

RETAIL MARKET ANALYSIS

4.6%
OVERALL
VACANCY RATE
+0.1%
FROM Q3'18

AFTER SPIKING TO AN ALL-TIME HIGH VACANCY RATE OF 5.1% IN THE FIRST QUARTER OF THE YEAR, OVERALL VACANCY SETTLED INTO THE MID-FOUR PERCENT RANGE THROUGH THE SECOND HALF OF THE YEAR. The cause and partial solution of Calgary's still-elevated vacancy is the closure of *Sears Canada* and the ensuing flood of big-box space.

By the third quarter of the year, the main floor of the former *Sears Canada* at **Southcentre Mall** had been taken by *Show Home Furniture* and RioCan was busy redeveloping the former *Sears Home* space in **Brentwood Village** to accommodate future tenants. A couple of spaces remain, such as the **North Hill Centre** and the **Glendeer Circle** remained vacant at year-end, though redevelopment plans may be in the works for the former.

Calgary's Retail Landscape at Year-End 2018

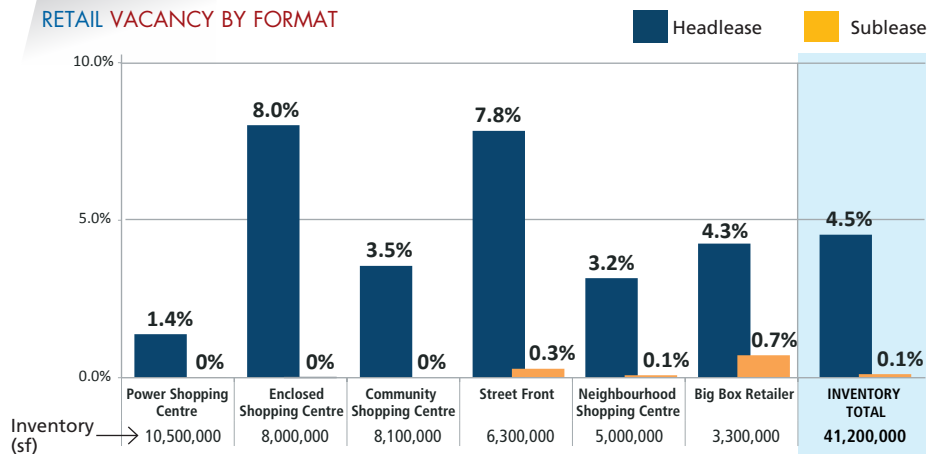
Otherwise, compared to the first half of the year, Calgary's commercial retail landscape was relatively quiet. The arrival of *Luis Vuitton* at **CF Chinook Centre** and the new *Mountain Equipment Co-op* in Seton drew headlines, as did the disappointing launch of Calgary's retail cannabis industry due to lack of product to sell. To the latter point, numerous would-be cannabis stores were placed on the sublease market.

A significant amount of retail space had been tentatively tied-up by would-be retail cannabis shops. Following the Royal Assent of Bill C-45 however, numerous problems came to light with production and approved retailers faced an insufficient supply of cannabis products for their inventories.

Construction of several suburban retail projects has been pushed back, thereby reducing new retail inventory anticipated for this year. That said, a handful of hotspots remain - primarily in Seton and Mahogany.

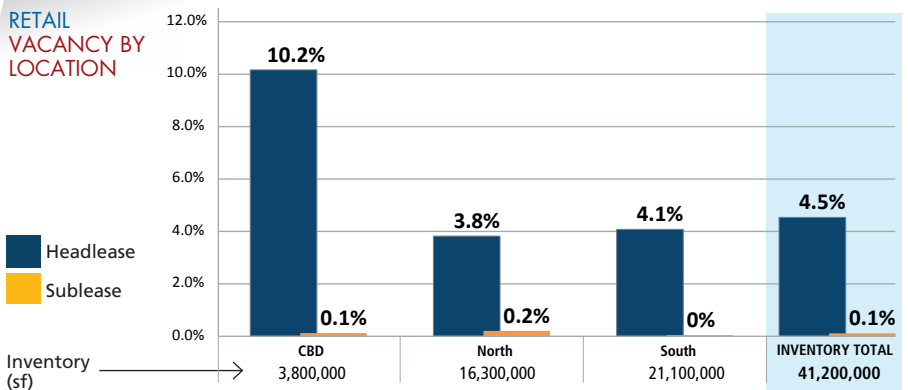
For the first time in recent memory, Street Front format retail vacancy was nearly matched by Enclosed Shopping Centre vacancy, which increased from 1.1% to 8% year-over-year as a result of *Sears Canada*'s closure. Big Box format vacancy also increased by nearly one percent as a result of *Sears*' appliance and furniture-only store at **Glendeer Circle** closing.

RETAIL VACANCY BY FORMAT



Street Front format vacancy, for its part, was approximately 8.1% city-wide. The Beltline had the highest vacancy rate for this format at 16%, followed closely by the Downtown at just under 10%. Meanwhile, the suburban North East and South East quadrants boasted the lowest rates at 3.8% and 4.8%, respectively. One significant reason for this is the ongoing introduction of

RETAIL VACANCY BY LOCATION

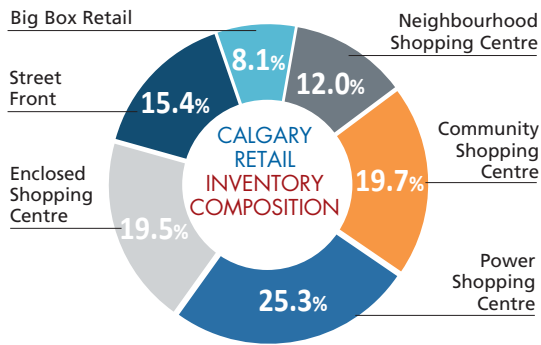


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new product as a component of mixed-use developments such as **I.D. Inglewood**, **Mission 34**, **Mark on 10th**, **One6** and **Infinity @ Marda Loop** which saw leasing activity pick-up significantly.

Additionally, 'retail pad' development and leasing opportunities remained in high gear, carrying over from 2016/17 as property owners seek to densify their developments by adding restaurants and clusters of small shops in their parking lots. *Choice Properties'* retail pad at **SouthPointe shopping centre** was successful and we continue to see plans for retail pads incorporated into **Royal Oak Park** and the **Hunterhorn Plaza** redevelopment.

Speaking to retail developments, the overall pace of construction slowed at 2018 progressed and the anticipated deliveries of several projects were pushed back into 2019 and 2020. Approximately 670,000 sf of new retail space was introduced during the balance of the year with the Suburban South markets hosting the majority of activity.

2018 RETAIL PROJECT COMPLETIONS

Retail Format	Property Name	Community	Retail Area (sf)	Completed	Developer
Neighbourhood Shopping Centre	District at North Deerfoot - Phase I	The District	94,200	Q1 2018	Melcor Developments
	Westman Village	Mahogany	44,000	Q4 2018	Jayman Built
Street Front	Mount Royal Village West	Beltline	60,000	Q2 2018	First Capital Realty Inc.
	Kensington by Bucci	Kensington	9,000	Q2 2018	Bucci
	One North	Brentwood	7,000	Q3 2018	Private Developer
	Legacy Corner	Legacy	17,000	Q3 2018	RoyOp Development Corp.
	Infinity @ Marda Loop	Marda Loop	11,300	Q3 2018	SNR Group
	Fairmount Park	Fairmount	7,500	Q3 2018	OPUS Development Corp.
	Macleod Trail Professional Centre	South MacLeod Trail	7,400	Q4 2018	OPUS Development Corp.
	Verve	East Village	13,000	Q4 2018	FRAM+SLOKKER Developments
Power Shopping Centre	Deerfoot City Expansion (phase II)	Deerfoot Business Park	395,500	Q2 2018	Shape Properties

Through 2019 and 2020, approximately 2.2 million square feet of new retail is anticipated. One of the major projects on the horizon is the **University District** – a development by *West Campus Development Trust* just west of the University of Calgary. The first phase has already attracted Save-On-Foods and the *Alt Hotel* major anchor tenants,

as well as *Analog Coffee*, *J. Webb Market Wines* and *Cineplex VIP Cinemas*. By the end of 2018, *Blaze Pizza*, *Copper Branch*, *Curious Hair Skin Body*, *Denim & Smith Barbershop*, *Freshii* and *Scotiabank* had also signed-on.

CBD RETAIL CONSTRUCTION SUMMARY

Retail Format	Property Name	Discipline	Retail Area (sf)	Expected Completion	Developer
Street Front	TELUS Sky	Downtown	15,000	Q2 2019	Westbank

SUBURBAN SOUTH RETAIL CONSTRUCTION SUMMARY

Retail Format	Property Name	Community	Retail Area (sf)	Expected Completion	Developer
Power Shopping Centre	East Hills - Remaining Phases	Applewood Park	616,000	2022	RioCan
	Seton Phase II	Seton	450,000	2019	Brookfield
	Trinity Hills - Phase I	COP/Cougar Ridge	250,000	Q3 2019	Trinity Group
	Trinity Hills - Phase II	COP/Cougar Ridge	450,000	2020	Trinity Group
Community Shopping Centre	Currie Barracks	Garrison Woods	245,000	2019	Canada Lands / Embassy Bosa
Street Front	The Windsor	Britannia	25,000	Q2 2019	Arlington Street Developments
	Chinook 58	Manchester	30,000	Q4 2019	Centron
	AVLI on Atlantic	Inglewood	8,100	Q2 2019	Greenview Developments
	Cranston	Cranston	13,200	Q4 2020	Brookfield

SUBURBAN NORTH RETAIL CONSTRUCTION SUMMARY

Retail Format	Property Name	Community	Retail Area (sf)	Expected Completion	Developer
Power Shopping Centre	Sage Hill Crossing - Pases II - IV	Sage Hill	383,600	Q1 2019	RioCan
	Sky Pointe Landing	Skyview Ranch	50,000	Q2 2019	The LaCaille Group
	Stonegate Common - Phase I	Country Hills	130,000	Q4 2020	WAM/AIMCO
	Stonegate Common - Phase II	Country Hills	1,340,000	TBD	WAM/AIMCO
	University District - Phase I	University District	100,000	TBD	West Campus Development Trust
	University District - Phase II	University District	145,000	TBD	West Campus Development Trust
Community Shopping Centre	Sage Hill Quarter	Sage Hill	175,000	Q3 2019	Ronmor

Outside of commercial real estate, Calgary launched the first phase of a citywide bike-sharing program. The City of Calgary is testing the viability of dockless (Montreal uses docks), bicycle sharing through a two-year pilot as a way of explore new ways of providing flexible, affordable and accessible mobility options.

The City has allowed two operators to provide bicycles for accessing

Calgary's street network, parks and pathways. Throughout the process, feedback from citizens will be gathered via surveys.

The first operating permit went to U.S.-based *Lime*, who have supplied 375 new electric-assisted pedal bikes. The second license will go to *U-bicycle*, which plans to begin operations in spring of 2019. The pilot is set to run until 2020.

References

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- Toneguzzi, M. (December, 2018). **Six more retailers join Calgary's University District development.** Calgary's Business. <https://calgarysbusiness.ca/albertas-business2/six-retailers-join-university-district/>