RE/MAX COMMERCIAL

REAL ESTATE REPORT

Canada 2022

Demand for commercial properties soars nationwide amidst economic expansion and stock market volatility, according to RE/MAX® Canada Brokers

Investors flock to 'bricks and mortar' as hedge against inflation in Q1 2022

With North American stock markets dangerously close to correction, bricks and mortar properties continue to resonate with institutional and private investors, particularly those who are personally vested, across almost every commercial asset class in major Canadian centres, say RE/MAX brokers.

The RE/MAX Canada 2022 Commercial Real Estate Report found demand for industrial, multi-unit residential—particularly purpose-built rentals—and farmland was unprecedented in the first quarter of 2022, with values hitting record levels, while retail and office are starting to show signs of growth in multiple markets.

Highlights from the report, which examined 12 major Canadian centres from Metro Vancouver to St. John's, include the following:

- 92 per cent of markets surveyed (11/12) reported extremely tight market conditions for industrial product in the first quarter of 2022. Newfoundland-Labrador was the only outlier.
- 67 per cent of markets surveyed (8/12) found challenges leasing industrial space. Included in the mix were Vancouver, Edmonton, Calgary, Winnipeg, Ottawa, the Greater Toronto Area, Hamilton-Burlington-Niagara and London. Some realtors are recommending tenants start their search for new premises at least 18 months before their current leases come up for renegotiation.
- While demand for overall office space in the core remains relatively soft in 92 per cent of markets (11/12) across the country, Metro Vancouver continues to buck the trend.
- Suburban office space continues to prove exceptionally resilient in 67 per cent of markets surveyed (8/12). Those markets include Vancouver, Calgary, Saskatoon, Winnipeg, Hamilton-Burlington-Niagara, Ottawa, Halifax-Dartmouth and Newfoundland-Labrador.
- Development land remained sought after (industrial/residential) in 67 per cent of markets surveyed (8/12) including Vancouver, Calgary, Regina, Saskatoon, Winnipeg, Ottawa, the Greater Toronto Area and Halifax-Dartmouth.
- End users are encountering challenges in terms of expanding their businesses due to land constraints/shortages, with specific mentions of this noted in Vancouver, the Greater Toronto Area and Regina.
- Retail is on the rebound in 75 per cent of major Canadian markets (9/12), with strong emphasis on prime locations in neighbourhood microcosms. The trend has been identified in Vancouver, Edmonton, Calgary, Saskatoon, Regina, Winnipeg, Hamilton-Burlington-Niagara, Toronto and Ottawa.

"The overall strength of the Canadian economy continues to propel massive expansion in commercial markets across the country in 2022," says Christopher Alexander, President, RE/MAX Canada. "What began as heightened demand for industrial space to accommodate a growing e-commerce platform during the pandemic has blossomed into a full-blown distribution and logistics network that encompasses millions of square feet in markets across the country. Recent volatility in the stock markets has also prompted a shift to greater investment in the commercial segment as investors look to real estate as a hedge against inflation."

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Given the current shortage of land/space, developers and end users looking to build, have become increasingly creative in 58 per cent of markets surveyed (7/12), including Metro Vancouver, Edmonton, Regina, Saskatoon, Winnipeg, London, and the Greater Toronto Area. The supply/demand crunch has proven the adage, 'necessity is the mother of ingenuity', as new solutions emerge in the marketplace. In Metro Vancouver, Oxford Properties introduced the first industrial multi-storey industrial/commercial space in 2019 and a second stratified multi-storey facility—Framework by Alliance Partners—is planned for False Creek Flats. The first building is nearing completion and leased to Amazon while the first and second phase of the False Creek development is sold out and a third phase is currently selling at $725 per square foot.

In the future, municipalities may also consider industrial land reserves, registered areas dedicated to industrial in municipalities that are experiencing land constraints, given overwhelming demand. "Land development is pushing city boundaries in major centres and municipalities are scrambling to accommodate residential and industrial intensification," says Alexander. "At present the process is painfully slow in most centres, even where land is already serviced. Given the on-going likelihood of demand, policy that helps availability or fast-tracking of approvals would certainly be a boon to the market."

The RE/MAX Canada 2022 Commercial Real Estate Report also identified a growing trend in infill land assembly that targets retail storefront/strip retail malls in mature areas for mixed-use developments by institutional and private investors. These new developments almost always have a residential housing component on top, often purpose-built rentals or condominiums, given the shortage and need for greater densification. Smaller investors and end users are largely shut out of this market and tenants are having difficulties securing long-term leases in these key areas. Canada Mortgage and Housing Corp. (CMHC) is offering an exceptionally attractive financing package for multi-unit, purpose-built residential construction, with a 50-year-amortization rate, low loan-to-value ratios, and favourable interest rates.

Institutional and private investors remain exceptionally active in the commercial market across the country, spurring demand for industrial/office/retail product on a large-scale basis. Extensive portfolios are a primary target, especially those containing 10 or more properties. Spillover from activity in major centres is also serving to bolster smaller, secondary markets, where affordable price points, in relative terms, prove attractive, especially as savvy investors anticipate future needs and potential, given urban sprawl, density, population growth, pricing and inventory trends.

While retail is making a comeback in prime neighbourhoods, the return of foot traffic should have a positive impact on the market moving forward. Revitalization of older retail spaces and malls is underway to enhance the shopper experience and influence the return to in-person shopping. This, in turn, is attracting tenants. The sector is expected to continue to strengthen as markets move past former pandemic constraints and more favourable conditions emerge to support retail growth.

RE/MAX Canada has found that cannabis outlets are largely over-represented in most major Canadian centres. As the industry amalgamates, there could be an influx of retail inventory returned to the market over the next 12 to 18 months.

Other trends noted in the commercial market by RE/MAX Brokers include novel ways to expand exposure and streamline the selling process. As inventory of farmland dwindles and price per acre has risen, realtors have turned to auctions with great success in Saskatchewan. Saskatoon, for example, which typically has about 300 listings for grain farms for sale at this time of the year, has seen available properties drop to under 90. Realtors have turned to auctions as a more effective way to increase exposure to a wider audience, generating offers from across the country, as well as the US. The trend is another sign of a heated marketplace where buyers are willing to compete for the right product in the right location in a transparent process.

"The soaring price of commodities has bolstered Western Canadian markets, with resource-rich provinces such as Saskatchewan, Alberta, and Manitoba experiencing unprecedented growth as industries emerge from their slumber. Saskatchewan, in particular, is reinvigorated, with the economic engine just heating up in agriculture, mining, forestry, and potash."

"The soaring price of commodities has bolstered Western Canadian markets, with resource-rich provinces such as Saskatchewan, Alberta, and Manitoba experiencing unprecedented growth as industries emerge from their slumber," says Elton Ash, Executive Vice President, RE/MAX Canada. "Saskatchewan, in particular, is reinvigorated, with the economic engine just heating up in agriculture, mining, forestry, and potash."

Continued strength is forecast in commercial markets, supported by population growth and further economic expansion. According to the RBC Economics, Provincial Outlook published in March, GDP growth is expected to climb to 4.3 per cent in Canada, led by BC, Saskatchewan and Alberta in 2022. An unquenchable demand for product in the industrial, multi-unit residential and farmland sectors will persist as intentions remain strong, despite a serious scarcity of inventory. Buyers, large and small, will continue to seek opportunity as investors increasingly favour tangible assets. Dollar volume is up across the country in almost every market as the principals of supply and demand impact values. Lease rates are also edging upward. With the pandemic fading quickly from memory, the return to the workplace—either full-time or in a blended/hybrid format—is expected to spark the next wave of growth, revitalizing downtown office buildings, and breathing new life into the core.

METRO VANCOUVER

While demand for commercial real estate remains strong across all asset classes in Metro Vancouver, 'beds and sheds' continue to be top market performers, despite a critical shortage of inventory. Industrial availability, to illustrate, has dropped to less than one per cent*, with land constraints compounding an already tight market. Overall investment in the first quarter of 2022 topped $2 billion*, but could have easily gone higher if more product was available.

The insatiable appetite for industrial product continues unabated in Metro Vancouver, with absorption in the first quarter of 2022 hovering at just over 1.4 million square feet**. More investors are seeking to buy industrial properties as a hedge against inflation as both lease rates and expenses climb, but little product is available for sale. Smaller businesses are being pushed out of the core as lease rates top an average of $19.00 per square foot net for Class A industrial product, up about 12 per cent from $17.44 one-year prior. Current market conditions are prohibitive for many small industrial players, many of whom are prevented from expanding their operations due to space constraints.

While another 7.5 million square** feet of industrial space is currently under construction, much of the inventory is located on the outskirts of the city in areas such as Surrey and Burnaby. Pre-sales are now pushing $700 per square ft in prime areas. With just over 350,000 square feet under construction in Vancouver proper, developers are getting creative with their new projects. Demand has been voracious for a five-floor, multi-storey commercial condominium that incorporates industrial and office space under one roof in Vancouver's False Creek Flats area. The stratified Framework development by Alliance Partners offers end users the opportunity to realize commercial ownership in the city's core. Delivery is likely two years out, with the first two phases now sold out and a third phase selling at $725 per square foot. Oxford Properties introduced Canada's first multi-level industrial building in 2019, with 1.35 million square feet spread over six buildings in Burnaby, BC, the last of which, scheduled for completion in Q4 2022, will be leased by Amazon. Cities that adopt this industrial model are more likely to secure the future, while there's a possibility that those that remain reactionary may encounter challenges down the road.

Given the state of the industrial market, there appears to be no path for balanced conditions in sight. Small business is exceptionally vulnerable in the core under current conditions, with rising costs and the inability to expand choking this segment of the market. The industry will need to better evolve, with some suggesting a need for an industrial land reserve, registered areas that are dedicated to industrial. In the interim, end users with $10 million to $20 million and much more remain frustrated with the lack of acquisition options.

As the population in the Vancouver CMA grows, the city's housing needs have been accentuated. Between 2016 and 2021, the Vancouver CMA experienced an uptick of more than seven per cent, with close to 200,000 people added to the area (2,463,431 to 2,642,825), according to the latest Statistics Canada Census data. Intensification is underway throughout the city, with particular emphasis on purpose-built, multi-unit residential. Some developers and builders are achieving this through re-purposing strip malls in mature areas throughout Vancouver, bringing new life to older communities. These developments often have retail/commercial space on the ground floor and residential component in the stories above. The city has also proposed the ambitious Broadway Plan, based on the Skytrain extension to Arbutus, which will integrate housing, retail, and commercial development in the Kitsilano, Fairview, and Mount Pleasant neighbourhoods, with mixed-use buildings ranging from 20 to 40 storeys in main areas and low-rise buildings offering four to six stories in more residential communities.

Institutional investors are active in this segment, although there are some mid-sized investors getting into the market. A retail mall with a significant land parcel recently sold in the high $70 million range with a four per cent cap rate, which is expected to be clawed back should high-density residential be approved for the area.

While the retail sector is on the rebound, it has yet to fully recover, giving smaller investors an opportunity to buy in. Significant change has occurred in retail in recent years, with lessons learned from the intersectional relationship between the asset classes resonating with retailers both small and large. The new retailer is exceptionally adept, flexible and innovative. Signs of growth are already evident in the retail sector, with premium storefront in high demand but low supply. Fourth Avenue is almost completely leased with rates reportedly pushing $100 net per square foot. Big box stores are thinking out of the box, modifying their footprints by reducing their consumer facing areas and retaining more storage space for inventory in the back. Once employees return to their offices and the travel and tourism sector is back on track, this segment should really gain momentum.

Vancouver's office market is the strongest in Canada at present. Availability rates are trending down, sitting at 9.6 per cent *in the first quarter of 2022, compared to 10 per cent during the same period in 2021. Downtown rates** vary by area, with the Downtown Peninsula—with more than 33 million square feet of space—experiencing the highest availability rates at 10 per cent and Vancouver City experiencing the lowest at 5.7 per cent. The suburban market continues to thrive, with the tightest market conditions occurring in the North Shore and New Westminster at just over three per cent and the highest availability in Langley at 8.2 per cent.

While the office market is still feeling the effects of the pandemic, the hybrid work schedule will likely bridge the gap between now and the full-scale return to the office. The downsizing and sublease fall-out that was expected failed to materialize, and some companies increased their workforce and used any extra space freed up by work-from-home initiatives to accommodate the increase in staff. Some new players are moving into the market, largely from the tech sector, which is helping to keep inventory levels stable. More than three million square feet of office space is currently under construction in the Downtown Peninsula, with almost 80 per cent pre-leased.

British Columbia's economy continues to experience rapid expansion, leading the nation in terms of employment and consumer spending growth***. Building on strong GDP growth in 2021, at an estimated 5.1 per cent, the province is forecast to climb another 4.3 per cent in 2022. As such, the Vancouver commercial real estate market is expected to remain strong. However, inventory challenges are expected, given land constraints.

**Altus Group*

***Cresa/CoStar April 2022*

****RBC Economics, Provincial Outlook, March 10, 2022*

EDMONTON

Industrial and multi-unit asset classes dominated commercial real estate transactions in Edmonton and the surrounding areas in 2021 and the trend is likely to continue in the year ahead as both local and multi-national companies seek to expand their presence in Northern Alberta.

Close to 250 industrial sales with a total value of $892 million occurred in 2021*, including multi-bay, single tenant, owner-user and condominium properties, an increase of 25 per cent over the previous year's sales. Dollar volume has soared almost 80 per cent during the same period. Amazon's construction of a 2.9-million-square-foot facility in Acheson speaks to the Edmonton region's appeal on a national stage. Industrial projects under construction in Edmonton are at a seven-year high and tight market conditions exist in terms of absorption. Developers such as Remington and Panattoni are moving as fast as they can to meet demand, but they can't build fast enough. Limited product is making it virtually impossible, given current challenges in terms of inflationary pressure on construction costs and disruptions to the supply chain.

Affordability has been a major driver in Edmonton's commercial market, with attractive land values spurring demand from both local developers and out-of-province investors, despite a serious inventory crunch. Edmonton's cost per acre is a fraction of the value for a similar property in neighbouring B.C. or Ontario.

Multi-unit residential is following the same wave, with 19 sales valued at $160 million** occurring in the first quarter of 2022. Affordable housing incentives put in place by CMHC—such as a 50-year amortization period, low loan-to-value ratios, and relatively favourable interest rates—have buoyed sales of residential land and infill for purpose-built rental accommodations. In 2021, 74 apartments were sold at a value of $596 million compared to 50 apartments valued at $571 million one year earlier.

While demand for retail remains soft in the downtown core, increased traffic and a return to the office should improve this segment of the market throughout the remainder of the year. Weaknesses characteristic of these asset classes in 2020/2021, brought on by stringent Covid rules and regulations, are likely to resolve once the pandemic is truly in the rear-view mirror.

Commercial condominiums remained a strong asset class across the industrial, office and retail sectors in Edmonton. Sales rose year-over-year in all three sectors, with the greatest gain of 45 per cent realized in industrial condominiums, followed by office condos at almost 12 per cent, and retail units at just over 10 per cent. Low interest rates were the strongest impetus in 2021, prompting many owner/users to lock into condo ownership.

Alberta's strong economic forecast, at 5.8 per cent, is expected to lead the country in terms of GDP growth in 2022. According to RBC Economics' Provincial Outlook, released in March 2022, the surge in commodity prices is expected to benefit Western Canada throughout the year, given recent geopolitical events. With the price of oil now hovering at $100 USD per barrel, the province is set to experience the strongest rate of expansion since 2011. Economic growth should further bolster commercial activity in all asset classes this year. The Edmonton Region Real Estate Investment Sales Summary reported close to 650 commercial sales in 2021, an increase of almost 13 per cent over 2020 levels, while dollar volume rose to almost $2.4 billion, up nine per cent from just over $2.2 billion. Given the significant economic recovery currently underway in the province, Edmonton's commercial market is poised for substantial growth in the year ahead.

**Edmonton Region Real Estate Investment Sales Summary*
***The Network*

CALGARY

The strongest economic expansion underway in Alberta since 2011* has buoyed commercial real estate activity in Calgary in the first quarter of 2022, placing renewed pressure on an already tight market for industrial and multi-unit residential and renewing the city's retail, and to a lesser extent, office sectors. Total investment activity** topped $2.4 billion in 2021, up 26 per cent from $1.9 billion in 2020, and first quarter figures at almost $1 billion are aligned with year-ago levels.

Demand for industrial and flex space continues to outpace supply, building on a trend that began in 2020 with the onset of the pandemic. Availability rates** continue to trend downward, sitting at 4.8 per cent in the first quarter of the year, down from 6.9 per cent during the same period one year earlier. Average lease rates at $10.00 per square ft., face new pressure as new industrial developments coming on stream at a higher cost per square foot further accelerate prices. Despite the increase, industrial lease rates remain attractive when compared to similar product in other major centres.

The shortage in supply is likely to get worse before it gets better with Calgary acting as a logistics and distribution hub for western Canada. Multi-national players, institutional and private investors are vying for Class A industrial product. Existing tenants facing higher lease rates down the road are also looking to acquire product. The city is seeking to expand boundaries in both its northeast and southeast quadrants, but it can't come soon enough.

Construction on multi-unit, purpose-built residential rentals remains brisk, as developers look to increase the supply of affordable housing in the city. Individual investors are primarily active in this segment of the market, many taking advantage of the CMHC Rental Construction Finance Initiative and various government incentives. There are three office buildings in the downtown core that are undergoing conversion to residential rentals, representing over 400,000 sq. ft. The city has contributed $31 million to the project. Increased residential density is expected to breathe new life into the downtown core in the coming years.

Strength in the retail sector has been noted outside of the downtown core. To date, the market has recorded a total investment volume of $144 million***. Strip malls have been exceptionally popular with private investors from out-of-province, as illustrated by the recent sale of the London Town Square for $36 million. Good quality retail space has seen some competition, especially for smaller units in prime locations.

The market for downtown office space remains tepid, as overall availability rates** edged upward to 26.4 per cent in the first quarter of 2022, an increase over the 24.9 per cent reported one year earlier. As the province's economic engine gains momentum, employees are expected to return to work. There have been some signs of life in the core. Traffic is back up to 85 per cent of pre-pandemic levels, and there has been an influx of new tech companies. Two buildings were sold in the spring—the Canadian Centre and Heritage Square—valued at $12 million and $13 million respectively. *** The suburban office market has proven more resilient, with many large companies moving to suburban areas to better accommodate the needs of their employees.

With Alberta expected to lead the country in terms of GDP growth *at 5.8 per cent in 2022, the outlook is bright for the commercial real estate market. Economic fundamentals are showing rapid improvement, with unemployment levels expected to fall two full percentage points to 6.7 per cent in 2022, while retail sales are expected to build on the 13.1 per cent increase forecast in 2021 by another estimated 7.6 per cent this year. Housing starts are also expected to gear up to accommodate strong demand for residential housing. Confidence is climbing with the return of higher commodity prices, as Calgary begins to move past significant constraints including the impact of the pandemic and the oil price collapse which have hampered growth over the past several years.

**RBC Economics, Provincial Outlook, March 10, 2022*

***Altus Group*

****Co-Star Capital Markets Overview*

SASKATOON

A dramatic increase in several asset classes have contributed to Saskatoon's robust commercial real estate market in the first quarter of 2022. Multi-family residential, industrial, and farmland are experiencing unprecedented growth at the cusp of what is expected to be the most significant economic expansion in Saskatchewan in decades.

With immigration forecast to climb in the province, the multi-unit residential asset class has soared, with prices climbing from $95,000 to $98,000 per door to $130,000 in a relatively short period of time. Institutional and private investors from Ontario are responsible for the lion's share of activity in this segment of the market. Despite higher interest rates, cap rates remain unchanged at five to six per cent.

Shortages exist across the board, but are particularly tight for larger, two- and three-bedroom units. Rental rates have climbed in tandem, up about $200 a unit for a one-bedroom, and $300 for a two-bedroom, now sitting at $900 and $1,100 respectively. Re-purposing is underway in older buildings, while newer units under construction will need to fetch between $1,500 and $1,800 per unit in order to be profitable.

REITS are active in the industrial market, but demand continued to outpace supply in the first quarter of 2022. Vacancy rates have been trending downward and currently sit at under three per cent. Lack of inventory—especially in the Southwest and Marquis Industrial Parks—are placing upward pressure on lease rates. Little new inventory is expected to come on-stream, which should cause vacancy rates drop yet again. With little land or new product on the market, investors are looking to infill in industrial-zoned areas to fill the gap, with an eye to demolishing existing structures and rebuilding. Given the uptick in interest rates and construction costs, return on investment would need to make sense.

With commodities prices escalating rapidly due to the situation in the Ukraine, the price of farmland is hitting record levels in areas like Estevan and Weyburn. Land that sold for $2,400 an acre recently is now seeing upward of $3,000. Eighty-six grain farms were listed for sale in April when normally, 300 would easily be available*. One listing, a 309-acre grain farm, is priced at $15.9 million. The most expensive sale on record was for $32 million. With heated demand for farmland throughout the province, fewer private deals are made amongst farmers. Multiples offers are now commonplace and realtors have turned to auction services that increase exposure to a North American marketplace.

Retail strip malls are also exceptionally popular with investors—with future mixed-use development possible down the road. New retail development in subdivisions that are under construction is sought-after by end users and tenants. Financing remains a challenge, particularly for smaller investors, due to a lack of comparable properties. For those seeking financing, the province's credit unions are the best source at present.

Office space is the one segment that continues to face challenges. The completion of the new River Landing Tower has drawn major companies from older locations in the core and contributed to higher vacancy rates. While there is an ample supply of office space available in the core, the decline in rental rates has been nominal. Landlords are offering inducements on space in the downtown area. Suburban office locations have been much more popular, especially in key locations such as University Heights, and the South East.

Saskatchewan's projected growth numbers show that the province has much catching up to do, with GDP growth expected to perform well above the national average at 5.7 per cent** in 2022. High commodity prices in the resource-rich province should bode well for Saskatoon's commercial real estate market, as more investors, both large and small, enter the market in multiple asset classes to cash in on Saskatoon's affordable price point and potential for growth.

** Saskatchewan REALTORS Association*

*** RBC Economics, Provincial Outlook, March 10,2022*

REGINA

Strong economic growth has placed serious pressure on almost all commercial asset classes in Regina, with demand for product reaching levels not seen in years. Saskatchewan's resource-based economy* is clearly on the rebound, with the price of Western Canada Select (WCS) hovering at $100 per barrel; grain values up by 50 per cent so far this year and climbing; potash production ramping up, increasing by a million tons in light of recent world events; and major capital investment announced in the province's forestry sector. Support for these industries, however, has faltered, with little commercial construction occurring over the past five to seven years. Supply, as a result, has fallen to critical levels in many segments of the commercial market, and values are edging upward.

Industrial represents the strongest asset class, yet shortages exist across the board. Vacancy rates have dropped below three per cent in Regina this year. Warehousing and development land are also in short supply. Values in the city's west side reflect tight market conditions, climbing to $750,000 to $850,000 for an industrial acre. Properties throughout the city are being amalgamated and rezoned to meet the needs of certain industrial operations. End users are behind the push for product, with most seeking to expand operations to support local industry. Industrial property in bedroom communities such as White City, Emerald Park, Carson Park, and Lumsden continue to present opportunities, although rising construction costs, off-site levy fees, labour shortages and delays are additional challenges developers currently face.

Farmland values continue to escalate at a rapid pace, despite high taxation in the province. Domestic buyers from British Columbia, Alberta, and Ontario are once again the primary drivers in this segment of the market. According to the most recent Farmland Values Report issued by Farm Credit Canada (FCC), South Eastern Saskatchewan experienced the greatest increase in the average price per acre in 2021, rising 14.7 per cent over 2020 levels to reach $2,200, followed by an 11.3-per-cent increase in East Central Saskatchewan, bringing the price per acre to $1,900. A continuation of tight inventory levels will place further pressure on values in the year ahead.

While recovery is underway in the retail sector as pandemic restrictions ease, the market is somewhat spotty. Absorption rates have climbed for restaurant retail, with fully functioning restaurants moving quickly. Smaller spaces—between 1,000 and 1,200 square feet—are particularly tight, with demand outpacing supply. Regina's east side, Harbour Landing, and Grassland Park remain the most popular destinations with those seeking retail locations, while demand for space within the downtown core remains lacklustre.

Office space continues to struggle under the weight of the pandemic. Lease rates, particularly in older buildings in the downtown core, have declined. Inducements continue to be offered, with landlords more than willing to negotiate on product. Employees have yet to return to the office full-time, with most favouring a hybrid model at present. Once the pandemic is in the rear-view mirror, businesses will be better able to access future needs in terms of leased space—which could have an impact on the overall office market moving forward.

Multi-unit residential continues to attract investors from out-of-province, although the cost of construction remains expensive at Regina's current rental rates. Small strip malls present ideal opportunities for mixed-use, high-density developments, with retail/commercial on ground level and residential rental apartments above. CMHC's Rental Construction Financing Initiative (RCFI) has played a role in increased investor interest, with offers of low-cost financing to eligible borrowers. Benefits include 10-year terms at fixed interest rates, 50-year amortization periods, and up to 100 per cent loan to cost for residential space, and up to 75 per cent loan to cost for non-residential space, based on the strength of the borrower's application.

As Regina's economy gains momentum, population increases should follow suit. According to RBC's Provincial Outlook from March 2022, Saskatchewan is expected to experience substantial GDP growth in the year ahead, rising an estimated 5.7 per cent by year-end 2022, second only to Alberta at 5.8 per cent. The commodity market is set to soar, with one analyst at Chase-Manhattan predicting a commodities "supercycle" in "Saskaboom" over the next seven years. Renewed emphasis on agriculture, energy, potash and nitrogen, and forestry, including a $1 billion capital expenditure in the forestry sector, should have a sizeable impact on commercial and residential real estate markets within the province. Significant opportunities for investors exist, both large and small, given Regina's affordable price point when compared to other major centres.

**Saskaboom 2.0 with Paul Martin*

WINNNIPEG

Demand continues to outpace supply in Winnipeg's exceptionally strong industrial and multi-unit residential asset classes. There is a literal peloton of qualified investors searching for havens to invest their money. Concerns over a recession are likely to impact commercial real estate activity in the coming months, however it is uncertain whether this will deliver a balance to the supply side of the equation. This, as economic expansion has propelled GDP growth in the province to 4.5 per cent in 2021, with another 4.1-per-cent increase anticipated in 2022*.

While REITs and pension funds remain active, with their ability to zero in on real estate portfolios that provide the best return on investment, end users have been a primary driver for industrial space. With vacancy rates hovering at around three per cent, sales and leasing in the industrial sector have been a challenge this year, with fewer properties available for sale, and less space available for lease. While the shortage has not placed massive upward pressure on lease rates, finding industrial units for leases of all sizes has become daunting. Despite a significant increase in industrial property values, some end users are choosing to work with builders and build to suit their own needs. While today's supply chain issues and rising cost of materials are concerning, the cost of construction is largely accepted and bypasses the uncertainties of leasing at this time. Industrial sites that are most sought-after include St. James, along Route 90, Inkster Industrial Park, and Fort Garry.

The recent completion of the True North Square mixed-use development has contributed to rising vacancy levels in Class A office space in downtown Winnipeg. As availability rates** top 14 per cent, landlords are becoming increasingly aggressive in their search for tenants, with upgrades made to lobbies and common elements, and generous tenant improvement allowances offered. With a good percentage of employees still working from home and in hybrid models, post-pandemic foot traffic continues to be a fraction of what it once was. This segment of the commercial market is expected to improve in the months ahead as employees return to the office. Suburban office space has held up well throughout the pandemic, with some neighbourhoods reporting strong activity, and end users snapping up small buildings based on their needs. Some are looking to utilize industrial flex space, making creative changes to the floor plan with emphasis on enhancing the employee experience.

With a rental vacancy rate of just over five per cent***, there appears to be no end in sight for construction of amenity-rich, purpose-built residential rentals. Institutional investors remain a critical component of the equation, funding the numerous projects currently underway throughout the city.

Retail malls, hit hard by the pandemic and the move to online sales, are looking at new ways to recapture lost income. Many are exploring re-purposing, a distinct possibility for those properties that fit within the zoning criteria. Mixed-use residential, commercial, and retail—with retail on the main floor and residential above—has proven to be a winning proposition, with the residential component helping to boost the retail end of the business. A number of projects are currently proposed or underway.

Retail storefront continues to perform well, with neighbourhood microcosms such as Saint Boniface, South Osborne, Wolseley (Sherbrook/Maryland) gaining value. The cannabis industry, once a dominant force in terms of retail consumption in the city, is undergoing contraction given ongoing mergers and acquisitions. Over the next six to 12 months, retail operations are expected to be amalgamated, which may open up inventory levels in this segment of the market.

While concerns over rising interest rates and inflation have created some trepidation, Winnipeg's commercial real estate market continues to be supported by solid economic fundamentals. Record levels of capital investment* coupled with recovery in commodities—canola and wheat prices are up 50 per cent plus—should propel GDP growth by more than four per cent in 2022, according to the most recent provincial outlook published by RBC Economics. As pandemic restrictions ease, a return to normalcy is expected, which should bode well for the overall economy and the commercial market moving forward.

**RBC Economics, Provincial Outlook. March 10, 2022*

*** Altus Group*

**** CMHC Rental Market Survey, Q4 2021*

LONDON

As the fastest growing city in Ontario and one of the top five in Canada*, accelerated population growth in London has placed upward pressure on available industrial and residential properties, causing rapid price appreciation in the city and surrounding communities. With most developable land inside urban growth boundaries unavailable, there little usable land is left to satisfy existing demand. The city and the province will have to move at a faster pace to bring supply to the market or prices for industrial and residential properties will escalate beyond reach.

Vacancy rates for industrial space have currently fallen below one per cent. Availability rates currently hover at 1.3 per cent** for industrial product in London, and spillover has pushed into neighbouring St. Thomas, Elgin County, Woodstock, Strathroy, Mount Bridges, and Dorchester as demand continues to climb. End users are particularly active, willing to pay more to secure both space and ownership. Scarcity of product has pushed up rental rates by about 50 per cent. New industrial lease rates are achieving levels previously unseen.

Recent comments made by City of London staff suggest the city will be calling for an increase in city-owned industrial land values, doubling prices from $125,000 an acre to $250,000 per acre. Despite their efforts to cool the red-hot commercial market, the increase is unlikely to have any impact on fixing the current supply shortage. London and the surrounding areas continue to attract industry including agri-food, manufacturing, digitalized media and technology, health and professional services, with large companies such as Amazon, Maple Leaf Foods, Dr. Oetker and CDK Global choosing to lay roots in the city and area. Over a million square feet of industrial space is currently under construction.

Shortages exist at virtually every price point for commercial product, with the exception of downtown office space. There has been a huge push for multi-unit, purpose-built residential rentals that speak to the city's plan for intensification through higher density, which has prompted demand for redevelopment across the city, including underdeveloped old industrial, institutional product, and retail tracts.

While there has been a slight reduction in overall office availability rates at 18.1 per cent**, there continues to be post-pandemic challenges in terms of the return to the office in the downtown core, where rates are higher. Lease rates have been competitive with landlords undertaking total conversions for quality tenants. Demand for suburban office space remains healthy. Several new, multi-storey office developments are underway in the city's west end. The provincial government recently announced the relocation of the Workplace Safety and Insurance Board (WSIB) offices, bringing 3,000 potential new employees to London.

Retail continues to strengthen as restrictions put in place over the pandemic ease. Traffic is picking up in the area malls, with retail sales volumes climbing. Improvements continue to be made to retail malls that enhance the shopper's experience. Many landlords have focused on larger restaurant chains and exciting new recreation areas to attract shoppers to the malls.

Given London's strategic location to Toronto, one of the country's busiest commercial and residential real estate markets, and the US Border, and frequent announcements that positively impact local economic growth, the outlook for the commercial real estate market is expected to be bright.

**Number four on Statistics Canada's list of fastest growing cities in Canada with a 10 per cent growth rate between 2016 and 2021 – Census Canada*
*** Altus Group*

HAMILTON, BURLINGTON & NIAGARA

While commercial real estate activity in the Niagara Peninsula has been somewhat tempered in 2022, two asset classes continue to stand out. Industrial and Multi-Unit Residential—with particular emphasis on purpose-built rental apartments—were the exceptions to the rule, with logistics and procurement taking centre stage. Demand for properties in these cohorts remains strong, with limited supply noted throughout the Niagara Peninsula. Overall commercial sales in Hamilton-Burlington were down approximately 27 per cent in the first quarter of the year (49 versus 67), compared to the same period in 2021, according to the Realtors Association of Hamilton-Burlington. Dollar volume, however, rose exponentially to almost 108 per cent, rising from $48.8 million in Q1 2021 to almost $101.5 million in the first three months of 2022.

Institutional investors and REITs have been exceptionally active in the area's industrial market. Land acquisition is well underway, as illustrated by the sale of 423 acres of industrial land in Brantford to Panattoni Development for $290 million in April. The City of Hamilton continues to develop and promote its Airport Employment Growth District (AEGD) as a North American Gateway hub for logistics, distribution, and goods movement. Amazon recently opened the doors on its 855,000-square-foot robotics fulfilment centre and delivery station in Hamilton.

The Niagara Region has also experienced strong demand over the past year, with vacancy rates for industrial product hovering at or near zero**. Properties in Fort Erie and along the Niagara River are most sought-after. Commercial sales fell just short of 2021 first quarter levels in the Niagara Region in 2022, with 70 properties changing hands between January and March of this year, compared to 71 during the same period in 2021. Dollar volume soared in Niagara year-over-year, climbing 26 per cent in the first quarter of 2022, compared to one year ago. Nearly $85.6 million in commercial real estate traded this year, up from $67.8 million one year earlier*.

End users have also been active in the industrial market in 2022, preferring ownership over renting as a hedge over inflation. The same trending has occurred in the office sector as owners seek to secure small freestanding structures that allow them to own their own domain. Office locations in more suburban areas have fared better than those in downtown Hamilton this year, where vacancy rates** hover well over 14 per cent. While employees remain reluctant to return to offices in the core, those that are in suburban neighbourhoods have a better chance of returning to normal sooner rather than later.

Demand for retail storefront remains stable, especially in some of the trendier areas, while condo retail vacancies remain relatively high. The cannabis industry—which propelled retail leasing in previous years—has reached a saturation point. Closures are expected in the year ahead due to lacklustre sales and consolidation within the industry.

Given future population growth projections and current low vacancy rates for rental apartments (hovering at 2.8 per cent) in Hamilton***, the need for purpose-built rental housing is critical to the overall growth of the city. Several multi-unit, purpose-built residential projects are underway, including the redevelopment of Hamilton's waterfront. Re-purposing of existing retail product is also occurring, as evidenced by the sale of Hamilton's Eastgate Square. Plans for the 505,000-square-foot mall situated on 45 acres are currently in the design and development stage but will likely feature both a strong retail and housing component. A 2021 draft report prepared for the city by Lorius and Associates, in association with Hemson Consulting Ltd., suggests that the rate of intensification required for Hamilton "equates to nearly 1,800 units annually, which is more than double the historic level of such development that has occurred over the past decade."

Since 2016, Hamilton has attracted seven million square feet of industrial and commercial space, including major corporations such as Amazon and Corbec Steel. Land values and employment support continue to resonate with potential employers considering the area as a potential new home for their organizations. Strong economic performance within Hamilton has rippled into surrounding areas, raising their visibility on a national stage. With GDP growth in Ontario expected to climb 4.2 per cent**** in the year ahead, the future looks promising.

**Realtors Association of Hamilton-Burlington*

***CoStar*

**** CMHC Rental Market Survey, October 2021*

*****RBC Economics, Provincial Outlook, March 10, 2022*

GREATER TORONTO AREA

The Greater Toronto Area's (GTA) commercial real estate sector continues to display extraordinary resilience, with total investment activity up over 68 per cent to $10.6 billion* in the first quarter of 2022. Industrial and multi-unit residential asset classes lead the way, with some retail tenants repositioning and segments of the office market seeing recovery.

Industrial continues to experience unprecedented demand, with availability rates hovering at 1.1 per cent *in the first quarter of the year, compared to 1.8 per cent in the first quarter of 2021. Vacancy rates are significantly off last year's levels and now sit well under one per cent. Institutional and private investors continue to compete with business owners for industrial product, which has contributed to the largest increase in the value of industrial properties in the Greater Toronto Area, with prices almost doubling in under five years. Overall lease rates have soared as well, rising significantly over the past two years as inventory levels have dwindled.

Sustainability is top of mind in today's market as interest rates and expenses climb. Industrial tenants are facing difficult decisions regarding their businesses, many asking if they should take a chance on finding space at a lease rate they're more comfortable with or renegotiate based on new and higher lease rates. Expansion is also limited in this market given the hardship in finding suitable space, leaving performance at less than optimal, which could hurt businesses in the long run.

With more than eight million square feet* currently under construction in the Greater Toronto Area, some relief may be in sight for the extremely tight industrial/warehousing segment where "it's like playing musical chairs to find a location for clients in need of larger space." Many of the premises underway offer more optimal ceiling heights and better flexible use designs, preferable for companies that want to have online shopping and physical presence within the same location. Splits are modified in older buildings as well, offering some retail/showroom with alternative proportionate shares, depending on the tenants needs and at the tenant's expense.

Demand for retail storefront in prime shopping areas throughout the city continues unabated, with end users and investors seeking to amass infill vying for available product and presenting challenges to longer-term leases. On major arteries such as Yonge Street and Avenue Road in the centre core, along the city's subway lines, mixed-use developments are becoming increasingly common with retail on the ground floor and residential condominiums above. For landlords, in addition to rising expenses, challenges exist in the form of an already fragile retail footprint that is over-saturated in fast food and cannabis operators that might not survive the fierce competition on every major block on high traffic streets. Extra precautions are now taken as a result to ensure prospective tenants have good credit scores, put larger deposits down on property, and offer personal guarantees (if possible).

Given the severe housing shortage in the city, opportunities exist for the re-design of existing buildings and increasing purpose-built rental complexes in the residential sector. According to Urbanation,**purpose-built rental vacancy rates hovered at 1.8 per cent in Toronto in the first quarter of the year. Absorptions surpassed the supply for the third straight quarter. While 118,203 purposed built rentals units are planned and underway, only 7,684 are scheduled for completion in 2022. The increase represents significant growth, up 122 per cent over the 3,461 units delivered in 2021, but still falls short of meeting ever-growing demand. Re-purposing is transpiring in many of the city's established neighbourhoods where retail strip plazas have been underutilized. Mixed-use developments consisting of retail, commercial and residential components remain integral to city's commitment to increase density.

Land designated for employment and residential has been and will continue to be the largest and strongest sector for investment. To accommodate aggressive expansion plans, municipalities and the provincial government need to make changes to official plans and zoning bylaws that fast-track approvals and allow builders to manage rising costs and make developments feasible. The development community is struggling to find enough sites that are approved or can be approved for housing or new industrial development at present.

Institutional and private investors are also looking to the office sector, which is just now starting to stabilize in the downtown core. The January 2022 sale of the Royal Bank Plaza in downtown Toronto for $1.2 billion was hailed as a positive sign, underscoring the sentiment that this segment of the market has much room for growth. There have, however, been some challenges with shared office space and buildings that are not updated, renovated or ready for immediate occupancy. Space that hasn't already been modified to meet the demands of today's tenants will require greater transition time as the landlord moves to assemble trades to complete to the tenants' specifications, given current challenges with labour shortages in the construction industry. In some instances, tenant timelines may not be achievable. Availability rates hovered at 15.5* per cent in the first quarter of 2022, but improvement is expected as employees return to work.

Strong economic growth is forecast for Toronto in the year ahead, with GDP growth expected to rise 4.1 per cent*** in 2022, falling just short of last year's 4.7 per cent growth rate. The city's robust financial sector will remain strong, with a rebound expected in the food and hospitality, entertainment, and travel and tourism sectors. Unemployment will continue to fall. Given solid fundamentals, the commercial market is expected to remain active. Inflationary pressure may impact high demand down the road, but so far, intentions remain strong and investors continue to demonstrate exceptional creativity for deals that make sense.

*Altus Group

**Urbanation, Q1 2022 Rental Market Results, April 19th 2022

***Conference Board of Canada, Major City Insights, Toronto – March 2022

OTTAWA

Commercial real estate activity is gaining momentum in the nation's capital, with almost all asset classes reporting strong demand in 2022. Investment activity* topped $3.8 billion in 2021 and 2022 is shaping up to be even stronger. Industrial continues to deliver the strongest performance, with limited inventory presenting serious challenges so far this year. Retail has come to life in recent months, with demand for space escalating in lock step with easing pandemic restrictions. Suburban office space is also surprisingly strong, especially in the Kanata area, where vacancy rates now hover at under seven per cent.

Ottawa's central location to the 400-series highways and the US border has proven attractive to industrial investors. While intent exists, a shortage of available inventory for both lease and sale has fallen short of demand, especially in the popular west end. Availability rates* for industrial hovered at 1.7 per cent in the first quarter of 2022, down from 3.1 per cent during the same period in 2021. Lease rates continue to climb—rising almost 30 per cent over the past two years ($12 net to $15.50). In the city's east end, smaller space is almost impossible to find, with listings that do come on stream snapped up quickly, often at a premium.

Retail has rebounded with a vengeance, with little space available for smaller tenants, especially in the city's top malls, including the Rideau Centre, Bayshore Shopping Centre, Carlingwood Shopping Centre, and St. Laurent Shopping Centre. Retail storefront is also scarce, especially for units ranging in size from 1,500 to 2,000 sq. ft, in prime retail areas like the Byward Market, Bank St., the Glebe, and Westboro. Negotiations with landlords are more complicated than in years past, with many wanting guarantees in the form of personal covenants. The glut of space available last year has been absorbed, albeit at a slightly lower lease range. New developments with ground floor retail are also cropping up. More cranes are noticeable, especially in the popular Byward Market. Suburban retail is also doing well, with product hard to find in some of the big box malls. Much of the new tenant mix is comprised of fitness industry, restaurants, and fast food. Drive-thrus remain highly coveted.

Office space in the downtown core continues to face its challenges, with most employees in government offices still working from home. Fewer in-person meetings have also reduced required office space for organizations, charities, and lobbyists that frequent Parliament Hill. Landlords, as a result, have become increasingly competitive, with inducement ranging from first-year-free rent to leasehold improvements. Availability rates* in the office sector have trended downward, now sitting at 10.9 per cent compared to 11.4 per cent in the first quarter of 2021. At the same time, the relatively low interest rate environment has generated an upswing in demand for office buildings in suburban areas like Kanata. Most are smaller, commercial buildings ideal for professional offices, generally sought-after by end users.

Land scarcity has prompted creativity, with many small builders amassing infill properties throughout the city. Residential land within the official plan is hard to come by, and infill prices have risen to levels not seen before. However, with rising construction costs, labour shortages, and current market uncertainties, there has been an influx of new listings as those builders move to sell their lots—some including approved site plans.

Multi-unit residential remains strong in Ottawa with several projects currently underway. Most are mixed use, including purpose-built residential apartments with commercial/retail on the ground floor. While vacancy rates for purpose-built rentals were at 3.4 per cent** in October 2021, the combination of climbing interest rates and high housing values are expected to prompt more demand for rental accommodations. Several new projects have been proposed in Westboro, while application has been made by the Rideau Centre to construct 280 luxury, purpose-built rental apartments on the southeast corner of the centre. The plans, which include restoration of a more than 100-year-old heritage building, will help to recoup losses incurred during the pandemic and aid in the creation of much-needed rental accommodations.

Economic expansion is well underway in the Ottawa-Gatineau region, with GDP growth expected to hover at 3.4 per cent in 2022, according to a recent report by the Conference Board of Canada. In-migration is forecast to play a role in the year ahead, as the city's strong technology, construction, and to a lesser extent, manufacturing industries continue to experience growth. Against this backdrop, the city's commercial market should remain vibrant, with improvements projected in the office sector as the pandemic recedes from the forefront.

**Altus Group*

*** CMHC Rental Market Survey, October 2021*

HALIFAX-DARTMOUTH

The Atlantic Region's fastest-growing city is experiencing growing pains in the commercial real estate sector as the market plays catch-up to rising demand. Multi-unit residential construction has taken flight in Halifax-Dartmouth in 2022, as developers shift to higher-density to accommodate population growth. Transactions* in 2021 were up over 71 per cent, climbing from 441 sales valued at $163.5 million in 2020 to 757 sales valued at $314.9 million. Supply is currently limited and rental vacancy rates have fallen to less than one per cent.

Over the past two-to-three years, residential and industrial land values have doubled and tripled. Land remains scarce, with much of it owned by the private sector. Almost every REIT is now represented in Halifax-Dartmouth. Re-purposing is well underway as developers amass housing blocks in the Centre Plan areas and acquire older office buildings for repositing and new construction, particularly in the city's peninsula area. Some area malls are planning are now planning high-density developments in multi-unit residential to bolster the retail component. The Mic Mac mall, second-largest in the region, was recently sold to a private group that will convert the mall to mixed-use residential, commercial and retail. Multi-unit residential cap rates hover at four to 4.25 per cent for newer product, while older stock has a cap rate of 4.5 to five per cent. Upward pressure on cap rates is expected as interest rates continue to climb.

The retail sector has been soft in recent years, with the pandemic forcing the shift to online shopping—much of which is still occurring. Demand for retail space remains limited at present, with malls struggling to attract shoppers, but population growth is expected to fuel retail sales in Halifax-Dartmouth over the next few years. New plans for large retail developments feature open-air concepts, with higher-end restaurants and entertainment, and a strong residential component. Mixed-use developments in the downtown core, on streets like Barrington and Spring Garden, that have replaced older storefront retail with new boutique-style stores and restaurants have been relatively successful. Cap rates for retail in the downtown core currently run between 6.25 per cent and 7.5 per cent.

Office leasing has yet to recover from the pandemic, with many employees still working from home. With hybrid work schedules, the market will see a move toward smaller office footprints and shared workspaces in the future. Overall availability rates hovered at 14.9 per cent in the first quarter of the year, up from 14.5 per cent during the same period in 2021. Older office buildings sitting on prime real estate in the core have been earmarked, with potential conversion to multi-unit residential planned for the future. Suburban office space in areas like Bedford and Sackville is performing well under the circumstances, with lower lease rates attracting business from the core. Vacancy rates in the suburbs run at about eight per cent. Cap rates for class A office space in the core runs between 6.5 to 7.25 per cent, while the same product in the suburbs hovers between 6.5 and seven per cent.

Like other areas of the country, the industrial asset class continues to operate on all cylinders in Halifax-Dartmouth. Availability rates have fallen to 4.5 to five per cent, from eight to 8.5 per cent, and continue to edge lower. Large warehousing space is especially coveted, with the likes of Amazon setting up shop in the city. A large influx of investors from Ontario and Western Canada will bring more than one million square feet of much-needed flex space to the market over the next 12 months.

Building on the strong GDP growth experienced in 2021, Nova Scotia is expected to experience a further increase of 2.5 per cent in 2022, buoyed by an upswing in capital spending, robust housing starts and a thriving construction industry. Continued population growth is also forecast in 2022, with Canada set to welcome more than 400,000 new Canadians, many of whom will choose to live in the coastal region. Between 2016-2021, Census data showed that Halifax-Dartmouth was one of the fastest-growing areas in the country, climbing 9.1 per cent to 465,703 residents.

Altus Group
RBC Economics, Provincial Outlook, March 10, 2022
Greater Halifax Partnership Economic Strategy 2022-2027
NSAR MLS Service 2020-2022
NS Industry members projections

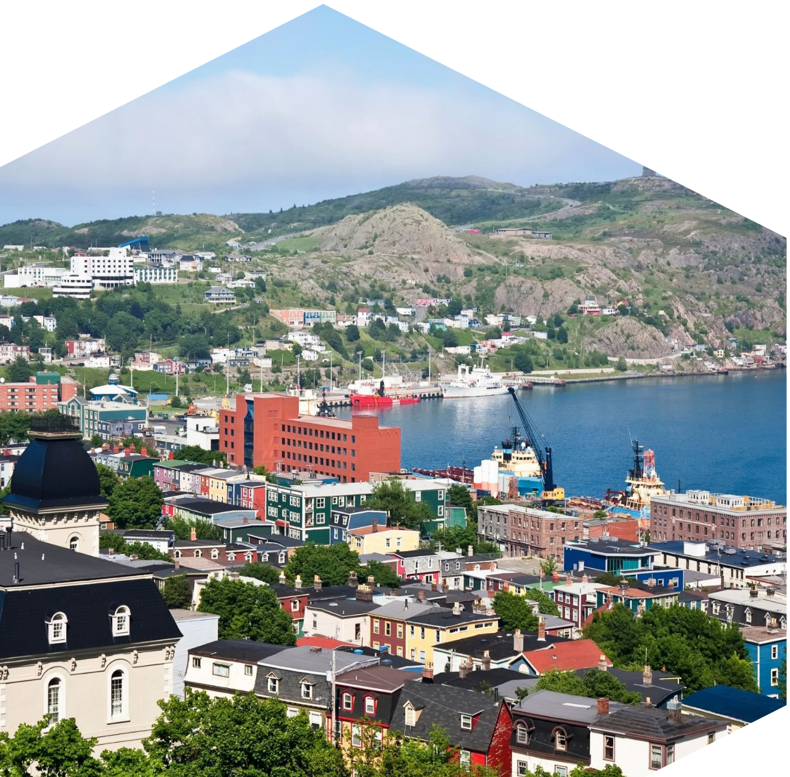
NEWFOUNDLAND & LABRADOR

While the commercial segment represents a smaller percentage of the overall real estate market in St. John's, economic growth, especially in terms of the oil and gas sector, is likely to stimulate greater activity in the future. Emergence from the depths of the Covid-19 pandemic, and the slow but steadily improving economic picture has helped to bolster job growth in the province, with employment trending upward, while unemployment trends downward, hovering just below 12 per cent.

Most employees are back to work and have been for some time. St. John's did not experience as big a shift to work-from-home arrangements that were evident in many other provinces because of Covid. The effect on the office market has been positive in St. John's, with activity climbing in all areas. Vacancy rates are edging downward, although they remain just under 20 per cent overall in the first quarter.

Both vacancy and lease rates remain relatively stable for industrial space in 2022. There has been an increase demand for processing space for the fishing industry, as evidenced by the recent sale of a $3 million building in town to a local fish harvester. Some institutional movement also took place, with the former Centre for Health specializing in dementia selling for $3.1 million in Q4 2021.

Sticker shock is impacting the retail sector, as inflation and supply chain issues have created havoc in the market. The cost of construction materials has soared, while car lots are empty. Cap rates are at seven to nine per cent at present, but rising interest rates will place downward pressure on rates in coming months. The Big Box sector has experienced some movement with Costco and Princess Auto having recently sold their locations in the East End of the city, as both retailers relocated to the West end. The Princess Auto deal closed in late 2021 and the Costco space is sold conditionally. It is expected to move forward in the coming months.



In general, St. John's is not experiencing a lot of turnover, but revitalization is occurring in the retail sector. Take for example the $160-million renovation of the trendy Avalon Mall, which is currently 90 per cent tenanted. This type of activity typically impacts lease rates, but the major brands have been attracted to quality spaces.

Population growth continues to place increased pressure on the residential market, with an influx of 2,000 new families annually. That is expected to climb as Newfoundland is forecast to attract upwards of 5,100 new families annually by 2025. A shortage of residential properties exists, with a three-month supply currently available versus the typical norm of 15 to 16 months of inventory. As such, vacancy rates remain low for residential rentals, hovering around 3 per cent. * Demand exists from investors for multi-unit product, although it's tough to build on spec due to rising interest rates and inflation.

Overall, the commercial market in Newfoundland and Labrador is poised for continued improvement, as positive economic news continues to mount. The Bay Du Nord project, a huge, deep water well, has been given the green light by the federal government, creating employment opportunities for 600 people in recent months. West White Rose, the $3.2-billion expansion project on the Argentia Peninsula, will also be reignited. While oil production is down at Hibernia, Hebron and White Rose, revenue is up 12 per cent, as a result of the impact of rising gas values. Vale recently signed a substantial contract with Tesla to supply Voisey's Bay nickel for electric vehicles—a deal that will help fuel expansion in Canada's electric car market. Capital Investment is up 4.8 per cent in 2022 to $7.9 billion** . Unemployment is expected to trend downward, with a forecast decline to 10 per cent by 2026. Challenges remain with higher interest rates and inflation, but buyers will always look for opportunity with more new projects coming on stream and good potential for growth.

**CMHC Rental Market Survey, October 2021*
***Statistics Canada, CMHC, Economics Division, Newfoundland-Labrador Department of Finance*

Report Contributors

Metro Vancouver
Steve Da Cruz
RE/MAX Commercial Advantage
604.889.9293

Edmonton
Scott Hughes
RE/MAX Commercial Capital
780.915.7895

Calgary
Darryl Terrio
RE/MAX Complete Realty
403.930.8555

Regina
Mack Macdonald
RE/MAX Crown Real Estate
306.539.6806

Saskatoon
Brent Haas
RE/MAX Bridge City Realty
306.641.6929

Winnipeg
Mark Thiessen
RE/MAX Professionals
204.794.5700

London
Eavan Travers & Gary Robinson
RE/MAX Advantage
519.649.6000

Hamilton-Burlington-Niagara
Conrad Zurini
RE/MAX Escarpment
905.573.1188

Greater Toronto Area
Michael Davidson
RE/MAX Realtron Realty Inc.
416.831.7108

Ottawa
James Palmer
RE/MAX Hallmark
613.698.5356

Halifax-Dartmouth
Craig Snow
RE/MAX Nova
902.499.7886

Newfoundland & Labrador
Jim Burton
RE/MAX Infinity
709.682.8663

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