

Vancouver Retail, H1 2016

New entrants drive expansion of downtown luxury retail zone

▲ Unemployment Rate
6.0%

▲ Investment Volume
\$509 Million

▲ Shopping Centre Vacancy
4.8%

▲ Downtown Vacancy
2.8%

*Arrows indicate change from previous half year period

Figure 1: Laudrée, a Parisian luxury baker, opens on Robson Street



Source: CBRE Research, 2016.

OVERVIEW

With British Columbia forecasted to lead the Canadian economy in growth for 2016, the Metro Vancouver retail market began the year with some very encouraging signs. In Downtown Vancouver, rental rates have held steady, and key pockets of vacancy have created opportunities for world class retailers to move into the Vancouver market.

The Alberni Street luxury zone continues to expand and has drawn several new entrants such as Rolex, and Saint Laurent.

Sports Chek opened it's new 53,000 sq.ft. flagship and, along with Nordstrom, have rejuvenated the face of Robson Street.

Construction activity remains strong in Suburban markets with the completion of PCI & Triovest's Marine Gateway in South Vancouver, while Shape Properties' the Amazing Brentwood (1.1 million sq.ft.) in North Burnaby and Ivanhoe Cambridge's Tsawwassen Mills (1.2 million sq.ft.) are currently under construction and have announced an impressive roster of tenants well ahead of completion.

Retail investment is also off to a hot start in 2016 with five sales completed in excess of \$25 million including Royal City Centre in New Westminister and Mission Junction in Mission and Peninsula Village in Surrey.

DOWNTOWN VANCOUVER

The landscape of retail in Downtown Vancouver is evolving quickly with remarkable energy, an influx of new entrants and tenant expansions. Robson Street is undergoing a significant change as foot traffic has been drawn eastwards from the 1100 block following Nordstrom’s opening in Fall 2015. More shoppers will be drawn into the area with Sport Chek recently opening their 53,000 sq.ft. flagship location at the corner of Robson & Howe Streets. The state of the art location represents 23,000 sq.ft. of growth over their previous location at Pacific Centre, which has since been back-filled by Holt Renfrew’s expansion. Further west along Robson, Nike is preparing to open a 4,000 sq.ft. location on the 1100 Block in late 2016 backfilling space vacated by Mexx, while Eddie Bauer has opened a 3,150 sq.ft. location on the opposite side the street.

On the restaurant scene, several hundred eager foodies lined up to welcome Ladurée (1141 Robson Street – See image on Page 1), a Paris-based bakery and café specializing in macarons. Following the success of his first restaurant in the Hotel Georgia, David Hawksworth has opened Nightingale, a 7,000 sq.ft. restaurant in Oxford’s MNP Tower. At Thurlow & Robson, Caliberger opened it’s first Vancouver location, a 2,000 sq.ft., 60 seat, ‘fast-casual’ restaurant inspired by a popular California fast food chain.

The Alberni luxury district has been further enhanced by several new entrants such as Rolex, which opened it’s first location in Vancouver in the Shangri-La, replacing the Xi Shi lounge and Saint Laurent will open a 5,000 sq.ft. location in the Carlyle (756 Thurlow Street) joining Prada and Moncler. Demand for space in the Alberni submarket is substantially outpacing supply even with the construction of Kingswood Capital’s two storey, 8,000 sq.ft. development behind 1040 West Georgia Street, which has been fully pre-leased to a luxury retailer. The luxury zone itself appears to be expanding beyond Alberni, with Stefano Ricci, featuring ultra high end men’s wear and fragrances, opening a 2,600 sq.ft. space in Trump Tower on West Georgia Street.

Figure 2: Urban Street Front Rental Rates

Street	Net Rental Rate Range (\$ per sq. ft.)	Trend
Robson St. (Cambie St. to Howe St.)	70 – 120	▶
Robson St. (Hornby St. to Bute St.)	115 – 225	▼
Robson St. (Bute St. to Denman St.)	60 – 80	▼
Granville St. (Hastings St. to Nelson St.)	65 – 125	▲
Alberni St. & Burrard St. (West Georgia St. to Robson St.)	160 – 250	▲
Granville St. (West Broadway to West 15 th Ave.)	60 – 85	▲
Denman St.	55 – 65	▶
Davie St.	30 – 55	▶
West 4th Ave. (Burrard St. to Balsam St.)	45 – 85	▲
West 41st Ave. (West Blvd. to Balsam St.)	40 – 55	▶
West Broadway (Cambie St. to Fir St.)	40 – 65	▶
West Broadway (Macdonald St. to Alma St.)	30-45	▶
Main St. (South of Broadway)	35 - 60	▶

Source: CBRE Research, H1 2016.

Figure 3: Downtown Vancouver Retail Market Statistics*

Retail Corridor	Inventory (linear ft.)	Available Frontage (linear ft.)	Available (sq. ft.)	Number of Listings	Linear Availability Rate (%)
Robson St. (Cambie St. to Howe St.)	2,575	11	683	1	0.1
Robson St. (Hornby St. to Bute St.)	3,052	156	11,153	5	5.0
Robson St. (Bute St. to Denman St.)	3,795	118	8,839	7	3.1
Denman St.	3,532	194	21,643	6	5.5
Granville St. (Hastings St. to Robson St.)	3,253	34	4,900	1	1.0
Granville St. (Robson St. to Drake St.)	4,596	331	32,094	10	7.2
Alberni St. & Burrard St (W. Georgia to Robson St.)	3,107	0	0	0	0.0
Davie St.	6,995	25	1,961	1	0.1
Market Totals	30,905	870	85,229	31	2.8

Source: CBRE Research, H1 2016.

*Based on analysis of linear street-front inventory.

Figure 4: Metro Vancouver Shopping Centre Statistics

Region	Inventory (sq. ft.)	H1 2016 Vacant Space	H1 2016 Vacancy Rate (%)
Abbotsford	2,430,224	117,542	4.8
Burnaby	4,008,806	122,330	3.1
Chilliwack	1,370,872	33,801	2.5
Delta	1,105,886	37,744	3.4
Langley	2,487,183	59,173	2.4
Maple Ridge	616,908	17,319	2.8
New Westminster	1,195,776	59,664	5.0
North Shore	2,565,513	28,348	1.1
Pitt Meadows	527,586	16,692	3.2
Richmond	2,675,215	278,133	10.4
Surrey	5,911,608	362,442	6.1
Tri-Cities	2,972,364	239,538	8.1
Vancouver	2,734,358	110,685	4.0
Overall	30,602,299	1,483,411	4.8

Source: CBRE Research, H1 2016.

SUBURBAN

Outside of Downtown, construction of new retail space in mixed use developments and shopping centres has accelerated in the first half of 2016. After 22 years at their Broadway location, MEC will relocate to a new 60,000 sq.ft. flagship store in the Olympic Village in 2018.

Construction has been completed on PCI & Triovest’s 240,000 sq.ft. Marine Gateway in South Vancouver. The LEED Gold, mixed-use development features an 11 screen Cineplex theatre, T&T Supermarket and will service residents of 461 new condominium units, and a 250,000 sq.ft., Class AAA office building.

Ivanhoe Cambridge’s Tsawwassen Mills has announced a full roster of tenants for their 1.2 million sq.ft. development scheduled for completion in October 2016. It will be anchored by Bass Pro Shops, Saks OFF 5TH, Sport Chek, Winners, and several factory outlets for popular brands. Adjacent, Tsawwassen Commons, a 555,000 sq.ft. power centre, will also be completed in late 2016, anchored by Canadian Tire and Rona.

In Burnaby, construction is well underway on Shape Properties’ The Amazing Brentwood, which will feature more than 1.1 million sq.ft. of retail space when completed in fall 2018. The transit-oriented development hopes to draw luxury fashion retailers to both anchor and smaller opportunities. On the other side of Lougheed Highway, Whole Foods has opened it’s fifth location in British Columbia, a 41,000 sq.ft. flagship store in Appia Developments’ Solo District.

RETAILERS

- Loblaw’s has announced their intentions to open 50 new stores across Canada, while renovating 150 existing locations.
- Lowe’s completed their acquisition of RONA, and their 496 stores, bringing Lowe’s to a total of 538 Canadian stores.
- Cabela’s opened their first Lower Mainland store in Abbotsford, in late June, their 2nd BC location.

Figure 5: Select 2016 Retail Investment Sale Transactions

Market	Address	Price (\$)	Size (sq. ft.)	Purchaser
New Westminster	Royal City Centre	114,700,000	389,171	Dava Developments Ltd.
Surrey	Peninsula Village	78,250,000	170,706	First Capital Realty Inc.
Mission	Mission Junction	68,050,000	282,533	Lasalle Investment Management
Richmond	Landmark Plaza	14,130,000	28,262	Private Investor

Source: RealNet, H1 2016.

INVESTMENT

2015 hit a record high of \$1.7 billion in retail investment sales with particularly strong activity in the Vancouver and Richmond markets. So far in 2016, the retail investment market appears to be off to a strong start with \$509 million in investment sales volume (January-May), a sharp 40% increase over the same time period a year ago. Thus far in 2016, five properties have sold in excess of \$20 million versus only a single property in the same time period last year including Mission Junction (\$241 per sq.ft.) and Safeway anchored Peninsula Village in Surrey (\$458 per sq.ft.).

Cap rates have held steady in the first half of 2016 ranging between 4.5-6.0% with Regional Shopping Centre being the lowest, and Power Centres & non-Anchored Strip properties at the higher end of the range.

Strata retail space continues to be an attractive option in the climate of low interest rates, representing 60% of the 106 transactions year to date. Investors have been particularly focused on Vancouver and Richmond, where strata pricing in key projects such as Parker Place, Aberdeen Square and Forty-Nine West at Oakridge have exceeded \$1,000 per sq.ft.

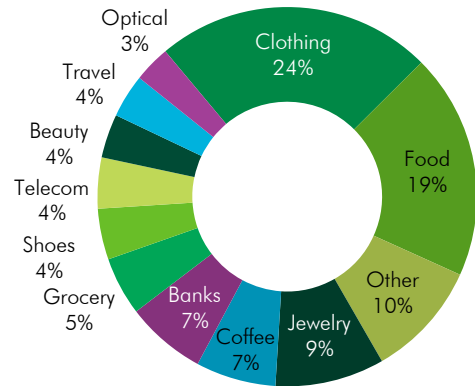
ECONOMY

The GDP of British Columbia grew at 2.3% in 2015 and is forecasted to lead Canada in 2016. Lower commodity prices have presented a challenge to B.C.'s energy, forestry and mining sectors, while the lower Canadian dollar has boosted tourism, with 9.4 million visitors in 2015 establishing a new high.

Container traffic at the Port of Metro Vancouver increased by 5% in 2015, powering demand for distribution related warehouse space in the Lower Mainland. High technology companies have been growing with software and film/gaming post-production companies occupying a record amount of office space through Metro Vancouver.

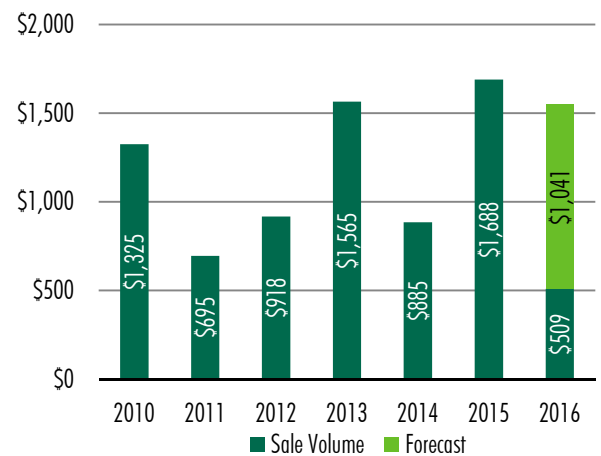
The population of British Columbia grew by 1% in 2015 to 4.7 million, and along with demand from foreign investors has put upward pressure on housing costs with average residential prices increasing 30% year-over-year. The total value of building permits rose to the highest level in a decade in 2015 at \$13.1 billion overall, while 2016 may be headed for a new record with early indicators showing an increase in activity compared to the same period last year.

Figure 6: Downtown Vancouver Tenancy Mix 2016



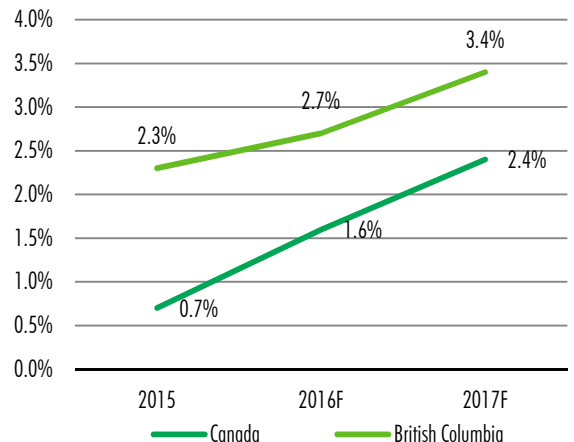
Source: CBRE Research, H1 2016.

Figure 7: Greater Vancouver Area Retail Investment Volume (\$ millions)



Source: RealNet & CBRE Research, H1 2016.

Figure 7: Real GDP Forecast: British Columbia vs Canada



Source: Conference Board of Canada, H1 2016.

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