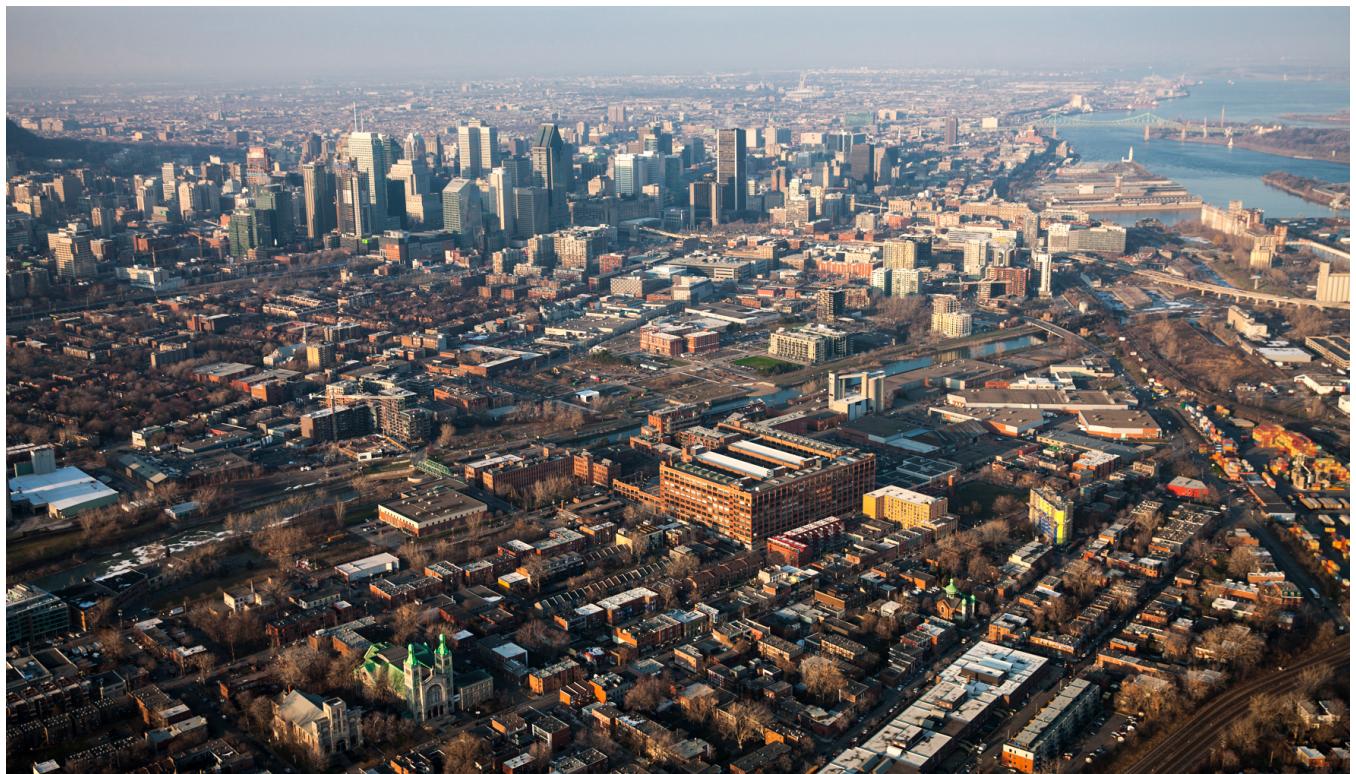


# Enduring Canadian Cities



MICHAEL EMORY

*President and Chief Executive Officer*

In my view, Canada is one of the better city-building nations on earth. We Canadians are building enduring cities, cities that will stand the test of time by elevating and inspiring the humanity in all of us. As fate would have it, Montréal is my first city and remains a driving force in my passion for cities.

## I. CANADIAN CITIES

Two mutually reinforcing trends emerged in Canadian cities in the late 1990s. One was encouraging growth on existing urban infrastructure rather than creating new infrastructure on an ever-widening perimeter, often referred to as “smart growth”. The other arose from the fact that millennials and their parents were beginning to exhibit a strong preference for living, working and playing in the urban core. These two trends had profound impact on Canadian cities in the decades to follow.

To take this one step further, if there was ever any doubt, the last two decades demonstrated that the city is the dominant form of human organization on our planet. The city is where nearly everything that constitutes human culture today receives its most intense, diverse and consequential expression. This has been the case throughout recorded human history, though the fortunes of specific cities have waxed and waned with the passage of time.

Canadian cities experienced significant immigration and reverse migration from the suburbs in the last two decades, bringing more people and businesses into the urban core. Put simply, people were attracted by the richness and diversity of urban life, and businesses were attracted by the burgeoning concentrations of human talent. This did not hollow out the inner or outer suburbs, as they continued to grow meaningfully; it simply changed the direction of movement from predominantly outward to meaningfully inward. Urban intensification was a clear response to this change in direction.

Commercial real estate is no longer a passive investment or a static tolling business. It's a profoundly human business that needs to keep pace with demographic and technological change, as well as ongoing change in human attitudes and values. That means we have to run commercial real estate to save the global environment, not destroy it. It means we have to foster human wellness, not undermine it. It means we have to promote diversity, not impose uniformity. It means we have to facilitate creativity, not encourage conformity. Finally, it means we have to build and operate as city builders, which in a way embraces everything else I've just said. City builders see commercial real estate as an integral part of a much larger ecosystem of infrastructure, buildings and human beings.

To put all this into contemporary perspective, Canadian commercial real estate in this century is evolving in a way that makes ESG practices of paramount importance. Working toward best practices is now a matter of enlightened self interest. No organization is yet where it wants to be, but no organization will remain competitive if it doesn't work sincerely and assiduously toward getting there.

As we all know, the human toll of the pandemic was severe and inequitable. Early on in the initial shut-down phase of the pandemic, speculation about the future of real estate was rampant. Many thought urban housing values in Canada were going to collapse as people fled the cities. Exactly the opposite happened. Many thought Canadian chartered banks were going to contract as a result of the expected housing collapse. Again exactly the opposite happened. Many thought people were going to work gleefully and productively from home on a permanent basis. Clearly, and to the chagrin of minimally engaged employees everywhere, that's not happening. Many thought people were never going to shop at physical stores again but rather would procure their entire spectrum of needs and wants online. Clearly that's not happening either.

People are going to keep doing what they did pre-pandemic rather than fundamentally altering either their basic nature or their established way of life. This really shouldn't come as a big surprise, especially if you look at human history over the past few millennia. Our Canadian cities are enduring, primarily because they enrich the lives of a broad and diverse spectrum of human beings in a way no other form of human organization can. They experienced a temporary hiatus during the pandemic, but they are continuing to evolve and intensify at an unprecedented rate, and they continue to elevate and inspire the humanity in all of us.

## II. THE CITY OF MONTRÉAL

Everyone has a first love. No matter how it worked out, your first love stays with you forever. Most of us have a first city as well. Believe it or not, mine was Montréal.

I grew up in a tiny town in northern Maine. When I was 12, my mother had a severe aneurysm and was flown to the Montréal Neuro on an emergency basis. The brilliant health-care professionals there saved her life. After a long convalescence under their care, my mother recovered fully.

I visited my mother at the Neuro with my father and sisters in 1967. In doing so, I experienced a city for the first time in my life. I honestly felt I'd never seen anything so vast or beautiful. I'll never forget looking out our hotel window at night and watching the beacon on top of Place Ville Marie rotate endlessly, illuminating different portions of the city as it covered all 360 degrees. I was so excited I couldn't sleep.

Montréal was destined to stay with me forever, even though I didn't make it back in a meaningful way until I was nearly 50. By then, though, I knew a lot more about cities, about how they operate, about how they evolve and about what makes them enduring. Specifically, I knew that Montréal was an enduring city, and through Allied I acted on that knowledge with conviction. Allied and its constituents have benefitted as a result!

What enabled me to understand Montréal's potential was our early experience in Toronto. It began in the late 1990s and involved the adaptive re-use of buildings constructed over a century ago for light-industrial use. Properly restored and retrofitted, these buildings were ideal for contemporary office and storefront-retail use because of their high ceilings, abundant natural light, exposed structural frames, interior brick, hardwood floors and architecturally distinct facades. It felt a lot like "back to the future" at the time, and it still does.



King & Spadina Neighbourhood, Toronto

By 2005, we had consolidated two million square feet of urban workspace in Toronto, and we were beginning to derive competitive advantage through concentrated and coordinated operation. Our building clusters were becoming innovation hubs with strong appeal to knowledge-based organizations. We were also beginning to realize that Montréal had a larger and more concentrated inventory of heritage structure than Toronto, especially to the south and east of the Downtown Core. In late 2005, a near-perfect Montréal opportunity came our way in the form of 425 Viger, a large heritage structure leased on a long-term basis to a strong user. To me, it was like buying a property with training-wheels, one around which we could begin to build a local team.



425 Viger West

Much as I was drawn to it, Montréal scared me to death, and I knew we wouldn't accomplish anything here without a strong local team. By adding a few more properties to 425 Viger, we were able to establish the foundation of what has become our large and brilliant Montréal team, led today by Jean-Francois Burdet, Christian Madore, Assmae Loudyi, Christopher Thorne, Laurence Gibeault, Joey Odman, André Sirois and others.

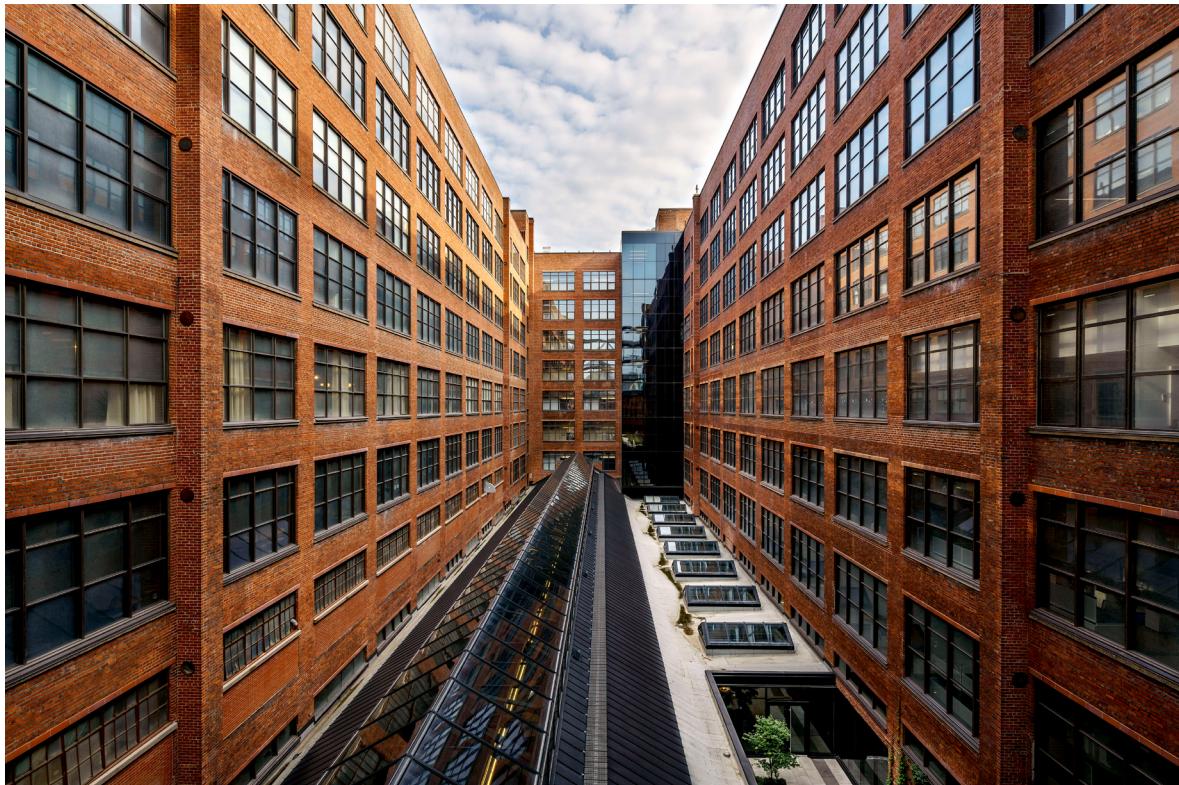
Things really got going in 2007, when we decided to buy Cité Multimédia. This gave rise to criticism and even ridicule, but it didn't bother me one bit. First, I knew then that whenever spectators dump on your head from a great height, you've probably done a really good deal. Second, I knew then how cities were evolving and how an asset like Cité Multimédia would perform in the context of Montréal.



Cité Multimédia, Phases 6 & 7

More than anything else, I knew that Old Montréal was nothing less than an urban marvel, one that had endured for centuries with all the ups and downs that go with such a timespan. Despite its incredible appeal, the large, historic neighbourhood had two limitations for office users, small floorplates and minimal parking capacity. Through Cité Multimédia, we enabled office users to be part of the neighbourhood without either of these limitations. Sure enough, the complex performed much better than any of the spectators expected as Montréal evolved into the global cultural and innovation hub it is today.

From Cité Multimédia, we went on to numerous large-scale acquisitions and re-developments in Montréal, including properties in Mile-End, the International Quarter, Point Saint-Charles and Saint-Henri. As we did this, Montréal emerged as a premier urban environment in Canada (and North America) for knowledge-based organizations. In my opinion, this derives in large part from the number and quality of the institutions of higher learning in the city. The scale and quality of the built-legacy in Montréal has also contributed to its emergence in the past decade. Allied is proud to have been a small part of this remarkable urban renaissance.



Nordelec

This brings me to 1001 Robert Bourassa, our largest single acquisition in Montréal...or anywhere for that matter. Completed in 1983 for Bell Canada, the building is comprised of just under one million square feet of rentable area and 693 underground parking spaces. It has large floor plates (36,000 square feet), excellent floor-to-ceiling height (12.5 to 14 feet) and favourable column spacing, all of which favours the open planning required for contemporary urban workspace.



Tour Bell

We're working with existing and future users to create a comprehensively distinctive urban workspace environment for knowledge-based organizations. Despite covering an area in excess of 30,000 square feet, the ground level in its recent form repelled rather than attracted people. Once within the building, people were effectively drowned in massive bland surfaces and drawn into multiple dead-ends, tainting the experience of the building even before reaching the workspace.

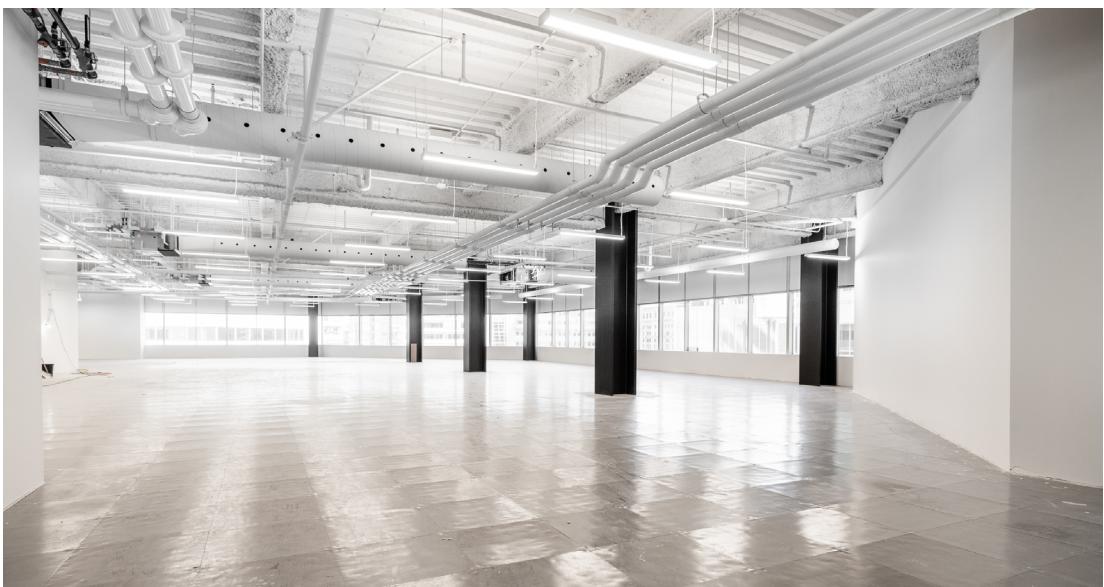
With Gensler and Moment Factory, we re-designed the ground level of the building and are now creating a large, open, textured and inviting environment for people. The intention is to facilitate arrival, working, breaking, gathering and departing in an uplifting manner. The ultimate intention is to enhance human engagement, not restrict it. The entrances are being rationalized, the dead-ends eliminated and different gathering areas firmly established, all with the nearby Mount Royal and its immediate ecosystem as the overriding design inspiration.



For the most part, the original workspace in the building was diminished by drop ceilings, heavy partitioning, natural-light entrapment and a drywall-encapsulated structural frame. In many respects, the beauty of the base-building was distorted by the commoditized and regimented nature of the leasehold improvements. With Gensler, we comprehensively re-designed a typical office floor, removing the drop ceilings, liberating natural light and exposing a beautiful structural-steel frame. The result has to be seen to be understood, which is why we've opened the second floor as show-space. I'd sincerely encourage anyone interested in the evolution of urban workspace to come see what we've done at 1001 Robert Bourassa.



1001 Boulevard Robert-Bourassa – Model Suite from Interior



1001 Boulevard Robert-Bourassa – Transformed Base Building

Last but not least, I want to mention Place Gare Viger, an exceptional mixed-use development located at the intersection of Old Montréal, Viger Square and the CHUM. Over the last decade, Jesta Group transformed this vast heritage property into a distinctive urban office, residential and hotel complex. We acquired the urban office component last year with Jesta retaining the residential and hotel components. Our primary goal was to enhance our ability to serve knowledge-based organizations in Montréal. Recognizing that the surrounding area is an emerging biotech and life-science ecosystem propelled by the extraordinary CHUM complex, our longer-term goal was to develop the ability to serve the kind of users who populate such an ecosystem. This is becoming an essential element of our mission, and we'll pursue it initially in Montréal.



Place Gare Viger

### **III. TRUE LOVE**

Allied is deeply committed to Montréal's urban core. Our investment is massive, and our conviction is unwavering. Montréal is a vast, vibrant and evolving ecosystem of infrastructure, buildings and human beings. The pandemic altered the working of the ecosystem temporarily, but it did not undermine or fundamentally alter it in any way. **Montréal will continue to elevate and inspire the humanity in all of us.** The history of the city will continue to be written for decades and centuries to come.

The city remains the dominant form of human organization on our planet. It is where nearly everything that constitutes human culture today receives its most intense, diverse and consequential expression. **The large number of us who build cities need to continue to lead.** We need to help the anxious and misguided among us understand that the collective and coordinated human effort made possible by cities elevates and inspires the humanity in all of us. We need to double-down on our love affair with cities generally and Canadian cities in particular. Each of us needs to hold himself or herself accountable, and we need to insist that our federal government and provincial governments do the same. There will be push-back from many, but our conviction and the inexorable force of history and human nature will propel us forward.

City building requires commitment, innovation and imagination. We've got to be nothing less than passionate about cities. As for Allied, I say this without hesitation—**watch us, Montréal, you're my first city, and neither Allied nor I will let you down!**

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This is the text of a presentation made to the Canadian Club of Montréal on June 16, 2022. The text contains forward-looking information, including statements about (i) the evolution of Canadian cities in which Allied operates and (ii) human behaviour within Canadian cities following the global pandemic. Although the forward-looking information is based on what the writer in his capacity as President & Chief Executive Officer of Allied believes are reasonable assumptions, including continued re-opening of Canada's cities over the remainder of 2022 and beyond, there can be no assurance that this information will prove to be accurate. Material areas of uncertainty include the fact that no person or entity can predict with certainty how users of Canadian cities will respond as authorities lift or relax physical-distancing measures across Canada. This commentary reflects perspectives and beliefs as of June 16, 2022, and Allied undertakes no obligation to update forward-looking information, except as required by law. Allied cautions the reader not to place undue reliance on this information.