COVID-19 | May 21, 2020

Impacts on Canadian Commercial Real Estate

The Journey Back

These are unprecedented times, as the impacts of COVID-19 continue to evolve at a rapid pace. We continue to take a close look at how this impacts the Canadian commercial real estate market. We are committed to you, our clients, and remain available for discussions and advice as your partners and wanted to offer our latest insights.

The ripples of impact from COVID-19 are being felt around the globe.
To find out what this means please visit our global resource centre.

Visit our Global Resource Centre

Looking for a previous update?

May 1st to May 8th, 2020 | Mid-April to April 30th, 2020 | Mid-March to Mid-April 2020

Economic Impacts

May 21, 2020 | Canada

As this unprecedented situation continues to rapidly evolve, Avison Young's briefing notes are intended to provide an up-to-date assessment of the impact on the commercial real estate market.

Period covered: May 9th to 15th, 2020

Economic impacts

A recent forecast report by the Conference Board of Canada revealed a startling economic disparity across Canada's major cities, but also offers a glimpse of better times ahead. Some of the notable highlights include:

- Real GDP is expected to contract at an annualized rate of nearly 5% in Q1 2020 and by as much as 25% in Q2 2020. By comparison, the steepest decline in GDP in the past 60 years was 8.7% in Q1 2009
- Government response measures carry a financial burden with the federal deficit expected to grow to roughly $125 billion in fiscal 2020-2021
- Despite the relaxing of physical distancing measures and under the assumption that a viable vaccine is made available soon, real GDP is likely to contract 4.3% in 2020, but bounce back by a measure of 6% in 2021
- GDP will decline the greatest in Edmonton (-5.6%) and Calgary (-5.5%), but these cities are expected to lead the recovery through the 2021 to 2024 forecast period

Canada Cross-City Comparison - Real GDP Growth (%)

Census Metropolitan Area (CMA)	2019	CMA	2020F	CMA	2021F	CMA	2021F - 2024F
Montreal	3.4	Ottawa	-2.4	Calgary	6.0	Calgary	4.3
Victoria	2.9	Victoria	-2.8	Edmonton	6.2	Edmonton	4.3
Vancouver	2.8	Vancouver	-3.0	Halifax	5.9	Saskatoon	3.4
Halifax	2.6	Toronto	-3.0	Hamilton	6.0	Regina	3.3
Ottawa	2.6	Hamilton	-3.2	Montreal	6.0	Toronto	3.2
Quebec City	2.3	Quebec City	-3.3	Ottawa	4.9	Vancouver	3.2
Hamilton	2.1	Halifax	-3.4	Quebec City	5.6	Halifax	3.0
Winnipeg	2.1	Winnipeg	-3.5	Regina	5.4	Winnipeg	2.8
Toronto	1.9	Montreal	-3.6	Saskatoon	5.2	Victoria	2.8
Edmonton	0.3	Regina	-4.6	Toronto	6.2	Hamilton	2.8
Calgary	0.1	Saskatoon	-4.9	Vancouver	6.5	Montreal	2.7
Regina	-0.1	Calgary	-5.5	Victoria	6.0	Quebec City	2.6
Saskatoon	-1.2	Edmonton	-5.6	Winnipeg	5.9	Ottawa	2.6

Source: Conference Board of Canada

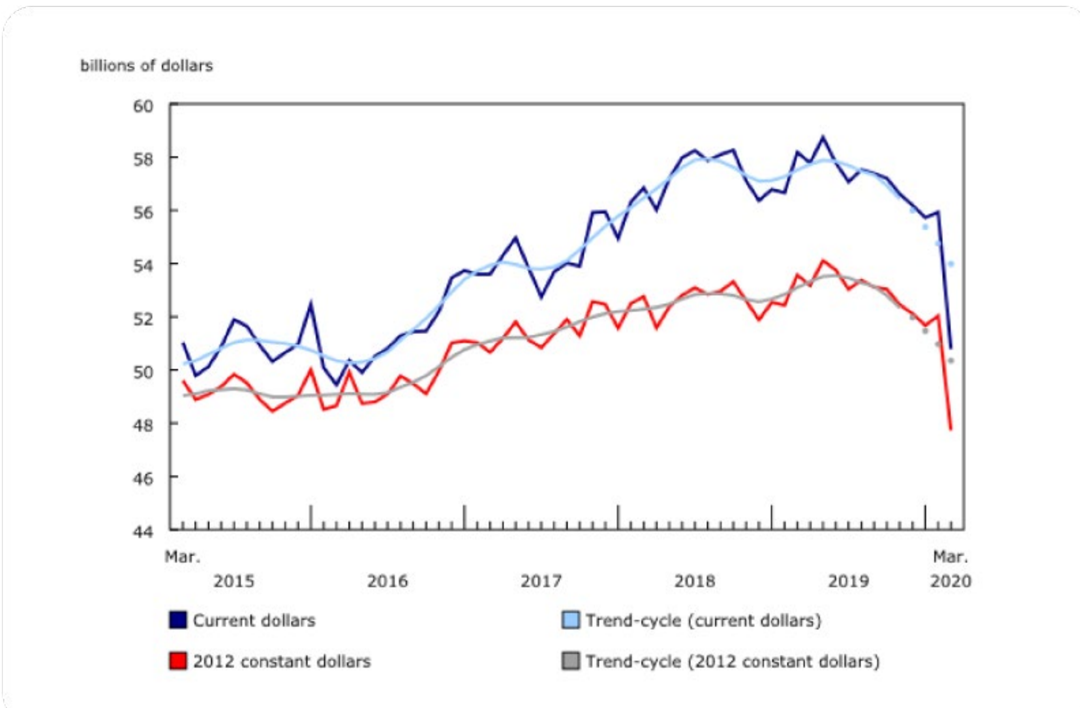
March manufacturing figures don't tell all

Statistics Canada released the March manufacturing figures on May 14th – revealing a 9.2% month-over-month decline in manufacturing sales (larger than the consensus expectation of 5.7%), and while the re-opening of some plants should boost sales activity in May, the build-up level of inventories suggests that the sector will be relatively slow to recover.

Notable highlights include:

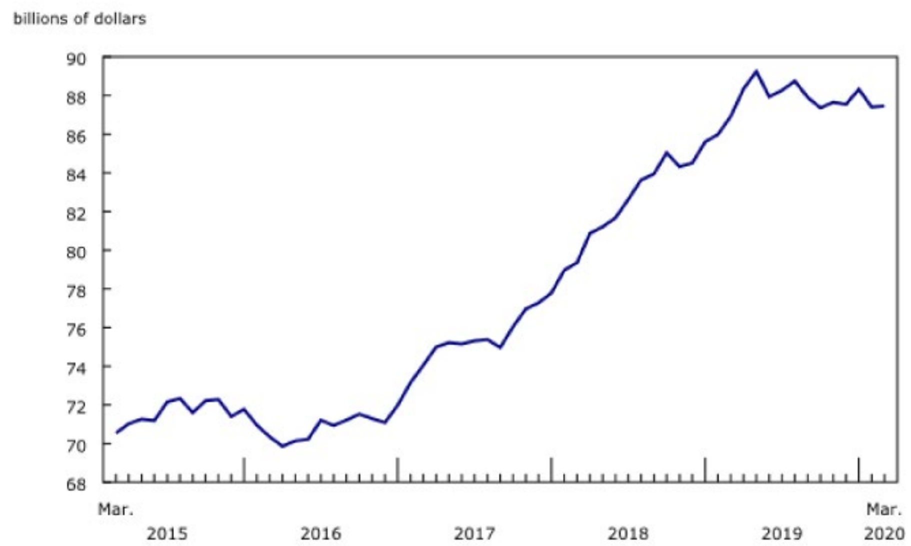
- Manufacturing sales fell 4.4% to $162.4 billion in Q1 2020 – the third consecutive quarterly decline
- In volume terms, manufacturing sales dropped 3.9% in Q1 2020 – largely due to lower volumes sold in the transportation equipment (-15.7%) and petroleum and coal products (-9.5%) industries
- Sales were down in 17 of 21 industries with motor vehicle sales plunging 33.8% month-over-month and petroleum and coal products sales down 32.2%
- Manufacturing sales were down in eight provinces in March, led by Ontario (-14.3%) with declines in 15 of 21 industries. Quebec was a distant second (-4.1%), while Manitoba (+8.2%) and Nova Scotia (+2.9%) reported higher monthly sales
- The inventory-to-sales ratio increased from 1.56 in February to 1.72 in March, mostly due to lower sales – the biggest monthly increase since December 2008

Canadian Manufacturing Sales



Source: Statistics Canada

Canadian Manufacturers' Inventory Levels



Source: Statistics Canada

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Period covered: May 9th to 15th, 2020

Government steps up for big businesses

As part of the Government of Canada's COVID-19 Economic Response Plan, the government announced new measures on May 11th to support big businesses so they can keep their workers on the payroll during the COVID-19 pandemic. This will be accomplished by expanding the **Business Credit Availability Program (BCAP)** and establishing the **Larger Employer Emergency Financing Facility (LEEFF)**. The two programs are intended to provide large and medium-sized businesses with credit solutions that were not available to them under other previously announced emergency credit solutions.

Larger Employer Emergency Financing Facility (LEEFF) – This program will provide bridge financing ("not a bailout") to Canada's largest employers whose needs during the COVID-19 pandemic are not being met through conventional financing. However, the government emphasized that this support will not be used to resolve insolvencies or restructure firms, nor will it provide financing to companies that otherwise have the capacity to manage through the crisis. The LEEFF program will be administered by the Canada Development Investment Corporation, along with Innovation, Science and Economic Development Canada and the Department of Finance.

LEEFF business eligibility criteria include:

- Available to for-profit businesses (with the exception of those in the financial sector) and certain not-for-profit businesses (such as airports), provided annual revenues are generally in the $300-million-plus range
- Businesses must be seeking financing of about $60 million or more
- Businesses must have significant operations or workforce in Canada
- Businesses must commit to respect collective bargaining agreements and protect workers' pensions
- Businesses must not be involved in active insolvency proceedings
- Co-operation of applicants' private-sector lenders is required
- If support is received, the business will be required to commit to publish annual climate-related disclosure reports consistent with the Financial Stability Board's Task Force on Climate-related Financial Disclosures, including how their future operations will support environmental sustainability and national climate goals
- An assessment of a businesses' employment, tax, and economic activity in Canada, as well as its international organizational structure and financing arrangements

LEEFF program will not be available to businesses if a:

- Business has been convicted of tax evasion; and/or
- Business has the capacity to "manage through the crisis" without LEEFF relief

Business Credit Availability Program (BCAP)

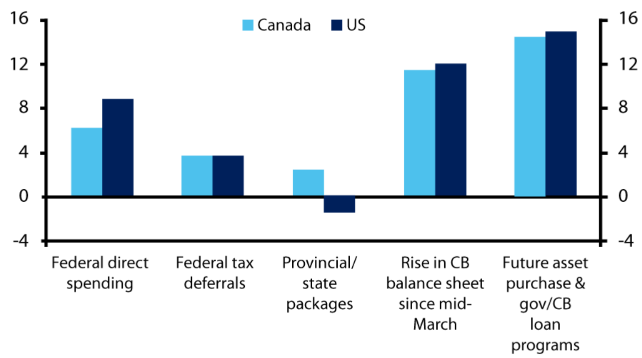
- Offered to mid-sized companies with larger financing requirements. Support for mid-market businesses will include:
- Commercial loans ranging from $12.5 million to $60 million. To qualify, the Business Development Bank of Canada anticipates that a business will need to have annual revenue of more than $100 million, and must have been financially stable and viable prior to the current economic crisis
- Financial guarantees that will range between $16.75 million and $80 million. To qualify, Export Development Canada anticipates that a business's annual revenue will need to be in the $50-million to $300-million range

Program details are still being finalized and additional information will be made available by early June.

A recent analysis by Capital Economics of the Government of Canada's spending measures as a percentage of GDP compared with those of the U.S. concluded that, despite being dwarfed by the U.S., the overall fiscal packages look similar when factoring in likely provincial and state policy. In the end, the combined provision of credit by Canada's crown corporations along with the Bank of Canada should come close to the credit offered by the Fed.

Capital Economics identified three key parts to the Canadian federal government's fiscal package and the attribution to GDP: direct spending measures (6.3% of GDP), tax deferrals (3.7%) and lending programs (5%).

Comparison of Canadian and U.S. Government Stimulus Spending



Source: Statistics Canada

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Commercial Real Estate Sector

May 21, 2020 | Canada

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How much workspace is required? ("Should I stay or should I go?")

Restrictions on individuals' movements and activities are already being relaxed in some jurisdictions, but the initial re-opening of businesses will still be characterized by unusual measures and behaviours by any historic standards. Whether by government mandate or driven by personal concern, people are likely to avoid situations where they are forced into close physical proximity with others.

The current work-from-home experiment has revealed that changes to employee behaviour and work practices can be an inconvenience, but in some cases, they can be implemented relatively quickly and effectively. Along the way, some valuable lessons have been learned in terms of how people work and whether they will return to "normal" work.

- Some employees (mainly knowledge workers) can use technology to work remotely, including from home, and teleconferencing (such as Zoom or Microsoft Teams) to help maintain effective communication
- On the other hand, all employees who are most at risk or most concerned about becoming infected may choose to continue to work from home or wherever they can
- Others may prefer a hybrid approach of a gradual or partial return to the workplace. This is something that employers are tracking through internal employee surveys, using the results to formulate and deploy return-to-work policies.

A recent survey of 500 professionals across Canada by specialized staffing firm Robert Half revealed some interesting results about working from home and returning to the office. Some notable findings include:

Working from Home:

- 79% of employees surveyed currently worked from home
- 74% of workers would like to telecommute more often when physical distancing restrictions lift
- 60% realize their job is doable from outside the office
- 55% said that their work-life balance has improved due to the lack of a commute
- 26% have become more comfortable using technology

Returning to the Office:

- 85% of employees would like their employer to allow them to work from home more frequently
- 73% of employees would like better cleaning protocols
- 59% believe it will be more difficult to build strong relationships with colleagues if teams aren't in the same building as much
- 48% would prefer staggered work schedules

While no solution is "one-size-fits-all", some of largest employers and space occupiers have already voiced their intentions to return to work, some of which may have long-term implications on occupancy levels.

Twitter – In March, Twitter made working from home mandatory for all global employees. Two months later and given its emphasis on decentralization and supporting a distributed workforce capable of working from anywhere, Twitter announced: "that if our employees are in a role and situation that enables them to work from home and they want to continue to do so forever, we will make that happen. If not, our offices will be their warm and welcoming selves, with some additional precautions, when we feel it's safe to return."

Bank of Nova Scotia (Scotiabank) – The Toronto-based bank's $15-billion investment in technology over the past five years has allowed 60% of Scotiabank's estimated 100,000 employees to work from home. The bank has offered additional paid leave, emergency paid leave and special payments to employees still working at branches or offices.

Bank of Montreal (BMO) – The Toronto-based bank, which employs approximately 45,000 people (two-thirds in Canada), expects that 30% to 80% of employees may adopt new flexible arrangements that blend working from home with going into the office even after the COVID-19 pandemic subsides. Currently, 95% of those in office towers have been working from home. The bank has also shifted 50% of its Canadian call-centre staff to home offices and noted "that's not a temporary thing." The work-from-anywhere trend would help keep staff safe and could even present recruitment possibilities.

Sun Life Canada – The company stated that "when the time is right for us to open our offices, in addition to clear safety measures and a gradual approach, we've committed to our employees that it will be optional and informed by their individual needs."

KPMG – A return-to-work policy plan for about 8,000 employees at more than 40 KPMG offices across Canada will be based on data gathered from offices in Asian countries in order to determine the best approach and measures to implement in Canadian offices. For now, the company likely will not reopen offices until July. About 50% of its workforce across Asia have returned to their offices.

OpenText – One of Canada's biggest tech companies said that 95% of its nearly 15,000 employees have been working well remotely over the past two months, and that it has decided to close half of its offices for good. The decision is being made in the midst of a multi-year restructuring program that would save the company between US$65 and US$75 million a year. The closures will impact mostly smaller offices, worldwide, while the company's corporate and country head offices will remain open.

Google – Employees were told to prepare to work remotely through October and possibly to the end of 2020, while the majority of staff are expected to work from home until 2021.

Facebook – Employees were told that they can work remotely through 2020 if they like and that the company doesn't expect to open most offices until July 6th at the earliest.

Though the consensus is that it's too early to tell how much workspace will be required, two main views appear to have emerged: that companies will require the same or less space due to more staff working from home or that they will need the same or more space to accommodate physical distancing measures. From an employer's perspective, the former is more appealing because it reduces real estate occupancy costs by using expanded office space (or employees' homes), and employees have the potential for a better work-life balance by working from home.

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Greater Toronto Area

May 21, 2020 | Canada

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General trends, news and market observations

- Ontario's "Framework for Reopening our Province" has set the stage for many businesses to begin re-opening as soon as May 19th. Ontario's first stage of reopening will begin on Tuesday, May 19th, 2020 at 12:01 a.m. and will include:
    - Retail services that are not in shopping malls and have separate street-front entrances with measures in place that can enable physical distancing, such as limiting the number of customers in the store at any one time and booking appointments beforehand or on the spot
    - Seasonal businesses and recreational activities for individual or single competitors, including training and sport competitions conducted by a recognized national or provincial sport organization. This includes indoor and outdoor non-team sport competitions that can be played while maintaining physical distancing and without spectators, such as tennis, track and field, and horse racing
    - Animal services, specifically pet care services, such as grooming and training, and regular veterinary appointments
    - Indoor and outdoor household services that can follow public health guidelines, such as housekeepers, cooks, cleaning and maintenance
    - Lifting essential workplace limits on construction
    - Allowing certain health and medical services to resume, such as in-person counselling; in-person services, in addition to virtual services, delivered by health professionals; and scheduled surgeries
- In the City of Toronto, no new development applications have been submitted since March 17th, 2020. The city has now gone almost seven weeks straight without any new submissions to report
- Ontario extends State of Emergency until June 2nd
- The City of Toronto is planning additional road repair construction while traffic is decreased by the pandemic
- TTC ridership has declined 80% since the lockdown began

- Metrolinx is assessing what to do with its under-utilized GO station commuter parking lots during this time. They are considering short-term lease/license opportunities to occupy these sites for vehicle, trailer parking and other clean storage uses deemed acceptable
- The City of Vaughan is providing further relief on property tax payments. The deadline for interim and final installments has been extended from June 1st to July 1st

Office market observations

- Tenants are developing plans to enable staff to return to the office when permitted – in some cases, these plans have as many as four to six phases, and they include plans to "re-onboard" employees to ensure they understand all the new procedures, as well as ways for the company to "re-exit" the office if necessary
- Some companies appear to be engaging in a "race to be last" returning to the office, to enable them to observe and benefit from the experience of others that return sooner
- As the work-from-home situation becomes more prolonged, new issues are emerging, such as how to effectively hire and manage new employees and impart a sense of belonging and company culture to those who have never physically worked in the company's offices
- Even in physical offices, large gatherings won't be permitted, so companies will look to create new rituals and opportunities for staff to connect digitally
- Discussions of tours are increasing – both on the tenant side, where demand is picking up, and on the landlord side, discussing protocols for conducting tours safely
- Tenants are working to find and arrange cleaning services sufficient for additional demand under new cleaning protocols that will be necessary – especially as there is the chance the office will need to be closed and deep-cleaned if an employee contracts COVID-19 and has been in the space
- Some tenant requirements are shifting under these new circumstances – some are now looking exclusively for full-floor opportunities on low floors with walk-up access, for privacy and control of their space as well as avoiding use of/waiting for elevators
- In addition, tenants are definitely looking for shorter terms: one to two years instead of five, for example
- A large accounting firm is aiming to re-open its GTA offices in July. IT considerations will require up to two weeks of preparation prior to that. The company expects 10% to 20% of staff to return initially, commuting by car only. Their plan is to restrict the number of floors in use to avoid having to close an entire location if an employee tests positive. The estimate is that spaces will be able to function at about 50% capacity due to social distancing. Any plans to reconfigure premises or lease new premises have been put on hold. The company plans to keep the same amount of space in the GTA despite growth in employees – and will wait at least a year before any discussion to reduce space

Industrial market observations

- Canada-based Novolex brand Polar Pak – a large industrial tenant in Brampton – will convert production to meet demand for four million face shields in the next two months. In addition to manufacturing personal protective equipment (PPE), Novolex has been converting certified food-grade packaging lines at more than seven locations in North America, including Polar Pak's Brampton location, which employs more than 800 people
- Major landlords report that May rent collection for industrial is good (75%)

- April into May was quieter for rent deferrals – however, many small- and mid-bay tenants are still struggling to pay rents
- Landlords of class A industrial buildings are prepared to take space back from tenants if necessary
- Activity on listings in the 20,000-sf to 30,000-sf range has been good, while sub-10,000-sf listings have been slower, and expectations for rent have softened in some cases
- Cannabis requirements remain high, especially for freestanding buildings in the 20,000-sf range

Retail market observations

- Large landlords co-ordinating on re-opening of downtown Toronto's underground PATH network
- Retail deal activity has picked up lately, although deals are moving slowly. Most are deals with commencement dates in 2021, but landlords and tenants are happy to work on these deals nevertheless and that is encouraging
- A major landlord reports that independent retailers are struggling most – particularly food-court retailers
- Street-front restaurant owners are hopeful that the City of Toronto will allow the expansion of patios onto sidewalks and even roads during summer to help them earn more revenue

Investment market observations

- The land sale market is picking up and several off-market land purchases have occurred in Mississauga and Oakville recently
- Some investors are looking to buy in the next three to 12 months
- Investors are still waiting for the first few big sales to occur – this will set the benchmark for future deals

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Greater Vancouver Area

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General trends, news and market observations

- B.C. extends State of Emergency for an additional two weeks (the fourth time) to end of May with B.C. Premier John Horgan indicating that it will continue for the "foreseeable future"
- B.C. Provincial Health Officer Dr. Bonnie Henry expects Phase 2 of the B.C. restart plan to go ahead next week, despite people flocking to local beaches this past weekend with record heat
- B.C. government's plan to restart businesses May 19th after two-month clampdown is sensible and reasonable, says one of B.C.'s top business groups
- British Columbians supportive of provincial government's plan to slowly reopen businesses, elective surgeries, and parks, according to new poll
- Nearly 80% of B.C. residents support plan to gradually reopen the economy: survey
- B.C. lost 396,500 jobs since February, according to Statistics Canada
- Metro Vancouver's economy forecast to shrink 3% this year; a Conference Board of Canada study forecasts real GDP will fall 6.9% in the second quarter before rebounding 2.6% in the third quarter
- TransLink cancels service cuts to public transit planned for May 18th that would have coincided with the province's first stage of restarting closed businesses and services
- Prime Minister Justin Trudeau has indicated the federal government is looking to provincial and municipal governments to bail out public transit services impacted by COVID-19
- Vancouver International Airport's latest statistics show a 48% year-over-year decline in passenger volumes for March 2020; there were 1.1 million passengers – down from 2.13 million during the same month in 2019
- Vancouver International Airport proceeded with issuing layoff notices May 11th after initially offering voluntary departure packages to all employees; the airport will lay off 25% of its approximate 550-person workforce, including management and unionized employees in airport operations, finance, engineering, human resources, and administration; the airport is forecasting between eight and 15 million passengers per year for the next three years; passenger traffic was a record 26.4 million passengers in 2019
- BC Ferries urging passengers to avoid non-essential travel on Victoria Day weekend

- While the federal government suspended Canada's cruise ship season until July 1st, B.C. health officials said that cruise ships would not be welcome in B.C. in July after the federal Vancouver-Fraser Port Authority indicated that the cruise season could start in July; the province indicated that while cruise ships may be permitted to refuel/restock provisions, passengers would not be permitted to disembark. According to the Vancouver Sun, "There are 28 cruise lines that sail from Canada Place terminal and some continue to offer Alaskan cruises, including Disney Cruise Lines, which still has seven Vancouver-Alaska trips on offer from July 6th through August 31st. Royal Caribbean also indicated that it would resume operations for the majority of its fleet on June 12th and after July 1st for Canadian ports. But Holland American Line and Princess Cruises last week cancelled all Alaskan cruises for the rest of the 2020 season. Before that decision, Princess Cruises had been advertising Alaska cruises from Vancouver in September and October. Carnival Cruises also confirmed it had cancelled Alaska sailings for this year"
- BC Hydro sees significant drop in electricity demand during pandemic
- Indefinite timeline on large gatherings 'catastrophic' for B.C.'s convention sector

Office market observations

- Downtown office sublease opportunities continue to increase in frequency and size, including the recent emergence of a handful of downtown office options between 28,000 sf and 52,000 sf; smaller sublease options continue emerging in other submarkets
- Leasing activity is picking up with more inquiries on listings and the resumption of tours
- Municipal permitting delays hampering occupancy of office spaces
- Renewal activity remains active but still very limited number of new requirements
- Despite an increase in sublease opportunities, some groups still holding back sublease space until it can be toured
- Renewed optimism to get back to work spreading among tenants and landlords
- A small office development in downtown Vancouver that had been proceeding on spec will now require a prelease commitment to start construction
- A strata office development on the North Shore has been shelved; the project had been for sale for at least 18 months and had never gotten much traction

Industrial market observations

- Industrial leasing and sales activity continue to increase, particularly in the past two weeks
- More activity on existing listings with some smaller spaces coming back to the market as demand for smaller units is picking up; sublease opportunities are becoming more prevalent
- Industrial vacancy is not expected to increase by much as many industrial tenants have weathered the storm to date and may not be as bad off as initially thought; those smaller spaces that do come back are attracting interest from other tenants/investors
- Industrial land listings remain active with no discount in pricing
- Industrial rental rates continue to hold up at pre-COVID-19 levels; there have been no rental rate discounts for renewals concluded since the emergence of COVID-19;

- New requirements starting to emerge with strong initial responses to new listings, but few offers yet; however, touring activity is growing which may lead to more offers
- Strata industrial units remaining popular with owner-users and investors
- Buyers are showing interest to learn about opportunities to acquire properties, but still slow to make offers
- More tenants asking about how to sublease some of their space
- While some substantial segments of Metro Vancouver's industrial market are holding up and industrial seems to be the most resilient asset class, not all operators are doing well and some still face challenges and will need assistance from government/landlords to emerge from this

Retail market observations

- Historic B.C.-based department store chain, Army and Navy, closing permanently after 101 years of operation
- Vancouver councillors look to reimagine use of streets, sidewalks during pandemic and beyond
- Vancouver city council approves expediting flexible restaurant patios
- City of North Vancouver advocates for increased flexibility in outdoor dining
- Robson Street storefront boarding coming down
- Vancouver's The Holy Crab permanently closing May 16th
- JJ Bean opens select locations around Vancouver this week
- Pandemic accelerates department stores' omnichannel uptake
- Guidelines for reopening B.C. restaurants, hair salons coming soon
- Yoga studios, gyms, fitness centres waiting for reopening guidelines
- May was a challenging month with regard to retail rent collection
- Many landlords still dealing with ongoing negotiations, especially on longer term deferments/abatements from some anchor tenants who have been taking a more aggressive approach and asking for rent deferment/abatement for periods up to six months, which is leading to more difficult negotiations
- Some landlords are being very accommodating while others are being much less accommodating or nonresponsive to requests altogether
- Landlords are taking a different approach to anchor retail tenants versus how they deal with smaller CRU/QSR service-oriented retail uses. Most landlords have come to agreements with small tenants on 60- to 90-day rent deferments. Many landlords are still dealing with larger tenants and realizing that perhaps 60- or 90-day deferments are not enough and that further deferments will be needed or they need to start entertaining requests for altered rent structures on a longer-term basis
- Tenants that did receive 60- to 90-day deferments are now looking towards what does the next six to 12 months look like with a wide range of opinions on that topic from tenants and landlords alike; however, a clear consensus is emerging that the impacts from COVID-19 are going to carry on until 2021 at least in terms of sales and revenue due to social distancing measures and occupancy limitations

- B.C.'s reopening plan helped get people out of their homes, many of whom had already started to get more comfortable with the current circumstances in the past two weeks, which is an encouraging sign as the economy starts to reopen and these businesses need customers. It is easy to say go back to eating in restaurants, but that's very different from when people will actually feel comfortable doing so
- Some retail landlords appear to be coming around to the CECRA program despite an ongoing lack of details after being initially resistant to the program. There has been a change in tone in the past two weeks from landlords who are now being more proactive about their willingness to make the application and try to qualify despite not knowing all the requirements
- Landlords were feeling pressure to apply due in part from tenants demanding and expecting landlords to participate in these programs despite not yet knowing the full details
- Conversations are starting to happen about what happens after the initial 60- to 90-day deferral periods and how lease deals are structured going forward based on many retailers operating at a limited capacity for the foreseeable future. This next phase is going to take much longer to sort out as landlords are still taking a wait-and-see approach before they talk about rent reductions from the next six to 12 months or a switch to a percentage rent structure
- These conversations are further complicated by the different rules and timelines present in each province and makes landlords with properties across Canada approach tenants in each province differently
- Landlords based in eastern Canada appear to be about two weeks behind those in the west

Property management observations

- May rent collection was stronger than initially anticipated but still a lot of tenants seeking rent relief. Some tenants paid 25% of rent on the expectation that the landlords are participating in the CECRA program despite no indication that the landlord would participate in the program, which is still lacking many details
- Some smaller and less sophisticated landlords are coming around to participating in the CECRA in order to receive some amount of rent from tenants they may have had a long-standing relationship with in order to maintain and respect that relationship
- Preparing buildings for coming return to workplace has been the primary focus of property management, including hiring more janitorial staff, securing PPE equipment, upgrading filtration systems and communicating with tenants; how buildings are maintained has changed forever
- More optimism from tenants who are excited to get back to work and reopen their business
- Some tenants are having trouble getting organized to come back due to the complex nature of the requirements and the need to take it seriously because of potentially fatal repercussions
- Tenants will need to understand that new costs related to health and safety in their buildings will be higher and a part of doing business moving forward
- Calls to restart lease renewal negotiations have commenced after weeks, if not months, of silence; some landlords' perspectives have shifted in light of the impact of COVID-19 and if first offers/counter offers are reasonable then a deal is more likely to get done as landlords often prefer to keep tenants and assist in helping stabilize the business on a go-forward basis
- Being fair and equitable will help keep good tenants and build stronger relationships
- Some municipal property tax statements might start arriving that include some of the initial provincial tax cuts starting to come through to provide relief to businesses and tenants want to see that those savings are being passed on, but they are not likely going to see it change on the bottom line because of higher costs for cleaning and other related items

Investment market observations

- More people are becoming active in terms of calling and discussing deals and people want to start doing more business
- A new listing with realistic pricing expectations attracted a strong response and even generated an offer
- People are starting to get back to work and are writing offers and thinking about touring properties again for the first time in two months and they will hopefully build on that and start working back towards a sense of normalcy
- For development sites that have a fair amount of certainty to them – don't need municipal rezoning and are under $15 million – there are quite a few developers out there buying properties to build rental apartment buildings
- Larger investment deals are still on pause with little to no movement by institutions
- New Vancouver office building listing in excess of $50 million likely to emerge in coming weeks
- Valuations for larger office assets remain difficult to finalize and typically utilize larger ranges than what would've been provided previously with a bias towards a slightly higher cap rate that is still comparatively low to what can be found in other markets; no bargains have emerged yet

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Greater Montreal Area

May 21, 2020 | Canada

As this unprecedented situation continues to rapidly evolve, Avison Young's briefing notes are intended to provide an up-to-date assessment of the impact on the commercial real estate market.

Period covered: May 9th to 15th, 2020

General trends, news and market observations

- Federal and provincial governments announced collaborative commercial rent relief program for Quebec SMB's who suffered revenue losses of 70% or more. Together, both governments will cover 50% of qualifying businesses rents, while landlords will be asked to assume 25%. However, many business owners are left without assistance, while claiming the 70% revenue loss threshold is too high. Another challenging aspect of the plan is landlords' willingness to participate, as the program depends on landlord-tenant relationship
- Beyond the public health challenges, the COVID-19 crisis will profoundly change the daily habits of Quebecers. While almost half of the population is telecommuting, 79% of citizens say they are "satisfied" with their current situation, showing that the work environment is indeed evolving, and that businesses must brace for change, particularly in downtown Montreal, as the influx to large job centres could reduce over time
- Recent numbers have led the Direction régionale de santé publique (DRSP) to reconsider the current approach to re-opening. A progressive, step-by-step approach, where industries would re-open one after another based on risk of transmission, is believed to be more suited to the current situation
- The Planning Commission of the Communauté métropolitaine de Montréal (CMM) will be responsible for adapting planning and regulatory tools for land to public health issues, particularly in terms of land use and development. This process will "increase the resilience of Greater Montreal and its population in the context of an epidemic or pandemic"
- Municipal entities will partner with experts and specialized organizations, such as Institut national de la santé publique du Québec, who will be consulted in order to propose guidelines in order to promote development that is better suited to deal with threats to public health
- Montreal urban planners believe the pandemic might cause a shift in the dense metropolitan living trend as homeowners and tenants realize they need/want more space for changing living habits
- On May 12th, the City of Montreal delayed the second payment of annual municipal taxes until July 2nd

Considerations for Construction and Permits (APCHQ)

- Nearly 85,000 construction workers returned to construction sites on May 11th
- Construction activity resumed in all Réseau express métropolitain (REM) construction sites, with the official closing of the Mont-Royal tunnel and addition of three new shuttle routes for affected customers: line 964 (Bois-Franc/Côte-Vertu), line 968 (Roxboro/Côte-Vertu) and line 919 (Acadie/Mont-Royal-Namur)

- Users of the Deux-Montagnes commuter train line are concerned that the closure of the Mont-Royal tunnel will force them to fall back on the Montreal metro and bus transit lines, increasing the risk of propagation in the midst of the pandemic
- Several construction companies, such as Pomerleau – in association with CNESST – published COVID-19 response plans and guidelines for worksites, employees and subcontractors. Some of the notable policies include mandatory gloves and masks for jobs taking longer than 15 minutes, one-way staircases, half-capacity elevators, mandatory health checks for all workers and visitors as well as daily disinfection of tools, equipment and high-contact surfaces
- In Downtown Montreal, construction activity resumed on Sainte-Catherine Street as several streets are now closed and many detours and alternative routes have been put in place
- Construction activity resumed on the Pie-IX SRB (service rapide de bus) connecting Laval's Saint-Martin Boulevard to Montreal's Pie-IX metro station. Although the project was halted for more than a month, delivery is still expected on time (fall 2022)
- In Laval, construction activity resumed on Highway 440 between Le Corbusier and Industriel Boulevards, until the end of May. In the meantime, Curé-Labelle, Chomedey and Industriel Boulevards' access ramps will be closed
- On the South Shore, construction activity resumed on Highway 30, consequently closing lanes between Saint-Bruno-de-Montarville and Boucherville. Highway ramps will be closed at night until mid-July

Considerations for Real Estate Brokerage (OACIQ)

- A ministerial decree issued on May 11th now allows for all residential and commercial brokerage activities to resume, while respecting social distancing and hygiene measures
- New listings are now allowed by the OACIQ

Office market observations

- Research by Gensler shows telecommuting practices will become more important as some workers would like to continue working from home after the pandemic, at least on a part-time basis, which could have negative implications for landlords in the longer term. In the short term, however, office users will need all the space they can get to practice social distancing and virus mitigation
- Demand for office space in the outskirts of the Downtown Core could increase as tenants aim to avoid overly populated areas and public transit infrastructure in the short- to mid-term, potentially pushing some tenants to submarkets such as the South Shore or Laval
- For years, office trends have been concentrating more workers into smaller spaces in an effort to create an open and collaborative atmosphere. As office users are launching extensive plans to bring their workforce back into the office, an increasing number of elements have to be implemented in order to keep workers healthy and productive
- Changes to office spaces in the short term will include testing and monitoring employees to prevent the spread of the disease, alternating work hours and presence, closing common areas such as kitchens, pods and meeting rooms, limiting the number of guests in conference rooms and extensive security measures at the reception, to name a few
- In addition, office users will have to implement "health officers", who will be in charge of making sure workers follow the new office rules about distancing and disease mitigation

- Longer-term solutions, especially in terms of physical design and layout, will include high-walled cubicles, wider corridors with one-way foot traffic, better air filtration systems, touchless elevator controls, antimicrobial materials in new construction and videoconferencing within the office
- Co-working providers will have to operate with decreased densities to adapt to the new reality; however, co-working spaces in suburban and secondary markets remain attractive for businesses looking to reduce density in existing headquarters and offices
- On May 12th, WeWork announced a response plan and redesign of its workplaces to fit new work environment guidelines. The company plans to maintain social distancing by implementing staggered seating zones, while keeping facilities clean with increased sanitizing measures. A big part of the plan, and the new standard moving forward, is the focus on behavioural signage (of suggestions, protocols, reminders) heavily spread around the offices in strategic places
- Cloud-based building management systems will be the new standard moving forward, allowing property owners to operate and monitor buildings remotely, keeping tenants safe while running more efficiently

Industrial market observations

- More than 176,000 manufacturing workers have been reinstated since the beginning of May
- Manufacturing workers are going back to work under strict capacity restrictions until May 25th. Industrial companies must respect an initial limit of 50 workers per shift, plus half of other staff, on site at any time
- The new, strict manufacturing operating conditions could cause drops in expected revenue of 20% to 50%, while the biggest challenge for business owners will become the reorganization and safe integration of their full staff to get back to normal profitability

Retail market observations

- Amid the pandemic, Quebecers quickly became more attentive to the origin of the products they consume in favour of local businesses and restaurants. This trend is expected to remain after the pandemic – but with fewer jobs, higher individual and collective debt, and cutbacks at all levels, consumers could quickly revert to their old buying habits
- The retail sector will inevitably undergo major transformation – street retail will remain with reduced areas while omnichannel strategies will become crucial to business survival
- Businesses outside of the Greater Montreal Area with direct access to the outside are slowly reopening their doors to the public. Shopping centres remain closed
- Retailers in Montreal were to be resuming operations on May 11th, but the Quebec government pushed back the opening date to May 25th, at the earliest
- There are a lot of legal procedures underway from medium and small commercial real estate owners who are struggling to survive as rent payments are deferred or simply unpaid
- Local retailers La Vie en Rose, Groupe Marie Claire and Groupe Nero Bianco were unable to pay their April rent and have taken a joint approach with the landlord of some of their premises, BTB REIT, to identify a solution. After receiving a formal notice from BTB demanding payment of the rent for April, Groupe Nero Bianco joined forces with two other BTB tenants, La Vie en Rose and Groupe Marie Claire, to suggest solutions such as paying rent as a percentage of current sales
- Groupe Boucher Sports (Sports Experts, Atmosphère, Entrepôt du hockey & Hockey Experts) also received formal notices from some landlords (without divulging which ones) for the payment of the rent for the month of April

- Montreal-based shoe retailer Aldo has requested protection from the Creditors Arrangement Act amid COVID-19 pandemic
- Hundreds of bars already joined NABQ (New Association of Quebec Bars), with the goal of modifying rule 170 which would allow establishments with bar licenses to sell alcoholic beverages to clients without having to provide food. By doing so, bar owners believe they could cover their fixed costs and avoid bankruptcy
- SAQ (alcohol) online sales increased by 200% since beginning of pandemic, as 70% of clients prefer the safer home delivery option. Because of the growing popularity of the service, delivery times now expected to be five to seven days
- La Ruche Grand Montréal, in association with Desjardins, the City of Montréal and l'Association des sociétés de développement commercial de Montréal (ASDCM), successfully launched a new voucher campaign aimed at stimulating local businesses. With every voucher/gift card purchase from associated businesses, customers receive an additional $10 voucher and a $20 donation is made to a community organization. Hochelaga-Maisonneuve achieved 300% of its initial goal in only 12 hours, and other neighbourhoods are also seeing a lot of success
- South-Shore retailers located in Communauté métropolitaine de Montréal (CMM) are frustrated with the government decision to postpone non-essential business reopening in Montreal once again. They feel the uncertainty as to the actual reopening date is unfair as their realities are very different, while customers are willing to go shopping outside of the GMA (where shops are now open) as a result

Multi-Residential market observations

- A recent study by Rentals.ca suggests the Canadian multi-residential market could see important changes amidst the pandemic. While online apartment search traffic is picking up (from its lowest point in mid-March), Canadians with relocation needs find new ways to visit spaces virtually and landlords are embracing short-term rentals and renewals to facilitate such transitions
- With the record number of layoffs, followed by a decrease in overall demand and an increase in supply, rental rates could decrease this year, while the luxury and prestige rental market could be more affected
- Demand for affordable housing is expected to be higher than ever. This could be problematic as affordable housing is already tight in Montreal, where a new strategy for the development of 12,000 new affordable housing units was launched in February 2020

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Greater Calgary Area

May 21, 2020 | Canada

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Period covered: May 9th to 15th, 2020

General trends, news and market observations

- Even during a pandemic, the city's public engagement work continues. All in-person public engagement in Calgary has been scrapped until at least August 31st and been replaced with a variety of online and virtual platforms
- Real estate agents are still completing showings, but must first comply with a list of safety guidelines. That means following Alberta Health Services guidelines around preventing the spread of COVID-19, guidelines that have been endorsed by the Real Estate Council of Alberta
- Stage 1 of Alberta's economic relaunch is scheduled to begin May 14th with some businesses and facilities resuming full operations as long as enhanced infection prevention and controls are in place. Premier Jason Kenney says the pace of the relaunch would vary across different regions of the province, depending on the state of local COVID-19 outbreaks
- More than half of Alberta's small business owners are concerned about how their operations will be changing once they reopen amid the COVID-19 pandemic, according to the Canadian Federation of Independent Business (CFIB). Top of the list is social distancing (56%) followed closely by understanding the rules (54%) and making their customers comfortable in their businesses (53%)
- Since the release of Alberta's relaunch strategy, the Calgary and Edmonton Chambers have received many questions and concerns from businesses in both cities. On May 7th, these were combined and shared in a letter to the Premier of Alberta, with urging that the government clarify and address them in ongoing public announcements
- With the May 14th start date for stage 1 of the relaunch plan looming, the province released a new online tool to help businesses prepare for reopening. Though some business owners were calling for guidelines earlier, the province waited until this week to release the online tool because it wanted to consult with stakeholders, businesses, industry associations, and other provinces
- As of May 12th, Alberta's COVID-19 relaunch plans were still up in the air as some businesses in the province awaited word on whether they'll be allowed to reopen. The first phase of the province's economic relaunch plan is scheduled for May 14th, but Alberta public health officials had yet to reveal whether they will lift some restrictions

- Calgary Mayor Naheed Nenshi called for caution as the province put off a final decision May 12th on whether to start the first phase of Alberta's reopening this week. The Calgary area continues to have more COVID-19 cases than anywhere else in the province. As of May 12th, there have been 4,325 confirmed cases of the novel coronavirus in and around the city, and the Alberta Health Services Calgary zone currently has slightly more than 1,000 of the total 1,361 active COVID-19 cases in the province
- Alberta will proceed to the first phase of its relaunch plan on May 14th, though Calgary and Brooks will reopen more slowly than the rest of the province, according to Premier Jason Kenney. Citing a litany of encouraging statistics about case numbers and hospitalization rates, Kenney announced at a news conference on May 13th that the first stage of the relaunch will go ahead as planned in most parts of the province

Office market observations

- Morguard REIT has cut its distributions to unitholders by half and is curtailing discretionary spending significantly as it preserves cash due to uncertain economic conditions created by the COVID-19 pandemic. The moves were announced in Morguard REIT's Q1 2020 financial report, and discussed by CFO Andrew Tamlin during its May 1st conference call with analysts. The REIT is also continuing to face challenges in Alberta, where it made one significant office lease abatement during Q1 and could see further declines in revenues
- Work-from-home measures taken to control the spread of the COVID-19 pandemic are challenging long-held assumptions about how Canada's oil and gas sector should provide and care for its office workers. The ramifications as downtown offices reopen in Calgary could mean fewer face-to-face meetings, less travel, more flexibility for workers in where, when and how they work and, ultimately, lower leasing bills, CEOs say

Industrial market observations

- A lot of smaller tenants continue to defer decisions. They don't know what they are going to need yet
- There are several large deal announcements expected in the next few weeks
- Measures related to COVID-19 are having a much larger impact on retail and office. The industrial sector is expected to remain fairly stable
- There has been an immediate impact to recreational uses operating in industrial districts as well as small business that cannot withstand the short-term drop in revenue
- Online sales continue to climb, keeping 3PL's busy, with some expected to take short-term "bulge" space

Retail market observations

- Calgary is looking at pop-up patios to boost restaurant and pub capacity, but action should have been taken sooner, according to local operators. The province plans to reopen parts of Alberta's economy May 14th, including hospitality locations like restaurants, pubs and tap houses. An administration report on the matter is expected to come to council on May 11th. In the city's coronavirus briefing on May 12th, Mayor Naheed Nenshi said he thinks the plan is a good one
- With just over week until the earliest possible opening date for Alberta's salons and barbershops, owners are having to determine the best way to serve long wait lists of customers while still being safe. Some shops are taking bookings for May 14th and are implementing extra cleaning measures, moving seats to adhere to physical distancing requirements and ordering masks for staff and clients

- Some Alberta dentists say they still can't find enough personal protective equipment as the province begins gradually allowing them to resume their practices. Earlier this week, dentists were allowed to start taking on urgent cases under the province's relaunch plan, and further restrictions could be lifted as early as May 14th
- As some Calgary shopping malls prepare to open as early as this week, leadership across the retail industry have been planning and working on determining the best way to do so while ensuring the safety of customers, staff and tenants
- Restaurants in Calgary may be allowed to open as soon as next weekend. Being allowed to open and actually opening are two different things, though. COVID-19 has devastated the bar and restaurant industry in Calgary, and many restaurant owners would love to reopen and start bringing in revenue
- Lack of details causing concern for daycares reopening amid Alberta relaunch. An email to daycares from the Alberta government indicated that guidelines would be released early this week
- A growing number of gyms are advocating to open up sooner than what the Alberta government's relaunch schedule outlines. An online petition has been gaining a lot of signatures from both clients and fitness club owners. They are asking Alberta Health officials to consider allowing smaller boutique-style fitness studios to open in Stage 2 rather than Stage 3
- Dental offices are among the businesses beginning to open across Alberta. But amid the COVID-19 pandemic, a Calgary hygienist is asking how safe dental procedures are for patients and staff under current guidelines
- Hair salons and barbershops were chosen as part of the first group of businesses to reopen because unlike other personal service providers, stylists have to receive provincially regulated training and follow standards, Alberta's chief medical officer of health said May 7th
- Calgary small businesses are grappling with what their new normal will look like as the province moves towards allowing a potential reopening of many establishments. Many businesses are deciding that even if they get the green light to reopen on May 14th, they make take a few days to assess the situation
- Calgary malls are in the process of making changes within their properties to ensure physical distancing still happens when the doors reopen amid the COVID-19 pandemic. Store owners should limit the number of shoppers and regularly disinfect surfaces and equipment touched by staff and customers, according to the guidelines
- While clients may be lining up to return to hair salons, barbershops and estheticians this week, salons will need to look at everything from client screening and distancing to increased sanitation. Those changes will require significant investment on the part of owners, as well as retraining and redesigning salons and spas
- Calgary city council has voted to allow businesses to open pop-up patios to allow for more capacity amid COVID-19 pandemic restrictions. Restaurants will be able to allow their seating to spill over to sidewalks and streets outside their doors, helping to make up for the fact they will only be allowed to operate at 50% capacity
- Calgary restaurants, bars, hairstylists and barbershops can't reopen their businesses until May 25th, the provincial government has decreed. The decisions were made May 12th at a meeting of cabinet's emergency committee with input from chief medical officer of health Dr. Deena Hinshaw. Premier Jason Kenney made the announcement May 13th, less than 12 hours before the target date of May 14th
- New Real Canadian Superstore grocery store opens in downtown Calgary on May 15th
- Many retailers are gearing up to reopen; however, some have decided not to open at this time. Some want to wait a little bit to see what happens in the first few days
- Alberta is going to be the case study for all the other provinces, because it is opening first
- There is a petition to have group fitness classes opened sooner. However, there are concerns about the safety of this idea

Property Management observations

- Retail is preparing to open as soon as Thursday, May 14th
- Signage, extra cleaning, sanitizing stations, extra security, all needs to be in place for opening
- Uncertain how many smaller/mom & pop tenants will survive
- Looking at new technology for the delivery of sanitizer and different chemical sanitizer formula options
- Exploring innovative ways to keep tenants, buildings and staff safe

Multi-Residential market observations

- Four-phase East Village development returns to Calgary Planning Commission. One will include a 15-storey residential tower. A second will have a 24-storey residential tower. The third will be an 11-storey mid-rise office tower. The final phase will have a 33-storey residential tower. The area will include retail and consumer services and public art and open space within the central courtyard
- Groups who own large portfolios of multi-residential properties across the country were experiencing some of the highest rent collection rates in Alberta

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Greater Edmonton Area

May 21, 2020 | Canada

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Period covered: May 9th to 15th, 2020

General trends, news and market observations

- Edmonton re-instated its State of Emergency for the 8th week in a row
- City council approved forming a non-profit innovation entity to help support entrepreneurs and the budding tech sector, ensuring it doesn't fall behind other major cities of Vancouver, Toronto and Calgary
- Unemployment rate in Edmonton spiked to 10% in April, an increase of 2.1% since March
- Between May 7th and May 12th, only three new COVID-19 cases were diagnosed
- More than 300 construction projects in the city are moving ahead to stimulate jobs and take advantage of the reduced amount of people using infrastructure; projects range from LRT construction to road and bridge repairs/upgrades
- Conference Board of Canada (CBoC) forecasts Edmonton's GDP to fall by 5.6% this year
- Connecting with clients to advance existing deals has been challenging as they are focused on ensuring their own businesses/investments are taken care of; while some deals have collapsed, many more have simply been put on hold until more information becomes available

Office market observations

- CBoC forecasts that the public service sector along with the health sector will not be as impacted as others with the latter expected to post gains of 3.2% in 2020 as the need for additional workers grows
- As tenants prepare to re-open, some measures being taken include: starting with reduced staff, stationing PPE equipment throughout the office and requiring a mask be worn when not at a desk as well as maintaining social distancing and ensuring movement within the office flows in one direction
- General sentiment from the CRE industry is that the demand for office space long term should not be as impacted as some are speculating; however, there will likely be more focus placed on increasing the amount of space per employee in order to ensure people aren't clustered together

Industrial market observations

- Some owner/occupiers are starting to consider how to generate additional revenue by leasing out unused acreage or building areas

- As those who are operating in struggling sectors, such as energy, look to re-shape their business plans, the need for market information is becoming more crucial in order to provide a framework to clients; requests range from lease rates to examples of how others are adapting to the current environment

Retail market observations

- The forecast for the back half of 2020 is upward pressure on vacancy rates and downward pressure on rental rates
- Edmonton's Old Strathcona neighbourhood feeling the pressure as long-term retailer Army and Navy, a department store established in 1919, closes alongside Doan's Vietnamese restaurant
- CBoC forecasts accommodations and food services to contract by 42.5% in 2020, while output in the arts and entertainment sector will fall by 22.2%. However, as travel restrictions ease, these sectors should post strong gains in 2021
- Given the potential phase 1 re-opening strategy to be initiated May 14th, and with the provincial government making available re-opening guidelines, retailers are focused on their own re-opening strategies
- Some service industry retailers who pay minimum wage may find it difficult getting staff who are receiving government financial support back to work as those workers may decide the low wages are not worth the risk
- Restaurants are having to figure out how to generate revenue while operating at 50% capacity, ensuring staff/customer safety, while also potentially navigating increasing food prices
- The quick service restaurant (QSR) model hasn't been impacted as much as full-service restaurants because they weren't required to temporarily lay off staff and were previously set up to get customers in and out quickly while also already utilizing food delivery services
- Despite the unfortunate scenario where retailers are shuttering their stores, some of those groups are looking at other opportunities to open establishments in the same industry but with different business models; the most common of which is switching from a full-service restaurant to a play on the QSR style

Multi-Residential market observations

- CMHC data shows Edmonton housing starts in April increased by 37% year-over-year
- While most of the activity in the multi-family space has been on hold, property managers and landlords are still working on increasing the health and safety of their buildings, particularly when it comes to seniors' residences. The ability to provide clean and safe conditions is likely to greatly influence the value of various assets, as those with sub-standard protocols will likely be avoided

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Greater Ottawa Area

May 21, 2020 | Canada

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General trends, news and market observations

- Ontario's "Framework for Reopening our Province" has set the stage for many businesses to begin re-opening as soon as May 19th. Ontario's first stage of reopening will begin on Tuesday, May 19th, 2020 at 12:01 a.m. and will include:
  - Retail services that are not in shopping malls and have separate street-front entrances with measures in place that can enable physical distancing, such as limiting the number of customers in the store at any one time and booking appointments beforehand or on the spot
  - Seasonal businesses and recreational activities for individual or single competitors, including training and sport competitions conducted by a recognized national or provincial sport organization. This includes indoor and outdoor non-team sport competitions that can be played while maintaining physical distancing and without spectators, such as tennis, track and field and horse racing
  - Animal services, specifically pet care services, such as grooming and training, and regular veterinary appointments
  - Indoor and outdoor household services that can follow public health guidelines, such as housekeepers, cooks, cleaning and maintenance
  - Lifting essential workplace limits on construction
  - Allowing certain health and medical services to resume, such as in-person counselling; in-person services, in addition to virtual services, delivered by health professionals; and scheduled surgeries
- Ontario re-opened some provincial parks and conservation areas Monday May 11th for limited day use
- Gradual increase in business activity
- Transactions negotiated pre-COVID-19 for early renewals continue to be slow to complete
- Any expansion discussions continue to be pushed out
- More general optimism in the market – but it is guarded – people seem to be willing to take the advice of the health professionals

Office market observations

- Institutional landlords report 90%-plus rental collections in May – industry feeling more positive about coming out in better shape than they had thought going into COVID-19

Industrial market observations

- More activity in the industrial market – most of the rent-payment problems have involved small-bay users

Retail market observations

- Major national retailers are still moving ahead with growth plans – just taking more time
- Significant holes expected in the small-restaurant user market in the National Capital Region

Investment market observations

- Pre-COVID-19 negations and conditionally accepted transactions are being re-traded or re-negotiated
- Very inexpensive money continues to be available but with less debt coverage

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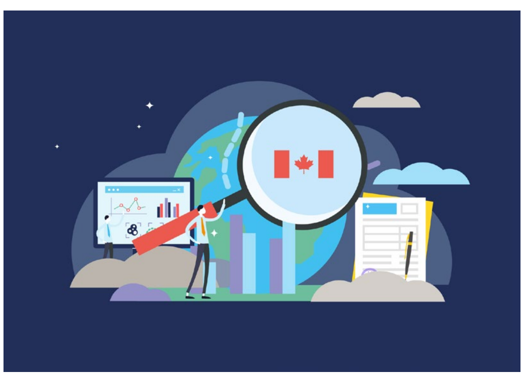

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