

UPDATED APRIL 27

EXECUTIVE SUMMARY

It is still too early to quantify the economic impacts on downtown. Various regional industry associations are in the process of surveying their members and have yet to realize results.

The CRE industry agrees that it is too early to forecast the impacts of COVID-19 on the office market. The most readily available data is from Q1 2020 and does not reflect the pandemic. Most discussion and thought focuses on employee health and well-being, stakeholder engagement, financial and asset management, office reconfiguration, and the future of work (e.g, [JLL](#), [Avison Young](#), [CBRE](#), [Cushman & Wakefield](#)).

Economists forecast economic recovery based on four scenarios: [‘V’, ‘U’, ‘W’ and ‘L’ shapes](#). ‘V’ shape recovery is based on 1-3 months of containment measures followed by a sharp return to economic activity. U, W and L-shaped recoveries all envisage some lasting negative impacts that leave economic scars and impact the productive capacity of the economy.

Retail analysts believe the rising shift to e-commerce could become permanent, but that consumers will still value the in-person shopping experience. Granted, the consumer shopping experience may evolve more rapidly due to existing pre-COVID innovations in AI and online ordering (see [Amazon Go](#), [Virtual Kitchens](#) and [Click & Collect](#)) and the implications of social distancing policies.

It is important to note that the majority of *downtown residents* (~74%) are young, single, tech-savvy, socially progressive and have(had) disposable income due to few family financial obligations. They tend to work white-collar office jobs, earn above Vancouver’s average household income and walk to work (source: custom data provided by Environics Analytics in December 2019).

The number of *unemployed* people in Metro Vancouver increased **55%** to 109,600 persons according to Statistics Canada March labour force data. In Seattle, the large majority of employee layoffs were non-office jobs. Vancouver data TBD.

In Vancouver, impacts are increasingly drastic. There have been sweeping layoffs in the tourism, hospitality and service sectors. The City of Vancouver and TransLink have reported that they are running significant daily multi-million-dollar deficits that are severely impacting services.

Pedestrian traffic on Granville and W. Hastings has drastically decreased and as of April 18 [Vancouver hotels experienced the steepest drop in Average Daily Rates](#). Vancouver hotel occupancy rates are extremely low.

43% of surveyed [Canadians believe it will take three to six months until things are “normal”](#). [Canadian credit card spending](#) decreased by **60%** for the week ended March compared to the same period last year.

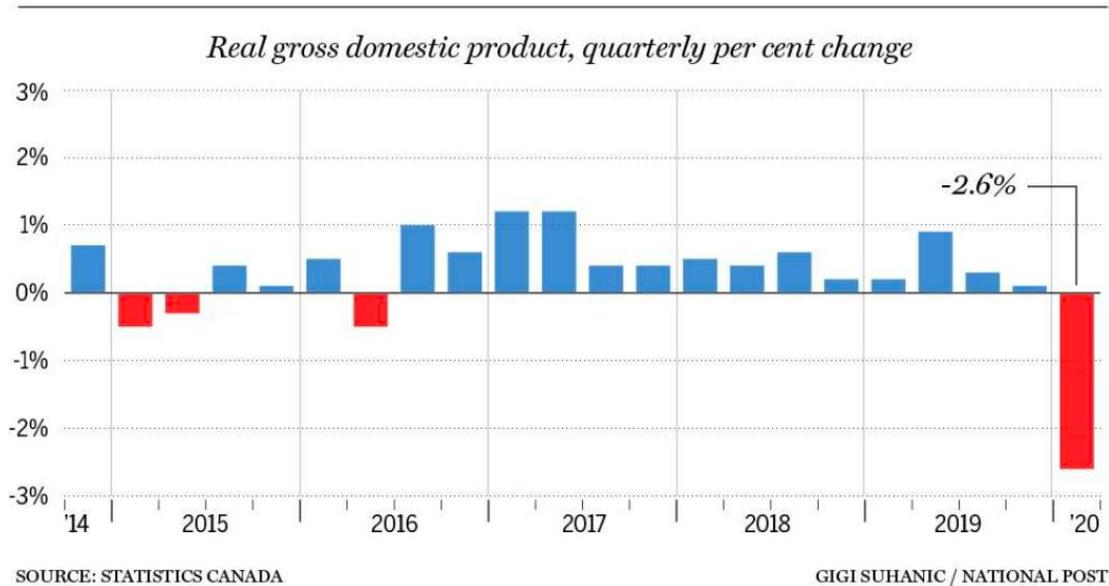
The downtown sectors that will be most impacted by COVID-19 are:

- 1) Retail and foodservices
- 2) Tourism and hotels
- 3) Arts and culture

National Economy

According to [Statistics Canada](#), Canada’s economy shrank by 9% in March – the worst decline since 1961 when monthly GDP estimates were first communicated. Consequently, Canada’s overall Q1 economic growth has decreased by -2.1% (see figure 1).

Figure 1.



The [Conference Board of Canada’s](#) suggests the Canadian economy will contract 25% over Q2. This decline, a record, would set Canada on pace for a 4.3% GDP decline in 2020.

According to [IPSOS](#), **18%** of Canadian have reported being laid off, while **9%** say they are working reduced hours, and are receiving reduced pay.

[Statistics Canada’s Labour Force survey](#) (period: March 22 to 28) showed that **29%** of Canadians reported that COVID-19 has had a moderate or major impact on their ability to meet financial obligations or essential needs.

The [Labour Force survey](#) also reported that **~4.7 million** Canadians who do not usually work from home did so during the week of March 22 to 28.

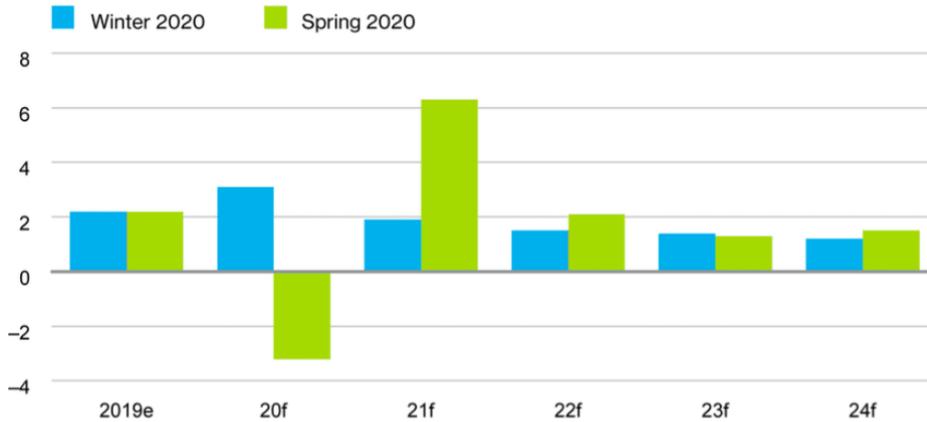
Provincial Economy

[BC’s economy is expected to shrink by 3.2% in 2020](#), compared with the Conference Board of Canada’s pre-pandemic estimate of **3.1 %** growth for 2020. As the economy recovers over the second half of the year, real GDP is expected to bounce back in 2021, gaining **6.3%** (see figure 2). A further 104,300 jobs are expecting to be lost over 2020. The unemployment rate is expected to rise from **4.5%** in 2019 and peak at **14%** in the second quarter of 2020.

Figure 2

British Columbia real GDP

(real GDP at basic prices, 2012 \$, percentage change)



e = estimate
f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

Preliminary impacts on Vancouver’s Economy

According to March Statistics Canada data, the number of unemployed people in *Metro Vancouver* increased **55%** to 109,600 persons. Consequently, the unemployment rate (people actively looking for jobs) rose from **4.6%** in February to **7.5%** in March. Labour participation (people who are employed versus people who are unemployed and not looking for jobs due to disability, illness or need to care for family) decreased from **67.1%** in February to **63.5%** in March. Most job losses are in the service sectors.

[An April City of Vancouver commissioned survey](#) revealed that **46%** of *Vancouver* residents had lost their jobs or experienced a reduction of hours, while **50%** of households saw a decrease in income. **24%** of households had seen a “significant decrease” in income.

70% of Vancouver renters were able to pay full rent in April, while **63%** say they can pay for May. **55%** of homeowners report they can make their May mortgage payments.

Mayor Kennedy Stewart expressed concerns that the city could lose \$325 million in potential property taxes losses if residents cannot pay and an additional \$189 million lost revenue from fees and service charges. Consequently, losses may impact city services.

Preliminary Impacts on Businesses

The [Canadian Independent Federation of Businesses](#) April 20th survey found that **55%** of fully open small businesses saw their gross revenues **drop by half or more**.

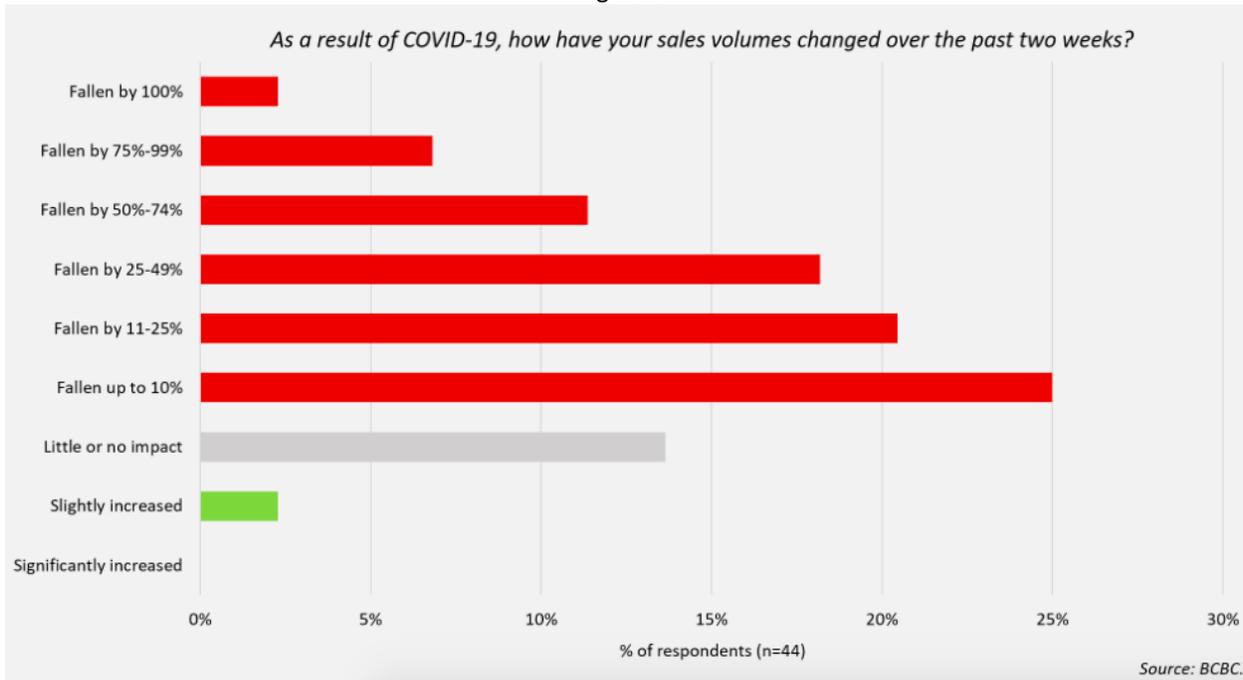
The [Canadian Independent Federation of Businesses](#) April 7th survey reports that **30%** of *small businesses* report they do not have cash flow to cover April bills, **39%** are worried about permanent closures, **63%** do not think they will be able to make up for lost revenues post COVID-19, and **90%** are worried customers will reduce or delay

spending. Further, the survey reports that **44%** of small businesses plan to use the Canada Emergency Business Account.

The [Business Council of BC's](#) April 7th survey found that most *large BC employers* saw significant declines in sales volumes over the past two weeks (see figure 3). **30%** of businesses saw one-quarter to three-quarters of their sales disappear.

The [Business Council of BC](#) forecasts the economic impact if the lockdown lasts eight weeks and international travel remains restricted for six months. Based on this scenario, BC's economy will retract by **7.3%**, real estate and rental leasing will drop by **0.72%** and retail trade will shrink by **11%** (for context retail trade fell by 2.2% during the 2008-9 recession).

Figure 3.

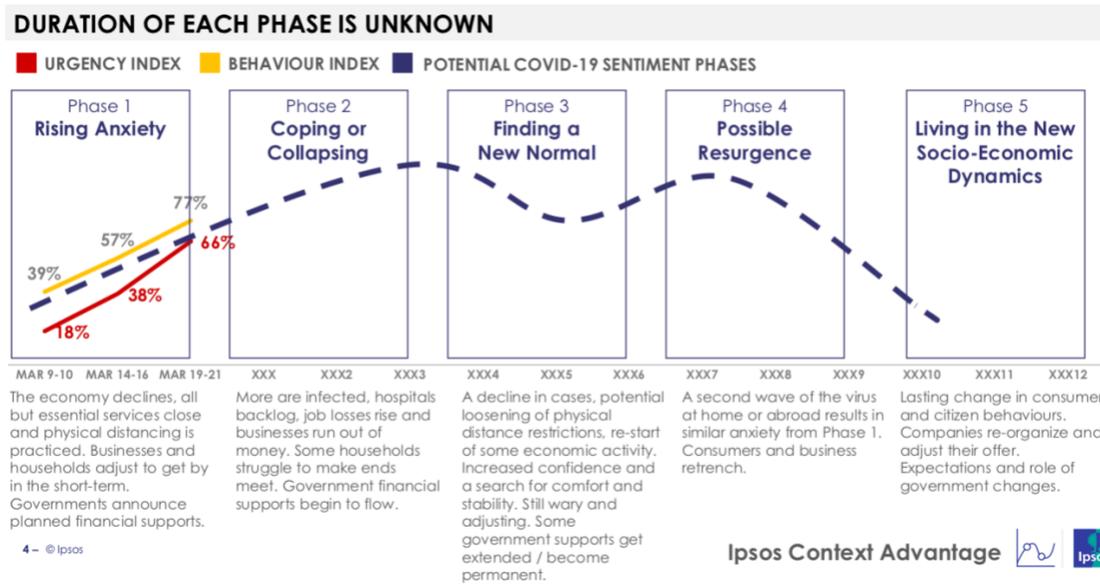


Aside from decreased sales, other impacts include increased operating costs, and deferments and cancellations of capital projects, marketing projects and contracts or tenders.

The [BC Chamber of Commerce](#) March 18th survey of over 8,000 businesses shows that **77%** of businesses from the Southwest BC/Mainland region have been significantly impacted by COVID-19, **25%** of businesses expect a **100%** decrease in revenues and **28%** of businesses expect to layoff all staff.

[IPSOS Canada](#) suggests that businesses and governments can expect consumer and citizen sentiments to go through five phases: rising anxiety, coping or collapsing, finding a new normal, possible resurgence and living in the new socio-economic dynamics (see figure 4).

Figure 4.



Commercial Real Estate (CRE)

According to all major CRE brokerages and a [Western Investor](#) report, it is still too early to infer the impacts on CRE. Given that most CRE metrics are reported quarterly, there is not a lot of data currently available to gauge the impact of COVID-19 on property markets. It is worth noting that the CRE is not the stock market. Leasing do not shift wildly based on day-to-day stock price movements.

The office sector should ride out the COVID-19 crisis better than most CRE sectors. However, [Avison Young](#) assumes that co-working spaces will be immediately impacted with users freezing or cancelling their memberships.

Public Transit

[Metro Vancouver TransLink ridership has decreased on average 83%](#). TransLink is projecting losses of \$75 million a month. [Since mid-March:](#)

- SeaBus ridership is down 90%.
- West Coast Express ridership is down 95%
- Bus boardings are down 82%.

Further service transit reductions are possible and will [adversely impact front-line workers, vulnerable populations and low-income residents](#). TransLink is asking for \$250 million from the federal and provincial governments.

Arts and Culture

The HR MacMillan Space Centre and the Museum of Vancouver laid off all union staff.

The [Vancouver East Cultural Centre](#) reported that on March 15 (i.e. in one day) it lost **100%** of its earned revenues and its fundraising revenues significantly decreased. Organizations such as Creative BC, the Greater Vancouver

Professional Theatre Alliance, ilostmygig.ca, and the BC Museum Association are in the process of surveying their members.

The [Vancouver Courier](#) has temporarily ceased publication due to a significant drop in advertising revenue.

Tourism and Hotels

Impacts on BC's tourism are devastating. The sector contributes more to BC's GDP than the primary resource industries. BC Tourism officials have advised against travel to the region.

The start of the cruise ship season is currently deferred from April 2 to July 1, but it is very likely to be cancelled all together. Most cruise trips are being cancelled by passengers.

There was a **70%** reduction in [travel bookings from China to Vancouver](#) between October 2019 and March 2020. This will undoubtedly impact luxury retail.

[Resonance](#) predicts that it will take 24 months for the tourism industry to recover.

The [Hotel Association of Canada](#) reports that the national average for hotel occupancy rates is below **10%** (for context, the 2018 national average was 66% - a Canadian record.)

Hotel occupancy and average daily rates (ADR) continue to drop. In Canada, [hotel occupancy has decreased 78%](#) and the revenue per available room fell **85%** during the week of April 14-20 compared to the same period in 2019. Notably, BC posted the largest decline in ADR (**-39.9%** to CAD104.67), while Vancouver registered the steepest drop (**-40.6%** to CAD113.74)

Approximated **35%** of [BC hotels have closed](#). Many downtown hotels have temporarily closed.

Destination BC is developing an updated tourism strategy, focusing on domestic tourism.

ESL Schools

[Eh Plus](#) located on Seymour has reported a **90%** decrease in revenue and are concerned that their longstanding business will not survive until the summer.

Retail and Restaurants

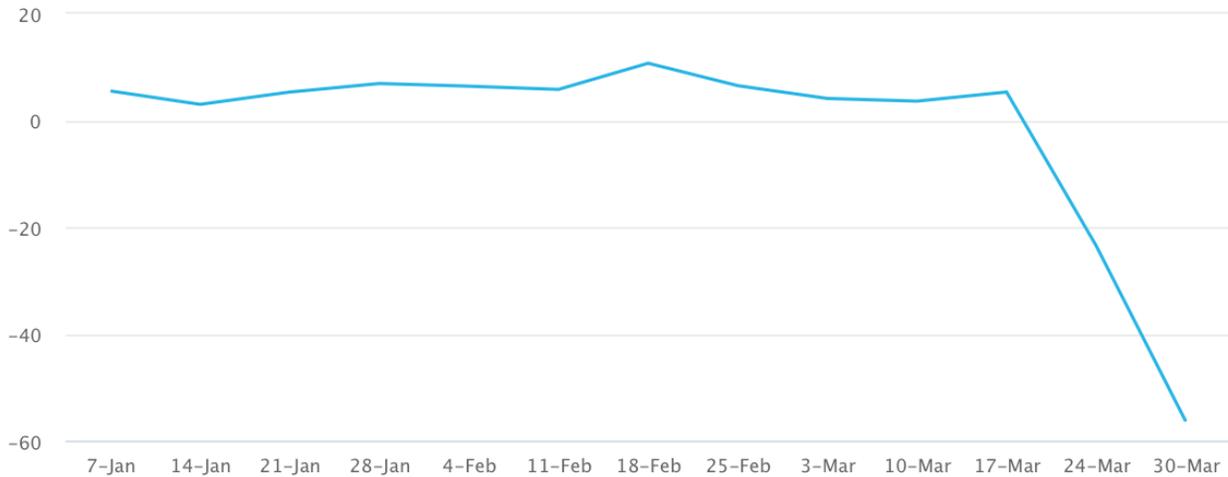
It is still too early to quantify the impact on downtown businesses without surveying.

[RBC Economics Consumer Spending April 20 report](#), shows a **60%** decrease in Canadian credit card spending in week ended March 30 compared to the same period last year (see figure 5). Canadians spent **88%** less on apparel, gifts, and jewelry in the week ended March 30.

Figure 5.

Social distancing battered consumer spending in late March

Year-over-year change in card spending



Source: RBC Economics, RBC Data & Analytics

In Canada, **20% - 25%** of [tenants in enclosed malls](#) (includes CF Pacific Centre) paid April rent. [CF Pacific Centre is considering closing](#) – Only **6 of 99** retail tenants remain open. Nordstrom and Hudson’s Bay are currently closed.

Some [Donnelly Group establishments have reopened](#) to offer delivery, including liquor. [Cannabis retailers](#) are starting to offer delivery in Ontario.

[Vancouver restaurants](#) are expressing continued frustration with 30% commissions charged by third-party mobile delivery apps. Some restaurant claim that third-party mobile delivery apps are profiting from COVID-19 while restaurants struggle to survive. Some are advocating for reduced fees.

The [Conference Board of Canada](#) predicts that the nature of retail and shifting in buying patterns will be long lasting post COVID-19.

The BC Restaurant and Foodservices Association are currently surveying their members and have yet to share results. We can quantify the number of business closures in the Fall once more robust 2020 business license data is available.

According to [Retail Insider](#), luxury retail will be severely impacted as consumers limit discretionary spending. Liquidity is the largest issue for retailers. Independent restaurants are most at risk. On average they have a couple of weeks of liquidity to sustain their business, but it is unlikely they will survive if they must remain closed or limit their operations for months.

[Indeed](#) reported a spike in job searches for companies like Walmart, Amazon and large Canadian grocers.

[Restaurants Canada](#) estimates **800,000** foodservice jobs have been lost since March 1st. The industry has also lost about **\$4 billion** in sales. **1 in 10** restaurants have permanently closed.

The [Georgia Straight](#) reported that Tractor, a local fast-casual downtown restaurant, sales are down **75%**.

Restaurants are adapting by offering delivery and take-out options. Earls now offers virtual happy hours and online grocery bundles, and various community groups have developed resources, websites and fundraisers to support local restaurants and its workers.

David Ian Gray from [DIG360 Consulting](#) hypothesized the impacts of COVID-19 in three phases: triage, assess, and adapt. He now suggests that retailers have transitioned from the **triage** phase (“how long can we survive?”) to the **assess** phase (“how can we use what we do to serve”). He references specifically food retailers support front-line workers and vulnerable populations.

Downtown Retail Corridors – Pedestrian Counts

Period: March 15 to April 27

1108 Alberni – **43%** decrease

- 2020: 111,935
- 2019: 196,881

500 Granville – **79%** decrease

- 2020: 67,073
- 2019: 324,615

512 West Hastings – **78%** decrease

- 2020: 43,048
- 2019: 193,213

Disclaimer:

All information presented is based on the best available data at the time of development (April 27, 2020). The data was obtained from sources deemed reliable; however, it is not guaranteed by the DVBA. Sources are cited in text using hyperlinks to the original source if available.

For updates or more information contact:

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