

ADVANCING CIRCULAR ECONOMY IN CANADA'S REAL ESTATE SECTOR

Developing the Business Case for the Flexible Use and Adaptability of Commercial Real Estate in Canada

MAXIMIZING THE VALUE OF COMMERCIAL REAL ESTATE IN CANADA

Currently, real estate value is lost in two primary ways:

1. Underutilized assets - buildings with high vacancy rates
2. Premature demolition - buildings replaced before their useful life is over

The global pandemic has revealed an appetite for flexible leasing models which may be causing structural shifts in demands for various asset classes such as commercial office and retail.



Background

Buildings are one of the largest sources of global greenhouse gas (GHG) emissions. In an investment landscape increasingly informed by climate-related risks, this is becoming a mainstream matter of financial viability.

From this perspective, the emphasis in the commercial real estate industry on developing new buildings conflicts with managing climate risks and achieving GHG emissions targets. Even constructing the most energy efficient new buildings entails a major upfront spike in carbon emissions due to the resource intensive nature of construction and the materials supply chain.

In contrast, prolonging the use of existing buildings in place of new development through repair, maintenance, and flexible / adaptive use and reuse can help reduce GHG emission impacts.

PROJECT SUMMARY

Circular Economy Leadership Canada, BOMA Canada, and the Pacific Institute for Climate Solutions (PICS), are seeking thought leadership partners to advance the development and implementation of circular economy strategies in existing buildings that will reduce embodied carbon, extend the life of buildings, and facilitate flexible and adaptive leasing models.

Leading professional and industry associations, consulting firms, and research organizations have recognized building reuse as a principle of the circular economy, though this has received the most attention in the United Kingdom and Europe.

Developing a better understanding of these shifting real estate practices and business models in North America, and Canada more specifically, can help leading firms with their climate goals while potentially opening new business and investment opportunities.

Like other aspects of green building, circular economy principles may eventually be incorporated and standardized through codes and regulation. In the shorter-term, it will be important for the private and public sectors to demonstrate the business case for action and develop the supportive policy to drive transformation and market adoption of these practices.



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KEY QUESTIONS TO INVESTIGATE:

1. Under what conditions does extending the life of commercial office buildings become a competitive financial proposition? Strategies include:

- o Deep retrofits (HVAC and façade upgrades), renewable energy technologies, fuel switching
- o Improved resilience to chronic or acute seismic and climate impacts
- o Flexible space leasing models, flexible building cores, adaptive reuse, design for disassembly, adaptability, and durability

2. How can this be integrated into practice over the next ten years?

3. What is the value proposition for improving commercial office building assets with shorter ownership horizons?

4. How can whole life cycle costing, including the cost of carbon, be integrated into commercial office real estate investment decisions?



Commercial real estate firms with extensive asset portfolios have an opportunity to maximize the value of existing assets by improving building performance through embodied carbon and resilience strategies. Such steps will hopefully displace a percentage of the new construction needed in the short and long term.

In addition to advancing the Canadian commercial real estate industry's understanding and awareness of the inherent economic, environmental, and social benefits of circular economy solutions, this collaboration will result in practical resources that can support property managers, owners, and investors to undertake circular strategies more easily, thereby reducing the embodied carbon of organizations and their building portfolios.

Project Tasks

1. Project kick-off meeting with Partner member Working Group
2. Secondary research in line with final scope and key questions (to the left)
3. Key informant interviews (domestic and global)
4. Virtual workshop with real estate sector
5. Development of draft and final Circular Real Estate Asset Management Guide
6. Optional (Phase 2): Pilot project to apply Real Estate Guide and potentially expand Guide to include other asset classes.

Partner Expectations

- o Participate in project kick-off in early 2022
- o Contribute to refining the vision, objectives and provide feedback on deliverables
- o Participate in working group meetings as project progresses (approx. 10-15 hours over 5-6 months)
- o Financial contribution to support consultant work would be appreciated

Outcomes & Benefits

- o Develop the business case for investing in commercial office building life extension and resilience to future proof your building.
- o Gain insights and tips on best practices for flexible real estate leasing models.
- o Explore opportunities for enhanced revenue generation and diversification.
- o Identify additional climate / net zero reduction projects and pathways through Scope 3 and life cycle GHG emission considerations.

Project Timeline

Approximately **5-6 months** following launch.

Project Deliverables

Project deliverables will include:

- o Key informant interview summaries
- o Workshop summary
- o Circular Real Estate Asset Management Guide (including best practice case studies)

More Information?

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