Canadian Retail Update for 2016

Prepared by:

John G. Crombie
Senior Vice President, Retail Leasing Canada
Triovest Realty Advisors Inc.
jcrombie@triovest.com
416-941-1291

December 1, 2016

This report contains information available to the public and has been relied upon by Triovest Realty Advisors on the basis that it is accurate and complete. Triovest Realty Advisors accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.
Triovest Realty Advisors, Brokerage - 2016

TRIOVEST

RETAIL IN CANADA

RETAIL SALES 2016

$526 Billion (Est)

MALL TRAFFIC

Declines in 2015

E-COMMERCE

Estimated at $34 Billion (6.5%)

RETAIL SPACE IN CANADA

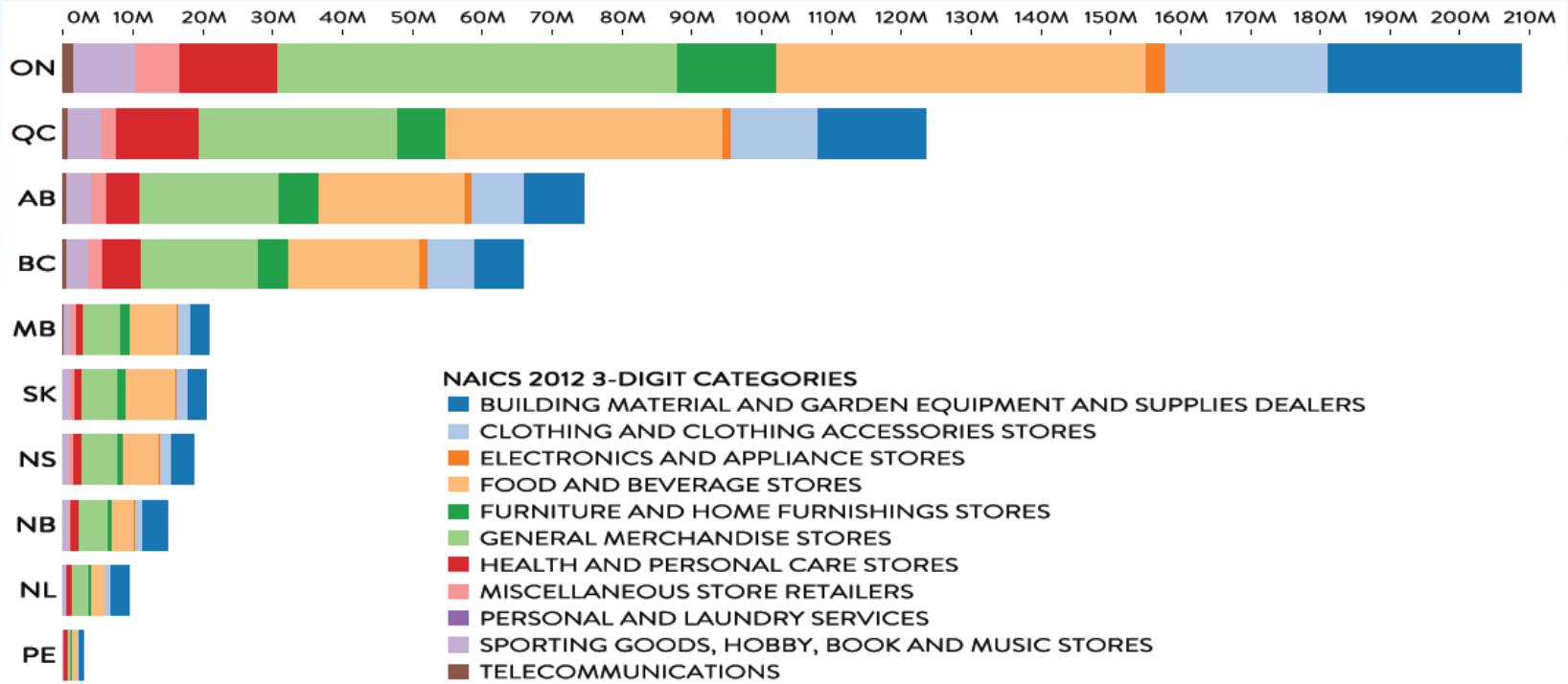
542 million SF of Shopping Centres (average size – 186,000 SF)
169 million SF of Power Centres (average size – 323,000 SF)
100 million SF of Street Front Retail – Toronto most at 38M

RETAILERS IN CANADA

Top 100 Retailers in Canada control over 70% of the market share.
50% of Canada's leading retailers are foreign owned and operated (largely US)

RETAIL IN CANADA

TOTAL SQUARE FOOTAGE OF RETAILERS BY PROVINCE



© 2016 CSCA, Ryerson University

TRIOVEST

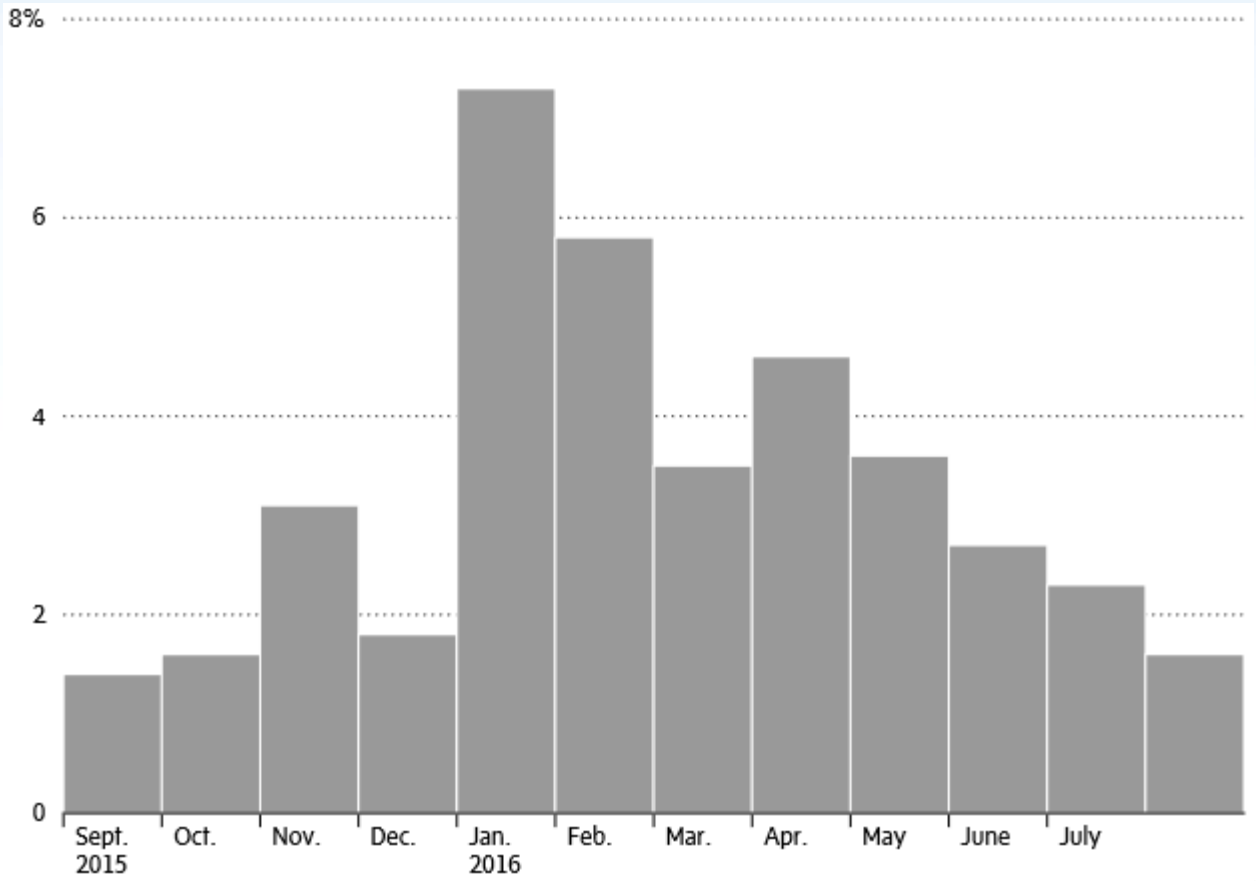
Canadian Retail Real Estate

STRENGTHS OF THE RETAIL MARKET

TRIOVEST

RETAIL MARKET - STRENGTH

STRONG RETAIL SALES IN 2016: YEAR OVER YEAR



THE GLOBE AND MAIL » SOURCE: TRADING ECONOMICS

RETAIL MARKET - STRENGTH

LOW RETAIL VACANCY RATES – 1H 2016

Retail Format	Metric	Van	Cal	Edm	Wpg	Tor	Ott	Mon	Hal	Sum
Community, Neighbourhood, Strip	GLA (000s sq. ft.)	3,467	3,911	2,479	1,311	16,657	6,107	8,824	5,078	47,835
	Vacancy Rate (%)	2.4	2.1	1.4	0.4	4.4	3.4	6.0	8.8	4.5
	No. of Properties	43	61	39	30	157	70	145	77	622
Power Centre	GLA (000s sq. ft.)	2,834	5,255	3,220	1,140	18,464	5,786	7,505	1,404	45,609
	Vacancy Rate (%)	2.8	2.3	5.2	2.0	2.8	3.1	4.0	7.3	3.4
	No. of Properties	10	17	14	3	76	17	30	7	174
Regional Shopping Centre	GLA (000s sq. ft.)	530	4,230	3,833	1,255	12,507	2,366	2,170	N/A	26,893
	Vacancy Rate (%)	2.7	5.5	6.8	15.7	4.6	9.0	6.7	N/A	6.3
	No. of Properties	1	7	8	3	21	5	4	N/A	49
Total	GLA (000s sq. ft.)	6,831	13,396	9,532	3,707	47,629	14,259	18,449	6,482	120,336
	Vacancy Rate (%)	2.5	2.4	2.9	1.8	4.0	3.6	5.7	8.6	4.4
	No. of Properties	54	85	61	36	254	92	179	84	845

Source: Select retail REIT and REOC portfolios, CBRE Research, Q1 & Q2 2016.

* Based on REIT and REOC owned retail properties.

Source: CBRE Research 2016

RETAIL MARKET - STRENGTH

NEW RETAIL INVENTORY IN BALANCE

About 11.2M SF of New Space over 18 Months

	H1 2016	H2 2016	H1 2017
Vancouver	619,231	2,578,663	245,870
Calgary	365,506	475,284	738,642
Edmonton	121,681	173,053	55,315
Winnipeg	81,000	425,000	0
Southwestern Ontario	54,588	89,705	159,081
Toronto	670,985	1,615,835	656,289
Ottawa	175,623	795,048	0
Montreal	232,038	395,321	184,348
Halifax	35,773	49,800	76,200
Total	2,356,425	6,597,709	2,226,745

Source: CBRE Research

RETAIL MARKET - STRENGTH

STRONG MALL PRODUCTIVITY PERFORMANCE

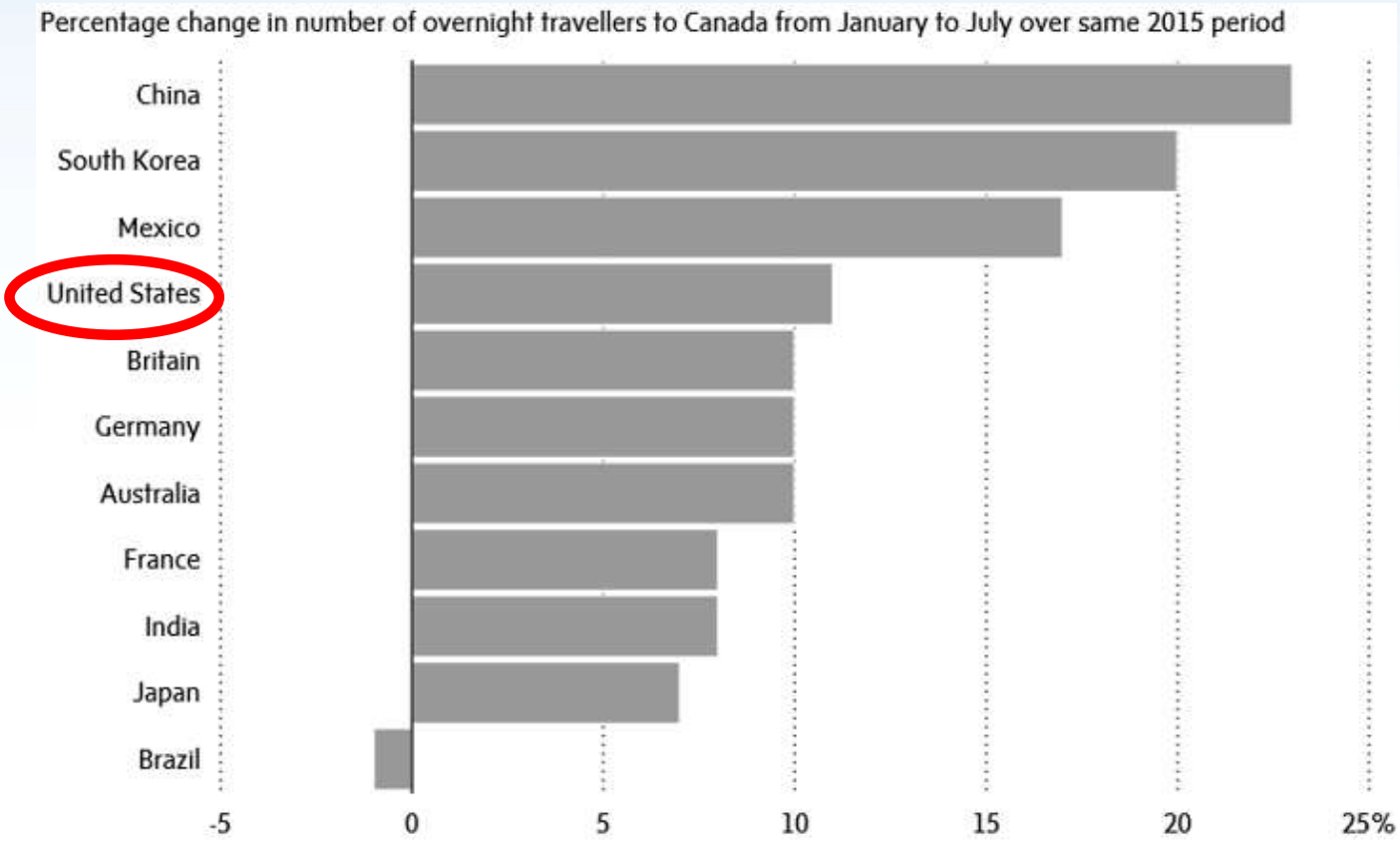
Note: All data unadjusted. Growth rates on a year-over-year rolling 12-month basis. Currency is in Canadian dollars.

British Columbia:	Alberta:	Prairies:	Ontario:	Québec:	Atlantic:
$891 PSF (+6.0%)	$724 PSF (-6.0%)	$661 PSF (+3.4%)	$804 PSF (+5.0%)	$576 PSF (+3.5%)	$575 PSF (+3.8%)

Source: ICSC as of Sept 2016

RETAIL MARKET - STRENGTH

MORE FOREIGN TRAVELERS TO CANADA - 2016



Source: Globe and Mail: Statscan, Moneris

Canadian Retail Real Estate

WEAKNESSES OF THE RETAIL MARKET

TRIOVEST

RETAIL MARKET - WEAKNESS

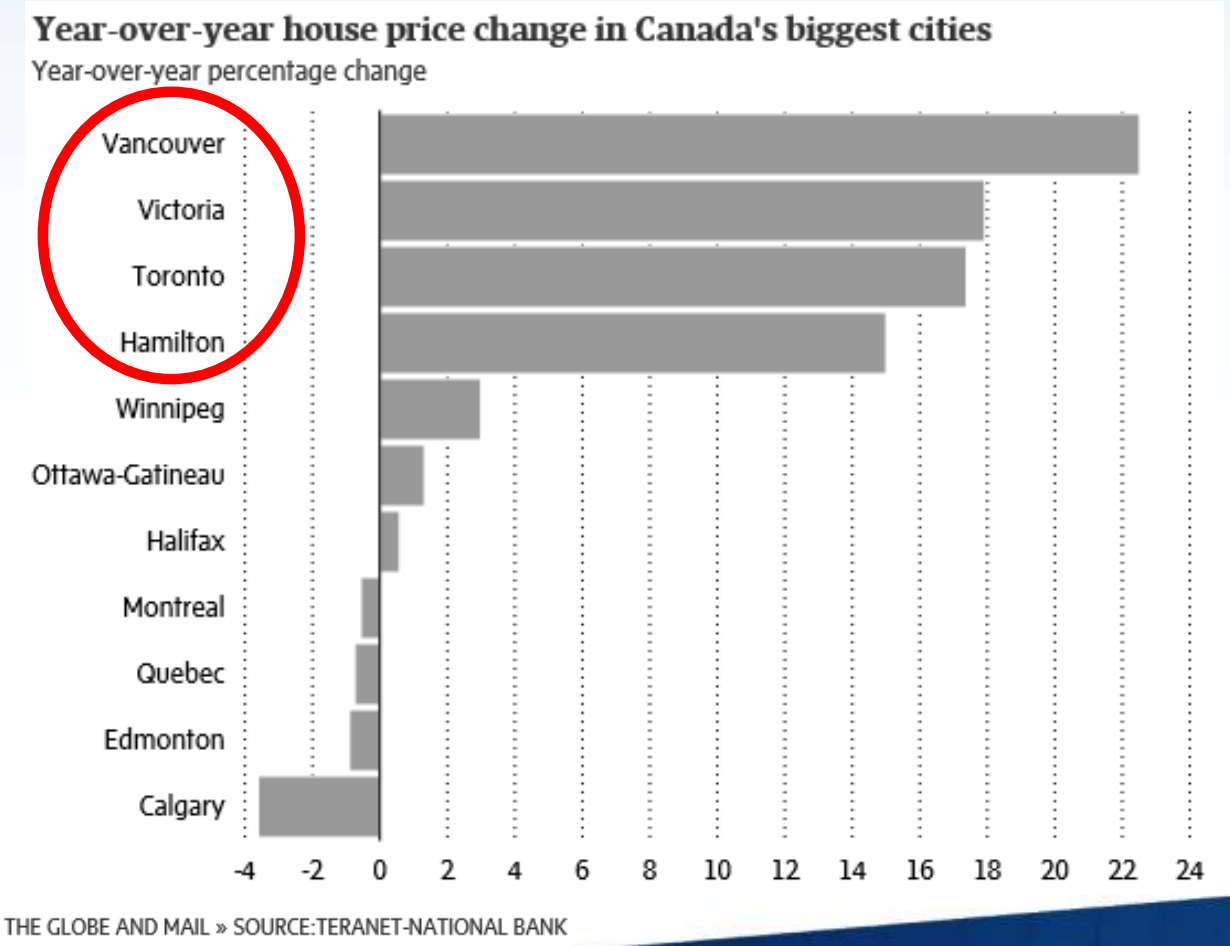
DISPROPORTIONATE SALES GROWTH IN TOP MALLS

Top 10 Shopping Malls in Canada experienced a 11.3% YoY increase in sales productivity in 2015

Source: Avison Young - 2016

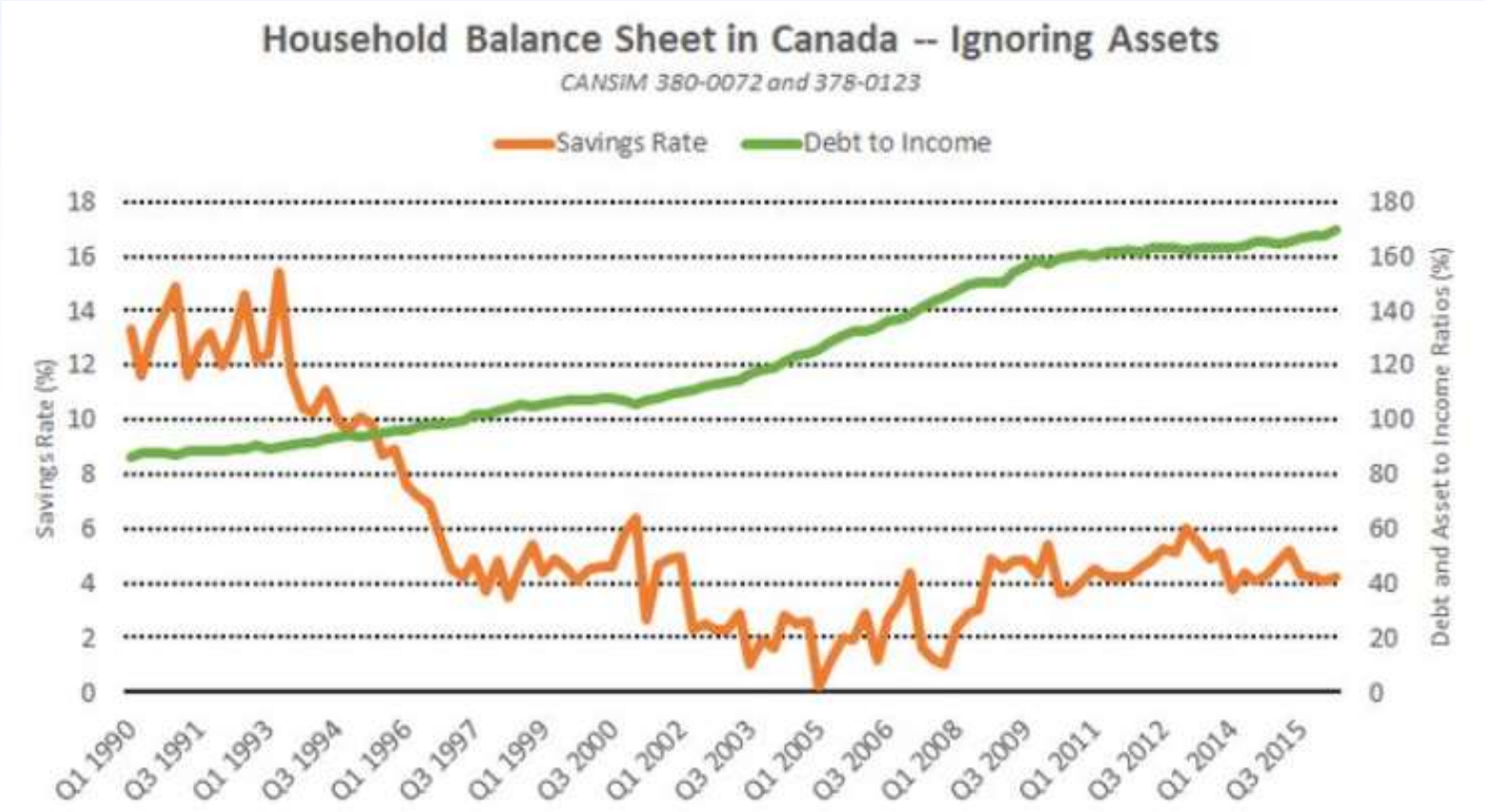
RETAIL MARKET - WEAKNESS

RAPIDLY RISING HOUSING PRICES: OCTOBER 2016



RETAIL MARKET - WEAKNESS

CONSUMER DEBT ALL TIME HIGH: LOW SAVING RATES



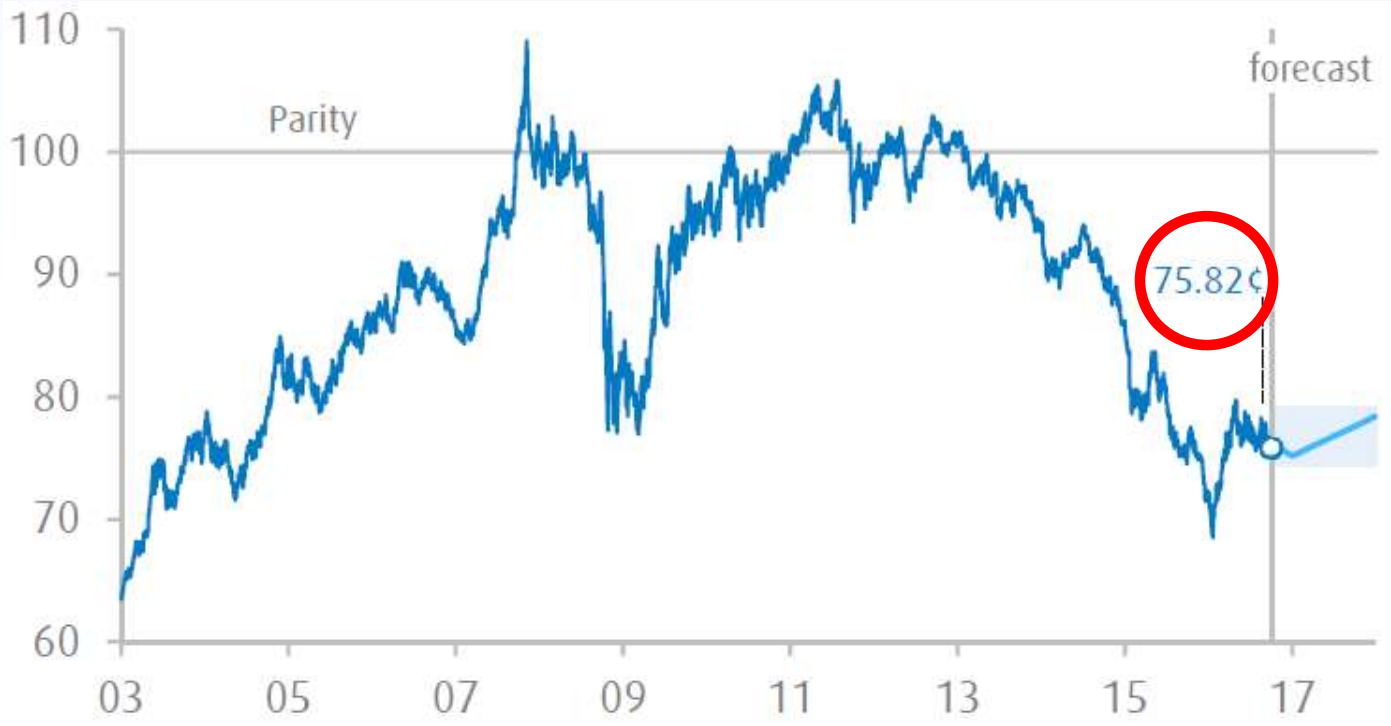
THE GLOBE AND MAIL » SOURCE:TERANET-NATIONAL BANK

TRIOVEST

RETAIL MARKET - WEAKNESS

WEAK DOLLAR CREATES PRICING CHALLENGES

Retail Council of Canada sees retailers under “impossible cost pressures” as a result of a weak loonie that is squeezing profit margins for retailers or forcing them to raise prices.



Source: BMO Research – Oct 2016

Canadian Retail Real Estate

RETAILERS IN THE MARKET – ENTERING & EXITING

TRIOVEST

RETAIL MARKET

STORE CLOSURES IN CANADA: 2011 TO 2015

Over 18.2M SF of New Vacancies Since 2015 (Mainly Target)

Chain Name	Total Stores Closed	Year Closed	Note
Future Shop	157	2015	Converted to Best Buy
Target	133	2015	Closed
Mexx	109	2015	Closed
Sony Style	74	2015	Closed
Buffalo David Bitton	15	2015	Closed
XS Cargo	57	2014	Closed
Grand & Toy	41	2014	Closed
Liquidation World	107	2013	Closed
Big Lots!	5	2013	Closed
Fruits & Passion	67	2013	Converted to TheFaceShop
Tabi	105	2011	Closed
Office Depot	25	2011	Closed
Zellers*	274		220 stores acquired by Target

*not all stores closed as of 2016 Q1

© 2016 CSCA, Ryerson University

RETAIL MARKET

RETAILER EXPANSIONS/CONVERSION: 2011 TO 2015

New Store Openings leasing activity is about 9.4M SF per Year

Conglomerate Name	Chain Name	Store Openings and/or Conversions 2011-2015	Total Estimated Sq. Ft. (000's)
Dollar Tree, Inc.	Dollar Tree, Inc.	224	2,044
Mckesson Corporation	IDA Pharmacy	191	727
Wal-Mart Stores, Inc.	Wal-Mart Supercenters	180	23,101
Roark Capital Group	Pet Valu	178	487
Mckesson Corporation	Guardian Drugs	160	548
Mckesson Corporation	The Medicine Shoppe	78	119
Best Buy Co., Inc.	Best Buy	75	1,980
Seven-Eleven Japan Co. Ltd.	7-Eleven Food Stores	73	164
Gamestop Corp.	EB Games	71	106
Mckesson Corporation	Healthcare Pharmacy	65	133
Bain Capital Partners	Michaels	55	1,158
The Children's Place Retail Stores, Inc.	The Children's Place	51	215
Mckesson Corporation	Proxim	51	203
Best Buy Co., Inc.	Best Buy Mobile	45	41
Petsmart Inc.	Petsmart	44	597
Gnc Holdings, Inc.	General Nutrition Centre	42	62
The Tjx Companies, Inc.	Winners	41	1,152
Limited Brands Inc.	Bath & Body Works	41	121
The Tjx Companies, Inc.	Marshalls	40	1,207
Limited Brands Inc.	Victoria's Secret	35	376
Lvmh Moët Hennessy Louis Vuitton Sa	Sephora	33	161
Limited Brands Inc.	Pink	29	162
Staples Inc.	Staples	28	561
Wal-Mart Stores, Inc.	Wal-Mart	27	2,057
H & M Hennes & Mauritz Ab	H & M	27	463
Additional Chains by Square Footage Opened and/or Converted			
Bed Bath & Beyond Inc.	Bed Bath & Beyond	26	683
Lowe's Companies Inc.	Lowe's	23	3,065
Toys 'R' Us Inc.	Toys 'R' Us	16	602
The Tjx Companies, Inc.	HomeSense	16	404
The Gap, Inc.	Old Navy	13	215
Costco Wholesale Corp	Costco	11	1,568
Cabela's Incorporated	Cabela's	8	460
The Home Depot, Inc.	The Home Depot	4	410
Ikea	Ikea	3	1,151
Nordstrom, Inc.	Nordstrom	3	526

© 2016 CSCA, Ryerson University

TRIOVEST

Canadian Retail Real Estate

TRENDS IN RETAIL

TRIOVEST

RETAIL TRENDS

TECHNOLOGY / DEMOGRAPHICS / EXPERIENCE

Technology	Omni Channel	Click & Collect	Mobile Apps
Demographics	Millennials	Silver Economy	Urban Density
Experience	Food & Beverage	Healthcare	Entertainment

Source: ICSC

Source: Retail Insider

RETAIL TRENDS

TECHNOLOGY: SMART MALLS ARE RESHAPING THE PHYSICAL SHOPPING EXPERIENCE

Beacon-enabled, location-based advertising

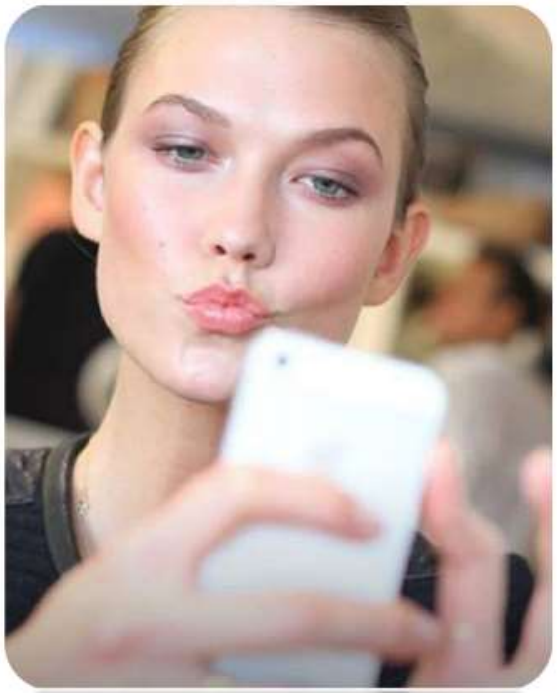
Track movement, behavior and preferences

Data-enabled personalized and timely promotions

Source: Fung Global Retail

RETAIL TRENDS

DEMOGRAPHICS: SELFIE CULTURE HAS RESULTED IN A SHIFT TO BEAUTY SPENDING OVER APPAREL



Social media has made millennials more physically aware of their appearance

Industry	Global Revenue 2015	Annual Growth 10–15
Cosmetics	$276bn	3.2%
Apparel	$618bn	0.6%

"Selfie culture, if you take a photo 10 times today... the result is people are using more makeup and more instant skin care."

Fabrizio Freda, CEO of **Estée Lauder**

Source: Fung Global Retail

RETAIL TRENDS

POP UPS: WAY TO TEST PRODUCT, CREATE EXCITEMENT

AESOP at Nordstrom in Vancouver

Well.ca at Shops of Don Mills, Toronto

NIKE in Vancouver

IKEA in Downtown Toronto

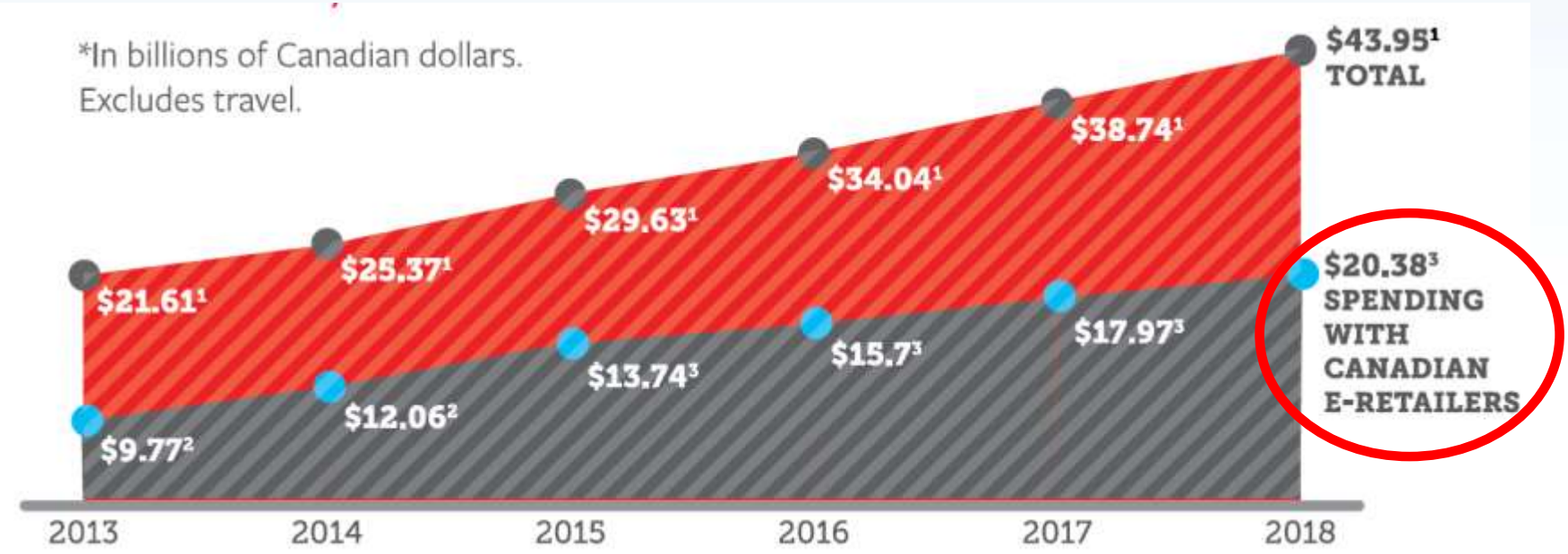
Canadian Retail Real Estate

E-COMMERCE

TRIOVEST

E-COMMERCE

ECOMMERCE SALES IN CANADA: 2013-2018



Sources: 1 eMarketer Inc, 2 Statistics Canada 3. Internet Retail Estimates 4. IR Research 2016

E-COMMERCE

LARGEST E-RETAILERS IN CANADA: 2015 (US$)

2016 Top 500 Rank	Retailer	2015 web sales	2014 web sales	2015 web sales growth	5-year CAGR	Headquarters
75	Hudson's Bay Co.	$537,868,800	$400,200,000	34.4%	59.2%	Brampton, ON
96	Lululemon Athletica	$386,900,000	$321,200,000	20.5%	38.1%	Vancouver, BC
126	Coastal Contacts	$269,500,000	$245,000,000	10.0%	11.1%	Vancouver, BC
151	Shoes.com	$222,992,939	$89,241,189	149.9%	38.8%	Vancouver, BC
173	The Shopping Channel	$186,746,891	$162,388,601	15.0%	12.6%	Mississauga, ON
182	BuildDirect Technologies	$179,760,000	$149,800,000	20.0%	58.7%	Vancouver, BC
190	Beyond the Rack	$160,000,000	$160,000,000	0.0%	12.6%	Montreal, QC
200	Cymax Stores Inc.	$147,320,000	$127,000,000	16.0%	11.3%	Burnaby, BC
273	Indigo Books & Music Inc.	$91,500,000	$81,900,000	11.7%	5.5%	Toronto, ON
331	MEC	$67,249,000	$56,788,000	18.4%	29.8%	Vancouver, BC
344	Softchoice Corp.	$61,000,000	$59,000,000	3.4%	5.1%	Toronto, ON
398	Reitman's	$46,730,210	$28,581,168	63.5%	23.1%	Montreal, QC
454	Indochino	$35,000,000	$25,000,000	40.0%	73.1%	Vancouver, BC
479	Aldo Group	$31,200,000	$30,571,398	2.1%	6.7%	Montreal, QC
	TOTAL	$2,423,767,840	$1,936,670,356	25.2%		

Source: Top500Guide.com

©Copyright 2016 Internet Retailer® & Vertical Web Media LLC, All rights reserved

TRIOVEST

E-COMMERCE

POTENTIAL CATALYST FOR CROSS BORDER E-COMMERCE?

October 11, 2016

U.S. tech giants, Canadian retailers spar over online shopping duties

By MARINA STRAUSS and SEAN SILCOFF

THE GLOBE AND MAIL

Amazon and eBay lead the effort to change foreign-purchase rule, saying $20 cap is out of date

An intense battle is raging in Ottawa over how Canadians shop online.

At issue is how much consumers should be able to spend on goods purchased and shipped from foreign merchants before they have to pay duties and taxes. Since 1985, that amount has been stuck at $20 – even though the Conservative government in 2012 raised the limit to as much as $800 for items purchased during 48-hour cross-border trips.

A person who exceeds the $20 limit for an online purchase from outside of Canada could pay up to 30 per cent or more of the item's advertised price in duties and taxes, in addition to shipping and brokerage fees.

E-COMMERCE

NEEDS TO FIGURE OUT THE LAST MILE DELIVERY

PENGUINPICK-UP™
CLICK | CLICK | COLLECT

Source: Canada Post

TRIOVEST