

CANADIAN OFFICE MARKETS

CBRE MARKET PULSE REPORT

APR 15, 2020

CBRE Canada Research

TOP TRANSACTION CHALLENGES FOR OUR OFFICE CLIENTS

CBRE Market Pulse Survey Results



Source: CBRE Research, 2020.

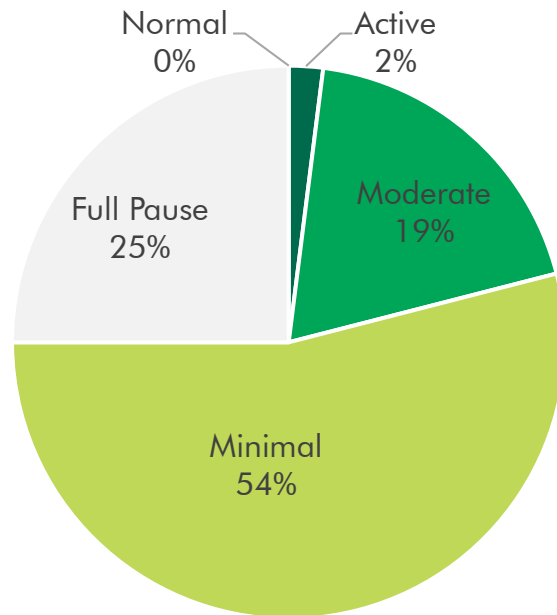
OFFICE SECTOR SHOWING SIGNS OF PROGRESSION

CBRE Market Pulse Survey Results

24%
of normal activity
+/- 0% from last week

Office Sector Market Activity

How does the level of activity in the current leasing/sale market compare to normal levels?

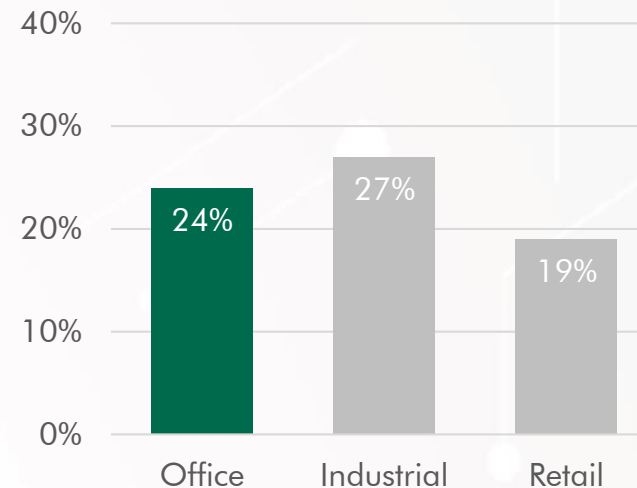


Activity Levels Compared to Normal

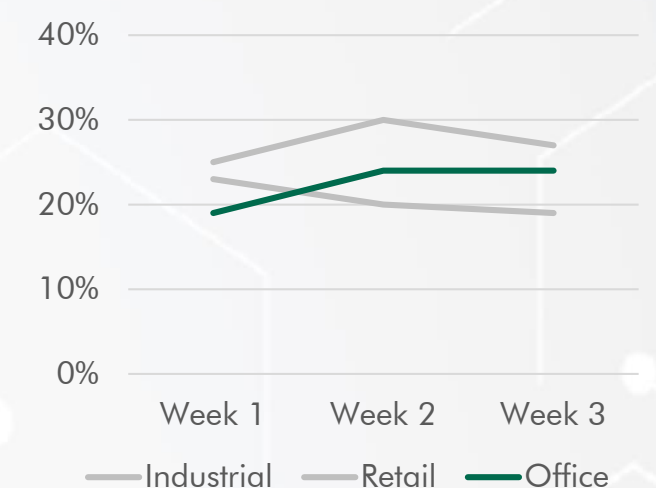
Normal = 100%
Active = 75%
Moderate = 50%
Minimal = 25%
Full Pause = 0%

Current Market Activity by Property Type

As of April 9



Weekly Progression



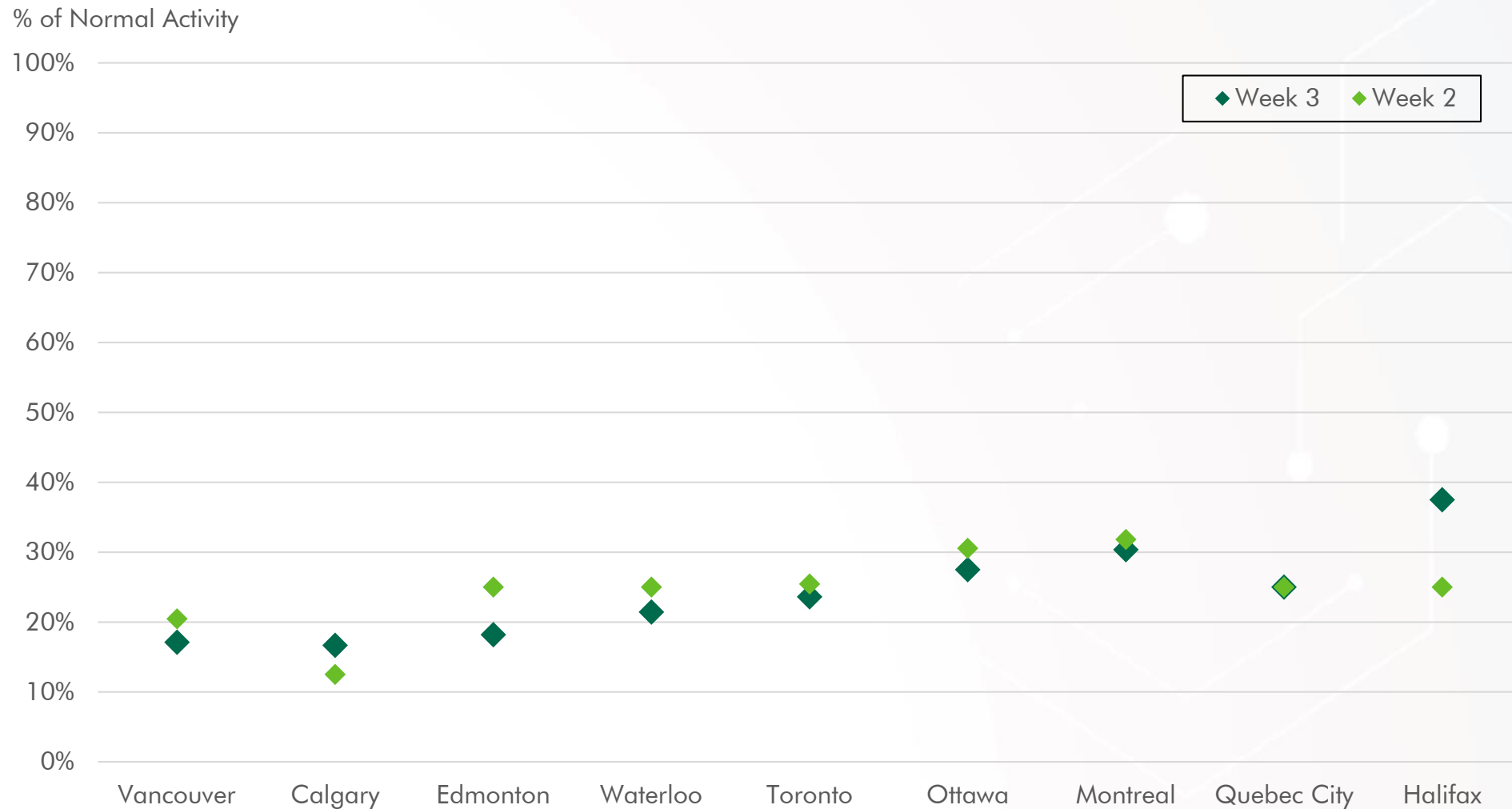
Biggest Transaction-Related Challenges

- Curveball thrown to existing timelines
 - Permit delays
 - Board approval
 - Commencement dates shifting
 - All decision making being put on hold
- Attention being drawn elsewhere (capital preservation) with expansions or relocations coming to a halt
- Labour and business activities are trumping real estate decisions

Source: CBRE Research, 2020.

ACTIVITY LEVELS BY MARKET

CBRE Market Pulse Survey Results



Source: CBRE Research, 2020.

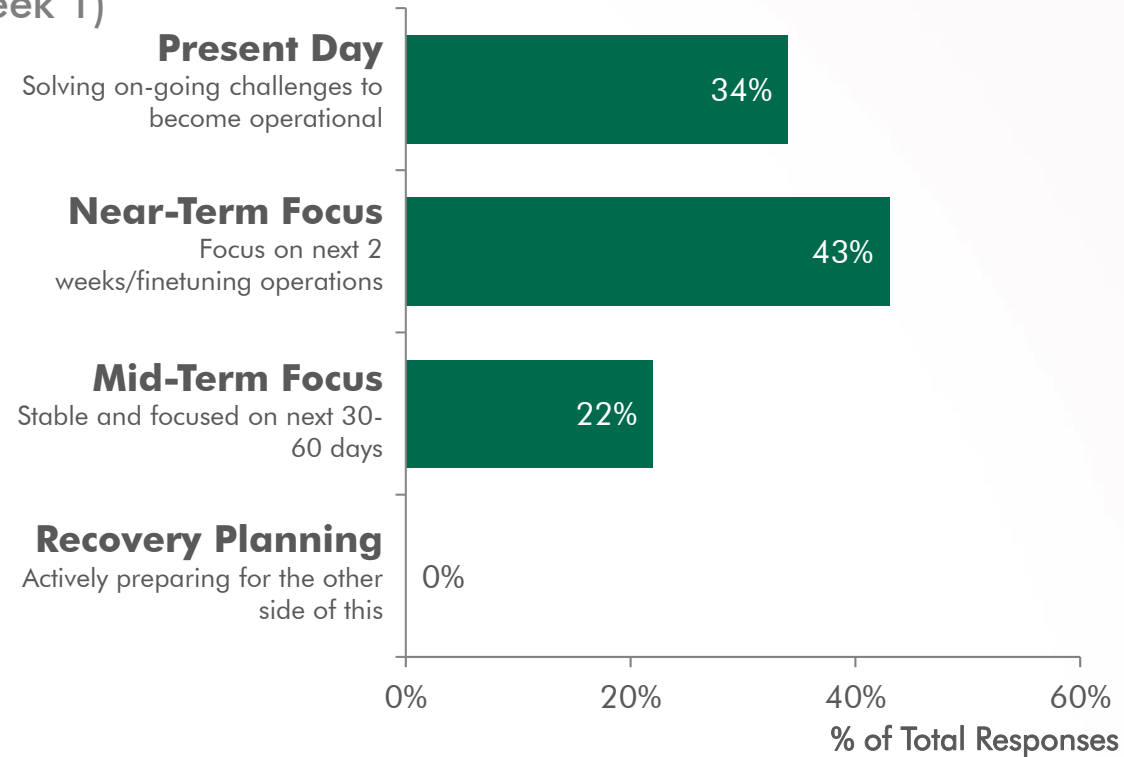
- Overall levels of market activity decreased slightly in Week 3.
- National velocity decreased +0.7%, ending Week 3 at 24.3% of normal activity.
- Vancouver, Waterloo and Edmonton saw the largest decreases in market activity week over the week.
- Movements in reported market activity in either direction remain marginal.

OFFICE TENANTS FINDING THEIR FOOTING

CBRE Market Pulse Survey Results

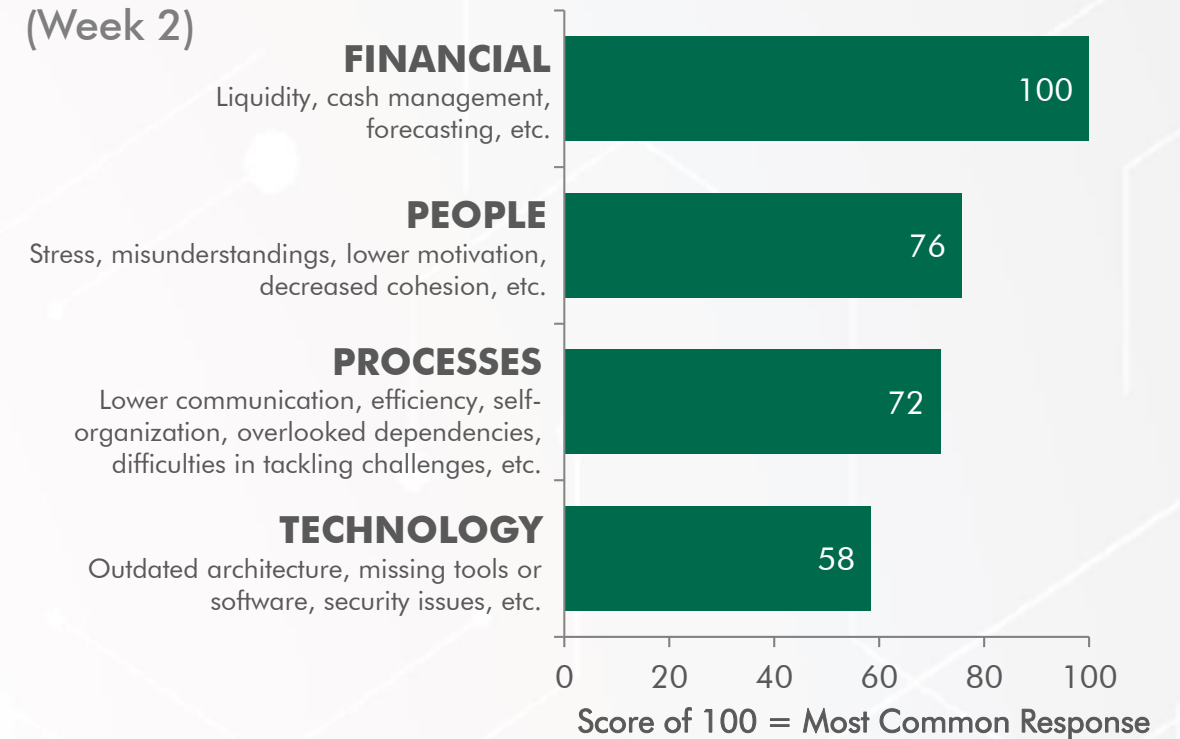
What are Occupiers currently focusing on?

(Week 1)



What challenges have Occupiers most struggled with during this transition?

(Week 2)



- As of Week 1, respondents found that most occupiers were still focused on either the present day or the next two weeks.
- Quote: “[...] First priority was getting everyone up and running remotely. Once that is done, Financial considerations jump to Number One by a lot.”

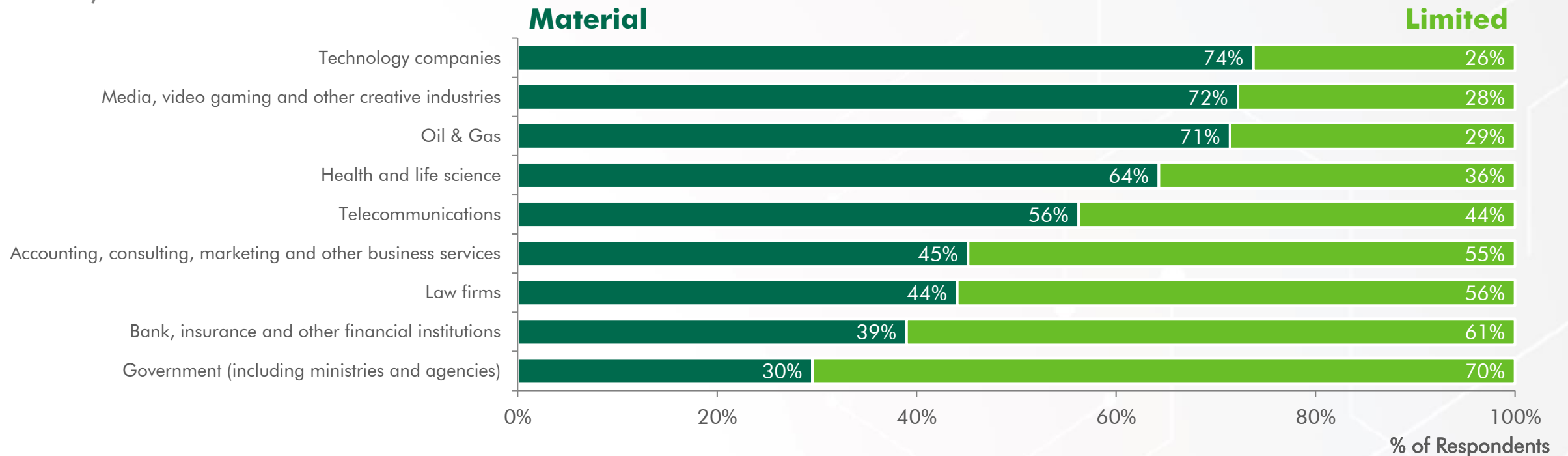
Source: CBRE Research, 2020.

OFFICE WORKPLACE STRATEGIES TO SHIFT

CBRE Market Pulse Survey Results

How much change do you expect in workplace strategies for the following industries?

(Week 2)



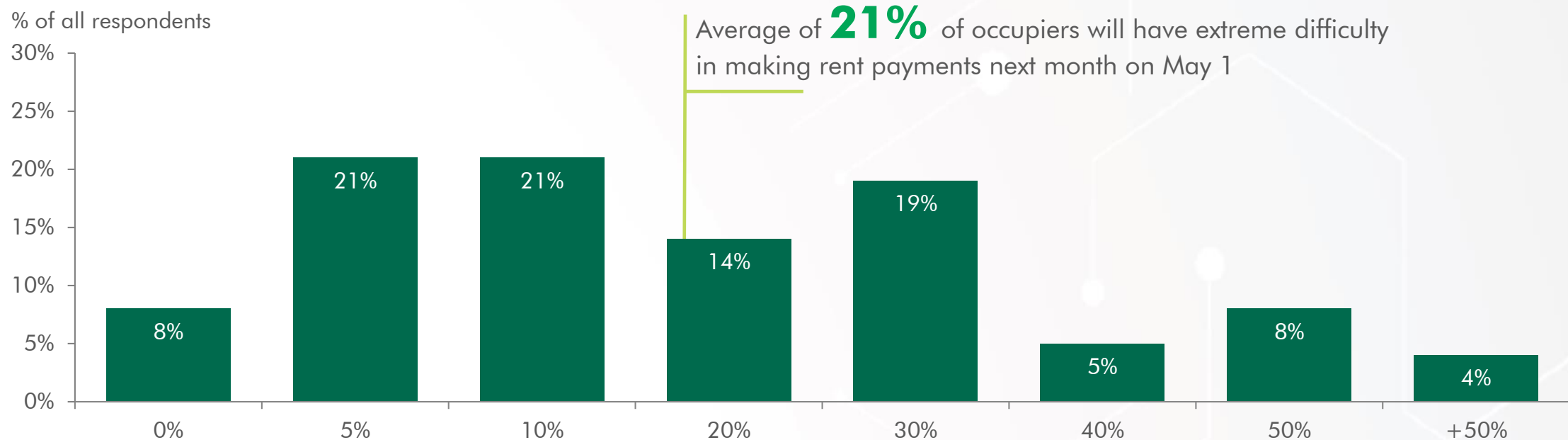
- Technology, creative industries (media, video gaming) and oil & gas users to see most material changes to workplace strategies. Changes expected to be more limited in financial, law and government industries.
- Changes to occur in physical space use and design as well as workplace strategies.

Source: CBRE Research, 2020.

NEED FOR OFFICE RENT DEFERRALS STILL LIMITED

CBRE Market Pulse Survey Results

What percentage of occupiers will not be able to or will have extreme difficulty in making their rent payments next month on May 1?
(Week 3)



- Office rent collections generally went well on April 1 and over 50% of respondents stated that 10% or fewer of their clients would struggle to make rent payments on May 1.
- However, general sentiment also suggests that it will become a rising concern in the coming months.

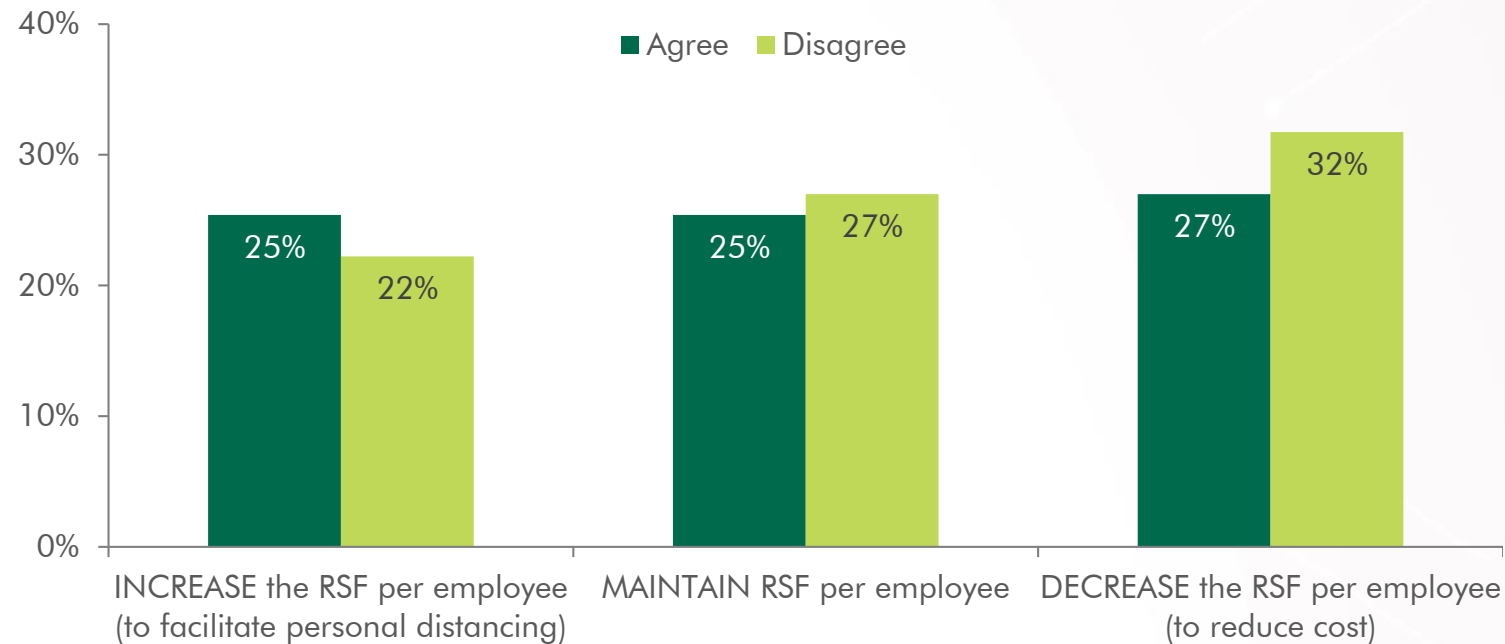
Source: CBRE Research, 2020.

PERSONAL DISTANCING TO STAY? NO CONSENSUS YET.

CBRE Market Pulse Survey Results

In future lease decisions, how will typical occupiers feel about the following RSF per employee strategies given the current health and safety issues surrounding personal distancing?
(Week 3)

% of respondents that felt the statement aligned with occupier intentions



Note: Responses indicating "Neutral" or "No Response" have not been shown.

Source: CBRE Research, 2020.

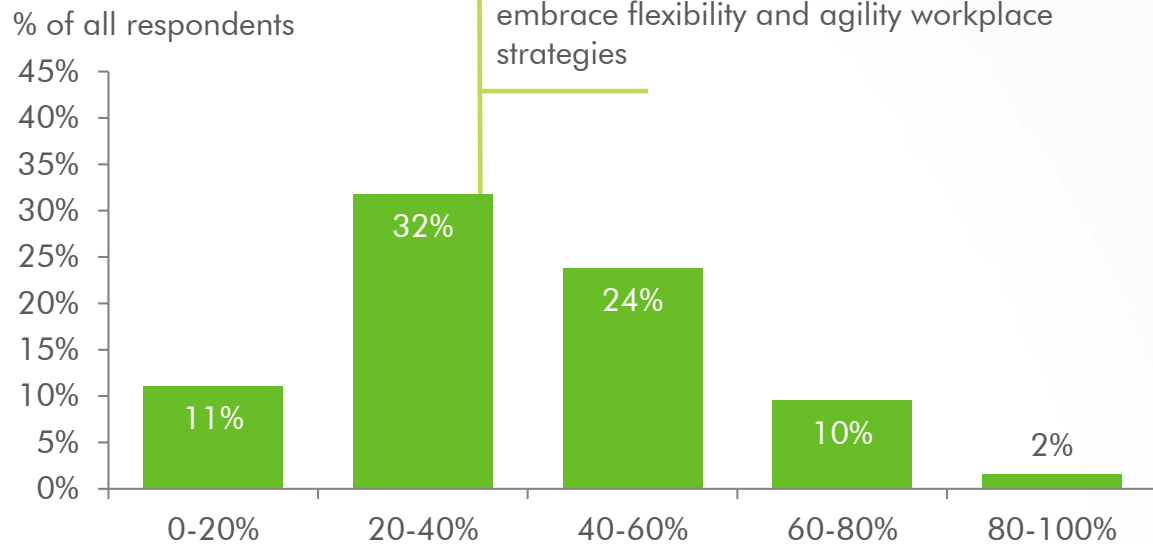
- Given the uncertainty surrounding the need for the continuation of personal distancing measures post-COVID – occupier intentions for density decisions remain mixed.
- Survey results suggest that there is no consensus among occupiers just yet on the preferred density strategy going forward. Increasing, maintain and densifying responses were surprisingly even.
- That said, it was seen that "Decreasing RSF per employee" received the largest number of responses in disagreement.

DEMAND FOR FLEX & AGILITY SPACE EXPECTED TO INCREASE

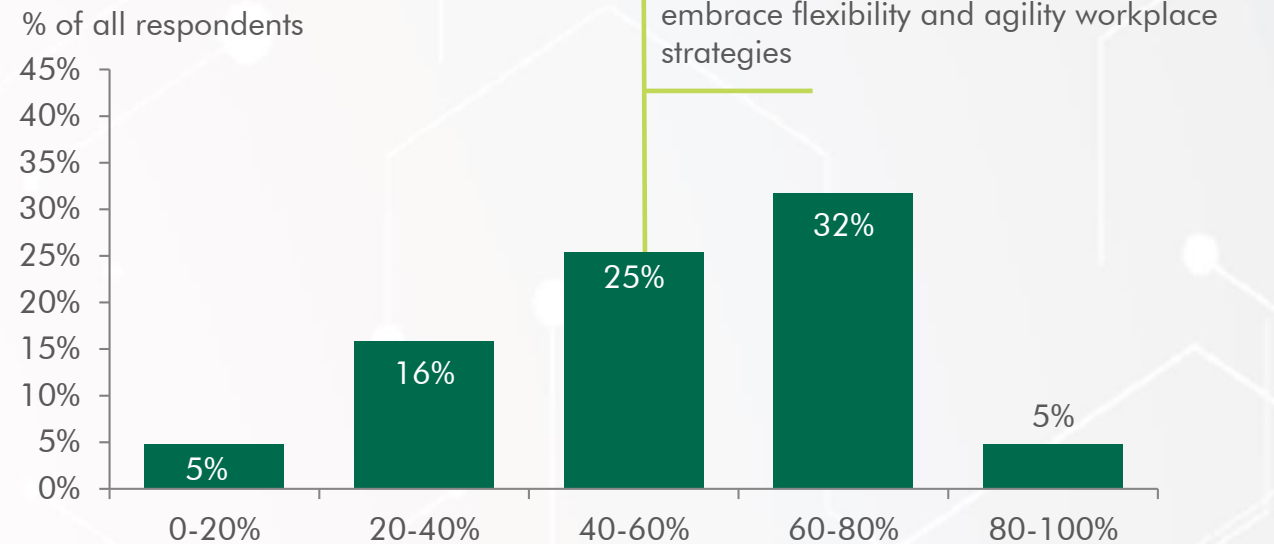
CBRE Market Pulse Survey Results

What percentage of your occupiers were likely to or will likely embrace flexibility and agility workplace strategies:
(Week 3)

1) Pre-COVID



2) Post-COVID



- While the adoption of flexibility and agility strategies were increasing prior to COVID-19 – it's expected that the current work-from-home arrangements should accelerate this trend.
- Respondents suggested that an average of 54% of their clients would be likely to embrace flexibility and agility strategies post-COVID compared to 39% before.

Source: CBRE Research, 2020.

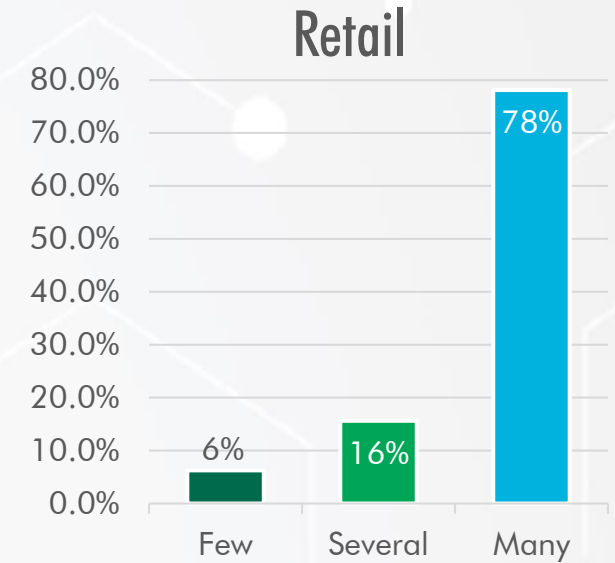
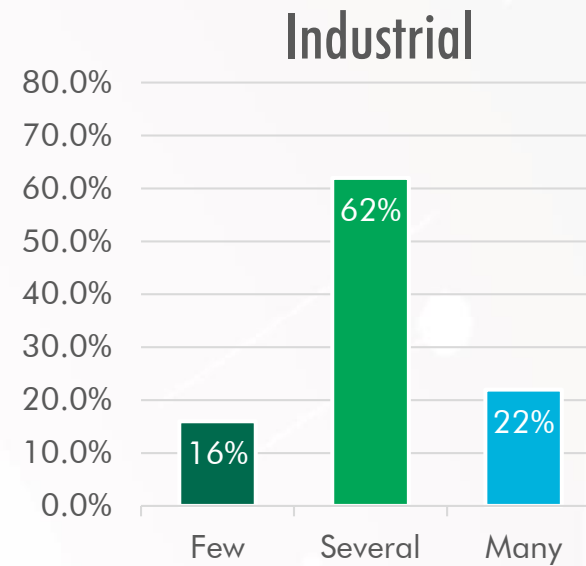
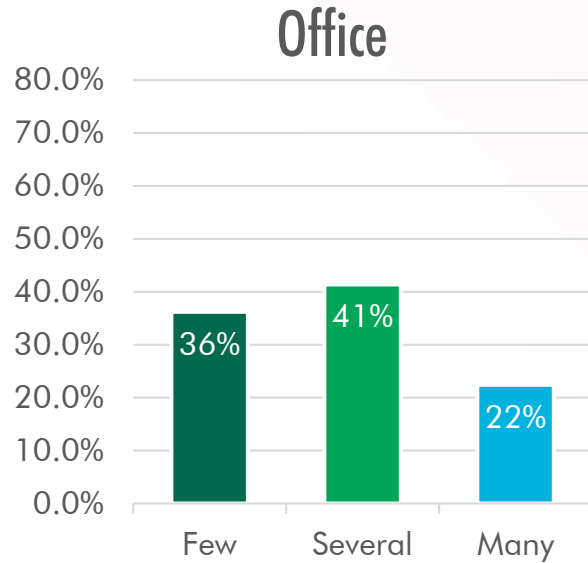
... ON THE TOPIC OF RENT RELIEF

CBRE Market Pulse Survey Results

(Week 1)

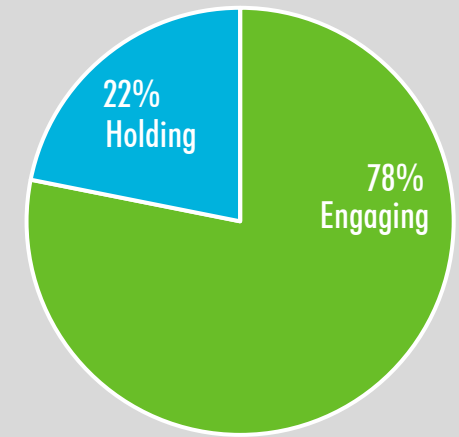
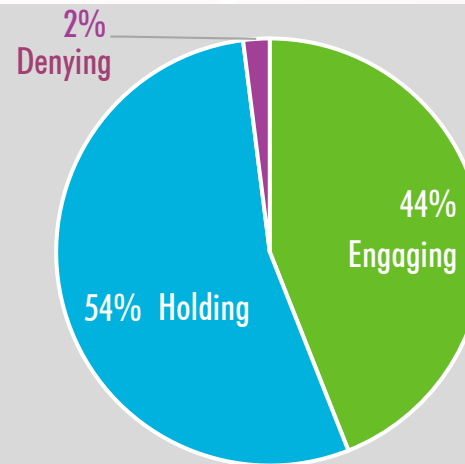
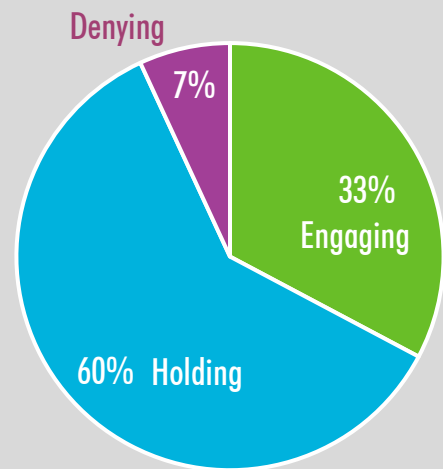
Tenants

How many are engaging or will imminently in discussions in your market?



Landlords

How have most reacted in your market so far? Are they engaging in discussions and negotiations?



Source: CBRE Research, 2020.

APPENDIX

CBRE MARKET PULSE BROKER SURVEY:

CBRE Research Canada has kicked off this Canadian Market Pulse broker survey to better quantify the impact uncertainty stemming from COVID-19 has had on the Canadian commercial real estate market. Each week our local professionals across the country are polled for their perspective and insights, and results are aggregated and distributed by the Canadian Research team. In addition to providing real-time insights, this Market Pulse survey will aim to measure our return to normal levels of market activity.

SURVEY DATES:

WEEK 1: MARCH 26

WEEK 2: APRIL 2

WEEK 3: APRIL 9

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THANK YOU!

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MARC MEEHAN
Director, Research
CBRE Canada Research

EVAN LEE
Manager Research
CBRE Canada Research

CHRISTINA CATTANA
Manager Research
CBRE Canada Research