

Oct 18, 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 October 18, 2021, compiled by the call moderator Michael L. Kehoe...

Trending in Canada:

- There are a significant number of baby boomers retiring from the industry and a lack of junior individuals coming into the consumer real estate sector. See special guest comments below.
- Toronto PATH system pre-pandemic sales of \$1.7 billion was Canada's second highest volume 'shopping venue' now a ghost town.
- Major changes to BC and specifically Metro Vancouver permitting and business licensing process that will lead to faster development permitting, relaxations and application processes.
- First CREC Talk Shop Zoom meeting a success with QSR real estate guest. Next Zoom meeting November 4, 2021, with major mall landlord guest, watch for details.
- Consumer real estate industry in Canada is 'candidate short' with salaries increasing in several regions. New talent is needed.
- Company vaccine policies leading to leasing to staff turnover & talent movement across the country.

The Takeaways...regional call contributors reporting:

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

The Newfoundland and Labrador VAX PASS mandatory for people entering recreation/fitness facilities and restaurants. Some service businesses are going to enforce the double vaccination to enter their establishments. Bikini Village opened in Avalon Mall and Village Mall owned by Plaza REIT welcoming 6000 sf dermatology clinic.

Finally seeing the nationals revisiting the market, includes QSR, large format fitness and home furnishing users. Stephenville airport sold to Ottawa Based Dymond Group of Companies who will be investing \$200 million into the aerospace project which will include production of drones and a new terminal. Exciting news for the west coast of the Province and optimistic on job possibilities and growth in that smaller market.

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

Property Tax assessment for NS and NB have been released, this is the year property owners will be able to reflect the impact of COVID-19 on their property assessments. Real estate assessments in Atlantic Provinces are based on their market value and demand for rental warehouse space was increased in five of the six Atlantic Cities, leading to increased average rents in most places.

PROREIT's acquisition of 14 industrial assets located in Halifax's Burnside Industrial Park and one asset located in Moncton, these properties are approximately 99% leased, Halifax industrial market has a record low vacancy rate of 2.8% with net rents continuing to climb with rates just under \$10.00 sf, Moncton's Truro Mall had an ownership change the end of June of this year, the new Home Hardware is underway and once completed it will be between 60,000 – 65,000 sf making it one of the largest storefronts in Atlantic Canada, with the construction of the Home Hardware, interest in the mall by national retailers has increased and announcements are expected in the near future.

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

NOIZE cruelty-free and sustainable apparel and outerwear for women and men confirms 7 locations in Quebec City & ON incl LAV & FPC, Rockland and Montreal Premium Outlets. Krispy Kreme US buys a majority stake in KK Canada which is based here in MTL and have plans for aggressive expansion. Moniz family in Quebec registered the trademark for Zellers and are opening their 2nd store in Sorel and are being sued by Hudson Bay Co., Ream Hospitality Group purchased Houstons six locations in QC and Industria Pizza & Bar five locations in QC, 4 in ON from MTY.

Last month, Montreal based Outerwear Company QuartzCo opened pop up stores at 1253 Ste Catherine W and in Yorkdale. Devimco announce plans for their 800,000 sf Quartier des Lumieres, the project will include residential, office and retail space most of which to be located underground. Retail part will be 200,000 sf to target big box retailers and will open the end of 2024. Well-known vegan entrepreneur Melissa Lambert opened her 1st bricks & mortar location in the Plateau Mont Royal neighbourhood, the store is 2500 sf and also retails handbags, backpacks and accessories, Columbus Cafe open their 3rd unit in QC at 1370 Ste Catherine W in a former Starbucks, the company announced plans to open 80 locations in the Province by 2025.

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

I've mentioned a few times that the PATH system in downtown Toronto continues to be a ghost town. There was an interesting article in the Globe and Mail this morning and one of the things that it mentioned was the PATH had annual sales of \$1.7 billion before the pandemic, based on 2019 numbers, if the PATH were a shopping centre, it would be second in terms of sales behind Yorkdale, so effectively, the pandemic has shut down the second busiest shopping centre in the country, which I believe will have ripple effects for years to come.

I have just returned from my first trip since February 2020, two weeks in California and Texas and wanted to give an update based on my observations from my trip. The retail market in both States appears to be very robust. Driving around both Los Angeles and Austin, with visits to a few shopping centres, I noticed that there were few to no retail vacancies. The shopping centres, mostly outdoor venues, were packed with people, and due to capacity limits inside the stores, most retailers had line ups. In addition, the number of innovative and quality food service establishments were notable, this was especially the case in Austin TX, where besides the anticipated excellent BBQ and Mexican food, I had some of the most interesting Mediterranean food that I've ever had. A couple of interesting things to note are that every single food service vendor that I encountered, whether it was a food truck, QSR tenant or sit-down restaurant offered online ordering with quick and easy pick up or delivery, and additionally, several CRU retailers within shopping centres had the option to either pre-book an entry time or to join a waitlist online both greatly contributed to the convenience factor when shopping or eating out and I hope we will be seeing more of this happen in Ontario.

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

After 17 years of being 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, 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 in south Winnipeg, most notably Waverley West.

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

Saskatoon's highly anticipated Costco liquor store is set to open early December and rumour in the market is that a former Milestones restaurant is being converted to a TD Bank and interesting to see the change as we know the hospitality industry has been greatly affected during the pandemic and the Landlord was looking to secure a more stable tenant. QSR and medical continue to be active in the SK market and lots of new multi-family development in the newer suburbs. Smaller suburban malls are starting new development with summer/fall 2022 possessions.

We are seeing a push for private COVID testing centre pop ups looking to secure short term leases and retailers are trying to get ahead of the Christmas shopping season, offering promotions earlier, as we all know shipping is going to have its challenges. We seem to have an uptick in the office market with a slight increase in activity, still have about 17% office vacancy as there has been a shift of class A tenants to the new River Landing development leaving a lot of vacant space in the Saskatoon downtown core leading to a big shift for our downtown and landlords are going to need to upgrade their properties to attract new tenants to the core. On a

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positive note, there is still strong interest in purchasing investment properties in the Saskatoon area and there is an appetite for low-risk commercial real estate, multi-tenant properties.

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

We have begun to see interest from new-to-market tenants in the Edmonton market and a number of transactions have seen existing local restaurateurs opening new locations in fixtured restaurant spaces, retail vacancy in Greater Edmonton overall decreased to 4.5% from 4.7% per Costar, attention is returning to the Ice District as the Oilers and Oil Kings return to Roger Place. Former Spa Lady on 23 Avenue in South Edmonton is being converted into a Shoppers Drug Mart and accompanying ancillary retail, service oriented retailers continue to operate with limited offerings for the most part in locations driven by daytime traffic only, i.e. downtown and office parks. Jollibee recently opened a new Edmonton location North of West Edmonton Mall.

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

During our last call, I raised the issue again regarding the unreasonable process time for permitting in Metro Vancouver. Complaints have been growing from frustrated businesses that months long delays add significant costs and ongoing rent despite not being able to generate revenue. Somebody must have been listening as on October 14th, the City of Vancouver announced major changes to their permitting and business licensing process.

To name a few examples:

- A major change is the relaxation of no longer having to apply for a Development Permit when simply changing the use between general office, retail, healthcare, barbers and wellness uses.
- Another change is subdivision of commercial units into two spaces with a non-loadbearing dividing wall will no longer be treated as a “major renovation”, but rather “minor renovation” eliminating expensive work.
- Applications can now be accepted, paid and processed online reducing in-person visits.

It is yet to be seen how many weeks in processing time will be saved, but the current wait times of 16-22 weeks for Building Permits and up to 18 months for Development Permits across most of Metro Vancouver are totally unreasonable.

The Provincial Government was the catalyst to encourage reforms across BC and to expedite the Municipal Permitting processes. This summer the Provincial Government provided specific funding to over 40 Cities in BC, including all Metro Vancouver to explore ways to reduce processing times. These kinds of reforms are long overdue. It's reassuring that our voices have finally been heard to help encourage prospective retail, restaurant and service-related business to establish or expand their presence in BC!

Update on Consumer Real Estate Canada from CREC Advisory Panel Lead - Slava

Fedossenko CRRP – Avenue Living - sfedossenko@avenueliving.ca

I have an exciting update about a brand new CREC initiative that has officially gotten off the ground. Wednesday, October 13th, the launch of CREC Talk Shop was a smashing success. This is a new monthly 30-minute Zoom meeting featuring a different guest speaker each month where we discuss industry trends, with an interactive Q&A component throughout. This is envisioned as an educational meeting series with a “coffee shop” feeling where industry colleagues can drop in, see familiar faces, and come away having learned something new. Participants are able to chat and ask questions directly to the guest speaker throughout the presentation. Each CREC Talk Shop Zoom meeting will be recorded and posted the CREC website for easy viewing and sharing with your networks.

On last Wednesday’s Talk Shop Zoom, we were joined by Matthew Dunn, Area Real Estate Manager with McDonald’s Canada. Matt gave a fantastic presentation about trends he is seeing in the QSR sector, and how their business has been evolving over the last couple years. We learned that McDonald’s is planning to incorporate triple drive-thru lanes into select locations to realize maximum efficiencies as well, they are beginning to enter smaller secondary and tertiary markets in Alberta with populations as small as 3,000. Finally, we will see more McDonalds and fuel station combo locations in the coming years. Allowing participants on the call to ask questions to Matt directly and having that back and forth, especially with the video component, resulted in a highly interactive and informative program.

If you haven’t already, please visit our website! We are in the process of publishing all the CREC Call Takeaways & Trends transcripts that you have received over the last 18 months to build a database of knowledge and content. You will also find links to the CREC LinkedIn and Facebook pages, as well as a link to the CREC Go Fund Me. There is no cost to participate in CREC, so your donations are greatly appreciated to help cover our fixed costs.

Watch for an email announcing the next CREC Talk Shop Zoom meeting in the coming days.

Our special guest on the Call was David Little, a specialist head-hunter in property and leasing real estate with HAYS Recruiting Experts Worldwide to discuss current issues and trends in the commercial real estate industry workplace and career and recruiting trends in Canada

Here is a summary of David’s comments on the Call:

Issues in the workplace due to VAX

Companies starting to lay out their hands – 2 options

- Vaccine mandate company wide
- Vaccine not mandated but must have negative test to enter the office (more common)

Issues caused

- I’ve already started registering jobs for companies who are either having staff resign or are replacing them
- Legal challenges (Can companies actually let staff go?)

What is the long-term impact?

- Too early to tell
- Both sides of the argument claim validity, but who knows what will happen with legal challenges.

Ivanhoe disruption overview

JLL took 350 staff onboard on October 1st

- This is being handled by the USA team currently but is being transitioned up to Canada to handle over the next 6-12 months
- What disruption that will create is difficult to say at the moment, with any transition there is always attrition – the fall out will probably start to be seen in the next 3-6 months.

Career and recruiting trends

- Montreal – candidate short – salaries increasing due to lack of strong individuals in the industry
- Toronto – Salaries being pushed down by companies who believe the impact of the pandemic increase available candidates means they can pay less. This is starting to level off, but it may take some time to increase again.
- Central (SK, AB) - salaries are holding and if anything, increasing due to lack of strong candidates in the market.
- Vancouver – salaries holding steady but a good amount of movement still happening in the market
- Overall, we are seeing steady movement across the industry. For those with a good reputation and good experience there will never be a struggle for you to find a new position. 80% of individuals expect to find their next position through a recruiter or their own network, so leverage your connections.

Lack of younger candidates in the market

- There has been a growing concern over baby boomers retiring and a lack of junior individuals coming into the sector as most people tend to “fall in” to real estate. Several companies have started to introduce educational courses to change that. Weidner, for example, being a big player in the residential space, fund their own course and hire staff out of it at the end. So, we could start to see an increase of individuals actively choosing to enter the sector in the coming years.