Defining resilience in Canada's real estate sector

Insights from the C-suite

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Foreword

Canada's real estate sector is facing interest rate volatility, reduced corporate office space utilization, portfolio downsizing and new ways of working. That's in addition to an unprecedented technological revolution, including smart buildings, cleantech, digital twins, generative AI, machine learning and more.

At the same time, at $379.7 trillion, the global value of real estate is larger than global equity and the bond market combined. The impact of sustainability transition and physical risks on asset value, financing, insurance and liquidity will only increase.

EY research shows that today, 70% of boards feel that firms' processes are not highly resilient. On top of this, ESG issues are at the top of real estate company boards' and executives' agendas.

As we face an era of unprecedented change, real estate firms need to adopt resilience practices to survive and thrive. Resilience is more than just planning for risks – it involves evolving financial strategy, business models and organizational culture, keeping pace with digital advancement and embedding sustainability in decision-making.

Through the Defining Resilience in Canada's Real Estate Sector survey, we explored the perspectives of C-suite executives from Canada's leading real estate organizations on the medium- to long-term outlook for resilience in four foundational areas:

- Physical assets and sustainability
- Technological and digital
- Financial
- Workforce

About the survey

The survey was conducted in the summer of 2024 through in-depth interviews with Canadian real estate sector executives from both pension-backed and private REITs, real estate investors, commercial property management companies and government, covering a broad spectrum of asset classes (retail, office, residential, industrial and commercial mixed use) with assets under management ranging from $30b-$80b. Through this research, we gained insights into resilience strategies with the aim of informing and inspiring action among top decision-makers in the national real estate sector, helping them protect the resilience of one of Canada's most economically important sectors.

Contents

EXECUTIVE SUMMARY

Real estate sector resilience maturity

EY found that resilience planning has seen an increased focus in recent years. It's emerged as a critical tool to solve real-world challenges from market conditions, render asset portfolios more energy efficient, optimize asset portfolio values both tangibly and intangibly with futureproofing in mind, be better prepared for disruption and respond to climate action plans and government policy on decarbonizing the built environment and reducing carbon impact. Despite noting an increased focus on the resilience agenda, survey responses indicated mixed maturity across each of the four resilience pillars that EY has identified:

Here's how survey respondents self-assessed their resilience maturity:

OVERALL

1 Nascent — 3.6 — 5 Very mature

PHYSICAL ASSET AND SUSTAINABILITY

1 Nascent — 3.8 — 5 Very mature

TECHNOLOGICAL AND DIGITAL

1 Nascent — 3.9 — 5 Very mature

FINANCIAL

1 Nascent — 2.9 — 5 Very mature

WORKFORCE

1 Nascent — 4 — 5 Very mature

Enterprise resilience doesn't depend on a single factor. It involves an organization's ability to integrate and address four core pillars collectively. In the pages that follow, we share insights on each of these pillars and strategies for addressing them cohesively now.

EXECUTIVE SUMMARY

Six key takeaways

Collaboration in the industry, strategic investment in the future and a flexible approach to change are seen as crucial for resilience in the medium to long term. To foster resilience, executives recommend:

- Putting resilience front and centre in the corporate plan, priorities and related commitments.
- Preserving capital by maintaining liquidity and a strong balance sheet to weather economic cycles and unforeseen events, aligning liquidity and debt maturity, stress test modeling of downside scenarios and preparing playbooks for various market conditions, conservative debt management by staggering debt maturity, and diversifying real estate exposure across asset classes and geographies.
- Assessing and preparing for climate change risks and regulatory changes by prioritizing physical resilience through decarbonization of buildings, ensuring building infrastructure can withstand weather events, and reducing transitional risks, retrofitting underutilized spaces and staying informed about policy developments that impact housing and infrastructure; and achieving operational excellence by working closely with tenants and other ecosystem stakeholders, including government.
- Using technology for operational efficiencies and predictive analytics and focusing on remote connectivity and data centralization. This includes eliminating data silos and using AI and machine learning to inform operations and reduce costs.
- Working collaboratively with all levels of government with clear goals around housing and office; and partnering to improve the Canadian real estate market.
- Understanding how people want to use and interact with real estate to foster better workforce engagement.

> “Diversifying our asset portfolio helps us manage risk, lower volatility, and optimize and create value.

> “We continue to identify climate-related risks and develop adaptive capacity to respond to these physical and transitional risks. For example, we survey each property team annually to determine the greatest risks for each site and develop corresponding solutions to mitigate the impact of acute and chronic weather events such as floods, wildfires, storms and heat stress.

> “We are constantly exploring tools that will consolidate data and present more advanced solutions to the business.

PILLAR 1: Physical asset resilience and sustainability

Canadian real estate companies are taking significant steps to optimize portfolio value and sustainability.

- Tenants want a space that contributes to their health and wellness, and increasingly aligns with corporate sustainability strategies.
- From both the social and financial perspectives, owning green real estate is a path to a more sustainable future.
- There is proven value in retrofitting an existing space and earning the sustainability certifications that come with it.

Becoming more sustainable doesn't simply mean addressing the materials in buildings themselves. It's broader than that, with 67% of respondents — investors and occupiers — increasing their focus on ESG, driven by disclosure requirements and higher energy costs. Further, we're seeing green features of assets becoming an important pricing element in negotiations for occupiers and investors as indicated adjacently.

	Pay a premium (if present)	Seek a discount (if absent)	Reject building (if absent)	Total impact
Features that reduce energy consumption	35%	31%	18%	84%
Green building certification	45%	21%	13%	79%
Onsite renewable energy generation	58%	15%	4%	77%
Smart tech adjusting building operations to reduce environmental impact	53%	18%	5%	76%
Resilience to effects of climate change	37%	22%	16%	75%
Features reducing building water consumption	41%	20%	7%	68%
Uses a green or renewable electricity tariff	38%	16%	9%	63%
Electric vehicles charging points	38%	17%	7%	62%
Onsite facilities to reduce and recycle waste	36%	20%	6%	62%
Use sustainably sourced building materials	44%	13%	4%	61%
Green lease clauses to enforce action	33%	17%	8%	58%

PILLAR 1: Physical asset resilience and sustainability

Strategies to optimize portfolio strategy and sustainability

Real estate companies in Canada are deploying a broad range of strategies to optimize portfolio value and sustainability. We found:

86% of firms are engaging in green building investments

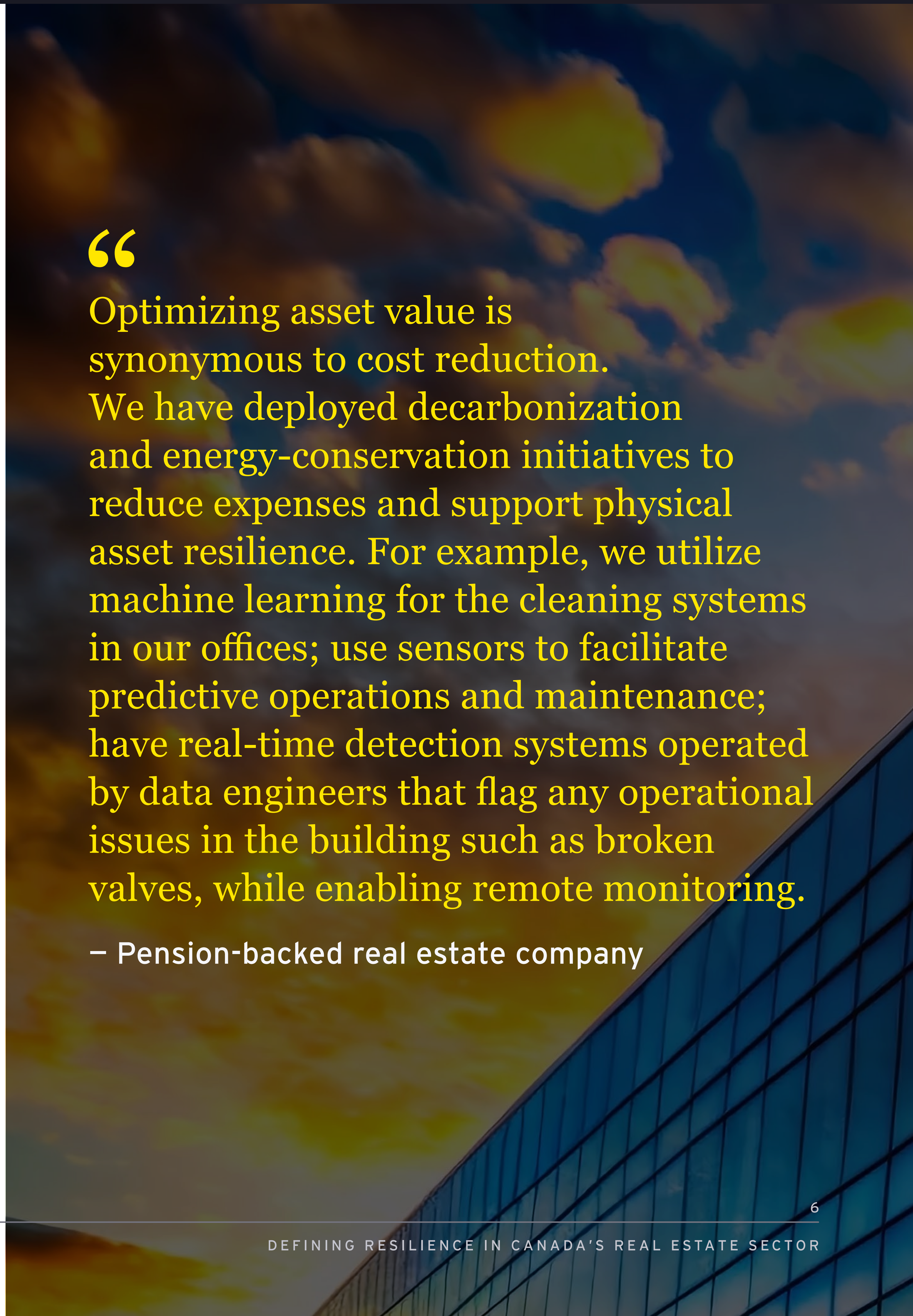
62% of firms have implemented sustainable building practices

57% of firms are conducting climate risk modelling using external data

7% have advanced generative AI capabilities to enable predictive maintenance

Across this space, real estate companies are actively engaging in strategies to mitigate physical asset and transition risks associated with climate change. These strategies include:

- **Predictive maintenance and AI integration:** Companies are using AI, such as gen AI, for predictive maintenance to reduce expenses and enhance the resilience of physical assets. However, some smaller companies find tech solutions too expensive and rely more on traditional methods of operations and maintenance. One pension-backed commercial real estate company commented:
- **Cleantech solutions and green building investments:** There is a strong focus on cleantech solutions, particularly solar energy and green building investments, with certifications like LEED, BOMA BEST, Energy Star and Zero Carbon being common goals. Some respondents have made significant strides in achieving green certifications for their properties, including achieving the Zero Carbon Building performance standard for several buildings. Another respondent noted that more than 95% of their buildings have achieved an industry-leading green building certification.
- **Climate risk modelling:** Companies are using external empirical data and third-party services to assess climate risks and develop adaptive strategies. They're focused on understanding the risks at both the property and portfolio levels.



"Optimizing asset value is synonymous to cost reduction. We have deployed decarbonization and energy-conservation initiatives to reduce expenses and support physical asset resilience. For example, we utilize machine learning for the cleaning systems in our offices; use sensors to facilitate predictive operations and maintenance; have real-time detection systems operated by data engineers that flag any operational issues in the building such as broken valves, while enabling remote monitoring.

– Pension-backed real estate company

PILLAR 1: Physical asset resilience and sustainability

Main challenges firms face

All survey respondents reported facing or currently experiencing challenges in implementing sustainability strategies. Given the dynamic nature of climate risk assessment, the industry is embracing collaboration, innovation and policy support to overcome challenges and bolster resilience while addressing transition risks. But obstacles remain:

- **Return on investment (ROI):** Tenants and investors are calling for more sustainability initiatives. At the same time, these stakeholders are reluctant to bear the costs. Some 57% of interviewees highlighted that they are reluctant to absorb sustainability investment costs due to potential sub-optimal ROI. This is creating challenges for real estate companies, particularly given the considerable cost of implementing sustainability measures.
- **Availability of data:** The acquisition of accurate and comprehensive data for sustainability reporting and decision-making poses a challenge to both initial investments in these initiatives and the ability to quantify impact. In all, 42% of survey respondents expressed difficulties in acquiring accurate and complete data for sustainability reporting. This is particularly evident among private-equity-backed firms, which struggle to access accurate and complete data, and share concerns about data validity and the risk of greenwashing.
- **Regulatory fluctuations:** Navigating a changing regulatory environment, especially across different geographies and property types, demands considerable resources and expertise
Some 42% of respondents identified regulatory fluctuations as a challenge to fulfilling their sustainability strategy. Respondents reinforced the need for regulatory clarity, in addition to government support.
- **Government support and incentives:** There is a consensus on the need for increased government assistance to promote the shift towards eco-friendly buildings and sustainability.
- **Professional expertise development:** The sustainability domain's evolving skillset leads to a reliance on consultants, posing a challenge amid competing market priorities.
- **Leadership and strategic direction:** The industry faces a critical juncture, with the future direction of sustainability not entirely defined, making it challenging for some companies to lead in this area.
This emerged loud and clear among government entities, which need leadership in mapping out sustainability, and face challenges owing to conservative operational structures or acquisition strategies.

What's the bottom line?

Canadian real estate companies are moving towards holistic sustainability strategies and science-based targets. Despite facing hurdles in cost assessment and the dynamic nature of climate risk assessment, the industry is looking towards collaboration, innovation and policy support to surmount these challenges and bolster resilience across physical assets.

While self-assessed maturity across the industry averaged 4 out of 5 for physical asset resilience and sustainability, our survey indicates large variances in adoption rates in strategies such as predictive maintenance and AI integration, and only about half of respondents have tools to conduct climate risk assessments.

PHYSICAL ASSET AND SUSTAINABILITY RESILIENCE

SELF-ASSESSED INDUSTRY AVERAGE

1 Nascent — 4 — 5 Very mature

PILLAR 2: Technological and digital resilience

Digital and technological advances are opening up entirely new possibilities for real estate firms across Canada. As the built environment has continued to evolve, new developments in building technologies have unlockeda variety of use cases addressing building owners' long-term interests and occupants' immediate needs. These digital tools, with their distinct capabilities and benefits are transformative, but require careful selection based on the challenges to be addressed.

What are some of the advancements?

A smart building platform enhances a building's ability to anticipate, absorb, adapt to and recover from various disruptions, thereby significantly boosting its resilience, including:

- **Digital twins:** Introducing digital replicas of buildings for simulation forecasting and scenario testing is a burgeoning area.
- **Data analysis and AI:** The data a smart building platform collects can provide valuable insights for improving the building's long-term resilience. This includes analysis of energy usage, occupancy patterns, system performance and more.
- **Automated controls:** Automating building systems such as HVAC, lighting and security improves energy efficiency and cost savings, and also eases the recovery process after a disruption.
- **Integration with renewables:** Smart building platforms can be integrated with renewable energy sources and battery storage, increasing resilience by ensuring a consistent energy supply even during power grid failures or natural disasters.
- **Energy efficiency:** Smart building platforms can optimize energy consumption based on occupancy levels and usage patterns. In the event of a power outage or grid disruption, this efficient use of energy can help a building maintain critical functions for a longer period.
- **Monitoring and alert systems:** Smart building platforms can provide real-time monitoring of building systems and alert facility managers to potential issues.
- **Physical security:** Through automated access management and surveillance systems, a smart building platform can enhance the building's physical security, protecting against threats such as break-ins or vandalism.

PILLAR 2: Technological and digital resilience

Strategies to build technological and digital resilience

Canadian real estate companies are exploring various strategies to enhance digital and technological resilience:

Enterprise resource planning (ERP) systems:

Firms are using ERP systems, working towards a future state of building connectedness, with built and outsourced platforms to simplify building management and enhance resilience. This includes the ability to access data in the cloud and central storage of "Crown Jewels" in a secure place to reduce risk. This eliminates silos, enhances collaboration and enables controls for improved resilience.

Enabling gen AI data hubs

Gen AI is being used to empower energy intelligence data across asset portfolios.

Cybersecurity:

Firms show a continued focus on cybersecurity throughout the built environment as it is digitally advanced.

Building data privacy frameworks

Respondents are building frameworks to comply with evolving regulatory requirements.

> "We have partnered to implement AI-powered energy intelligence platform to cut energy consumption and carbon emissions across 10 Toronto-area buildings, representing 7.4 million square feet of office space. SHIFT Energy's solution, deployed across North America, works with existing control systems and equipment to improve the energy performance of large-scale heating and cooling systems in office towers, hospitals, university and college campuses, shopping centres, sports arenas and other large facilities. The demand management solution will also help us further manage peak pricing events associated with Ontario's Global Adjustment. Building a more sustainable future is foundational to everything we do.
>
> – Pension-backed real estate company

PILLAR 2: Technological and digital resilience

Main challenges firms face

Real estate firms noted several challenges in eliminating data silos and fostering digital and technological resilience:

- **Adopting advanced technologies:** While digital twins and AI are considered transformative technologies, only 50% of the companies surveyed are actively using them in their sustainability journey. The disparity in technological resilience across the sector suggests varying levels of engagement and strategic implementation.
- **Centralization and data management:** Building systems are often siloed, making it difficult to make informed, real-time data-driven decisions. Limited technical staffing and a looming knowledge gap among building engineers further complicate the integration of new technologies. Breaking down data silos and centralizing data is crucial for better decision-making and cost efficiency. However, achieving this requires significant investment and strategic planning.
- **Cybersecurity and data protection:** Implementing robust cybersecurity measures and protecting sensitive data is essential. However, firms are struggling with appointing dedicated personnel like privacy officers and developing comprehensive privacy compliance frameworks.
- **Knowledge sharing and collaboration:** It's vital to share successes and learnings with industry peers to promote leading practices and facilitate sector-wide adoption of effective resilience strategies. But this is not currently happening on a systematic level among real estate firms.
- **Training and education:** Continuously educating and training staff to stay abreast of evolving cyber risks is necessary to ensure human capital is equipped to support technological resilience.
- **Resource constraints:** Some companies face resource constraints, lack of perceived immediate need, or a wait-and-see approach to adopting new technologies, impacting their ability to effectively implement digital and technological advancements.

What's the bottom line?

As Canadian real estate firms have responded that they have minimal to extensive plans to adopt technological advancements in the medium term, maturity of these initiatives sector wide is likely a longer journey for most Canadian real estate companies. Despite this, survey respondents stressed the need for bolstering their technological and digital resilience, reflected in their self-assessed maturity, which was scored 2.9 out of 5.

TECHNOLOGICAL AND DIGITAL RESILIENCE

SELF-ASSESSED INDUSTRY AVERAGE

1 Nascent — **2.9** — 5 Very mature

"From the climate-tech perspective, there are legacy challenges with old buildings. It is difficult to implement experiential technology in buildings given that the incentive to invest in technology is low once the buildings have been leased out. Also, we have a long-term view with respect to assets holding on to its AAA assets rating over the long term. Intrinsically, we are not a property flipper. We devise 10-year capital plans, which may only sometimes consider cutting-edge technology.

– Pension-backed real estate company

PILLAR 3: Financial resilience

Across the real estate industry, respondents have indicated a comprehensive approach to financial distress contingency planning. Real estate firms are seeking diversification opportunities and alternative liquidity sources—from nontraditional lenders and joint ventures to maintain financial flexibility and safeguard against market volatility.

They're also exploring asset sales to recycle capital and innovative financing options through channels like the Canada Infrastructure Bank. The industry has embraced hedging to combat interest rate fluctuations and preserve asset value while managing risk, balancing fixed and variable rate debt ratios. Additionally, firms are closely monitoring raw material costs, particularly in the context of inflation, as part of broader efforts to manage budgets and maintain profit margins.

Strategies to develop financial resilience

Canadian real estate companies are employing various strategies to enhance financial resilience:

1. **Diversification of revenue streams:** More than half (58%) of respondents consider diversifying revenue streams crucial for financial resilience. This includes identifying and investing in alternative sectors and markets, expanding the real estate asset portfolio, and diversifying the tenant portfolio to mitigate credit risk exposure.
2. **Densification:** Respondents indicated that by operating in markets and/or asset classes where real estate companies have significant scale, they are able to generate above-average risk-adjusted returns.
3. **Improved cost management:** Some 25% of real estate companies surveyed believe it's essential to prioritize cost control and enhanced cost management alongside revenue growth. This includes postponing capital projects without a favourable cost-benefit analysis and prioritizing investment in resilient sectors.
4. **Improving debt management:** This is accomplished by avoiding excessive debt, staggering debt maturity strategically, sourcing alternative credit facilities, balancing fixed and variable interest rate debt, working with nonconventional lenders and lowering prepayment penalties.
5. **Increasing access to alternative capital sources:** A quarter (25%) of respondents have considered alternative capital sources such as selling and/or recycling assets. Joint venture agreements can also help meet liquidity needs while maintaining ownership of assets.
6. **Hedging foreign exchange risk and energy prices:** Real estate companies are hedging to preserve asset value.
7. **Supply chain management:** Firms are constantly evaluating vendor and supply chain risks to inform contingency plans that mitigate against potential disruptions.
8. **Sustainable financing:** Canadian real estate companies are exploring various tax credit or structuring opportunities to capitalize on sustainability savings. They're also considering sustainable financing strategies and incentives to support environmental goals, including:
   - **Green bonds:** More than half (55%) of respondents have issued or explored green bonds. However, some note the cost savings are negligible, and the absence of advanced mechanisms to promote adoption is a challenge.
   - **Tax credits:** Some 27% consider tax credits when making investments or developing new assets. However, many have not taken advantage of tax credits in Canada.
   - **Green loans:** Firms are exploring green bonds for individual projects and to enhance sustainability reputation.
   - **Sustainability-linked bonds:** Nearly a third (30%) of respondents are looking into sustainability-linked bonds. These bonds are viewed favorably but are not pervasive in the market. Challenges include recruiting ESG personnel and insufficient yields.
   - **Carbon pricing mechanisms:** This is viewed as an unfavourable mechanism due to concerns about the unregulated nature of the offset market.

PILLAR 3: Financial resilience

Main challenges firms face

Despite exploring strategies to support financial resilience, a multitude of challenges and macroeconomic trends are posing difficulties for Canadian real estate companies, including

- **US tariffs:** Supply chain disruption, construction material cost increases and capital funding model stress is anticipated in 2025.
- **Economic disparities:** The economic realities across Canada differ significantly by region. This regional disparity requires firms to adopt tailored financial strategies.
- **Interest rate volatility:** Higher interest rates can lead to increased interest expenses on existing debt, reducing cash flow available to investors. REITs with high leverage ratios may face challenges in servicing their debt, leading to increased credit risk and potential defaults.
- **Consumer spending and debt:** Slower employment gains, moderate wage growth and rising debt servicing burdens are anticipated to cool consumer spending growth. This could impact rental income and property values.
- **Liquidity management:** It's crucial to maintain adequate capital reserves to manage liquidity during periods of volatility. Firms need to ensure they can meet obligations and take advantage of investment opportunities even in challenging markets.
- **Regulatory and taxation changes:** Navigating changes in regulations and taxation, such as the Inflation Reduction Act and Infrastructure Investment and Jobs Act, requires significant resources and expertise. Firms must stay informed about public sector incentives and disincentives to optimize their financial strategies.

What's the bottom line?

Canadian real estate companies are adopting a wide array of strategies to support financial resilience, focusing on diversification, liquidity management and innovative financing strategies. Sustainable financing is also proving to be a trend, with strategies like green bonds and tax incentives to support environmental goals and enhance their reputation for sustainability. While self-assessed as the second most mature resilience pillar, with an average rating of 3.9 out of 5, it's clear there is still more work to be done.

FINANCIAL RESILIENCE

SELF-ASSESSED INDUSTRY AVERAGE

1 Nascent — **3.9** — 5 Very mature

"Diversification helps keep our risk exposure to any particular asset class tolerable.

– Pension-backed real estate company

"We don't focus on top line revenue. We focus on cost control to maintain margin, by doing what we need to do, rather than what we'd like to do.

– Real estate crown corporation

"We have FX and hedging policies in place to maintain the balance sheet and preserve asset value.

– REIT

"We look forward to implementing a green financing framework to demonstrate our adherence to ESG fundamentals, which is expected by our clients and is therefore a must to attract investments.

– Pension-backed real estate company

"We are performing scenario analysis to understand the impact of tariffs on our supply chain"

– REIT

PILLAR 4: Workforce resilience

The evolving dynamics of the post-pandemic world have underscored the critical need for real estate firms to bolster their workforce resilience. As financial and labour market pressures mount, employers are increasingly recognizing the shifting balance of power towards employees. Despite this, there remains a significant underestimation of employees' desire to quit, even as growth slows, and the likelihood of employee turnover diminishes slightly.

The tension between hybrid and fully remote work arrangements persists, with a clear demand for flexibility. While employers may prefer hybrid models, the demand for fully remote options often exceeds the supply.

Corporate real estate is experiencing a state of imbalance. High-quality real estate alone does not necessarily draw employee back to the office, but it plays a crucial role in fostering culture, retention and productivity. As real estate firms navigate these challenges, understanding and enhancing workforce resilience will be key to sustaining long-term success and adaptability in an ever-changing environment.

In our survey, we found that in Canada, 99% of real estate companies are encouraging employees to work in the office at least two days per week, and 80% are confident in their hybrid strategy. This compares to the US, where 57% of employers are reallocating space to support new ways of working and 52% are considering moving from a 1:1 to 1:2 desk-to-people ratio in the next two years.

Strategies to cultivate workforce resilience

Largely in line with broader trends, Canadian real estate companies are working to bolster workforce resilience by:

Hub location strategy relocation and portfolio consolidation: Some firms are promoting hub concepts across city centres to facilitate collaboration and to attract top talent. The reduced need for traditional office space is causing firms to consider portfolio consolidation and strategic space reallocation.

Implementing tailored hybrid working models: Some 73% of firms have established a clear picture of remote work viability across the organization, and 27% have tailored theirhybrid work model to suit departments (e.g., the technology department predominantly works from home, while operations and retail teams are encouraged to work in the office).

> "We monitor the frequency that each employe comes into the office to ensure that space strategies are appropriate."
>
> – Private real estate company

> "85% of our workforce do not work remotely. Development, investment, operations and retail teams generally work in office, leaving 15% of the workforce adopting hybrid work. Data, technology and cyber roles tend to work well for remote work. Hotel workspaces are made available for hybrid workforce."
>
> – Pension-backed office and retail real estate company

Spring 2023 U.S. Office Occupier Sentiment Survey, CBRE, May 18, 2023, https://www.cbre.com/insights/reports/spring-2023-us-office-occupier-sentiment-survey

PILLAR 4: Workforce resilience

Strategies to cultivate workforce resilience (continued)

Redesigning or optimizing existing office space: Nearly half (45%) of respondents recognize the need to make use of existing office space to foster collaboration, information-sharing, employee engagement and wellbeing. Some respondents seek to reduce their office floor space and lower operating costs given the hybrid working models in place.

Employing technology to enhance communication and collaboration: Real estate companies are investing in virtual communication and collaboration tools to better facilitate existing remote work and enhance efficiency. This includes using technology such as bots to eliminate redundant tasks and increase productivity.

Cultivating diversity, equity and inclusion (DEI) initiatives: We saw 33% of respondents emphasize that people and culture remain key enablers of their workforce resilience strategy.

> “We are assessing office space needs to determine how to better optimate space to decrease costs. We’re also redesigning the office to allow people to be more productive.
>
> – Private real estate company

> “We foster workforce resilience by embedding inclusion in our business strategy, building inclusive leadership skills within the organization, and seeking and prioritizing diverse talent acquisition. We believe that by encouraging diverse perspectives and celebrating a variety of backgrounds, experiences and skills, it can foster a healthier corporate culture, generate new business opportunities and develop innovative ways of thinking within the company.
>
> – Private real estate company

PILLAR 4: Workforce resilience

Main challenges firms face

Real estate firms face several challenges in fostering workforce resilience:

Adapting to hybrid work models: Canadian real estate companies believe that workforce resilience can be strengthened by adopting a structured approach to the design and implementation of new hybrid working models. However, there is no universal hybrid working model, and it needs to consider the critical components of people, technology and physical space.

Employee preferences: Some 81% of respondents preferred employees to work in their offices at least three days a week, indicating a need to balance remote work flexibility with in-office presence.

Maintaining employee wellbeing: Ensuring employee wellbeing in a hybrid work environment is crucial, requiring firms to implement policies that reduce commuting and support work-life balance.

What's the bottom line?

Real estate companies in Canada are focusing on flexible work arrangements and strategic space utilization to enhance workforce resilience. Hybrid work models are still being optimized, with companies working to balance employee preferences with practical considerations.

While firms are exploring new technologies in the industry – such as gen AI and machine learning –, firms have stressed the importance of sufficiently upskilling their resources to work with these technologies. Additionally, in conjunction with improving financial resilience, firms are exploring how best to utilize theirasset portfolios to meet the evolving needs of the workforce.

Despite these efforts, workforce resilience was self-assessed as the second-least mature resilience pillar, with an average rating of 3.8 out of 5. This indicates that while progress is being made, there is still significant work to be done. Respondents emphasized the importance of implementing remote work policies, redesigning office spaces and investing in communication tools to enhance collaboration, employee wellbeing and productivity. These initiatives position companies to better support their employees' needs and help them thrive in a changing work environment.

What's next?

Survey responses have reinforced existing EY research, indicating that enterprise resilience is not dependent on a single factor. Rather, it involves an organization's ability to integrate and address four core pillars collectively.

Survey responses align with broader trends, in that Canadian real estate companies have made efforts to fortify operations and improve overall resilience, but additional efforts are required to further mature these initiatives.

By conducting a rapid assessment to understand their physical asset, digital, financial and workforce resilience gaps, and by building a roadmap to address gaps, Canada's commercial real estate companies can position themselves to thrive today and for years to come.

EY recommends that Canada's commercial real estate companies position themselves to thrive today and for years to come by performing an enterprise resilience rapid assessment to understand physical asset, digital, financial and workforce resilience gaps and build a roadmap to address them.

Learn more

For more information and to learn how EY can help your organization along its resilience journey, contact us:

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