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March 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 March 8, 2021, compiled by the call moderator Michael L. Kehoe...

- Newfoundland - Home Hardware leased vacant RONA store in St. John's.
- PEI - came out a 72-hour lockdown after COVID cases started to skyrocket.
- Nova Scotia - Province providing \$7 million rebate program, approximately 3,300 small businesses will be eligible Business owners can choose either a \$1000 rebate or 50% off commercial property taxes paid for the last half of the 2020-2021 tax year, Peace by Chocolate opened at the Queen Marquee in Halifax owned by a family that came from Syria in 2015 when bombing destroyed their chocolate factory, rebuilding their company in Nova Scotia. The new Queen Marquee project located on the Halifax waterfront, a mixed-use development including premium residential, retail, office and hospitality. adding to the robust development activity.
- New Brunswick - The NB Government enhanced its Small Business Recovery Grant Program with the inclusion of non-essential retail businesses and tourism operators, Mobile Care stores to open at Moncton's CF Champlain and Fredericton's Regent Mall the first locations of Mobile Care in the Maritimes.
- Quebec - Retailers with liquidity looking at expansion opportunities, many retailers in pop-up discussions.
- Ontario - Local shopping is booming, intense competition for former Starbucks locations. Recent Globe and Mail article - City of Toronto represents 18.5% of Canada's GDP and 38% of businesses are headquartered here. The Average COVID related debt for small businesses is \$207,000 .00, Toronto has had some of the strictest and longest running shutdowns in North America.

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- Today is the first time in 100 days (over 3 months) that non-essential businesses have been allowed to open, over the past year, non-essential retailers have been restricted to online sales or curbside pickup for 5 months, hair and nail salons have been closed for more than 190 days, gyms for more than 260 days and indoor dining for more than 270 days. Only Montreal's restaurants have been shuttered longer.
- Manitoba - the market is normalizing, CF Polo Park site likely to densify with residential towers pending proposed relaxation of airport height restrictions.
- Saskatoon - A special shout-out by Melissa Newton on International Women's Day – "There are 7 active female agents out of 70+ commercial agents in the city of Saskatoon. I started in this industry in 2015 and in the six years, there has been one other female registrant. At the Commercial Group Brokerage, we are the only female lead commercial brokerage in the City, and I haven't quite done the research, but I think it would be safe to say the only one in the Province. So, if you have the ability tap into women entering this industry, do so! Become a mentor and an advocate for women in this industry. There are more female entrepreneurs and more women run businesses now more than ever. For everyone listening in on this call, it is a great time to invest in women in the industry!"
- Calgary - Enjoying a robust period of consumer real estate leasing activity with food service tenants leading the way absorbing previously occupied restaurants and vacant cafes. Rates have not decreased and there is no "fire sale" mentality from local landlords. We have moved into a balanced market favouring neither tenants nor landlords.
- Edmonton - [Freson Brothers](#) Fresh Market opens at Rabbit Hill Crossing, their 17th store.
- British Columbia, 2% overall retail vacancy in the City.
- Enclosed Mall Update, curbside pickup here to stay and becoming more sophisticated.

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Our special guest on the call was David Little, a specialist head-hunter in property and leasing real estate with HAYS Recruiting Experts Worldwide. David reviewed commercial real estate career and recruiting trends in the Canadian market.

Here are some of his key points:

- From the findings of our Hays 2021 Salary Guide Survey, it revealed that 49% of employees are either looking for OR are open to a new opportunity.
- We are seeing an influx of MF & Industrial recruitment, or at least more enquiries about it, as more companies divest into those areas.
- East (Toronto specifically) are seeing an influx of talent onto the market which companies are taking advantage of, which is lowering salaries (with exception of C-Suite roles) – Central (Calgary & Edmonton) salaries are still continuing to rise, the lack of good available candidates in the market is forcing companies to pay more to retain their staff or pay more to attract them.
- West (Vancouver) Salaries are remaining fairly stable, but we are seeing a slow drip of people moving to Alberta as the cost of living is considerably lower and wages are higher.
- There has been an increase in confidential searches over the last 12 months as a “flight to quality” is also happening within employees. Several companies have laid off staff who were underperforming as they focus on quality of service, attracting new tenants and servicing current ones.
- There has been a bit of a shift away from behaviors towards more experience. Where previously companies would take a chance on a more junior person if they had a stellar attitude and behaviors, they are now being more cautious. Ensuring the candidates have the experience they want is more heavily weighed first and foremost as they need someone who can “plug and play”.

David Little, Principal Recruiter: Recruiting Experts in Property & Leasing HYS

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March 22, 2021

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Call contributors reporting:

- Newfoundland - The 'Maritime Bubble' set to open April 16, Levi's, Tommy Hilfiger & Sport Chek open / opening at Avalon Mall in St. John's
- PEI, Nova Scotia, New Brunswick - CF Champlain in Moncton vacancy will increase with the closure of three hair salons within the next two months, an enclosed shopping center on the West side of Saint John will convert part of the complex to a strip style centre removing part of the interior common area to allow for a new Planet Fitness, Saint John vacancy decreases with addition of new regional and local retailers, trend of local on-line businesses opening brick and mortar stores, trend in all three Provinces sees craft brewers / microbreweries and tap rooms taking over former restaurant spaces & bowling allies. La Vie en Rose to open a new store next to the new Under Armor store currently under construction in Moncton NB.
- Quebec – International retailers mobilizing to expand in Canada, seeing creativity with mall landlords.
- Ontario – Third wave of COVID underway, strong demand for space from QSR, grocery stores, pharmacies, medical / dental, first time in years that retailers plan to open more stores than they close, year to date, retailers have announced 3,199 store openings and 2,548 store closures compared to all of 2020 when there were 8,953 closures and only 3,298 openings. Many retailers are seeing opportunities to sign shorter leases, which will allow them to experiment with different business formats.

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- Calgary - seeing consistent demand for space from pet retailers, coffee-shops with food offerings that don't require a significant capital injection for buildouts, previously occupied restaurant spaces including ones in the 3500 - 5000 square foot range being absorbed by the market by food service entrepreneurs taking chances on larger spaces with a higher overheads.
- Edmonton - new food hall opening summer 2021 in the Ice District joining new Loblaws grocery store, several medical transactions happening and healthy activity on second generation restaurant space.

Our special guest on the call was Craig Patterson the Editor-in-chief at The Retail Insider Canada's most read on-line industry publication.

Craig provided an update on events and conditions within the Canadian retail industry as follows:

National:

- Vaccines increase consumer confidence.
- RYU is back, April 16 store openings in Canada, wholesale focus for the first time.
- JD Group - opening Toronto/Vancouver stores.
- American sports brand coming to Canada with 100 locations.
- Another brand taking some Le Chateau spaces.
- Aesop opening several stores, Vancouver and Toronto.
- Psycho Bunny entering Canada with new stores.
- Club Monaco, Gap Bloor - out with the old and in with the new, both locations have offers.
- Empire buys Longo's.
- Walmart mega-investments in Canadian stores.
- Second Cup expansion with new owner Foodtastic.
- Giant Tiger launching new store concept.
- Autonomous vehicles/delivery/Grocery Neighbour mobile store.
- Costco Business Centres – coming to all major Canadian markets.
- New Look Vision acquired by a private equity firm.
- Independent retailer article; “cities hit harder than small towns/rural areas”.
- Peloton & others expanding.

Regional:

- Vancouver:
 - Mejuri, Peloton, Jo Malone, Food Hall at The Post, CF Richmond Centre picking up retailers from Oakridge (Montecristo etc) and Park Royal Talbots.
 - West 4th very hot.
 - Tesla shut downtown Robson store.
 - Brentwood Sephora store nearly done.
- Edmonton:
 - Gucci opens Friday, WEM luxury run.
 - OAK & FORT opens at WEM.
 - Downtown Hudson's Bay shutting downtown May 16.
 - Freson Bros. opens 1st Edmonton grocery store.
 - Sporting Life to open in Southgate 2022.
- Red Deer:
 - Sunterra Market opens at Bower Place Mall.
- Calgary:
 - Dex10 opens at The CORE.
- Toronto:
 - Lots of vacancies and lots of leasing: lockdowns have been catastrophic.
 - Harry Rosen looking for flagship on/near Bloor Street.
 - Kit and Ace shut on Bloor.
 - Leases extended Montblanc, Max Mara, Peloton at 151 Bloor W.
 - Yorkville very busy with patios on weekends.
 - Leone Napoli mono-brand opens on Cumberland Street, could do more locations.
 - Retailers bullish, Yorkdale (CNTRBND/others).
 - Major int'l brand bought commercial podium.
 - Disney closing some stores, Square One, Yorkdale uncertain.
 - Second-hand retail at Scarborough Town Centre — possible at other malls?
 - Cirque cancelled at Vaughan Mills, new outlets at Toronto Premium Outlets, best in Canada
 - 7-Eleven alcohol sales - Peel and Brampton 'no'.
- Montreal:
 - Punt Roma at Rockland, downtown store expected.
 - Struggles on Ste-Catherine, Lole shutting,
 - Purnelle opening 1st store.
 - LV Royalmount, others coming
- Halifax:
 - Amazon warehouse, 3 coming
 - 1st Superstore since 2004 opens in Halifax