



Canada's Downtowns: A Discussion Brief

Key Trends, Challenges and Questions about Canada's
Downtowns in the Context of COVID-19

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“ *The lights are much brighter there
You can forget all your troubles,
forget all your cares
So go downtown* ”

Sadly, the lyrics of Petula Clark’s classic do not apply during COVID. In Canada’s big cities, office workers are mostly gone. Transit ridership is down by 75%. Students have vacated downtown campuses for online learning. Residents, if not locked down, avoid downtowns, staying closer to home for shopping and social activities. The bright lights of the theatre, sporting events, festivals and other arts and entertainment have largely been turned off. Retailers, restaurants, hotels and tourism operators and other businesses face plummeting sales. The pandemic has also amplified and made more visible the challenges of homelessness, mental health and addiction for many of the residents that remain. Depopulated and desolate, Canada’s downtowns are not the buzzing urban cores our cities depend on.

While many of the pandemic-related changes and challenges will gradually be reversed when public health conditions allow, some could be more durable—even permanent. This poses a threat, but also presents an opportunity. It opens up a range of possibilities for our future downtowns, such as to offer a greater diversity of commercial, residential, civic and cultural uses, or to become more complete and inclusive neighbourhoods. In other words, the question is: can Canada’s downtowns be restored to be better than they were before COVID?

The Canadian Urban Institute’s [Restore The Core \(RTC\) initiative](#)—a project of [Bring Back Main Street](#)—is focused on supporting downtown recovery efforts in the near-term, but also the reimagining of Canada’s downtowns for a post-COVID future. This **Discussion Brief** presents a preliminary diagnostic, highlighting the critical trends and challenges for downtowns, and the key issues, provocations and questions for engaging city leaders and downtown stakeholders around how to Restore the Core.

COVID-19 has put Canada's Big City Downtowns in Jeopardy

The importance of downtowns and central business districts (CBDs) to Canada's big cities is well established, as economic drivers, locales for civic and cultural activities, and for growing residential communities. Downtown Toronto, for example, is the second largest financial district in North America. Representing only 3% of the city's land area, it accounts for 40% of Toronto's jobs, and contributes nearly 4% of the GDP for the entire country—more than eight provinces and territories. There is clustering of office jobs, but also substantial employment and economic activity through retail, tourism, and institutions like universities. Toronto's downtown, with nearly 275,000 residents, has been growing faster than the rest of the city. It is home to many of the city's arts and cultural attractions, convention facilities, and other essential urban features. It is key to municipal finances as well, with the assessed value of its real estate representing 25% of all city property tax revenues.¹

Still, downtowns faced challenges prior to COVID. The affordability of commercial and residential properties; the predominance of 9-to-5 business use over 24/7 mixed uses; debt and low wages for many workers; cleanliness, crime and community safety; food insecurity and poverty; homelessness and addiction; and racism and exclusion have all been highlighted as urban stressors concentrated in Canada's downtowns. In many cities, efforts were underway to rethink their design and uses, encouraging a greater mix of economic and cultural functions, improved livability and inclusivity to attract residents, more dynamism in the architecture and design of private buildings and public realm, and generally greater vibrancy and resilience in the urban core.²

The COVID crisis has profoundly and abruptly struck at what makes downtowns work, accelerating many of the existing challenges, and introducing a suite of new ones. The public health response, with restrictive lockdowns in many big cities, has displaced millions of office workers to remote arrangements. This overnight shift has had devastating impacts for vast numbers of downtown businesses, which are reliant on the foot traffic of office workers, as well as tourists, students, and other downtown consumers. Vaccines offer a light at the end of the tunnel, but it is unclear when return to office workplaces can begin—and what the new “normal” of office work will look like.

Yet, the impacts on downtowns stretch far beyond the white-collar workforce, affecting a myriad of people, businesses, institutions and uses—from social service agencies,

¹ Strategic Regional Research Alliance (SRRA). “Assessing the Impact of COVID restrictions on Toronto's Downtown Economy: Five Major Themes,” 7 December 2020.

² For example, see the Resilient Vancouver Strategy [here](#) (2019); or The City of Calgary's State of Downtowns Report [here](#) (2019).

tourism industries, and cultural institutions like museums, to commercial landlords, transit services, and government revenues. Of course, it has also impacted downtown neighbourhood residents: many opted for the density, amenities, and fast-paced urbanity of life in the core; others, unhoused, locate in downtowns out of desperate necessity. This reinforces that downtowns have an essential economic function but also critical social and civic ones, all of which contributes to the vitality, livability, and sustainability of cities.

This section briefly surveys the state of downtowns in Canada's big cities, in an effort to highlight the major themes and issues to be addressed through the RTC initiative.

What is a Downtown?

In large cities, downtowns are commonly understood as the dense, central commercial district and adjacent neighbourhoods, usually including or encircled by older residential neighbourhoods. The terms “downtown,” “central business district,” “business centre,” and “central core” are often used interchangeably. Statistics Canada publications have noted that there are no universal criteria for delineating downtown districts within large Canadian cities as part of the standard geographic definitions of Census Metropolitan Area (CMA) and Census Tract (CT).³

For purposes of Restore the Core analysis, **downtowns** are referred to as the larger geographic boundary encompassing central neighbourhoods, whereas the **central business district (CBD)** is the commercial core within downtown. CUI will rely upon the downtown boundaries used by Canada's large municipalities where possible for research purposes, a methodological approach used in previous studies.⁴

³ Martin Turcotte. “The City/Suburb Contract: How can we measure it?” *Canada Social Trends series*, Statistics Canada, 23 April 2014. Accessed [here](#).

⁴ See CUI, “The Value of Investing in Canadian Downtowns,” *Research Report*, October 2013.

The Economic and Employment Impacts of COVID-19

As traditional centres for business, the economic and financial impacts of the pandemic are an important starting point for assessing the state of Canada's downtowns and CBDs.

Mass migration to remote work-from-home (WFH)

With the pandemic's abrupt arrival in March 2020, the shift to WFH by office workers has had dramatic implications for cities. While economic and labour market conditions vary across cities and regions depending on the severity of public health restrictions, Statistics Canada reports that over one quarter of Canadians were working from home in December 2020. Totalling nearly 5 million workers, this includes nearly 3 million who do not typically WFH. The figures are not isolated for workers in central business districts, but the high concentrations of white-collar office workers suggest they represent a disproportionately large share.⁵

A study for Montréal's downtown business development corporation found that most of the district's 400,000 office workers are now in remote arrangements.⁶ In Toronto, consultancy SRRA's occupancy index suggests that no more than 10% of the pre-COVID levels of downtown workers have been in the office since tracking began last summer.⁷ Further, of the nearly 600,000 jobs in Toronto's downtown, estimates suggest about 70% can be performed remotely on an ongoing basis.⁸ In Ottawa-Gatineau, much of the federal government's workforce of 120,000 have shifted to WFH, and the anchor employer Shopify has put its headquarters on the sublease market signaling a permanent shift for its staff.⁹

Commercial office space

This shift to remote working has had huge immediate implications for commercial real estate in all large city CBDs, though local context and economic structure varies. For example, over 40% of Ottawa's commercial office space is leased by the Government of

⁵ Statistics Canada. "Labour Force Survey, December 2020," *The Daily*, 8 January 2021. Accessed [here](#).

⁶ Frédéric Tomesco. "Report lays bare economic toll of pandemic on downtown Montreal," *Montreal Gazette*, 22 October 2020. Accessed [here](#).

⁷ The Occupancy Index calculates the share of workers in the office compared to pre-COVID levels based on surveying and information supplied by landlords and tenants. Strategic Regional Research Alliance (SRRA). "Occupancy Index for Downtown Toronto," figures updated bi-monthly, accessed 13 January 2021. Accessed [here](#).

⁸ Strategic Regional Research Alliance. "Assessing the Impact of COVID restrictions on Toronto's Downtown Economy: Five Major Themes," 7 December 2020.

⁹ Adam Stanley. "Ottawa's offices empty out as federal employees work from home," *The Globe and Mail*, 22 September 2020. Accessed [here](#).

Canada, which does not have plans to reopen offices in 2021. In Calgary, the commercial office vacancy rate is nearing 30% or 12 million square feet, worsening an already severe economic crisis in the downtown core.¹⁰ CBRE reports that the national downtown commercial office vacancy rate climbed from 9.8% in Q4 2019 to 13.0% in Q4 2020, though rates vary substantially across major urban markets. Office rental pricing has largely held steady, but tenants are being offered more concessions and sub-leasing activity is increasing under existing leases.¹¹

Change in commercial downtown office vacancy rates in major markets

Market	Vacancy, Q4 2019	Vacancy, Q4 2020	Change
Canada	9.8%	13.0%	3.2%
Vancouver	2.3%	5.8%	3.5%
Edmonton	20.1%	20.1%	-
Calgary	27.2%	29.5%	2.3%
Winnipeg	11.6%	11.6%	-
Toronto	2.2%	7.2%	5.0%
Ottawa	6.5%	9.5%	3.0%
Montréal		10.2%	2.6%
Halifax		19.9%	1.3%

Source: CBRE Canada Q4 2019 & 2020 Quarterly Statistics

Looking ahead to reopening and the post-COVID world, the outlook for commercial real estate is highly uncertain. Some believe there will be a return to “normal” with workers largely going back to the office, and that in fact public health guidance on distancing will require larger office footprints. Others see this crisis as accelerating a transition to remote and flexible working arrangements, leading many employers to reduce or abandon office space to accommodate worker preference and in pursuit of cost savings.¹² Both outcomes likely have significant implications for commercial property markets and big city CBDs.

¹⁰ CBC News. “There’s an additional 311,000 square feet of empty office space in downtown Calgary,” 16 October 2020. Accessed [here](#).

¹¹ CBRE. “Canada Q4 2019 Quarterly Statistics,” January 2020; “Canada Q4 2020 Quarterly Statistics,” January 2021. Accessed [here](#).

¹² Deloitte. “Building the Foundation for Cities to Thrive After COVID-19 - Phase 3: Thrive,” 2021.

Downtown retail, hospitality and tourism sectors

In addition to the mass departure of office workers, other COVID-related factors have contributed to downtown depopulation: the closure of borders to tourists and business travellers, facility closures at civic institutions like universities and colleges, and general pandemic health and safety concerns for shoppers and other CBD visitors. In Toronto, tourism and business travel have halted, representing 28 million visits and 40 to 45% of the consumer demand for downtown businesses. Of downtown Montréal's 127,000 downtown university students, only 10% were on campus last fall.¹³ The COVID surge in e-commerce sales, which peaked at 11.4% of all Canadian sales last April, is a further immediate and long-term threat to these bricks-and-mortar retailers.¹⁴

This collapse in “footfall” has devastated demand for key sectors of the downtown economy. In Vancouver last fall, daily average pedestrian traffic was down 60% year-over-year and nearly 70% along Granville Street, a downtown transportation hub.¹⁵ The predominantly lower-paid workers in downtown industries like retail, restaurants, hotels and entertainment - numbering about 120,000 in Toronto's core - are at great risk without the return of the CBD economy, as are thousands of small- and medium-sized businesses.¹⁶ The hotel industry, a downtown anchor industry that operates over 8,000 hotels and employs 300,000 workers nationally, forecast fall 2020 occupancy at less than 30%, with nearly 60,000 jobs displaced and many businesses facing severe cashflow distress.¹⁷

City tax revenues and finances

For city governments, COVID's economic impacts in downtowns are amplifying pressures on municipal finances. The collapse of transit ridership, in large part from downtown office commuters, has been the most significant immediate financial pressure (see below). Over the medium- to longer-term, there could be significant business property tax impacts. If downtown commercial vacancies lead to falling property valuations, it will place pressures on the city-wide property tax assessment base and shift the burden to non-CBD businesses or residential payers. This has been the experience in Calgary with substantial pre-COVID office vacancies related to the energy downturn beginning in 2015, an illustration of what could play out in other big Canadian cities.

¹³ Frédéric Tomesco. “Report lays bare economic toll of pandemic on downtown Montreal,” *Montreal Gazette*, 22 October 2020. Accessed [here](#).

¹⁴ Jason Aston, Owen Vipond, Kyle Virgin and Omar Youssouf. “Retail e-commerce and COVID-19: How online shopping opened doors while many were closing,” *StatsCan COVID-19: Data to Insights for a Better Canada*, 24 July 2020.

¹⁵ Downtown Vancouver BIA. “Downtown Vancouver COVID-19 Economic Impact & Recovery Snapshot,” November 2020.

¹⁶ Strategic Regional Research Alliance. “Assessing the Impact of COVID restrictions on Toronto's Downtown Economy: Five Major Themes,” 7 December 2020.

¹⁷ Hotel Association of Canada. “Presentation to Mayor Tory's Toronto Downtown Summit,” 19 October 2020.

The Civic, Social and Cultural Implications in Downtowns

Beyond the direct economic impacts, COVID has produced cascading effects in many other aspects of Canada's big city downtowns and CBDs.

Mobility and transit services

COVID has radically altered urban mobility, with the most acute impacts in transit-oriented downtown cores. Transit ridership collapsed at the start of the pandemic, with demand in early 2021 still estimated around 75% below normal pre-COVID levels in Canada's big cities.¹⁸ Last summer, in warmer months of the pandemic, surveys suggested there were small reductions in private vehicle use for commuting, and modest mode shift to walking and cycling.¹⁹ By the fall, however, vehicle traffic had mostly rebounded while transit use remained heavily depressed. In Vancouver for example, downtown vehicle traffic had rebounded to 85% of 2019 levels, whereas transit use hovers at about 30%.²⁰ The trajectory of these trends has huge implications. Calgary's pre-COVID CBD commuter mode share was higher for auto than transit, yet the 33% that enter and exit downtown on transit each day represents over 100,000 residents.²¹

This is partly a financial challenge for cities. Urban transit systems rely on fare revenues to operate comprehensive services, with high-volume downtown commuter routes subsidizing lower-density trips across regions. In 2020, the combined fiscal shortfall reported by Canada's five largest cities totaled over \$3 billion, with the drop in transit revenues representing the largest driver.²² Also concerning are signals that ridership may not return to pre-COVID levels for years—or ever—due to health and safety fears of riders, or the shift to remote and flex work. This has massive fiscal, economic, and urban design implications for cities, which depend on high transit ridership for mobility and mitigation of congestion into cores with high commercial and residential density. While cities have taken innovative steps to spur active transportation, the combination of fiscal and ridership uncertainty has also raised questions about large, costly transit infrastructure projects.

¹⁸ TransitApp. "How Coronavirus is Disrupting Public Transit," accessed 13 January 2021. <https://transitapp.com/coronavirus>

¹⁹ Statistics Canada. "More commuters now walk or bike to work than take transit," *The Daily*, 10 August 2020.

²⁰ Downtown Vancouver BIA. "Downtown Vancouver COVID-19 Economic Impact & Recovery Snapshot," November 2020.

²¹ City of Calgary. "Central Business District Cordon Count," 2019 Modal Split, accessed 13 January 2021. Accessed [here](#).

²² The fiscal shortfall estimate is based upon publicly reported figures from the cities of Vancouver, Calgary, Edmonton, Toronto and Montréal as of July 2020. Some cities have provided longer-term estimates as well.

Livability and inclusion in downtowns

The appeal of CBDs and their bustling urban density is being tested by COVID. The “15-minute city” in the urban core offers walkable access to work or class, shops and restaurants, arts, and nightlife. For young professionals, downsizing boomers, students, and others that were driving demand for housing, the benefits of downtown living have all been minimized. The surge in listed supply and drop in prices for condo and apartment rentals in major centres like Vancouver and Toronto provides immediate affordability relief.²³ Other trends, like the “urban exodus” observed in large urban centres across North America, raise questions about the continued desirability of downtown living post-COVID, particularly if flexible work makes proximity to the office less important.²⁴

COVID has also exacerbated and made more visible social exclusion in the urban core. The resurgence of public attention for Black Lives Matter in 2020, and related civil uprisings across North America in response to high-profile incidences of individual, institutional, and systemic discrimination against Black, Indigenous, and other racialized community members, continue to highlight the importance of downtown streets as sites for community gathering and protest. Across Canada’s cities there has been a devastating increase in unhoused residents. Many people experiencing homelessness, fearing the virus, and with shelters at reduced capacities, chose to create encampments in downtowns and adjacent neighbourhoods to find safety, security, and community—receiving varying degrees of welcome or confrontation from local home-owners and officials.²⁵ Opioid overdose deaths have also continued to surge in urban centres, in many cases surpassing rates of COVID fatalities.²⁶ These acute social and public health issues, in tandem with diminished downtown populations and reports of increased crime and vandalism in some cities, has brought attention to the need for better and more inclusive community safety approaches that protect everyone in our downtowns, as well as better resourced social services and supports for the most vulnerable.

Downtown civic, social and cultural institutions

The economic impacts of the pandemic on industry and small business has rightly received significant coverage, but the damage and disruption of public health restrictions and lockdowns has been similarly severe for arts and culture, and community and social service organizations. In downtowns across the country, theatres, music venues, museums, movie theatres, festivals, and other arts and entertainment

²³ CTV News. “‘Once in a lifetime’ rental market price drop leads to crazy incentives,” 24 October 2020. Accessed [here](#).

²⁴ PwC and Urban Land Institute. “Emerging Trends in Real Estate, 2021: US and Canada,” Report. October 2020.

²⁵ There have been news reports of homeless encampments and tent cities in most large cities across the country, notably in Vancouver, Edmonton, Montréal and Toronto.

²⁶ Holly Honderich. “Opioid epidemic: The other public health crisis killing Canadians,” *BBC News*, 2 September 2020.

outlets have been largely shuttered. Central in making downtowns destinations for tourists and residents alike, these private and non-profit organizations are typically reliant on a precarious mix of sales and box office revenues, public grants or charitable contributions. Many are at risk of significant cutbacks or closure. With live music for example, a national survey early in the pandemic found that 96% of the 177 music venue respondents were at risk of business failure, and 70% were laying off staff.²⁷ Numerous venues have since closed their doors permanently.

Downtown civic institutions and community service providers face a similar set of challenges. Public libraries and communities centres, which offer internet access, recreation, and other services and amenities often most essential for vulnerable downtown residents, have been forced by COVID to close or rapidly pivot service models. Community service agencies, including homeless shelters, food banks, or employment service agencies, have seen demand surge while facing dramatic operational disruption. Vancouver's social service and community development agencies—part of network of over 1,600 non-profit and charitable organizations in the city—report both increased demand for services during the pandemic with the need to manage shifting to safe or virtual service models, capacity restrictions, financial pressures, and severe workforce challenges.²⁸ This cross-section of civic, social, and cultural institutions, vital to healthy downtowns, face significant challenges with recovery, particularly if city budgets are further restrained.

Urban sustainability, resilience and climate

The pandemic has also had unforeseen, and in some respects positive, implications in the urban environment. With populations around the world homebound because of COVID, global carbon emissions fell by an unprecedented 7% in 2020, driven primarily by reductions from transportation (cars and planes) and industrial emissions.²⁹ Canadian greenhouse gas emissions were expected to fall by even more (11 to 13%) from 2019.³⁰ Denizens of urban cores benefitted from cleaner air and lower traffic congestion. Also, pining for respite from the indoors and safe places to meet and exercise, their use of outdoor public spaces, including parks, beaches and public gardens, exploded in cities across Canada last year.³¹

Yet, the extent to which these pandemic-related changes in urban behaviour and uses will persist post-COVID is unclear. A federal government focus on green recovery stimulus investments could play a supportive role in encouraging greater sustainability

²⁷ Canadian Live Music Association. "Re-Venues: A Case and Path Forward for Toronto's Live Music Industry," 2020.

²⁸ City of Vancouver. "Social Services Non-Profits," Social Policy and Projects brief, July 2020.

²⁹ Global Carbon Project. "Coronavirus causes record fall in fossil-fuel emissions in 2020," 11 December 2020. Accessed [here](#).

³⁰ See Climate Action Tracker: Canada. Accessed [here](#).

³¹ As of late August, Google mobility data found a 159 per cent increase in parks usage across Canada from a pre-COVID baseline. Google. "COVID-19 Community Mobility Report," 28 August 2020.

and resilience in buildings and transportation networks in city centres and beyond. The prioritization of health and wellness, with greater demands from residents, workers, and customers for higher standards of cleanliness and safety, will be critical to downtown real estate, whether in condos and hotels, office buildings, retail, and restaurants.³² This push for virus safety, combined with heightened appreciation for public spaces, could have implications for land use planning, built form, and public realm strategy in urban cores.

Where to from here? Recovery and Reimagining in our Downtowns

The perilous present and uncertain future for Canada’s urban cores poses threats to local, regional, and national economies, and to the identity and quality of life in our large cities.

This is an urgent call to action for the broad cross-section of stakeholders in Canada’s downtowns: landlords and investors, governments and public institutions, entrepreneurs and small businesses, residents and local communities. All benefit from the health, vibrancy, and success of downtowns, and have a stake in Restoring the Core.

The crisis also creates space for bold questions and conversations: about what is required for recovery in downtowns, what features of pre-COVID downtowns are essential to restore, and what requires reimagining for our post-pandemic cities. Ideally, this leads us to solutions that enable downtowns to become more diversified, inclusive economic hubs; more complete, welcoming, and diverse ‘live-work’ communities; and more adaptive to new and innovative models of urban design, built form, public realm, and office working.

Restore the Core aims to mobilize the key stakeholders and policymakers, through convening, evidence and analysis, and a solutions-orientation, around the urgent task of recovery and reimagining in Canada’s big city downtowns as they emerge from the pandemic and progress towards the post-COVID world. The initiative launches with the **Restore the Core Summit** in March 2021, a one-day virtual event that will begin to establish the shared challenges, opportunities, and networks of partners and collaborators to drive this important work.

³² PwC and Urban Land Institute. “Emerging Trends in Real Estate, 2021: US and Canada,” Report, October 2020.

This Discussion Brief is a starting point—an initial effort to frame the issues and key questions to guide the RTC work.

Discussion questions:

1. Does this diagnostic identify the key sets of challenges facing Canada's big city downtowns and CBDs? Are there others?
2. What are the essential features of downtowns that must be restored in post-pandemic recovery over a shorter horizon (i.e. 12–24 months)?
3. What are the most urgent or promising opportunities for reimagining downtowns over a longer horizon (i.e. 5–10 years)?
4. How can the diverse mix of downtown stakeholders work together to build better, more inclusive downtowns post-COVID?

The Canadian Urban Institute and its partners in city-building communities across the country invite you to join the conversation about how to Restore the Core.

About Restore the Core

In this time of extraordinary flux, we have a once-in-a-generation moment—an imperative—to reimagine the composition of our downtowns, in order to make them more 'complete' and equipped to provide opportunities for work and leisure for a diverse composition of city dwellers.

To catalyze this, CUI has launched [Restore The Core](#), an initiative focused on supporting the recovery efforts of downtowns in Canada's big cities through solutions-oriented research and engagement of urban leaders and stakeholders to reimagine the future of downtowns. It is a project of CUI's [Bring Back Main Street](#), a nationally coordinated research and action campaign focused on finding the best solutions to ensure our main streets recover from COVID-19 and emerge from the crisis more resilient than ever.

About Canadian Urban Institute

The Canadian Urban Institute is the national platform that houses the best in Canadian city building—where policymakers, urban professionals, civic and business leaders, community activists and academics can learn, share and collaborate with one another from coast to coast to coast. Through research, engagement and storytelling, our mission is to ensure Canada builds vibrant, equitable, livable and resilient cities.