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July 19, 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 July 19, 2021, compiled by the call moderator Michael L. Kehoe...

Trending in Canada:

- Major malls accepting cannabis stores, multi-location transactions competed.
- Retailers facing staff poaching, liquidity, cashflow, abundant unsold inventory and merchandise delivery time & shipping cost challenges.
- Optimism for 3rd & 4th quarter retail sales with 2021 seen as a survival bridge to a post-COVID retail environment in 2022.
- Demand for retail space mostly short-term & pop-ups at this time, likely to continue into the foreseeable future.
- Shopping centre landlords tough on negotiations as they hope to achieve pre-COVID rents.
- Labor shortages are affecting every sector of the Canadian economy.

The Takeaways...regional call contributors reporting:

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

Abundant pop-up retail and food service locations on Water Street in St. John's. Out of province prospective tenant space tours are ramping up.

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

Provincial borders open to all Canadians. In Fredericton, a downtown property - the Centennial Building - had City of Fredericton approval for a hotel and restaurant, along with a mix of housing and retail. Developer unable to attain financing for a hotel development and will now proceed as fully multi-residential with a parking structure. CF Champlain converted exterior of vacant premises into "Home of Team Canada" and a celebration wall. Restaurants that have closed over the past 12 to 18 months are being retrofitted for new entrepreneurial start-ups. Halifax has seen Ben's Beer Garden and The Bright Yard beer garden open.

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

Time Out market reopened July 2, BYOB concept Portovino looking to expand again, Le Chateau Inc. assets sold to YM Inc., Ziboo opens at St. Bruno and is looking to expand, Avril opens 10th store in Humaniti, Ivanhoe sells Bayshore to Kingsett Capital, and Banana Republic to close Ste. Catherine St. W on July 24. Change out of bankruptcy protection saved him \$2M over 2 years, renegotiating 23 leases. 49th Parallel opens on McGill St. in Old Montreal, Columbus to open in Starbucks corner Ste. Catherine St. W. & Crescent, and Birdhouse Wingerie & Bar now open.

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

City of Winnipeg fast-tracks temporary patio approvals, amount of office space on the sub-lease market increases, and new multi-family development dominates local construction scene.

Alberta - Monika Blachut - Fairfield Commercial Real Estate - monika@fairfieldcommercial.com

The last couple weeks in Alberta have been very interesting with the transition of a shutdown economy just a couple months ago to jam packed music venues and the Calgary Stampede, which made this past week very exciting. Alberta is fully open and aside from a few masks here and there, it's hard to believe that there was a pandemic. Our brokerage just completed a Market Rent Opinion Report on Calgary's high street, 17th Avenue South West. A trend that we have noticed is that rents for transactions completed during the dog days of the pandemic have stayed at pre-pandemic numbers. We have seen that street front retail and food service rents have even increased over the last year in prime locations. Entrepreneurs are nervous but optimistic, as we have seen all the available space in urban business districts across the Province being recycled quickly with new tenants. It's back to business as usual in Alberta.

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

New high density transit-oriented developments displacing tenants in Vancouver, 2.3% retail vacancy rate, Canada/USA border closure severely affecting downtown Vancouver retail and restaurants.

Update on Consumer Real Estate Canada

Slava Fedossenko CRRP – Avenue Living & CREC Advisory Panel Lead

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We are thrilled to announce that our first CREC in-person event - CREC Live in Calgary – Coming Together for Commerce & Community will be happening September 16 & 17, 2021 at a location to be announced. This is our opportunity to gather with our industry colleagues in person complete with social events, deal making, and special guest speakers.

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The cost will be extremely reasonable, and we hope that it is accessible to as many of our CREC community as possible. If you are interested in attending, finding out more information or becoming an event sponsor, please reach out to me by e-mail. This information will all be summarized and made available to our network in follow up emails over the next few weeks.

In other CREC news, the Advisory Panel had another meeting last week and I want to thank the participants for their time and dedication. More details on our website, social media platforms and organizational status will be made public in the coming weeks. As well, we have formed an event Planning Committee for our CREC-Live gatherings.

As a result, we are in the early stages of planning for our 2nd event in early 2022, which will be a winter industry trends conference and deal-making theme. Thank you everyone for your participation and we look forward to seeing you at CREC-Live in Calgary in 8 weeks!

Consumer Real Estate Canada is a volunteer run industry organization that was created for Canadians by Canadians! Please support CREC financially through our GoFund Me account at Consumer Real Estate Canada GoFundMe

Our special guest, returning to the call, was Phil Lichtsztral, a partner with Richter Consulting Services based in Montreal. Phil provides advice to retailers on insolvency, corporate reorganizations, restructuring, mergers and acquisitions and retail organization structure.

Here is a summary of Phil's comments on the call:

- Inventory procurement costs (containers) continue to escalate dramatically accompanied by severe logistical delays, fall shipments 4 to 8 weeks delayed,
- still significant excess inventories on hand today from prior seasons,
- labor shortages causing staffing dilemmas as are rising salaries, lots of staff poaching going on in the retail sector.
- CEWS and CERS government assistance programs to end in September, these have helped mask liquidity issues up till now and will likely expose more retail restructurings in the fall /& holiday season,
- financial institutions quite aware of the above and watching retailer clients more closely,
- same store sales have generally been up single digit over 2019, the last 4 weeks prognosis for Q3 and 4 improved however inventory and labor issues will pose severe challenges,
- M & A activity remains strong with interest by private equity and strategic buyers, limited store expansion as mall landlords tough with regard to rents for both pop-up and permanent leases.

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