

Nov. 16, 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 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 November 16, 2021, compiled by the call moderator Michael L. Kehoe.

Trending in Canada:

- Robust transit oriented, mixed-use developments in metro Vancouver with some towers over 80 storeys.
- During the pandemic, public searches for franchise opportunities increased by over 700% in Canada per Board Chair, Canadian Franchise Association. See Call guest comments below.
- Franchising in Canada is a \$100 billion sector employing two million Canadians within 1,300 different franchise brands with over 76,000 franchise locations.
- A Porsche Experience Centre, the third in North America is slated to open in 2024 located on a 20-acre site at the Durham Live development in Pickering ON.
- Former military base in SW Winnipeg owned by Treaty One Development Corporation and Canada Lands, 160 acres in one of Winnipeg's most affluent areas Tuxedo/River Heights will be mixed-use including retail, residential, office, educational along with community space components.

The Takeaways...regional call contributors reporting:

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

Mile One Centre downtown St. John's stadium has just been rebranded the Mary Browns Centre. Local drama and heat have been coming from the downtown sports stadium owned by the city and the local owner of the hockey team, the city has locked out our ECHL hockey team who are now playing out of CBS, local restaurants and business owners are devastated, Freak Lunch Box regional Candy store out of Halifax has just opened in the Avalon Mall, their second store in the market. Retail locations are being scooped up and there's a lot of demand for smaller spaces, some pop-up successes from the summer are now opening long term in local store fronts. Rumoured Giant Tiger expansion into NL occupying a former Walmart store that went dark last year are false.

Atlantic Canada - Vicki Carr -

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Mixed use multi-tenant buildings in New Brunswick continue to be built with tenancies filling them faster than they can be constructed. Low housing inventory, residential housing sales boom combined with the current low vacancy rates in residential continue to keep demand high, Continued microbrewery and local food service expansion with multiple new locations in Halifax, Moncton and Saint John. Pur & Simple have opened two locations in Halifax, IHOP opens soon, and Ontario chain Chung Chun is coming to Dresden Row in Halifax early 2022,

Tomavo a local success story, started in Moncton NB in 2017 and expanding into Nova Scotia, Tomato's Fredericton location is at the Corbet Centre, Office market average net rents remain mostly unchanged in Nova Scotia with New Brunswick's overall average net rents were slightly increased. Fredericton, the capital of NB being a government town is the largest contributor to the increase in net rent with the average around \$15.00 per square foot, industrial overall vacancy continues down in both Nova Scotia and New Brunswick.

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

MTY purchases Kuto Comptoir Tartares. 31 locations with revenues between \$20-\$25M, Montreal footwear specialist Pajar opens first US store in Soho, NY, Canderel (with Group Mach) buys Cominar REIT for \$5.7B 50+ properties, Ottawa's Kettleman's bagels to open 1st unit in Qc early in 2022 on Ave des Canadiens across from the Bell Centre, Amazon has opened the largest sort centre in Canada in Coteau de Lac 720,000/sf creating 500 permanent jobs, first sort centre in Canada that will have high tech systems that will fill orders faster.

Real Fruit Bubble Tea announced its opening their 3rd & 4th locations in Qc at Champlain Mall & Carrefour Laval, Bentleys opens the first of its new concept Tracker at the PET Airport with plans to expand in other airports and train stations, Groupe Boucher open the largest sporting goods store in Canada at Laurier in the former Sears space, Sports experts/Atmosphere combo - 84,000 square feet on 2 levels, Ivanhoe Cambridge has entered into a global agreement with Borden Ladner Gervais to manage legal services for Ivanhoe for Ivanhoe's Canadian shopping centres, Montreal based outerwear manufacturer Kanuk will open a 4000 square foot boutique in Soho NY, Burger King with its partner Redberry Restaurants announce plans to open 50 in Quebec.

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

Porsche Experience Centre Toronto, the first Porsche Experience Centre in Canada and the third in North America is slated to open in Pickering in 2024 located on a 20-acre site at the Durham Live development in Pickering which currently features a casino, and will include a concert venue, more than 400,000 square feet of retail space, a luxury 300 room hotel, Porsche Experience Centre is designed as a retail and tourist destination and will include a 2-kilometre driving circuit, as well as showcasing current and historic Porsche cars...

CafeTO program, Toronto City Council has approved a plan to make the CafeTO program permanent, program allows for restaurants and bars with no former patio space to operate sidewalk and seasonal curb-lane patios and was first introduced in 2020 to help restaurants and bars and has had more than 1,200 restaurants participate across the City, program permanent is designed to encourage outdoor dining in different areas of the city including North York, Scarborough, and Etobicoke.

Toronto Commercial Property Tax reduction Toronto City Council recently voted to move forward with a 15 per cent property tax reduction to small businesses for the 2022 tax year, It is estimated that property tax reductions will apply to approximately 25,000 small businesses across Toronto, or 60 per cent of all commercial properties, The provincial government is expected to match the municipal tax rate reduction with a corresponding reduction in the business education tax for all eligible small business property owners...

City pot shop limitations - Two Toronto councillors have asked city council to request that the Ontario government stop issuing new cannabis retail licences for a year, or until a private member's bill on the issue becomes law. The provincial NDP has introduced the private members bill, which has passed first reading in the Ontario legislature. Cannabis Licence Amendment Act, 2021, would allow municipalities to have more say on where and how many cannabis licences can be issued. However, there is currently no control on the number of cannabis stores in their neighbourhoods or over where they are located and there are currently over 250 cannabis stores in Toronto...

Update on the Avison Young Vitality Index indicating the amount of foot traffic in the downtown financial district were the number of people in October and November has increased slightly to a daily average of between 4,500 and 6,300 people, the average weekday visitor volume remains 78.9% less than March 2020.

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

After 17 years of lying dormant, a vision for the former Kayongo Barracks lands in SW Winnipeg is finally taking shape. Owned 68% by Treaty One Development Corporation and 32% by Canada Lands. It comprises over 160 acres in one of Winnipeg's most affluent areas, Tuxedo/River Heights. The project envisions a unique mixed-use plan including retail, residential, office, educational and community space components and a much-needed widening of Route 90 which links Polo Park to the Seasons/Ikea/Linden Ridge retail nodes and the growing communities to the south, most notably Waverley West.

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

In Saskatchewan we continue to see strong activity in the investment and industrial property sectors, retail sector remains stable, supply chain issues which has, as others mentioned, encouraged consumers to shop earlier than other years. Local groups continue to expand into larger storefronts, former Pier 1 store is now a Dollarama, losing track of how many of these stores we have in our marketplace.

Canadian Tire store features Party City pop-up even though there is a PC in the same development. In my opinion Canadian Tire could work on its merchandising...downtown Saskatoon retail end of the year push to finalize some transactions, recently our team has had two sales come together and closing before December 15th, which we all know are extremely fast in the commercial world...commodities drive the SK market, media reporting 'Province aims to supply ten per cent of global helium market share by 2030', achieving the Helium Action Plan's goal to supply ten per cent of the world's helium market share by 2030 will create significant economic benefits in Saskatchewan, including creating more than 500 new permanent jobs, supporting thousands of construction and service sector jobs, building up to 15 helium purification and liquefaction facilities and generating annual helium exports worth more than \$500 million...labour shortages spanning across sectors from retail, service to construction while increasing the starting wage it hasn't produced any applicants.

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

Exciting times in Calgary with new stores and restaurants opening across the city, there is significant new development planned or underway at the YYC Airport with a large casino and a new restaurant row, on Calgary's high-street 17th Avenue SW, the 10,000 square foot Whisky Rose Saloon opened with great anticipation, two new urban coffeehouses have recently opened in former Starbucks locations with beautiful buildouts, the 70,000 square foot Decathlon sporting goods store opened in a portion of the former Sears store at Oxford's Southcentre Mall and Calgary continues to thrive outside the downtown core where 19 downtown office buildings are completely vacant and the office vacancy rate is around 30%, two new food halls have recently opened in the City's densely populated Beltline district.

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

Enclosed Malls in Edmonton, Structube opening adjacent to Buy Buy Baby in West Edmonton Mall and new Toyota dealership in West Edmonton Mall also recently opened, London Drugs is opening next year in a redevelopment portion of Southgate Mall along with Sporting Life in 30,000 square feet, street front / grocery anchored centres, multiple offers are the norm in the quick service restaurant category across Northern Alberta especially the case in grocery anchored centres, Triple O's opened in the Chevron on 111 Avenue and 156 Street and retail vacancy has remained relatively stable in Edmonton.

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

Transit oriented developments continue to take shape in Metro Vancouver, new high-density developments in proximity to Rapid Transit lines are pushing new height records and land developer Pinnacle International is preparing 3 towers 62 – 82 storeys tall on the former Sears Outlet site in North Burnaby directly across the street from Lougheed Town Centre and would be the 2nd tallest in Canada, First Canadian Place in Toronto is #1...

Shape Properties purchased the underperforming Lougheed Town Centre in 2010 which comprised 40 acres of Land and have renovated much of the existing mall and may have as many as 23 towers on site, all 50 – 70 stories when the 40-acre site is completely built out, other developers have taken note and several other underperforming shopping centres near transit are either being demolished or repurposed.

Update on Consumer Real Estate Canada from CREC Advisory Panel Lead

Slava Fedossenko CRRP - Avenue Living - sfedossenko@avenueliving.ca

The CREC Advisory Panel has met recently via Zoom to discuss the Consumer Real Estate Canada logo, we are excited to show off our new identity to the world in early 2022. This will be shared with you via CREC social media platforms, website, and the Takeaways & Trends e-mails as soon as it becomes available.

On the second CREC Talk Shop Zoom meeting November 4th we were joined by Forbes Rutherford, an executive search specialist and founder of Rutherford International. Forbes discussed consumer real estate career and employment trends and covered several fascinating and timely points. The recording of this edition and all Talk Shop Zoom meetings are available on the CREC website. Be sure to visit our website; it's easy to remember – www.crec.live.

We are in the process of publishing all the CREC Call Takeaways & Trends transcripts that you have received over the last 18 months as we build a database of knowledge and content for our participants. This will include links to the CREC LinkedIn, Facebook pages and the Go Fund Me. There is no cost to participate in CREC, so your donations via the Go Fund Me are appreciated.

The next CREC Talk Shop Zoom will be in early January 2022 so watch for an invitation. CREC participants will gather closer to the holiday break for a Zoom cocktail party where we will review the top trends in consumer real estate during 2021. It is sure to be fun!

Our special guest on the Call was Gerry Docherty, President & Chief Operating Officer of Good Earth Coffeehouse and the Chair of the Board of the Canadian Franchise Association.

He discussed current issues and trends in the franchising business in Canada and here is a summary of Gerry Docherty's comments on the Call:

- To give you an idea of the size of the franchising sector in Canada:
- 12th largest industry
- Franchising is a \$100 billion sector
- We employ 2 million Canadians
- Over 1,300 different franchise brands operating in Canada
- There are over 76,000 franchise locations
- Every day Canadians interact with 3-5 franchised businesses
- Franchising's can be found in almost every industry – much more than food
- Franchising is small business, local business owners. This has helped franchises survive the pandemic with “support local”.

FRANCHISING WEATHERS ECONOMIC DOWNTURNS AND SPURS ECONOMIC RECOVERY

- Great Recession of late 2000s (2008-2010) saw growth in franchising around the world:
 - ❖ Canada saw 6.5% increase in franchise locations
 - ❖ Subway grew by 6,000 restaurants
 - ❖ Jani-King grew by 4,500 franchises
- The Great Resignation in the US:
 - ❖ Research conducted by Microsoft – millions of employees considering resigning this year – over 40% of the workforce
 - ❖ Front line workers to senior execs
 - ❖ The pandemic has re-written the psychological contract between employee and employer
 - ❖ Take control of their lives
- New franchise opportunities:
 - ❖ Franchise Canada Directory saw increase in franchise listings of 23% -- so an increase of 23% of Brands starting to franchise during this time
 - ❖ During the pandemic, the search for franchise opportunities has increased by over 700%
 - ❖ Good Earth Coffeehouse franchise leads for October 2020 were 15. This October we received 68 leads, a 400% increase.

Gerry Docherty - gerry@godearthcoffeehouse.com