

Leadership.
Influence.
Impact.



Prospective Survey Results

What will the Canadian Commercial Real Estate
Industry look like in 5 years?

November 29, 2023

2023



REALPAC Prospective Survey 2023

The survey was conducted between September 29 and October 20, 2023 to determine what senior CRE leaders expect our sector to look like 5 years from now.

Key Questions:

- What will employees, investors, tenants, and governments 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?
- What critical skills will CRE executives need to have?

Survey Sections:

- | | |
|------------------------|--|
| A. People & Culture | G. Debt Markets |
| B. Office | H. Financial Best Practices |
| C. Retail | I. Environment Social Governance (ESG) |
| D. Apartment | J. Innovation |
| E. Industrial | K. Government & Regulation |
| F. Other Asset Classes | L. Strategy |

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

62

@

57

with

>\$470B

Senior
CRE Leaders*
Responded to
the Survey

Companies

Canadian AUM

*The most senior officer
responsible for all matters
related to real property (CEO,
President, Managing Director,
or their functional equivalent)

30%
Response
Rate

Representing the
following asset classes:

71% Office

64% Apartment

68% Industrial

20% Senior Living

68% Retail

18% Hotel

Participating Companies*



*NB: Not all participating companies agreed to have their logo shown on the final report.

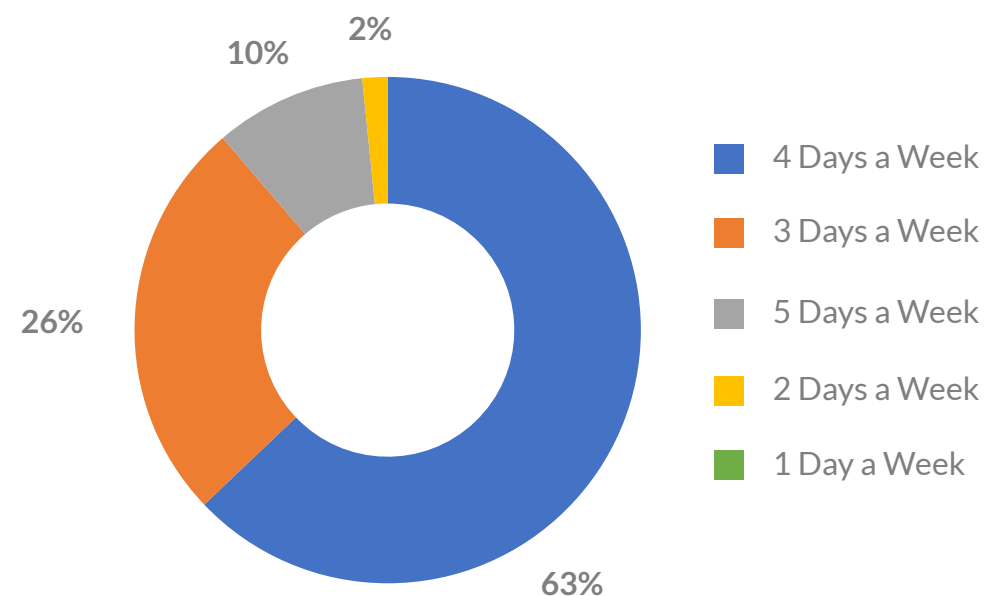
REALPAC PROSPECTIVE SURVEY RESULTS 2023

A. People & Culture

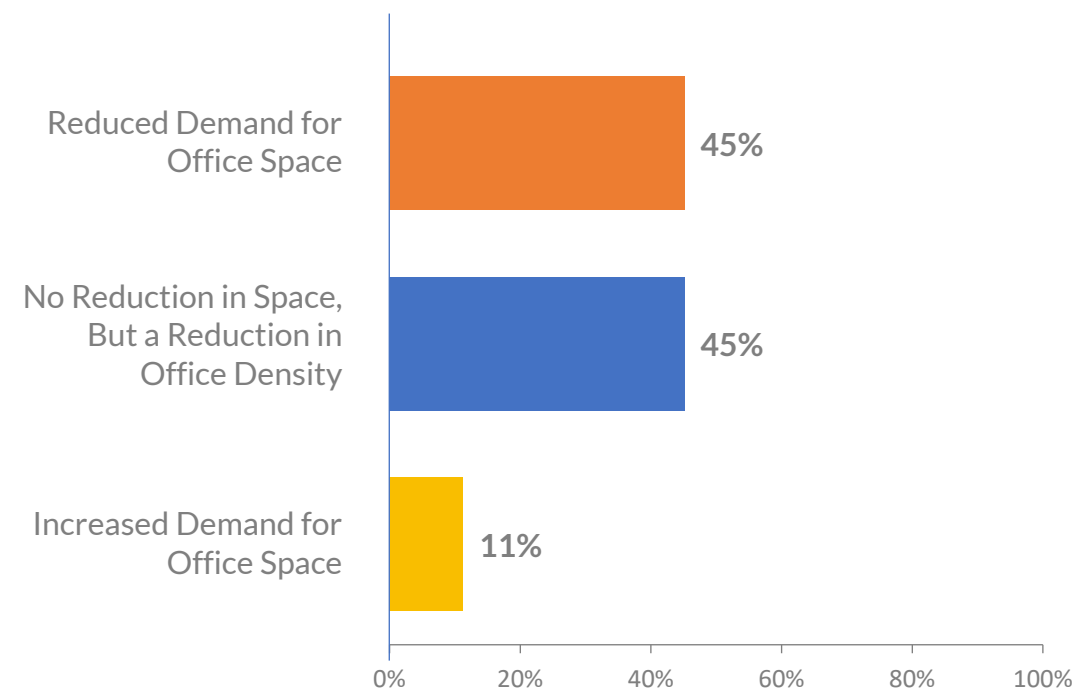


Future of Work

In 5 years, offices will be mostly occupied by tenant employees on average:



This will result in:



What are the critical new skills and knowledge that CRE executives will need to have in 5 years?

1. AI, Technology & Automation

- Knowledge and understanding
- Adoption, integration and management
- Ability to leverage data and predictive analytics to drive information-driven decisions

2. Sustainability & ESG

- Knowledge and understanding of regulatory requirements and practices
- Financial implication of decarbonization on the path to net zero
- Climate resiliency

3. People & Culture

- Authentic and exceptional integrity
- Ability to lead without authority and align team members to get ordinary people to do extraordinary things
- Cultural sensitivity and an awareness of social values
- Inclusivity
- Flexibility and adaptability
- Understanding and acceptance of how their own employees and the employees of their tenants prefer to work

4. Risk Management & Decision Making

- Change management, critical thinking, adaptability
- Heightened reputational awareness
- Understanding of investment fundamentals and how to make money in a volatile, high interest rate and inflationary environment

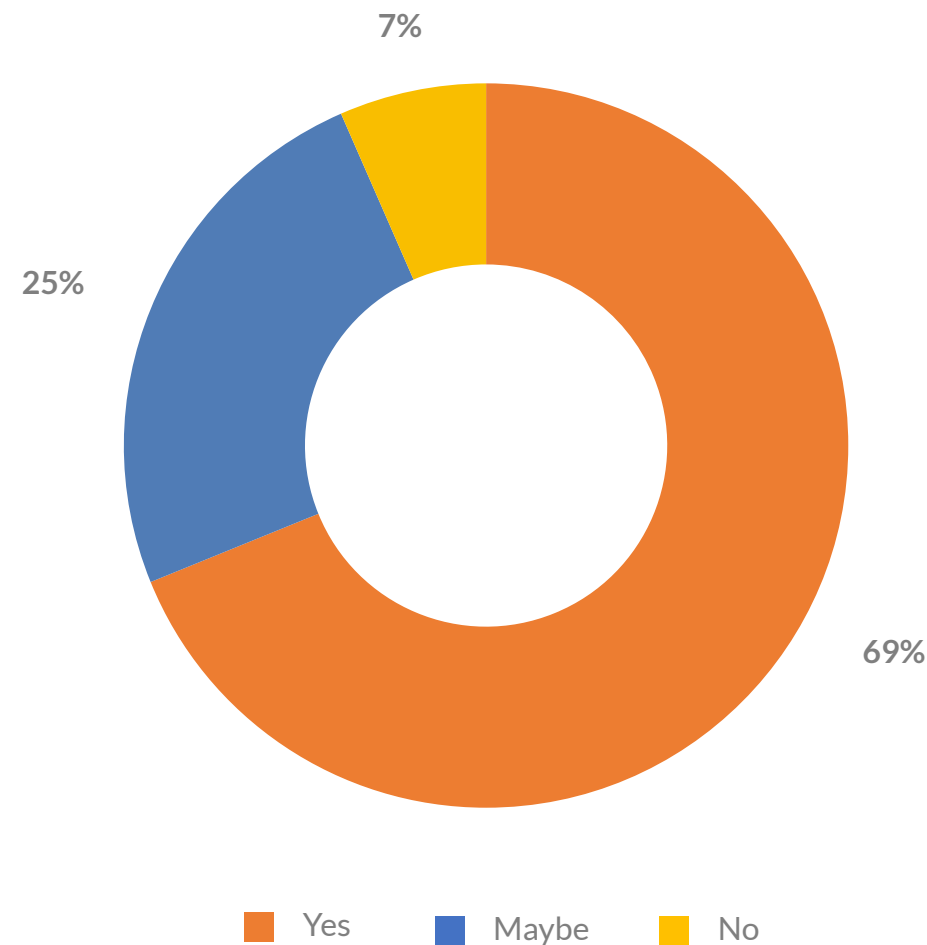
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B. Office



In 5 Years

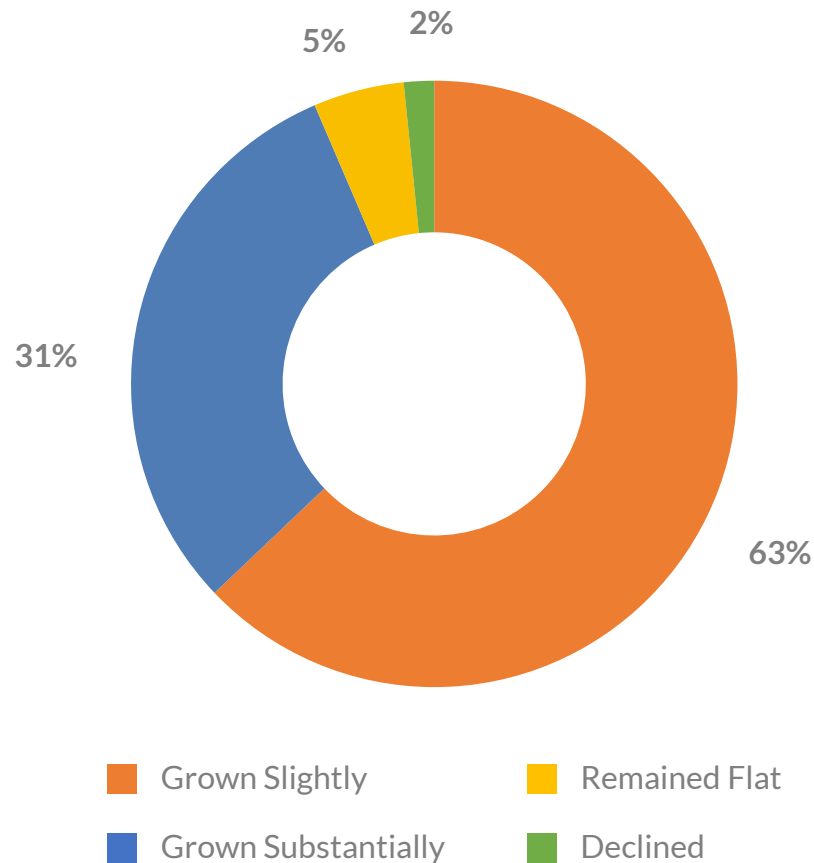
Most office tenants will have substantially amenitized their space to attract employees back to the office:



C. Retail



In 5 Years ecommerce has:



“ecommerce has proven to be convenient, reliable and flexible without extra cost”

“saves valuable time”

“ecommerce is part of the new normal omni-channel retailing environment”

“aging population, small places to live, 30 somethings are minimalists and contribute to decline of ecommerce and in store retail”

What Global Trends will shape retail in the next 5 years?

1. Experiential Retail

- Immersive brand experiences will drive customer loyalty and provide a reason to visit a shopping destination in-person
- Retail destinations will become:
 - Community meeting places for arts and crafts, clubs
 - Entertainment centres
 - Health and wellness centres for pickleball and sports

2. Omni-channel Retailing

- Physical stores, online stores, marketplaces, websites, mobile apps, social media
- Pop-up physical retail for online first stores

3. Artificial Intelligence, Augmented Reality & Virtual Reality

- AI assist customers with order fulfilment
- AR and shopping with Avatars to personalize the customer experience
- VR allowing customers to virtually interact with products
- More digitally native virtual brands

4. Nearshoring & Onshoring

- With the instability in global markets, supply chains and production returns to Canada or a nearby country as global conflicts and tensions increase
- Less reliance on despotic nations
- Changing trade partnerships will benefit from geographical proximity and closer culture compatibility

5. Data Privacy & Cybersecurity

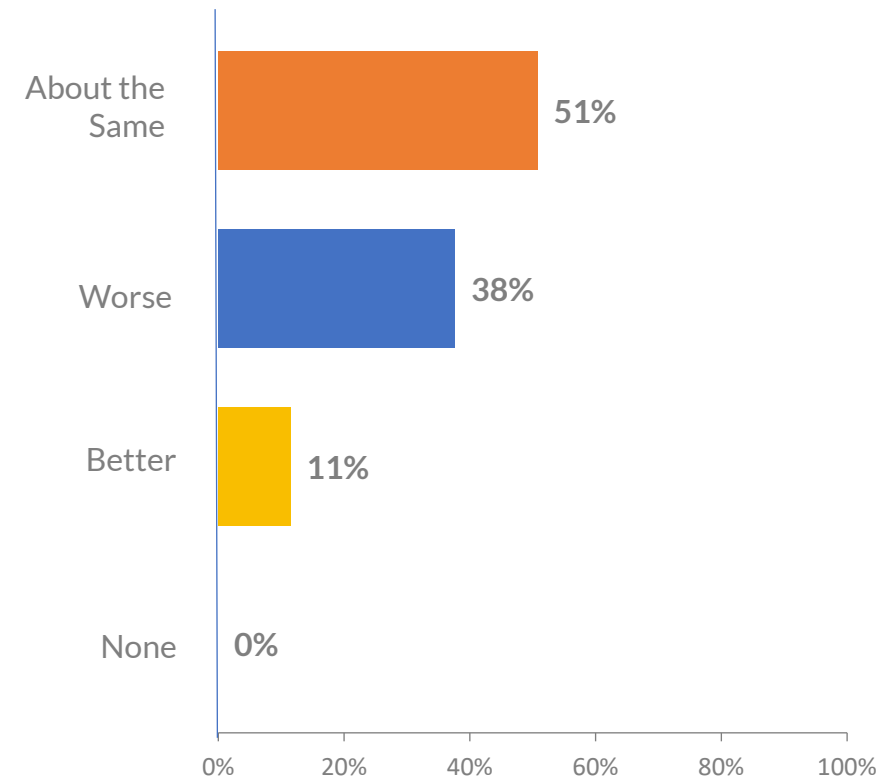
- Organized crime and theft will play an increasingly central role in decision making for certain retailers in certain geographies

D. Apartment



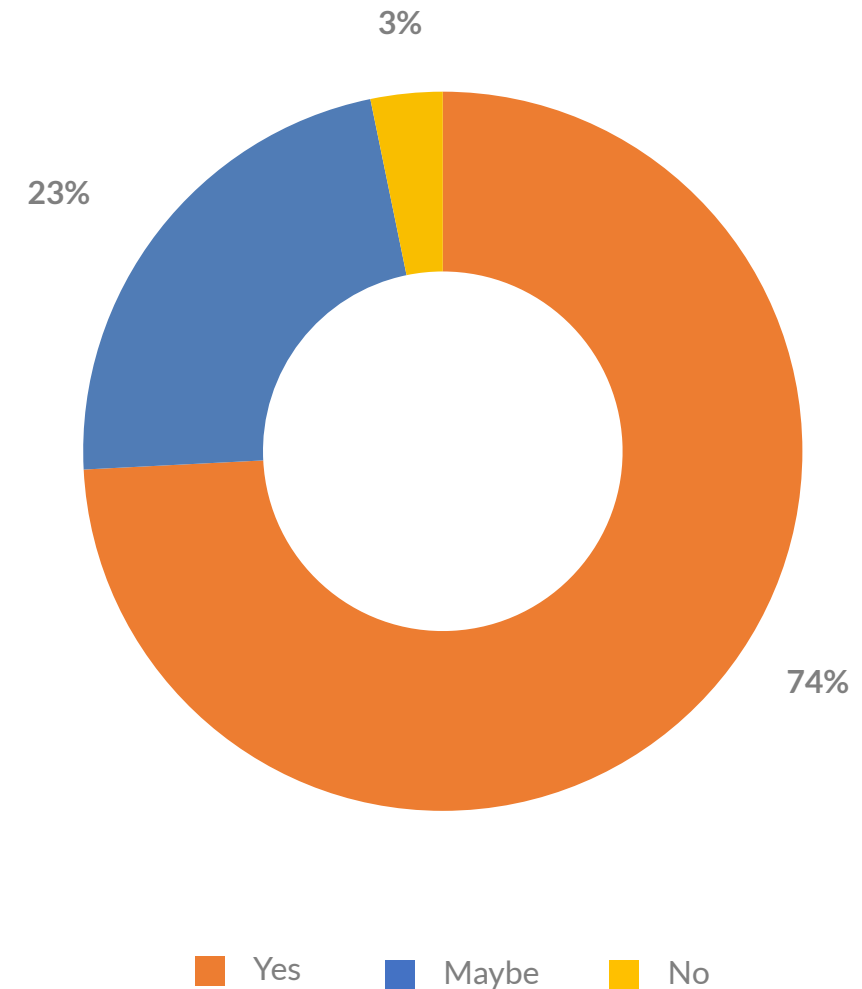
In 5 Years

The rental housing
affordability problem
will be:



In 5 Years

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

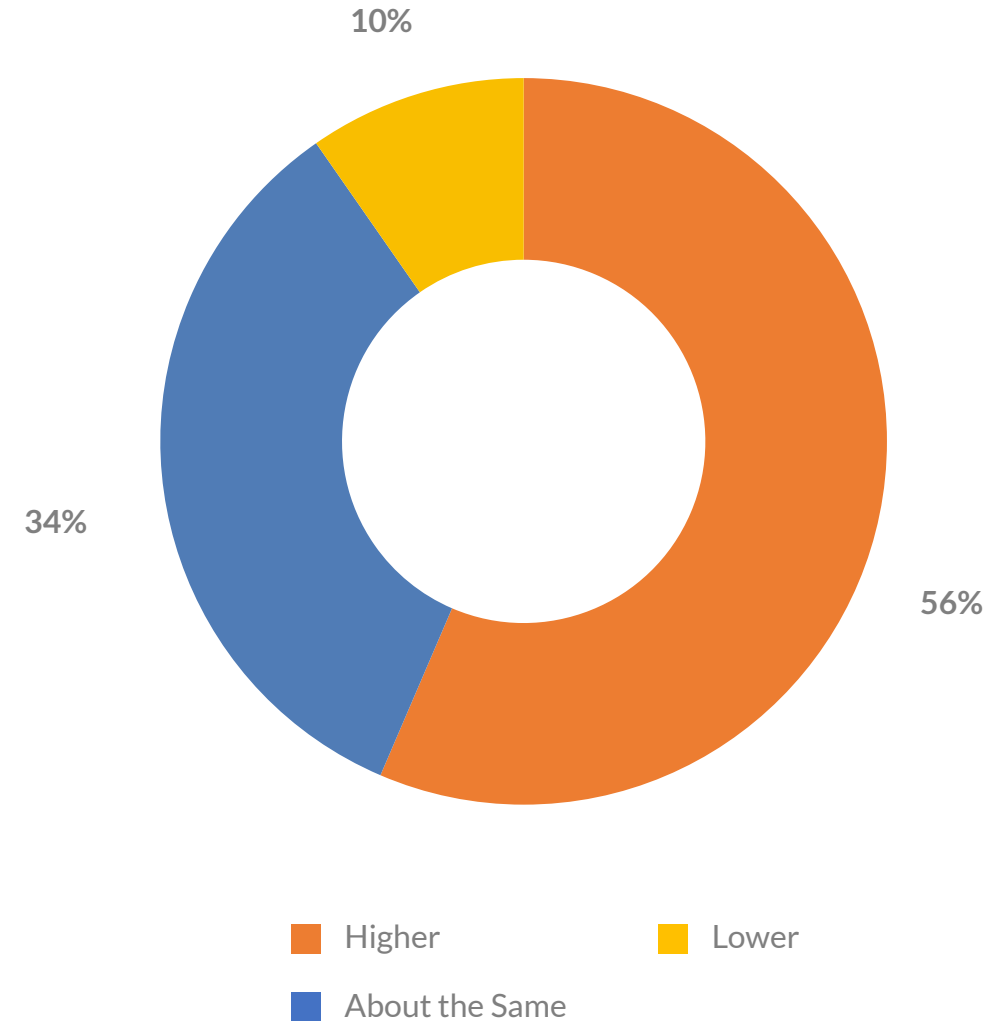


E. Industrial



In 5 Years

The industrial rents
will be:



F. Other Asset Classes



In 5 years significant changes to other asset classes may include:

Senior Living

- Continued undersupply of senior living housing
- Need for more of it to meet demand
- Pressure to make the product and service offering more engaging and holistic
- Lack of skilled workforce and care staff

Office

- Structural demand shift in office
- Less occupancy
- Lower values
- A focus on amenities
- Continued office to residential conversions
- Offices demolished, repurposed, used for schools

Data Centres

- Continued growth and demand

“demographic trends towards demand for seniors housing will accelerate across Canada”

“high rise office is very capital intensive and will continue to struggle”

“office will remain important to culture”

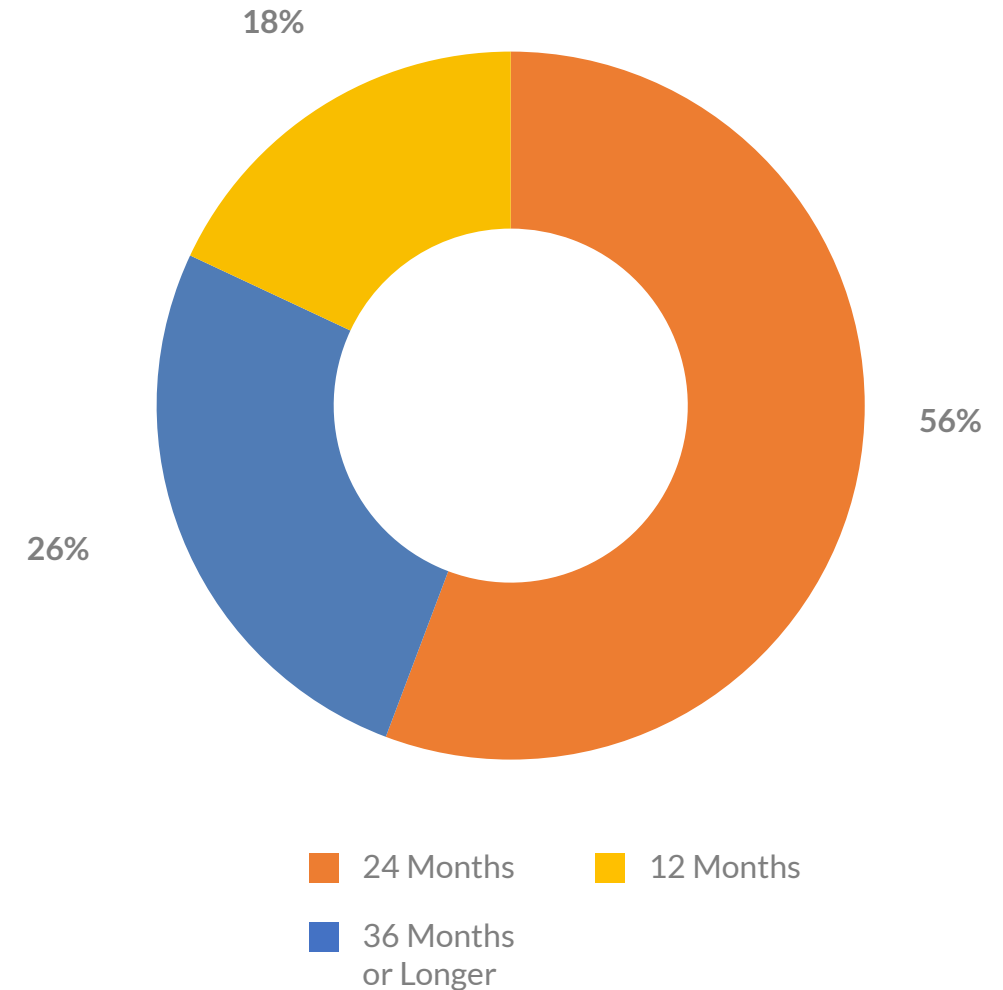
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G. Debt Markets



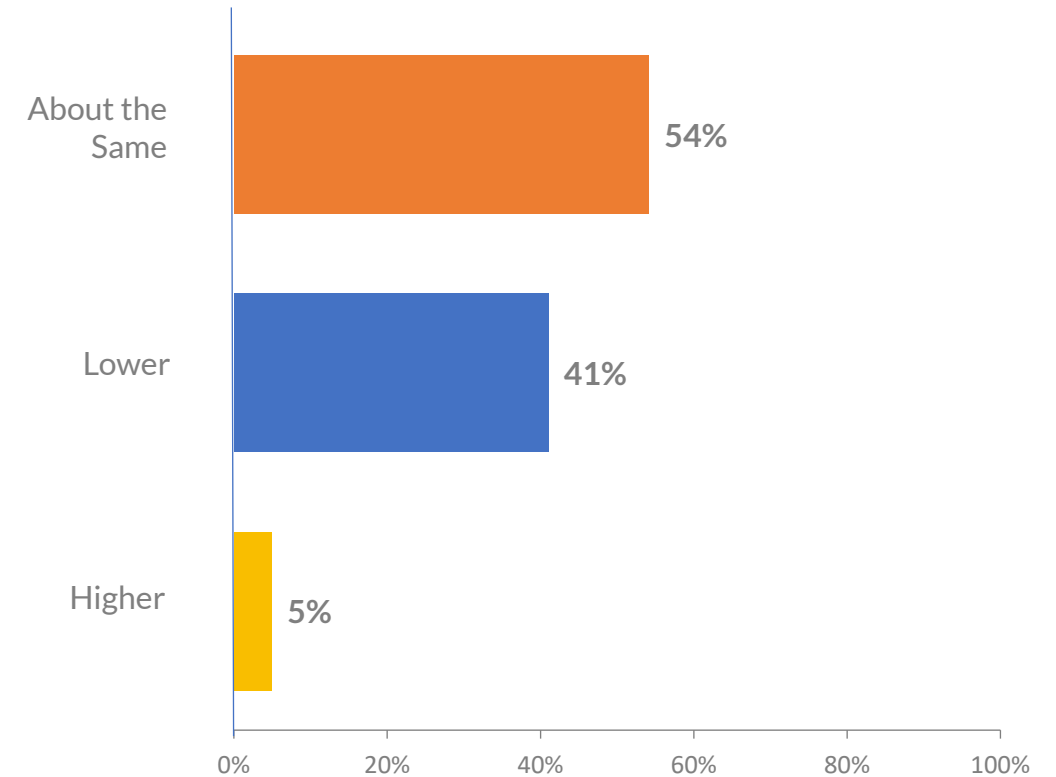
In 5 Years

Positive leverage will be
available in all asset
classes in:



In 5 Years

Overall company
leverage will be:



Top 3 requirements investors will demand in 5 years?

1.

Growth Growth Growth

- Stable and predictable positive cash flows
- Liquidity
- Top quartile growth profiles

2.

Sustainability & ESG

- ESG disclosure and transparency on the requirements for achieving sustainability objectives including the path to net zero
- Social responsibility
- Environmentally friendly buildings
- ESG compliance and credentials
- Climate resiliency

3.

Risk Management

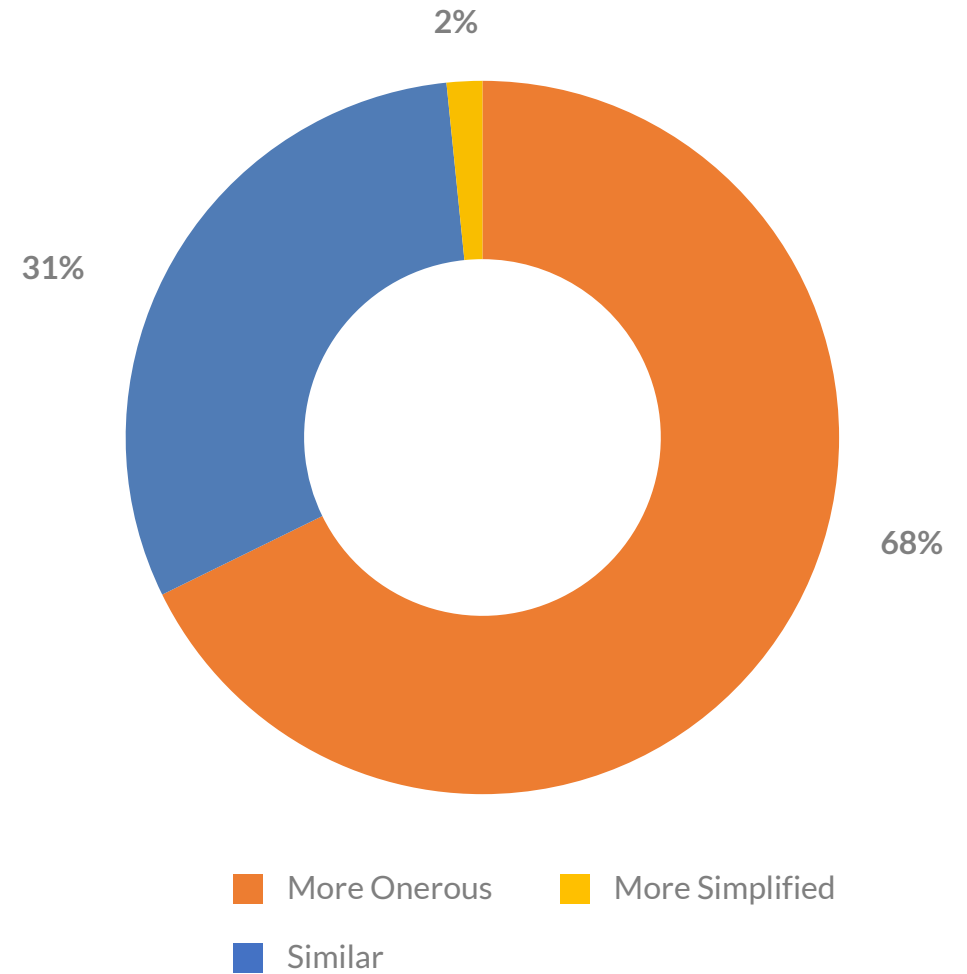
- Development
- Climate
- Cyber
- Credit
- Regulatory

H. Financial Best Practices



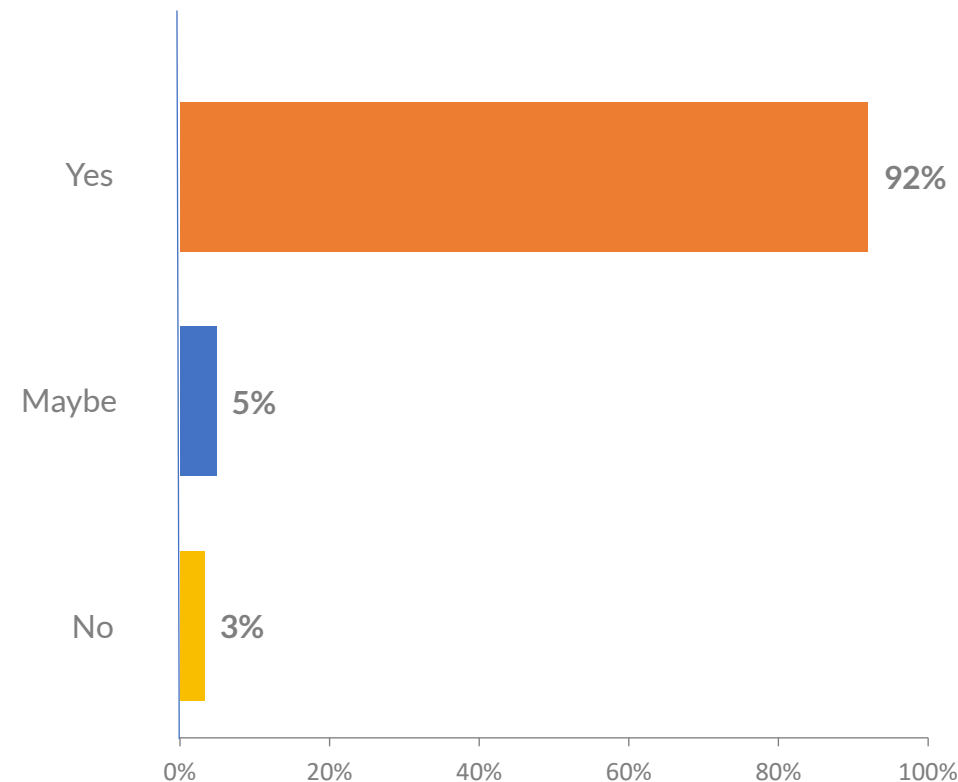
In 5 Years

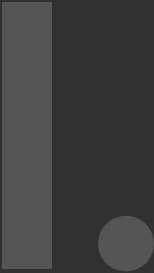
Accounting
practices will be:



In 5 Years

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



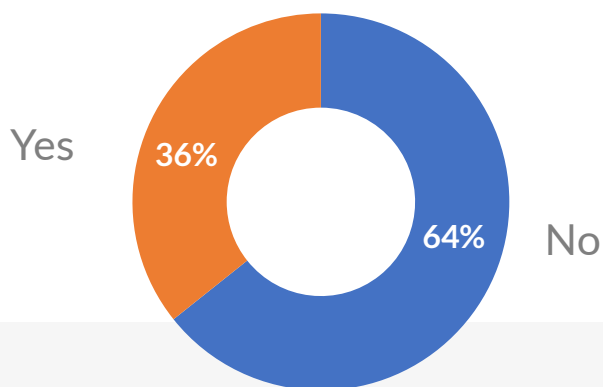


ESG



In 5 Years

My company will be reliant on purchasing carbon offsets to achieve emission reductions:

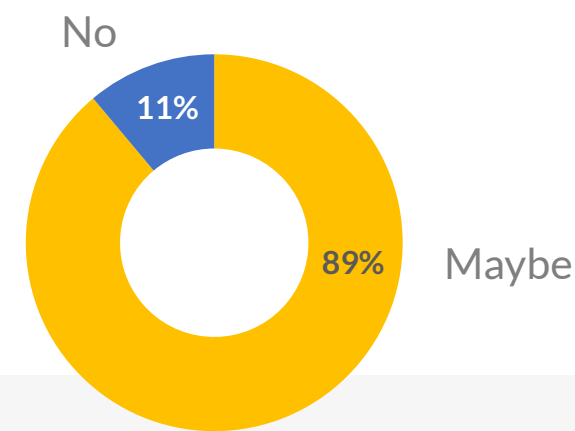


“We are focused on an actual decarbonization strategy. In time, offsets will be unanimously seen as greenwashing”

“Credits will still be part of our net zero strategy because some paths to net zero will never make economic sense”

“Carbon offsets are a distraction from making a real effort at reducing emissions and are not a credible strategy”

My company will be more socially responsible:



“Mental health is becoming a key focus to ensure employees are happy, productive and fulfilled in what they do”

“Continued journey for equity at all levels or organization and giving back to the communities in which we operate”

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J. Innovation



In 5 years AI will be used for:

- Data analytics and improving construction efficiency
- Paperless transactions, accounting and reporting, finance, property management
- Chatbot assisted property management tools and tenant experience service apps
- Machine learning enabled forecasting, underwriting, valuations, returns, portfolio reporting, data management
- Robotics for food delivery and building cleaning
- IOT for care related interventions for seniors
- Renewal trackers for asset management (loans, leases, insurance)
- Real time utility and asset management processes
- Design and drawing review processes
- Cyber security and managing operational risk

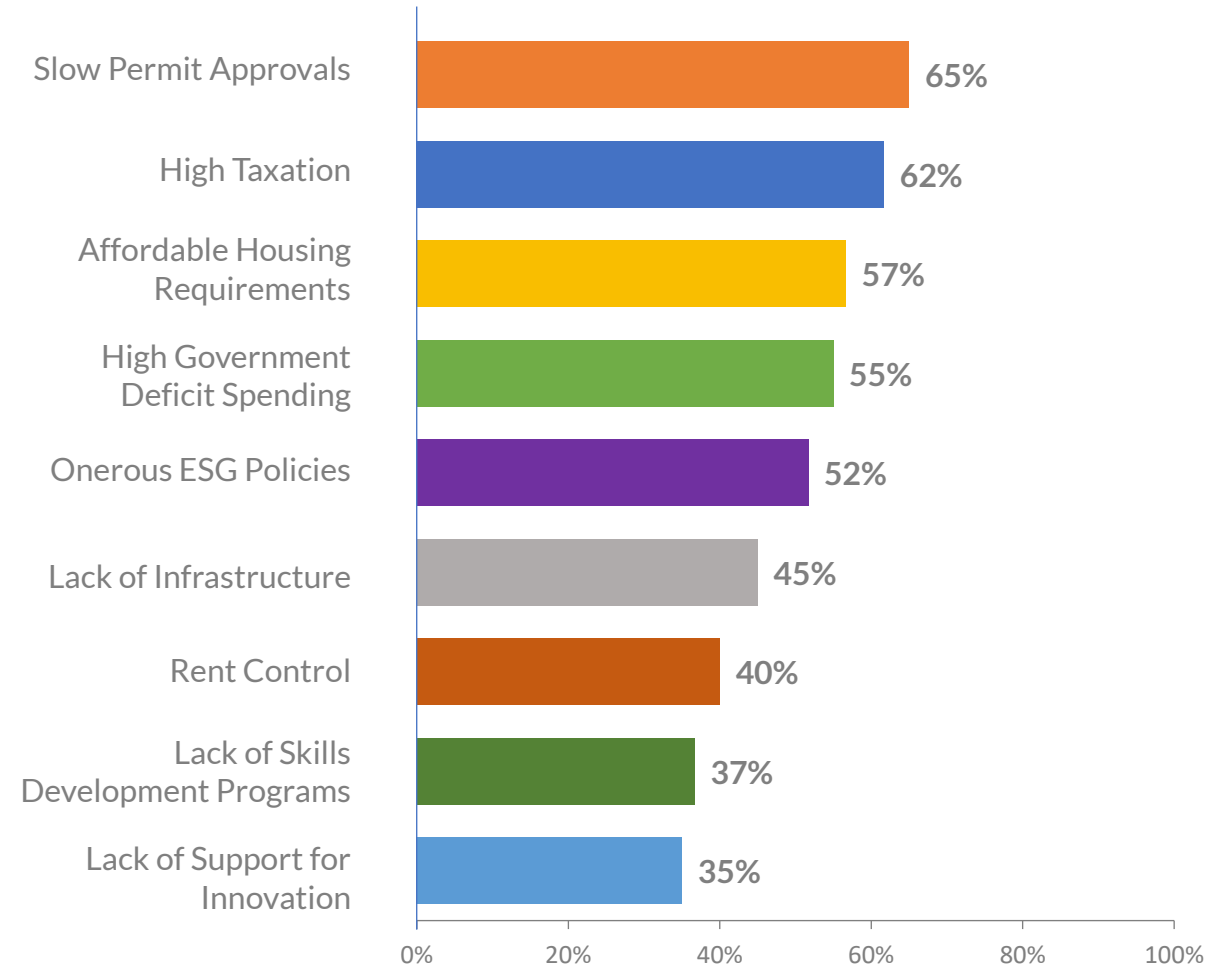
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K. Government & Regulation



In 5 Years

The following
government policies
will continue to
constrain business:



L. Strategy



Top 3 Business Challenges over the next 5 years:

1.

Attracting & Retaining Talent

- Lack of skilled labour and talent
- Attracting talent to the CRE industry
- Higher costs of labour

2.

Financial Considerations

- Higher cost of labour
- Higher cost of financing
- Unprecedented higher cost of debt
- Availability of capital
- Persistent inflation
- High interest rates
- Increasing construction costs
- Market volatility
- Negative leverage
- Reduced liquidity options

3.

Geopolitical Instability

- Global affairs
- Politics

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