



INTRODUCTION

2021

The Kelowna Commercial Real Estate Market experienced an unexpected boom, partly due to the pandemic enabling a greater acceptance of working remotely. This caused a wave of people choosing to relocate from out of town to the Okanagan, selecting quality of life over big city living. Staying at home also spurred an investment in home improvements which created an economic boom among builders and with home improvement stores, furniture and household goods.

Kelowna's population is projected to grow at a rate of 1.43 per cent per annum through to 2040, which will increase the population to around 180,000. To accommodate this growth, the projected housing need is for 25,308 new units by 2040, of which 19,336 units will be Multi-Family. Roughly 73% of this growth will occur in the city's five urban centres and the surrounding core area.

Q: Are these our roaring 20's?



THE HM CRYSTAL BALL

This year our HM Crystal Ball focuses on Kelowna's forecasted growth over the next 10 years.

Outlined below and on the following pages are the thoughts from this year's panel of industry experts.

FIFTH EDITION



DOUG GILCHRIST

City of Kelowna

Kelowna has been developing at a break-neck pace for many years and is noted as one of the fastest growing CMA's in the country. The associated "land rush" over the past ~18 months has been exciting, but it does put added pressure on infrastructure, operational services, and housing affordability.

New ways of addressing these challenges, through partnerships, will have to emerge in order to keep pace.

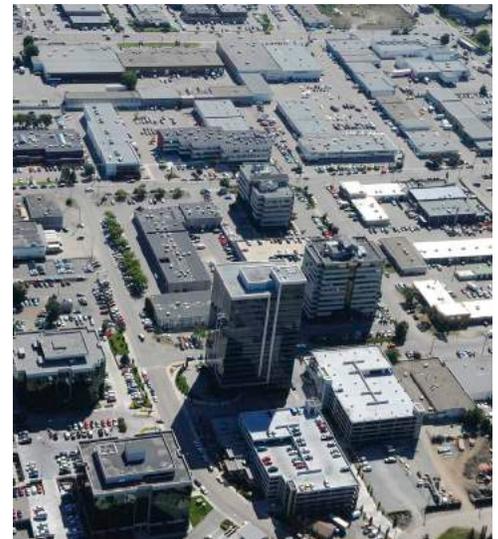
We've also hit a stage in our maturity as a City where we are attracting a different type of resident, investor, student or company. Perhaps a more cultured and diverse population/industry than reflected in our history. People are no longer interested in Kelowna for just the golf and wine (or peaches and beaches as we used to say), but rather because of the economic landscape, career opportunities or mid-sized city livability. Lifestyle will always be part of the "Kelowna advantage", however I believe that the next 10 years will see us emerge

as a more sophisticated destination, where arts and culture thrive, tech talent develops and sustainable industries (such as aerospace and emerging health services) choose to call home.

In a post-pandemic world, where wide open spaces and access to the outdoors may be the order of the day, Kelowna, with all our amenities, will look very appealing to those who have only just discovered our valley.



Landmark District



DAVE MCANERNEY

Stober Group

The pandemic has impacted how and where people work. The question now being asked is “Is office dead?”. Initially, people enjoyed working from home but as the pandemic dragged on, social isolation, Zoom fatigue and a lack of separation between work and home life began to wear on many.

Business owners observed that while communication was maintained throughout the pandemic, productivity often declined. Breakthroughs in cyber-security were noted positively by certain industries, but where high levels of collaboration are required,

working remotely was problematic.

As public health measures relaxed, a return to office has been observed in Kelowna. This trend, however, may not be the case in large urban centers where working from home eliminates hours of weekly commuting time. Essentially, working from home is the new competitive threat to office landlords. To counter this threat, office space will need to be re-envisioned, offering more amenities such as dining, fitness facilities and pleasant gathering spaces.

In summary, technology breakthroughs and openness to working from home will likely negatively impact absorption moving forward, but the impact of this shift will depend on location. For towns such as Kelowna with short commute times, open outdoor spaces and a strong and diversified business base, the pandemic is likely to have a positive impact on absorption.





RANDY LOWE

McIntosh Properties

The decline of bricks and mortar retail has been an ongoing theme in commercial real estate for well over a decade. Indeed, since the start of the global pandemic on-line shopping trends have accelerated. This is no more evident than internet behemoth Amazon adding \$900 billion in market capitalization over the past 16 months. Heck, the Amazon founder used

company profits to fly a, er, funny looking space ship to the Karman Line. Given this very real trend, the issue of re-imagining shopping centres becomes even more acute.

From a hyper-local standpoint, mid-market cities such as Kelowna may benefit from both the desire highlighted over the past year to live in less dense urban areas as well as advances in technology providing the ability to more productively work from home. Certainly, the significant residential construction in the Okanagan throughout 2020 and 2021 bears this out. This will likely act as an offset to the shift to on-line shopping and contribute to a more resilient local retail environment. Orchard Plaza, McIntosh Properties primary retail property, has been directly impacted by the global retail challenges. Two major

tenants filed for CCAA in the first several months of the pandemic lockdowns, and, of course, theatres and restaurants have struggled through mandated closures since March 2020. And yet, Okanagan retail continues to backfill space. Properties that are well located will continue to attract retailers who believe that selling through physical stores is an important part of their omnichannel sales and brand strategy. In addition, retailers that require face-to-face contact, such as personal care and wellness and of course food service, will play a more prominent role in Kelowna over the next 10-year period.





BRENT SAWCHYN

PC Urban Properties Corp.

We believe the industrial sector in Kelowna will continue to outperform over the next 10 years, and we fully expect to see rising lease rates and

land values over this period. Kelowna is a great place to do business for many reasons, one of which is a forward-thinking City Council and planning department that is open to economic change. Kelowna is now the major economic driver for the Central Okanagan area and benefits from strong population growth, significant transportation links including the international airport and UBCO. Where once Kelowna seemed reliant on the Alberta energy market – and suffered economic swings as a result – we are now seeing the boom of Metro Vancouver radiating to Kelowna. The

trends that began to emerge before the pandemic have now accelerated: significant immigration to Canada, and as a consequence Vancouver and Kelowna; distribution of goods as a result of the internet and the growth of e-commerce; and a desire for a balanced lifestyle. With Kelowna's population growth and increased demand for industrial space, the industrial market will only tighten. We don't see this changing over the coming decade, and we remain confident in the market.



SAM SAMMADAR

Kelowna International Airport

Kelowna International Airport (YLW) is your link to the world with over 60% more direct domestic destinations than 2019, including Canada's major cities and airport hubs. Prior to COVID 19, YLW's total economic impact was 4,545 jobs and \$789 million in total economic output to the province of British Columbia. Throughout the

COVID 19 pandemic YLW operated as Canada's 6th busiest airport, and as airports across the country recover, we will return to being the 10th busiest airport and the top Tier 2 airport in Canada. During the 2021 COVID 19 recovery, YLW has been one of Canada's fastest recovering airports, nearing 850,000 annual passengers and offering more than 60 daily non-stop commercial flights with seven airlines. Airport traffic will continue to strengthen in 2022, with full recovery at YLW forecasted by 2023, resulting in over 2 million passengers annually.

Passenger volumes are expected to continue to grow over the next 25 years, reaching 3.5 million passengers by 2045. Annual aircraft movements are forecast to increase to 100,000 per year by 2045, up from approximately

75,000 in 2015. Most of this growth is expected to originate from commercial air carrier movements, alongside a growing demand in air cargo and e-commerce.

With a planned terminal building expansion, we are implementing our long-term growth plan on over 35 acres of land with opportunities to expand commercial land developments to include businesses, fixed based operators, restaurants, light industrial, and an on-site hotel with conference and meeting facilities. All of which will provide opportunities for the citizens of the region to engage in destination retail, commercial and leisure facilities.



AUBREY KELLY

UBC Properties Trust

Each time I visit Kelowna on business (which is usually bi-monthly) I'm surprised at the pace and quality of changes I see everywhere. I go home

raving about the latest coffee shop/ restaurant/craft brew to my family so much so they think we're moving here. There is a palpable excitement I sense as I talk to locals about the future of not just downtown Kelowna but the city in general.

The recent investment that UBC Properties Trust has made in Downtown Kelowna is proof that we believe the future is there and we want to be a big part of it. But it's not just an exciting re-emergence of downtown...with UBC's interests both anchored in the north and downtown, I feel there will be better connectivity

(physically and technologically) that will start to emerge to link these two educational hubs. The effects will be felt in Glenmore and Rutland too as these communities are what connect our two major investments in the area.

I'd be remiss if I didn't commend the City of Kelowna for creating the stage where such an exciting drama can play out. Each time I deal with the Mayor/ Council/staff, I'm impressed by the level of cooperation and openness to practical business-like approaches to our challenges ahead. Exciting times...seatbelts fastened...cleared for take-off!



KYLE NIXON

Nixon Hospitality Group

We are very bullish on Kelowna, and in particular, the downtown core where we have three (3) establishments: BNA (our flagship), Skinny Duke's Glorious Emporium and our most recent acquisition, Doc Willoughby's on Bernard.

Location is a driving force for all our locations as they are all within walking

distance of the lake and surrounded by new highrise towers that bring more residents to the downtown. The abundance of new micro-breweries and cideries is creating incredible variety for consumers and the increased competition ensures that we need to sharpen our game.

Beyond the obvious concept of strong locations, the importance of a strong team cannot be overstated. Covid created unprecedented challenges for our industry but having a strong, talented group means we can overcome these obstacles. I believe over the next few years, we as an industry will have to become even more innovative in two key areas: service and quality.

I'm excited to find new ways to enhance our staff's working experience through proper training and thoughtful individual enhancements that have been rarely used. I hope as an industry we can work together to attract new vibrant engaging staff that want to learn and practice true hospitality.

Also, "mobile-ordering" is no longer a trend (it's here to stay) and I think the more restaurants that can master innovative and quality foods to create the "Wow Factor" will benefit the industry as a whole.