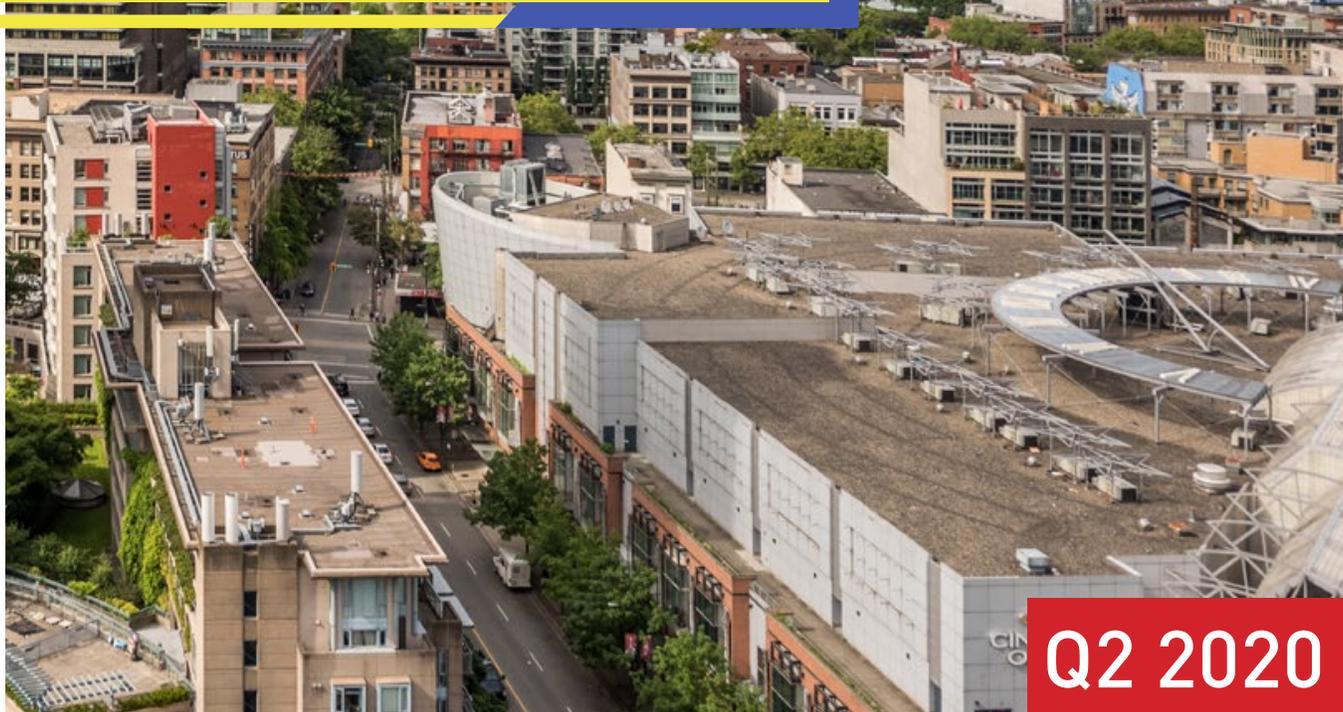


# WILLIAM | WRIGHT *Report*

## COMMERCIAL REAL ESTATE IN THE COVID ERA



**Q2 2020**

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430-605 Robson Street  
Vancouver, BC  
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**New Westminster Office**

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New Westminster, BC  
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Langley, BC  
604.546.5555

**Victoria Office**

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250.590.5797

**Property Management Office**

200-808 W Hastings Street  
Vancouver, BC  
604.330.8295



INSIGHT FROM WILLIAM  
WRIGHT BROKERS

# COMMERCIAL REAL ESTATE IN THE COVID ERA

HOW IS EACH  
ASSET CLASS  
AFFECTED BY THE  
PANDEMIC?



# MULTIFAMILY



WRITTEN BY  
**STATHIS SAVVIS, BROKER**  
NEW WESTMINSTER OFFICE



“AT THE END OF THE DAY, EVERYBODY NEEDS SOME PLACE TO LIVE AND I THINK THINGS ARE GOING TO BE BETTER FOR THIS SECTOR THAN OTHERS.”



British Columbia’s multifamily rental apartment market should ride out the COVID-19 crisis better than most of the commercial real estate industry in BC. With so much volatility in the stock market and as vacancy concerns for retail and office rise, attention has swiveled to “safer” residential rentals. A huge component is the emergency-level low interest rates that continue to provide an outlet to ‘cheap’ money that savvy investors are capitalizing on.

One thing that most people can agree on, is that BC Real Estate plays out differently than the rest of Canada. The desire to live here has helped amass a healthy rental market across the lower mainland; which has historically allowed multi-family to recover a lot quicker post-recession. Although vacancy rates may rise and rental rates could possibly decrease in some areas, we feel there will be a strong recovery post pandemic. The vacancy increase was partially due to fact that it was nearly impossible to conduct some basic leasing practices, such as showings that are necessary to fill these empty spaces. As businesses feel comfortable opening their doors post-COVID, we will see these job losses recover a lot quicker than a ‘normal’ recession due to a forced shut down which will put people back to work and get the economy moving again. At the end of the day, everybody needs some place to live and I think things are going to be better for this sector than others. ■



WRITTEN BY  
**NATHAN ARMOUR,**  
**TEAM LEADER**  
NEW WESTMINSTER OFFICE

Record low vacancy rates year after year since 2016 which has increased demand

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Business owners taking an online approach to sales in today's climate which requires warehouse space to accommodate distribution

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High demand and low supply has contributed to lease rates increasing each year which has benefited any landlord with light industrial in their portfolio

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“THE INDUSTRIAL SECTOR OF THE COMMERCIAL REAL ESTATE INDUSTRY HAS BARELY BEEN AFFECTED BY COVID-19.”

The industrial sector of the commercial real estate industry has barely been affected by COVID-19. Research has proven that many businesses are taking an online approach to sales reducing the need for a brick and mortar location, in fact, many are shifting to industrial warehousing to satisfy the distribution side of the business. The Metro Vancouver industrial vacancy has been less than 2% since the second quarter of 2016 and remains among the lowest in North America. Since 2015, 3,500,000 ft.<sup>2</sup> of new inventory has been supplied to the market each year and it is still not enough to satisfy the demand. Lease rates have continued to climb year-over-year, in 2014 the average rate was \$8.00 per foot and we are now averaging \$13.11 per foot with no signs of slowing down. ■



## RETAIL

“REPORTS ARE SHOWING THAT REVENUE WILL START REBOUNDED 45% OR MORE FOR RETAILERS OVER THE 2020 SUMMER.”



As the impact of COVID-19 hits in Q1 of 2020, it brought retail store closures, lockdowns and social distancing that had a significant impact on the commercial real estate retail sector. With 75% of businesses getting government relief and the gradual reopening of retail business, we have seen a steady demand for leasable space and no huge spike in retail inventory supply. This has allowed for little to, no decrease in lease rates as of now. We have seen subleasing become more prominent with rates staying consistent. Reports are showing that revenue will start rebounding 45% or more for retailers over the 2020 summer. The



retail market is always changing and stats say that 83% of businesses are already modifying their operations to adapt to the post-COVID market. With businesses implementing curbside pickup, delivery services, and online sales we could see the big box stores decreasing their large footprints. There will be less need for some of the large retail store footprints when customers are shopping online, so businesses will want to save those costs for other multi-level marketing and sales mediums.

There is still a lot of uncertainty in the retail sector. Information is showing that some small businesses or businesses



WRITTEN BY  
**MARK NEMISH, BROKER**  
NEW WESTMINSTER OFFICE

with tight margin pre-COVID-19 are inevitably going to struggle or close in the post-covid19 market. This will be a shift in the retail market and it is hard to compute the amount of vacancies that are coming to the retail market this early in the reopening stage but new tenants and buyers will be able to capitalize on the increased supply. Retail leasing in Vancouver has always had large demand, so there are opportunities for more retailers to come to the Vancouver market that didn't have the opportunity pre-COVID-19 due to the supply. With an increase in retail supply, lease rates will have to adjust and landlords will need to be more accommodating



to land strong tenants' long term. If we see a decrease in lease rates and higher Cap Rates for investors, there will be opportunities for tenants and investors to capitalize on retail market opportunities. ■





## OFFICE

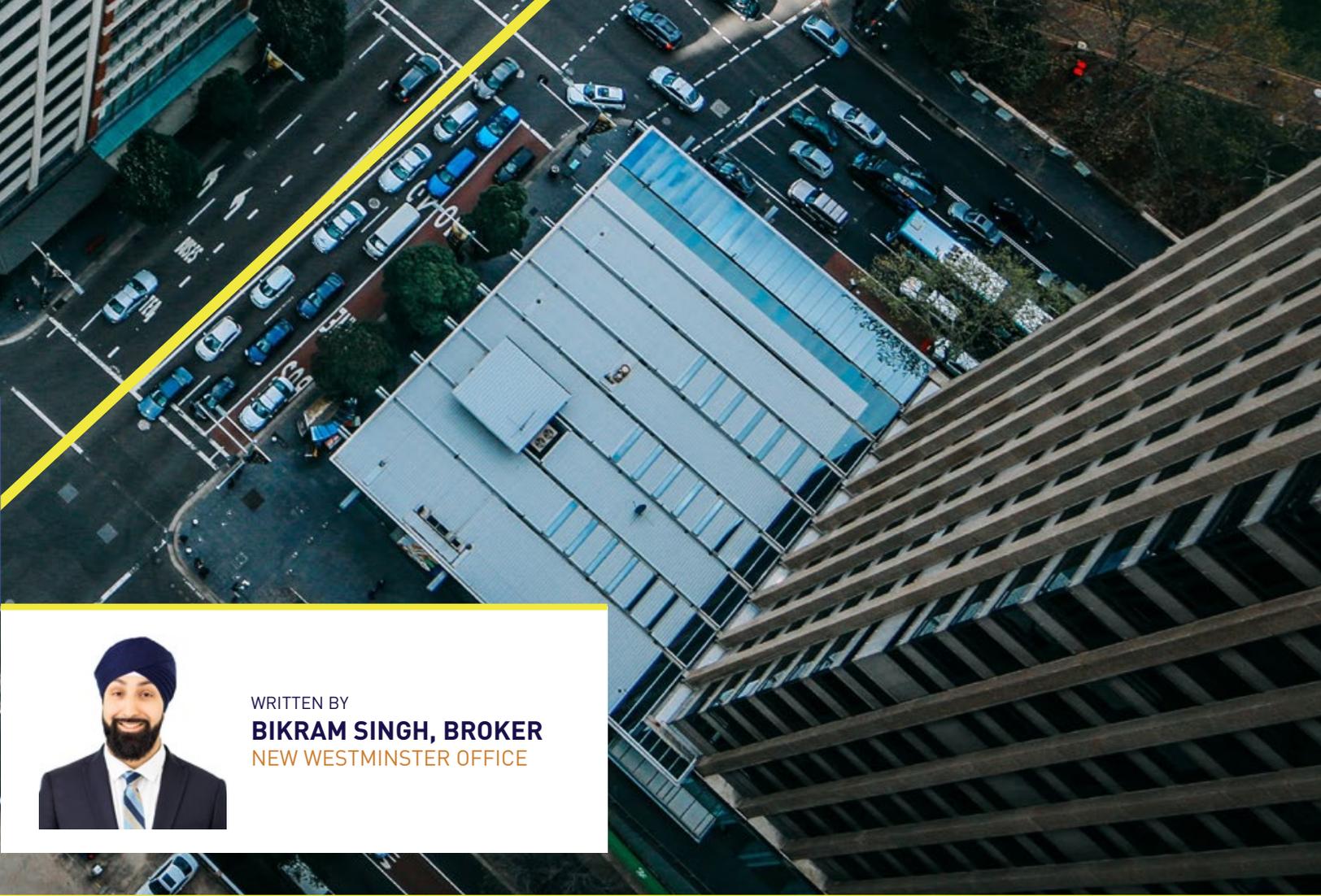
“...TWITTER AND SHOPIFY ARE ALREADY ALLOWING THEIR EMPLOYEES TO WORK HOME PERMANENTLY SIGNALING THAT THE OFFICE MARKET POST-COVID-19 IS GOING TO BE AFFECTED FOR YEARS TO COME.”

British Columbia's office market remains steady despite COVID-19. This contrasts to the retail sector which was negatively impacted, and the industrial sector which was positively impacted. Prior to COVID-19, over 3.9 million square feet of office space were on track to be constructed in downtown Vancouver alone. 66% of this space was pre-leased prior to pandemic-considered to be a high rate. Due to COVID-19 and the related shutdowns or government restrictions, force majeure was declared on construction on office units resulting in lower inventory than expected.

Prior to COVID-19, conservative forecast by real estate analysts projected a 4% vacancy rate for office units by 2024. This projection was adjusted to 7% due to COVID-19 which is still considered reasonably healthy compared to other North American markets. Vancouver's technology sector appears to be a

significant driving force in the demand of office space, also leading to population growth and incoming immigrant workers.

Despite the apparent steady nature of the office market, fears remain that if there is a second COVID-19 outbreak, many employers and employees will be afraid to go back to the office and will shift to working from home permanently or reducing their office space needs. In addition, the economic impact of a second outbreak may lead to more businesses exiting the market altogether. This would lead to companies being forced to break their lease early, seeking to sublet their office spaces and/or decide not or renew their leases. Companies like Twitter and Shopify are already allowing their employees to work home permanently signaling that the office market post-COVID-19 is going to be affected for years to come.



WRITTEN BY  
**BIKRAM SINGH, BROKER**  
NEW WESTMINSTER OFFICE

Vancouver's office vacancy rate has doubled during COVID-19. However, statistics are often misleading. The percentage increase is from 2.2% to 4%, which is still among the lowest vacancy rates in North America. The worldwide economy has shouldered crises. During the financial crises in 2008/09, many believed that finding office tenants after 2009 would be improbable and after 9/11 no one would want to fly again. These crises have demonstrated that businesses and society learns to adapt to new changes. Whilst the needs of tenants may change, e.g. tenants searching for office space may prefer to lease newer buildings which often have faster elevator service and newer ventilation system leading to better air quality. ■



Recent Transactions



1965 Oak Bay Avenue, Victoria  
\$4,445,000.00



2296 McCallum Road, Abbotsford  
\$2,450,000.00



1055 Mainland Street, Vancouver  
\$1,775,000.00



22182 Dewdney Trunk Road, Maple Ridge  
\$5,450,000.00



3083 276th Street, Langley  
\$1,215,000.00



106A-3430 Brighton Ave, Burnaby  
+/- 5,763 SQFT



**172-5489 Byrne Road, Burnaby**  
+/- 1,506 SQFT



**109-3993 Henning Drive, Burnaby**  
+/- 1,325 SQFT



**107-3728 North Fraser Way, Burnaby**  
+/- 2,882 SQFT



**170-12811 Clarke Place, Richmond**  
+/- 1,664 SQFT



**206-2323 Boundary Road, Burnaby**  
+/- 1,314 SQFT



**7-22214 Dewdney Trunk Road, Maple Ridge**  
+/- 1,451 SQFT

## Featured Listings



**111 + 115 Twelfth Street, New Westminster**  
Contact Listing Agent



**1250 Hornby Street, Vancouver**  
\$2,298,000.00



**1257 Hamilton Street, Vancouver**  
\$4,798,000.00



**303 Dunlop Street, Coquitlam**  
\$2,200,000.00



**2948 272nd Street, Langley**  
\$1,495,000.00



**4108 Fraser Street, Vancouver**  
\$1,098,888.00



**33140 Mill Lake Road, Abbotsford**  
\$3,350,000.00



**2916 Graveley Street, Vancouver**  
\$2,950,000.00



**301-6383 McKay Avenue, Burnaby**  
\$1,595,000.00



**270A-2088 No. 5 Road, Richmond**  
+/- 3,098 SQFT



**101-105 2106 Main Street, Vancouver**  
+/- 1,524-11,936 SQFT



**2412 Laurel Street, Vancouver**  
+/- 16,000 SQFT

# WILLIAM | WRIGHT

Commercial Real Estate Services

[williamwright.ca](http://williamwright.ca)



For more information please contact our Vancouver office.  
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