
- Sienna Senior Living
- Summit REIT

REALPAC Prospective Survey Results 2022

People & Culture

A.

Future of Work

Vision of how work will be done:

- Hybrid, flexible working arrangements, work from anywhere (68%)
- Downtowns will still be business centres (74%)
- Outcomes focused, rather than time spent in an office (42%)
- No reduction in space, but reduction in office density (42%)
- Reduced office space (24%)

Critical new skills and knowledge boards will need to have:

- Knowledge and response to ESG (52%)
- Understanding impacts of technology (24%)
- Cybersecurity (12%)
- Risk management (9%)
- Experienced leadership (9%)
- Data analysis (9%)

Critical new skills and knowledge CRE executives will need:

- Technology skills (36%)
- ESG acumen (25%)
- Data skills (22%)
- Hiring and retention (19%)
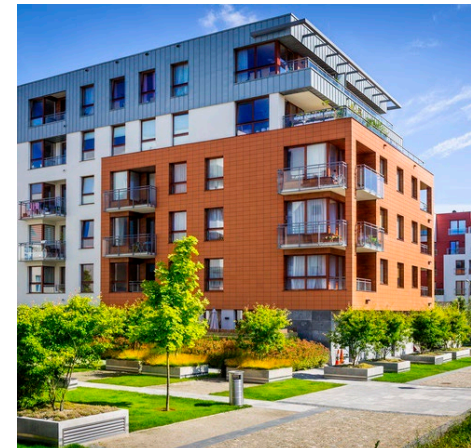- Fostering culture (14%)

Property Markets

B.

Property Markets

In **5** Years

The most desirable asset classes will be:

- Apartment (79%)

- Industrial (63%)

- Seniors Housing (32%)

- Retail (29%)

- Office (24%)

Debt Markets

In **5** Years

Debt leverage will be:
- Positive (46%)
- About neutral (46%)
- Negative (8%)

Debt for real estate transactions will be:
- About the same (49%)
- More plentiful (41%)
- More scarce (11%)

Your overall company leverage will be:
- About the same (50%)
- Lower (29%)
- Higher (21%)

In 5 Years

Top 3 requirements investors will demand:
- ESG (65%)
- Increased financial returns (57%)
- Governance (14%)
- Location (9%)
- Strategy (6%)
- Track record (6%)

Debt for real estate transactions will be:
- About the same (49%)
- More plentiful (41%)
- More scarce (11%)

Your overall company leverage will be:
- About the same (50%)
- Lower (29%)
- Higher (21%)

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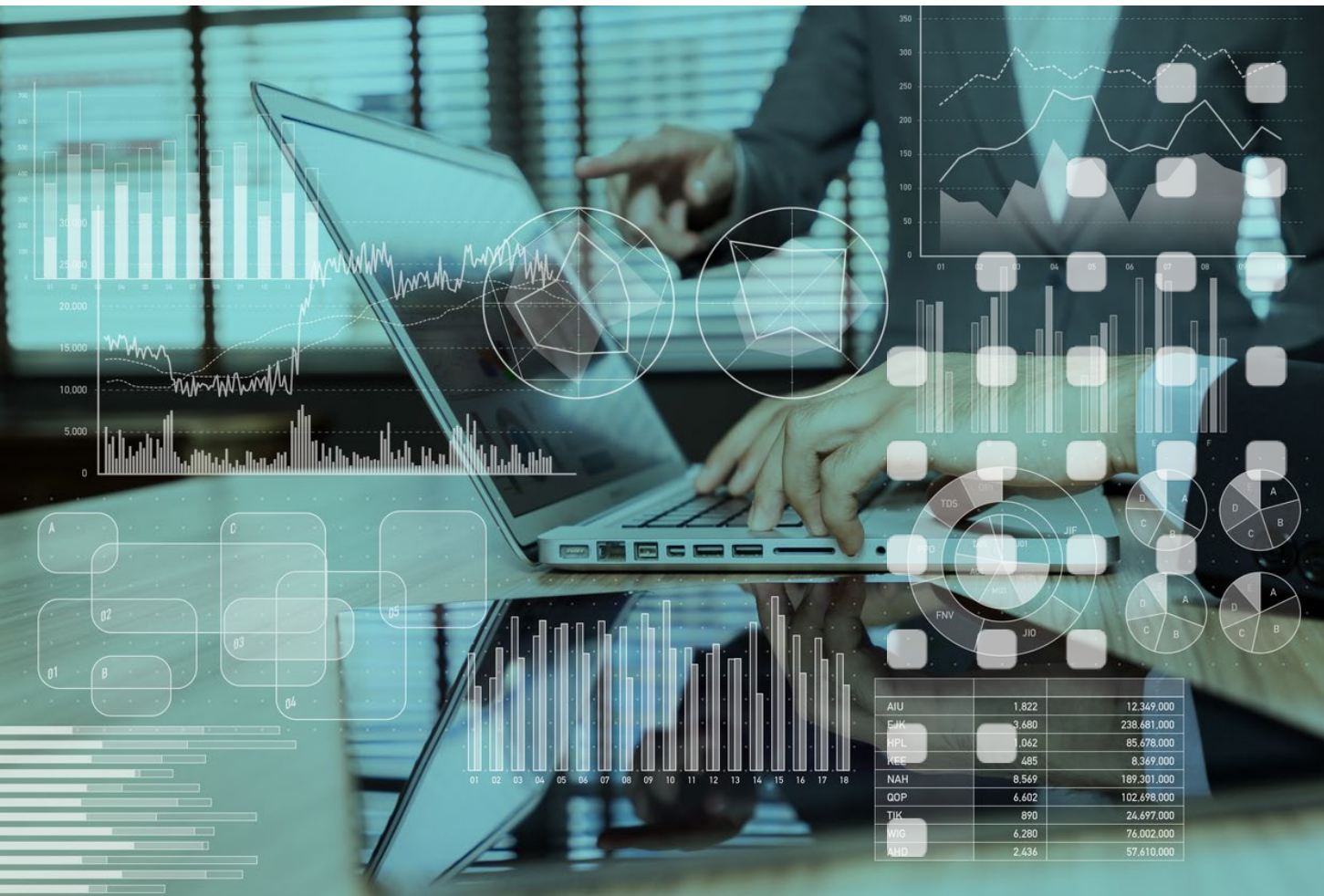
Financial
Best Practices

In **5** Years

Accounting practices will be:

- More onerous (57%)
- Similar (38%)
- More simplified (5%)

There will be more pressure to integrate sustainability into financial statements and MD&A:

- Yes (92%)
- Maybe (8%)
- No (0%)

Office

In **5** Years

Office buildings will be mostly occupied by tenant employees on average:

- 3 days a week (39%)
- 4 days a week (39%)
- 5 days a week (16%)
- 2 days a week (5%)

Most office tenants will have substantially amenitized their space to attract employees back to the office:

- Yes (74%)
- Maybe (18%)
- No (8%)

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Retail

In 5 Years

E-commerce has:
- Grown slightly (61%)
- Grown substantially (21%)
- Remained flat (16%)
- Declined (2%)

Retail employees are:
- Staffed about the same (39%)
- Understaffed (29%)
- Well staffed (16%)
- Automated (16%)

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Apartment

G.

In 5 Years

Most cities will continue to have a shortage of purpose-built rental:

- Yes (97%)
- No (3%)
- Maybe (0%)

Government restrictions and taxes continue to be a key impediment to more rental supply:

- Yes (82%)
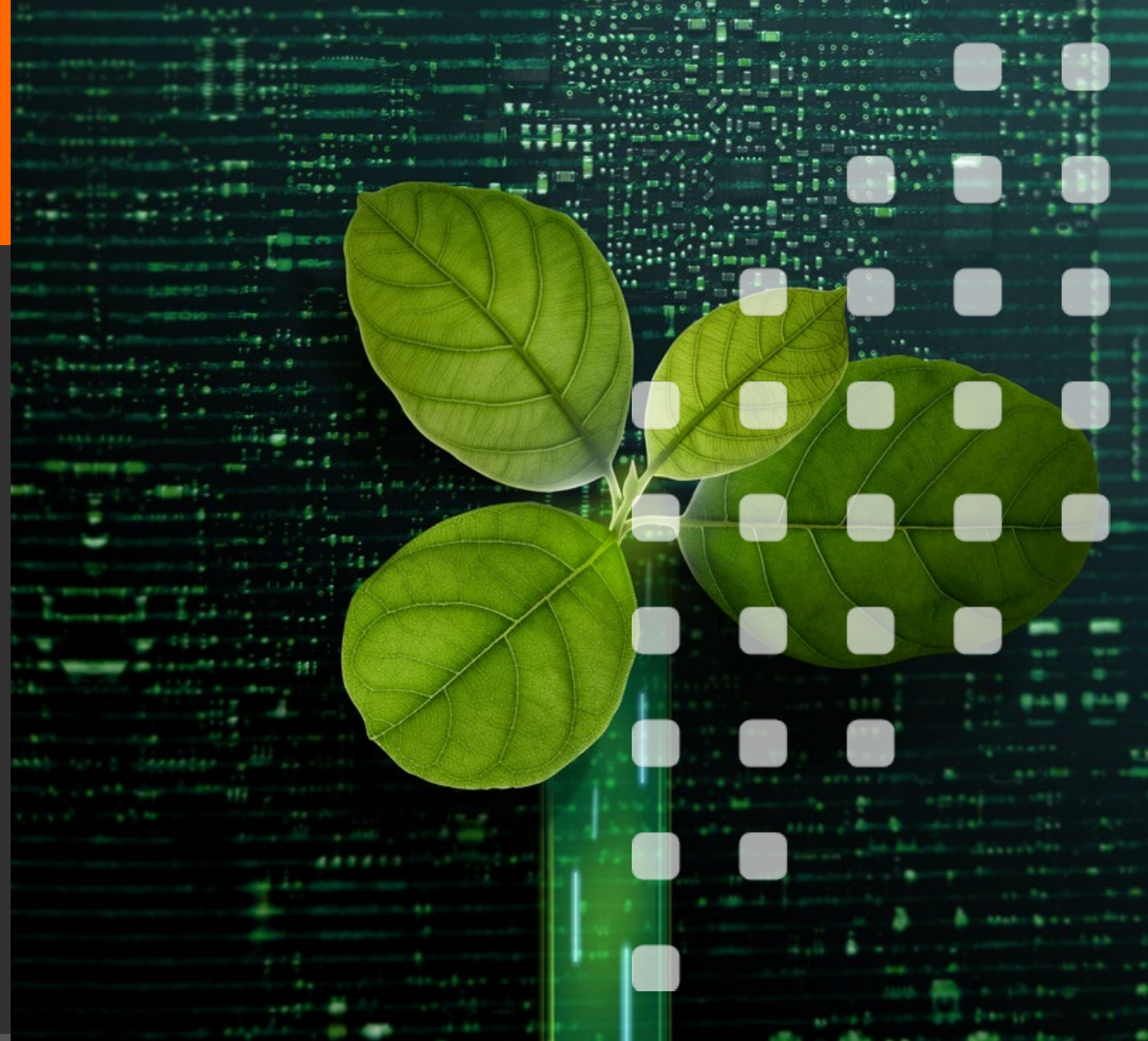- Maybe (13%)
- No (5%)

Industrial

In 5 Years

Industrial net rents will be:

- Higher (68%)
- Lower (16%)
- About the same (16%)

ESG

In 5 Years

My company will have decarbonized its portfolio (Scope 1 and 2 emissions) by:

- 10% to 25% (38%)
- Up to 10% (32%)
- 25% to 50% (27%)
- More than 50% (3%)

My company will be more socially responsible:

- Yes (56%)
- Maybe (32%)
- No (12%)

For those that anticipate they will be more socially responsible, they anticipate it will be in:

- DE&I (35%)
- Community involvement (26%)
- ESG (17%)
- Affordable housing (17%)

Innovation

In **5** Years

New technologies that will be adopted:

- Automation (30%)
- Operational/property level technology (27%)
- Data analytics (17%)
- AI (17%)
- Tenant engagement tools (13%)

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Government & Regulation

In 5 Years

What government policies do you anticipate will constrain your business:

- Onerous ESG policies (70%)
- High taxation (68%)
- Slow permit approvals (68%)
- Lack of infrastructure (59%)
- High government deficit spending (51%)

The regulatory environment governing development and operations will be more complicated than today:

- Yes (73%)
- Maybe (16%)
- No (11%)

Strategy

Top Business Challenges

- ESG implementation (35%)
- Burdensome government regulation (24%)
- High interest rates (24%)
- Cost of capital (13%)
- Construction costs (8%)
- Inflation (8%)
- Labour shortage (8%)

Top areas of focus for REALPAC should be:

- Government advocacy (82%)
- ESG performance (48%)
- Support to members (18%)
- Reporting requirements (15%)
- Attracting talent (6%)
- Affordable housing (6%)
- Public relations (6%)

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