

ECONOMIC INDICATORS

National

	2015	2016F	12-Month Forecast
GDP Growth	1.1%	1.4%	▲
CPI Growth	1.1%	1.6%	▲
Consumer Spending Growth	1.9%	2.1%	■
Retail Sales Growth	1.7%	3.4%	▲

Regional

	Q2 15	Q2 16	12-Month Forecast
Median Wage Rate	\$24.83	\$25.20	▲
Labour Force Population Growth	1.3%	1.4%	■
Unemployment Rate	5.7%	6.1%	▼

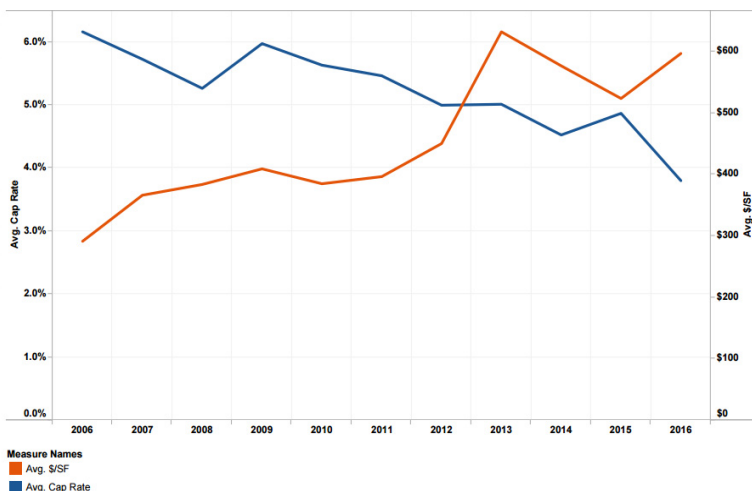
Source: Statistics Canada

Economy

As we continue through 2016, so does the positivity from the strong start seen at the beginning of the year. British Columbia continues to be the nation's leader for GDP growth, housing sales, job growth, and consumer spending. GDP growth is poised to be 3% in 2016, and is expected to see only a slight decline in 2017. Due to a 12 month 100,000 job growth spurt, the province's unemployment rate is the lowest in the country at 5.8%.

Source: RBC Economics

Retail – Avg. \$/sf vs Cap Rate



Source: Realnet

Market Overview

British Columbia continued to be amongst the leaders for provincial retail spending so far in 2016, despite a slight decline in December 2015. Riding on the tails of a renewed confidence in the economy and their personal financial situations, consumers are making more purchases.

Improvements, expansions, renovations – Larco's Park Royal has it all, as work continues on their 10-year long endeavor, ultimately transforming it from being B.C.'s second-largest shopping centre into a mixed-use "urban village". American Eagle Outfitters, Aldo, and La Vie en Rose contributed to a 30,000 square feet (sf) addition on the south side of Marine Drive. Dubbed the "aspirational retail promenade" an additional 100,000-sf includes stores such as Anthropologie, Michael Kors, and Kate Spade. The Keg Steakhouse + Bar and RYU open this fall in the expanded section of The Village. Not to be forgotten is the redevelopment of Park Royal North which is now underway with a new Loblaws City Market and renovated London Drugs among the tenants. Steve Nash Sports Club is also opening a 35,000-sf facility.

Ivanhoé Cambridge's Tsawwassen Mills remains on schedule to open in the fall of 2016, and is anchored by Bass Pro Shops. The area will feature a 6,000-stall parking lot and a 1,100-seat food court to ensure shoppers' comfort and convenience.

Prada, the world-renowned Italian luxury brand has opened its 8,200-sf Vancouver flagship store at 1098 Alberni Street, joining affluent neighbours such as Hermes, Burberry, De Beers and Tiffany & Co. (which has been on Alberni for a decade and recently expanded into the former Kamei Royale space on the 2nd floor). The Prada store will feature Verner Panton-designed sofas and crystal display cases. It will be the only store in Canada to offer Prada's Made-to-Measure program.

Saint Laurent Paris (more commonly known as Yves Saint Laurent) opened its first (freestanding) Canadian location in Vancouver's "Luxury Zone" at 746 Thurlow Street. Spread over two levels, the store features men's and women's ready-to-wear collections as well as accessories and footwear.

Sport Chek opened its newest flagship store in the former Chapters location at 788 Robson Street. The 53,000-sf three-storey location replaces the Sport Chek in Pacific Centre which occupied just over 30,000-sf. About 40% of Sport Chek's sales are apparel with about 30% footwear and 30% hard goods (i.e. skis or bikes) says a source affiliated with the chain. As an added feature, touch screens are also available nearby to enable shoppers easy access to the Sport Chek e-commerce website.

Retail Snapshot Q2 2016

Vancouver, BC



Leon's Furniture Limited has acquired eight prime retail locations in Canada by assuming the leases from former Sears Canada Inc. Of those eight locations, four are located in British Columbia; a first in the company's history for physical locations in the province. The company already has 27 The Brick showrooms across British Columbia from when it acquired The Brick in a \$700 million deal in November 2012.

Many local companies, who started their businesses here (especially apparel) are proving that companies who are bred in B.C. tend to remain local, despite their burgeoning growth globally.

Outlook

As lease rates in prime, high-end locations continue to escalate in the downtown core, so does the demand for space from luxury retailers, much to the chagrin of long-standing or established restaurants who have made streets such as Alberni their home for several years. The area is attracting high-end retailers but at a cost as eateries such as Kamei Royale, a decades old tenant, recently had to close its doors and relocate to 1066 Hastings Street to make room for the already approved Tiffany & Co. expansion, who were able to pay market rents that would not be reasonable for a restaurant. Italian Kitchen, Coast, Black + Blue and The Roof are all higher-end restaurants also located on Alberni Street, and it will be interesting to see if they can withstand the increase in rental rates, considering they are in part responsible for bringing a better class of patrons to the area and re-imagining Alberni to becoming the luxury mecca that it is today. This is not to take away from the 5-star Shangri-La hotel that really started it all.

With 600 businesses generating 7,000 jobs in the province and 14,000 jobs globally, B.C. now has North America's fourth-largest apparel sector. Brand-name companies such as Arc'teryx, lululemon athletica, and MEC (Mountain Equipment Co-op) have proven that it makes good business sense to remain local while prospering globally. Other successful apparel companies include Native Shoes, John Fleuvog, Mustang Survival, and Watson Gloves. Each of these companies have found that at a fundamental level they prosper from where they began. Arc'teryx, which specializes in high-performance outerwear and is a global leader in performance rainwear, is the best example of proving that they make what they know – which is B.C.'s inclement weather, especially being based on the North Shore.

Street Front Lease Rates

CITY	AREA	RENT
Abbotsford	Central	\$10 - \$18
Abbotsford	Sumas	\$18 - \$45
Burnaby	Hastings – Boundary / Gilmore	\$20 - \$38/40
Burnaby	Kingsway – Willingdon / Royal Oak	\$25 - \$35
Burnaby	Kingsway / Metrotown	\$25 - \$50
Delta	Scott Road	\$20 - \$30
Langley - City	Langley City	\$15 - \$35
Langley - Township	Langley	\$15 - \$35
New Westminster	Downtown	\$12 - \$40
New Westminster	Uptown	\$12 - \$40
North Vancouver	Lonsdale Avenue	\$25 - \$50
North Vancouver	Marine Drive	\$25 - \$45
Richmond	No. 3 Road	\$30 - \$60
Surrey	Fleetwood / Cloverdale	\$18 - \$30
Surrey	Newton	\$18 - \$30
Surrey	North Surrey	\$15 - \$30
Surrey	South Surrey	\$20 - \$50
Tri Cities	Coquitlam, Port Coquitlam, Port Moody	\$18 - \$35
Vancouver	Broadway / Cambie	\$40 - \$90
Vancouver	Broadway / MacDonald	\$25 - \$40
Vancouver	Chinatown / Crosstown	\$20 - \$50
Vancouver	Commercial Drive	\$25 - \$55
Vancouver	Denman – Davie	\$45 - \$70
Vancouver	Gastown	\$40 - \$50
Vancouver	Granville – Downtown	\$35 - \$100
Vancouver	Granville – Broadway / 16th	\$45 - \$80
Vancouver	Kerrisdale	\$25 - \$55
Vancouver	Kingsway	\$15 - \$25
Vancouver	Main Street	\$30 - \$45
Vancouver	Robson – Alberni	\$150 - \$250
Vancouver	West 10 th / UBC	\$30 - \$50

Lease rates are based on the data from a collection of deals done in the previous quarter
NOTE: With the exception of Cambie/Broadway, rental rates along West Broadway remain in the \$30 - \$35 range

MARKETBEAT

Retail Snapshot Q2 2016

Vancouver, BC



Key Lease Transactions 2016

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
Park Royal (North)	45,000	Loblaws City Market	Lease	West Vancouver
Park Royal (North)	35,000	London Drugs	Lease	West Vancouver
Cadence	17,824	Steve Nash Sports Club	Lease	Richmond
801 Columbia Street	10,531	CRAFT New West GP Ltd.	Lease	New Westminster
Willowbrook Park Shopping Centre	8,372	Insurance Corporation of British Columbia (ICBC)	Lease	Langley
1035 Seymour Street	5,988	Boffo Developments Ltd.	Lease	Financial Core
Harbour Centre	5,819	Man In The Moon Holdings	Lease	Victoria
Bentall IV *	5,048	Bank of China (Canada)	Lease	Financial Core

* Renewal

Key Sales Transactions 2016

PROPERTY	SF	SELLER/BUYER	PRICE / SF	SUBMARKET
Royal City Centre *	389,171	Strathallen Capital Corp. / Dava Developments Ltd.	\$114,700,000 / \$295	New Westminster
Peninsula Village *	170,706	RioCan REIT / First Capital Realty Inc.	\$78,250,000 / \$458	Surrey
Mission Junction *	123,293	RioCan REIT / LaSalle Investment Management	\$68,050,000 / \$241	Mission
950 West Broadway	23,000	Transworld Management Ltd. / Hometop Enterprises Ltd.	\$46,000,000 / \$2,000	Broadway Corridor
The Wilson Block (Tom Lee Building)	52,700	Soco Investment Inc. / Bonnis Properties Inc.	\$41,000,000 / \$933	Financial Core
8475-8555 Granville Street	47,000	Crombie REIT / Empire Company Limited & Sobeys Inc.	\$35,952,027 / \$765	Financial Core

* Share Sale

Significant Construction Completions 2016

PROPERTY	SF	MAJOR TENANT	SUBMARKET	COMPLETION DATE
N/A				

Significant Projects Under Construction

PROPERTY	SF	MAJOR TENANT(S)	SUBMARKET	COMPLETION DATE
Tsawwassen Mills	1,200,000	Bass Pro Shop / Pro Hockey Life / Forever 21	Delta	Q3 2016
Tsawwassen Commons	555,000	Walmart, Rona, Canadian Tire, Sport Chek	Delta	Q3 2016
Park Vancouver	134,000	Casino	Vancouver	Q4 2016
River District	259,182	N/A	Vancouver	N/A
Lower Lynn Town Centre	120,000	N/A	North Vancouver	N/A

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