

# COVID IMPACT ON CRE

February 24, 2021

Uncertainty

Change

Opportunity

## 2020 Performance

**Canada Industrial** CRE Investment down 21%  
Top Asset Class. Up 7%  
Demand > Supply  
Price/Acre - \$1.8mm/acre  
Rents to \$15 from \$7 psf/year

**Retail** E-Commerce increasing  
Bankruptcies 100's incl restaurants  
Canada - 10.1% online \$620B  
China - 52%

**Office** # of Sublets increasing  
Vacancy Rate increasing  
National - 19% from 17%

**Residential Development Land** -1% in GTA,  
-33% in Vancouver, Price Increasing

**Hotel** - almost 50% decrease in investment

**Apartment** - 15% decline in investment

**Distressed Sales** - Fewer in 2020 than 2019

## Change/Key Trends

### Work From Home

Demand for Office Space  
"Flexibility" / "Hybrid"  
Lifestyle change  
Reduce demand for office space  
15% to 20% decline in demand for office space  
Rents expected to decrease

### Online Retail

Demand for Retail Space decreasing  
Increase vacancy/Decrease rates  
Omnichannel Experiences  
Main Street retail and Big Box retail  
Returns - increased costs  
Demand for logistics space  
Local and Regional industrial demand

## Opportunities

### Organizations

Increase productivity  
Focus on employee wellness  
Recruiting  
Reduce office costs

### Office Buildings

Adapt  
Re-design  
Branding like hotels - service

### Retail Properties

Adapt and Change  
Change use - convert to local  
logistics hubs/Residential

### Small Town Development

Affordable housing/Lifestyle

### Industrial Development

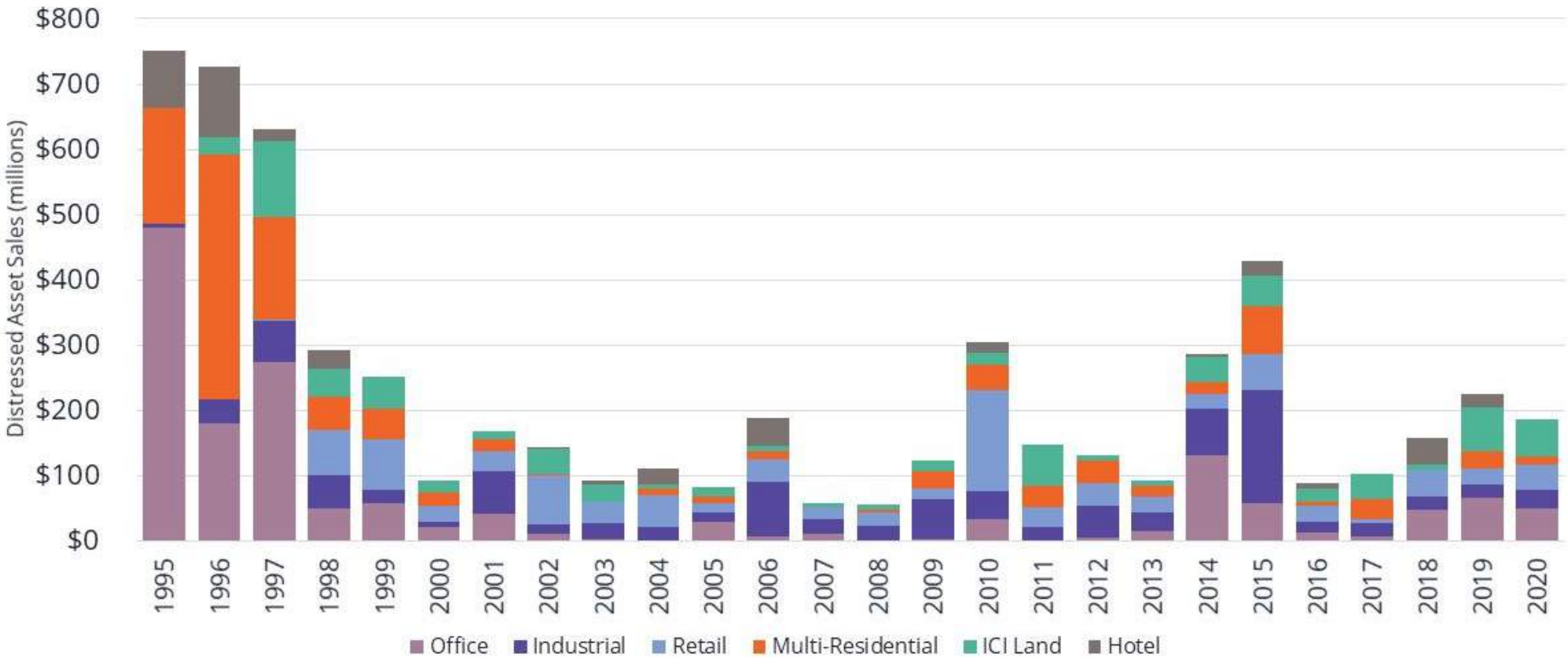
Build build build

# COVID IMPACT ON CRE

February 24, 2021

INVESTMENT

## Greater Toronto Area Distressed Asset Sales Volume



Data Source: Avison Young, Altus RealNet

Distressed Sales



# COVID IMPACT ON CRE

February 24, 2021

## THE WALL STREET JOURNAL.

◆ WSJ NEWS EXCLUSIVE | TECH

### Most Salesforce Employees to Work Remotely at Least Part Time After Pandemic

Software giant plans for staff to work from office several days a week or from home full-time, with just a fraction required on site daily



Salesforce is the largest private employer in San Francisco and

OFFICE



yahoo!news

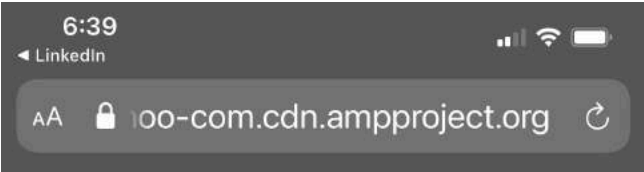
#### Lloyds to axe 20% offices as it moves to 'flexible working'

Oscar Williams-Grut  
February 24, 2021, 7:19 am



Lloyds banking group offices in Gresham Street in London. Photo: Philip Toscano/PA Images via Getty Images

Lloyds Bank ([LLOY.L](#)) plans to reduce its office space by a fifth as part of a push towards flexible working



yahoo!finance

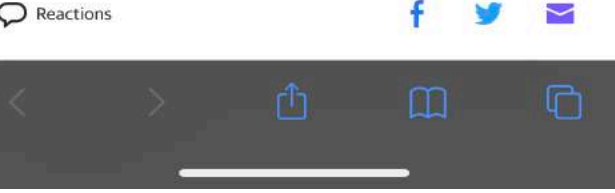
#### HSBC plans to slash office space post-COVID


Oscar Williams-Grut  
23 February 2021, 06:07



HSBC building in the financial district of Canada. Photo: Kieran Doherty/Reuters

HSBC ([HSBA.L](#)) plans to radically slash its footprint in the coming years as it moves to an "agile" way of working






inVictus are specialists in the Property & Surveying Market:

- General Practice
- Asset Management
- Corporate Real Estate
- Building Surveying

t: 020 7397 5301  
info@invictus-group.co.uk  
www.invictus-group.co.uk



RANKINGS LEGAL SECTORS TECH EVOLVE & GROW FUTURE LEADERS SUSTAINABILITY MENTAL HEALTH EVENTS MORE

DATA NEWS & ANALYSIS DASHBOARD

### KPMG expects office downsize as part of flexible working model

Alex Daniel  
03/02/2021 | Offices

Accounting giant KPMG has become the latest major occupier expecting to reduce its office footprint, announced as part of a swathe of measures in response to the coronavirus pandemic. The firm, which has also cut the pay of its UK partners by 11%, said it would embrace a flexible working model, which will involve allowing staff to work part of the week from home even once lockdown is lifted. This will involve spending £44m on redesigning its offices up and down the country, including its Canary Wharf headquarters, and likely downsizing across the board. However, no decision has yet been

Latest News

Trending

1

Market wrap: Capco lift takes shares to year-to-date high

2

Cash buyer of Coventry shopping centre has faith in the future of retail

3

RICS appoints Peter Oldham to lead review into governance row

4

What key targets on ventilation mean for asset owners


5

BidX1 sales double year-on-year

See all latest news >

Access the full EG article for free

Register now and read two complimentary EG articles in full every week and discover why EG's trusted real estate intelligence is essential for your business



Flexible Working



# COVID IMPACT ON CRE

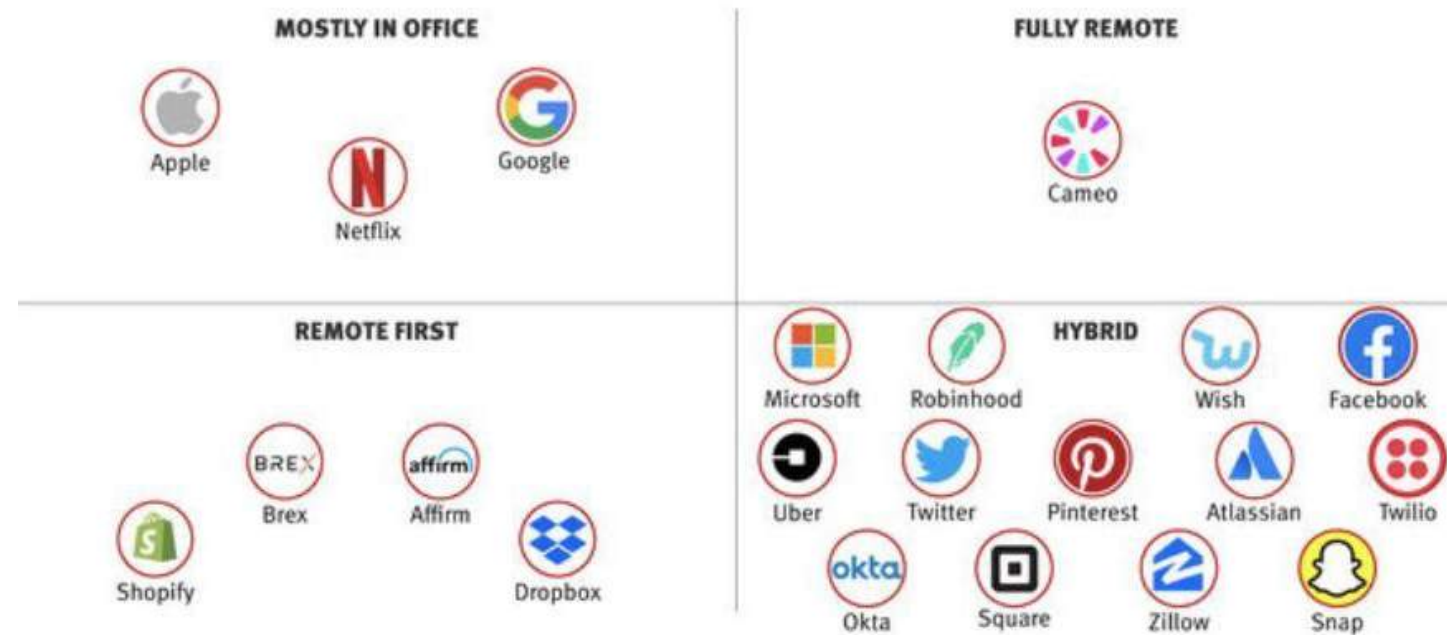
February 24, 2021

Jim Brown [jabrown@royallepagecommercial.com](mailto:jabrown@royallepagecommercial.com)  
416-558-6283

**OFFICE**

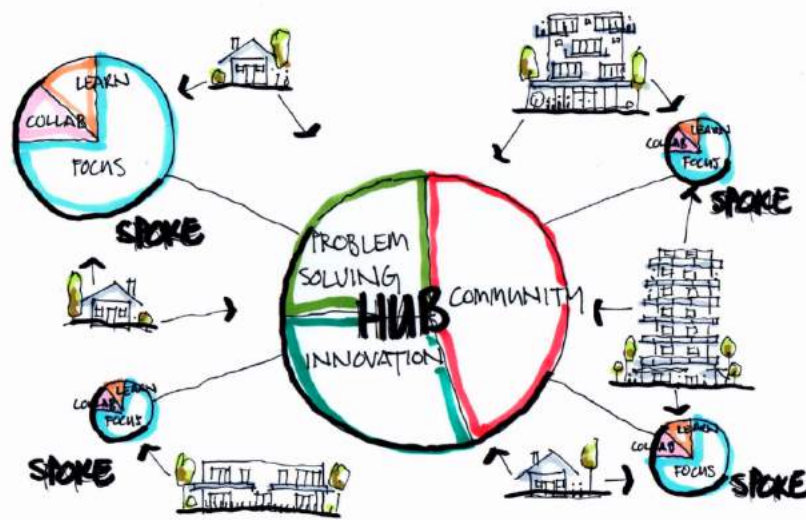
## How Tech Companies Will Return to Work

Expected plans of tech companies for their office workers after the pandemic



Sources: Company filings; The information research

## Hub, Home & Remote Working



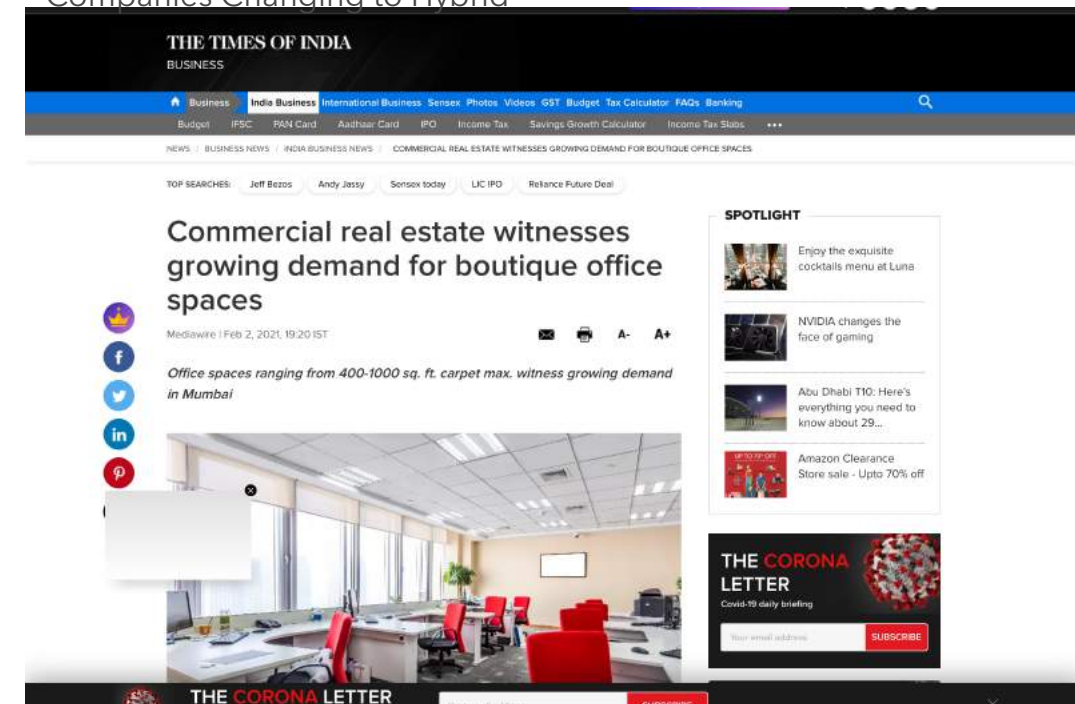
unispace

The spoke supports the 15-20% of the workforce who cannot work from home. Its function is to act as a surrogate of the home office not to replicate the hub.

Think Create Make

Remote Working

## Companies Changing to Hybrid



Boutique Office Space



# COVID IMPACT ON CRE

February 24, 2021



Jim Brown [jabrown@royallepagecommercial.com](mailto:jabrown@royallepagecommercial.com)  
416-558-6283

**OFFICE**



Redesigned Office Space





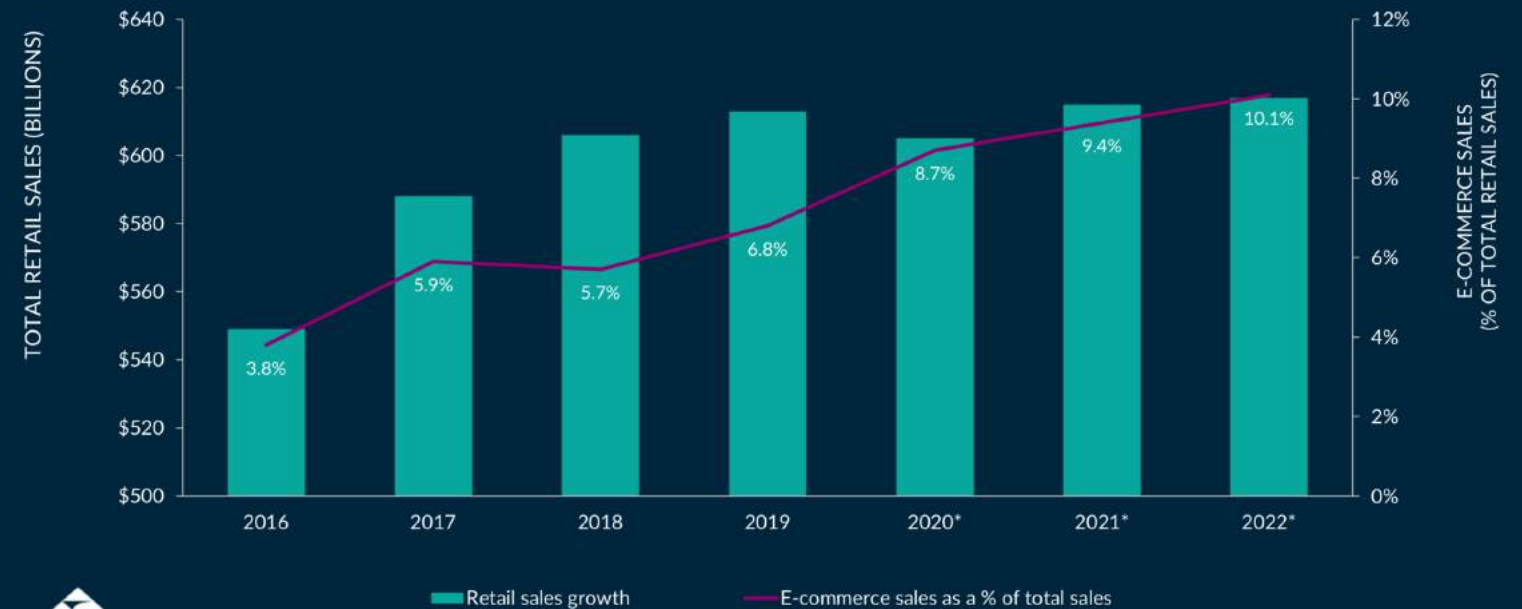
# COVID IMPACT ON CRE

February 24, 2021

**RETAIL**

## E-commerce sales rapidly accelerating in Canada

AltusGroup



AltusGroup

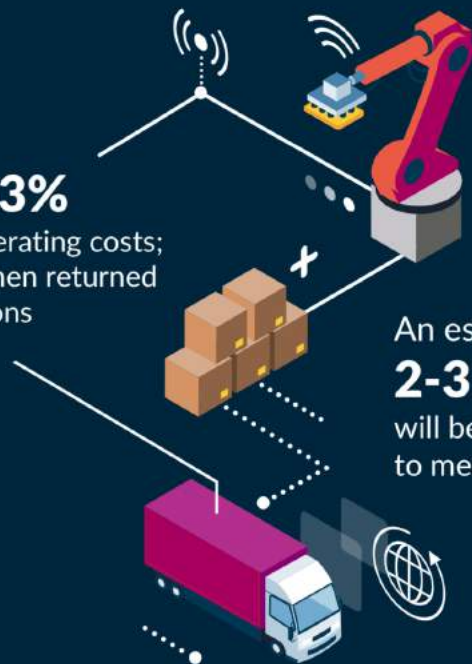
Canada Ecommerce 2020: Digital Retail Propelled by COVID-19 Quarantines-June 2020 and Altus Group

\*Projected

## Reverse logistics impact

**Adding 2-3%**

to warehouse operating costs;  
and **triple** that when returned  
from retail locations



**At least 20%**

of goods purchased online  
are returned

An estimated

**2-3 million sq. ft.**

will be needed every year in order  
to meet additional demand

**INDUSTRIAL**

# COVID IMPACT ON CRE

February 24, 2021

## Challenge Example

### RETAIL

CEO **Brian Kingston** said on the conference call that, while there would still be bankruptcies in 2021, they would likely be among smaller retailers and therefore be less detrimental for retail property owners than major bankruptcies of 2020, such as JCPenney, Neiman Marcus and Ascena Retail Group.

Nevertheless, BPY's results laid bare the issues facing mall owners in 2020. Occupancy in its portfolio fell from 96% in 2019 to 92% at the end of last year. Retailers occupying 3.9M SF of its 120M SF portfolio went bankrupt during the year, and only 54% of that space had been re-leased.

## Solution

More and more of BPY's retail tenants were fulfilling online orders from stores in its malls, Kingston said, which would support their value and rental levels long-term. As a result, the company is working to convert lower-value areas of malls where tenants had vacated space into shared fulfillment centers for retailers, as rents for the space converged with those in the last-mile logistics sector.

# COVID IMPACT ON CRE

February 24, 2021

*Opportunity is nowhere.*

**Opportunity**

*Opportunity is now here.*

