



THE PAST AND FUTURE OF OFFICE DEMAND

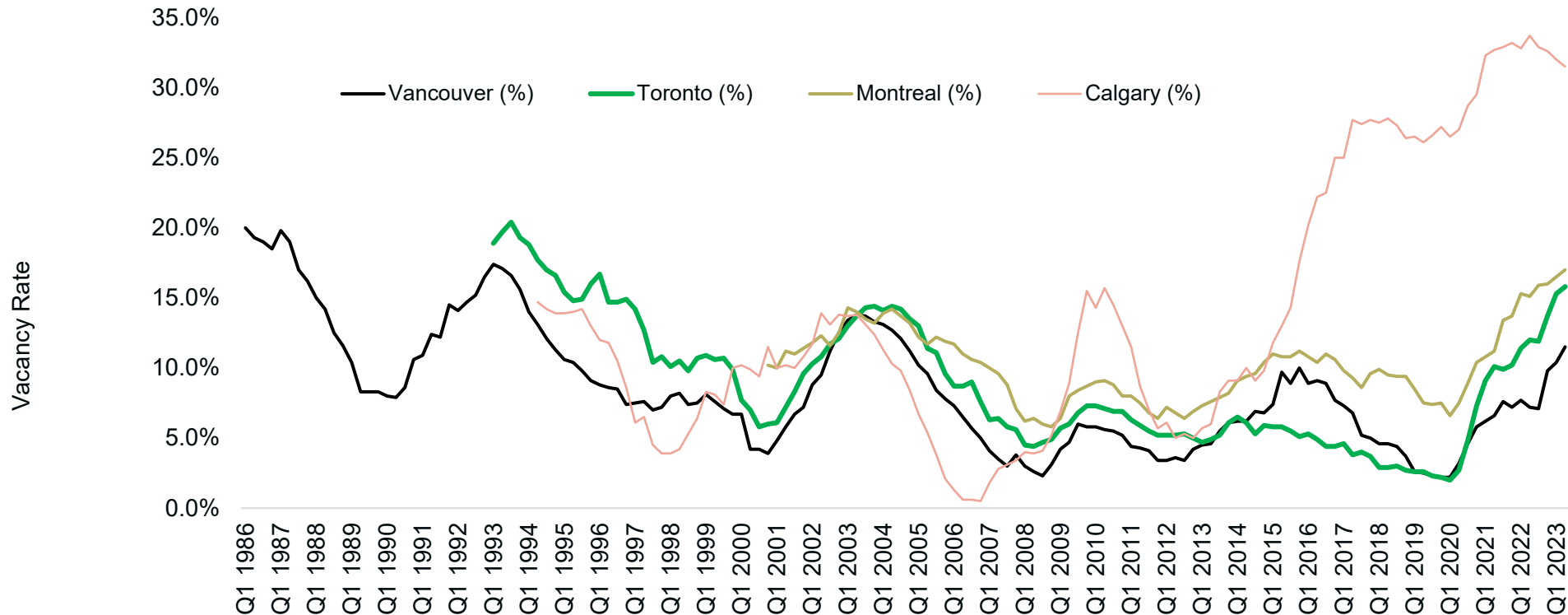
2023 REALPAC/TMU RESEARCH SYMPOSIUM

GWLRA RESEARCH SERVICES & STRATEGY



OFFICE MARKETS HAVE PRONOUNCED CYCLES. BUILDINGS ARE LARGE. LEASES OFTEN LONG.

Downtown Office Vacancy
(Source: CBRE)

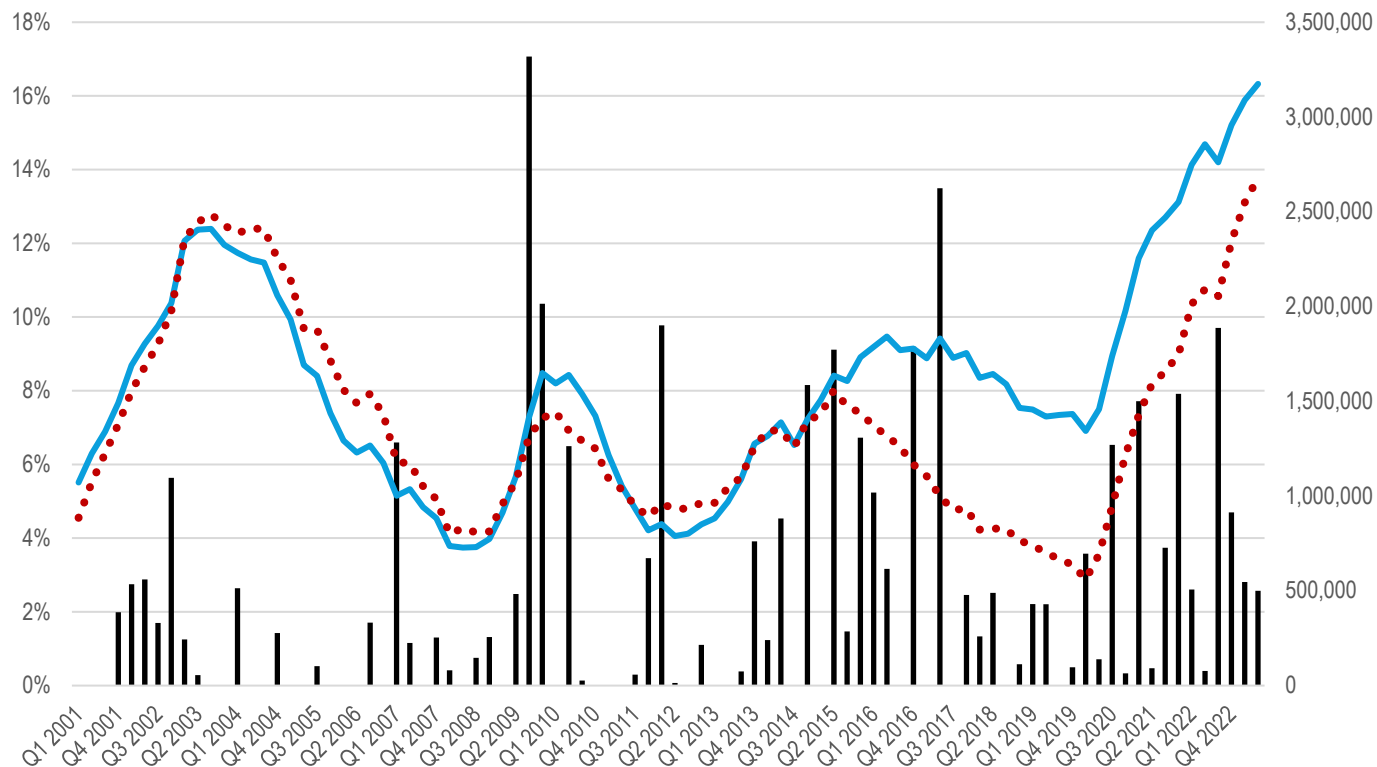


Fun fact: Each cycle corresponded with a new technology that “experts” said would mean office markets would never recover

NEW SUPPLY (RATHER THAN FALLING DEMAND) DRIVES HIGHER OFFICE VACANCY RATES

Vacancy Rates and New Supply. Toronto, Montreal, Vancouver, Calgary combined.

Data: CBRE

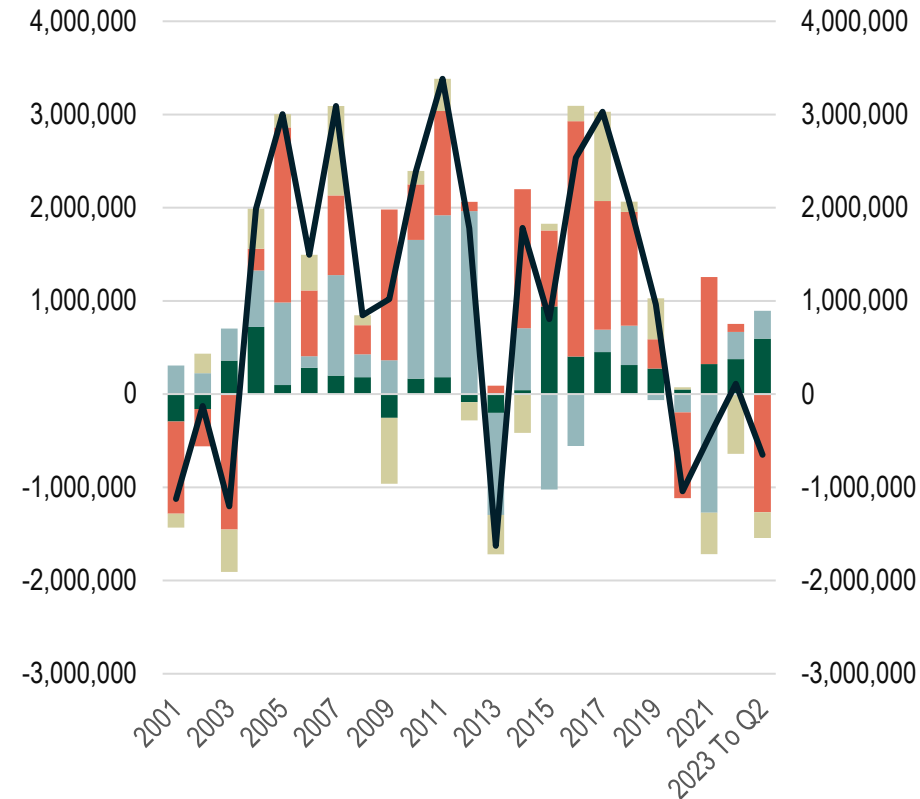


■ Total Downtown A/AAA New Supply (4 Cities) — 4 Cities Combined Vacancy Rate

..... MTV Combined Vacancy Rate

Downtown Class A/AA Absorption 4 Largest Markets

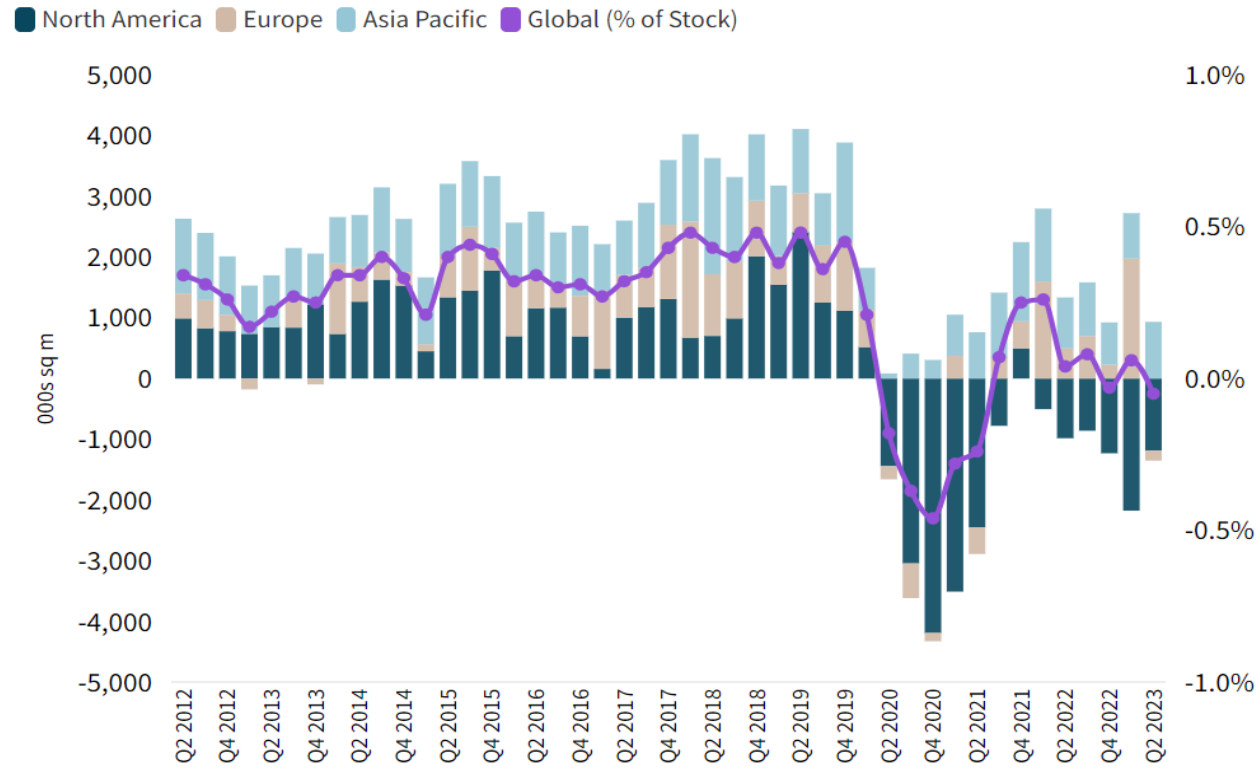
Data: CBRE



■ Vancouver ■ Calgary ■ Toronto
■ Montreal — Total

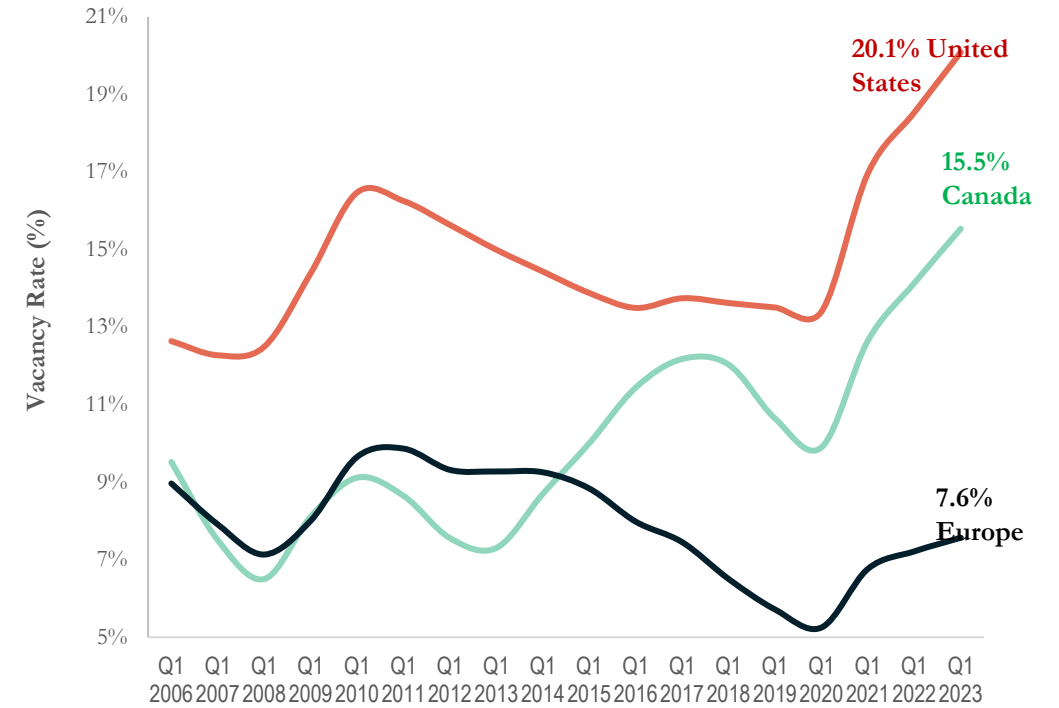
GLOBALLY, ONLY NORTH AMERICA HAS SEEN A NET DECLINE IN LEASED OFFICE SPACE SINCE 2020.

Office Net Absorption, Q2 2012 - Q2 2023



Source: JLL Research, July 2023
65 markets in the U.S. and Canada; 23 markets in Europe; 25 markets in Asia Pacific. Grade A space vacancy only for Asian markets.

Overall Office Vacancy 2006-2023



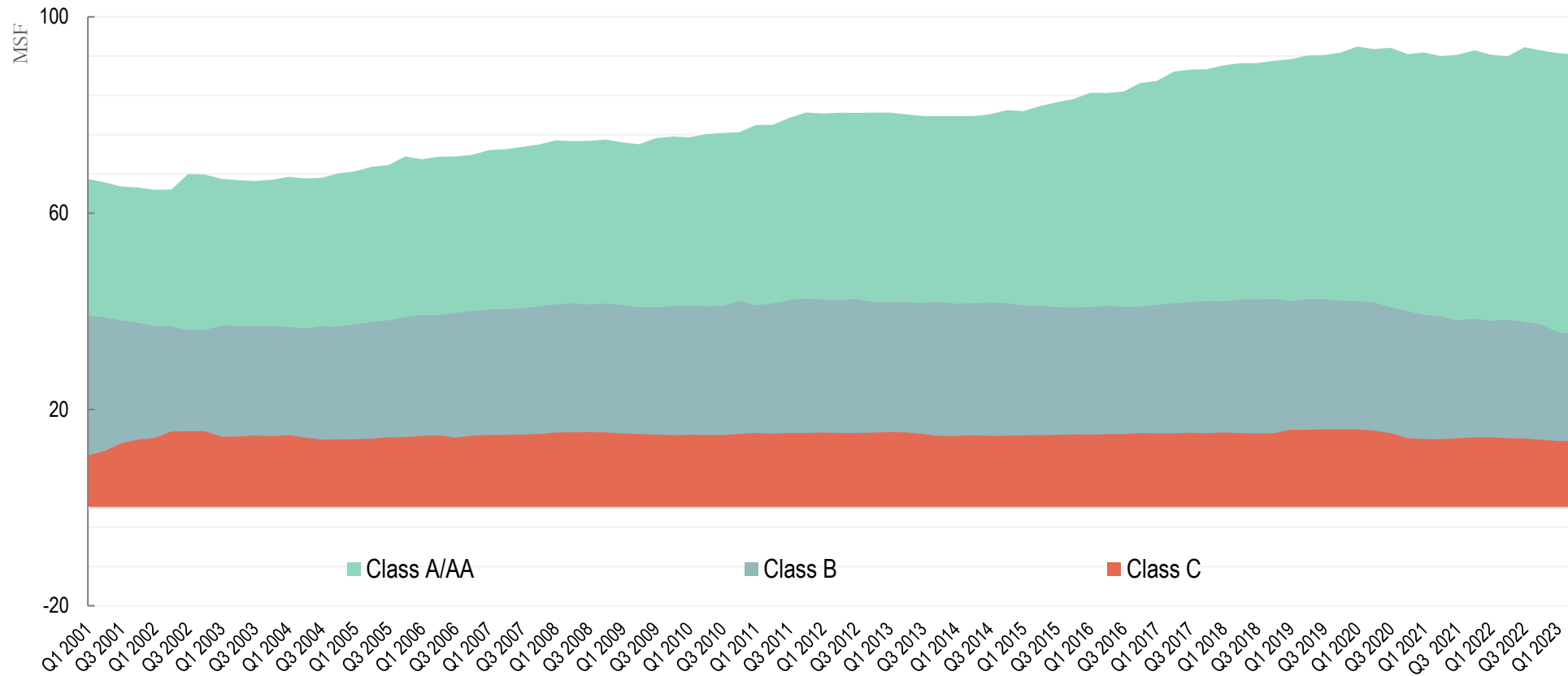
Source: JLL



JLL: In major European cities such as Paris, Madrid and Amsterdam, office attendance is close to 90% of pre-pandemic levels. Overall in Europe it's at 70% as of Q2 2023. London is a laggard at 50%.

FLIGHT TO QUALITY: REDUCED DEMAND FOR OLDER OFFERINGS

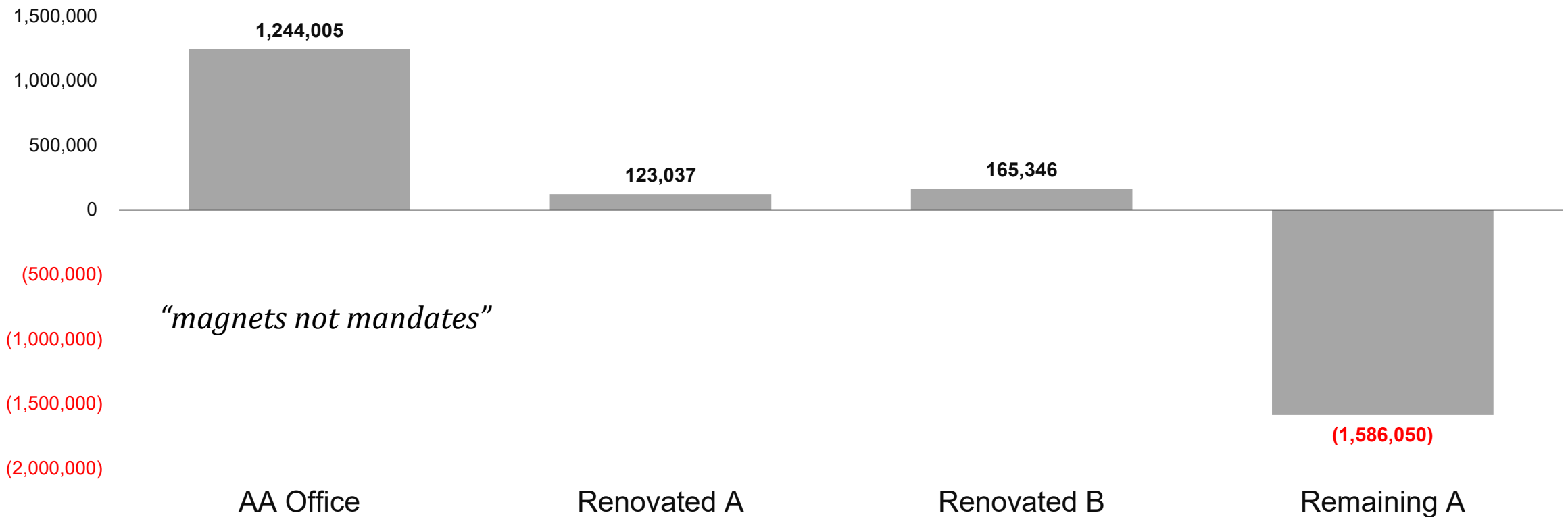
Downtown Office Occupied Space (Class A/AA, B and C): MTV (Montreal, Toronto, Vancouver combined). Data: CBRE



CALGARY OFFICE ABSORPTION SINCE 2018 ILLUSTRATES THE FLIGHT TO QUALITY THAT OCCURS WHEN NEW SUPPLY OPENS

Absorption Since 2018

Data: CoStar



WHAT IS DIFFERENT VS THE SAME COMPARED TO PAST CYCLES

Same:

- New supply opened as uncertainty was rising
- Muted office demand growth reflecting broader economy uncertainty
- Even tenants with good balance sheets are slow to make decisions

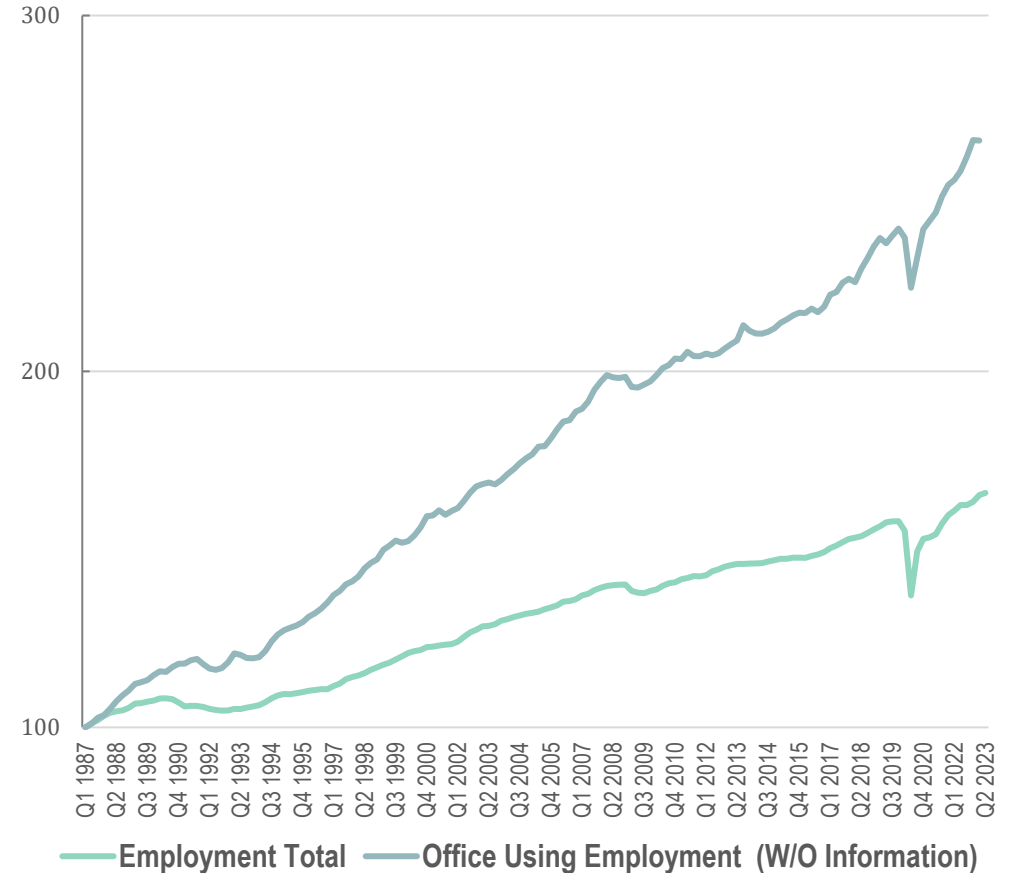
Different and beneficial:

- Office-oriented employment remains strong
- This downturn did not start with mass layoffs and job losses in an office-using sector

Different and challenging

- Era of adapting to more compact, digital workplace technologies
- Growth in remote work combined with offshoring and some use of AI may result in some roles formerly done in office space permanently being gone from the office

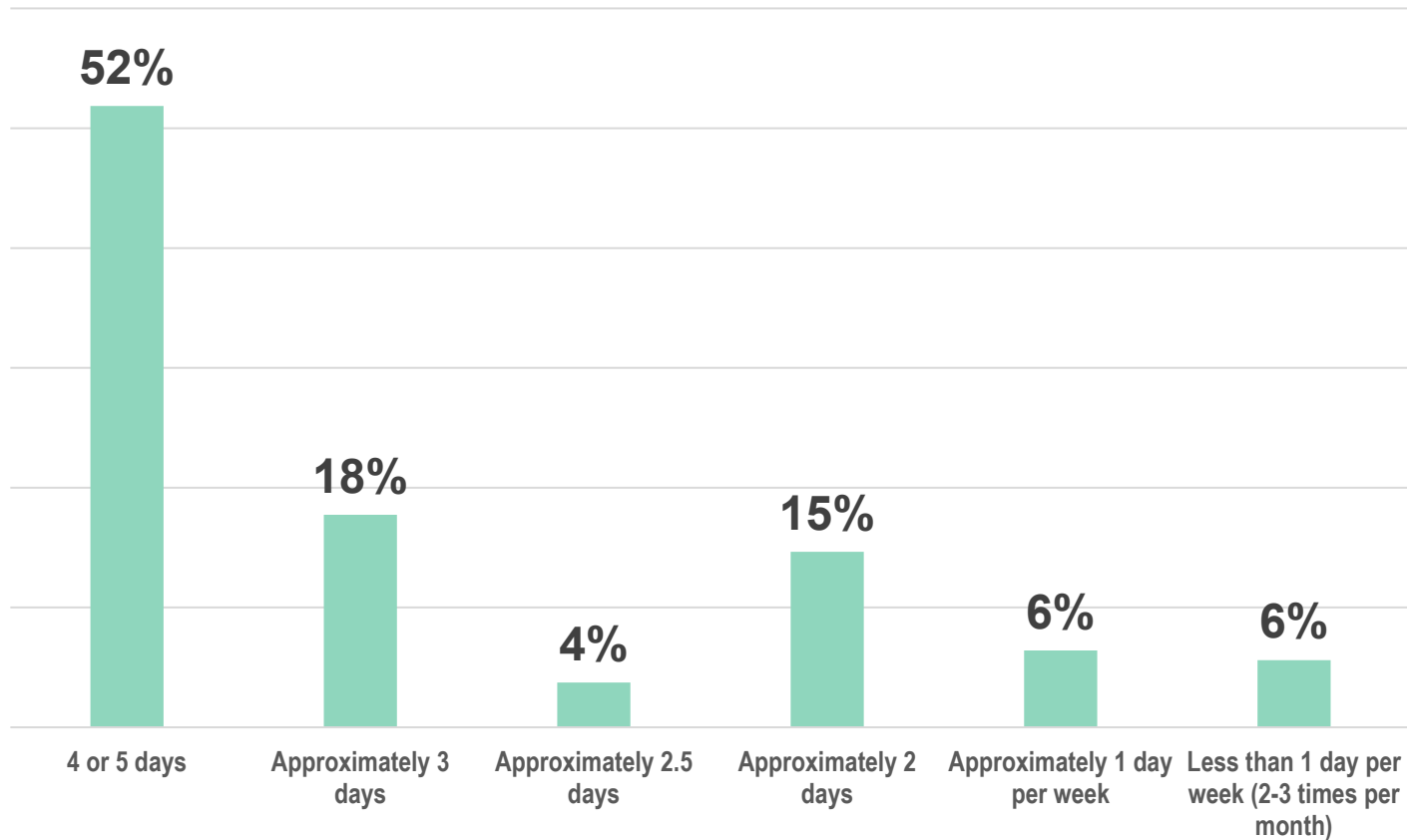
Employment by Sectors
(Indexed. Q1 1987=100)
Data: Conference Board



MOMENTUM ON RETURN TO OFFICE

Days per week in the office, July 2023

Data: GWLRA-Commissioned survey with Abacus Consulting. 1500 random, representative sample of Canadian office workers.

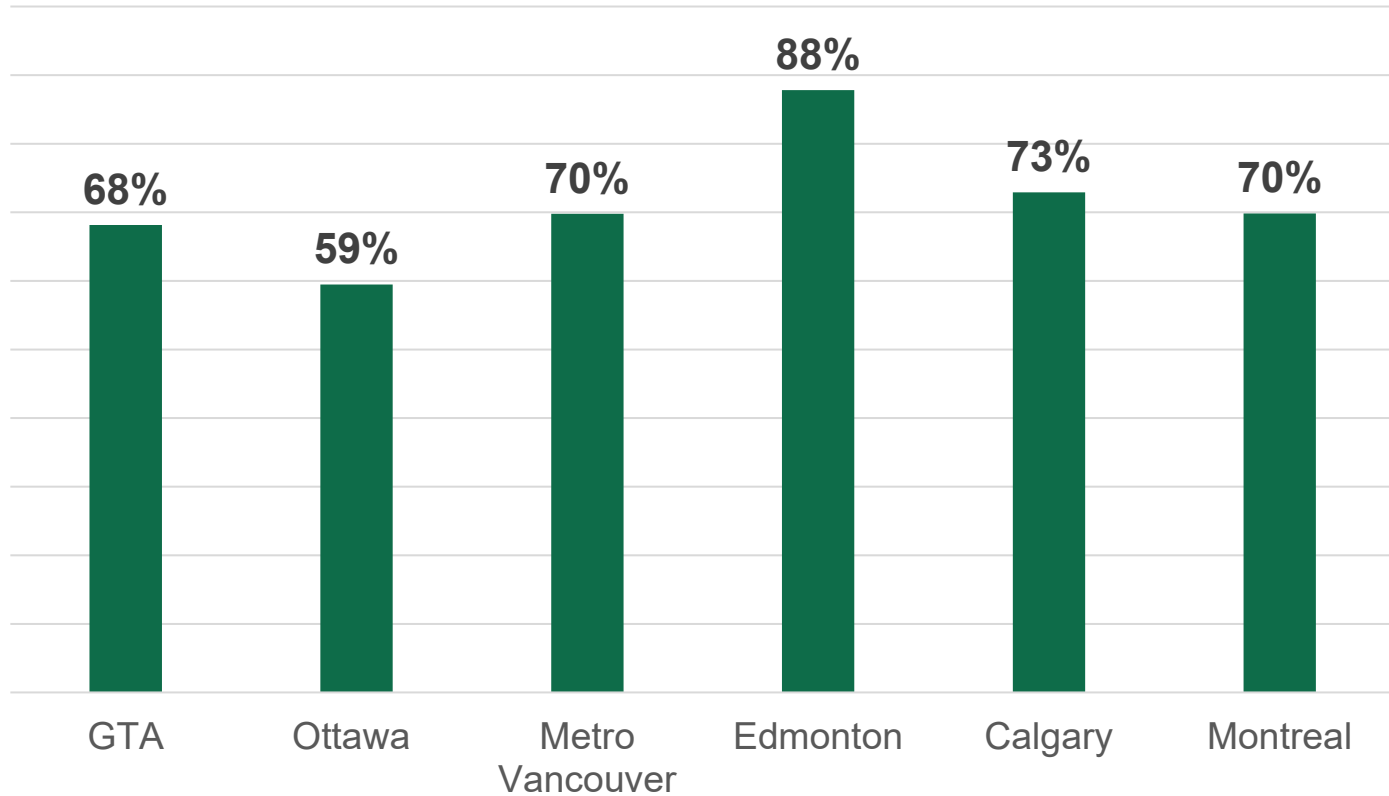


40%

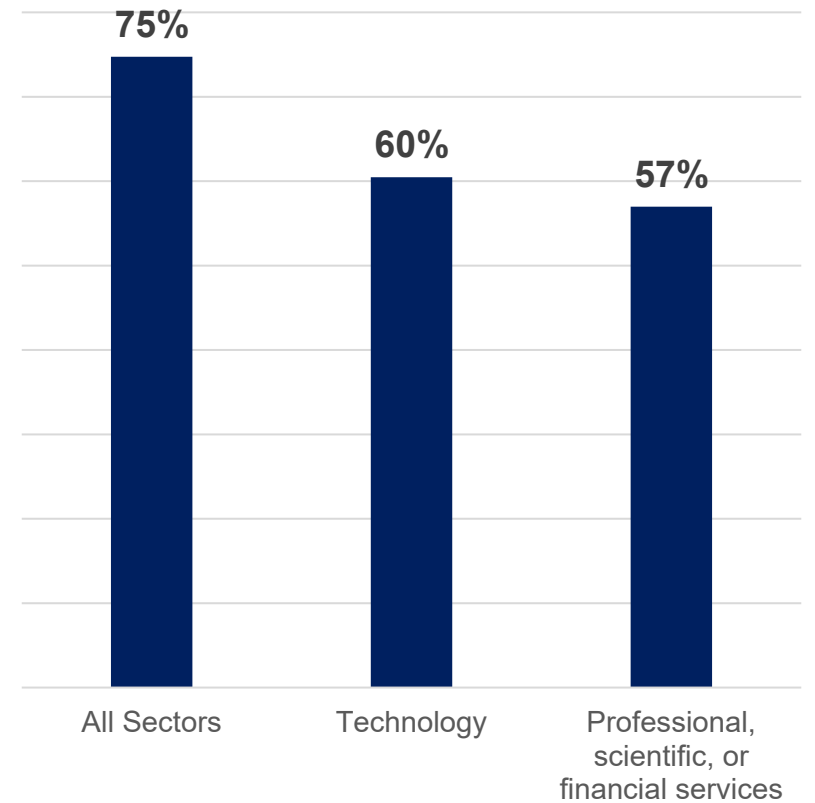
Employees not in 4 or 5 days who expect their employer to increase days in the office starting Fall 2023

MORE CANADIAN OFFICE WORKERS ARE BACK 3+ DAYS PER WEEK THAN IS COMMONLY REPORTED OR ASSUMED

Percentage of office workers working from the office 3+ days per week as of July 2023.

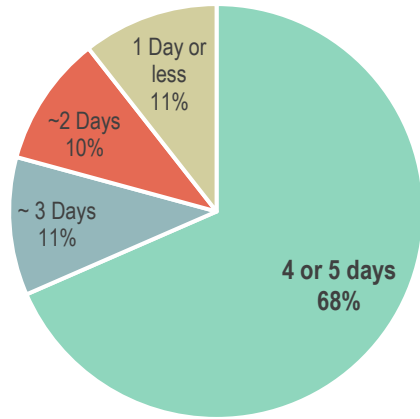


Office workers in 3+ days per week, by sector

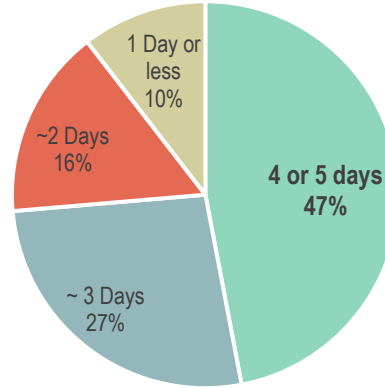


COMMUTES (AND COMMUTE INFRASTRUCTURE) MATTERS FOR RETURN TO THE OFFICE. GWLRA-ABACUS SURVEY OF 1500 CANADIAN OFFICE WORKERS. JULY 2023.

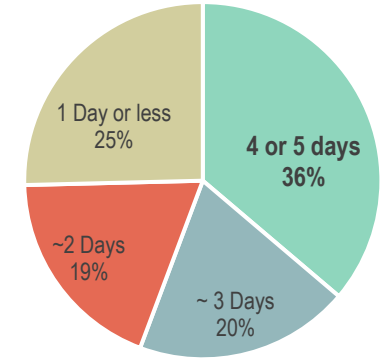
Commute < 15 minutes



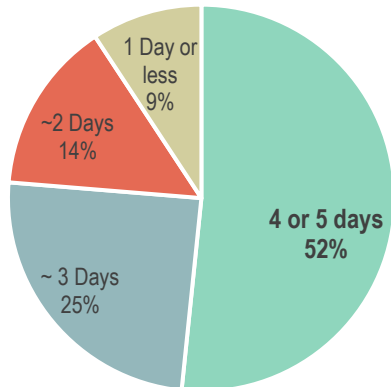
31-45 minutes



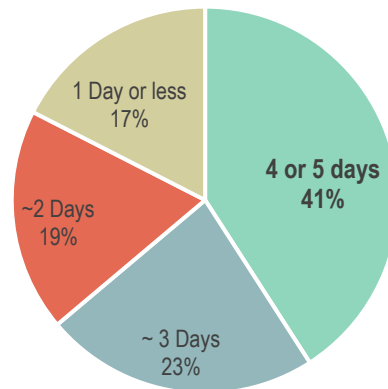
61 minutes or longer



15-30 minutes



46-60 minutes



Wendy.Waters@gwlra.com

Anthio.Yuen@gwlra.com

Vaishali.Vaishali@gwlra.com

 GWL Realty Advisors

 @gwlra

 @gwlra

gwlra.com

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