

KEY REAL ESTATE TRENDS

CANADA URBAN INSTITUTE – MARCH 4, 2021



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CENTRIPETAL OR CENTRIFUGAL?

- **1890 TO 1950 – CENTRIPETAL FORCES DOMINATE**
 - Manufacturing tends to cluster
 - Wages are low – families need cheap high-density housing – retail centralized
 - Transport costs are high – commuting expensive
- **1950 TO 1990 – CENTRIFUGAL FORCES DOMINATE**
 - Manufacturing disperses
 - Wages rise – families want more space – retail disperses
 - Transport costs fall – commuting less expensive
- **1990 TO 2020 - CENTRIPETAL FORCES DOMINATE**
 - Services grow and cluster
 - Wages rise – families need less space, but more time – retail reinvented
 - Transport costs rise – commuting more expensive
- **2020 TO WHEN – CENTRIFUGAL FORCES.....**
 - Services jobs disperse - Zoom
 - Wages rise – families want more space – retail decentralizes
 - Transport costs fall – commuting less expensive

**84% OF BUSINESSES PLAN TO ACCELERATE
THE DIGITALIZATION OF WORK PROCESSES
(E.G. USE OF DIGITAL TOOLS, VIDEO
CONFERENCING)**

-Future of Jobs Survey 2020, World Economic Forum.



Zoom

OFFICE – SECULAR SHIFT IN WORK PATTERNS

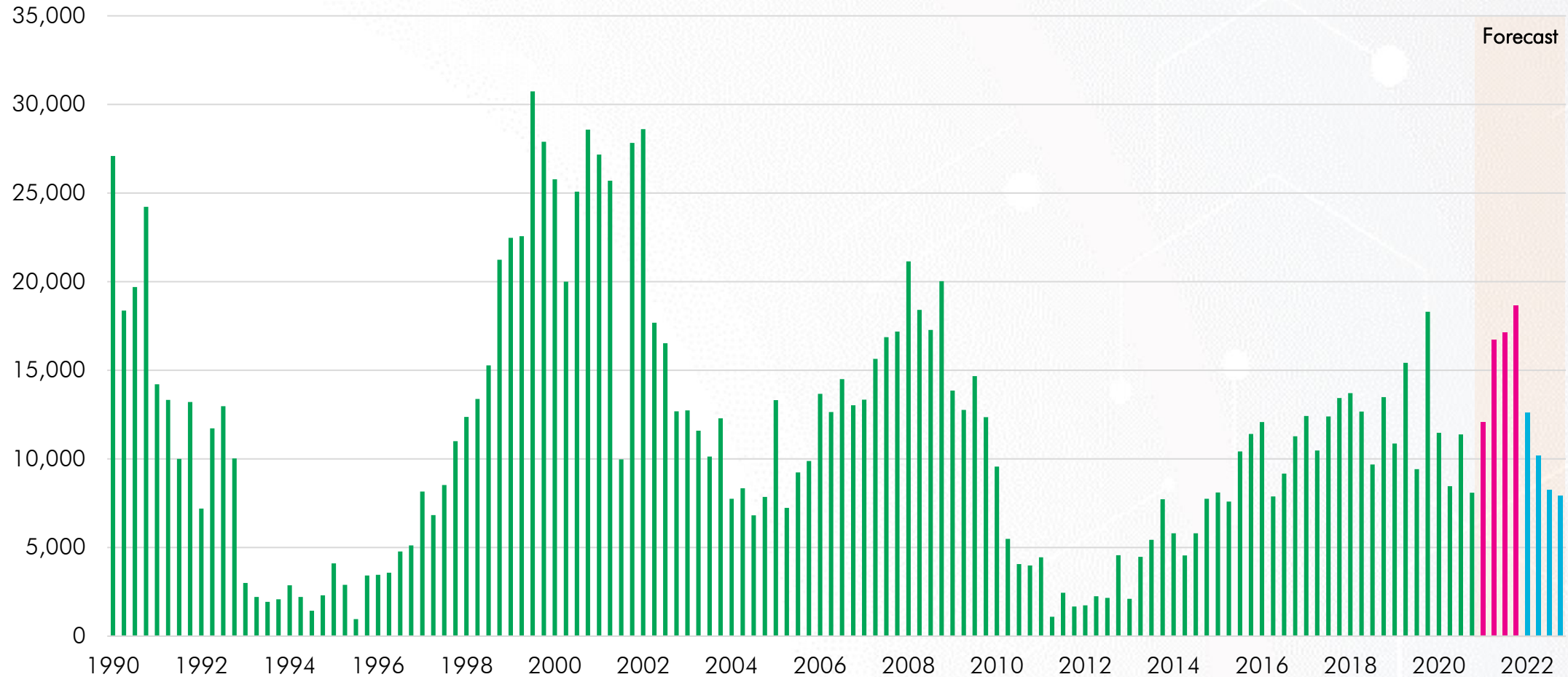
32% Fall in Days in the Office, 9% Drop in Demand for Space

Example: Firm with 10,000 SF lease

#1 Average Days Per Week In the Office	
2019	4.29
Future	3.25
Impact (= 3.25/4.29)	0.76
Footprint	7,600 SF
#2 Efficiency Factor	
	0.55
Net Effect of changing working patterns = $(1.00) - [(1.00 - 0.76) * (0.55)]$	0.87
Footprint	8,700 SF
#3 De-Densification Effect	
	1.05
Overall Net Impact = $(0.87) * (1.05)$	0.91
Overall Net Impact: Footprint	9,100 SF

OFFICE – CYCLICAL PEAK IN COMPLETIONS – NOT SO BAD

U.S. Office Completions (Thousands of SF)



Source: CBRE Research, CBRE Econometric Advisors, Q4 2020.

OFFICE – CYCLICAL DOWNTURN IN DEMAND NOT SO BAD

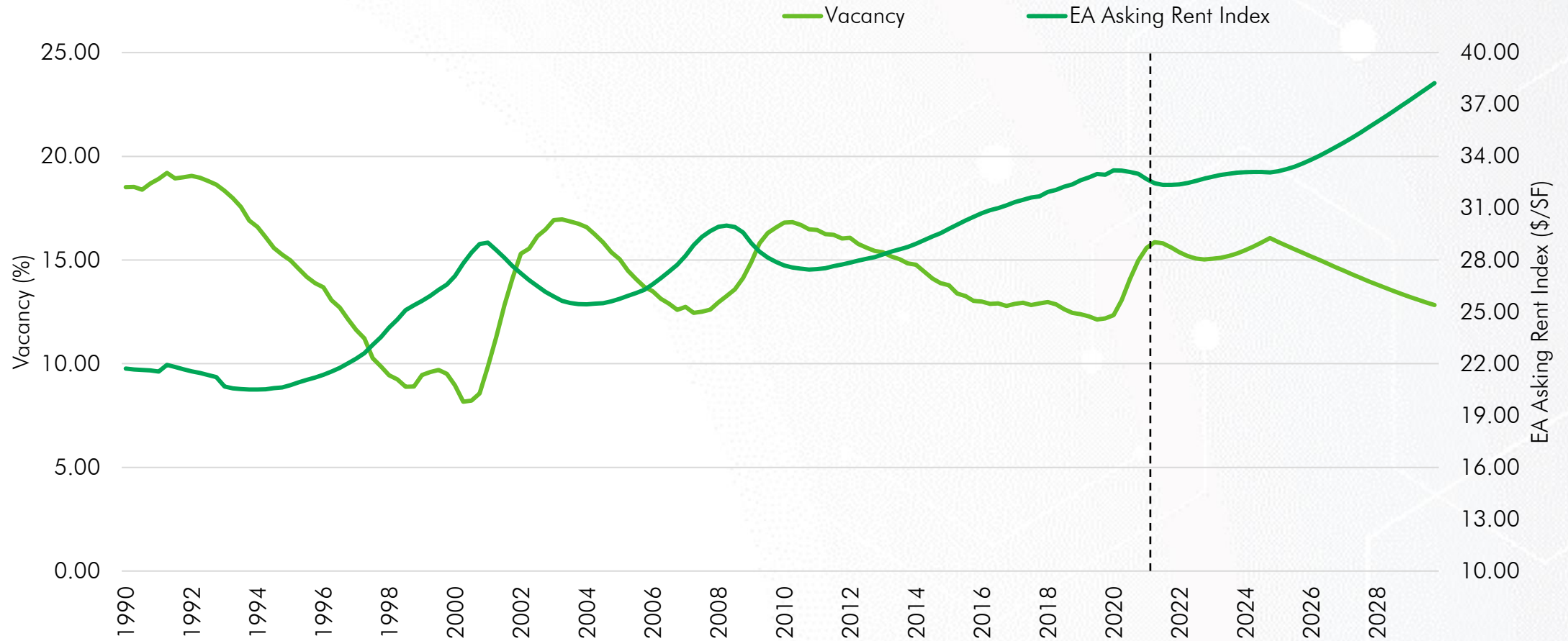
U.S. Office Rent vs. Office Employment Growth



Source: CBRE Research, CBRE Econometric Advisors, Q4 2020.

RENTS STAGNANT FOR 3 TO 4 YEARS – VACANCY ELEVATED

U.S. Office Baseline Forecast for Vacancy Rate and Rents

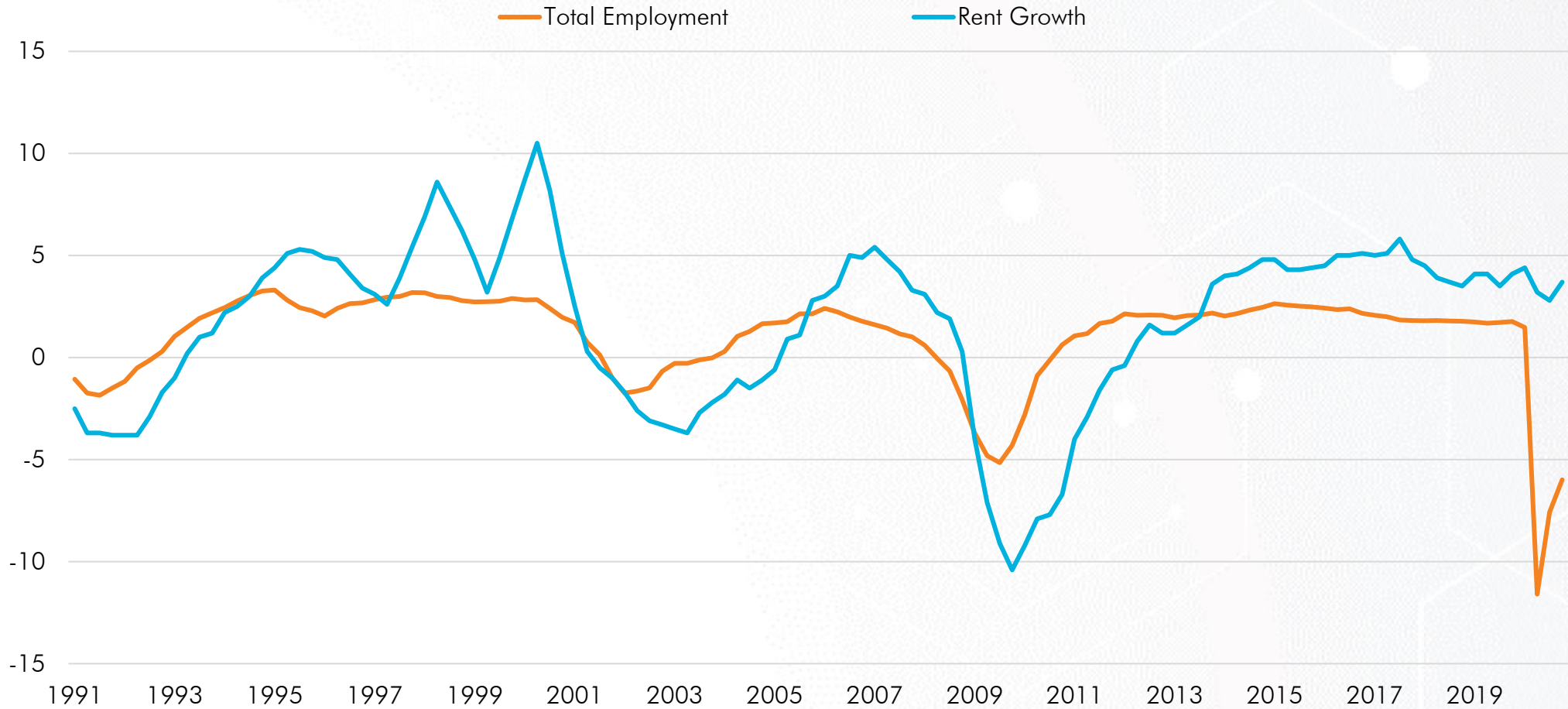


Source: CBRE Econometric Advisors, Q4 2020.



INDUSTRIAL & LOGISTICS CONTINUES TO FLY

U.S. Industrial Rent vs. Total Employment Growth

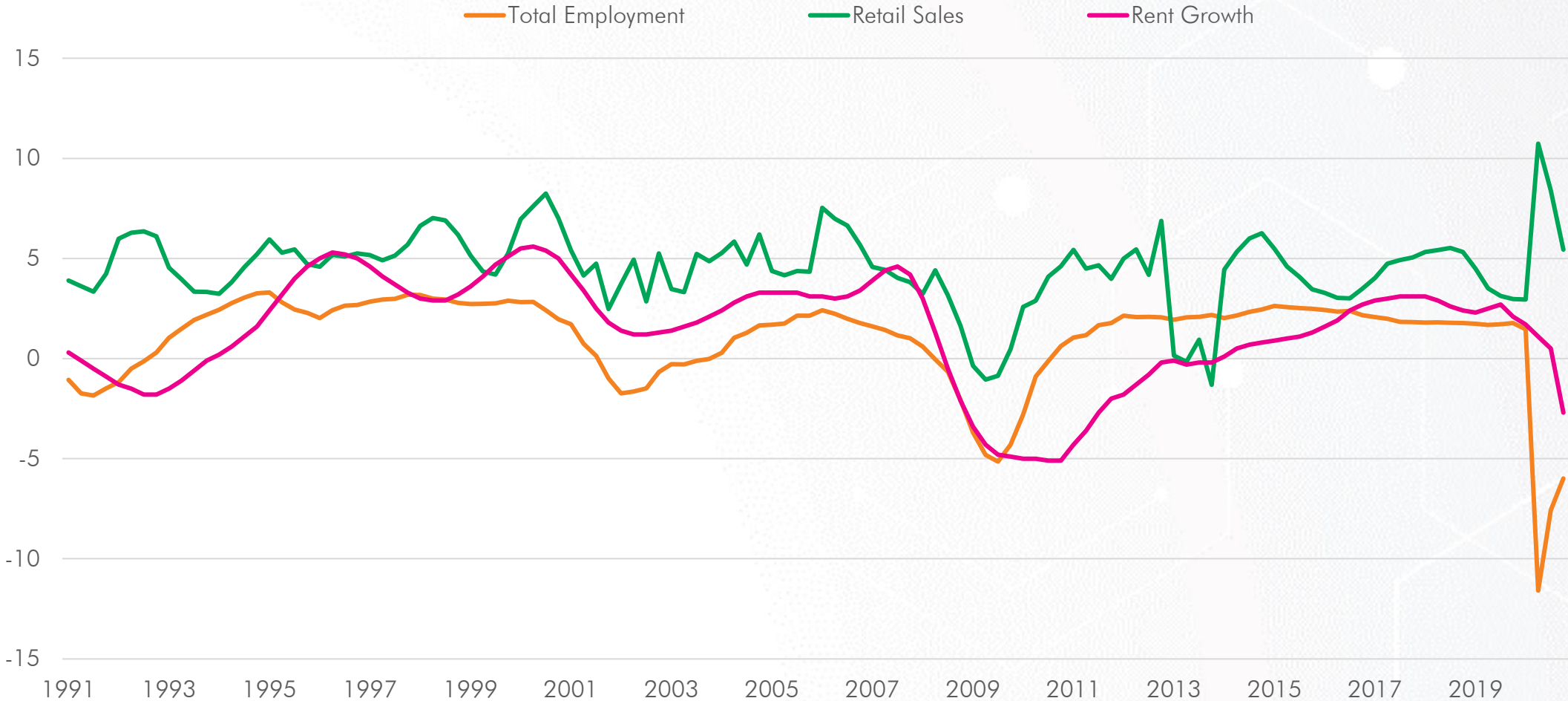


Source: CBRE Research, CBRE Econometric Advisors, Q4 2020.



PHYSICAL RETAIL TAKES ANOTHER BLOW

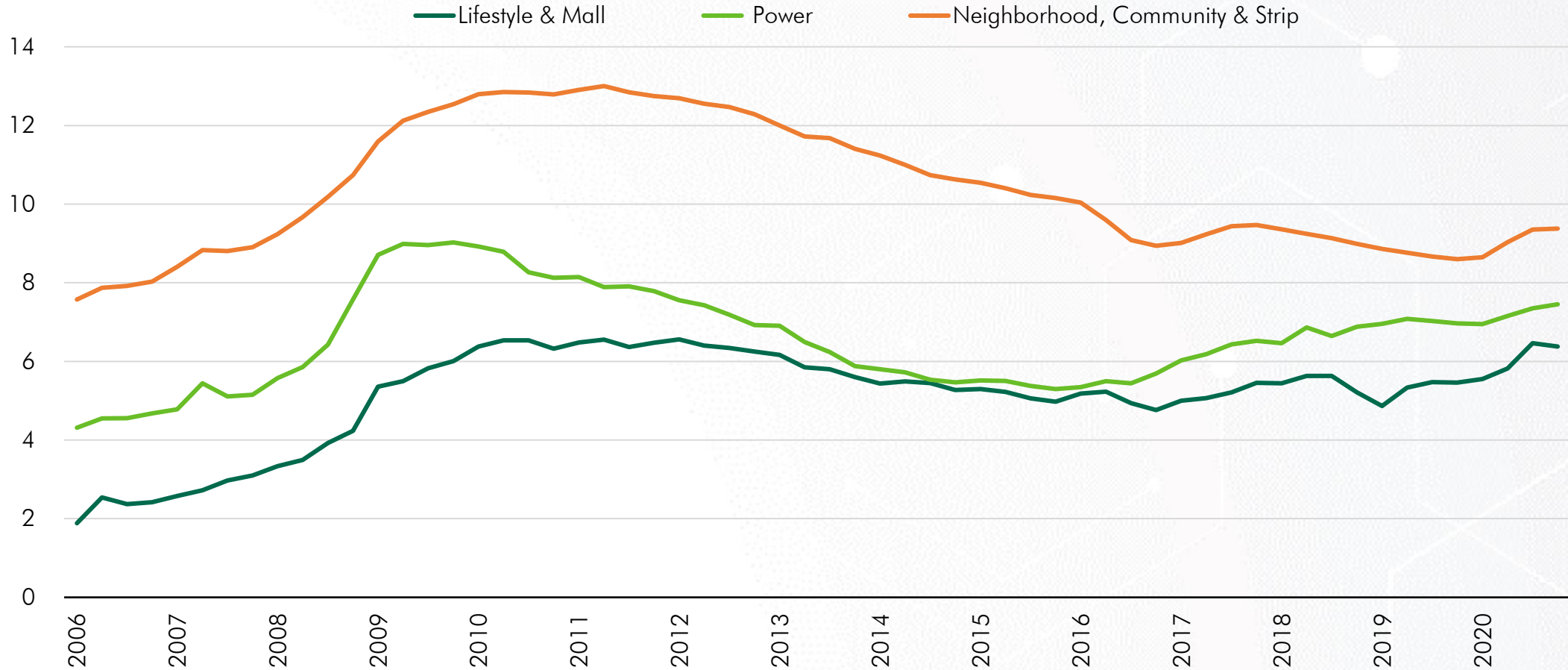
U.S. Retail Rent vs. Total Employment Growth and Retail Sales



Source: CBRE Research, CBRE Econometric Advisors, Q4 2020.

POWER MALLS HAVE BEEN AFFECTED

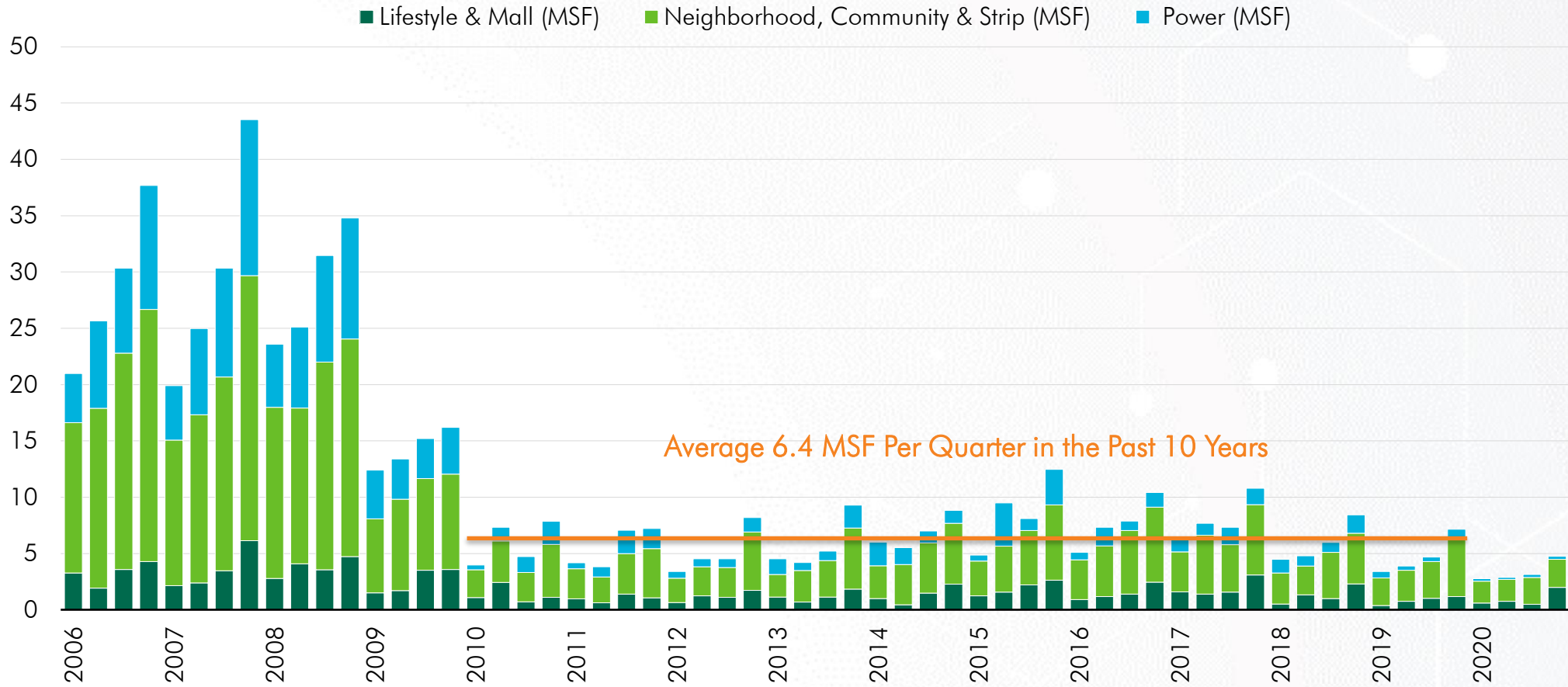
U.S. Retail Availability Rate by Retail Type



Source: CBRE Research, CBRE Econometric Advisors, Q4 2020.

NO NEW RETAIL SUPPLY

U.S. Retail Completions by Retail Type



Source: CBRE Research, CBRE Econometric Advisors, Q4 2020.

RETAIL BANKRUPTCIES ELEVATED IN 2020

U.S. Retail - National & large regional bankruptcies (excl. small business)

Approx.
12,130 announced &
6,352 actual retail store
closures as of December
31th.



JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

Source: CBRE Research, CreditIntell, as of January 2021.

HOTEL

HOTEL

HOTEL

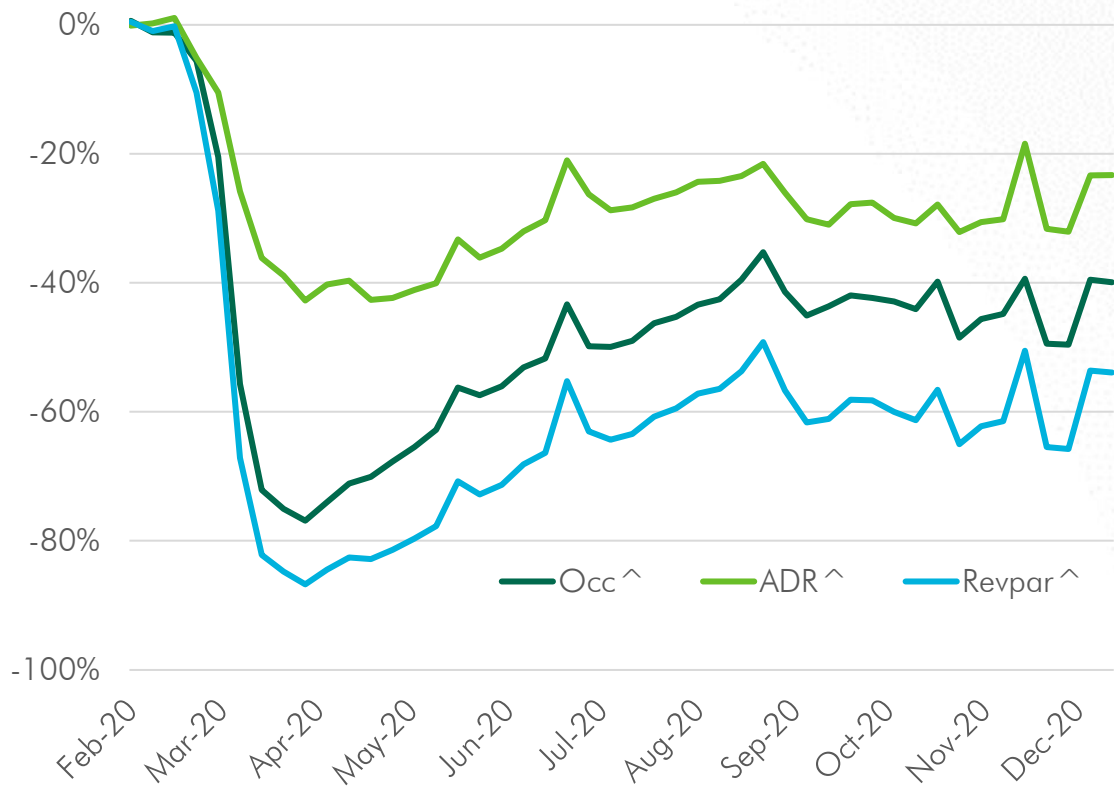


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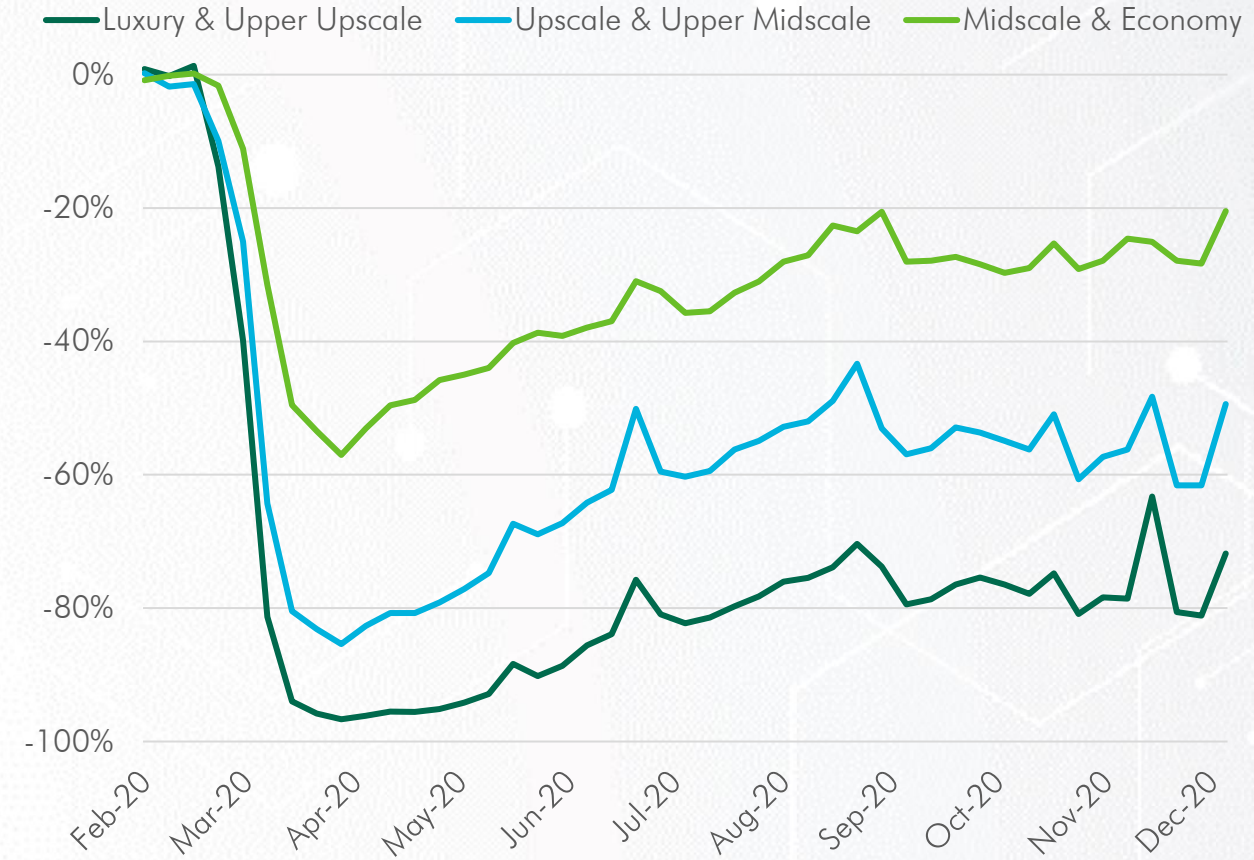
HOTELS IMPROVED BUT GOING SIDEWAYS

U.S. Hotel Occupancy, ADR, and RevPAR (YoY Change)

Y-o-Y Change in Occupancy, ADR and RevPAR



Y-o-Y Change in RevPAR



Source: CBRE Hotels Research, Kalibri Labs, January 12th, 2021.

Note: Covers Kalibri Weekly Sample, not scaled to full U.S. Hotel Industry Representation



APARTMENT – CYCLICAL HEADWIND, SECULAR TAILWIND

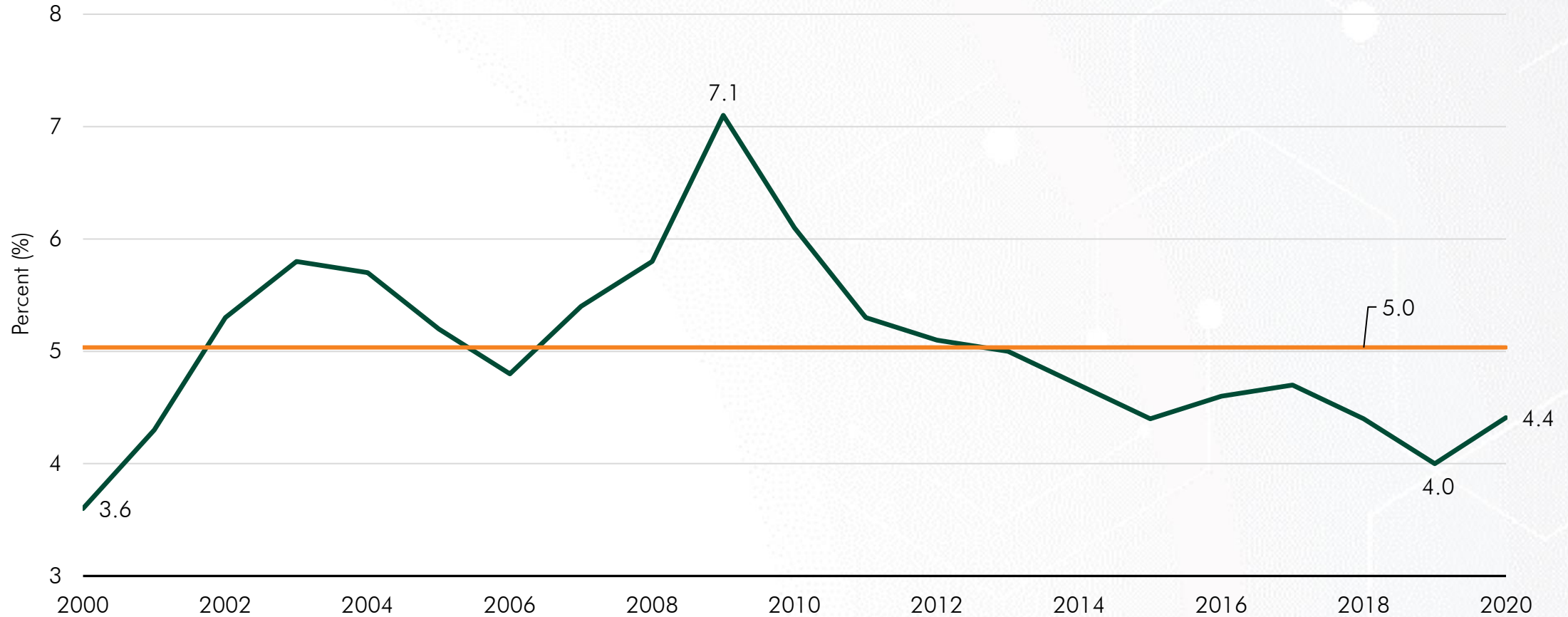
U.S. Apartment Rent vs. Total Employment Growth



Source: CBRE Research, CBRE Econometric Advisors, Q4 2020.

APARTMENT VACANCY HAS REMAINED RELATIVELY LOW

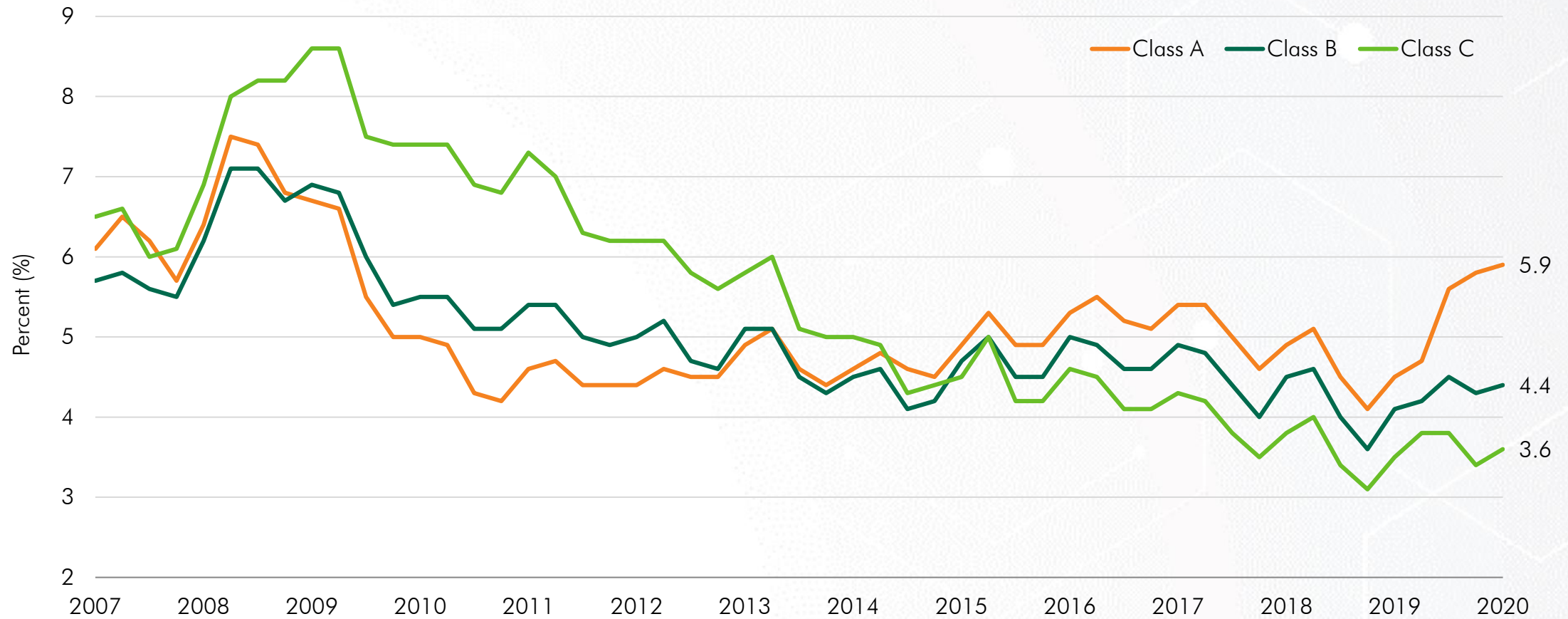
U.S. Apartment Historical Vacancy - Annual Averages



Source: CBRE Research, CBRE Econometric Advisors, Q4 2020.

CLASS A VACANCY HAS RISEN BUT NOT BY MUCH

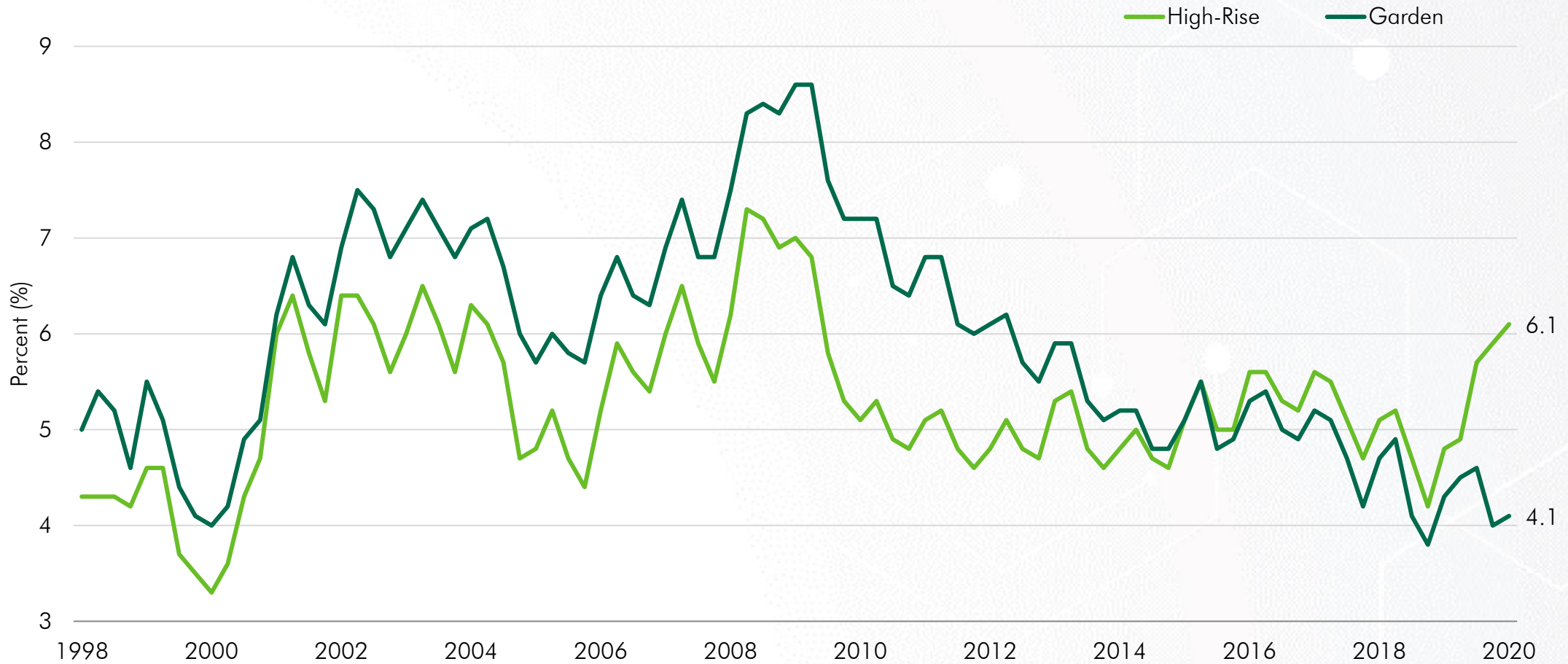
U.S. Apartment Historical Vacancy by Class



Source: CBRE Research, CBRE Econometric Advisors, Q4 2020.

HIGH-RISE MOST AFFECTED

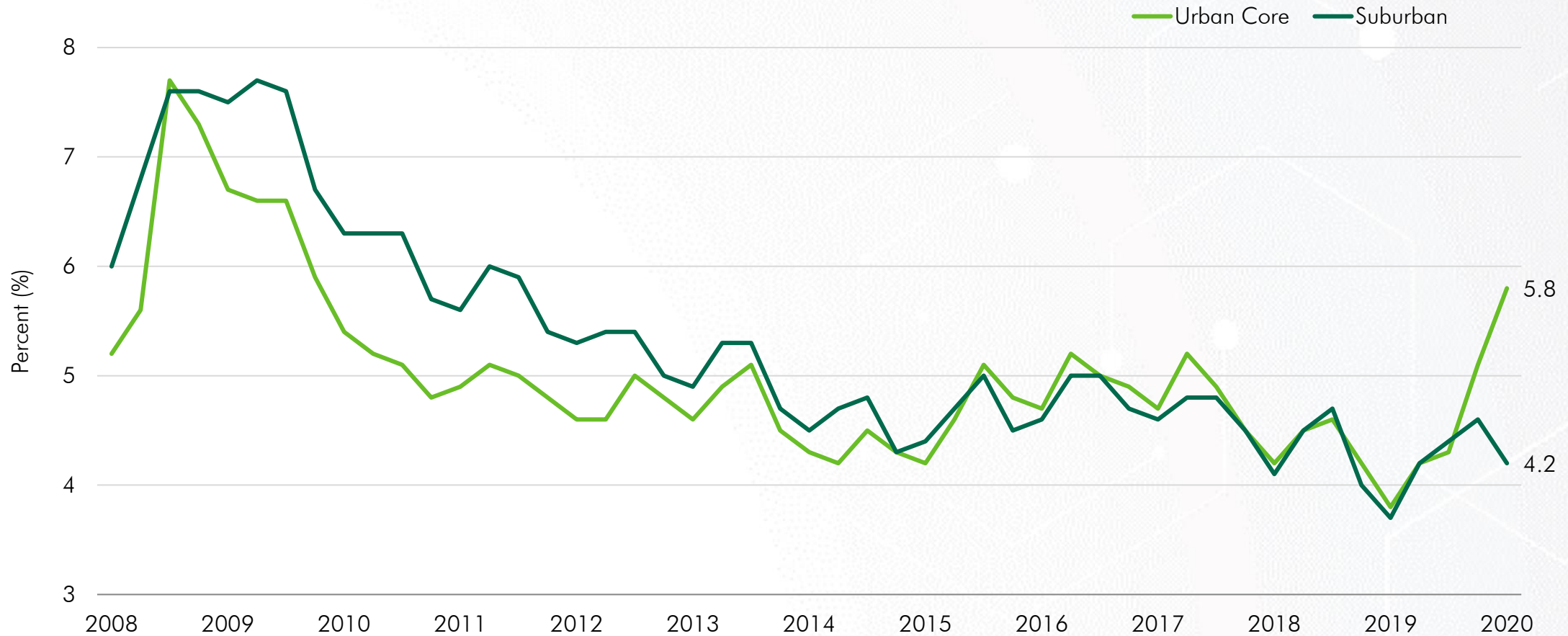
U.S. Apartment Vacancy by Community Type: High-Rise vs. Garden



Source: CBRE Research, CBRE Econometric Advisors, Q4 2020. Mid-rise is a separate category not included in these statistics. Garden = 1-2 stories, mid-rise = 3-5 stories, high-rise = 6+.

BIG CITY CORES THE WEAKEST

U.S. Apartment Urban Core vs. Suburban Submarkets – Vacancy



Source: CBRE Research, CBRE Econometric Advisors, Q4 2020.

CENTRIPETAL OR CENTRIFUGAL?

- **2020 TO 2025 – CENTRIFUGAL FORCES MILDLY INCREASE**
 - Services jobs disperse – Zoom – (long term)
 - Wages rise – families want more space (short term) – retail decentralizes (long term)
 - Transport costs fall – commuting less expensive (long term)
- **2020 TO 2025 – CENTRAL AREAS NEED A SHOT IN THE ARM**
 - Focus on mass transit
 - Temporary cuts to property taxes
 - Events, festivals, arts, leisure and sport



**COVID
19**
Coronavirus
Vaccine

THANK YOU!

PLEASE DON'T HESITATE TO CONTACT US.

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