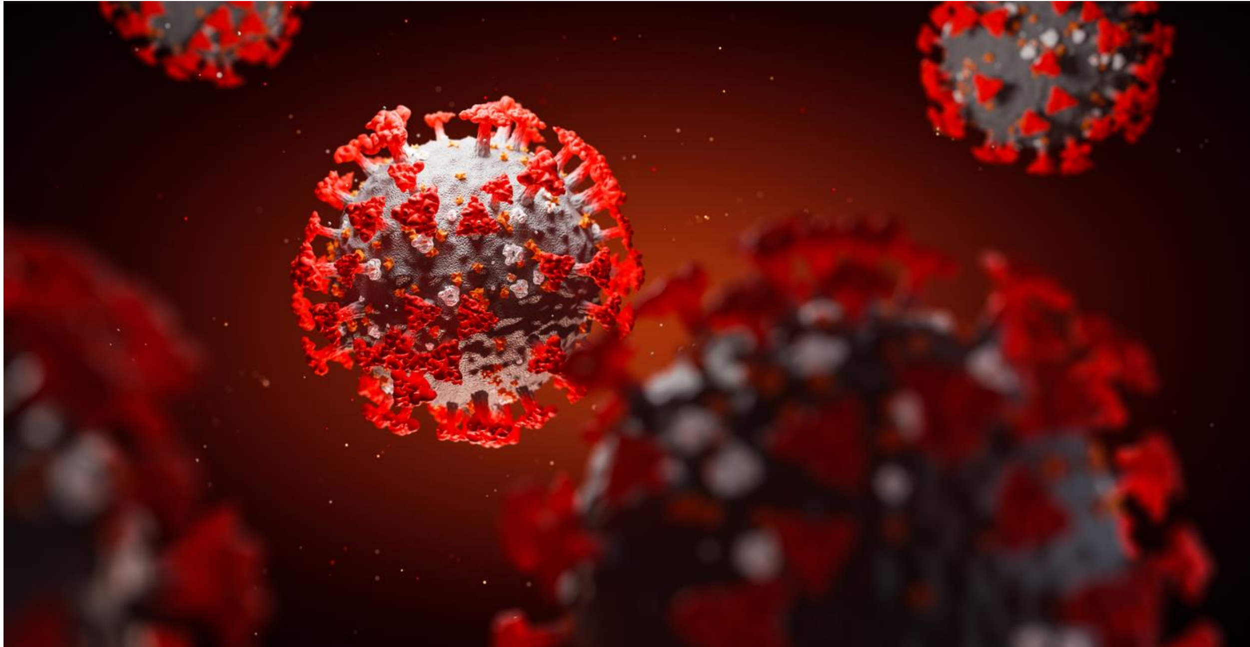
COVID-19: Impact on Commercial Property Values.



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On March 18th 2020 Newfoundland and Labrador became the first province in Atlantic Canada to declare a state of emergency under the Health Act to enforce Covid-19 measures. They were followed by New Brunswick on March 19th, Nova Scotia on March 22nd and Prince Edward Island on April 16th. Although there was an initial rash of infections in Newfoundland, many traced to a funeral gathering, and in Nova Scotia mainly in the Halifax Regional Municipality, all of the Atlantic Provinces appear, at the time of this article (May 19th), to have curtailed the spread of the virus. There are no active cases, and have been no deaths, in New Brunswick or Prince Edward Island; 8 active cases and 3 deaths in Newfoundland: 32 active cases and 56 deaths in Nova Scotia (tragically 50 of them in Northwood, a seniors' residence). It is premature to declare success, and crass to declare victory amidst the heartache, but the region is now catching its breath and starting tentatively to move towards its "new normal". What is that likely to be and how will it impact commercial property markets in the Atlantic Region?

Living With Covid-19

Until there is an effective vaccine and/or treatment the world will inhabit a twilight zone, fearful that Covid-19 in its various mutations will flare up again… indeed much of the globe still faces the initial fight to reduce the spread, heartbreakingly among socially disadvantaged peoples without the means to do so. At present there are over 100 vaccines under development and 7.8 billion people to be vaccinated. For many, the cost of vaccine will be out of reach unless the rich world steps up to fund the program. There appears to be optimism from those close to the process, such as Bill Gates of the Bill and Melinda Gates Foundation, that some of the vaccines will be successful, and the modest expectation that self-interest, if not basic human decency, will enable all who want to be vaccinated, to receive the benefit. Optimistically development of an effective vaccine or vaccines could be achieved in about 12 months, pessimistically in 36 months, most probably in 24 months, according to our literature and media review. At that point most of the world would not be vaccinated so the virus, and its various mutations, would continue to circulate. Prior to the development of an effective vaccine, travel and economic activity will be restricted. During this period sporadic bursts of Covid-19 activity are likely to occur possibly causing further "lockdowns". These spikes in virus activity will be coincident with conditions favourable to its spread: cold dry environmental conditions such as those occurring in the Fall and in industries like meat packing plants, relaxation of "social distancing" due to the over enthusiastic opening of the economy (especially in the United States), a public wearied of their lack of social contact and restrictions on their freedom of movement, familiarity breeding contempt, the necessity to earn a living….

After an effective vaccine, and/or successful course of treatment has been developed, the world will probably have to live with Covid-19. It is unlikely to be eliminated entirely. A significant proportion of the world's population are distrustful of vaccines, a third of Canadians say the science is not clear and forty-five percent of American adults consider vaccines unsafe. Viruses mutate; so far there is no clear evidence that this renders Covid-19 more, or less, contagious, deadlier or more resistant to treatment. Research has been preliminary and produces conflicting results: Los Alamos National Laboratory's research suggesting that the mutations may have made the virus more contagious, Arizona State University's investigation promising that it might become weaker and die off. Perhaps it will become like influenza, an ever present threat during the winter months; the risk of contracting it reduced, but not eliminated, by a yearly flu shot.

Economic Impact

Most of the world, including Canada, is now in a recession caused by the Covid-19 shut down. Much of the industrialized world (China, Europe, North America, Australia, New Zealand, et al) are cautiously restarting their economies whilst keeping a wary eye on the virus in the expectation that it will flare up again. In Canada, Quebec was hit the hardest by Covid-19, the result of sun seekers bringing it back from Florida after an early Spring break, followed by Ontario. Both provinces have made a great effort to bring the outbreak under control; they and the country as a whole have benefited from fairly strong, coordinated and non-partisan political leadership. All provinces are racing to establish sufficient testing and contact tracing capability to contain Covid-19 flare ups as they open up their economies. Unfortunately, south of our border, some States have already opened up their economies without the necessary testing and contact tracing infrastructure in place, encouraged by a federal administration paralyzed by partisanship, governing by fiat, sober thought transduced by tweet. Who would have thought that democracy could have such shallow roots? That situation is likely to continue until the American presidential election on November 3rd, and beyond that if President Trump is re-elected. The Canadian government has recently announced that the international border will remain closed to non-essential traffic for another month until June 21st, no doubt to the great relief of Doug. Ford, the Premier of Ontario. Presumably it would then re-open unless Covid-19 exploits the opportunity presented by premature relaxation of social distancing requirements and erupts again.

Some provinces in Canada have also closed their borders, banning non-essential traffic or imposing 14 day quarantine restrictions on visitors or returnees. In the Atlantic Region; Prince Edward Island, New Brunswick and Newfoundland imposed restrictions to entry, whilst Nova Scotia kept its border open but imposed a 14 day quarantine. The border restrictions almost certainly violate the Charter of Rights and are distasteful to those of us who reject the notion of the national interest being subsumed in favour of short term local concerns; they and the quarantine requirements have effectively closed down "non-essential" cross border trade within and from outside the region. The border restrictions have been successful in curtailing the spread of Covid-19 but cannot be imposed forever and it is difficult to see how they could be sustained once the Canada-United States border is re-opened. Their detrimental impact on the economies of all four provinces will intensify after the tourist season starts on June 1st: the season only lasts 4.5 months and visitors treat the three Maritime Provinces and to some degree Newfoundland, as a single destination. Prince Edward Island will be particularly hard hit because it relies heavily on visitors from Quebec and Ontario. Much non-tourist inter-provincial business has also stalled because there is no commonality on the definition of essential business. The border restrictions have been in place now for two months, an extension for another month or two will render permanent damage to the regional economy, not just to the tourism industry, but also to regional firms who work throughout the region.

Local provincial border restrictions aside, what is the likely impact of Covid-19 on the country's economy? We are now in a severe recession, the result of the pandemic, rather than lack of demand. How long will the recession last? If the results of our literature and media review are to be believed we face an alphabet soup of options. The economy will be "V", "U", "W" or "L" shaped… which just about covers every eventuality! Many commentators have focused on the fact that this crisis is unique, not because it is a pandemic but rather because of the lack of international co-operation. In past crises the United States took the leadership role. On March 23rd 2014 the World Health Organization reported cases of the Ebola Virus Disease prompting the American Center for Disease Control (CDC) to swing into action in July 2014. They trained 24,655 healthcare workers in West Africa on infection prevention and control: although Ebola infected populations in 10 countries the outbreak was limited and was successfully terminated in June 2016 without it becoming widespread globally. In the 2008 Global Financial Crisis (GFC) the G20 nations acted in concert to prevent the world's economy seizing up. Even though the crisis was rooted in the United States, Central Banks around the world jointly took action to expand the money supply and avoid the risk of a deflationary spiral.

Unfortunately the GFC, and the visible detrimental impact of Global Trade, on national blue collar employment propelled populist movements to political power. Their political representatives focus on immediate short term national interest, touting readily understood and apparently simple solutions such as “bring the jobs home”, and “restrict immigration”. Thus we have populist politicians building walls instead of tearing them down (President Trump in the United States) and fatally weakening the European Union (Prime Minister Johnston of the United Kingdom) and Latin America (President Bolsonaro of Brazil). Add to that the rise of China, a totalitarian regime anxious to conceal its failings rather than subject them to public scrutiny, and the world is ill equipped to face any type of widespread crisis. The pendulum may swing back again, but perhaps not for another five to ten years.

An Alphabet of Recessions

Our research reveals the following potential, and mutually exclusive, economic outcomes of the present Covid-19 pandemic (*the comments with respect to Atlantic Canadian commercial property values are our own*):

(1) “V” Shaped Recovery – a sharp recession lasting for about three months during the initial period required to contain the virus followed by a rapid bounce back in the second half of 2020. There will be second-order effects such as bankruptcies and unemployment but these will be ameliorated by the Federal and Provincial Government fiscal response in providing income support; and Bank of Canada (and other central banks, most notably the United States’ Federal Reserve) monetary actions in lowering interest rates and increasing liquidity. This is the scenario favoured by *most* of the major real estate brokers in North America. The Conference Board of Canada is a little less bullish, they expect the economy to start its recovery in the second half of 2020 with a rebound in 2021. *The impact on commercial property values will be minimal and transitionary.*

(2) “U” Shaped Recovery – a sharp recession followed by a gradual recovery during the one to three years the Covid-19 vaccine is being developed: the impact of the recession will end when the vaccine is brought to market in sufficient quantity to inoculate the country’s population and that of the United States (our major trading partner comprising 75% of our exports). This is the scenario favoured by *some* of the major real estate brokers in North America and the Bank of Canada. *The adverse impact on commercial property values will be selective and mainly reversed in three years’ time.*

(3) “W” Shaped Recovery – a sharp recession followed by a moderate recovery in the latter half of the year with another recession when Covid-19, fed by the dry cold weather of winter, rears its ugly head again and triggers another lockdown. This pattern will be repeated until an effective vaccine is developed and deployed over the next three years or so. This scenario has little appeal to the real estate community in North America, possibly because it is too awful to contemplate, but has been promulgated by European and Far Eastern real estate commentators. It is however the scenario most favoured by the *health community* in North America, including Canada’s Chief Public Health Officer Dr. Tam, and is informed by the history of the 2018 Spanish Flu pandemic which had an initial peak in the death rate in June 1918, a fivefold larger peak in October 1918 and a third peak (twice the initial peak) in March 1919. It circulated for three years. *The repeated stop/start will erode commercial property values on a selective basis and the recovery to pre-Covid-19 levels will extend well beyond the deployment of an effective vaccine. The values of some property types such as retail, offices and hotels may never recover to their pre-Covid-19 level.*

(4) “L” Shaped Recovery – a sharp recession followed by a slow recovery extending for two to three years beyond the development and deployment of an effective vaccine. This is the scenario favoured by a *minority* of major real estate brokers and some economists in North America. *All commercial property values will be adversely impacted though the degree will not be apparent until landlords are forced to sell under-performing assets starting two years’ hence. The degree of erosion in values will be a function of liquidity. Property types that cannot be re-financed at rates their cash flow will support, will suffer a large fall in value. If properties are dumped onto the market, and lenders panic at the erosion of their mandated “loan to value ratio”, resulting in even more liquidations, values of that property type will free fall. The values of some property types such as offices and hotels will take 20 years to recover to their pre-Covid-19 level. Others, such as some retail properties, may never recoup their lost value.*

Historical Data Points

To determine what will happen to values, by property type, under the various recession scenarios we have researched the effect of similar crises on property in Atlantic Canada and have used the corresponding data points to extract and extrapolate the impact on values. Although there have been six pandemics during the past 100 years none have had the economic impact of Covid-19. However there are three significant events which changed the course of history in North America and had the potential to adversely impact real estate: the Global Financial Crisis (2008), Nine Eleven (2001), and the Global Recession (1990).

Property values are the function of just two variables, the *Income* generated by the property and the *Risk* that the income will not be sustained over the time horizon the investor expects to hold their investment. There are a number of ways of measuring Income and Risk but the most commonly used metrics are Net Operating Income (NOI) and the Overall Capitalisation Rate (OCR) respectively. The NOI is the income remaining after all operating expenses (other than mortgage debt service and depreciation) have been deducted from the Effective Gross Income (the rental income collected by the landlord). NOI is the equivalent of EBITDA (earnings before interest, taxes, depreciation and amortization). The OCR is the ratio of the anticipated first year's NOI (post purchase), to the purchase price, expressed as a percentage i.e. OCR = (NOI ÷ Purchase Price) × 100 and is the inverse of the Profits Earnings Ratio. If the NOI decreases, or the OCR rises, the property value will fall… and vice versa, unless there is a compensating movement in the other variable. Although the OCR primarily measures risk it also reflects the strength or weakness of supply and demand for the property… if the demand weakens for that particular property type, prices will fall and the OCR will rise.

The Global Financial Crisis (2008) – had its roots in the United States. The financial community, in a moment of mental aberration forgot all about their Savings and Loans fiasco two decades earlier and happily loaned billions of dollars to home owners who lacked the fiscal capacity to pay them back. They then packaged these sub-prime mortgages with less dodgy loans and sold bits to gullible investors worldwide. Initially it proved a great success so Wall Street, impressed with its own brilliance and rewarded with fat commissions, repeated the process with commercial mortgages… only to discover that, while you can put lipstick on a pig, it is still a pig. Eventually residential property values stopped increasing, home owners found it impossible to continue refinancing to repay loans they could not afford, and the defaults started. This proved embarrassing to financial institutions holding paper they had not yet resold. Meanwhile the inflexibility inherent in a commercial mortgage that had been repackaged with other loans, sub-divided and resold to many different lenders, reared its ugly head. Once the genie was out of the bottle it was difficult to get it back in again if (when) the mortgagor wanted to re-finance mid-term. By the end of September 2007, the crisis over asset backed commercial paper (ABCP) hit the windshield in Canada. The Federal Government responded by appointing a committee headed by Mr. Purdy Crawford to unfreeze financing backed by ABCP. The contagion spread around the world. During 2008 the stock market continued to crash, Lehman Brothers, a US bank, went bankrupt and governments around the world rushed to shore up their banks with loans, guarantees and/or outright nationalization. The banking system in Canada was the exception that proved the rule and emerged relatively unscathed. *The commercial property markets in Atlantic Canada saw retrenchment by some investors such as ING Real Estate, who in 2010 sold the industrial portfolio they had acquired in 2006, at a loss. However sectorial purchasers such as Killam (apartments), some REITs and pension plans, continued to acquire property in the region. We have analysed the sale prices in Atlantic Canada on a per unit basis before, during and immediately after the crisis (a four year period in total): industrial and apartment prices continued to increase at an annual compound rate of 2% and 4% respectively; hotels, offices and retail fell in value by 3%, 5% and 7% respectively compounded yearly.*

Nine Eleven (2001) – on September 11th 2001, terrorists attacked four targets in the United States: the twin towers of the World Trade Centre in New York, the Pentagon, and Washington, DC, the latter foiled by passengers in the aircraft which then tragically dived into the ground in Pennsylvania. Almost 3,000 people were killed and over 25,000 injured. The effect of the attacks was immediately felt in Atlantic Canada as air traffic destined for American airspace was diverted to airports around this region. The economic impact occurred shortly thereafter as cross border traffic slowed to a crawl impeding imports and exports; as cruise ship passengers cancelled trips during the busy Fall season; as tourists stayed home; and as the airline industry struggled to adjust to the new reality. We then experienced a second economic disruption as industries not directly impacted by the cutbacks in air travel, tourism and cross border trade, experienced the knock-on effect. Businesses placed expansion plans on hold and some started to lay off staff. Some of this decline in economic activity was coming anyway but the events of September 11th escalated the downturn and deepened it. The anthrax contamination in the United States had already started to dampen economic activity in this

region too, often to the point of absurdity… buildings in Halifax were evacuated because of dust on a civil servant's keyboard, in a workmen's boot and on a laundry room floor. Economists, ever accommodating, postulated either (1) a short "V" shaped recession lasting two quarters, a flat quarter, then a rapid recovery or (2) a recession which was deeper and more prolonged. Neither occurred and dusty civil servants, dirty boots and washing powder on laundry room floors rapidly became events of unremarkable significance too. *So how did the property markets in this Region react? They sauntered through it. We again analysed the sale prices in Atlantic Canada on a per unit basis before, during and immediately after the crisis (a four year period in total): industrial and apartment prices each continued to increase at an annual compound rate of 5%; hotels by 9%, offices by 1% and retail by 14%.*

The Global Recession (1990) – was triggered by the cataclysmic failure of property markets worldwide. The initiating event was the collapse of Thailand's currency, the baht, the result of over exuberant property lending by that country's banks. The contagion spread to Japan, whose banks had exhibited similar malaise, and then around the world. It found fertile ground in North America. Following the election of Ronald Regan to the Presidency of the United States in 1980, and his program of tax cuts and financial deregulation, policies designed to stimulate the economy by unleashing the country's entrepreneurial drive, American Gross Domestic Product grew by 72% during that decade. Much of that money was invested in real estate, particularly home ownership, following deregulation of the Savings and Loan Industry in 1982. American exuberance during the 1980's spilled over the border into Canada. Here, our Trust Companies embarked on a program of expansion into residential real estate, and also into commercial mortgages where they enthusiastically competed with the banks and life companies. Atlantic Canada was a beneficiary and in the mid-1980s, developers embarked on an orgy of real estate expansion, enthusiastically building shopping centres, office buildings (located mainly in the Central Business Districts), hotels (often encouraged by government grants), industrials (subsidised by government grants if they were located outside the major population centres) and apartments (encouraged by high ratio mortgages guaranteed by CMHC). In large part this building activity was fuelled by easy access to credit, rather than demonstrated demand.

Unfortunately in America, lax or non-existent underwriting standards, incompetence and fraud had become commonplace, and more than 1,000 Savings and Loans Associations subsequently failed in what Canadian economist John Kenneth Galbraith called *"the largest and costliest venture in public misfeasance, malfeasance and larceny of all time"*. Between 1986 and 1989, first the United States' residential property market collapsed, then credit dried up for commercial lending. By the late 1980s our own Trust Companies had started to fail, falling like nine pins. We pinpoint May 1990 as the start of the real estate recession, based on the reduction in sales volume and prices in the residential property market. In reality however the commercial property markets in Atlantic Canada started to feel the pinch in 1989 as credit dried up. The latter was key. Sales information was not public knowledge in the three Maritime Provinces, and the Newfoundland registry office was such a mess, effectively there is none there either. Because the markets were imperfect, some uninformed purchasers, blissfully unaware of the precipitous fall in property values, continued to buy at 1989 prices through to 1992, **provided that they could get financing**. The commercial market meltdown was therefore a three year event which had its beginnings in 1989 (as evidenced by reduced sales volume, but not lower prices), gathered pace during 1990 and 1991 (few sales, little credit), and produced some evidence of falling values in 1992 (foreclosure sales, but some less knowledgeable purchasers still buying at 1989 prices if financing was available). By 1993 there were sufficient "distress" sales occurring that all but the obdurate, had to accept that property values had shifted dramatically downwards. *This was no minor price adjustment. Hotels/motels throughout the Atlantic Region plunged in value, on average, by 50%. Industrial properties lost between 25% to 75% (average 44%) of their value if they were situated in Burnside, the region's largest park, located in Dartmouth, Nova Scotia. In Nova Scotia, the further one moved away from the Halifax/Dartmouth area, the greater the drop in value. Industrial properties located in places such as Amherst lost between 50% and 80% of their value. The office sector in the Halifax Central Business District was devastated, losing about 55% of its value. The apartment market dropped 5% to 10% on Halifax Peninsula, 50% in Dartmouth's Highfield Park, and 30% to 50% elsewhere in Metro. Retail, shuddering under the twin impacts of the recession and the growth in "big box" merchandising, also suffered badly. Some Shopping Centres fell in value by 35% (Neighbourhood) to 55% (Community).* All this in a Region where, for at least thirty years (and probably since the Great Depression) property prices had steadily increased, year after year. The property markets had effectively seized up and liquidity was slow to return. Sales activity, other than foreclosure sales, really did not start again until 1995 led by hotels/motels, then apartments (1997), industrials (1997/1998), offices (1998) and retail (1999). The recovery in prices would take much longer; 19 years for some properties to recapture the nominal value they lost in 1990; and most of that recovery occurred post 2000… and was due in large part to the decline in interest rates, and the concomitant reduction in the return investors were willing to accept, rather than rising rents.

Covid-19 Crystal Ball

Whatever form the recession takes, "V", "U", "W" or "L" shaped, its impact in terms of value erosion is likely to occur, in ascending order of magnitude on Apartments, Industrial, Office, Retail and Hospitality real estate. At present this is what we see in our crystal ball:

"V" Shaped Recession – ***Apartment values*** will continue to rise, albeit at a slower rate than recently until an effective vaccine is deployed and immigration can recover again. The value will "pause" or fall, in areas favoured by university renters because of the reduced rental demand from overseas students; it will start rising again once a vaccine is widely available and overseas students return. ***Industrial values*** will stabilise until the recession ends and the recovery picks up pace, thereafter they will continue their present increase propelled in part by the desire to hold more inventory close at hand. Buildings designed and purposed for logistics i.e. distribution, will continue to increase in value. ***Office values*** will decrease somewhat concomitant with the reduction in their Net Operating Income (NOI); but the rates of return demanded by investors e.g. Overall Capitalisation Rate (OCR) will rise only marginally for Class A and B buildings. Low rise buildings (3 stories or less) will be favoured over high rise structures as the challenge of moving people at the start and end of the workday, while practicing social distancing in elevators, becomes apparent. (Some building managers estimate that this will add an additional two hours to the work day in high rise buildings). Some Class C buildings will be retired from service, perhaps repurposed for apartments or demolished. ***Specialty office*** buildings designed for call centre, information technology or other "high density" occupancy will suffer large falls in value unless they have strong tenant covenants in place to "bridge" the two year gap or so before a vaccine is available. ***Retail values*** will fall to reflect any reduction in their Net Operating Income (NOI) and a modest increase in the OCR… the latter a response to their vulnerability from on-line shopping and the impetus so provided by Covid-19. Retail OCRs bottomed out in 2010 and have been increasing by about 77 basis points per decade since then, as on-line shopping takes its toll. Even a short recession will force some retailers to the wall e.g. Reitman's, who are now seeking creditor protection, and cause others to reconsider their distribution network e.g. Newfoundland Chocolate Company, now closing its three Nova Scotia stores. The weaker malls will close, perhaps to be redeveloped for residential use. ***Hospitality values*** will fall substantially concomitant with the reduction in their NOI and the increase in their OCR until an effective vaccine is widely available. They will recover most of their lost value when people feel comfortable about travelling again (probably in five years or so). Hotels catering to the business traveller will be less badly impacted than those focused on discretionary travel but will not recover all of the value they lost as a result of Covid-19 because the virus will change travel habits and encourage the use of video conferencing. In the interim some resort hotels will benefit from former guests of Airbnb who prefer the security of professionally sanitized accommodation.

"U", "W" and **"L" Shaped Recessions –** Any recession, other than a short "V" shaped economic slowdown, will place upward pressure on OCRs and hence a decline in property values, as well as adversely impacting NOI as businesses retract, fail or reposition their space requirements. Recessions are normally the response to the demand/supply disequilibrium and persist until that situation is resolved. A recession can be a significant emotional event which produces profound behavioural change, usually coloured by economic considerations. The 1990 recession, for example, though relatively mild was global in scope. It forced a rethink of office space, "productivity" replaced "presence". Prestige office space gave way to more utilitarian buildings housing "back office" functions in industrial parks instead of Central Business Districts, and space utilisation decreased from 250 ft^2 per employee to 110 ft^2 or less. This change was enabled by technology: desk top computing became ubiquitous and cheap, the Internet burst on the scene, as did cell phones, rendering physical location less important… even irrelevant. Since the present recession is a response to a public health crisis rather than lack of demand it should be vanquished by a vaccine. However there is a danger that the economy will be sufficiently scarred by responses to the virus, such as closing provincial and national borders, that any recession will be deepened and extended. This danger is exacerbated by the erratic and contradictory behaviour of President Trump promoting activity which is counterproductive to reducing the spread of Covid-19 in the United States, whilst inciting trade wars globally, and the United Kingdom's Prime Minister Boris Johnson's insistence on Brexit which will weaken both the United Kingdom and the European Union. The longer the recession the greater the adverse impact on property values and the more pronounced the change in tenant and consumer behaviour. At its extreme the recession and recovery could have the same cataclysmic impact on property values as The Global Recession (1990): substantial falls in value for every property type. In our view that is possible rather than probable at the moment; our Federal and Provincial governments, echoing the response globally, have

taken steps to promote liquidity. Some businesses are already starting to fail and many are reducing discretionary spending having had to shoulder the burden of closing their operations, or refocusing their expenditures during Covid-19. *We believe that the impact on property values will mirror those anticipated for a "V" shaped recession but that they will be deeper and more prolonged. Office space, especially in Central Business Districts, will be permanently and adversely impacted because of the change in work habits favouring remote working. Previous recessions have escalated the "working from home" trend as companies mitigate their risk and reduce "fixed overhead" either by encouraging employees to do so or by hiring contract labour (the "gig economy"). Paradoxically this may encourage demand for suburban office space from people who want the separation of home and office, especially if they have small children, but also want flexible working hours and be close enough to their home to provide spousal support. Whether this space is located in the residential area, or a nearby Business Park, it will have to be flexible and readily responsive to varying space requirements, preferably in a low rise building with an exterior entrance and on-site parking. Hospitality accommodation is also likely to be permanently scarred by the Covid-19 and a lengthy downturn. Airlines already recognise that their operations will be severely and adversely impacted, even by a "V" shaped recession. A more prolonged downturn will further reduce business travel in favour of video conferencing which has "zoomed" into common use as the result of Covid-19 and will persist even after the deployment of a vaccine. International travel is likely to be the most greatly impacted: in fact there may be a rebound in regional recreational travel in the next five years partly to the advantage of hotels, but more probably for recreational vehicles such as campers and trailers. Once Covid-19 restrictions can be lifted this will benefit campgrounds, cottage and other facilities catering to the regional recreational market.*

The fly in the ointment is the necessity, sometime in the future, to recover the enormous sums spent by the Federal and Provincial governments on fighting the virus, including the income and rental support. Presumably this will have to be recaptured by increased taxation, borrowing or inflation… or a combination thereof. How and when that occurs will also impact property values.