

Emergency Economic Packages to Bolster Struggling Businesses And Keep Employees on Payrolls

New policies offer relief for workers and business owners.

In response to the severe economic impact of the COVID-19 pandemic, the government has rapidly implemented a series of emergency programs to help companies and their employees through the rapid economic slide. The Canada Emergency Wage Subsidy and Canada Emergency Business Account will be vital over the coming weeks in shoring up businesses to maintain operations and keep workers on payrolls, reinforcing the economy. Many of the nation's small and medium-sized enterprises have had to close doors, impacting cash flow and businesses' ability to pay April bills, including rent or mortgage payments. The loans and subsidies provided through the emergency government policies offer a buffer to many companies affected by COVID-19, while also supporting property owners faced with a growing risk of tenant defaults.

Wage subsidy to cushion the blow from COVID-19. To prevent further job losses and motivate companies to hire back laid-off employees, the Canada Emergency Wage Subsidy has been created, providing all sizes of employers with financial support to maintain payrolls. The benefit provides companies with 75 percent of their salary and wage expenses for up to three months and is retroactive to March 15. Tenants who have faced a loss in revenue streams will be better positioned to weather the financial fallout with this additional government aid, which should keep more businesses open, sustaining stable property metrics. Property owners will want to work with more at-risk tenants, providing any relief that is possible to slow tenant turnover.

Emergency package to help keep businesses running. The wage subsidy program provides a buffer for severely impacted businesses to weather the economic crisis, freeing up funds to continue operations and cover rent, utilities and other expenses. Property owners with affected tenants will want to notify business owners of the program immediately as the subsidy could allow tenants to continue rent payments.

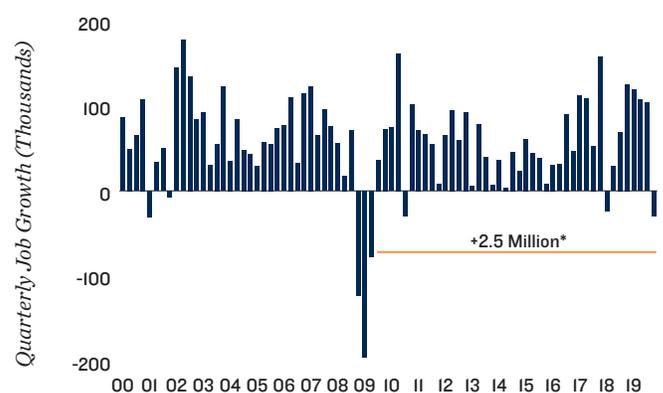
Canada Emergency Wage Subsidy

The government created an emergency program to keep Canadians employed and businesses open by subsidizing workers payrolls for companies impacted by COVID-19.

Additionally:

- » Up to 75 percent of pre-crisis weekly salary and wages are subsidized, no more than \$847 per week.
- » Available to businesses that have recorded a 30 percent loss in revenue in either March, April or May in comparison with the prior year.
- » Ottawa announced an alternative calculation for firms that required greater flexibility. Qualifying companies that recorded a 15 percent loss in revenue in March compared with their average income over January and February are now eligible to receive the benefit.
- » Qualifying employers include individuals, taxable corporations, nonprofits and registered charities.

Decade of Job Growth at Risk



Canada Emergency Business Account

New loan program aimed at supporting small businesses. Additional measures were put in place to support small businesses through the Canada Emergency Business Account, which provides qualifying companies with access to a \$40,000 line of credit. The \$25 billion program gives banks the ability to issue interest-free loans to small businesses and nonprofits, which can be used to meet operational cash-flow requirements including payroll, utilities, rent and mortgage expenses. Organizations with payroll expenses between \$50,000 and \$1 million last year are eligible.

Portion of loan is fully forgivable. Up to \$10,000 of the loan is forgivable for borrowers that pay down \$30,000 of the principal on or before Dec. 31, 2022. If the loan is not repaid by this date, it will be converted into a three-year term loan at a 5 percent interest rate. The repayment of these loans can be done at any time, though borrowers are not required to make monthly payments until the end of 2022. The loan program coupled with wage subsidies provide a stopgap for companies at risk of closing, aiding industries that have been particularly hit hard, including retailers, restaurants and the tourism sector. Combined, these two provisions will have the most impact on the commercial real estate industry as they will be key in helping small and medium-sized businesses meet their obligations. They will not be enough to keep all businesses afloat, though, creating some near-term pain for property owners. Healthy fundamentals and strong underlying demand entering the crisis will support a quick rebound once the outbreak is contained.

Borrowers apply through their current financial institution:

- Funds are required to cover operating costs including payroll, utilities, rent, property tax and insurance.
- Must provide proof that payroll expenses for 2019 were between \$50,000 and \$1 million.

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Sources: Marcus & Millichap Research Services; Government of Canada; Statistics Canada

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Price: \$500