

State of the Industry 2023 Forecast

Commercial Real Estate

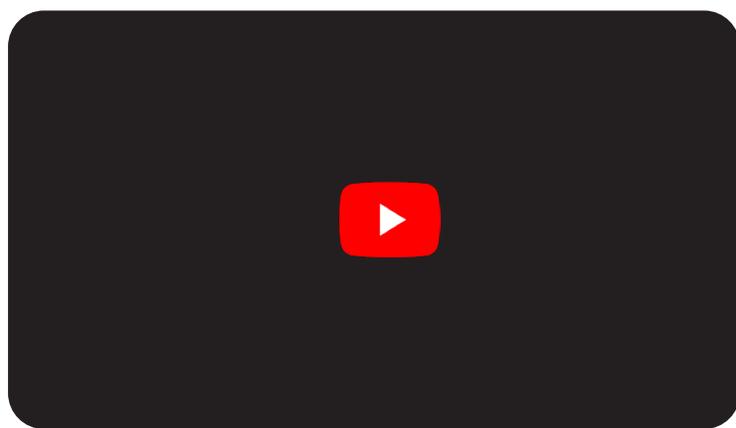
Thursday, January 19, 2023

Keynote Presenters, John Crombie, Cushman & Wakefield and Scott Figler, JLL unpacked 2023 market outlooks for both the retail and office sectors.

Top Takeaways

Retail Forecast

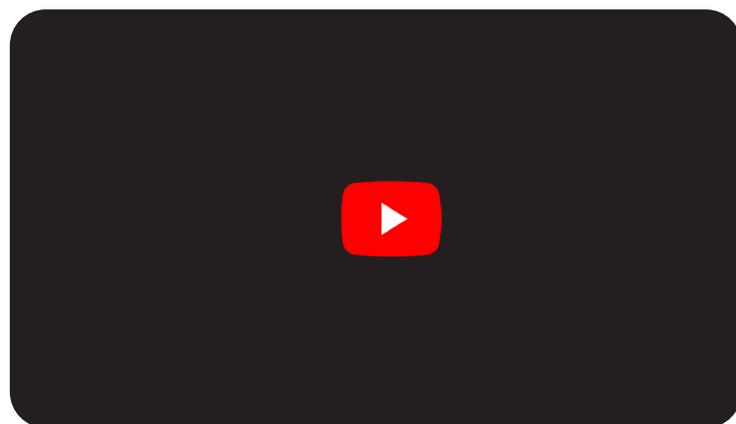
- In Ontario, the suburban retail market remains strong as consumers support their local retail establishments.
- Urban retail will continue to struggle until we see a significant return of workers back in the office
- Although we expect to see slight declines in retail sales over the next few years, the Canadian consumer currently remains resilient despite higher interest rates.
- Omni-channel is the future of retail. Investments in both physical stores and e-commerce will help ensure retailers service customers on multiple platforms.
- Expect landlords and retailers to employ greater utilization and investments in technology to better service consumers and drive operational efficiencies.
- The retail real estate sector is tracking fewer new construction projects in the coming years compared to historic levels, putting upward pressure on rental rates for existing products.
- Although we continue to see closures of the traditional department store, expect to see the revival of experiential retail along with more food offerings, services and entertainment venues in our shopping malls, which will drive more customer traffic.



Watch the Retail Forecast session [here](#)

Office Forecast

- It's a tenant's market, not a crisis. Toronto is the fastest growing city in North America.
- Even with its current 15% vacancy rate, coupled with the fact that Toronto lags behind its North American peers in post-pandemic occupancy recover, Toronto is still a top five market in North America.
- Toronto remains the most expensive to build or retrofit an office building when compared to other major cities in Canada.
- Lease rates continue to be strong, but sub-lease volumes are becoming a hot commodity and could compete with new construction.
- Tenants are moving toward "quality" as availability improves. Office space conversions to LiveScience, housing, and light industrial are trending.
- Industrial vacancy rates are very low and rental rates have skyrocketed from \$5 in 2017 to \$16 in 2022, which provides the potential to repurpose or convert existing inventory to accommodate tenants seeking this space.



Watch the Office Forecast session [here](#)



For membership inquiries, contact:

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State of the Industry 2023 Forecast Conservation and Policy

Content experts shared updates on conservation programs, incentives, and policy changes that may impact commercial real estate.

Top Takeaways

IESO and Enbridge Gas incentives can often be layered. It is recommended that you reach out to your local utility or service partner early on if you are considering equipment replacements or retrofits to best identify the programs you qualify for.

Utilities - Enbridge Gas

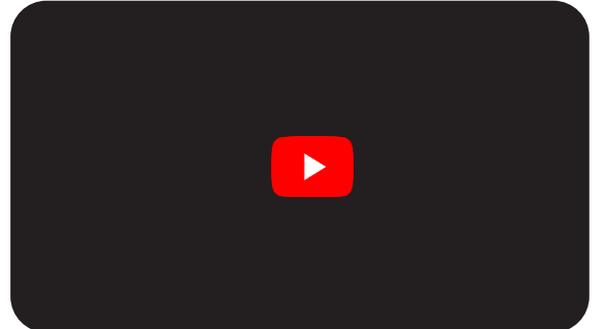
Enbridge Gas received approval of their 3-year conservation framework late in 2022 and has announced a number of incentive programs that start in 2023. These include both prescriptive and performance-based incentives for reducing gas consumption. Please contact your Enbridge Gas Energy Solutions Advisor who can help identify the best energy savings opportunities and maximize incentives for your commercial real estate portfolio. You may be eligible for incentives up to \$100,000 for implementing energy efficiency measures. Act right now to take advantage of Enbridge Gas' limited time offer (40 cents per m³ of natural gas saved annually for condensing boilers and 30 cents per m³ of natural gas saved annually for high-efficiency boilers).

Find out more about Enbridge Gas Programs [here](#)

Utilities - Independent Electricity System Operator (IESO)

IESO has a number of programs under its "Save on Energy" umbrella, including support for energy manager capacity building, retrofit incentives and pay for performance programs. Later in 2023, they will also launch their building commissioning incentive program.

Find out more about IESO Programs [here](#)

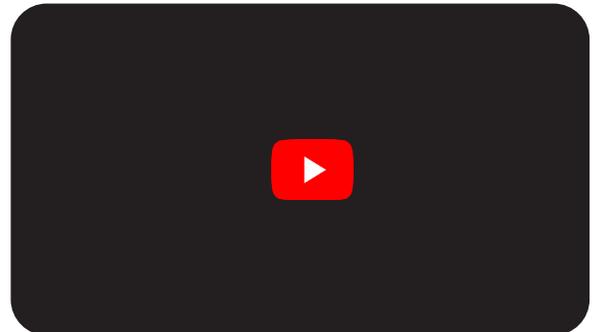


Watch the Utility Programs session [here](#)

The City of Toronto and the Capital Hill Group provided a number of updates with a focus on commercial buildings.

Policy Outlook - City of Toronto

- Under TransformTO, the City's climate action plan, buildings remain a priority as a major source of emissions under the most recent inventory.
- The existing building strategy is being updated to align with the City's new goal of net zero emissions by 2040.
- The City has recently launched a Climate Advisory Group to provide feedback on TransformTO. (BOMA Toronto has representation on the 26-member panel)
- The Retrofit Challenge, which provides support to a number of deep carbon retrofit projects, will announce the final participants shortly.
- The City will continue to support local properties with EWRB reporting. Of particular importance: EWRB compliance will include buildings from 50k-100k sq. ft. as of July 2023.
- Despite the Province passing Bill 23, which challenges some municipal development requirements, the City will continue to require the Toronto Green Standard for new construction projects for the foreseeable future.



Watch the Policy session [here](#)

Policy Outlook - The Capital Hill Group

- Current Federal and Provincial outlook suggests no near-term election at either level.
- The Federal Government continues to emphasize climate change which includes major funding through the Canada Infrastructure Bank and the ongoing carbon tax framework.
- The Government of Ontario is prioritizing housing supply and skilled trades.
- Bill 23 passed by the Province curbs development charges, which is causing financial challenges for cities and may in turn impact property tax rates.



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