

August 30, 2021

CONSUMER REAL ESTATE CANADA

**The Takeaways & Trends - Cross-Canada Consumer Real Estate Market Conditions
Conference Call – August 30, 2021**

“FROM MAIN STREET TO THE MAIN MALL AND ANYWHERE THAT RETAIL HAPPENS IN CANADA...KEEPING RETAILERS, FOOD SERVICE SPECIALISTS, E-COMMERCE MERCHANTS, ECONOMIC DEVELOPMENT PROFESSIONALS, RETAIL SPACE BROKERS, BUILDING OWNERS & DEVELOPERS, AND INDUSTRY SUPPLIERS CONNECTED!”

Hello fellow Canadian consumer real estate professionals, we hope you enjoyed the recent CREC update on Canadian consumer real estate market conditions. Here are the takeaways and trends from our call on August 30, 2021, compiled by the call moderator Michael L. Kehoe...

Trending in Canada:

- Amazon, Microsoft purchasing retail venues in a move to bricks & mortar retail.
- Whistler BC enjoyed a summer tourist surge and retail rents exceed \$100.00 per square foot again.
- Car dealerships are taking up large format vacancies in regional shopping centers.
- Shopping centers that will succeed have a ‘clear sense of place’.
- Amazon opening a department store, purchased the Woodbine Shopping Centre in Ontario, moving closer to consumers.
- Cannabis New Brunswick to allow grow facility tours, similarly to winery tours and could boost tourism.

The Takeaways...regional call contributors reporting:

Newfoundland & Labrador - Nikki Poole CBRE – nikki.poole@cbre.com

St. John's George Street real estate is undergoing a renovation with an entire block on this pedestrian street getting some attention, building owners adding a night club and entertainment venues including a brew pub. Starting to see some foreclosures and closing of businesses in the market but it is not all doom and gloom, the Newfoundland Chocolate Company- well-known local product has closed down their downtown location and production facility, building changing hands, indoor amusement facility AXTION 30,000 square feet has gone into foreclosure, space available, seeing an uptick with office leasing activity with many making the move back to the office, industrial market is still thriving with minimal spaces to tour, certainly in need of some new construction to meet the demand.

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Atlantic Canada – Vicki Carr – Hardman Group – vcarr@hardmangroup.ca

PEI: Office vacancy sits at approximately 7.5% down from a year ago where the rate was 8.5%, average net rent is just over \$16.25 per sq. ft. which is a 4.4% increase over 2020. Warehouse vacancy decreased to 3.8% with net rent increasing with an average rate of \$10.65 per sq. ft. a 9% increase over 2020.

NS: Total office vacancy sits at 13% with an average net rent for office of \$14.70 per sq. ft., warehouse vacancy is 6.3%, a decrease from 2020's vacancy of 8.8% with rental rates increasing almost 6%.

NB: Office vacancy in all the 3 major cities, Fredericton, Saint John and Moncton, has increased. Fredericton vacancy is 9.5%, the lowest in the Province of NB. Saint John vacancy sits at 19.5%, Moncton vacancy is 14.4%. KalTire to acquire 15 of Bridgestone's GCR Tire Stores in Eastern Canada. The purchase will include 15 full service stores, two retread plants and one off-road tire repair shop. Cannabis NB will allow producers to sell directly from their growing and processing sites = tourism, similar to wineries they will provide tours and sell product on-site. Walmart Distribution Centre in Moncton, NB broke ground and the 221,000 sq. ft facility will supply the 43 Atlantic Canadian Walmart retail locations, LL Bean is set to open a retail location in Dartmouth Crossing NS shortly, 15,000 sq. ft store will be the first in Atlantic Canada.

Quebec - Tony Flanz – Think Retail - tflanz@thinkretail.ca

Quebec bans use of single plastic including plastic bags & by 2023 no plastics of any kind including utensils, straws, trays, takeout containers...etc., La Canadienne opens its first store in ON in the former Kate Spade space in Yorkville, Archambault Books & Music opened a 12,000 sq. ft. store in Les Rivieres (owned by Renaud Bray) store #15, OW Canadian market entry include WEM/Halifax while announcing others TO & AB., Ivanhoe outsources the management of all Canadian centers to JLL with HQ in Montreal and a new office to open in Quebec City, will continue to try to sell retail assets. BIG RUMOUR - Nike to finalize a deal on St. Catherine W, Couch Tard acquires 35 Porters convenience stores located in Oregon and western Washington, Forum opened 2 weeks ago an IGA anchored shopping centre in the south shore of Montreal, other tenants include Dollarama, SAQ, National Bank, A&W. Toronto based Pizza Pizza are looking to open several units in Quebec City, France based Columbus Cafe also seeking to open several units in Quebec.

Ontario - Lawrence Mosselson - Behar Group lawrencem@thebehargroup.com

The retail leasing market in Ontario remains on fire especially in the QSR, medical and cannabis segments, first six months of this year, our brokerage with a focus on retail leasing, recorded a record number of completed deals. The big news in the market lately is the Tokyo Smoke/Cadillac Fairview deal as reported in Retail Insider. Tokyo Smoke will be opening in 9 CF malls across Ontario and with the extreme demand in the cannabis sector, this transaction opens up new retail venues for cannabis operators, many tenants continuing to seize opportunities with little to no hesitation, while there is still definitely uncertainty, there are lots of companies who are taking advantage of the current market and doing as many deals as they can. We are also seeing a surge in inter-provincial businesses with an influx of tenants from across Canada now looking for space in the GTA. This is balanced out by the continued lower level of interest from U.S. retailers, with relatively few new entrants from the U.S. so far this year. On the landlord side, we continue to see innovation with landlords becoming creative and non-retail uses being considered for retail spaces, for instance, we are seeing more car dealers and RV manufacturers opening in retail locations and in negotiations for space in some of the most prominent malls in the GTA. I mentioned a few months ago about Amazon buying Woodbine Centre and we are seeing other technology companies such as Microsoft making similar purchases. This is definitely a trend that we expect to see continuing in the future.

Manitoba – Michael Stronger - Shindico Realty - MStronger@Shindico.com

Numerous local restaurant groups have backfilled some longstanding restaurant vacancies, Costco remains the retailer to watch in Winnipeg, actively considering expansion in West and North Winnipeg for years, hopefully decisions made soon as they would trigger some significant retail development in these areas.

Saskatchewan - Melissa Newton – The Commercial Group- melissa@thecommercialgroup.ca

A big headline in Saskatoon, announcement from BHP to construct a new potash mine about 140 km from Saskatoon, project is expected to create around 3,500 jobs during construction, will support over 600 direct jobs at the mine site and at the corporate office in Saskatoon with construction expected to take six years, with the first ore targeted for 2027, Sask and Saskatoon to see a large economic spin off from this as it will bring in engineering and enviro firms who will hopefully lease up some of our office space which has been slow moving since the pandemic. We have also lost another Starbucks location located in the Broadway community a trendy, walkable neighborhood, this opens a prime corner available for retail. Mixed emotions from the area as many local shops say that it was definitely a staple.

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Alberta - Edmonton – Brett Killips – Cushman & Wakefield - Brett.Killips@cwedm.com

Upstream drivers of the Edmonton retail market are demand for the industrial and office markets, office market is beginning to see tenants taking advantage of preferable terms, industrial market is becoming more buoyant and larger tenants are consolidating, these drivers should be positive for demand of retail space in Edmonton/Northern AB. Sector wide, materials availability challenges have driven construction costs up by approximately 20%.

British Columbia - Neil McAllister – Lee & Associates - neil.mcallister@lee-associates.com

COVID is unfortunately still front, and centre and the Provincial Government has decided to invoke vaccine passports, last mile distributors such as Penguin Pick Up have finally descended on the Vancouver market and are actively looking for 1500 – 2500 sq. ft. satellite locations in high density neighborhoods, providing some welcome activity to the street front leasing market. Coupled with several back-filled Starbucks locations, summer leasing activity has been brisk for well positioned street front locations. With the recent reopening of the US Border, tourist activity has noticeably picked up and downtown Vancouver is feeling much livelier than over the past 16 months. Interest in vacant larger format retail space both in urban and suburban markets is seeing more activity, several conditionally accepted offers and successfully concluded leases expected to be announced in the coming few weeks. Whistler is enjoying a summer revival with tourist and locals supporting retail, restaurants and outdoor adventure operators, limited retail vacancy along the Village Stroll is once again supporting lease rates over \$100.00 per sq. ft., looking forward to more normality returning to the streets this Fall and continued optimism in the market.

Update on Consumer Real Estate Canada from CREC Advisory Panel Lead - Slava Fedossenko CRRP – Avenue Living - sfedossenko@avenueliving.ca

CREC-LIVE in Calgary was envisioned to be an opportunity for our industry members to gather in person & meet face-to-face in a business conference setting. Our aim was to create a social, networking and learning setting to further enhance the relationships & connections we have maintained on our regular cross-Canada market update calls over the past 15 months.

However, in light of mounting concerns surrounding the rising numbers of COVID, and to be respectful of those who remain hesitant to travel and meet in person the CREC-LIVE in Calgary Organizing Committee has made the difficult decision to postpone CREC LIVE to a future date.

Full refunds were processed to those who had registered. Stay tuned for details on future CREC – Live events in your markets.

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Our special guest on the Call was Doug Stephens....the Author of three books on the future of retail, including the newly published work, “Resurrecting Retail: The Future of Business in a Post-Pandemic World”. Doug is one of the world’s foremost retail industry futurists and his intellectual work and thinking have influenced many of the world’s best-known retailers, agencies, and brands.

Here is a summary of Doug’s comments on the Call:

- Many consumers are socially, emotionally, and financially stressed.
- Work as we have known it will never be the same and the daily migratory path to work has been disrupted affecting the degree of wealth that gets spread around.
- Hudson Bay Company has not been a pure retailer for ten years, the company is a real estate company and now they are acting like it.
- Amazon opening a department store, purchased the Woodbine Shopping Centre, moving closer to consumers with acquisition of Whole Foods.
- Shopping centers that will succeed with have a ‘clear sense of place’.
- Physical stores gain importance as a customer acquisition mechanism.
- Costco is a successful union of shopping and entertainment.
- NIKE is excelling as a retail brand; Canadian Tire is vulnerable due to lack of omni-channel program and franchise model.

Doug Stephens

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