Intelligent Investment

Canada Retail Rent Survey

REPORT

CBRE RESEARCH
H1 2022

Executive Summary

CBRE's H1 2022 Retail Rent Survey presents a snapshot of retail trends and rents for 10 cities across Canada.

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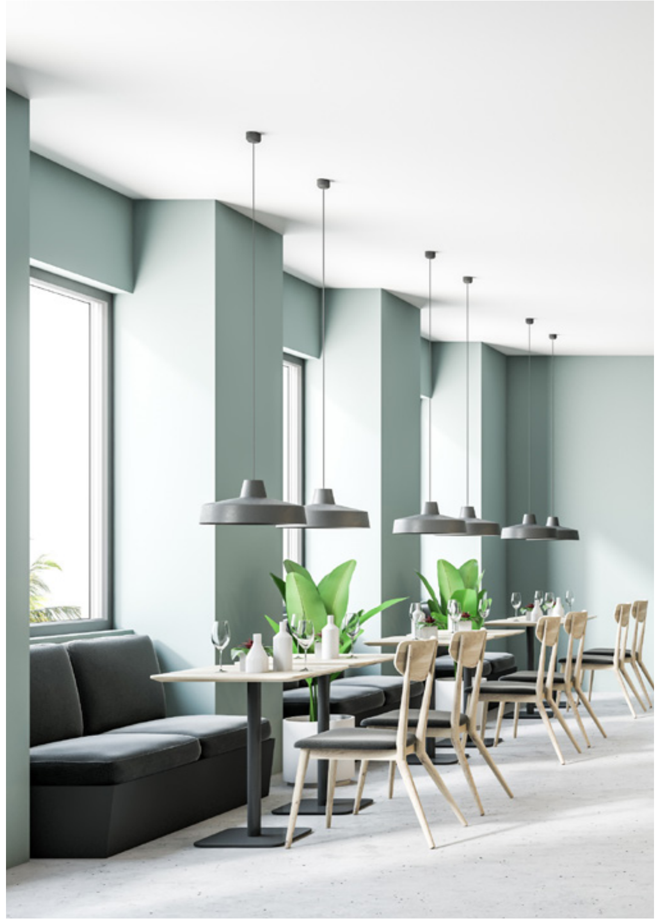
The Canadian retail landscape has resumed its recovery following a period of pause as evidenced by CBRE's inaugural retail rent survey. Markets across Canada are seeing increased activity and demand levels, with food & beverage (F&B), grocery and personal service tenants among the most active.

Retail rental rates are among the most diverse across all property types. Also influenced by the balance of supply and demand, retail rates have added levels of complexity including not only class and location, but format type, unit location within a site, and the prospective tenant category relative to the owner's desired tenancy mix. Given the wide range of possible rates, this report aims to provide some level of comparability both between markets and over time by surveying asking rates for well-performing Class A centres with a strong/stable tenant mix. We have also assumed a 10-year term with standard inducements to a tenant with a good covenant and desirability. In the case of Regional Malls, we have also looked at the most coveted CRU locations within Class A centres, i.e. in areas with high foot traffic, good visibility and desirable co-tenancy, which come at a premium relative to the remainder of the centre.

Asking rents have held stable over the last six months almost across the board for all format types. Of the 19 rental movements recorded, 16 have been upwards with only three reductions. Much of the discussion across Canada right now is centered on rapidly increasing construction costs, which in an effort to help curb upfront capital costs has driven some tenants to second-generation space or units that have some build-out in place.



Executive Summary

Key Findings:

Market activity and sentiment appears to be on the rise across Canada, with cities noting an improvement in touring activity or vacancy over the last six months.

Neighbourhood centre rental rates have increased in three of 10 markets, the most of any single format type. This coincides with high activity levels in these centres, particularly from F&B, grocery and personal services users.

Two of the three rental declines were noted in key urban areas in Vancouver and Montreal.

Halifax and Calgary reported the highest number of rental rate increases, up in six and four formats or key urban areas respectively in each.

While the majority of retail rates have held stable, rising construction costs are increasing capital costs across Canada. In turn, tenants are being offered larger inducement packages or in some cases are considering second-generation space.

Vancouver

— Demand for retail space in Vancouver is on the rise as the city continues to lead as one of the most resilient and attractive markets in Canada. As such, downtown vacancy has declined by 1.5% since reaching a peak in 2021.

— Vancouver has witnessed a significant increase in activity from return-to-office plans and travel, where people and cruise ships have returned close to the financial district and Vancouver port, adding an influx of residual foot traffic to the CBD and other major retail corridors.

— The rise of e-commerce and proliferation of digital technology in the retail sphere will continue to lead consumer spending habits. Those who are able to distinguish themselves, however, including brick-and-mortar retailers focused on experiential shopping, urban eateries, and suburban malls, are anticipated to prove viable in the near term.

Adrian Beruschi
Senior Vice President
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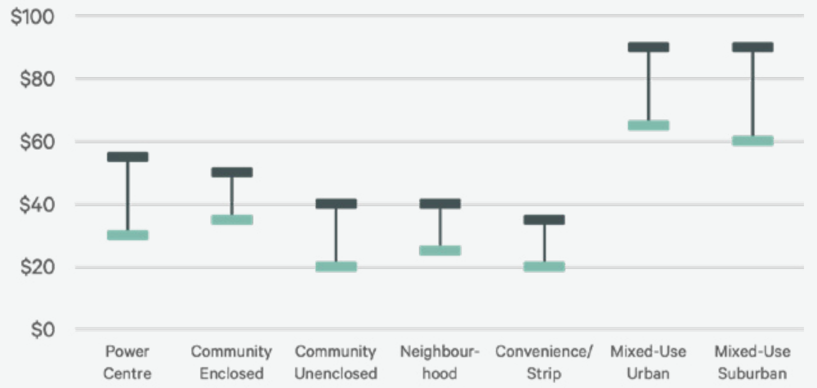
Net Asking Rental Rate ($PSF)

FORMAT	RANGE	△6mo
Regional Mall	$95 - $150	◀▶
Power Centre	$30 - $55	◀▶
Community - Enclosed	**$35 - $50**	▼
Community - Unenclosed	$20 - $40	◀▶
Neighbourhood	$25 - $40	◀▶
Convenience/Strip	$20 - $35	◀▶
Mixed-Use - Urban	$65 - $90	◀▶
Mixed-Use - Suburban	$60 - $90	◀▶

KEY URBAN AREAS		
Alberni Street	$190 - $300	◀▶
Robson Street	**$120 - $175**	▼
Granville Street	$85 - $120	◀▶
West 4th Avenue	**$55 - $100**	▲

see boundaries

Rental Rate Range ($PSF)



Calgary

- Where new suburban grocery-anchored centers have traditionally been the most sought-after spaces, recent demand has shifted towards infill leasing. With construction costs on the rise, tenants are seeking cost savings by taking over existing built-out space instead of starting from scratch.
- Vacancy continues to trend downward with Calgary's Southeast trade area outperforming other quadrants in the city. The CBD meanwhile has struggled with higher vacancy due to the slower than expected return-to-office and resulting lack of customers.
- New development rental rates are flat year-over-year, meanwhile, rates are on the rise for renewals and second-generation space. Instead, increased inducements are being offered to offset interior construction costs on new leasing.

Alistair Corbett
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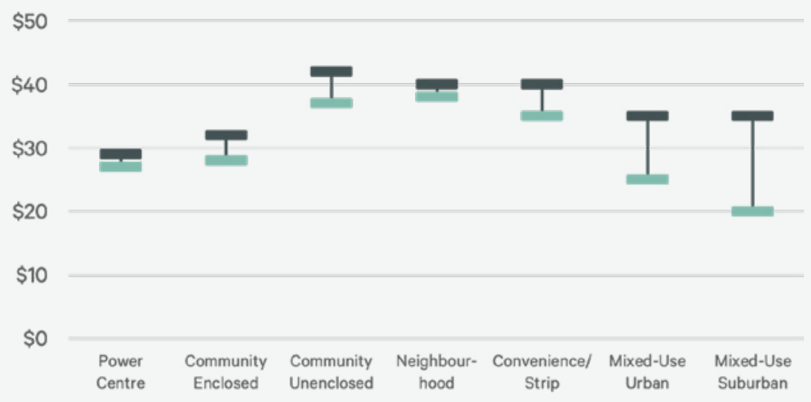
Net Asking Rental Rate ($PSF)

FORMAT	RANGE	△6mo
Regional Mall	$130 - $165	◀▶
Power Centre	$27 - $29	◀▶
Community - Enclosed	$28 - $32	◀▶
Community - Unenclosed	$37 - $42	◀▶
Neighbourhood	**$38 - $40**	▲
Convenience/Strip	**$35 - $40**	▲
Mixed-Use - Urban	$25 - $35	◀▶
Mixed-Use - Suburban	$20 - $35	◀▶
KEY URBAN AREAS		
17th Avenue SW	**$30 - $75**	▲
Marda Loop	**$42 - $45**	▲
Kensington Gate	$33 - $37	◀▶

see boundaries

Rental Rate Range ($PSF)



Edmonton

- The cost of construction continues to drive up rates at new Class A sites. Base building costs for a 7,500 - 10,000 SF CRU have increased by approximately $85 PSF in the last six months to $220-225 PSF as of June. With the burden of these costs ultimately being passed on to occupiers, non-national tenants are struggling to afford premium locations.
- Due to increased construction costs, demand for second-generation space has increased, and will likely drive pricing upwards as supply dwindles in the coming quarters.
- Edmonton has seen an influx of new F&B franchise groups. This category has thrived throughout COVID, especially those which have remained agile and adapted to the new normal.

Matthew Hanson
Sales Representative
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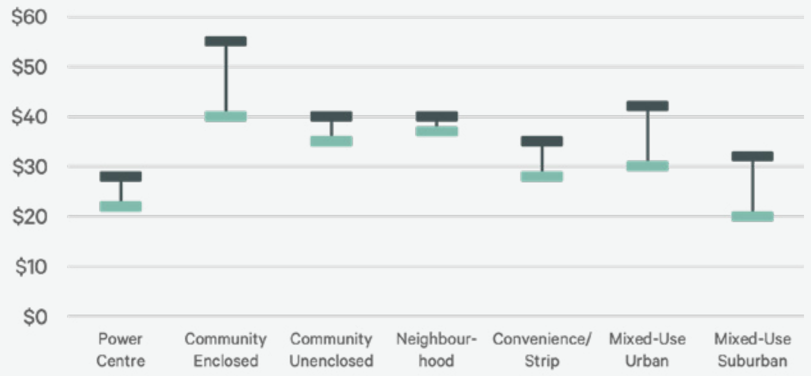
Net Asking Rental Rate ($PSF)

FORMAT	RANGE	△6mo
Regional Mall	$110 - $130	◀▶
Power Centre	$22 - $28	◀▶
Community - Enclosed	$40 - $55	◀▶
Community - Unenclosed	$35 - $40	◀▶
Neighbourhood	**$37 - $40**	▲
Convenience/Strip	$28 - $35	◀▶
Mixed-Use - Urban	$30 - $42	◀▶
Mixed-Use - Suburban	$20 - $32	◀▶

KEY URBAN AREAS		
Whyte Avenue	$15 - $40	◀▶
124 Street	$15 - $35	◀▶
Jasper Avenue	$18 - $35	◀▶

see boundaries

Rental Rate Range ($PSF)



Saskatoon

- Saskatoon's retail market remains strong amid an evolving economic background. Supply chain constraints, labour costs, and inflationary pressures on build-out costs, however, have caused some users to delay expansion plans until 2023 in hopes of reducing capital costs.
- Home improvement, QSR, and discount brands continue to expand amidst success over the last few years, meanwhile traditional apparel offerings have remained weak due to online avenues. Experience-based entertaining and dining are expected to regain traction in 2023 with increased freedoms and social events.
- Dream Unlimited's Brighton Marketplace and Arbutus Properties' Meadows Market remain the most attractive new suburban centers and are on track to be fully occupied by 2023 and 2025, respectively.

Ben Kelley
Senior Sales Associate
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Net Asking Rental Rate ($PSF)

FORMAT	RANGE	△6mo
Regional Mall	$50 - $85	◀▶
Power Centre	$22 - $26	◀▶
Community - Enclosed	$18 - $26	◀▶
Community - Unenclosed	$28 - $34	◀▶
Neighbourhood	$24 - $30	◀▶
Convenience/Strip	$22 - $28	◀▶
Mixed-Use - Urban	$20 - $35	◀▶
Mixed-Use - Suburban	$22 - $26	◀▶
KEY URBAN AREAS		
8th Street E	$25 - $36	◀▶
22nd Street W	$14 - $26	◀▶

see boundaries

Rental Rate Range ($PSF)

Winnipeg

— The Winnipeg retail market has remained steady with net rental rates holding even over recent quarters. With very little space added to the market over the last two years, retail assets, unlike other product types, haven't experienced a recent spike in rates.

— The retail outlook is promising with several exciting projects in the pipeline expected to come to market over the next few quarters. This includes Hopewell Developments' mixed-use The Refinery District and Qualico Properties' Sage Creek Village North. The 14-acre site will feature 150,000 SF of retail space upon completion.

Paul Kornelsen
Vice President
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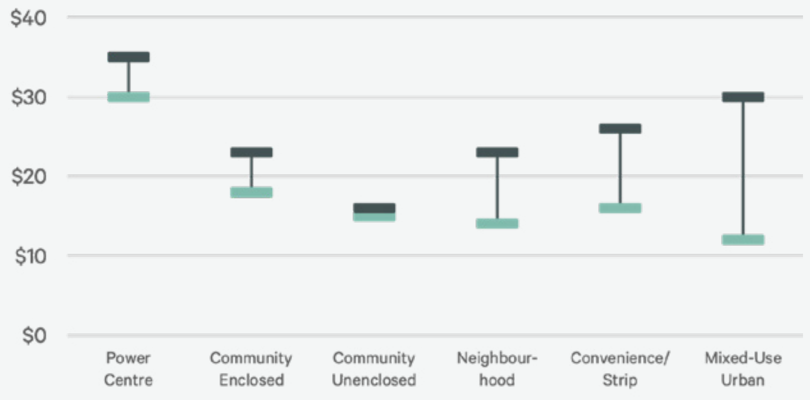
Net Asking Rental Rate ($PSF)

FORMAT	RANGE	△6mo
Regional Mall	$40 - $50	◀▶
Power Centre	$30 - $35	◀▶
Community - Enclosed	$18 - $23	◀▶
Community - Unenclosed	$15 - $16	◀▶
Neighbourhood	$14 - $23	◀▶
Convenience/Strip	$16 - $26	◀▶
Mixed-Use - Urban	$12 - $30	◀▶
KEY URBAN AREAS		
Ellice Avenue	$20 - $25	◀▶
Osborne Village	$15 - $20	◀▶
Wolseley (Portage Avenue)	$12 - $14	◀▶

see boundaries

Rental Rate Range ($PSF)



Kitchener-Waterloo

- By and large, the Kitchener-Waterloo retail market has weathered COVID-related conditions well. A number of retailers relocated to CF Fairview Park Mall during this period, and have since been backfilled by other tenancies, indicating a healthy market.
- Food-related occupiers are the most active user category in the market with demand strongest from specialty or ethnic grocery stores and QSR. Personal services are also starting to have a resurgence, including hair and nail salons, spas, and physiotherapists, as well as full-service restaurants.
- Development activity continues to be predominantly through mixed-use projects with retail on the ground floor. Limited projects are moving forward elsewhere, unless if built-to-suit.

Mel de Oliveria

Vice President

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Net Asking Rental Rate ($PSF)

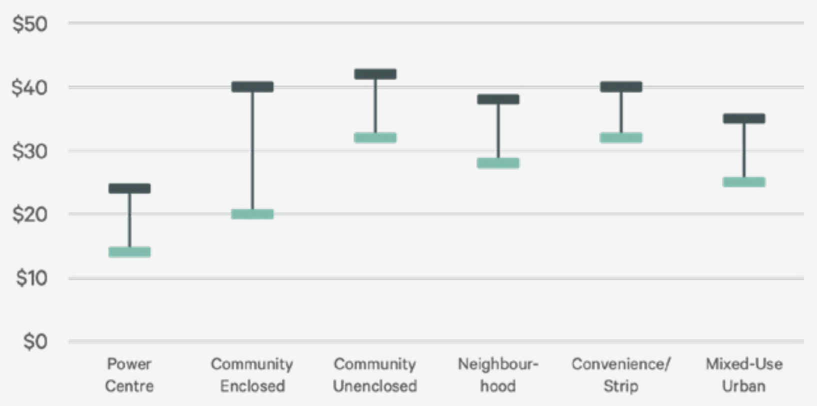
FORMAT	RANGE	△6mo
Regional Mall	$65 - $80	◀▶
Power Centre	$14 - $24	◀▶
Community - Enclosed	$20 - $40	◀▶
Community - Unenclosed	$32 - $42	◀▶
Neighbourhood	$28 - $38	◀▶
Convenience/Strip	$32 - $40	◀▶
Mixed-Use - Urban	$25 - $35	◀▶

KEY URBAN AREAS		
Belmont Village[1]	$25 - $40	◀▶
Uptown Waterloo[2]	$25 - $40	◀▶
Downtown Kitchener[3]	$22 - $35	◀▶

[1]Belmont Avenue W
[2]King Street S
[3]King Street W

see boundaries

Rental Rate Range ($PSF)



Executive Summary
Vancouver
Calgary
Edmonton
Saskatoon
Winnipeg
Kitchener-Waterloo
Toronto
Ottawa
Montreal
Halifax
Key Urban Area Boundaries
Glossary

Toronto

- Leasing activity is up across the board, with previously quiet user groups back in the fold once again including gyms, cafes, and fashion retailers. International brands are also notably more active after a pause due to closed borders.
- Location-wise, interest is most prominent in Class A properties, with touring levels recovering more slowly in tertiary properties. Activity on the PATH has also resumed and among Class A product, it is no longer a question of whether the space will be filled, but of pricing instead.
- With healthy retail sales levels, pricing has stabilized, and creative deals are isolated occurrences. Continued supply chain dislocations are shifting attention to timing and space fit-out costs. Landlords have proven supportive, increasing TI packages to help defray some of these costs.

Arlin Markowitz
Executive Vice President
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Net Asking Rental Rate ($PSF)

FORMAT	RANGE	△6mo
Regional Mall	$150 - $160	◀▶
Power Centre	$40 - $45	◀▶
Community - Enclosed	$40 - $45	◀▶
Community - Unenclosed	$25 - $30	◀▶
Neighbourhood	$18 - $25	◀▶
Convenience/Strip	$20 - $25	◀▶
Mixed-Use - Urban	**$35 - $65**	▲
Mixed-Use - Suburban	$30 - $50	◀▶
KEY URBAN AREAS		
Bloor-Yorkville	$180 - $250	◀▶
Yonge-Dundas	$100 - $150	◀▶
King Street W	**$75 - $100**	▲
Queen Street W	$75 - $110	◀▶

see boundaries

Rental Rate Range ($PSF)

Ottawa

- After a pandemic pause, the retail sector has started to rebound in Ottawa with strong positive activity and increased foot traffic during the first half of 2022.
- By category, QSR is the most active for new leasing, followed by furniture, home improvement, activewear retailers, and financial institutions. Recent notable openings include PLUS, a Canadian luxury streetwear shop, in CF Rideau Center.
- Despite the current cost environment, the new development pipeline is the most active it has been in recent years due to a lack of second-generation space. Looking ahead, current proposals to revamp Lansdowne Park will see more retail space added to the site alongside increased density through three residential towers.

Jamie Boyce
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Net Asking Rental Rate ($PSF)

FORMAT	RANGE	△6mo
Regional Mall	$75 - $110	◀▶
Power Centre	$25 - $35	◀▶
Community - Enclosed	$45 - $55	◀▶
Community - Unenclosed	$35 - $45	◀▶
Neighbourhood	$28 - $38	◀▶
Convenience/Strip	$32 - $40	◀▶
Mixed-Use - Urban	$35 - $45	◀▶
KEY URBAN AREAS		
Glebe (Bank Street)	$38 - $50	◀▶
ByWard Market	$35 - $50	◀▶
Westboro (Richmond Road)	$32 - $45	◀▶

see boundaries

Rental Rate Range ($PSF)

Montreal

- Market sentiment is mixed in Montreal, however, retail demand remains healthy with new-to-market entries being made from domestic and international players alike. F&B operators are ready to expand and open new restaurants, but labour shortages and equipment delays have made some in the industry reluctant to pull the trigger for now on new leases.
- Rental rates have largely held steady over the last six months across most formats. Construction costs, while still significantly higher than they were pre-pandemic, have started to come down which has offered some cost savings for tenants.
- Development activity continues to progress, adding to the revitalization of retail nodes across the city. Major projects underway include Royalmount from Carbonleo and Solar Uniquartier by Devimco.

Christopher Rundle
Associate Vice President
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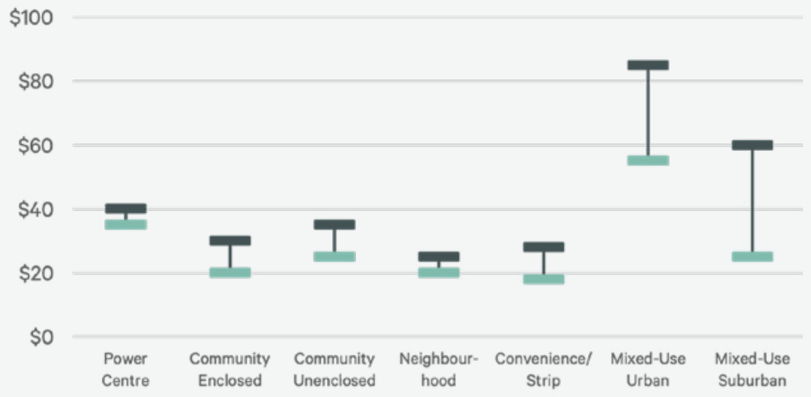
Net Asking Rental Rate ($PSF)

FORMAT	RANGE	△6mo
Regional Mall	$80 - $120	◀▶
Power Centre	$35 - $40	◀▶
Community - Enclosed	$20 - $30	◀▶
Community - Unenclosed	$25 - $35	◀▶
Neighbourhood	$20 - $25	◀▶
Convenience/Strip	**$18 - $28**	▲
Mixed-Use - Urban	$55 - $85	◀▶
Mixed-Use - Suburban	$25 - $60	◀▶
KEY URBAN AREAS		
Sainte-Catherine Street W	$150 - $175	◀▶
Rue de la Montagne	$65 - $85	◀▶
Sherbrooke Street W	**$35 - $70**	▲
Saint-Laurent Boulevard	**$25 - $65**	▼

see boundaries

Rental Rate Range ($PSF)



Halifax

- Rental rates have largely remained stable or are increasing in Halifax due to a significant amount of new development and increased leasing activity. Grocery-anchored centres and retail properties with residential development opportunities are the most in-demand and are attracting investment interest from developers.
- Bayers Lake and Dartmouth Crossing have experienced significant activity. Dartmouth Crossing has become the hub for new-to-market entrants and continues to expand. Bayers Lake, meanwhile, is now tight for space with almost no availability.
- The Halifax Shopping Centre continues to perform strongly. The preeminent centre for the region attracts shoppers from across the province, with recent opening announcements including Simon's, coming spring 2024.

Rebecca Todd
Sales Associate
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Net Asking Rental Rate ($PSF)

FORMAT	RANGE	△6mo
Regional Mall	$65 - $85	◀▶
Power Centre	**$28 - $30**	▲
Community - Enclosed	$15 - $18	◀▶
Community - Unenclosed	$18 - $20	◀▶
Neighbourhood	**$28 - $32**	▲
Convenience/Strip	$24 - $26	◀▶
Mixed-Use - Urban	**$32 - $36**	▲
Mixed-Use - Suburban	**$20 - $22**	▲

KEY URBAN AREAS		
Spring Garden Road	**$65 - $75**	▲
Quinpool Road	**$36 - $40**	▲

see boundaries

Rental Rate Range ($PSF)

Key Urban Area Boundaries

Vancouver

Alberni Street	Thurlow St - Burrard St
Robson Street	Bute St - Burrard St
Granville Street	Smithe St - W Pender St
West 4th Avenue	Vine St - Maple St

Calgary

17th Avenue SW	9th St SW - 4th St SW
Marda Loop	22nd St SW - 19th St SW
Kensington Gate	Kensington Rd NW - 10A St NW - 10 St NW

Edmonton

Whyte Avenue	109 St NW - 99 St NW
124 Street	Jasper Ave - 109 Ave NW
Jasper Avenue	124 St - 100 St NW

Saskatoon

8th Street E	Cumberland Ave S - Circle Dr E
22nd Street W	Idylwyld Dr N - Circle Dr

Winnipeg

Ellice Avenue	Home St - Spence St
Osborne Village	Osborne St - Roslyn Rd - Wardlaw Ave
Wolseley (Portage Avenue)	Sprague St - Home St

Kitchener-Waterloo

Belmont Village (Belmont Avenue W)	Union Blvd - Glasgow St
Uptown Waterloo (King Street S)	Young St W - William St E
Downtown Kitchener (King Street W)	Water St S - Frederick St

Toronto

Bloor-Yorkville	Avenue Rd - Yonge St - SS of Bloor St W - NS of Yorkville Ave*
Yonge-Dundas	Gerrard St E - Queen St
King Street W	Bathurst St - Spadina Ave
Queen Street W	Bathurst St - University Ave

Inclusive of Yorkville Village

Ottawa

Glebe (Bank Street)	Powell Ave - Rideau Canal
ByWard Market	Clarence St - Rideau St - Sussex Dr - Dalhousie St
Westboro (Richmond Road)	Golden Ave - McRea Ave

Montreal

Sainte-Catherine Street W	Bishop St - McGill College Ave
Rue de la Montagne	Sherbrooke St W - Ste-Catherine St W
Sherbrooke Street W	Clairmont Ave - Roslyn Ave
Saint-Laurent Boulevard	Mont-Royal Ave W - Prince Arthur St W

Halifax

Spring Garden Road	Barrington St - South Park St
Quinpool Road	Robie St - Connaught Ave

Glossary

Methodology: Net asking rental rate ranges are provided by CBRE's retail advisory & transaction service professionals. Ranges are intended to indicate what asking rents would be as of the report's date for a well-performing Class A centre with a strong and stable tenant mix in each respective market. Assumptions also include a 10-year deal with standard inducements to a tenant with good covenant and desirability (excluding anchors). In the case of Regional Malls, we have also looked at the most coveted CRU locations within Class A centres, i.e. in areas with high foot traffic, good visibility and desirable co-tenancy, which come at a premium relative to the remainder of the centre.

△6mo: Change over the last six months, indicated as an arrow showing as either up (▲), down (▼) or stable (◀▶).

CRU: Commercial Rental Unit

PSF: unit of measurement, per sq. ft.

QSR: Quick Service Restaurant

SF: unit of measurement, sq. ft.

Regional Mall: Enclosed centres that have strong anchors with a high percentage of national tenants in CRU space. Occupiers focus on general merchandise or fashion-oriented offerings. Properties are typically anchored by at least two large format tenants, including most often a department store. The typical centre size is greater than 300,000 SF and has a trade area of 8 – 20 km or larger.

Power Centre: Unenclosed centres comprised of freestanding and mostly unconnected single-story properties or "big boxes", often including at least one large format brand name anchor tenant. The typical centre size is between 100,000 – 1,000,000 SF and has a trade area of 8 – 20 km or larger.

Community: Enclosed or unenclosed centres that serve a community and are generally anchored by some combination of a junior department store, supermarket, or pharmacy. Typically offer a wider range of apparel and soft goods to neighbourhood centres. The average centre size is between 100,000 – 400,000 SF and has a trade area under 10 km.

Neighbourhood: Unenclosed centres that serve a neighbourhood and are generally anchored by a supermarket or pharmacy. Typically offer a wider range of goods to convenience/strip centres. The average centre size is between 40,000 – 100,000 SF and has a trade area under 5 km.

Convenience/Strip: Unenclosed centres providing convenience shopping for the daily needs of consumers in the immediate area. Centres offer a narrow mix of goods and personal services. The typical centre size is under 40,000 SF and has a very limited trade area.

Mixed-Use: Multi-component structure developed as a single and coherent entity where its retail component is located as part of the podium below or alongside non-retail uses (residential, office, or hotel). In urban settings, these centres can share similar characteristics to regional malls having a large selection of goods and services.

Key Urban Areas: Streetfront properties either centrally located along a high-profile retail corridor or side by side along major urban thoroughfares in close proximity to public transit. Parking is typically available on street or within a public parking structure.

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