

Chancery Monthly – May 2018

April 19, 2018, Chancery's Managing Director, Sarah Cathrae attended the 23rd Annual Real Estate Conference in Toronto hosted by CIBC. More than 600 North American investors and executives attended this event.

The conference featured panel discussions with leading commercial real estate executives and focused on key issues and trends in the industry. Topics include:

- Perspectives on the North American Industrial Market
- A Money Manager's view on the current investing environment
- Land Development and Joint Ventures
- Seniors Housing

Sarah Cathrae put together a list of top 10 takeaways from the conference:

The Canadian economy is expected to experience more moderate growth in 2018, which is an idea that was confirmed by the Bank of Canada decision earlier in the week. The Bank of Canada is expected to focus on growth more than inflation in the near term as concerns for the slowing of growth outweigh inflation anxiety.

The general consensus from the banks is that we are late in the economic cycle. Developers and other industry players didn't seem to have quite the same negative view of the road ahead for 2018, and many suggested that there is more to come before there is less.

Discussion on interest rates was most thoughtfully discussed during the breakfast, where CIBC's Chief Economist described the impact of a 1% shift in interest rates in 2018 is more comparable to a 1.5% increase 10 years ago, during the last downturn, as there is more leverage in the system, suggesting that the Bank of Canada may leave interest rates where they are for longer than originally anticipated earlier in 2018.

The big story in real estate is the rising costs of development in the Canadian real estate market, especially Toronto and Vancouver primarily due to the increasing costs of land, but increases to construction costs have been a serious consideration of late and have led to the cancellation of a number of condo projects in the GTA. Rents are increasing in all sectors due to lower vacancies and as an offset of the increasing costs. Analysts are starting to focus on replacement costs over to cap rates, to adjust for the value of the land, with the idea that rents will have to increase over time.

There was a lot of discussion on joint ventures in the land development discussion, as land costs have risen and development costs continue to increase. Bringing a partner in to add equity and experience to the deal is one side of the equation, but the primary discussion was around spreading risk around and diversifying investments.

There was a lot to be said about adding density and mixed-uses to existing urban or core sights. Many of the panelists spoke of the life cycle of an asset and the need to repurpose as the markets shift and the needs of users/consumers shift. For instance, as automated transportation takes off, there will be a need to come up with uses for underground parking garages; or as malls become more experiential and less about the sale of commodities, there may be a need to bring in work spaces, or living spaces, and finding alternative uses for the parking lots.

There was a fair amount of discussion relating to seniors housing for the first time in my memory. The money manager panel spoke positively about the sector, highlighting the demographic opportunity, and the strength of the sector. The immediate risk to the sector in everyone's mind is the threat to the single family housing market, though there wasn't consensus on whether a correction is an immediate threat.

The dedicated seniors housing panel featured Robert Ezer (Amica Mature Lifestyles), Nitin Jain (Sienna Senior Living), Vlad Volodarski (Chartwell Retirement Residences), Tom Wellner (Revera), and Scott White (Invesque). The seniors housing panel represented the industry as real estate with a people focus and did a great job of describing the asset class to a room full of the uninitiated.

Nitin Jain and Tom Wellner were asked about their long-term plans for long term care, given the media coverage of new beds announced by the Ontario government. As we are all pretty well aware, there aren't a lot of opportunities in more urban centres given land costs and competition for land. Revera's plan for their LTC holdings was to diversify through a JV with Axiom, who will hold 75% of their LTC portfolio, while Revera continues to own 25% and manage the sites. Sienna discussed their plans to develop larger campuses where they can offset some of the costs of the land with more density and attract talent through proximity to lifestyle amenities such as shopping and transit, etc.

The seniors panel focussed on developing in strategic areas and taking a more long-term view when it comes to acquisition. They would agree that this "long term view" coincides with a consistent lack of supply to meet demand in the market relative to the capital that is available to fund such development and acquisition activity. Which takes us back to Suske Capital. As you are all aware by now, Suske Capital is dedicated to developing great seniors housing projects in markets where seniors want to stay and live with the support they need to do so.

Chancery News

New Independent Retirement Residence Breaks Ground - The Bartlett

A revolutionary new retirement residence is coming to Oshawa at in 2020 at the intersection of Stevenson Road & Bond St. The Bartlett Independent Retirement Residence made the announcement at a ground-breaking ceremony. In attendance were Dignitaries from all levels of government, Chinese investors, Tyche Global Financial, Independent Project Managers, Global Architects, JJ McGuire General Contractors & Newcombe Design. "We are a place where people want to move to," said Mayor Henry from the podium before the shovels dug into the dirt. "Looking after people's moms and dads beyond their expectation is our mission", said Josh Skaist, from Hillspport Developments Inc.

<https://oshawa.snapd.com/events/view/1153784>

□ Photo □ Barbara Howe □



Dignitaries, Investors, Architects, Project Managers and Friends break ground at the Bartlett Independent Retirement Residence.



Josh Skaist, Hillsport Developments Inc. (left) with Mayor John Henry



Josh Skaist, Hillsport Developments Inc. with Stephen Suske, Suske Capital



Oshawa City Councillor, Rick Kerr (right) talks with Jessica Zhang and MP Dr. Colin Carrie.