

# RETAIL MARKET ANALYSIS

**3.1%**  
OVERALL  
VACANCY RATE

▲ **+0.2%**  
FROM Q3 '17

▼ **-0.3%**  
FROM Q4 '16

*AT THE END OF 2017, CALGARY'S OVERALL RETAIL MARKET REFLECTED THE ONSET OF THE ECONOMIC RECOVERY AND BENEFITED FROM SEVERAL CORPORATE EXPANSIONS.*

Following a year in which retail vacancy rose to the mid-3% range, 2017 brought a notable drop to 3.1%; back to Q1 2016 levels. This year-over-year decrease was a product of local corporate expansions by CRAFT brewery and Analog Coffee, as well as activity from high-profile, large-footprint retailers such as Saks OFF 5th, Sporting Life and Zara who are opening new stores at CF Market Mall. Also at this location, Sport Chek is undergoing significant expansion under its "Hero" concept and

the former Target space is being backfilled by HomeSense. In the Southeast, a Nordstrom Rack location and an Ethan Allen store will open at Deerfoot Meadows in the spring of 2018.

In addition, activity returned to the Central Business District (CBD), decreasing vacancy to sub-10% levels for the first time since Q1 2016; still above the 2013-15 average of 7%, but moving in the right direction. While the Downtown submarket witnessed a series of notable closures by Catch, Devino and The Belvedere this year, the higher-end dining experience is being replaced by more mid-priced dining locations such as Two Penny in the Beltline and by a Social Brew Haus to open in the former Mango Shiva by mid-2018.



Eagle Block on 1 Street SW  
Second floor currently available for lease

PREPARED BY  
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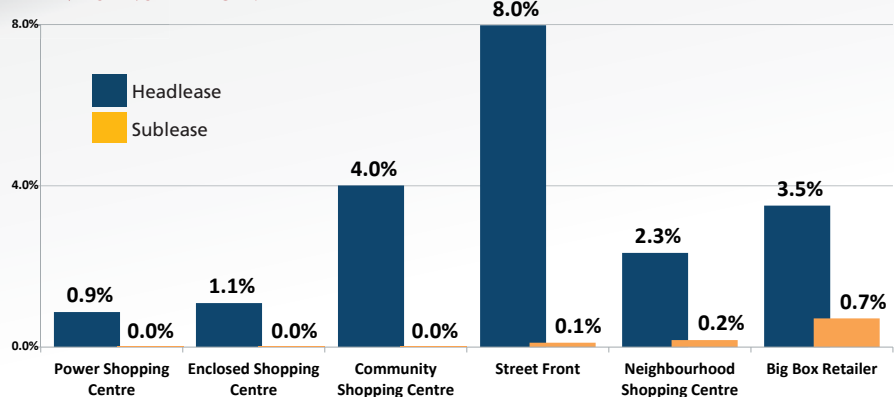
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# Calgary's Retail Landscape at Year-End 2017

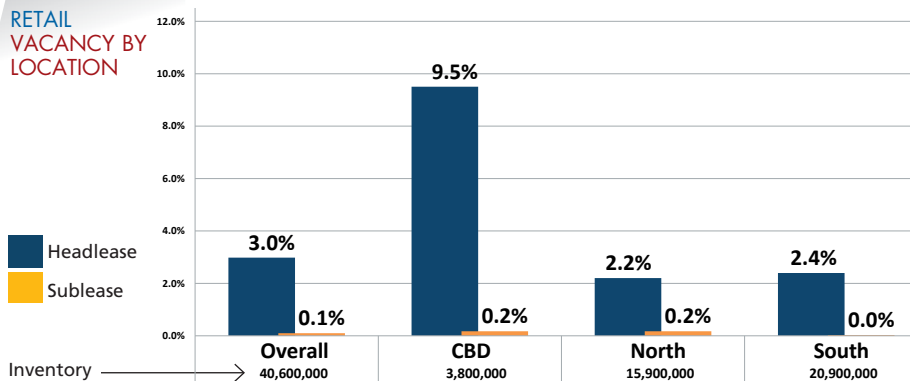
OVERALL VACANCY FELL TO 3.1% AT YEAR-END 2017 AFTER STARTING THE YEAR AT NEAR-HISTORIC HIGHS – A POINT REACHED AT THE MID-POINT OF 2016. Also contributing to the decrease was strong leasing activity in the Central Business District (CBD) – the Beltline, in particular – where vacancy decreased to 9.7% from 10.3% during the previous quarter. In the Beltline, activity percolated along the 4th Street corridor and 17th Avenue, where previously difficult properties such as Landmark Centre benefitted from ongoing activity with **Rawleigh Food Mart** moving in. Additionally, **TD Canada Trust** opened a new branch in 1905 4th Street SW and **Phil's** opened an 11th Avenue SW location. Further bolstering the Beltline, an **Arc'terix**-branded store will open on 17th Avenue SW in spring of 2018.

This year, the CBD saw three consecutive quarters of positive net absorption and this submarket benefitted from limited introduction of new retail inventory, which allowed the Downtown and Beltline to stabilize. With retail development largely done for the foreseeable future, the wild card has become the currently unlisted spaces along Stephen Avenue, left behind by **Devino**, **Jugo Juice** and **The Belvedere**.

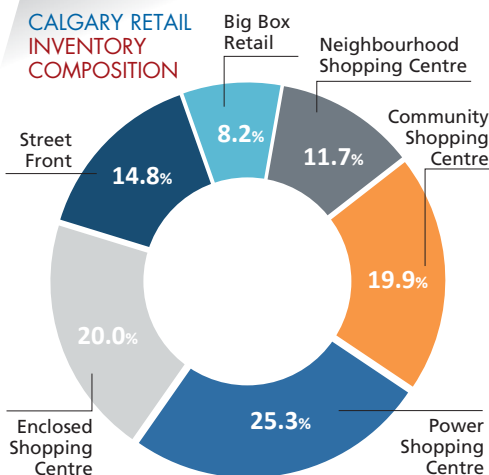
RETAIL VACANCY BY FORMAT



RETAIL VACANCY BY LOCATION



CALGARY RETAIL INVENTORY COMPOSITION



In the Suburban markets, CF Market Mall was a locus of activity with major store announcement, expansions and backfills mentioned earlier in this report. Other notable activity during 2017 involved **CRAFT** brewery opening a new location in Southcentre mall and **Analog Coffee** announcing new anchor locations to open in the Westman Village and University District developments. The Suburban retail markets continued to foster positive sentiment among developers, as evidenced by **Calgary Co-Op** seeking local public input for plans to redevelop 16th Avenue location – expanding the current retail footprint plus adding 115 residential units.

Among the Suburban markets, the South East witnessed a small decrease in vacancy

while the other quadrants saw increases. The latter phenomenon is tied to the addition of several large blocks of space in the form of the **Wholesale Sports** at Deerfoot Meadows, the listing of the former Douglas Glen **Sobeys** anchor store and the closure of multiple **Chili's** restaurants. In the immediate future we'll also see the effects of **Sears Canada's** store closures – the department stores in Southcentre and NorthHill Malls plus the **Sears Home** at Brentwood Village and several catalogue pick-up locations on Richmond Road, Southland Drive and in Bridlewood.

Overall, Street Front format retail space continues to be the primary source of vacancy with this format accounting for about 8% of overall vacancy. The CBD

**RETAIL PROJECT  
COMPLETIONS  
SUMMARY (TO  
JUNE. 30, 2017)**

Retail Format	Property Name	Community	Retail Area (sf)	Completed	Landlord/Owner
Community Shopping Centre	Mahogany Village Market	Mahogany	207,000	Q2 2017	Hopewell
Neighbourhood Shopping Centre	Seton Gateway	Seton	128,000	Q1 2017	First Capital
Street Front	Plaza 1319	Crescent Heights	5,200	Q1 2017	1671021 Alberta Inc.
	Stonegate Plaza	Country Hills	17,000	Q2 2017	Royop Development Corporation
	707 Fifth	Downtown	6,925	Q2 2017	Manulife Real Estate
Power Shopping Centre	Deerfoot City (Deerfoot Mall) Expansion Ph. 1	Deerfoot Business Centre	103,000	Q1 2017	Shape Properties
	IKEA Expansion	Deerfoot Meadows	27,000	Q2 2017	IKEA
<b>Total</b>			<b>494,000 sf</b>		

has the highest vacancy rate for this format at 12.1% but in the North East and North West quadrants, street front accounts for 7.2% and 9.5%, respectively. One significant reason for this is the ongoing introduction of new product as a component of mixed-use developments such as I.D. Inglewood, Lido, One6, Plaza 1319 and the forthcoming Infinity @ Marda Loop. As the city seeks to limit urban sprawl through densification, developers increasingly combined retail and residential projects over the previous few years.

Additionally, 'retail pad' development kicked into high gear during 2016/17 as property owners reclaimed large sections of parking lots to add clusters of small shops. A great example of this is Choice Properties' retail pad at SouthPointe shopping centre on 130th Avenue South East. The Suburban South has seen strong uptake of

this and other smaller retail projects, as evidenced by a very low 3% street front retail vacancy rate.

Overall, more than 570,000 sf of new retail space was introduced during 2017, with the Suburban South markets seeing the majority of activity. In the South East quadrant, more than 368,000 sf was completed with Mahogany Village Market being the most significant addition. In the Suburban North markets, 179,000 sf of new product was introduced, with the first phase of the Deerfoot City expansion being the largest completion.

Looking ahead to 2018, approximately 2.7 million square feet (msf) of retail inventory is slated for delivery. The primary contributor to this new inventory is Power Shopping Centre format retail, comprised of major projects such Deerfoot City Phase II and the first phase of Trinity Hills.

**CBD RETAIL  
CONSTRUCTION  
SUMMARY**

Retail Format	Property Name	Discipline	Retail Area (sf)	Expected Completion	Landlord/Owner
Street Front	Mount Royal Village West	Beltline	60,000	Q2 2018	First Capital Realty Inc.
	Verve	East Village	13,000	Q4 2018	FRAM+SLOKKER Developments
	TELUS Sky	Downtown	15,000	Q4 2018	Westbank
<b>Total</b>			<b>88,000 sf</b>		

**SUBURBAN  
SOUTH RETAIL  
CONSTRUCTION  
SUMMARY**

Retail Format	Property Name	Community	Retail Area (sf)	Expected Completion	Landlord/Owner
Power Shopping Centre	East Hills - Phase II	Applewood Park	616,000	Q2 2018	RioCan
	Seton Phase II	Seton	450,000	Q4 2018	Brookfield
	Trinity Hills - Phase I	COP/Cougar Ridge	250,000	Q2 2018	Trinity Group
	Trinity Hills - Phase II	COP/Cougar Ridge	450,000	2019	Trinity Group
Community Shopping Centre	Currie Barracks	Garrison Woods	245,000	2019	Canada Lands / Embassy Bosa
Neighbourhood Shopping Centre	Legacy Village	Legacy	58,000	2018	West Creek Developments
	Westman Village	Mahogany	44,000	Q4 2018	Jaymnan Built
Street Front	Cranston	Cranston	13,200	Q2 2018	Brookfield
	Infinity @ Marda Loop	Marda Loop	11,300	Q3 2018	SNR Group
	Fairmount Park	Fairmount	7,500	Q2 2018	OPUS Development Corp.
	Chinook 58	Manchester	30,000	Q3 2018	Centron
	Macleod Trail Professional Centre	South MacLeod Trail	7,400	Q3 2018	OPUS Development Corp.
	AVLI on Atlantic	Inglewood	8,100	Q3 2018	Greenview Developments
	The Windsor	Britannia	25,000	Q2 2019	Arlington Street Developments
<b>Total</b>			<b>2,126,000 sf</b>		

**SUBURBAN  
NORTH RETAIL  
CONSTRUCTION  
SUMMARY**

Retail Format	Property Name	Community	Retail Area (sf)	Expected Completion	Landlord/Owner
Power Shopping Centre	Deerfoot City Expansion (phase II)	Deerfoot Business Park	395,500	Q2 2018	Shape Properties
	Sage Hill Crossing - Pases II - IV	Sage Hill	383,600	Q3 '18-Q4 '18	RioCan
	Sky Pointe Landing	Skyview Ranch	50,000	Q2 2019	The LaCaille Group
	Stonegate Common - Phase I	Country Hills	130,000	Q4 2018	WAM/AIMCO
	Stonegate Common - Phase II	Country Hills	1,340,000	Q4 2020	WAM/AIMCO
	University District - Phase I	University District	100,000	Q4 2018	West Campus Development Trust
Neighbourhood Shopping Centre	University District - Phase II	University District	145,000	TBD	West Campus Development Trust
	District at North Deerfoot	Temple	94,200	Q4 2018	Melcor Developments
Street Front	Kensington by Bucci	Kensington	9,000	Q2 2018	Bucci
	Medivest Professional Centre	Mount Pleasant	24,000	Q2 2018	Medivest
<b>Total</b>			<b>2,671,000 sf</b>		

# Emerging Trends in Retail

## The move away from the 'Department Store'

Though much has been said and written about the recent closure of Sears Canada, it's important to trace the trajectory of events leading to that end. The story really begins with the general move away from the "department store" as the rise of e-commerce, the emergence of pop-up retail as a notable force, and 'experiential retail' rose to prominence. These, and other strategies, were used to varying degrees of success by Canada's last department stores - Sears Canada and The Bay - to reposition themselves in the modern retail world.

During 2017, Sears Canada began a re-branding and repositioning operation carrying new, high-end fashion lines and renovating its stores. Versace, Tom Ford and BCBG were not brands typically associated with Sears Canada, however in retailer's final iteration, with dark wood flooring and exposed brick, efforts were made to ensure its stores looked as different as possible from how people remembered them. The overhaul made by Sears Canada was similar to the strategy used by The Hudson's Bay Company under Bonnie Books, who realized in 2009 that the department store's business model had become outdated. Discount and big-box stores like Wal-Mart, Winners and Ikea had lured away value-focused customers, and at the mid-level The Bay was struggling to distinguish itself, despite reduced competition in this field following Eaton's closure in 1999.

Experts believe this was due to consumers becoming less interested in mid-level department stores and that consumer tastes became more diverse. Further, consumers expressed less loyalty to any one store or shopping experience. Exacerbating the problem was that Sears Canada and The Bay had become known for their large and unfocused collections of merchandise.



Similar to the ill-fated Woodwards, these companies had been losing market share due to aging stores and the lack of innovation in response to new trends.

### *Don't even say "Department store"*

In 2017, Sears Canada internally disavowed the term "department store" as the company readied a new store concept, a 2,100-square foot pop-up outlet on Toronto's trendy Queen Street West strip in April, 2017. Sears Canada's executive leadership publicly shunned the term that once defined the company as they made moves to 'reinvent' it, following a vast overhaul of its house merchandise and pricing model.

Like The Bay several years before, Sears Canada shed more than sixty private-label brands such as Jessica, Nevada and Arnold Palmer, while it drew upon fashion lines such as Uniqlo and the Japanese retailer Muji to establish its then-new private-label strategy. Kenmore, the company's appliance brand, was to be the only non-Sears house label to remain, given the strength of its connection with consumers.

As 2017 drew to a close, The Bay continued to adjust its business model to reflect modern consumer tastes. The introduction of new international retail brands, renovated stores, its modernized logo and the nod to its original name, together seem to be helping Hudson's Bay remain relevant to Canadian consumers.

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