

# Olympics and Beyond: Implications for Greater Vancouver's Office Market



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**AVISON  
YOUNG**

Avison Young Commercial Real Estate (BC) Inc.  
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## "The Olympic Games in 2010 are awarded to the City of Vancouver"

- Jacques Rogge, President, International Olympic Committee 2 July 2003

### INTRODUCTION

The announcement that Vancouver had won the 2010 Winter Olympics launched a celebration. Speculation also began immediately as to the benefits for the tourism and construction industries. Less discussion has focused on the other types of longer term business and economic development that hosting the Games could potentially bring. This report addresses that issue.

Other host cities experienced dramatic economic development before and especially after hosting the Games. In Atlanta and Sydney, for example, global exposure helped local companies to expand and attracted national and international companies who established facilities in the host cities' regions.

To understand how The Olympics will impact the office market, Avison Young Commercial Real Estate examined the hosting experience of Sydney, Atlanta and Salt Lake City along with the broader economic and business development that happened before and afterward.

This report begins with a summary of our findings followed by a detailed explanation of how we arrived at these conclusions. A list of sources is on page 5.

### SUMMARY OF FINDINGS

Vancouver's organizing committee will hire approximately 2,000 people to stage The Games. Additionally, other Olympic related organizations will establish operations in Vancouver. These groups together will absorb\* approximately 250,000 square feet by year end 2009 (the equivalent of a small downtown office tower).

Other employment in the private and public sectors directly related to hosting The Olympics will likely absorb up to an additional 420,000 square feet before The Games begin, accounting for approximately 1,900 jobs.

More significant and longer-term, hosting The Games should help attract dozens if not well over 100 new international companies to Vancouver and will allow many local businesses to grow as their technology or services are showcased internationally.

**\*Absorption:** Absorption is the net change in occupied space over a given period of time.

This induced impact could generate an additional demand for up to 600,000 square feet of office and flex technology space prior to 2010 as up to 3,000 new jobs are created. In the years immediately following The Games, the continued investment impact could absorb a further 750,000 to 1.5 million square feet per year (put another way, generate 3,000 to 6,000 new jobs) -- or more -- after 2010 for at least 2-3 years.

Overall, 22,000 permanent office-based jobs could emerge by 2013 as a result of Hosting the Olympics, filling approximately 4 million square feet of office space, the equivalent of ten downtown office towers or over 40 typical suburban office buildings.

### HOSTING THE GAMES: DIRECT IMPACTS

The Salt Lake City Olympic Organizing Committee grew over seven years to 2,000 employees by the time the games started and Vancouver's group is expected to do the same. The international sport-governing organizations (i.e. The International Skating Union [ISU]), the Olympic Broadcasting Organization, and the IOC itself will also need office space beginning in 2008.

These direct organizational needs add up to 1,800-2,300 office-based people working to organize The Games long before they commence, which will absorb 250,000 to 483,000 feet, assuming between 130 and 200 square feet per person.

Most of this direct organizational office space will likely be downtown, near The Games' festive centres of GM Place and BC Place, and will be returned to the available office inventory shortly after The Games. Although the community of Whistler will host some of the events, we do not anticipate much of the office-based organizing and administrative work will take place there.

The construction industry will also boom, creating spin-off work administering contracts, book keeping, and providing other business services. Businesses in the Sydney area gained \$1 Billion in contracts related to hosting The Games.

**We would like to thank the numerous individuals around the world who have assisted with this report.** The estimates and analysis contained herein are based on sources deemed reliable, but are not guaranteed by Avison Young. This report offers a perspective on how hosting the Olympics will affect the real estate industry; it is not a cost-benefit analysis.

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In addition, based on Salt Lake City's experience, approximately 500 public service jobs will emerge at the provincial and local levels directly related to the games. In Vancouver it is also anticipated that fuel cell, internet and communications technology companies will receive contracts as games suppliers, creating additional jobs -- and office absorption.

**Office Jobs and Absorption Estimates  
Directly Related to Organizing The Games 2008-2010**

Employment Type	Office-Based Jobs projected	Office Space Absorption Low Estimate (Sq. Ft.)	Office Space Absorption High Estimate (Sq. Ft.)
Direct Organizing	1,800-2,300	250,000	483,000
Construction Related and Admin.	200	26,000	42,000
Government	500	65,000	105,000
Professional Services <small>*including internet &amp; communications</small>	1,100	143,000	231,000
Wholesale and retail trade support	200	26,000	42,000
<b>Totals</b>	<b>3,800-4,300</b>	<b>510,000</b>	<b>903,000</b>

\*Based on totals and estimates from State of Utah's Economic Analysis Section reports (November 2000 and 2001); and "Beyond the Gold" report by Jones Lang LaSalle (2001)

## INDUCED IMPACTS ELSEWHERE

The more substantial impact will be from economic development in Vancouver generated through the increased exposure the Olympics will offer the city. Both Atlanta (1996 host) and Sydney (2000 host) successfully used The Games as platforms to attract domestic and international corporations as well as to showcase home grown businesses to the world. The result from each case was rapid economic and business growth, with corresponding office space absorption.

Atlanta experienced an unprecedented business boom between 1990 and 2000, especially between 1995 and 2000. Atlanta added 566,000 jobs in the 1990s, 218,000 of those in the three years following the 1996 Olympics. Although not all of the investment is attributable to the Olympics, games-related exposure and infrastructure construction played key roles.

In Sydney, 214 international companies in total established operations between 1995 and 2001. Although total jobs resulting from each of these companies' arrivals is not available, 64 companies in question created 2,319 jobs. Extrapolation suggest the 150 other companies

generated in the range of 5,000 to 8,000 jobs, which would have absorbed up to between 1 and 1.6 million square feet of office space depending upon the type of businesses involved.

The 2010 Bid Committee and BC Government along with business leaders have already begun similar international business promotion plans for Vancouver as pursued in Sydney.

## Sydney Olympic-Related Business Development

- The Olympic-affiliated Investment 2000 program recruited 45 overseas companies to Australia in 2000 (and most in Sydney), creating 1,150 jobs.
- The City of Sydney took advantage of the increased exposure being named Olympic Host City and attracted 150 overseas companies to the city between 1995 and 1999, in part through the Olympic Business Roundtable (OBRT) promotion organization.
- In the months following the games, a state government initiative leveraging off the Olympics exposure attracted 19 new companies and created 1,219 jobs.
- An official program to showcasing Australian technology companies contributed to \$288 Million (AUS) in new sales for 301 companies (2000-2001)

## INDUCED IMPACTS ON GREATER VANCOUVER

Vancouver is smaller than Atlanta and Sydney, although equally strategically positioned internationally. Vancouver is the major international port for Canada and Western North America, and is an International Financial Centre. These factors combined with Vancouver's comparatively low business costs and strategic position between North America and Asia -- geographically and culturally -- makes the city attractive to business in similar ways as Sydney or Atlanta.

Given Vancouver's smaller size, an equivalent performance to Sydney would be to attract approximately 100 new companies and 2,500-4,000 jobs between 2005 and 2010. Vancouver will likely attract a similar ratio of office-based companies as Sydney (approximately 75 percent based on the Investment 2000 program, see Appendix 1), which will translate into roughly 1,875 - 3,000 office-based jobs between 2005 and 2010.

Atlanta offers a longer-term perspective on the Games' impact. Atlanta's Olympic experience helped generate both new investment and expansion of existing companies. In 1998 alone, the office market saw an absorption of 5.6 million square feet, over 5 percent of Atlanta's office inventory in 1998.

The Olympics created "an image for Atlanta as a city that is a doer and an international center. . . . It helps attract people and their businesses here."  
-- Former Atlanta Mayor Sam Massell

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Translated to Vancouver's scale, where the inventory will likely approximate 45 million square feet by 2010, this would be 2.5 million square feet. Because Vancouver is of a smaller scale than Atlanta, we have conservatively based our estimates on half of this number or 1.25 Million square feet, which equates to approximately 5,500 jobs and would fill four downtown office towers or approximately 12 suburban low-rise office buildings.

## CONCLUDING SUMMARY

Hosting the Olympic Games will help to generate investment and employment in Greater Vancouver that will increase demand for office space throughout the region. The amount of business expansion and new investment will depend upon the quality and amount of efforts made by private and public organizations to attract businesses to Vancouver and to generate business for BC-based companies. The demand for office space between 2007 and 2013 will also depend upon world and local economic conditions.

This report offers a middle ground projection. It takes into account Vancouver's smaller size in comparison with Atlanta and Sydney. There is no reason that the people and companies of Vancouver and British Columbia cannot equal or even out perform (proportionally speaking) Atlanta and Sydney in terms of attracting new investment. Therefore, the actual impact on Vancouver's office market could in fact be higher than that forecast in this report.

## FOR TENANT AND LANDLORD CONSIDERATION

Hosting the Olympics will likely change Greater Vancouver's office market. Landlords and tenants will want to keep the ebbs and flows associated with Olympic-related office absorption in mind as they plan over the next 10 years.

Olympic-Related Office Absorption Estimates		
Absorption Type	Low Estimate (Sq. Ft.)	High Estimate (Sq. Ft.)
<b>Direct - Needed to Host</b> <small>*most will be vacated &gt; 2010</small>	510,000	903,000
<b>Induced Before 2010</b> <small>*based on 1/2 Sydney investment experience and existing company expansion</small>	244,000	600,000
<b>Induced 2011-2013</b> <small>*Maximum 1/2 of Atlanta</small>	2,250,000	3,750,000
<b>Olympic Related Net Absorption 2008-2013</b>	1,591,000	3,840,000

## A Post Olympic Hang-over?

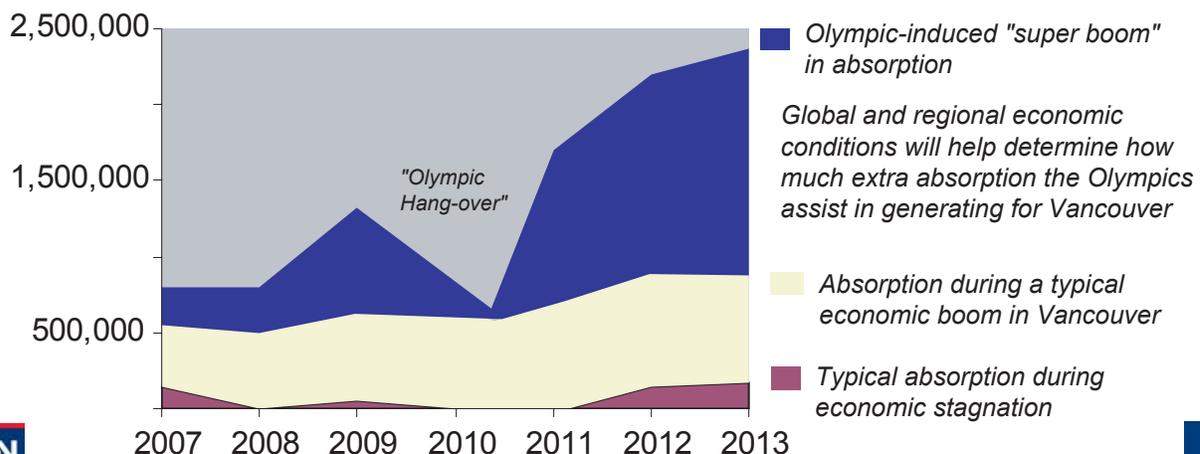
By mid-year 2010, office space leased specifically to host the games will be vacated. Typically, there is a gap between hosting the games and the subsequent economic boom, which could limit absorption in 2010.

Also see graph below.

For more information about how tenants and landlords should consider the Olympics in their long-term planning, or for additional copies of this report, please contact:

Wendy Waters, Ph.D.  
 Research Director at Avison Young.  
 Phone: 604-687-7331 e-mail: [wwaters@avisonyoung-van.com](mailto:wwaters@avisonyoung-van.com)

## Potential Office Absorption Trends in Vancouver 2007 - 2013



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## Appendix One:

### Sydney Olympic-Related Economic Inducements

**Program: Investment 2000**

**Description:** Four-year government-led investment promotion leading up to the 2000 games

**Achievement:** Investment 2000 itself attracted 45 companies to Australia, bringing \$520 Million (AUS) in inward investments and 1,150 jobs. These investments included:

- o 30 offices (mainly sales)
- o 5 call centres
- o 5 distribution centres
- o 5 manufacturing plants (note, 1 manufacturer also opened a call centre)
- o 1 retail outlet

**Program:** City of Sydney efforts

**Achievement:** Simultaneous with the Investment 2000 program, the City of Sydney attracted an additional 150 companies to the city, taking advantage of Olympic exposure.

**Program:** Australian Technology Showcase

**Achievement:** Promoted 301 innovative NSW technologies and contributed to \$288 million (AUS) in new sales, investments, and exports to Dec 2001

**Program:** Olympic Business Roundtable (OBRT)

**Description:** Private-sector led taskforce est. in 1995 that marketed and showcased Australia's business potential internationally and developed best-practice capabilities locally.

**Achievement:** The OBRT contributed to the success of Investment 2000 and the City of Sydney's efforts

**Program:** DSRD (New South Wales' Department of State and Regional Development) post-games initiative

**Achievement:** DSRD leveraged its Games-related contacts to help attract 19 new investments between September 2000 and September 2001, including \$114 million and approx 1219 jobs. Companies attracted include Deutsche Bank, Sysao Software, and IBM.

### Population and Office Market Statistics for Vancouver and Recent Olympic Host Cities

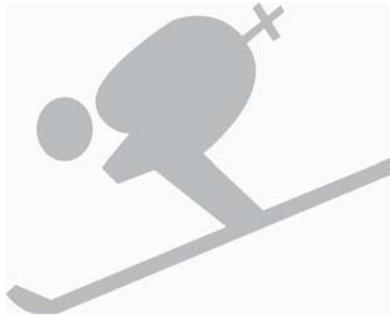
City (Metro Areas)	Population 1996	Population 2001	Office Inventory (Sq. Ft.) (Central Business District)	Office Inventory (Sq. Ft.) (Suburbs)	Total Inventory (Sq. Ft.)
Vancouver	1.8 Million	2.0 Million	21.5 Million	19.4 Million	40.9 Million
Sydney	3.9 Million	4.1 Million	48.2 Million	45.1 Million	93.3 Million
Atlanta	3.5 Million	4.0 Million	21.0 Million	134.0 Million	155.0 Million
Salt Lake City	N/A	0.8 Million	6.7 Million	18.7 Million	25.4 Million

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- State of Utah Governor's Office of Planning and Budget, 2002, *Winter Olympic Games: Economic, Demographic and Fiscal Impacts* (Salt Lake City: November 2000)

### Useful Websites:

- <http://www.blues.uab.es/olympic.studies/dir/et.html> (Olympic Studies Centre in Barcelona)
- <http://www.winter2010.com>



**Avison Young Commercial Real Estate (BC) Inc.**  
#2100 - 1055 West Georgia Street, Box 11109 Royal Centre  
Vancouver BC V6E 3P3  
Phone: 604-687-7331, Fax: 604-687-0031  
website: [www.avisonyoung.com](http://www.avisonyoung.com)  
e-mail: [gm.vancouver@avisonyoung-van.com](mailto:gm.vancouver@avisonyoung-van.com)

