

Emerging trends that are shaping real estate in 2019

Each year, the Urban Land Institute and PwC present the Emerging Trends in Real Estate report, providing the industry with insight into emerging themes and forces that will shape the next 12 months across North America.

This year, the report focused on three main themes; reinvent, rebalance and rethink, all centred around the uncertainty facing housing as fast-paced technological and social change transforms how people are living and working.

Reinvent

As Andrew Warren of PwC pointed out, in 2004, 70 per cent of respondents in the real estate sector thought tech would have no impact in the way real estate operates. Today, the industry is realizing it was wrong.

One major but not typically considered advancement is construction technology. When we think of property tech, we generally think of the sleek and flashy like virtual tours, smart home options and monitoring. As construction and trade shortages have a major impact on the speed at which homes are delivered, investing in construction technology can fill in the gaps to have a positive impact all the way through the home building journey.

The good news? Investments in technology are up 41 per cent, which means industry leaders are realizing that if they don't embrace tech, they'll be left behind. This means better homes, condos and service for homebuyers.

Rebalance

Rebalance has a lot to do with what the real estate market can do to better serve you, the homeowner. As land prices, interest, government fees and timelines, labour shortages and tariffs make development more expensive, builders and developers are rethinking their development models and investments to be able to deliver an affordable, well-built product that meets the current demands.

Particular for Toronto, redevelopment and infill development will play a huge role in the urban core's affordability outlook. Another way technology is helping the industry to better itself, data analytics will allow companies to dig into large volumes of information and pull out actionable intelligence, responding to what people want and finding innovated solutions to get us there.

Rethink

The industry has accepted that ?it's time to move beyond efforts to limit demand by looking at the supply side of the equation and reexamining government interventions.? There is no question here that the government's role is a key consideration, particularly in the Ontario housing market where government policy dictates the speed and volume of the housing construction process. What works in Toronto's downtown won't help in Hamilton. An open dialogue between different levels of government, homeowners, builders and developers has to be considered so that real solutions can be discussed.

Until then, what's happening? The consequences of not properly planning for future housing needs may be severe. As the proportion of household income needed to service the costs of a single-family homes grows, downtown areas are at risk of millennials abandoning the urban core for the suburbs in search of more affordable housing, and then eventually leaving popular regions altogether.

Other Insights

The talk wrapped up with a panel discussion with some of the leading players in our industry today. A few gems from that discussion were from Cheryl Shindruk, Executive Vice President of Land Development at Geranium and George Carras, Founder

and CEO of R-Labs Canada. In their opinion, a few key considerations and possible solutions to upcoming concerns are:

1. Talent: ?We need to turn to our education institutions to close the skills gap in labour (advances in technology will help this as well).?
2. Demographic trends: ?We need to be prepared for the two major landslides that will dictate housing needs in the near future, the Baby Boomers retiring and downsizing and the Millennials starting families and looking for larger homes.?
3. The role of government: ?Even if the industry is embracing technology, the intrinsic link between government and real estate means we need government agencies and policies to also catch up with new advances in technology to really make a difference.?
4. Climate change: ?Increases in natural disasters and the costs and housing loss involved is a consideration we can no longer afford to ignore. It will play a real role in our future and we need to be prepared. A market that's showing leadership in this realm is Houston. In spring 2018, Houston's city council made the first changes to flood regulations in ten years, requiring new construction and retrofits to be two feet above the 500-year floodplain.?