



BCEDA

BC Economic Development Association



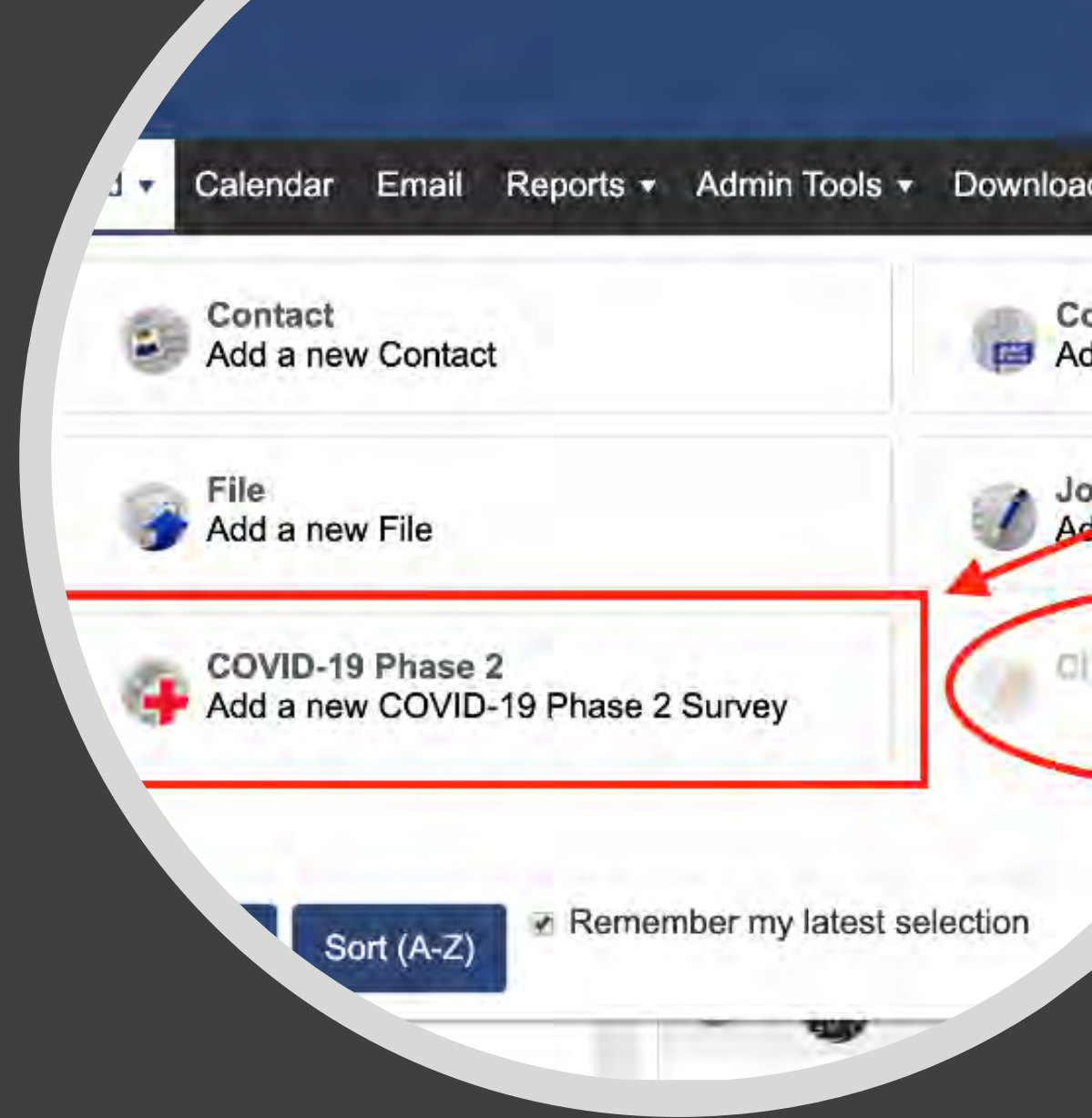
BCEDA EDRP COVID19 - Economic Response and Recovery (Restart) Conference Call

Thursday, April 30, 2020



What is BCEDA Doing?

- COVID19 Webpage:
<https://www.bceda.ca/covid19.php>
- BCEDA #COVID19 Resources for BC Businesses Guide – Live document
- Calls, webinars and information sharing
- BCBusinessCounts – COVID Survey Phase 2
- Economic Recovery and Resiliency Toolkit



Resource Updates

- Joint Statement by First Ministers – Restarting the economy
- Canada Emergency Commercial Rent Assistance – Federal and Provincial partnership
- Connecting British Columbia - \$50-million
- BC Provincial Government - Forestry



This Week

- Impacts on Retail
- Food and Restaurants
- Commercial Space and Valuation
- Questions





Jeremy Bramwell
Principal, Commercial Appraiser
and Real Estate Consultant

Bramwell & Associates



Bramwell &
Associates
Realty Advisors

Informed Opinions - Trusted Values

The Impact of COVID 19 on Commercial Valuation

Agenda

1. Introduction
2. How COVID-19 is Changing The Industry
3. Property Tax
4. Risk
5. Fee Simple Market Impact
6. Strata Market Analysis
7. Changes
8. Q & A

How COVID-19 is Changing The Industry

- Changes: Use of teleconferencing and webinars
- Data Aggregation software
- AIC Guidance: Inspections Not required, only confidence on the inspection process
- “Clause Out”
- Inspection: More sales data review (Aggregation software, BC Assessment, etc.)
- Choice A: Typical inspection with more care about touching things
- Choice B: Exterior inspection, with Remote Interior Inspection by Zoom, etc.

Provincial Property Tax

2020	PAAB Appeal Deadline June 1, 2020
BC Government:	75% off School Tax (Commercial Only)
Valuation Consideration:	Equivalent to 2-3 months
Landlords Options:	Immediate holiday Decline in monthly payments Year End reconciliation
2021	Market Value July 1, 2020 – Condition Oct 1, 2020 Expected to be flawed due to deal pipeline Appeal ASAP to meet pre-roll in September



Bramwell &
Associates
Realty Advisors

Informed Opinions - Trusted Values

Local Property Tax

Local Municipal
Government:

Lowering Projected Property Tax Mil Rate

Some pushing back tax payment date to September

Valuation
Consideration:

Less Revenue = Less Optional Services

Governance

Funding Programs
Criteria: No political office holders

Consequences: Resignations of local politicians (Mayors and Councillors)

Consideration: Loss of institutional knowledge
Loss of business community input in decisions
Inability to get quorum to have meetings

Why Appraisers
Care: Impacts ability to make planning and development assumptions

Impact ability to have quorum for Property Tax rate decisions (End of May)

Risk

Higher Risk

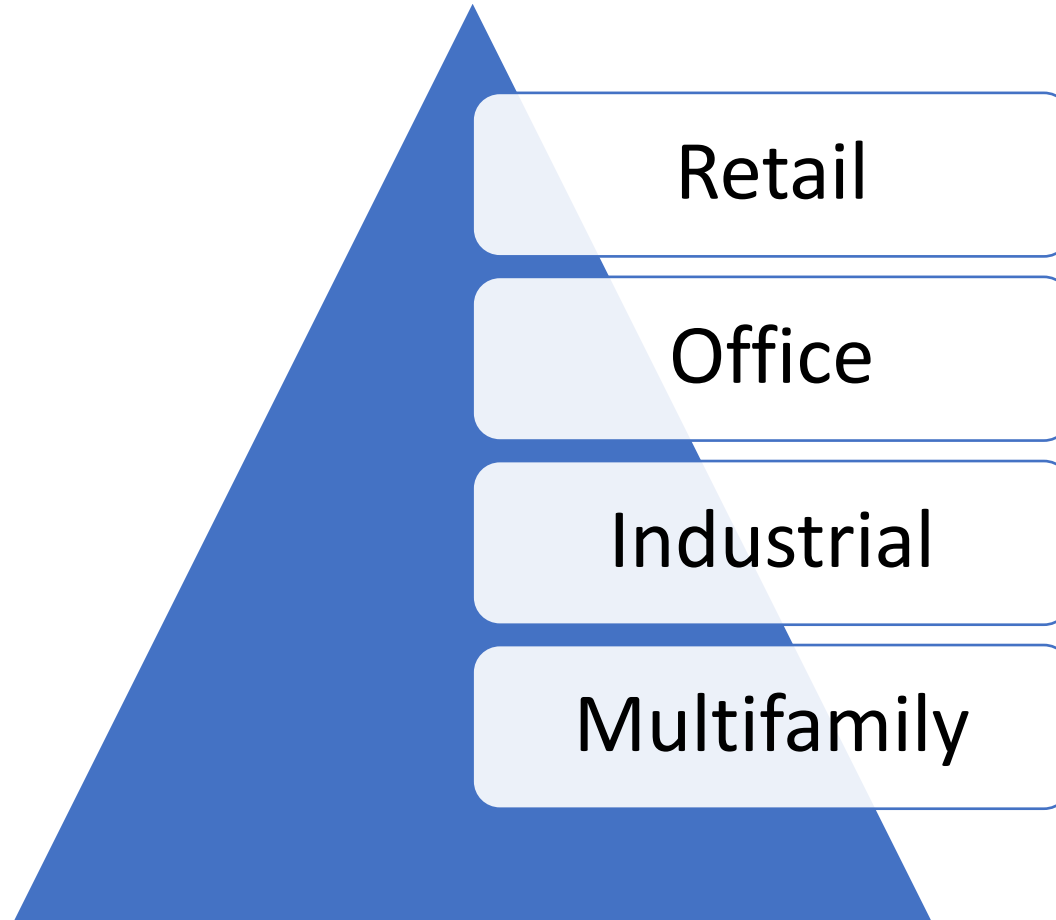
Retail

Office

Industrial

Multifamily

Lower Risk





Bramwell &
Associates
Realty Advisors

Informed Opinions - Trusted Values

Multi Family

Non-Payment: April: 5-12%
 May: 2X
 June: Similar to May

Risk Profile: Highest: Studios
 Medium: 2 Bedroom
 Lowest: One and Three Bedrooms

Expenses Operating expense increases (such as water)



Bramwell &
Associates
Realty Advisors

Informed Opinions - Trusted Values

Multi Family

Short Term: Deduction of actual loss off Capital Value, if over a few months

Medium to Long
Term
Projections: Better quality inventory: Rents increase at legislated rate 2-3%
Lower quality inventory: Rents static or decline

Expenses will increase at 3% - 5%

Assuming Cap rate will be static

Value decreases based on quality of inventory if this lasts over 3 months

Office

Tenants
Requesting
Assistance: 10% to 20%

Risk Profile:

Gig office economy is DEAD (WeWork)
Shared Office (Regus) on life support
25% may never return due to acceptance of technology
Lease termination clauses being activated

Short Term:

Unknown - This is a deep and sudden disruption more similar to 2001 than 2008 recession

A reasonable basis for forecasting would be to apply discount between 2000 office market and 2002 office market in vacancy rates and cap rates

Medium to Long
Term Projections:

A review of supply and actual demand will be required to adjust the inventory required, then adjust the capitalization rate for long term calculations



Bramwell &
Associates
Realty Advisors

Informed Opinions - Trusted Values

Industrial

Tenants
Requesting
Assistance: 5%-10%

Risk Profile: Very limited

Short Term: Nothing

Medium to Long
Term
Rents static

Projections: Cap rate will increase if logistic needs diminish with economy

Value static if this lasts over 3 months, unless logistic trends change

Retail

Tenants
Requesting
Assistance: 80%-100%

Risk Profile: 70% Small Business

25% are GONE - Increase as this goes over 3 months

Discretionary spending of households diminish savings and credit capacity
for replacement new small business start-up

Expectation: 1 Month at home = 3 - 6 Months no replacement

3 Months: 9 – 18 Months Back end of May: Feb 2021 – Nov 2021

4 Months: 12 - 24 Months Back end of June: July 2021 – July 2022

5 Months: 15 - 30 Months Back end of July: Nov 2021 – Jan 2023

6 Months: 18 - 36 Months Back end of August: Feb 2022 – Sept 2023



Bramwell &
Associates
Realty Advisors

Informed Opinions - Trusted Values

Retail

Short Term: Unknown - This is a deep and sudden disruption

During the disruption and without any data, appraisers can do nothing.

Forecasting tools will be based on tenant quality and lease analysis once data comes in

Lease analysis reports required

Tenant analysis through communication required to determine tenant quality

Medium to Long Term Projections: Once the disruption is over and data is in, the basis for forecasting would be to adjust the capitalization rate by applying vacancy and non-recoverable discount between March 1, 2020 and the projected stabilization date



Bramwell &
Associates
Realty Advisors

Informed Opinions - Trusted Values

Strata

- Difference: 95% Owner Occupied
Home and Strata commercial largest investments – But Home always Wins
Expecting Increased Listings on condition of Leasebacks
- Industrial: Demand was good – No change
- Office: Recent presales between \$2,000 and \$3,000 psf in downtown will collapse as technology drives away users for small space. The numbers do not make sense, especially as rents will decline outside full floors that users like Amazon want.
- Retail: Small owner-operator retailers that have flexibility will survive better than small investors.



Bramwell &
Associates
Realty Advisors

Informed Opinions - Trusted Values

Moving Forward

Short Term:

Initially, more market overviews and clauses explaining situation

Appraisers who do tenant quality analysis, lease review, modelling, forecasting and sensitivity analysis will charge more as more work required. Lenders will require this and Appraisal will cost more.

Medium to Long
Term

Tenant quality analysis, lease review, modelling, forecasting and sensitivity analysis will remain.

Projections:

Move toward standardized data inputs with annual computer reviews becoming more prevalent as part of monthly, quarterly or annual portfolio review.

Remote inspections will remain as a small portion of business.

Questions?



Appraisals * Litigation Support * Expropriation * Property Tax Consulting * Replacement Cost Valuations

1000-355 Burrard Street, Vancouver, BC V6C 2G8 Tel: 604-608-6161 Fax: 604-669-6968 Web: VancouverAppraisal.Com

DESIGNATED MEMBER



Appraisal Institute of Canada
Institut canadien des évaluateurs



British Columbia
Expropriation Association



Urban Development Institute
Pacific Region



Ian Tostenson
President and CEO

BC Food and Restaurant Association

What Communities and Others are Doing

- Penticton Farmers' Market – Online Market
- Love Northern BC and Support Local BC
- West Kelowna – Community Night
- London Drugs – Local Central



Central Okanagan Food Bank

West Kelowna Community Night

We are asking every West Kelowna household to order take out or delivery on Thursday April 30th, to support these local restaurants and the Food Bank! Order between 4pm until close

For every food order placed over \$30, the West Kelowna Warriors will donate \$10 to the Central Okanagan Food Bank West Kelowna

Original Joes 250-768-3835 Deliver: Skip the Dishes Take Out: Yes 15% off take out & 50% off alcohol www.originaljoes.ca	Boston Pizza 250-768-0707 Deliver: Yes Take Out: Yes 15% off, beer and wine to go www.bostonpizza.ca	C Lovers (re-opening) 778-754-1539 Deliver: Pick Up Take Out: Yes www.c-lovers.com
Bamboo Chopsticks 778-754-5589 Deliver: No/yesnow Take Out: Yes www.bamboo chopsticks.ca	Gasthaus on the Lake 250-767-6625 Deliver: No Take Out: Yes www.gasthaus.ca	Kekuli Café 250-768-3555 Deliver: Yes Take Out: Yes www.kekulicafe.com
Kelly O'Bryan's 250-768-8442 Deliver: No/yesnow/Skip the Dishes/Doordash Take Out: Yes www.kellyobryans.com	Sammy's Pizza 778-754-1313 Deliver: Skip the Dishes Starting at 4pm	Sammy's 778-754-1313 Deliver: Skip the Dishes

Central Kitchen

A logo featuring two hands holding a heart, symbolizing support and care.



Remember Other Disasters Will Happen

- District of Squamish
- Village of Cache Creek
- Cariboo Regional District
- Thompson Nicola Regional District
- FireSmart – Timber Kings

<https://firesmartbc.ca/>



Questions

- What type of assistance would be helpful from the Province of BC and the Government of Canada? For you, or your businesses.
- What type of assistance could BCEDA provide?



Thank you

- Please send us an email with topics that you would like to see covered in future conference calls/webinars.
- If you have ideas on things we should be doing, are willing to offer assistance, or just want to provide us with updates on how this crisis is impacting you, please reach out.

We are confident that together we will all come through to the other side, and when we do, our communities and our economy will prosper. When that great day comes, BCEDA will be there to support our return to normalcy and our ability to retain and attract businesses, residents and tourists. Be safe.