



Another condo rises in Toronto. How can we make our cities smarter?

## Rethinking cities in the age of urbanization

Canada will need to shape smarter, sustainable and more livable cities

A new age of urbanization has begun. Around the world, people are migrating en masse to cities. Few countries, including Canada, can keep up with the growing demand for urban real estate and infrastructure. For business leaders in Canada, ranked 40th in the UN's global urbanization report, this presents both an opportunity and a challenge, says James McKellar, who launched Canada's only formal graduate real estate program in the early 1990s at the Schulich School of Business. Five years ago, Schulich's program was expanded to include infrastructure management, the second most important building block in the regeneration of cities.

As economic migrants help to fuel demand for real estate in Toronto, Vancouver and other centres, the thriving sector is able to entertain big ideas to meet the country's unprecedented need for housing and shelter, social services, sanitation, access to clean water, alternative energy, education, and transportation. A renewed push to make our cities better places to live, address social needs and enhance the prosperity of our urban regions is having an impact on the way we do business.

In the 1990s, a time of wild volatility in interest rates and uncertainty in urban housing markets, many of the country's largest property management and development firms went bankrupt, recalls Prof. McKellar. Out of the ashes, arose a stronger, vibrant industry, flush with professional talent and well-informed leadership, disciplined lending practices, creative new business arrangements and financial models, government initiatives and new institutional investors such as OMERS and other pension funds.

Today, Prof. McKellar estimates that half the business that banks do is related to real estate, whether it's mortgages or construction lending. A much stronger regulatory framework helped Canada avoid the 2008 credit crisis that burst a real estate bubble in the United States fuelled by mortgage-backed securities.

"We're seeing the emergence of real estate as a major investment asset class and a broader recognition of its importance as both a factor of production and a social good," says Andre Kuzmicki, a former industry executive and Executive Director of the Schulich program.

Given the scope and scale of the urban challenges across the globe, experts are now focusing on ways the industry can intelligently meet the demand for more livable and sustainable communities, using new technologies and new business models. Yet in many cities across Canada, the building of infrastructure isn't keeping up and existing infrastructure is crumbling.

"We don't use our cities very efficiently," says Prof. McKellar. He says Canadian cities remain wedded to the car – a mode of transport that spawned superhighways and low-density sprawl beginning in the 1960s. But what kinds of infrastructure, other than more roads, do we need to address today's demographic trends? Particularly since young people are increasingly attracted by walkability and proximity to amenities, while the growing senior population desperately wants to be independent and involved.

To solve these problems, Prof. McKellar says we're going to have to get creative. In an age where Airbnb has disrupted the hotel industry without owning a single hotel room, technology is also poised to have a major impact on the way we use space. Apps such as LiquidSpace are beginning to offer companies a way to book unused office space for short stints, bringing the sharing economy to real estate. One U.S. expert predicts that office sharing, combined with portable work stations, could eventually reduce the need for office space in major cities by as much as 50 percent. New business models are reshaping the urban environment as well, Uber being one example. Other, more far-reaching business models will follow as firms such as Apple and Google begin to recognize the enormity of this global market for smarter and more sustainable cities.

This can only be a positive trend to solve the problem of increased demand for space amid aging buildings and infrastructure that belong to

an older era, says Christopher Wein, president of Great Gulf Residential.

"You need to look at a city as a renewable resource," says Wein. "How do we take the office buildings we had in 1975 and repurpose them, reuse them, create different uses for them? Can we convert parking lots into entertainment spaces, subterranean farms, gardens?"

Future trends include smaller individual living spaces and greater investment in shared social places.

Will Canada become the new frontier in addressing quality of life in our cities? Our urban centres are the laboratories of the future, testing and adapting as changes in technology, climate and demographic shifts change our way of life.

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- Schulich developed Canada's first MBA specialization in real estate in the early 1990s and expanded the program in 2010 by becoming the first business school in the world to offer a specialization in Infrastructure.
- Schulich's Real Property Students' Association, in partnership with RealNet Canada Inc., hosts an annual international Developers' Den competition to analyze and determine the optimal solution to a real-world development challenge.
- Schulich is in the process of launching a one-year Master's degree in Real Estate and Infrastructure – the first of its kind.

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