

Feb 8, 2021

CONSUMER REAL ESTATE CANADA

**The Takeaways & Trends - Cross-Canada Consumer Real Estate Market Conditions
Conference Call**

FROM MAIN STREET TO THE MAIN MALL AND ANYWHERE THAT RETAIL HAPPENS IN CANADA...KEEPING RETAILERS, FOOD SERVICE SPECIALISTS, E-COMMERCE 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 Feb. 8, 2021, compiled by the call moderator Michael L. Kehoe...

- Newfoundland, OEB restaurant opens new location, Banana Republic opens in Avalon Mall, two new retailers signed in the new Galway development.
- New Brunswick, Tomovo.ca opens locations, Nova Scotia, LL Bean opens in Dartmouth Crossing.
- Quebec, No-essential retail including mall re-opened. Foodtasitc Inc. purchases Second Cup Coffee Co. for \$14 mil. Think Retail will be busy with the related mandate.
- Manitoba, the market is thawing. Portion of CF Polo Park former Sears store leased to a call centre and EQ3.com furniture designer & retailer. Broker wearing long-Johns.
- Saskatoon, City promoting 'Stacation' packages, rent a hotel and work from 'home', brokerage business is steady.
- British Columbia, Whistler is a COVID hotspot, Starbucks abruptly closes stores.
- Enclosed Mall Update, Mall landlords are not happy, Starbucks closes 75 stores in the GTA.

Our special guest on the call was Craig Patterson the Publisher of the Retail Insider. Craig provided an update on events and conditions within the Canadian retail industry. The call Moderator introduced the segment with; "Craig, I noted on last weeks Retail Insider podcast "The Weekly" that the guest speaker on that episode referred to the retail industry in Canada as having been "ransacked and taken apart bit by bit." Pretty dramatic stuff there and we eagerly await your update for us today."

Here are Craig's comments to the call participants:

RETAIL IN CANADA:

- Stores and restaurants closing across Canada, fewer in Maritimes where there are fewer business restrictions / lockdowns,
- Retailers seeking Canadian space opportunities according to a recent interview on BNN,
- Some independent retailers doing very well such as Elle's Closet,
- Kiehl's shutting eight locations, one third of its Canadian stores,
- Starbucks closing approx 400 locations in Canada,
- The Well project in Toronto (Allied / Rio Can JV) signs 78,000 square foot Oliver & Bonacini, largest F&B lease transaction in Canadian history,
- Duer store in Vancouver relocating, Gastown is very challenged at present,
- New Aesop boutique at 94 Cumberland in Toronto's Yorkville,
- APM Monaco opening 3 new stores,
- J. Crew leaving Canada, other retailers exiting as well,
- HBC spinning off online business, possible filing,
- Pet retailers see strong sales in Canada,
- Avril Marche expanding,
- Pur & Simple, Butterchick — seeing expansions with new F&B locations,
- LL Bean opening in Halifax,

GROCERY:

- Metro looking to expand, disrupt grocery nationwide,
- Loblaw launches reusable Loop containers,
- Home delivery necessary - Rexall/Uber,
- FreshCo expanding further into Alberta,
- Farm Boy opens another downtown Toronto store,
- St. Lawrence Market in downtown Toronto launches delivery service,
- Staffing / Employment - Sick days are important, some retail employees with COVID came into work.

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OUTLOOK - GOOD/BAD:

- Vaccines an issue, fall 2021 will see improvement
- 2.4m jobs at risk, 200,000+ businesses could shut says CFIB
- COVID variant throwing in monkey wrench, uncertainty
- Tourism/cruise ships — major hit to Vancouver and Halifax
- Ontario may see reopening's this month
- Mass bankruptcies as gov't funding dries up
- Loans adding to debt
- Quebec launches Amazon-like marketplace.

Craig Patterson Editor-In-Chief at the Retail Insider –

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Feb 22, 2021

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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 Feb. 22, 2021, compiled by the call moderator Michael L. Kehoe...

- Newfoundland & Labrador - new COVID-19 cases force highest level of business lockdown. Medical and related service sector active in leasing and purchasing property. 70,000 square foot RFP out from the Provincial government.
- Nova Scotia - Entrepreneurship is alive and well in Halifax. Former bakery and cafe in Halifax will transition to Jekyll & Hyde Craft Beer Bar & Gastropub. The Bertossi Group's Bicycle Thief restaurant on Water Street also in Halifax will be expanding into soon to be vacated adjacent space. Playdium opened in Dartmouth Crossing. The 30,000 square foot facility is the first outside Ontario and the third to open in Canada. Loblaws Atlantic Superstore will be opening its City Market concept on March 18 in Bedford. Tomavo is expanding again in the Halifax area taking on the leftover space in the Woodside Industrial Park space.
- New Brunswick - Fredericton's Regent Mall vacancy is increasing with the closure of the Source. Moncton's Champlain Place will soon see Sirens open. Canadian Tire stores throughout NB are renovating to incorporate Party City departments.
- Quebec has re-opened. A 23,000 square foot UNIQLO store opened in Champlain Mall. HBC downtown Montreal major renovation / redevelopment project announced. Non-apparel retailers have capital and an appetite to expand. Malls are cutting creative lease deals.
- Toronto – WeWork closing high-profile 33 Bloor Street E location, others may follow.
- Manitoba – In Winnipeg cannabis retailers absorbing vacant spaces.
- Saskatoon – 28 new cannabis stores opened in the recent past.
- British Columbia – Vancouver retail rents decrease 5-10%.

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The call Moderator welcomed regular call contributor Slava Fedossenko CRRP, Commercial Asset Manager with Avenue Living to provide an update on Consumer Real Estate Canada (CREC).

Here are his comments to the call participants:

“Good morning everyone. In lieu of an update on Edmonton I want to provide a few comments on our bi-weekly call and Consumer Real Estate Canada. I want to thank our call moderator and the creator of this forum, Mike Kehoe. Thanks for bringing us all together Mike and for hosting the calls on your company conference line.

Our little group of Canadian consumer real estate professionals that started getting together ten months ago is growing every month. The current dial-in we are using for the calls has a max of 50 attendees. We are going to need a bigger platform for the calls as the CREC updates gain momentum.

There is no cost to participate in the calls and there are and will not be any memberships or fees at Consumer Real Estate Canada.

We do need to move quickly to a call platform with more capacity. We also need a logo and a website for CREC that will further bring us together to share industry info and keep us Canadians connected. Most of our participants are members of BOMA, ULI, Retail Council of Canada or ICSC. The purpose of CREC is to compliment our memberships in these real estate industry professional organizations and provide a forum with content and in-person events that are uniquely Canadian, created by Canadians who have a consumer real estate focus.

We have set up a ‘Go-fund-me’ account to cover these costs and it is completely voluntary. Watch for details on that by e-mail shortly.

Looking forward to seeing you at our first in-person event in Banff, Alberta in May 2021 if local regulations permit. Watch for updates on this by e-mail.

We are putting together a voluntary advisory group for CREC and if you are interested in participating, please advise our call Moderator.”

CREC volunteer - Slava Fedossenko CRRP

Our special guest on the call was Katherine Borsellino, Tax Lawyer and Senior Manager at Richer LLP, a business advisory firm based in Montreal who went over the CERS subsidy for tenants and property owners, the program conditions and some of the challenges that are being seen from a tenant and landlord standpoint.

Some of the key points from Katherine were as follows:

- Applicants include tenants paying rent to a 3rd party or a commercial property owner who does not primarily earn rental income or who primarily earns rental income from a non arm's length person.
- Applicants are eligible for CERS if they have experienced any revenue decline. The CERS rate is determined based on the revenue decline as detailed in the above table. Where the applicant does not have any or a sufficient revenue decline, there are special elections that allow you to look at the group revenue decline.
- The subsidy can reach up to 65% of \$75,000 of qualifying expenses per period. The maximum qualifying expenses that can be claimed by members of an "affiliated group" is \$300,000 per period. Additional Lockdown support of up to 25% of \$75,000 of qualifying expenses per period can be claimed if the applicant is subject to a "public health restriction". There is no maximum threshold of expenses that can be claimed under the Additional Lockdown support.
- A tenant can claim gross rent paid (excluding various ancillary or extraordinary items such as sales taxes, interest, penalties and damages). A commercial property owner can claim mortgage interest, insurance and property taxes.

Katherine Borsellino Tax Lawyer and Senior Manager at Richer LLP

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