

# CREC

**May 3, 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 May 3, 2021, compiled by the call moderator Michael L. Kehoe...

#### **The Trends:**

- Delays in securing tenant insurance, financing and construction materials are affecting store and restaurant buildouts & fixturing periods.
- Large commercial brokerages teams in transition as industry practitioners seek favorable fee arrangements.
- Major mall landlords abandon tenant mix strategies in pandemic times in favor of maintaining occupancy and income.

The Takeaways...regional call contributors reporting:

#### **Newfoundland & Labrador - Nikki Poole CBRE – [nikki.poole@cbre.com](mailto:nikki.poole@cbre.com)**

Atlantic bubble delayed re-opening, relocations happening in the market with retailers and restaurants negotiating with current and new landlords for better deals, food truck activity gaining traction and restaurants entering markets where Skip the Dishes doesn't deliver, increased micro-brewery activity with new openings and new players entering the market.

#### **Atlantic Canada – Vicki Carr – Hardman Group – [vcarr@hardmangroup.ca](mailto:vcarr@hardmangroup.ca)**

Nova Scotia - The opening of the Atlantic Bubble is permanently on-hold with hopes of a possible summer re-opening, Halifax microbreweries opening in previously occupied spaces, Little Caesars and Burrito Jax leased former Needs store. Dollarama returning to Halifax Shopping Center Annex. Taiwanese desert chain Zen Q opening on Spring Garden Road in Halifax. Anyone who enters Nova Scotia outside of PEI or Newfoundland must self-isolate for 14 days, province wide shutdown is in place, non-essential stores closed, restaurants delivery/take-out only, group gatherings restricted, schools closed, hair salons/spas closed, indoor fitness centers close, regulated health professions can be open with an approved COVID plan, 30% of the Nova Scotia population been vaccinated with at least one shot.

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New Brunswick - Walmart announced new 221,000 square foot distribution centre in Moncton, the first in Atlantic Canada expected to open this fall to create 200 new jobs, Edmundston area where New Brunswickers and Quebecers enter each other's provinces is at the orange level – travel is restricted in and out of this area of the Province. 244,876 people have been vaccinated with at least one dose - 37% of the population  
PEI - 13 known active cases.

**Quebec - Tony Flanz – Think Retail - [tflanz@thinkretail.ca](mailto:tflanz@thinkretail.ca)**

Positive news that there is light at the end of tunnel, vaccinated - nearing 37.5% 3.2M, Code Red/Curfew pushes back to 9:30 PM, everyone over 18yrs can be vaccinated as of May 14, 30,000 person protest march last Saturday outside Olympic Stadium which is the largest vaccination centre in the Province, protest was against the wearing of masks, vaccine passports and curfew, ended with tear gas and several arrests, pent up demand for restaurants / patios closed since mid-October, sales soft over the last while with Premier urging caution and to stay at home, e-comm has picked up, Montreal Chinatown property acquisitions active, plans for 25 storey office tower above the Hudson Bay store on St. Catherine St. W now approved, lots of retail closures on high streets, St. Catherine St. rents coming down, Bizou emerges from bankruptcy protection as Think Retail renegotiated 65 leases, new mandate from a top vegan chef in the U.S. to open in Montreal.

**Ontario - Lawrence Mosselson - Behar Group [lawrencem@thebehargroup.com](mailto:lawrencem@thebehargroup.com)**

Continued demand from QSR and other tenants outside of the downtown core and PATH system that remains a ghost town, even though office vacancy rates have reached their highest levels in 25 years (nearly doubling to 12.4% in Toronto in Q1 2021), the first phase of CIBC Square, a 1.3M sq ft office tower next to the Scotiabank Arena has opened and is fully leased, tenants including Boston Consulting Group and Microsoft are taking possession and have begun their fit outs, Microsoft has purchased the former Lowes store located at 401/Islington in Etobicoke for \$49,000,000, Amazon has gone firm on the purchase of Woodbine Mall located in the north-west part of the City near the airport ,average house prices in the GTA are up 16.5% year over year with even higher increases seen in other markets in Ontario, Owen Sound area is up 44.9% from March 2020, Kawartha Lakes is up 36.9% and Wasaga Beach and Collingwood are reporting price increases of 40.8%, condo market has bounced back with momentum shifting back to downtown Toronto, number of condos sold has increased to pre-pandemic levels and prices are setting new records at \$1,261 psf in the GTA and \$1,419 for the City of Toronto (\$856,000 for 600 sf), resale market also is breaking records, activity in the City is up 104% from Q1 2020 and prices are up by 6% from Q4 2020.

**Manitoba – Michael Stronger - Shindico Realty - [MStronger@Shindico.com](mailto:MStronger@Shindico.com)**

Flex space is in high demand, delays in construction materials affecting tenant fixturing periods.

**Saskatchewan - Melissa Newton – The Commercial Group -**

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Covid pandemic has spurred all business licenses, building permit and occupancy permits to be submitted online. This has been long overdue and incredibly well received by contractors/landlords and tenants, Wait times for financing and insurance are quite extended, financing, especially for purchases, seems to be approximately 6-7 weeks and insurance, even to secure quotes can run up to 14 days, this has had some tenants unable to secure keys until the insurance coverage is in place. We have been encouraging our clients to reach out early to avoid any unnecessary delays, time is of the essence as we approach the summer season, get the paperwork done now or you are going to lose people to the cabin/camping summer season!

**Alberta - Edmonton - Slava Fedossenko – Avenue Living - [sfedossenko@avenueliving.ca](mailto:sfedossenko@avenueliving.ca)**

30% of Albertans with at least 1 dose of vaccine, 7% with both, 6,000 active cases in Edmonton, “rapid uncontrolled growth” especially in Wood Buffalo (Fort McMurray) and Banff, GYMVMT filed for bankruptcy, Alberta-based private investment firm has stepped up to buy, the sale is expected to close by the end of May, with some gyms permanently closing but the hope is that the brand and some of the more profitable locations will survive, Church’s Chicken expanding, including secondary markets, Jenny Craig expanding with as many as 20 new locations in grocery anchored centers, Big Frog expanding across Canada a quirky custom clothing brand with 68 locations in the US. With first location is in Windermere in Edmonton, continued traction with restaurants and medical groups, particularly dentists, deal pipeline is healthy but COVID-related delays are starting to become more significant.

**Alberta - Calgary - Monika Blachut - Fairfield Commercial Real Estate -**

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Covid Cases in Alberta are on the rise with a daily average of over 2,000 new. Province implemented stronger lockdown measures which most recently include the closing of all gyms and the movement of indoor children’s activities to online learning. Grades 7-12 will continue with at home online learning for an additional two weeks starting today. Strong trend of alternate uses of retail spaces with non-traditional commercial tenants like car dealerships and show rooms absorbing large blocks of space formerly occupied by large fashion retailers and department stores, former Reno Depot that sat vacant for several years has recently been repurposed as a travel trailer / RV / motor home show room.

Kudos the leasing team at West Edmonton Mall for leasing the main floor of the former Sears store combined with a contiguous chunk of main floor CRU and common area space to a Toyota dealership, this 120,000 square foot tenant will open this fall with a large showroom and 70 service bays. This trend is likely to continue at other Canadian shopping centers.

**British Columbia - Neil McAllister – Lee & Associates - [neil.mcallister@lee-associates.com](mailto:neil.mcallister@lee-associates.com)**

Covid cases peaked at 1300/day on April 7, down by approximately half as of today, 1.8 million BC residents now vaccinated, automotive Industry repurposing retail for small bay showrooms, full line dealerships, customer experience centers & repair facilities, electric Vehicles (EV) accounting for 10% of all vehicle sales in BC in 2020 – the largest uptick in North America, approximately 55,000 EV's on the road in BC, new vehicle manufactures looking for real estate opportunities in BC such as Tesla, Polestar, Rivian & Lucid, Charging stations popping up including shopping centre parking lots.

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.

Phil Lichtsztral a partner with Richter Consulting Services  
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Hard line sales continue to outperform soft lines both bricks and mortar as well as e-commerce, significant levels of inventory comprised of past seasons as well as current spring and soon early arrival of fall merchandise, importers have opted to bring in goods earlier fearing supply chain issues, these inventories are paid for and given restrictions caused by retail lockdowns future cash flows will likely tighten up, seems to be a growing awareness that mall landlords are less focused on tenant mix and more on revenue coming in regardless of the nature of the tenant, merger and acquisition activity is very strong last 6 months with regards to consumer businesses be they retail or wholesale / distribution, abundance of capital looking for a home, multiples of EBITDA very much higher than typical norms, this trend likely to continue for balance of 2021.