

OVERVIEW

Calgary's retail real estate market has benefited from Alberta's nation-leading retail performance and expansion throughout 2013. The retail industry's successful growth and performance has been largely due to several strong local economic indicators.

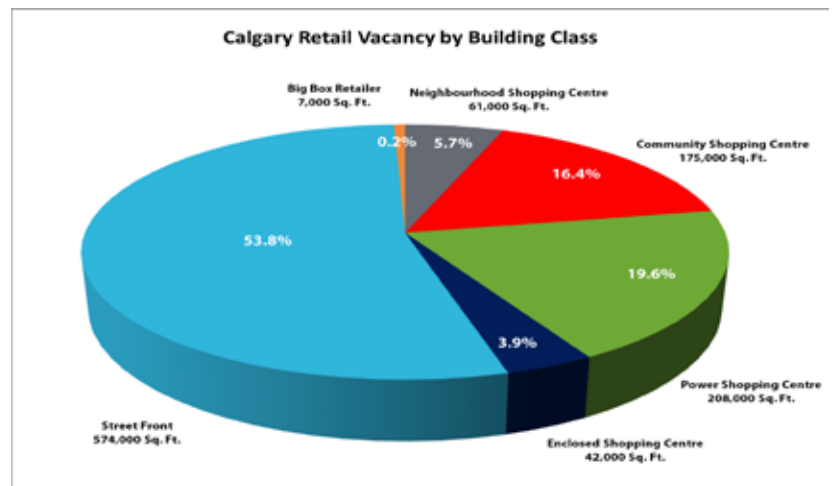
Economic Indicator Overview				
Indicator	As Of	Canada	Alberta	National Rank
Unemployment Rate	July 2013	7.2%	4.5%	2nd
Average Weekly Earnings	May 2013	\$915	\$1,113	1st
Average Hourly Wage	July 2013	23.75	\$27.12	1st

At only 4.5%, Alberta's unemployment rate is the second lowest among Canadian provinces. This is coupled with having the highest average weekly earnings and the highest average hourly income among provinces. As a result, Alberta's average retail spending volume is one of the highest in Canada, and the local retail market has experienced a percentage growth in retail trade of 7.7% in the past year, which is the highest in Canada.



The real estate market reflects the local retail sector's success. Overall vacancy for retail space has remained stable at 2.9% in Calgary. Vacancy rates are lowest in the suburban retail market, especially in big box retail centres and larger shopping centres as opposed to street front properties.

A continually strong local economy, high consumer spending power, and aggressive U.S. retailer expansions have driven the retail market's success increasingly upward in 2013, and will likely continue to facilitate positive momentum in the foreseeable future.



Alberta Retail Trade Performance			
Indicator	As Of	Value	National Rank
Retail trade	June 2013	\$6.1 billion	3rd
Retail trade growth in last year	June 2013	7.7%	1st

The Retail Report - Fall 2013

MARKET TRENDS

U.S. Retailers Entering the Local Retail Market



U.S. retailers have continued to aggressively expand in the Canadian retail market in 2013. Many US retail companies have been especially focused on expanding into the Calgary retail market, in order to capitalize on the strength and spending power of the local economy.

Target, a major U.S. based department store, has opened several stores in Calgary this year. This followed the retail chain's acquisition of 189 Zellers locations across Canada. Target opened its first Calgary stores in May. There are now a total of 6 stores open in the city. More Target sites are expected to open in the future as the company continues to expand into the Canadian market. There are currently 68 locations open in Canada, and Target plans to open 124 more stores across the country by the end of 2013.

Major Retail Mergers & Acquisitions

Purchaser	Company Purchased	Amount (\$)
Loblaw	Shoppers Drug Mart	12.4 billion
Sobeys	Safeway Canada	5.1 billion
Hudson's Bay Company	Saks Inc.	2.9 billion
Target	Zellers (189 leaseholds)	1.8 billion
Crombie REIT	Empire Co. Ltd. (68 Safeway locations in Western Canada)	990 million
Cineplex Ltd.	Empire Co. Ltd. (26 theatre locations in Eastern Canada)	200 million
FGL Sports (Canadian Tire)	Pro Hockey Life	85 million
Landmark Cinemas Inc.	Empire Co. Ltd. (20 theatre locations in Western Canada and Ontario)	55 million

Another example of a U.S. retailer entering the Canadian marketplace is the Hudson Bay Company's \$2.9 billion purchase of New-York based Saks Fifth Avenue. The deal, which is expected to close by the end of 2013, will result in Saks stores opening in various Canadian cities, most likely including Calgary. Nordstrom, another U.S. based luxury department store chain is also planning on entering the Calgary retail market. The first Nordstrom location is scheduled to open in 2014 and will occupy the former Sear's Canada space in the Chinook Centre mall.

Changing Retail Landscape

In recent years, and increasingly in 2013, the retail industry is experiencing changes as a result of new consumer spending habits. Consumers are increasingly shopping online, where products are purchased from home, then shipped to them directly. As a result, retail store space requirements for many retailers have decreased. This has led to several companies to downsize, or even close their retail stores.



In early 2013, Best Buy announced that over the course of the year, the company would close seven of its big box Best Buy locations and eight of its Future Shop locations across Canada. The company's retail stores have been affected by a new buying trend known as "showrooming", which refers to the emerging consumer practice of browsing products in stores and selecting one, but ultimately purchasing the product online for a more affordable price. Many retailers have chosen to embrace this trend due to the lower costs associated with operating through online purchases as opposed to traditional store retailing.

Several other retailers, including Pro Hockey Life and Empire theatre locations, have been bought out by larger competitors in the Calgary market due to downsizing and rightsizing decisions. These trends have resulted in many retailers re-thinking their physical real estate space requirements.

DEVELOPMENT SPOTLIGHT



Sierra Springs

Sierra Springs is a phased project by Hopewell Development located 6km North of Calgary in Airdrie, AB at the intersection of Big Hill Springs Road and Highway 2. This 43 acre project is Airdrie's only power retail shopping centre. It offers over 400,000 square feet of leasable space. Due to the city's high average household income and significant population growth in recent years, retail opportunities are promising. Also, with easy access along Highway 2 and high daily traffic volume, the potential exposure presents an attractive opportunity for retailers. London Drugs, Dollarama, and Reitmans have recently opened stores in Sierra Springs, and Petland, Bulk Barn, and a variety of fashion retailers have been solidified.



Evolution at East Village

Calgary's East Village is a unique 49 acre urban village designed around the principles of high density inner-city living, walkable streets, nearby amenities, and strong local culture. Evolution, developed by Embassy BOSA, is located in the heart of East Village along 4th Street SE, east of the downtown core. Planned for 2015 occupancy, Evolution will feature 17,000 square feet of retail space on the main floor, with luxury residences on the floors above. A major appeal of the development for retailers is the fact that there will be approximately 11,500 residents within walking distance, which potentially results in very high exposure to the local community and pedestrian traffic.



Beacon Heights



Located adjacent to the 725,000 square foot Beacon Hill Centre, north of Stoney Trail NW, along Sarccee Trail, Beacon Heights is highly visible and easily accessible. This 10 acre site is partially developed to date. Rapid residential development to the north, including Nolan Hill and Sage Hill, will further the need for shopping destinations and amenities in the area. New tenants include TommyKplay, Dollarama, and GolfTEC. Opportunities exist in a variety of configurations for prospective tenants as well.

AVISON YOUNG'S FEATURED RETAIL LISTINGS

SIERRA SPRINGS SHOPPING CENTRE



Located in Airdrie, AB
Airdrie's 1st large format retail development anchored by Wal-Mart Super Centre, Home Depot & Rona

BEACON HEIGHTS SHOPPING CENTRE



12024 Sarcee Trail NW
Ten acre power shopping centre with in-line retail & pad sites available

EVOLUTION EAST VILLAGE



583 Riverfront Avenue SE
Mixed used development with 17,108 sq. ft. of retail space slated for spring 2015

MARKET AT WEST SPRINGS



882 – 85th Street SW
5,700 sq. ft. of retail designed to service the adjacent 83 unit condo project and surrounding community

MONTROSE



Located in High River, AB
New 8 acre development buildable up to 80,000 sq. ft.
Anchored by Co-op

CREEKSIDE SHOPPING CENTRE



Symons Valley Road & Symons Valley Parkway NW
40 acre four phase development surrounded by six emerging residential communities

STANDARD LIFE TOWER



639 – 5th Avenue SW
Downtown Core
Highly visible main floor opportunity in a +15 connected, 25 floor office tower



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