

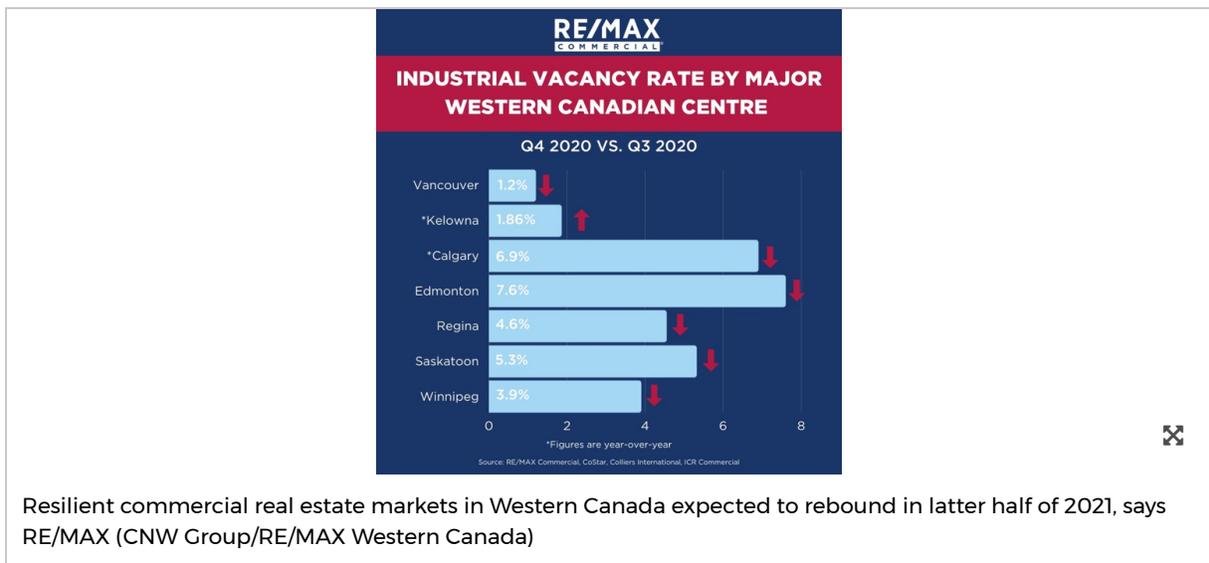
Resilient commercial real estate markets in Western Canada expected to rebound in latter half of 2021, says RE/MAX



NEWS PROVIDED BY
RE/MAX Western Canada →
Feb 25, 2021, 09:00 ET

Industrial and multi-unit residential asset classes to lead the way

KELOWNA, BC, Feb. 25, 2021 /CNW/ - While endless challenges faced commercial real estate markets in 2020, investors and end users in Western Canada showed incredible resilience in their ability to both adapt to changing conditions and position themselves for the future, according to a report released today by RE/MAX of Western Canada.



The RE/MAX Commercial Real Estate Report, highlighting trends and developments in seven major centres in Western Canada, found that institutional investors and private equity played a substantial role in almost every market in 2020, fuelling demand for multi-unit residential, industrial product, and office buildings while end users and smaller investors were strong in the

industrial and, to a lesser extent, retail sectors. Industrial was the top performer from Vancouver to Winnipeg, driven by increased demand for warehouse and fulfillment space from multi-national companies such as Amazon and FedEx, while demand for multi-unit residential remained consistent, with higher CAP rates and lower values attracting investors in markets like Edmonton and Calgary. Farmland rounded out the top three sectors, with robust demand in Saskatchewan sparking strong sales and upward pressure on values.

"Despite a strong start to 2020 in virtually all asset classes across Western Canada, the pandemic shook the very foundation of the commercial market, and ultimately altered the playing field," says Elton Ash, Regional Executive Vice President, RE/MAX of Western Canada. "Industrial captured the spotlight in the aftermath as e-commerce sales exploded across the country – prompting even greater demand -- while the retail and office sectors struggled with lockdowns and safety measures."

Closure of bricks and mortar during lockdown and the acceleration of e-commerce placed retail tenants behind the proverbial eight ball in 2020. Smaller retailers used the opportunity to invest in their future by purchasing smaller storefront locations, especially in high-traffic areas – with equity gains buffering any downturn in sales. Others looked to upgrade their online presence and augment with a reduced physical footprint, and if need be, industrial space for warehousing and distribution.

"The country's largest landlords were able to evaluate and pivot with some success in 2020," explains Ash. "Changing up the tenant mix has been one option exercised by landlords over the past year, while redevelopment is another, with some malls owners planning future multi-unit residential development on their properties. Others, such as the Orchard Park Mall in Kelowna, are using vacated space to expand their parking capacity. Conversion of retail vacancies to industrial space is also likely in the future, with large companies such as Brookfield already pushing forward with retail conversion to distribution models within their US portfolio. Given the movement underway in the US, it's only a matter of time before we see this approach mirrored in Canada."

While restaurants were hard hit by the pandemic, drive through locations emerged as 2020's perfect business model -- no touch, no contact, just tap and go. Demand for this product has surged in Saskatoon, Kelowna, and Calgary, and is expected to continue to experience strong demand in the year ahead.

Lockdowns and uncertainty contributed to negative absorption and higher vacancies in the commercial office sector throughout Western Canada in 2020, although year-over-year dollar volumes in some markets indicate the sale of larger properties. Institutional investors in Calgary accounted for 48 per cent of sales volumes while private equity represented 24 per cent in the office sector last year. With CAP rates rising to their highest levels in recent years at 10.1 per cent, according to CoStar's Office Capital Markets Report, the growing presence of institutional investors and private equity in Calgary suggests the market is at or near bottom.

"Rebounding global demand for primary energy should help bolster economic performance, as well as demand for commercial real estate, in Alberta in the second half of 2021," explains Ash. "In the interim, we could see out-of-province institutional investors walk-away with some of the city's most coveted assets."

Major drivers identified for the upswing in demand in the year ahead include historically low interest rates and strong economic recovery. The Bank of Canada (BOC) has indicated that it intends to keep overnight interest rates at 0.25 per cent and has predicted a strong second quarter rebound with "consumption forecast to gain strength as parts of the economy reopen and confidences improves, and exports and business investment is buoyed by rising foreign demand." The BOC has projected GDP growth at four per cent in Canada in 2021.

Limited inventory, shortage of available zoned land, and strong demand overall have made industrial real estate the cash cow of 2020. Vacancies remain low for industrial product, with Vancouver posting the tightest rate at under 1.5 per cent, and rental rates climbing 10 per cent year-over-year. Large multinational companies have been behind the push as they gear up efforts to support a rapidly expanding e-commerce industry. Smaller investors have also been active, as the appetite for income properties in industrial areas that serve strong supply chains and essential services increases in strength. Diversification of smaller portfolios is underway as investors choose to supplement their residential multi-unit residential holdings with industrial product, and to a lesser extent, office/retail.

Demand for farmland in Saskatchewan continued unabated in 2020 as Alberta's Hutterite Colonies sought to expand farming operations. The trend was highlighted by the sale of a 20,000-acre farm in Norquay in August of 2020, considered one of the largest in Western Canada. Overall average price for farmland in Canada increased 3.7 per cent in the first six months of 2020, with Saskatchewan reporting the greatest increase in values, according to the Farm Credit Canada's (FCC) 2020 Mid-Year Farmland Value Report.

"Saskatchewan's attractive price point is expected to continue to attract investors and end users, especially those from province's that have higher farmland values, in the coming months," says Ash. "This segment is also expected to heat-up as foreign investment returns to the overall market in 2021."

Institutional and private investors flocked to multi-unit residential in 2020, spurred on by the promise of greater security and lower interest rates. Calgary and the Greater Edmonton Area saw consistent demand in 2020, although much of the activity occurred in the first quarter, while Vancouver kicked off 2021 with a \$292 million sale of 15 rental apartments to two Ontario-based Real Estate Investment Trusts (REIT).

"While the COVID-19 vaccine roll out should have been well-underway at this point, supply issues continue to hamper progress, with just 10 per cent of Canada's population expected to be vaccinated the end of the first quarter," says Ash. "Economic growth, as such, will remain on

standby in short-term. However, once that objective is achieved, the general consensus is that economy's across Canada will roar back to life, fuelling an upswing in commercial real estate activity as greater stability returns to major centres."

About the 2021 RE/MAX Commercial Real Estate Report

The 2021 RE/MAX Commercial Real Estate Report includes insights from RE/MAX brokerages. Brokers and agents are surveyed on trends and developments in their local markets. The report also includes select data from the Real Estate Board of Greater Vancouver (REBGV), CoStar, Farm Credit Canada, Colliers International, Building Permits Summary for Winnipeg, Canada Mortgage and Housing Corporation (CMHC) and RBC Economics.

About RE/MAX Commercial

RE/MAX Commercial, part of the world's most productive real estate network, provides experienced professionals and leadership in the commercial and investment arena with over 4,000 commercial practitioners in 73 countries and territories. In Western Canada, RE/MAX Commercial is represented by 300 commercial practitioners in more than 40 independently owned and operated commercial franchises and divisions.

About RE/MAX of Western Canada and the RE/MAX Network

RE/MAX was founded in 1973 by Dave and Gail Liniger, with an innovative, entrepreneurial culture affording its agents and franchisees the flexibility to operate their businesses with great independence.

RE/MAX of Western Canada is a subsidiary of RE/MAX, LLC, and oversees RE/MAX franchising in British Columbia, Alberta, Saskatchewan, Manitoba, Northwest Territories and Yukon. RE/MAX of Western Canada is Western Canada's leading real estate organization with more than 6000 Sales Associates and over 270 independently-owned and operated offices.

RE/MAX, LLC, one of the world's leading franchisors of real estate brokerage services, is a subsidiary of RE/MAX Holdings, INC. (NYSE: RMAX). With a passion for the communities in which its agents live and work, RE/MAX is proud to have raised millions of dollars for Children's Miracle Network Hospitals® and other charities. For more information about RE/MAX, to search home listings or find an agent in your community, please visit www.remax.ca.

Forward looking statements

This press release includes "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are often identified by the use of words such as "believe," "intend," "expect," "estimate,"

"plan," "outlook," "project," "anticipate," "may," "will," "would" and other similar words and expressions that predict or indicate future events or trends that are not statements of historical matters. Forward-looking statements include statements related to: real estate activity and market conditions; economic conditions (including interest rates); and foreign investment. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily accurately indicate the times at which such performance or results may be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. These risks and uncertainties include the global COVID-19 pandemic, which continues to pose significant and widespread risks to the Company's business. The duration and magnitude of the impact from the COVID-19 pandemic depends on future developments that cannot be predicted at this time. Other important risks and uncertainties include, without limitation, (1) changes in the real estate market or interest rates and availability of financing, (2) changes in business and economic activity in general, (3) the Company's ability to attract and retain quality franchisees, (4) the Company's franchisees' ability to recruit and retain real estate agents and mortgage loan originators, (5) changes in laws and regulations, (6) the Company's ability to enhance, market, and protect the RE/MAX and Motto Mortgage brands, (7) the Company's ability to implement its technology initiatives, and (8) fluctuations in foreign currency exchange rates, and those risks and uncertainties described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission ("SEC") and similar disclosures in subsequent periodic and current reports filed with the SEC, which are available on the investor relations page of the Company's website at www.remax.com and on the SEC website at www.sec.gov. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. Except as required by law, the Company does not intend, and undertakes no obligation, to update this information to reflect future events or circumstances.

SOURCE RE/MAX Western Canada

For further information: Kayley Jackson, kayleyj@remax.ca, 250-860-3628; Ashley Villarroel, avillarroel@apexpr.com, 416-434-4123