

## Retail Snapshot Q1 2016

Montréal, QC



## ECONOMIC INDICATORS

## National

|                          | 2014 | 2015 | 12-Month Forecast |
|--------------------------|------|------|-------------------|
| GDP Growth               | 3.4% | 4.7% | ▲                 |
| CPI Growth               | 0.0% | 0.7% | ▲                 |
| Consumer Spending Growth | 2.4% | 1.8% | ■                 |
| Retail Sales Growth      | 3.7% | 1.0% | ▼                 |

## Regional

|                                       | 2014     | 2015     | 12-Month Forecast |
|---------------------------------------|----------|----------|-------------------|
| Personal Disposable Income (Montreal) | \$28,867 | \$29,285 | ▲                 |
| Population Growth                     | 0.7%     | 0.6%     | ▲                 |
| Unemployment                          | 7.7%     | 7.6%     | ■                 |

Sources: Statistics Canada, RBC, Montreal Chamber of Commerce

## Economy

The Quebec economy finished 2015 with a modest GDP growth rate of 1.3%. However, a stronger economic performance is anticipated for 2016 as the province should benefit from an expanding U.S. economy as well as an improved fiscal situation. The forecasted improvements in real GDP and employment are expected to boost consumer confidence and household spending. Retail sales are expected to rise by 3.9% in 2016, compared to the 1.2% growth in 2015.

## Market Overview

The Downtown area of Montreal, characterized by Sainte-Catherine Street and the underground city, continues to dominate the retail market in Montreal. Sainte-Catherine Street has been revamped as it recently underwent infrastructure work. In addition, Montreal's most vibrant commercial street has welcomed a number of new retailers while bidding farewell to some others. Examples of this include Tommy Hilfiger, which has been replaced by La Vie En Rose, and Swatch which took over the former location of fashion retailer Bedo. Among the newcomers on Sainte-Catherine Street include G-Star, Lolë, COS by H&M, Ariztia, as well as Victoria's Secret, which opened its second largest location in the world, totaling 33,162 square feet (sf). In addition, it is anticipated that a number of American and European flagship stores will make their entrance to the Montreal Downtown market in the coming year. One of these retailers has already been announced- Danish lingerie brand "Change", which took 1,100 sf at Place Montreal Trust.

A number of retailers are also rumored to open, such as All Saints, MUJI, Uniqlo and Nordstrom. Despite the high taxes, heavy traffic, and limited parking, Saint-Catherine Street remains a key locale for Montreal retail and continues to command the highest rents in the Montreal retail market.

Lifestyle centres continue to gain in popularity as they offer a new and modern shopping experience; an experience many consumers now demand. These centres focus on the "work, play and live" concept, whereby they combine retail, services (such as banks), entertainment (restaurants, cinemas, spas, skate parks, etc.) as well as office options. Quartier Dix30, one of the largest retail lifestyle centres in Montreal, is considered a true success story. Inspired by the popularity of the Dix30, Carbonleo has recently unveiled its 4-million square foot Royalmount project. This is being promoted as a lifestyle centre, with plans to include a waterpark, skating rink, outdoor cinema, two hotels, as well as offices, shops and restaurants.

Large regional malls, such as Carrefour Laval, continue to expand, supported by an interesting mix of retailers and the growing population density around them. Currently Quebec's number one shopping centre in terms of sales, Carrefour Laval continues to attract flagship stores and has recently added Mackage and Marc Cain to its list of retailers.

Quebec is expected to see a new entrant to the retail market, New York premium retailer Saks Fifth Avenue. The retailer will open a 26,000-sf store under the flagship Saks OFF 5th at Mirabel outlets, while a second store of 45,000 sf will open in 2018 in Montreal's Eaton Centre. Another Saks OFF 5th is planned to open in Place Ste-Foy shopping centre located in Quebec City.

## Outlook

The retail market in the Greater Montreal Area continues to face some challenges and remain difficult for retailers as well as landlords, with more closures spotted across the city and more space available for rent. Despite those challenges, Montreal's retail sector continues to evolve, with major redevelopments set to occur on Saint-Catherine as well as the growing popularity of lifestyle centres.

## Key Areas

### SAINTE-CATHERINE STREET WEST

Montreal's high-fashion street and home to some of the city's largest and most popular stores, including; the Bay, Simons, Apple, Forever 21, H&M amongst others, Sainte-Catherine Street West is a favorite shopping destination for both Montrealers and tourists alike. It is also made up of some of the city's largest shopping malls such as the Eaton Center, Place Montreal Trust and Les Ailes de la Mode.

### UNDERGROUND CITY

Started in 1962, Montreal's Underground City, stretches over 32 km, and is one of the largest underground districts in the world. A popular tourist attraction, the underground city is made up of stores, malls, hotels, offices, museums, 7 subway stations and the Bell Center which is home to the city's beloved hockey club, the Montreal Canadiens.

### OLD MONTREAL

Despite being somewhat of a seasonal shopping destination, Old Montreal remains one of the city's top retail destinations for tourists. It is a destination that attracts a very specific type of retailer. Due to city bylaws, as well as space restrictions, there are no big name retailers. Instead, the narrow streets are dotted with small shops and specialty boutiques. Many Quebec clothing and jewelry designers chose to open up in Old Montreal because of the foot traffic and volume of tourists present in the summer months.

### CARREFOUR LAVAL

Carrefour Laval, located just off the island of Montreal, is the largest one-storey mall in Quebec with a gross leasing area of over 1.2 million square feet. With over 300 stores, Carrefour Laval has become one of the most important retail destinations in Quebec. Because of this, large American retailers such as Victoria's Secret and Crate & Barrel are choosing to open their flagship stores at Carrefour.

### QUARTIER DIX/30

Located in the suburb of Brossard and with an area of just over 2.7 million square feet, the Quartier DIX30 is considered Canada's first and largest commercial lifestyle center. It is comprised of many well-known retailers such as Zara, BCBG Maxazria, H&M and Aldo. In addition to the extensive shopping section of the complex, the Quartier Dix30 comprises a medical clinic, bars, restaurants, two performance venues, a movie theatre, a hotel (the Alt Hotel), gyms, a spa, a sports center, food outlets, as well as offices.

## Market Overview

| Key Areas/Streets/Shopping Centres | Consumer Profile                                 | Major Retailers Present                                    | New Entrants                                | Typical Net Rent for Unit of 2,000 sf | Range of Unit Sizes |
|------------------------------------|--|--|---|---------------------------------------|---------------------|
| Sainte-Catherine Street West       | Tourists, local shoppers, local business density | The Bay, Simons, Apple, Forever 21, Zara, H&M, Sephora     | Victoria's Secret, G-Star, Lolë, COS by H&M | 120-250 PSF                           | 1,500-50,000        |
| Underground City                   | Local business density, Tourists                 | Old Navy, Zara, Food Courts,                               | Lindt Chocolates                            | 70-115 PSF                            | 300-50,000          |
| Carrefour Laval                    | Regional shoppers                                | Simons, H&M, Old Navy, Victoria's Secret, Crate & Barrel   | Mackage; Marc Cain                          | 125-220 PSF                           | 300-100,000         |
| Quartier Dix/30                    | Regional shoppers                                | Cinemas Odeon, Best Buy, H&M, Marché Adonis, Canadian Tire | n/a   | 35-60 PSF                             | 2,000-200,000       |
| Golden Square Mile                 | Local shoppers, tourists                         | Holt Renfrew, Ogilvy, Tiffany & Co.                        | Frank & Oak; Mandy's                        | 40-80 PSF                             | 800-20,000          |

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