Special Section

Canada and the U.S. Pacific Northwest

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North and south of the U.S.-Canadian border, growth in industries such as technology—a highlight of both countries' well-diversified economies—is fueling demand for most types of real estate. In many hotspots across Canada and the U.S. Pacific Northwest, unmet demand is driving up home prices, in particular.

Designed by the Provencher Roy architect firm, Loto Balmoral—composed of two 13-story architectural structures separated by an oblique fault line that creates a full-height atrium—is being built in Quartier des Spectacles, Montreal's entertainment district. The 280,000-square-foot (26,000 sq m) structure is being developed by Société d'habitation et de développement de Montréal (SHDM). Loto Balmoral's four facades are built as curtain walls of glass, providing a view of the Place des Festivals, Mount Royal, and downtown. When completed in 2018, the structure will house the new headquarters of the National Film Board, as well as other tenants. It is being built to qualify for Gold certification under the LEED 2009 for New Construction rating system.
Canada’s status as a safe, stable, and wealthy country has made it a preferred destination for investment, and the country’s west-coast jewel Vancouver—perfectly positioned between Asia and Europe—has become a primary beneficiary of those funds, says Gordon Harris, an international planning consultant in the city. As chief executive officer of SFU Community Trust, Harris developed UniverCity, a low-carbon community in metropolitan Vancouver.

"More than 35,000 people move to the region every year, and too few homes are being built to accommodate that inflow," Harris says. "Demand outstrips supply, and prices go crazy."

Such pent-up demand, much of it from investors, is one reason Canada’s real estate sector remains strong, except in petroleum- and mining-dependent areas such as Calgary, Alberta. Thanks to healthy, diversified economies in most of the nation’s ten provinces, as well as robust growth in numerous sectors including technology and tourism, the Canadian economy is doing well, reports Raymond Wong, who is based in Toronto as head of research at CBRE Canada.

“Our [gross domestic product] growth in this year is expected to be over 2 percent—slightly better than 2016," he says. “Canada is considered a bastion of stability on a global basis. The demand for Canadian real estate has been and will continue to be strong, especially in Vancouver, Toronto, and Montreal, while Canadian exports benefit from the low loonie”—Canada’s one-dollar coin, named for the loon on its reverse side.

Areas of the U.S. Pacific Northwest, including Washington and Oregon, also have strong economies and are posting increased real estate development. In Seattle, about five dozen construction cranes dot the skyline.

“That’s more cranes than in San Francisco and New York combined,” says Peter Orser, chairman at the Runstad Center for Real Estate Studies at the University of Washington. “Seattle has a pretty diverse economy, with major job creation from high tech and trade spurring construction.”
UniverCity on Burnaby Mountain in metropolitan Vancouver is being developed by SFU Community Trust as a complete, sustainable community. Adjacent to Simon Fraser University (SFU), UniverCity is home to 5,000 residents and is growing. SFU Community Trust began developing the project in 1995; it has an anticipated buildout of 4,500 residential units on 161 acres (65 ha). Each development is required to meet a comprehensive set of green building requirements, including connection to a low-carbon district energy system and deployment of building envelope enhancements and other high-performance measures.

Canada
Real estate opportunities remain strong, and 2017 is expected to be a good year for the Canadian economy overall, thanks to stabilizing energy prices, the Canadian government’s proposed infrastructure investments, growth in the tech sector, and the improving U.S. economy.

“Toronto continues to experience strong immigration levels, which keep demand for housing high,” says Wong. “This positions
the city as a safe market among foreign and domestic investors who fuel the demand for residential condos.”

Driven by demand from overseas investors, sales prices for modest single-family homes in the prized west side neighborhood of Vancouver regularly top C$2 million (US$1.5 million)—a significant increase from only 12 months ago. Even in the older working-class areas of Canada's third-most-populous city, property values have doubled in the past three years, pricing out many residents.

Seeking to cool the torrid Vancouver residential market, British Columbia in August instituted an additional property-transfer tax of 15 percent for foreign nationals and overseas corporations buying residential real estate in the city. The move added an extra C$300,000 (US$228,000) levy to a C$2 million (US$1.5 million) home. Sales of homes in the region slowed as investors moved eastward across Canada to Toronto and Montreal and south to the United States, particularly to Seattle and Portland.

**Toronto.** The home of over 80 percent of Canada's top high-tech firms and North America's third-largest film and video production center, Toronto has a commercial sector that remains strong. The city's downtown office vacancy rate was 4.4 percent at the end of 2016, Wong says, with 2.8 million square feet (260,000 sq m) of absorption over the year and more than 1.6 million square feet (149,000 sq m) of new office space under construction, including EY Tower by Oxford Properties Group and Daniels Waterfront by the Daniels Corporation.

Development in Canada's major cities, including Toronto, Montreal, and Vancouver, experienced no downturn following the 2008 global financial crisis, notes Cyndi Rottenberg-Walker, a partner at
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Toronto-based design and planning firm Urban Strategies.

“This activity is expected to continue in coming months, although there has been some moderate softening in the Vancouver residential market following the introduction of the 15 percent tax on purchases by foreign investors,” she says. “Experts believe these investors will move their interests to Toronto, further fueling affordability challenges being experienced here.”

In downtown Toronto, Urban Strategies is working on Bay Park Centre, a major mixed-use office development by Ivanhoé Cambridge and Hines that is connected to the country’s largest multimodal transit facility. The project features Toronto’s first elevated rail-deck park. The company is also involved with the Well, an integrated development by Riocan REIT, Allied Properties REIT, and Diamondcorp, composed of 3 million square feet (279,000 sq m) of boutique office, hotel, residential, retail, and gallery space, Rottenberg-Walker says.

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The north shore of Vancouver's False Creek neighborhood is the site of BC Place, as well as a number of luxury residences, including the Erikson, a twisting tower of residences built by Concord Pacific in 2010. It was designed by Arthur Erikson.

Though such new development is exciting, housing affordability and traffic congestion remain key concerns.

"While Toronto has built some significant transit lines in recent years, they haven't been nearly enough to keep pace with population growth," Rottenberg-Walker says. "Our mayor has just proposed tolls on key inner-city expressways as one way to fund more desperately needed transit. While road and bridge tolls are common in many U.S. centers, they are not here, and are pretty controversial."

Montreal. Mobility is also being addressed in Montreal. Two massive infrastructure projects—the C$4.2 billion (US$3.2 billion) Champlain Bridge, set to be completed by 2019, and the C$3.7 billion (US$2.8 billion) Turcot Interchange, where work will continue into 2020—are expected to fuel real estate development.

The 2016 office vacancy rate for the city was 13.8 percent, unchanged from the previous year, with 1.02 million square feet (95,000 sq m) of office space under construction. Projects underway include the 27-story Maison Manuvie office tower by Ivanhoé Cambridge, expected to be completed later this year, and lilot Balmoral, by Société d'habitation et de développement de Montréal (SHDM), which consists of two 13-story modules that will connect an atrium and a large lobby that crosses the entire length of the building, opening up onto La Place des Festivals.

"The industrial sector continues to be driven by the warehouse logistics companies," Wong says. "Manufacturing is lagging
Urban Strategies is the planning and design adviser for the Well, one of downtown Toronto’s latest planned mixed-use communities. Situated on 7.5 acres (30.5 ha), the C$3.4 billion (US$2.7 billion) project will include premium office space, low- and high-rise rental housing, and over 600,000 square feet (56,000 sq m) of retail space. Located on one of the few remaining developable sites in downtown Toronto, it is a development of RioCan REIT, Allied Properties REIT, and Diamondcorp.

despite the low Canadian dollar, which will lead to increased trade as the U.S. economy improves. In addition, the city is experiencing growth in the life sciences and aerospace sectors.”

Vancouver. Despite implementation of the 15 percent tax, development continues in Vancouver.

One project is Westbank’s Vancouver House, a 52-story tower designed by renowned Danish architect Bjarke Ingels and slated for completion in 2018. The project will include 407 market-rate residential